

PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 3, 2026

This **PRELIMINARY OFFICIAL STATEMENT** is subject to completion and amendment and is intended solely for the solicitation of initial bids to purchase the Bonds. Upon sale of the Bonds, the **OFFICIAL STATEMENT** will be completed and delivered to the Underwriter.

IN THE OPINION OF BOND COUNSEL, UNDER EXISTING LAW, INTEREST ON THE BONDS (I) IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER SECTION 103 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED, AND (II) IS NOT AN ITEM OF TAX PREFERENCE FOR PURPOSES OF THE ALTERNATIVE MINIMUM TAX ON INDIVIDUALS. SEE “TAX MATTERS” HEREIN, INCLUDING INFORMATION REGARDING POTENTIAL ALTERNATIVE MINIMUM TAX CONSEQUENCES FOR CORPORATIONS.

THE BONDS WILL **NOT** BE DESIGNATED AS “QUALIFIED TAX-EXEMPT OBLIGATIONS” FOR FINANCIAL INSTITUTIONS.

NEW ISSUE-Book-Entry Only

\$20,900,000
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 539
(A political subdivision of the State of Texas located within Harris County)
UNLIMITED TAX BONDS
SERIES 2026

The bonds described above (the “Bonds”) are obligations solely of Harris County Municipal Utility District No. 539 (the “District”) and are not obligations of the State of Texas, Harris County, the City of Houston, or any entity other than the District.

The Bonds, when issued, will constitute valid and legally binding obligations of the District and will be payable from the proceeds of an annual ad valorem tax levied, without legal limitation as to rate or amount, against all taxable property within the District. THE BONDS ARE SUBJECT TO SPECIAL RISK FACTORS DESCRIBED HEREIN. See “RISK FACTORS.”

Dated Date: October 1, 2026

Due: September 1, as shown below

Interest Accrual Date: Date of Delivery

Principal of the Bonds is payable at maturity or earlier redemption at the principal payment office of the paying agent/registrar, initially BOKF, NA in Dallas, Texas (the “Paying Agent/Registrar”) upon surrender of the Bonds for payment. Interest on the Bonds accrues from the date of delivery (expected on or about October 15, 2026) (the “Date of Delivery”), and is payable each March 1 and September 1, commencing March 1, 2027, until maturity or prior redemption. The Bonds will be issued only in fully registered form in denominations of \$5,000 each or integral multiples thereof. The Bonds are subject to redemption prior to their maturity, as shown below.

The Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository for the Bonds. Beneficial owners of the Bonds will not receive physical certificates representing the Bonds, but will receive a credit balance on the books of the nominees of such beneficial owners. So long as Cede & Co. is the Registered Owner of the Bonds, the principal of and interest on the Bonds will be paid by the Paying Agent/Registrar directly to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds. See “BOOK-ENTRY-ONLY SYSTEM.”

MATURITY SCHEDULE

Due (September 1)	Principal Amount (a)	Interest Rate	Reoffering Yield (c)	CUSIP Number (d)	Due (September 1)	Principal Amount (a)	Interest Rate	Reoffering Yield (c)	CUSIP Number (d)
2028	\$ 440,000	%	%		2041	\$ 825,000 (b)	%	%	
2029	460,000				2042	865,000 (b)			
2030	485,000				2043	910,000 (b)			
2031	505,000				2044	955,000 (b)			
2032	535,000				2045	1,005,000 (b)			
2033	560,000 (b)				2046	1,055,000 (b)			
2034	585,000 (b)				2047	1,105,000 (b)			
2035	615,000 (b)				2048	1,160,000 (b)			
2036	645,000 (b)				2049	1,220,000 (b)			
2037	680,000 (b)				2050	1,280,000 (b)			
2038	715,000 (b)				2051	1,345,000 (b)			
2039	750,000 (b)				2052	1,415,000 (b)			
2040	785,000 (b)								

(a) The Underwriter may designate one or more maturities of term bonds. See accompanying “OFFICIAL NOTICE OF SALE.”

(b) Bonds maturing on or after September 1, 2033, are subject to redemption at the option of the District prior to their maturity dates in whole, or from time to time in part, on September 1, 2032, or on any date thereafter at a price of par value plus unpaid accrued interest from the most recent Interest Payment Date (as herein defined) to the date fixed for redemption. See “THE BONDS—Redemption Provisions.”

(c) Initial reoffering yield represents the initial offering yield to the public, which has been established by the Underwriter (as herein defined) for offers to the public and which subsequently may be changed.

(d) CUSIP Numbers have been assigned to the Bonds by CUSIP Global Services and are included solely for the convenience of the purchasers of the Bonds. Neither the District nor the Underwriter shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.

The Bonds are offered by the Underwriter subject to prior sale, when, as and if issued by the District and accepted by the respective Underwriter, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel. See “LEGAL MATTERS.” Delivery of the Bonds in book-entry form through the facilities of DTC is expected on or about October 15, 2026.

Bids Due: Wednesday, September 9, 2026 at 9:00 A.M., Houston Time in Houston, Texas
Bid Award: Wednesday, September 9, 2026 at 9:45 A.M., Houston Time in Houston, Texas

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

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USE OF INFORMATION IN OFFICIAL STATEMENT

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission, as amended and in effect on the date hereof, this document constitutes an OFFICIAL STATEMENT with respect to the Bonds that has been “deemed final” by the District as of its date except for the omission of no more than the information permitted by Rule 15c2-12.

No dealer, broker, salesman or other person has been authorized to give any information or to make any representations other than those contained in this OFFICIAL STATEMENT, and, if given or made, such other information or representations must not be relied upon as having been authorized by the District.

This OFFICIAL STATEMENT is not to be used in an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

All of the summaries of the statutes, resolutions, orders, contracts, audited financial statements, engineering and other related reports set forth in this OFFICIAL STATEMENT are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Allen Boone Humphries Robinson LLP, Bond Counsel, 3200 Southwest Freeway, Suite 2600, Houston, Texas, 77027, for further information.

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader’s convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined in, SEC Rule 15c2-12, as amended.

This OFFICIAL STATEMENT contains, in part, estimates, assumptions and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates, assumptions or matters of opinion, or as to the likelihood that they will be realized. Any information and expressions of opinion herein contained are subject to change without notice and neither the delivery of this OFFICIAL STATEMENT nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein since the date hereof. However, the District has agreed to keep this OFFICIAL STATEMENT current by amendment or sticker to reflect material changes in the affairs of the District and, to the extent that information actually comes to its attention, the other matters described in this OFFICIAL STATEMENT until delivery of the Bonds to the Underwriter (as herein defined) and thereafter only as specified in “PREPARATION OF OFFICIAL STATEMENT—Updating the Official Statement.”

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District accepted the bid resulting in the lowest net effective interest rate, which bid was tendered by _____ (the "Underwriter") bearing the interest rates shown on the cover page hereof, at a price of _____% of the par value thereof which resulted in a net effective interest rate of _____%, as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended (the IBA method).

Prices and Marketability

The prices and other terms with respect to the offering and sale of the Bonds may be changed from time-to-time by the Underwriter after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts. In connection with the offering of the Bonds, the Underwriter may over allot or effect transactions which stabilize or maintain the market prices of the Bonds at levels above those which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

The District has no control over trading of the Bonds in the secondary market. Moreover, there is no guarantee that a secondary market will be made in the Bonds. In such a secondary market, the difference between the bid and asked price of utility district bonds may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional municipal entities, as bonds of such entities are more generally bought, sold or traded in the secondary market.

Securities Laws

No registration statement relating to the offer and sale of the Bonds has been filed with the Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein and the Bonds have not been registered or qualified under the securities laws of any other jurisdiction. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any other jurisdiction in which the Bonds may be offered, sold or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdiction.

OFFICIAL STATEMENT SUMMARY

The following is a brief summary of certain information contained herein which is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this OFFICIAL STATEMENT. The summary should not be detached and should be used in conjunction with more complete information contained herein. A full review should be made of the entire OFFICIAL STATEMENT and of the documents summarized or described therein.

THE DISTRICT

Description...

The District is a political subdivision of the State of Texas operating as a municipal utility district pursuant to Article XVI, Section 59 of the Texas Constitution. The District was created pursuant to Senate Bill No. 2008, 84th Session of the Texas Legislature, Regular Session effective July 15, 2015 (the “Act”) codified as Chapter 7904, Texas Special District Local Laws Code. The District has with all the rights, privileges, authority and functions conferred by the laws of the State of Texas applicable to municipal utility districts, including without limitation those conferred by Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution, the Act, and Chapters 49 and 54 of the Texas Water Code, as amended. The District contains approximately 725 acres of land. See “THE DISTRICT.”

Location...

The District is located approximately 29 miles west of the central downtown business district of the City of Houston and lies within the extraterritorial jurisdiction of the City of Houston and within the boundaries of the Katy Independent School District. The District is bordered on the north by Farm-to-Market 529, to the west by Pitts Road, to the east by Katy-Hockley Road and on the south by Beckendorff Road. Access to the District’s collector roads and internal street network is provided Katy-Hockley Road, Pitts Road, Beckendorff Road and Farm-to-Market Road 529, which forms the District’s northern boundary and ultimately leads to Texas State Highway 99 (the “Grand Parkway”). See “THE DISTRICT” and “AERIAL LOCATION MAP.”

The Developer...

The developer of land within the District is Lennar Homes of Texas Land and Construction, Ltd., a Texas limited partnership, (“Lennar Homes”) d.b.a. Friendswood Development Company (the “Developer”). The Developer is wholly owned by Lennar Corporation (“Lennar”), a publicly traded corporation whose stock is listed on the New York Stock Exchange under the ticker symbol “LEN.” Lennar’s activities include homebuilding, real estate investments, residential and commercial developments, and financial services operations throughout the United States. The undeveloped land within the District’s boundaries is owned by Millrose Properties Texas, LLC, a Texas limited liability company (“Millrose”) and OHL Lennar Pool II, LLC, a Delaware limited liability company (“OHL Lennar”). Millrose and OHL Lennar act solely as land holding companies for the Developer. Millrose and OHL Lennar sell land to the Developer as needed for development. See “RISK FACTORS—Dependence on Major Taxpayers and the Developer,” “THE DEVELOPER” and “TAX DATA—Principal Taxpayers.”

Status of Development...

Development in the District currently consists of Anniston, Sections One through Fourteen and Sections Sixteen and Seventeen (1,855 finished single family residential lots on approximately 368 acres). As of August 9, 2026, according to Lennar Homes, 1,378 homes were completed (1,335 occupied homes, 41 unoccupied homes and 2 model homes), approximately 139 homes were under construction and/or listed in a builder’s name and 338 vacant developed lots were available for home construction. In addition, utilities and/or paving are under construction on 271 single family residential lots on approximately 62 acres for Anniston, Sections Fifteen, Eighteen and Nineteen with construction expected to be completed in fourth quarter of 2026.

In addition, there are approximately 29 acres of developable but undeveloped acreage and approximately 266 undevelopable acres consisting of rights-of-way, detention ponds, lake amenities, easements, parks, recreational and open space.

See “THE DISTRICT—Land Use” and “—Status of Development.”

Homebuilding...

Lennar Homes is the sole homebuilder with the District. According to the Developer, new homes in the District range in price from \$195,000 to \$490,000.

Payment Record... The District has previously issued \$14,000,000 of unlimited tax bonds in one series and \$23,850,000 of unlimited tax road bonds in three series, \$37,780,000 of which remains outstanding as of the date hereof (the “Outstanding Bonds”). The District capitalized twelve (12) months of interest from proceeds of the Series 2026 Road Bonds in March 2026. The District will capitalize twelve (12) months of interest from the proceeds of the Bonds. See “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds.” The District has never defaulted on its debt obligations. See “USE AND DISTRIBUTION OF BOND PROCEEDS.”

THE BONDS

Description... The \$20,900,000 Unlimited Tax Bonds, Series 2026 (the “Bonds”) are being issued pursuant to a resolution authorizing the issuance of the Bonds (the “Bond Resolution”) adopted by the District’s Board of Directors. The Bonds are scheduled to mature serially on September 1 in each of the years 2028 through 2052, both inclusive, in the principal amounts and accruing interest at the rates shown on the cover page hereof. Interest on the Bonds accrues from the Date of Delivery and is payable March 1, 2027, and each September 1 and March 1 thereafter, until the earlier of maturity or redemption. The Bonds will be issued in denominations of \$5,000 or integral multiples of \$5,000. See “THE BONDS.”

Book-Entry-Only System... The Depository Trust Company (defined as “DTC”), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds and will be deposited with DTC. See “BOOK-ENTRY-ONLY SYSTEM.”

Redemption... Bonds maturing on or after September 1, 2033, are subject to redemption in whole, or from time to time in part, at the option of the District prior to their maturity dates on September 1, 2032, or on any date thereafter at a price of par value plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. See “THE BONDS—Redemption Provisions.”

Use of Proceeds... Proceeds of the Bonds will be used to pay for engineering and construction costs associated with water, sanitary sewer and drainage facilities shown herein under “USE AND DISTRIBUTION OF BOND PROCEEDS.” In addition, Bond proceeds will be used to capitalize twelve (12) months of interest on the Bonds; to pay for interest on funds advanced by the Developer on behalf of the District; and to pay engineering fees, administrative costs, and certain other costs related to the issuance of the Bonds. See “USE AND DISTRIBUTION OF BOND PROCEEDS.”

Authority for Issuance... The Bonds are the second series of bonds issued out of an aggregate of \$426,500,000 principal amount of unlimited tax bonds authorized by the District’s voters for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities. The Bonds are issued by the District pursuant to the terms and provisions of Article XVI, Section 59 of the Texas Constitution, the general laws of the State of Texas, including, without limitation, Chapters 49 and 54 of the Texas Water Code, as amended, an election held within the District, an order of the Texas Commission on Environmental Quality (the “TCEQ”) approving the issuance of said bonds, and the terms and conditions of a resolution authorizing the issuance of the Bonds (the “Bond Resolution”). See “THE BONDS—Authority for Issuance,” “—Issuance of Additional Debt” and “RISK FACTORS—Future Debt.”

Source of Payment... Principal of and interest on the Bonds are payable from the proceeds of a continuing direct annual ad valorem tax levied, without legal limitation as to rate or amount, against all taxable property within the District. The Bonds are obligations of the District and are not obligations of the State of Texas, Harris County, the City of Houston or any entity other than the District. See “THE BONDS—Source of Payment.”

Municipal Bond Rating and Municipal Bond Insurance... The District has not applied for an underlying rating nor is it expected that the District would have received an investment grade rating had such application been made.

The Bonds have qualified for municipal bond insurance and the purchase of municipal bond insurance with an associated rating of at least “AA” from S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC or “Aa” from Moody’s Investors Service is mandatory, at the expense of the Underwriter, including any rating fees associated with the insurance. See “RISK FACTORS—Risk Factors Related to the Purchase of Municipal Bond Insurance” and “MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE.”

NOT Qualified Tax-Exempt Obligations...

The Bonds will **not** be designated as “qualified tax-exempt obligations” for financial institutions.

Bond Counsel...

Allen Boone Humphries Robinson LLP, Houston, Texas. See “MANAGEMENT OF THE DISTRICT,” “LEGAL MATTERS” and “TAX MATTERS.”

Financial Advisor...

Masterson Advisors LLC, Houston, Texas. See “MANAGEMENT OF THE DISTRICT.”

Disclosure Counsel...

McCall, Parkhurst & Horton, L.L.P., Houston, Texas.

Paying Agent/Registrar...

BOKF, NA in Dallas, Texas. See “THE BONDS—Method of Payment of Principal and Interest.”

RISK FACTORS

The purchase and ownership of the Bonds are subject to special investment considerations and all prospective purchasers are urged to examine carefully this entire Official Statement with respect to the investment security of the Bonds, including particularly the section captioned “RISK FACTORS.”

SELECTED FINANCIAL INFORMATION (UNAUDITED)

2026 Taxable Assessed Valuation.....	\$352,725,213	(a)
Estimated Taxable Assessed Valuation as of July 15, 2026.....	\$406,558,148	(b)
Gross Direct Debt Outstanding (includes the Bonds).....	\$58,680,000	(c)
Estimated Overlapping Debt	7,353,214	(d)
Gross Direct Debt and Estimated Overlapping Debt.....	\$66,033,214	
Ratios of Gross Direct Debt to:		
2026 Taxable Assessed Valuation	16.64%	
Estimated Taxable Assessed Valuation as of July 15, 2026	14.43%	
Ratios of Gross Direct Debt and Estimated Overlapping Debt to:		
2026 Taxable Assessed Valuation	18.72%	
Estimated Taxable Assessed Valuation as of July 15, 2026	16.24%	
Funds Available for Debt Service:		
WSD Debt Service Fund Balance as of August 12, 2026	\$1,103,657	(e)
Road Debt Service Fund Balance as of August 12, 2026.....	1,144,756	(e)(f)
Capitalized Interest from proceeds of the Bonds (Twelve (12) Months)	1,045,000	(e)(g)
Total Funds Available for Debt Service	\$3,293,413	(e)(g)
Operating Funds Available as of August 12, 2026.....	\$930,882	(h)
WSD Capital Projects Fund as of August 12, 2026.....	\$531,836	(i)
Road Capital Projects Fund as of August 12, 2026	\$460,238	
2025 Debt Service Tax Rate.....	\$0.25	
2025 Maintenance Tax Rate.....	1.25	
2025 Total Tax Rate.....	\$1.50	
Anticipated 2026 Debt Service Tax Rate	\$0.67	
Anticipated 2026 Maintenance Tax Rate	0.83	
Anticipated 2026 Total Tax Rate	\$1.50	(j)
Average Annual Debt Service Requirement (2027-2052).....	\$3,922,597	(k)
Maximum Annual Debt Service Requirement (2051).....	\$4,146,044	(k)
Tax Rates Required to Pay Average Annual Debt Service (2027-2052) at a 95% Collection Rate		
Based upon 2026 Taxable Assessed Valuation	\$1.18	(l)
Based upon Estimated Taxable Assessed Valuation as of July 15, 2026	\$1.02	(l)
Tax Rates Required to Pay Maximum Annual Debt Service (2051) at a 95% Collection Rate		
Based upon 2026 Taxable Assessed Valuation	\$1.24	(l)
Based upon Estimated Taxable Assessed Valuation as of July 15, 2026	\$1.08	(l)
Status of Development as of August 9, 2026 (m):		
Total Developed Lots	1,855	
Homes Completed (1,335 Occupied; 41 Unoccupied, and 2 Model Homes).....	1,378	
Homes Under Construction or in name of Lennar	139	
Vacant Developed Lots Available for Home Construction.....	338	(n)
Lots Under Construction	271	(n)
Estimated Population	4,673	(o)

- (a) The 2026 Taxable Assessed Valuation shown herein includes \$323,570,292 of certified value and \$29,154,921 of uncertified value. The uncertified value represents the landowners' opinion of the value; however, such value is subject to change and downward revision prior to certification. No tax will be levied on said uncertified value until it is certified by the Harris Central Appraisal District (the "Appraisal District"). See "TAXING PROCEDURES."
- (b) Provided by the Appraisal District for informational purposes only. Such amount reflects an estimate of the taxable assessed value within the District on July 15, 2026. No tax will be levied on such amount until it is certified. Increases in value occurring between January 1, 2026 and July 15, 2026, will be certified as of January 1, 2027, and provided for purposes of taxation in the summer of 2027. See "TAXING PROCEDURES."
- (c) Excludes the September 1, 2026 principal payment of \$70,000.
- (d) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Estimated Overlapping Debt."
- (e) Although all of the District's debt, including the Outstanding Bonds and the Bonds, is issued on a parity basis and is payable from an unlimited tax pledge, portions of the District's ad valorem tax revenue will be allocated on a pro rata basis between debt service on bonds issued for the purpose of financing water, sanitary sewer and drainage facilities or to refund such bonds ("WSD Bonds"), including the Bonds, and bonds issued for the purpose of financing road facilities or to refund such bonds ("Road Bonds"), and deposited into separate sub-accounts within the District's Debt Service Fund. Includes \$330,313 for the District's September 1, 2026, debt service payment on the Outstanding WSD Bonds. See "THE BONDS—Funds" and "—Debt Service Requirements" herein.
- (f) Includes \$612,252 for the District's September 1, 2026, debt service payment on the Outstanding Road Bonds.
- (g) The District will capitalize twelve (12) months of interest from Bond proceeds. The amount shown above is estimated at 5.00%. See "USE AND DISTRIBUTION OF BOND PROCEEDS."
- (h) See "RISK FACTORS—Operating Funds."
- (i) \$520,000 of such balance will be applied towards the projects to be financed with proceeds of the Bonds at closing. See "USE AND DISTRIBUTION OF BOND PROCEEDS."
- (j) Represents anticipated tax rates, the District may ultimately levy different tax rates. See "TAX DATA—Historical Tax Rate Distribution."
- (k) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements."
- (l) See "RISK FACTORS—Possible Impact on District Tax Rates" and "TAX DATA—Tax Adequacy for Debt Service."
- (m) See "THE DISTRICT—Land Use" and "—Status of Development."
- (n) See "RISK FACTORS—Undeveloped Acreage and Vacant Lots."
- (o) Based upon 3.5 persons per occupied single-family residence.

PRELIMINARY OFFICIAL STATEMENT

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 539 *(A political subdivision of the State of Texas located within Harris County)*

\$20,900,000 UNLIMITED TAX BONDS SERIES 2026

This OFFICIAL STATEMENT provides certain information in connection with the issuance by Harris County Municipal Utility District No. 539 (the “District”) of its \$20,900,000 Unlimited Tax Bonds, Series 2026 (the “Bonds”).

The Bonds are issued by the District pursuant to an order of the Texas Commission on Environmental Quality (the “TCEQ”) approving the issuance of the Bonds, Article XVI, Section 59 of the Texas Constitution, the general laws of the State of Texas, including, without limitation, Chapters 49 and 54 of the Texas Water Code, as amended, an election held within the District, and a resolution authorizing the issuance, sale and delivery of the Bonds (the “Bond Resolution”) adopted by the Board of Directors of the District (the “Board”).

This OFFICIAL STATEMENT includes descriptions, among others, of the Bonds and the Bond Resolution, and certain other information about the District, Lennar Homes of Texas Land and Construction Ltd., a Texas limited partnership, (“Lennar Homes”) d.b.a. Friendswood Development Company (the “Developer”), and development activity in the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of documents may be obtained from Allen Boone Humphries Robinson LLP, Bond Counsel, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027.

THE BONDS

Description

The Bonds will be dated October 1, 2026, and interest will accrue from the Date of Delivery with interest payable each March 1 and September 1, beginning March 1, 2027 (the “Interest Payment Date”), and will mature on the dates and in the principal amounts and accrue interest at the rates shown on the cover page hereof. The Bonds are issued in fully registered form, in denominations of \$5,000 or any integral multiple of \$5,000. Interest calculations are based on a 360-day year comprised of twelve 30-day months.

Method of Payment of Principal and Interest

In the Bond Resolution, the Board has appointed BOKF, NA in Dallas, Texas as the initial Paying Agent/Registrar for the Bonds. The principal of the Bonds shall be payable, without exchange or collection charges, in any coin or currency of the United States of America, which, on the date of payment, is legal tender for the payment of debts due the United States of America. In the event the book-entry system is discontinued, principal of the Bonds shall be payable upon presentation and surrender of the Bonds as they respectively become due and payable, at the principal payment office of the Paying Agent/Registrar in Dallas, Texas and interest on each Bond shall be payable by check payable on each Interest Payment Date, mailed by the Paying Agent/Registrar on or before each Interest Payment Date to the Registered Owner of record as of the close of business on the February 15 or August 15 immediately preceding each Interest Payment Date (defined herein as the “Record Date”), to the address of such Registered Owner as shown on the Paying Agent/Registrar’s records (the “Register”) or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and the Registered Owners at the risk and expense of the Registered Owners.

If the date for payment of the principal of or interest on any Bond is not a business day, then the date for such payment shall be the next succeeding business day, as defined in the Bond Resolution.

Source and Security of Payment

While the Bonds or any part of the principal thereof or interest thereon remains outstanding and unpaid, the District covenants to levy and annually assess and collect in due time, form and manner, and at the same time as other District taxes are appraised, levied and collected, in each year, a continuing direct annual ad valorem tax, without limit as to rate, upon all taxable property in the District sufficient to pay the interest on the Bonds as the same becomes due and to pay each installment of the principal of the Bonds as the same matures, with full allowance being made for delinquencies and costs of collection. In the Bond Resolution, the District covenants that said taxes are irrevocably pledged to the payment of the interest on and principal of the Bonds and to no other purpose.

The Bonds are obligations of the District and are not the obligations of the State of Texas, Harris County, the City of Houston, or any entity other than the District.

Funds

In the Bond Resolution, the WSD Debt Service Fund is confirmed, and the proceeds from all taxes levied, assessed and collected for and on account of the Bonds authorized by the Bond Resolution shall be deposited, as collected, in such fund.

The District also maintains a Road Debt Service Fund that is not pledged to bonds issued for the purpose of constructing water, sewer and drainage facilities ("WSD Bonds"), including the Bonds. Funds in the Road Debt Service Fund are not available to pay principal and interest on the WSD Bonds, including the Bonds.

Twelve (12) months of interest shall be deposited into the WSD Debt Service Fund upon closing of the Bonds and receipt of Bond proceeds. The remaining proceeds of sale of the Bonds shall be deposited into the WSD Capital Projects Fund, to be used for the purpose of paying for certain construction costs, paying Developer interest, and paying the costs of issuance of the Bonds. Any monies remaining in the WSD Capital Projects Fund after completion of construction of all waster, sanitary sewer and drainage facilities will be used as described in the Bond Resolution or ultimately transferred to the WSD Debt Service Fund. See "USE AND DISTRIBUTION OF BOND PROCEEDS" for a complete description of the use of Bond proceeds and the projects related thereto.

Redemption Provisions

The District reserves the right, at its option, to redeem the Bonds maturing on or after September 1, 2033, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of \$5,000 on September 1, 2032, or any date thereafter, at a price of par value plus unpaid accrued interest on the principal amounts called for redemption from the most recent Interest Payment Date to the date fixed for redemption.

If less than all of the Bonds are redeemed at any time, the maturities of the Bonds to be redeemed will be selected by the District. If less than all of the Bonds of a certain maturity are to be redeemed, the particular Bonds to be redeemed shall be selected by the Paying Agent/Registrar by lot or other random method (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form).

If a Bond subject to redemption is in a denomination larger than \$5,000, a portion of such Bond may be redeemed, but only in integral multiples of \$5,000. Upon surrender of any Bond for redemption in part, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor a Bond or Bonds of like maturity and interest rate in an aggregate principal amount equal to the unredeemed portion of the Bond so surrendered.

Notice of any redemption identifying the Bonds to be redeemed in whole or in part shall be given by the Paying Agent/Registrar at least thirty (30) days prior to the date fixed for redemption by sending written notice by first class mail to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the Register. Such notices shall state the redemption date, the redemption price, the place at which the Bonds are to be surrendered for payment and, if less than all the Bonds outstanding are to be redeemed, the numbers of the Bonds or the portions thereof to be redeemed. Any notice given shall be conclusively presumed to have been duly given, whether or not the Registered Owner receives such notice. By the date fixed for redemption, due provision shall be made with the Paying Agent/Registrar for payment of the redemption price of the Bonds or portions thereof to be redeemed, plus accrued interest to the date fixed for redemption. When Bonds have been called for redemption in whole or in part and due provision has been made to redeem the same as herein provided, the Bonds or portions thereof so redeemed shall no longer be regarded as outstanding except for the purpose of receiving payment solely from the funds so provided for redemption, and the rights of the Registered Owners to collect interest which would otherwise accrue after the redemption date on any Bond or portion thereof called for redemption shall terminate on the date fixed for redemption.

Authority for Issuance

At a bond election held within the District on May 7, 2022, voters of the District authorized the issuance of \$426,500,000 in principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities and refunding of such bonds. The Bonds are issued pursuant to such authorization.

The Bonds are issued by the District pursuant to an order of the TCEQ; the terms and conditions of the Bond Resolution; Article XVI, Section 59 of the Texas Constitution; Chapters 49 and 54 of the Texas Water Code, as amended; the general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas; and an election held within the District.

Before the Bonds can be issued, the Attorney General of Texas must pass upon the legality of certain related matters. The Attorney General of Texas does not guarantee or pass upon the safety of the Bonds as an investment or upon the adequacy of the information contained in this OFFICIAL STATEMENT.

Registration and Transfer

So long as any Bonds remain outstanding, the Paying Agent/Registrar shall keep the Register at its principal payment office and, subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar shall provide for the registration and transfer of Bonds in accordance with the terms of the Bond Resolution.

In the event the Book-Entry-Only System should be discontinued, each Bond shall be transferable only upon the presentation and surrender of such Bond at the principal payment office of the Paying Agent/Registrar, duly endorsed for transfer, or accompanied by an assignment duly executed by the Registered Owner or his authorized representative in form satisfactory to the Paying Agent/Registrar. Upon due presentation of any Bond in proper form for transfer, the Paying Agent/Registrar has been directed by the District to authenticate and deliver in exchange therefor, within three (3) business days after such presentation, a new Bond or Bonds, registered in the name of the transferee or transferees, in authorized denominations and of the same maturity and aggregate principal amount and paying interest at the same rate as the Bond or Bonds so presented.

All Bonds shall be exchangeable upon presentation and surrender thereof at the principal payment office of the Paying Agent/Registrar for a Bond or Bonds of the same maturity and interest rate and in any authorized denomination in an aggregate amount equal to the unpaid principal amount of the Bond or Bonds presented for exchange. The Paying Agent/Registrar is authorized to authenticate and deliver exchange Bonds. Each Bond delivered shall be entitled to the benefits and security of the Bond Resolution to the same extent as the Bond or Bonds in lieu of which such Bond is delivered.

Neither the District nor the Paying Agent/Registrar shall be required to transfer or to exchange any Bond during the period beginning on a Record Date and ending the next succeeding Interest Payment Date or to transfer or exchange any Bond called for redemption during the thirty (30) day period prior to the date fixed for redemption of such Bond.

The District or the Paying Agent/Registrar may require the Registered Owner of any Bond to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with the transfer or exchange of such Bond. Any fee or charge of the Paying Agent/Registrar for such transfer or exchange shall be paid by the District.

Lost, Stolen or Destroyed Bonds

In the event the Book-Entry-Only System should be discontinued, upon the presentation and surrender to the Paying Agent/Registrar of a mutilated Bond, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor a replacement Bond of like maturity, interest rate and principal amount, bearing a number not contemporaneously outstanding. If any Bond is lost, apparently destroyed, or wrongfully taken, the District, pursuant to the applicable laws of the State of Texas and in the absence of notice or knowledge that such Bond has been acquired by a bona fide purchaser, shall, upon receipt of certain documentation from the Registered Owner and an indemnity bond, execute and the Paying Agent/Registrar shall authenticate and deliver a replacement Bond of like maturity, interest rate and principal amount bearing a number not contemporaneously outstanding.

Registered owners of lost, stolen or destroyed Bonds will be required to pay the District's costs to replace such Bond. In addition, the District or the Paying Agent/Registrar may require the Registered Owner to pay a sum sufficient to cover any tax or other governmental charge that may be imposed.

Replacement of Paying Agent/Registrar

Provision is made in the Bond Resolution for replacement of the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the District, the new Paying Agent/Registrar shall act in the same capacity as the previous Paying Agent/Registrar. Any paying agent/registrar selected by the District shall be a national or state banking institution, a corporation organized and doing business under the laws of the United States of America or of any State, authorized under such laws to exercise trust powers, and subject to supervision or examination by federal or state authority, to act as Paying Agent/Registrar for the Bonds.

Issuance of Additional Debt

The District's voters have authorized the issuance of \$426,500,000 principal amount of unlimited tax bonds for the purpose of constructing and/or acquiring water, sanitary sewer and drainage facilities and \$426,500,000 principal amount for refunding such bonds, \$164,150,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring roads and related facilities and \$164,150,000 principal amount for refunding such bonds and \$99,500,000 principal amount of unlimited tax bonds for the purpose of constructing and/or acquiring park and recreational facilities and \$99,500,000 principal amount for refunding such bonds. The District could authorize additional amounts. After the issuance of the Bonds, \$391,600,000 principal amount of the unlimited tax bonds authorized for water, sanitary sewer and drainage facilities, \$140,300,000 principal amount of the unlimited tax bonds authorized for road facilities, and all of the park and recreational facilities will remain authorized but unissued. See "RISK FACTORS—Future Debt."

If the District does issue park bonds, the outstanding principal amount of such bonds may not exceed an amount equal to one percent (1%) of the value of the taxable property in the District, unless the District meets certain financial feasibility requirements under the TCEQ rules, in which case the outstanding principal amount of such bonds issued by the District may exceed an amount equal to one percent (1%) but not greater than three percent (3%) of the value of the taxable property in the District.

The District is also authorized by statute to engage in fire-fighting activities, including the issuing of bonds payable from taxes for such purposes. Before the District could issue such bonds, the following actions would be required: (a) authorization of a detailed master plan and bonds for such purposes by the qualified voters in the District; (b) approval of the master plan and bonds by the TCEQ; and (c) approval of bonds by the Attorney General of Texas. The Board has not considered calling an election at this time for such purposes.

If additional debt obligations are issued in the future by the District, such issuance may increase gross debt/property ratios and might adversely affect the investment security of the Bonds.

Annexation by the City of Houston

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston, the District must conform to the conditions of its City of Houston consent ordinance. Generally, the District may be annexed by the City of Houston without the District's consent, and the City of Houston cannot annex territory within the District unless it annexes the entire District; however, the City of Houston may not annex the District unless (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed, and (ii) if the registered voters in the area to be annexed do not own more than 50 percent of the land in the area, a petition has been signed by more than 50 percent of the landowners consenting to the annexation. Notwithstanding the preceding sentence, the described election and petition process does not apply during the term of a strategic partnership agreement between the City of Houston and the District specifying the procedures for full purpose annexation of all or a portion of the District. The District does not have a strategic partnership agreement with the City of Houston at this time.

If the District is annexed, the City of Houston will assume the District's assets and obligations (including the Bonds) and dissolve the District. Annexation of territory by the City of Houston is a policy-making matter within the discretion of the Mayor and City of Houston Council of the City of Houston, and therefore, the District makes no representation that the City of Houston will ever annex the District and assume its debt. Moreover, no representation is made concerning the ability of the City of Houston to make debt service payments should annexation occur.

Consolidation

The District has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its assets (such as cash and the utility system) and liabilities (such as the Bonds) with the assets and liabilities of districts with which it is consolidating. Although no consolidation is presently contemplated by the District, no representation is made concerning the likelihood of consolidation in the future.

Remedies in Event of Default

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Resolution, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Resolution, the Registered Owners have the statutory right of a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Resolution. Except for mandamus, the Bond Resolution does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners. Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages, so that in the absence of other waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the Bond Resolution may not be reduced to a judgment for money damages. If such a judgment against the District were obtained, it could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may further be limited by a State of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District. See "RISK FACTORS—Registered Owners' Remedies and Bankruptcy Limitations."

Legal Investment and Eligibility to Secure Public Funds in Texas

The following is quoted from Section 49.186 of the Texas Water Code, and is applicable to the District:

“(a) All bonds, notes, and other obligations issued by a district shall be legal and authorized investments for all banks, trust companies, building and loan associations, savings and loan associations, insurance companies of all kinds and types, fiduciaries, and trustees, and for all interest and sinking funds and other public funds of the state, and all agencies, subdivisions, and instrumentalities of the state, including all counties, cities, towns, villages, school districts, and all other kinds and types of districts, public agencies, and bodies politic.”

“(b) A district’s bonds, notes, and other obligations are eligible and lawful security for all deposits of public funds of the state, and all agencies, subdivisions, and instrumentalities of the state, including all counties, cities, towns, villages, school districts, and all other kinds and types of districts, public agencies, and bodies politic, to the extent of the market value of the bonds, notes, and other obligations when accompanied by any unmatured interest coupons attached to them.”

The Public Funds Collateral Act (Chapter 2257, Texas Government Code) also provides that bonds of the District (including the Bonds) are eligible as collateral for public funds.

No representation is made that the Bonds will be suitable for or acceptable to financial or public entities for investment or collateral purposes. No representation is made concerning other laws, rules, regulations, or investment criteria which might apply to or which might be utilized by any of such persons or entities to limit the acceptability or suitability of the Bonds for any of the foregoing purposes. Prospective purchasers are urged to carefully evaluate the investment quality of the Bonds as to the suitability or acceptability of the Bonds for investment or collateral purposes.

Defeasance

The Bond Resolution provides that the District may discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal, interest and redemption price thereon in any manner permitted by law. Under current Texas law, such discharge may be accomplished either (i) by depositing with the Comptroller of Public Accounts of the State of Texas a sum of money equal to the principal of, premium, if any, and all interest to accrue on the Bonds to maturity or redemption or (ii) by depositing with any place of payment (paying agent) of the Bonds or other obligations of the District payable from revenues or from ad valorem taxes or both, amounts sufficient to provide for the payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested only in (a) direct noncallable obligations of the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to the investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and which mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds.

Upon such deposit as described above, such Bonds shall no longer be regarded as outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment or redemption of the Bonds have been made as described above, all rights of the District to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided, however, that the right to call the Bonds for redemption is not extinguished if the District: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

There is no assurance that the current law will not be changed in the future in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds.

BOOK-ENTRY-ONLY SYSTEM

The information in this section concerning the Depository Trust Company (“DTC”) and DTC’s book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy or completeness thereof.

The District cannot and does not give any assurances that DTC, DTC Direct Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) Bonds representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) prepayment or other notices sent to DTC or Cede & Co., its nominee, as the Registered Owner of the Bonds, or that they will do so on a timely basis or that DTC, DTC Direct Participants or DTC Indirect Participants will act in the manner described in this OFFICIAL STATEMENT. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedure” of DTC to be followed in dealing with DTC Direct Participants is on file with DTC.

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a rating of “AA+” by S&P Global Ratings. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District (or the Trustee on behalf thereof) as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, premium, if any, interest payments and redemption proceeds on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, interest payments and redemption proceeds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

USE AND DISTRIBUTION OF BOND PROCEEDS

The construction costs below were compiled by LJA Engineering, Inc., the District's engineer (the "Engineer") and were submitted to the TCEQ in the District's Bond Application. Non-construction costs are based upon either contract amounts or estimates of various costs by the Engineer and Masterson Advisors LLC (the "Financial Advisor"). The actual amounts to be paid by the District and the non-construction costs will be finalized after the sale of the Bonds and completion of agreed-upon procedures by the District's auditor. The surplus funds may be expended for any lawful purpose for which surplus construction funds may be used, if approved by the TCEQ, where required.

CONSTRUCTION COSTS

• Phase 1A & 1B Mass Grading to Serve Anniston.....	\$ 9,583,744
• Engineering, Geotechnical & Testing.....	1,190,763
• SWPPP.....	42,835
• Drainage Study.....	81,946
• Land Costs.....	<u>5,456,412</u>
Total Construction Costs.....	\$ 16,355,700
Less: Surplus Construction Funds.....	<u>(520,000)</u>
TOTAL CONSTRUCTION COST.....	\$ 15,835,700

NON-CONSTRUCTION COSTS

• Bond Discount (Estimated at 3.00%) (a).....	\$ 627,000
• Capitalized Interest (Twelve months estimated at 5.00%) (a).....	1,045,000
• Developer Advances.....	945,500
• Developer Interest (Estimated).....	<u>1,614,552</u>
Total Non-Construction Costs.....	\$ 4,232,052

ISSUANCE COSTS AND FEES

• Issuance Costs and Professional Fees.....	\$ 710,498
• Bond Application Report Costs.....	60,000
• State Regulatory Fees.....	<u>61,750</u>
Total Issuance Costs and Fees.....	\$ 832,248
TOTAL BOND ISSUE.....	\$ 20,900,000

(a) In its order authorizing the issuance of the Bonds, the TCEQ approved a maximum of twelve (12) months of capitalized interest on the Bonds at an estimated interest rate of 5.00% and a Bond discount of 3.00%.

In the event approved estimated amounts exceed actual costs, the difference comprises the contingency line item which may be expended for uses in accordance with the rules of the TCEQ.

THE DEVELOPER

General

In general, the activities of a landowner or developer in a municipal utility district such as the District include designing the project, defining a marketing program and setting building schedules; securing necessary governmental approvals and permits for development; arranging for the construction of streets and the installation of utilities; and selling or leasing improved tracts or commercial reserves to other developers or third parties. While a developer is required by the TCEQ to pave streets in areas where utilities are to be financed by a district through a specified bond issue, a developer is under no obligation to a district to undertake development activities according to any particular plan or schedule. Furthermore, there is no restriction on a developer's right to sell any or all of the land which the developer owns within a district. In addition, a Developer is ordinarily the major taxpayer within the district during the early stages of development. The relative success or failure of a developer to perform in the above-described capacities may affect the ability of a district to collect sufficient taxes to pay debt service and retire bonds.

Description of the Developer

The Developer of land within the District is Lennar Homes of Texas Land and Construction, Ltd., a Texas limited partnership, ("Lennar Homes") d.b.a. Friendswood Development Company. The Developer is wholly owned by Lennar Corporation ("Lennar"), a publicly traded corporation whose stock is listed on the New York Stock Exchange under the ticker symbol "LEN." Lennar's activities include homebuilding, real estate investments, residential and commercial developments, and financial services operations throughout the United States. The undeveloped land within the Anniston project boundaries is owned by Millrose Properties Texas, LLC, a Texas limited liability company ("Millrose") and OHL Lennar Pool II, LLC, a Delaware limited liability company ("OHL Lennar"). Millrose and OHL Lennar act solely as land holding companies for the Developer. Millrose and OHL Lennar sell land to the Developer as needed for development. To date, the Developer has developed approximately 368 acres within the District which are being marketed as Anniston. In addition, utilities and/or paving are under construction on 271 single family residential lots on approximately 62 acres for Anniston, Sections Fifteen, Eighteen and Nineteen with construction expected to be completed in fourth quarter of 2026. "RISK FACTORS—Dependence on Major Taxpayers and the Developer," and "TAX DATA—Principal Taxpayers."

Neither the Developer nor any affiliates of the Developer are responsible for, liable for, or have made any commitment for payment of the Bonds or other obligations of the District. Neither of the Developer nor any affiliates of the Developer have any legal commitment to the District or the holders of the Bonds to continue development of the land within the District, and the Developer may sell or otherwise dispose of their property within the District, or any assets, at any time. Prospective Bond purchasers should note that the prior real estate experience of the Developer should not be construed as an indication that further development within the District will occur, or that construction of taxable improvements upon property within the District will occur, or that marketing or leasing of taxable improvements constructed upon property within the District will be successful. See "RISK FACTORS."

THE DISTRICT

General

The District is a political subdivision of the State of Texas operating as a municipal utility district pursuant to Article XVI, Section 59 of the Texas Constitution. The District was created pursuant to Senate Bill No. 2008, 84th Session of the Texas Legislature, Regular Session effective July 15, 2015 (the "Act") codified as Chapter 7904, Texas Special District Local Laws Code. The District has with all the rights, privileges, authority and functions conferred by the laws of the State of Texas applicable to municipal utility districts, including without limitation those conferred by Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution, the Act, and Chapters 49 and 54 of the Texas Water Code, as amended. The District contains approximately 725 acres of land.

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary to provide water; the collection, transportation and treatment of wastewater; the control and diversion of storm water, and the provision of parks and recreational facilities. The District is also empowered to construct, acquire, improve, maintain or operate roads and improvements in aid thereof. The District may issue bonds or other forms of indebtedness to purchase or construct all of such facilities. The District is also empowered to establish, operate and maintain fire-fighting facilities, independently or with one or more conservation and reclamation districts after approval by the TCEQ and the voters of the District.

The TCEQ exercises continuing supervisory jurisdiction over the District. In order to obtain the consent for creation of the District from the City of Houston, within whose extraterritorial jurisdiction the District lies, the District is required to observe certain requirements of the City of Houston which (1) limit the purposes for which the District may sell bonds for the acquisition, construction, and improvement of waterworks, wastewater, drainage, roads and recreational facilities, (2) require approval by the City of Houston of District construction plans, and (3) permit connections only to single-family lots and commercial or multi-family/commercial platted reserves which have been approved by the Planning Commission of the City of Houston. Construction and operation of the District's system is subject to the regulatory jurisdiction of additional governmental agencies. See "THE SYSTEM—Regulation."

Location

The District is located approximately 29 miles west of the central downtown business district of the City of Houston and lies within the extraterritorial jurisdiction of the City of Houston and within the boundaries of the Katy Independent School District. The District is bordered on the north by Farm-to-Market 529, to the west by Pitts Road, to the east by Katy-Hockley Road and on the south by Beckendorff Road. Access to the District is provided by Farm-to-Market 529 and Texas State Highway 99 (the "Grand Parkway"). Access to the District's collector roads and internal street network is provided Katy-Hockley Road, Pitts Road, Beckendorff Road and Farm-to-Market Road 529, which forms the District's northern boundary and ultimately leads to the Grand Parkway.

Land Use

The District currently includes approximately 368 developed acres of single-family residential development (1,855 residential lots), approximately 29 acres of developable but undeveloped land and approximately 266 undevelopable acres (drainage and pipeline easements, detention, open spaces, lake amenities, street rights-of-way and utility sites). In addition, utilities and/or paving are under construction for 271 single family residential lots on approximately 62 acres for Anniston, Sections Fifteen, Eighteen and Nineteen with construction expected to be completed in fourth quarter of 2026. The table below represents a detailed breakdown of the current acreage and development in the District. See "AERIAL PHOTOGRAPH."

<u>Single-Family Residential</u>	<u>Approximate Acres</u>	<u>Number of Lots</u>
Anniston, Section One	26	124
Anniston, Section Two	29	166
Anniston, Section Three	26	124
Anniston, Section Four	22	114
Anniston, Section Five	20	98
Anniston, Section Six	22	138
Anniston, Section Seven	25	116
Anniston, Section Eight	20	114
Anniston, Section Nine	13	76
Anniston, Section Ten	26	119
Anniston, Section Eleven	27	157
Anniston, Section Twelve	25	102
Anniston, Section Thirteen	21	124
Anniston, Section Fourteen	17	93
Anniston, Section Fifteen (a)	22	124
Anniston, Section Sixteen	28	102
Anniston, Section Seventeen	22	88
Anniston, Section Eighteen (a)	22	83
Anniston, Section Nineteen (a)	18	64
Subtotal	<u>430</u>	<u>2,126</u>
Future Development	29	-
Non-Developable (b)	<u>266</u>	<u>-</u>
Total	725	2,126

(a) Utilities are currently under construction with an expected completion date in fourth quarter of 2026.

(b) Represents rights-of-way, detention ponds, lakes, amenities, drainage and pipeline easements, parks, and recreational and open space.

Status of Development

Residential: Development in the District currently consists of Anniston, Sections One through Fourteen and Sections Sixteen and Seventeen (1,855 finished single family residential lots on approximately 368 acres). As of August 9, 2026, according to Lennar Homes, 1,378 homes were completed (1,335 occupied homes, 41 unoccupied homes and 2 model homes), approximately 139 homes were under construction and/or listed in a builder's name and 338 vacant developed lots were available for home construction. In addition, utilities and/or paving are under construction on 271 single family residential lots on approximately 62 acres for Anniston, Sections Fifteen, Eighteen and Nineteen with construction expected to be completed in fourth quarter of 2026.

Homebuilders

The sole homebuilder within the District is Lennar Homes. According to the Developer, new homes in the District range in price from \$195,000 to \$490,000. See "THE DEVELOPER."

Future Development

The District is currently planned as single-family residential. Approximately 29 developable acres of land currently within the District are not yet served with water distribution and supply, sewage collection and treatment or drainage facilities. While the District anticipates future development of this acreage, there can be no assurances if and when any of such undeveloped land will ultimately be developed. The District anticipates issuing additional bonds to accomplish full development of the District and to pay outstanding amounts owed to the Developer. The Engineer has stated that under current development plans, the remaining authorized but unissued bonds, after issuance of the Bonds (\$631,400,000), will be sufficient to finance the construction of water, sewer, and drainage facilities, roads and recreational facilities to complete development of the District.

MANAGEMENT OF THE DISTRICT

Board of Directors

The District is governed by the Board, consisting of five (5) directors, which has control over and management supervision of all affairs of the District. Directors are elected to four-year terms and elections are held in May in even numbered years only. None of the Board members resides within the District; however, each of the Board members owns land within the District subject to a note and deed of trust in favor of the Developer. Directors have staggered four-year terms. The current members and officers of the Board along with their titles and terms, are listed as follows:

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
James C. "Neil" Potter	President	May 2028
David Schwarz	Vice President	May 2030
Ryan O. Smith	Secretary	May 2028
Matthew Strange	Assistant Secretary	May 2030
Max Monzon	Assistant Vice President	May 2030

District Consultants

The District does not have a general manager or other full-time employees, but contracts for certain necessary services as described below.

Bond Counsel/Attorney: The District has engaged Allen Boone Humphries Robinson LLP as general counsel to the District and as Bond Counsel in connection with the issuance of the District's bonds. The fees of the attorneys in their capacity as Bond Counsel are contingent upon the sale and delivery of the Bonds. Compensation to the attorneys for other services to the District is based on time charges actually incurred.

Disclosure Counsel: McCall, Parkhurst & Horton L.L.P., serves as Disclosure Counsel to the District. The fees to be paid to Disclosure Counsel for services rendered in connection with the issuance of the Bonds are contingent on the issuance, sale and delivery of the Bonds.

Financial Advisor: Masterson Advisors LLC serves as the District's Financial Advisor. The fee for services rendered in connection with the issuance of the Bonds is based on a percentage of the Bonds actually issued, sold and delivered and, therefore, such fee is contingent upon the sale and delivery of the Bonds.

Auditor: The financial statements of the District as of February 28, 2026, and for the year then ended, included in this offering document, have been audited by Forvis Mazars, LLP, independent auditors, as stated in their report appearing herein. See “APPENDIX A” for a copy of the District’s audited financial statements for the fiscal year ended February 28, 2026.

Engineer: The District’s consulting engineer is LJA Engineering, Inc.

Tax Appraisal: The Harris Central Appraisal District has the responsibility of appraising all property within the District. See “TAXING PROCEDURES.”

Tax Assessor/Collector: The District has appointed an independent tax assessor/collector to perform the tax collection function. Assessments of the Southwest, Inc. (the “Tax Assessor/Collector”) has been employed by the District to serve in this capacity.

Bookkeeper: The District has contracted with Myrtle Cruz, Inc. (the “Bookkeeper”) for bookkeeping services.

Utility System Operator: The operator of the District's water and wastewater system is TNG Utility Corporation (the “Operator”). See “THE SYSTEM.”

THE SYSTEM

Regulation

According to the Engineer, the District’s water supply and distribution, wastewater collection, and storm drainage facilities (collectively, the “System”) have been designed in accordance with accepted engineering practices and the then current requirements of various entities having regulatory or supervisory jurisdiction over the construction and operation of such facilities. The construction of the System was required to be accomplished in accordance with the standards and specifications of such entities and is subject to inspection by each such entity. Operation of the System must be accomplished in accordance with the standards and requirements of such entities. The TCEQ exercises continuing supervisory authority over the District. Discharge of treated sewage is subject to the regulatory authority of the TCEQ and U.S. Environmental Protection Agency. Construction of drainage facilities is subject to the regulatory authority of the Harris County Flood Control District, the City of Houston, Harris County and, in some instances, the TCEQ. Harris County and the City of Houston also exercise regulatory jurisdiction over the System. The regulations and requirements of entities exercising regulatory jurisdiction over the System are subject to further development and revision which, in turn, could require additional expenditures by the District in order to achieve compliance. The following descriptions are based upon information supplied by the District’s Engineer.

Source of Water Supply

A water plant sufficient to serve 1,507 equivalent single-family connections (“ESFCs”) has been constructed to serve the District. The water plant expansion was completed and the plant now consists of two 15,000 gallon hydropneumatic pressure tanks, two 245,000 ground storage tanks and booster pump capacity totaling 4,400 gpm. The remote well is still under construction with completion anticipated in the fourth quarter of 2026 which is expected to expand capacity to approximately 2,429 ESFCs. As of August 9, 2026, the District was serving 1,517 active connections (including 1,378 completed homes and 139 homes under construction or in the name of Lennar.) The District has an interconnect agreement with Harris County Municipal Utility District No. 465 that allows for the provision of an additional 400 ESFCs of water supply to the District.

Subsidence District Requirements

The District is within the boundaries of the Harris Galveston Subsidence District (the “Subsidence District”) which regulates groundwater withdrawal. The Subsidence District has adopted regulations requiring reduction of groundwater withdrawals through conversion to alternate source water (e.g., surface water) in certain areas within the Subsidence District’s jurisdiction, including the area within the District. In 2001, the Texas legislature created the West Harris County Regional Water Authority (the “Authority”) to, among other things, reduce groundwater usage in, and to provide surface water to, the western portion of Harris County and a small portion of Fort Bend County. The District is located within the boundaries of the Authority. The Authority has entered into a Water Supply Contract with the City of Houston to obtain treated surface water from Houston. The Authority has developed a groundwater reduction plan (“GRP”) and obtained Subsidence District approval of its GRP. The Authority’s GRP sets forth the Authority’s plan to comply with Subsidence District regulations, construct surface water facilities, and convert users from groundwater to alternate source water (e.g., surface water). The District has no surface water, however, the District’s groundwater well(s) is included within the Authority’s GRP.

The District's authority to pump groundwater is subject to an annual permit issued by the Subsidence District to the Authority, which permit includes all groundwater wells that are included in the Authority's GRP. The Authority, among other powers, has the power to: (i) issue debt supported by the revenues pledged for the payment of its obligations; (ii) establish fees (including fees to be paid by the District for groundwater pumped by the District and rates for the sale of surface water purchased by the District from the Authority), user fees, rates, charges and special assessments as necessary to accomplish its purposes; and (iii) mandate water users, including the District, to convert from groundwater to surface water. The Authority currently charges the District, and other major groundwater users, a fee per 1,000 gallons based on the amount of groundwater pumped by the District and a rate per 1,000 gallons of surface water purchased by the District from the Authority. The Authority has issued revenue bonds to fund, among other things, Authority surface water project costs. It is expected that the Authority will continue to issue a substantial amount of bonds by the year 2035 to finance the Authority's project costs, and it is expected that the fees charged by the Authority will increase substantially over such period.

Under the Subsidence District regulations and the GRP, the Authority is required: (i) through the year 2024, to limit groundwater withdrawals to no more than 70% of the total annual water demand of the water users within the Authority's GRP; (ii) beginning in the year 2025, to limit groundwater withdrawals to no more than 40% of the total annual water demand of the water users within the Authority's GRP; and (iii) beginning in the year 2035, and continuing thereafter, to limit groundwater withdrawals to no more than 20% of the total annual water demand of the water users within the Authority's GRP. If the Authority fails to comply with the above Subsidence District regulations or its GRP, the Authority is subject to a disincentive fee penalty per 1,000 gallons, ("Disincentive Fees") imposed by the Subsidence District for any groundwater withdrawn in excess of 20% of the total annual water demand in the Authority's GRP. In the event of such Authority failure to comply, the Subsidence District may also seek to collect Disincentive Fees from the District. If the District failed to comply with surface water conversion requirements mandated by the Authority, the Authority would likely impose monetary or other penalties against the District.

The District cannot predict the amount or level of fees and charges, which may be due the Authority in the future, but anticipates the need to pass such fees through to its customers: (i) through higher water rates and/or (ii) with portions of maintenance tax proceeds, if any. In addition, conversion to surface water could necessitate improvements to the System which could require the issuance of additional bonds by the District. No representation is made that the Authority: (i) will build the necessary facilities to meet the requirements of the Subsidence District for conversion to surface water, (ii) will comply with the Subsidence District's surface water conversion requirements, or (iii) will comply with its GRP.

Wastewater Treatment

The District has entered into a lease agreement with AUC Group, Inc. for a 328,000 gpd wastewater treatment plant, which is capable of serving 1,312 ESFCs or more depending on the flow rate. The wastewater treatment plant is currently running at less than 250 gpd per ESFC. As of August 9, 2026, the District was serving 1,517 active connections (including 1,378 completed homes and 139 homes under construction or in the name of Lennar). The District intends to issue additional bonds for future expansions to facilities as needed.

Water Distribution, Wastewater Collection and Storm Drainage Facilities

Water distribution, wastewater collection and storm drainage facilities or trunk utilities have been constructed to serve 1,855 residential lots in the District. In addition, utilities and/or paving are under construction for 271 single family residential lots on approximately 62 acres for Anniston, Sections Fifteen, Eighteen and Nineteen with construction expected to be completed in fourth quarter of 2026. See "THE DISTRICT—Status of Development."

100-Year Flood Plain

"Flood Insurance Rate Map" or "FIRM" means an official map of a community on which the Federal Emergency Management Agency (FEMA) has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100-year flood plain, is depicted on these maps. The "100-year flood plain" (or 1% chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rain storm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes must be built above the 100-year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. An engineering or regulatory determination that an area is above the 100-year flood plain is not an assurance that homes built in such area will not be flooded, and a number of neighborhoods in the greater Houston area that are above the 100-year flood plain have flooded multiple times in the last several years.

According to the District's engineer, approximately 12 acres of the developable land within the District are located within the 100-year flood plain as shown on the effective Flood Insurance Rate Map 48201C0580M dated November 15, 2019. The District has submitted an application with FEMA to remove such remaining acreage from the 100-year floodplain. See "RISK FACTORS—Extreme Weather Events."

Atlas 14

In 2018, the National Weather Service completed a rainfall study known as NOAA Atlas 14, Volume 11 Precipitation-Frequency Atlas of the United States (“Atlas 14”). Floodplain boundaries within the District may be redrawn based on the Atlas 14 study based on a higher statistical rainfall amount, resulting in the application of more stringent floodplain regulations applying to a larger area and potentially leaving less developable property within the District. The application of such regulations could additionally result in higher insurance rates, increased development fees, and stricter building codes for any property located within the expanded boundaries of the floodplain.

ROAD SYSTEM

The road infrastructure within the District consists of several collector roads and an internal street network. Access to the District’s collector roads and internal street network is provided Katy-Hockley Road, Pitts Road, Beckendorff Road and Farm-to-Market Road 529, which forms the District’s northern boundary and ultimately leads to the Grand Parkway. All roadways constructed by the District are designed and constructed in accordance with Harris County standards, rules and regulations. Harris County accepts the District’s completed road facilities for operation and maintenance and is responsible for operation and maintenance thereof. In the event that Harris County were to fail to accept the District’s road facilities, the District is expected to include the cost of maintenance of same in the District’s operation and maintenance expenses, and such cost could be significant. These roads lie within the public right-of-way. In addition to the roadway, public utilities such as underground water, sewer, and drainage facilities are located within the right-of-way. The right-of-way is also shared by streetlights, sidewalks and franchise utilities (power, gas, telephone and cable).

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FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)

2026 Taxable Assessed Valuation.....	\$352,725,213	(a)
Estimated Taxable Assessed Valuation as of July 15, 2026.....	\$406,558,148	(b)
Gross Direct Debt Outstanding (includes the Bonds).....	\$58,680,000	(c)
Estimated Overlapping Debt	7,353,214	(d)
Gross Direct Debt and Estimated Overlapping Debt.....	\$66,033,214	
Ratios of Gross Direct Debt to:		
2026 Taxable Assessed Valuation	16.64%	
Estimated Taxable Assessed Valuation as of July 15, 2026	14.43%	
Ratios of Gross Direct Debt and Estimated Overlapping Debt to:		
2026 Taxable Assessed Valuation	18.72%	
Estimated Taxable Assessed Valuation as of July 15, 2026	16.24%	
Funds Available for Debt Service:		
WSD Debt Service Fund Balance as of August 12, 2026	\$1,103,657	(e)
Road Debt Service Fund Balance as of August 12, 2026.....	1,144,756	(e)(f)
Capitalized Interest from proceeds of the Bonds (Twelve (12) Months)	1,045,000	(e)(g)
Total Funds Available for Debt Service	\$3,293,413	(e)(g)
Operating Funds Available as of August 12, 2026.....	\$930,882	(h)
WSD Capital Projects Fund as of August 12, 2026.....	\$531,836	(i)
Road Capital Projects Fund as of August 12, 2026	\$460,238	

- (a) The 2026 Taxable Assessed Valuation shown herein includes \$323,570,292 of certified value and \$29,154,921 of uncertified value. The uncertified value represents the landowners' opinion of the value; however, such value is subject to change and downward revision prior to certification. No tax will be levied on said uncertified value until it is certified by the Harris Central Appraisal District (the "Appraisal District"). See "TAXING PROCEDURES."
- (b) Provided by the Appraisal District for informational purposes only. Such amount reflects an estimate of the taxable assessed value within the District on July 15, 2026. No tax will be levied on such amount until it is certified. Increases in value occurring between January 1, 2026 and July 15, 2026, will be certified as of January 1, 2027, and provided for purposes of taxation in the summer of 2027. See "TAXING PROCEDURES."
- (c) Excludes the September 1, 2026 principal payment of \$70,000.
- (d) See "—Estimated Overlapping Debt" herein.
- (e) Although all of the District's debt, including the Outstanding Bonds and the Bonds, is issued on a parity basis and is payable from an unlimited tax pledge, portions of the District's ad valorem tax revenue will be allocated on a pro rata basis between debt service on bonds issued for the purpose of financing water, sanitary sewer and drainage facilities or to refund such bonds ("WSD Bonds"), including the Bonds, and bonds issued for the purpose of financing road facilities or to refund such bonds ("Road Bonds"), and deposited into separate sub-accounts within the District's Debt Service Fund. Includes \$330,313 for the District's September 1, 2026, debt service payment on the Outstanding WSD Bonds. See "THE BONDS—Funds" and "—Debt Service Requirements" herein.
- (f) Includes \$612,252 for the District's September 1, 2026, debt service payment on the Outstanding Road Bonds.
- (g) The District will capitalize twelve (12) months of interest from Bond proceeds. The amount shown above is estimated at 5.00%. See "USE AND DISTRIBUTION OF BOND PROCEEDS."
- (h) See "RISK FACTORS—Operating Funds."
- (i) \$520,000 of such balance will be applied towards the projects to be financed with proceeds of the Bonds at closing. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

Investments of the District

The District has adopted an Investment Policy as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code. The District's goal is to preserve principal and maintain liquidity while securing a competitive yield on its portfolio. Funds of the District will be invested in short term U.S. Treasuries, certificates of deposit insured by the Federal Deposit Insurance Corporation ("FDIC") or secured by collateral evidenced by perfected safekeeping receipts held by a third party bank, and public funds investment pools rated in the highest rating category by a nationally recognized rating service. The District does not currently own, nor does it anticipate the inclusion of, long term securities or derivative products in the District portfolio.

Outstanding Bonds

The District has previously issued one series of unlimited tax bonds and three series of unlimited tax road bonds in the principal amount of \$37,850,000, \$37,780,000 of which remains outstanding as of the date hereof (the "Outstanding Bonds").

Series		Original Principal Amount	Outstanding Bonds
2024	(a)	\$ 3,750,000	\$ 3,680,000
2025		14,000,000	14,000,000
2025	(a)	15,000,000	15,000,000
2026	(a)	5,100,000	5,100,000
Total		\$ 37,850,000	\$ 37,780,000

- (a) Unlimited Tax Road Bonds.

Debt Service Requirements

The following sets forth the debt service requirements on the Outstanding Bonds and the estimated debt service requirements on the Bonds at an estimated interest rate of 5.00%. This schedule does not reflect the fact that the District capitalized twelve (12) months of interest from proceeds of the Series 2026 Road Bonds in March 2026. Twelve (12) months of interest will be capitalized from the Bonds proceeds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

Year	Outstanding Bonds Debt Service Requirements (a)	Plus: Debt Service on the Bonds			Total Debt Service Requirements
		Principal	Interest	Total	
2027	\$ 2,541,231.25		\$ 957,916.67	\$ 957,916.67	\$ 3,499,147.92
2028	2,532,081.25	\$ 440,000	1,045,000.00	1,485,000.00	4,017,081.25
2029	2,520,456.25	460,000	1,023,000.00	1,483,000.00	4,003,456.25
2030	2,506,356.25	485,000	1,000,000.00	1,485,000.00	3,991,356.25
2031	2,489,656.25	505,000	975,750.00	1,480,750.00	3,970,406.25
2032	2,480,481.25	535,000	950,500.00	1,485,500.00	3,965,981.25
2033	2,473,062.50	560,000	923,750.00	1,483,750.00	3,956,812.50
2034	2,461,943.75	585,000	895,750.00	1,480,750.00	3,942,693.75
2035	2,469,262.50	615,000	866,500.00	1,481,500.00	3,950,762.50
2036	2,482,725.00	645,000	835,750.00	1,480,750.00	3,963,475.00
2037	2,488,625.00	680,000	803,500.00	1,483,500.00	3,972,125.00
2038	2,502,312.50	715,000	769,500.00	1,484,500.00	3,986,812.50
2039	2,518,387.50	750,000	733,750.00	1,483,750.00	4,002,137.50
2040	2,535,275.00	785,000	696,250.00	1,481,250.00	4,016,525.00
2041	2,542,456.25	825,000	657,000.00	1,482,000.00	4,024,456.25
2042	2,551,675.00	865,000	615,750.00	1,480,750.00	4,032,425.00
2043	2,566,131.25	910,000	572,500.00	1,482,500.00	4,048,631.25
2044	2,576,925.00	955,000	527,000.00	1,482,000.00	4,058,925.00
2045	2,583,812.50	1,005,000	479,250.00	1,484,250.00	4,068,062.50
2046	2,596,712.50	1,055,000	429,000.00	1,484,000.00	4,080,712.50
2047	2,615,156.25	1,105,000	376,250.00	1,481,250.00	4,096,406.25
2048	2,626,993.75	1,160,000	321,000.00	1,481,000.00	4,107,993.75
2049	2,633,868.75	1,220,000	263,000.00	1,483,000.00	4,116,868.75
2050	2,646,031.25	1,280,000	202,000.00	1,482,000.00	4,128,031.25
2051	2,663,043.75	1,345,000	138,000.00	1,483,000.00	4,146,043.75
2052	354,450.00	1,415,000	70,750.00	1,485,750.00	1,840,200.00
Total	\$ 63,959,112.50	\$ 20,900,000	\$ 17,128,416.67	\$ 38,028,416.67	\$ 101,987,529.17

(a) Excludes the September 1, 2026 debt service payment of \$612,252.

Average Annual Debt Service Requirements (2027-2052) \$3,922,597
Maximum Annual Debt Service Requirement (2051) \$4,146,044

Estimated Overlapping Debt

The following table indicates the outstanding debt payable from ad valorem taxes, of governmental entities within which the District is located and the estimated percentages and amounts of such indebtedness attributable to property within the District. Debt figures equated herein to outstanding obligations payable from ad valorem taxes are based upon data obtained from individual jurisdictions or Texas Municipal Reports compiled and published by the Municipal Advisory Council of Texas. Furthermore, certain entities listed below may have issued additional obligations since the date listed and may have plans to incur significant amounts of additional debt. Political subdivisions overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for the purposes of operation, maintenance and/or general revenue purposes in addition to taxes for the payment of debt service and the tax burden for operation, maintenance and/or general revenue purposes is not included in these figures. The District has no control over the issuance of debt or tax levies of any such entities.

Taxing Jurisdiction	Outstanding Bonds	As of	Overlapping	
			Percent	Amount
Harris County.....	\$ 3,080,611,581	8/31/2026	0.02000%	\$ 616,122
Harris County Flood Control District.....	1,034,900,000	8/31/2026	0.02000%	206,980
Harris County Hospital District.....	1,644,825,000	8/31/2026	0.02000%	328,965
Harris County Department of Education.....	28,960,000	8/31/2026	0.02000%	5,792
Port of Houston Authority.....	386,074,397	8/31/2026	0.02000%	77,215
Katy Independent School District.....	2,549,225,000	8/31/2026	0.24000%	6,118,140
Total Estimated Overlapping Debt.....				\$ 7,353,214
The District.....	58,680,000 (a)			58,680,000
Total Direct and Estimated Overlapping Debt.....				\$ 66,033,214

Direct and Estimated Overlapping Debt as a Percentage of:

2026 Taxable Assessed Valuation of \$352,725,213.....	18.72%
Estimated Taxable Assessed Valuation as of July 15, 2026 of \$406,558,148.....	16.24%

(a) The Bonds and the Outstanding Bonds.

Overlapping Taxes

Set forth below are all of the taxes levied for the 2025 tax year by all taxing jurisdictions overlapping the District and the 2025 tax rate of the District. None of the below overlapping entities have levied a tax rate for 2026. No recognition is given to local assessments for civic association dues, fire department contributions, solid waste disposal charges or any other levy of entities other than political subdivisions.

	Tax Rate per \$100 of Taxable Assessed Valuation
Harris County (including Harris County Flood Control District, Harris County Hospital District, Harris County Department of Education, and the Port of Houston Authority).....	\$ 0.62893
Waller-Harris County ESD No. 200.....	0.10000
Katy Independent School District.....	1.11710
Total Overlapping Tax Rate.....	\$ 1.84603
The District (a).....	1.50000
Total Tax Rate.....	\$ 3.34603

(a) See "TAX DATA—Historical Tax Rate Distribution."

General Operating Fund

The following statement sets forth in condensed form the General Operating Fund as shown in the District's audited financial statements for the fiscal years 2024 through 2026. See "RISK FACTORS—Operating Funds." Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Reference is made to "APPENDIX A" for further and complete information.

	Fiscal Year Ended <u>2/28/2026</u>	Fiscal Year Ended <u>2/28/2025</u>	Fiscal Year Ended <u>2/29/2024</u>
Revenues:			
Property Taxes	\$ 1,609,997	\$ 255,993	\$ 1,644
Water and Sewer Service	1,171,839	264,102	-
Penalty and Interest	37,600	13,646	10
Ground Water Fees	506,444	86,817	-
Tap Connection & Inspection	860,540	1,062,052	-
Investment Earnings	5,935	1,928	-
Miscellaneous	5,120	165,996	-
Total Revenue	\$ 4,197,475	\$ 1,850,534	\$ 1,654
Expenditures:			
Professional Fees	\$ 372,321	\$ 210,037	\$ 111,971
Purchased Services	25,760	150,920	8,680
Ground Water Fees	489,279	90,253	-
Repairs and Maintenance	1,536,799	408,278	-
Contracted Services	436,921	156,251	19,577
Utilities	128,187	28,723	-
Tap Connections	484,813	690,775	-
Lease Expenditures	364,020	108,480	-
Capital Outlay	1,374,394	6,114,110	-
Debt Service, Debt Issuance Costs	48,825	23,750	-
Other	85,651	35,403	15,683
Total Expenditures	\$ 5,346,970	\$ 8,016,980	\$ 155,911
Revenue Over (Under) Expenditures	\$ (1,149,495)	\$ (6,166,446)	\$ (154,257)
Other Financing Sources			
Interfund Transfers In	\$ 190,512	\$ -	\$ -
Developer Advances	2,206,429	6,079,572	192,240
Total Other Financing Sources	\$ 2,396,941	\$ 6,079,572	\$ 192,240
General Operating Fund			
Balance (Beginning of Year)	\$ (63,418)	\$ 23,456	\$ (14,527)
General Operating Fund			
Balance (End of Year)	\$ 1,184,028	\$ (63,418)	\$ 23,456

TAX DATA

Debt Service Tax

The District covenants in the Bond Resolution to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Bonds. See “Historical Tax Rate Distribution” and “Tax Roll Information” below, and “TAXING PROCEDURES.”

Maintenance Tax

The District has the statutory authority to levy and collect an annual ad valorem tax for the operation and maintenance of the District, if such a maintenance tax is authorized by the District’s voters. A maintenance tax election was conducted on May 7, 2022, and voters of the District authorized, among other things, the Board to levy a maintenance tax at a rate not to exceed \$1.50 per \$100 of assessed valuation.

Historical Tax Rate Distribution

	2026 (a)	2025	2024	2023
Debt Service Tax	\$ 0.67	\$ 0.25	\$ -	\$ -
Maintenance Tax	<u>0.83</u>	<u>1.25</u>	<u>1.50</u>	<u>1.50</u>
Total District Tax Rate	\$ 1.50	\$ 1.50	\$ 1.50	\$ 1.50

(a) Represents anticipated tax rates, the District may ultimately levy different tax rates.

Additional Penalties

The District has contracted with a delinquent tax attorney to collect certain delinquent taxes. In connection with that contract, the District established an additional penalty of twenty percent (20%) of the tax to defray the costs of collection. This 20% penalty applies to taxes that either: (1) become delinquent on or after February 1 of a year (April 1 for personal property), but not later than May 1 of that year, and that remain delinquent on July 1 (for real property) of the year in which they become delinquent or (2) become delinquent on or after June 1, pursuant to the Texas Tax Code.

Historical Tax Collections

The following statement of tax collections sets forth in condensed form a portion of the historical tax experience of the District. Such table has been prepared for inclusion herein, based upon information obtained from the District’s Tax Assessor/Collector. Reference is made to such statements and records for further and complete information. See “Tax Roll Information” below.

Tax Year	Taxable	Tax Rate	Total Tax Levy	Total Collections	
	Assessed Valuation (a)			As of 7/31/2026 (b)	
				Amount	Percent
2023	\$ 239,570	\$ 1.50	\$ 3,594	\$ 3,594	100.00%
2024	18,804,430	1.50	282,066	281,856	99.93%
2025	150,221,965	1.50	2,253,329	2,046,647	90.83% (c)

(a) As certified by the Appraisal District less any exemptions granted. See “Tax Roll Information” in this section.

(b) Unaudited.

(c) In process of collections. Taxes from the 2025 tax year were due on January 31, 2026. Late adjustments to the 2025 tax roll by the Appraisal District have caused the due dates for certain District tax accounts to be delayed. The District expects its 2025 tax collection percentage to normalize as such tax accounts become due.

Tax Roll Information

The District's assessed value as of January 1 of each year is used by the District in establishing its tax rate (see "TAXING PROCEDURES—Valuation of Property for Taxation"). The following represents the composition of property comprising the 2023 through 2026 Taxable Assessed Valuations. Accurate breakdowns of the uncertified portion (\$29,154,921) of the 2026 Taxable Assessed Valuation, or the Estimated Taxable Assessed Valuation as of July 15, 2026 of \$406,558,148, are not available. Taxes are levied on taxable value certified by the Appraisal District as of January 1 of each year.

	2026 Taxable Assessed Valuation	2025 Taxable Assessed Valuation	2024 Taxable Assessed Valuation	2023 Taxable Assessed Valuation
Land	\$ 98,730,781	\$ 68,752,026	\$ 18,764,009	\$ 239,570 (a)
Improvements	232,538,025	76,391,553	162,130	-
Personal Property	1,329,215	1,630,451	82,472	-
Uncertified Value	29,154,921	6,269,407	-	-
Gross Assessed Valuation	\$ 361,752,942	\$ 153,043,437	\$ 19,008,611	\$ 239,570
Exemptions	(9,027,729)	(2,821,472)	(204,181)	-
Total	\$ 352,725,213	\$ 150,221,965	\$ 18,804,430	\$ 239,570

(a) Excludes approximately \$10,985,260 of agricultural land deferral as of January 1, 2023.

Principal Taxpayers

The following table represents the principal taxpayers, the taxable assessed valuation of such property, and such property's taxable assessed valuation as a percentage of the certified portion of the 2026 Taxable Assessed Valuation (\$323,570,292), which represents certified ownership as of January 1, 2026. Accurate principal taxpayer lists in connection to the uncertified portion of the 2026 Taxable Assessed Valuation (\$29,154,921) or the Estimated Taxable Assessed Valuation as of July 15, 2026, of \$406,558,148, are not available as of the date hereof.

Taxpayer	2026 Certified Taxable Assessed Valuation	% of 2026 Certified Taxable Assessed Valuation
The Developer (a)(b)	\$ 29,807,216	9.21%
FR Beeson LLC (a)(b)	1,595,263	0.49%
Homeowner	1,521,032	0.47%
Homeowner	1,364,643	0.42%
Prime Way Development LLC	1,164,573	0.36%
Homeowner	1,100,137	0.34%
Alivio Allergy Solutions LLC	1,027,258	0.32%
Homeowner	803,219	0.25%
	\$ 38,383,341	11.86%

(a) See "THE DEVELOPER." In July 2025, FR Beeson conveyed its land holdings within the District to Millrose Properties Texas, LLC ("Millrose"). Thereafter, Millrose conveyed a portion of such land to OHC Lennar Pool II, LLC ("OHC Lennar"). Millrose and OHC Lennar each serve as land holding companies for the Developer and, collectively, own all of the undeveloped land within the District. FR Beeson no longer owns any land within the District.

(b) See "RISK FACTORS—Dependence on Major Taxpayers and the Developer."

Tax Adequacy for Debt Service

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 taxable assessed valuation which would be required to meet average annual and maximum annual debt service requirements if no growth in the District's tax base occurred beyond the 2026 Taxable Assessed Valuation of \$352,725,213 (comprised of \$323,570,292 of certified value and \$29,154,921 of uncertified value), or the Estimated Taxable Assessed Valuation as of July 15, 2026, of \$406,558,148. The calculations contained in the following table merely represent the tax rates required to pay principal of and interest on the Bonds when due, assuming no further increase or any decrease in taxable values in the District, collection of ninety-five percent (95%) of taxes levied, the sale of no additional bonds, and no other funds available for the payment of debt service. See "RISK FACTORS—Possible Impact on District Tax Rates" and "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements."

Average Annual Debt Service Requirement (2027-2052)	\$3,922,597
\$1.18 Tax Rate on the 2026 Taxable Assessed Valuation	\$3,954,050
\$1.02 Tax Rate on the Estimated Taxable Assessed Valuation as of July 15, 2026	\$3,939,548
Maximum Annual Debt Service Requirement (2051).....	\$4,146,044
\$1.24 Tax Rate on the 2026 Taxable Assessed Valuation	\$4,155,103
\$1.08 Tax Rate on the Estimated Taxable Assessed Valuation as of July 15, 2026	\$4,171,287

No representation or suggestion is made that the uncertified portion of the 2026 Taxable Assessed Valuation, or that, the Estimated Taxable Assessed Valuation as of July 15, 2026 provided by the Appraisal District for the District will be certified as taxable value by the Appraisal District, and no person should rely upon such amounts or their inclusion herein as assurance of their attainment. See "TAXING PROCEDURES."

TAXING PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in an amount sufficient to pay the principal of and interest on the Bonds and any additional bonds payable from taxes which the District may hereafter issue (see "RISK FACTORS—Future Debt") and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Resolution to levy such a tax from year-to-year as described more fully herein under "THE BONDS—Source of Payment." Under Texas law, the District may also levy and collect an annual ad valorem tax for the operation and maintenance of the District. See "TAX DATA—Debt Service Tax" and "—Maintenance Tax."

Property Tax Code and County-Wide Appraisal District

Title 1 of the Texas Tax Code (the "Property Tax Code") specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Property Tax Code are complex and are not fully summarized here.

The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district. The Harris Central Appraisal District (the "Appraisal District") has the responsibility for appraising property for all taxing units within Harris County, including the District. Such appraisal values are subject to review and change by the Harris Central Appraisal Review Board (the "Appraisal Review Board").

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, and mobile homes are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; certain goods, wares and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; most individually owned automobiles; and intangible personal property. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years of age or older and of certain disabled persons to the extent deemed advisable by the Board. The District may be required to call an election regarding such an exemption upon petition by twenty percent (20%) of the number of qualified voters who voted in the previous election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between \$3,000 and

\$12,000 of taxable valuation depending upon the disability rating of the veteran claiming the exemption, and qualifying surviving spouses of persons 65 years of age or older will be entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse. A veteran who receives a disability rating of 100% is entitled to an exemption for the full amount of the veteran's residential homestead. Additionally, effective January 1, 2012, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. Effective January 1, 2014, a partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. Also, effective January 1, 2014, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. The surviving spouse of a first responder who was killed or fatally injured in the line of duty is, subject to certain conditions, also entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. See "TAX DATA."

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the appraised value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted before July 1. To date, the District has not adopted a homestead exemption. See "TAX DATA."

Freeport Goods and Goods-in-Transit Exemptions: A "Freeport Exemption" applies to goods, wares, ores, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit" Exemption is applicable to the same categories of tangible personal property which are covered by the Freeport Exemption, if, for tax year 2011 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2012 and subsequent years, such Goods-in-Transit Exemption includes tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit personal property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. The District has taken official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years.

Tax Abatement

Harris County may designate all or part of the area within the District as a reinvestment zone. Thereafter, Harris County and the District, under certain circumstances, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement, which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (10) years, all or any part of any increase in the appraised valuation of property covered by the agreement over its appraised valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement agreement. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions.

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Tax Code.

Nevertheless, certain land may be appraised at less than market value under the Property Tax Code. In November 1997, Texas voters approved a constitutional amendment to limit increases in the appraised value of residence homesteads to ten percent (10%) annually regardless of the market value of the property. The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its fair market value. The Property Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it as to another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three (3) years for agricultural use, open space land, and timberland.

The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraisal values. The plan must provide for appraisal of all real property in the Appraisal District at least once every three (3) years. It is not known what frequency of reappraisal will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county-wide basis. The District, however, at its expense has the right to obtain from the Appraisal District a current estimate of appraised values within the District or an estimate of any new property or improvements within the District. While such current estimate of appraised values may serve to indicate the rate and extent of growth of taxable values within the District, it cannot be used for establishing a tax rate within the District until such time as the Appraisal District chooses formally to include such values on its appraisal roll.

The Property Tax Code provides for a temporary exemption from ad valorem taxation of a portion of the appraised value of certain property that is at least 15% physically damaged by a disaster and located within an area declared to be a disaster area by the Governor of the State of Texas. This temporary exemption is automatic if the disaster is declared prior to a taxing unit, such as the District, adopting its tax rate for the tax year. A taxing unit, such as the District, may authorize the exemption at its discretion if the disaster is declared after the taxing unit has adopted its tax rate for the tax year. The amount of the exemption is based on the percentage of damage and is prorated based on the date of the disaster. Upon receipt of an application submitted within the eligible timeframe by a person who qualifies for a temporary exemption under the Property Tax Code, the Appraisal District is required to complete a damage assessment and assign a damage assessment rating to determine the amount of the exemption. The temporary exemption amounts established in the Property Tax Code range from 15% for property less than 30% damaged to 100% for property that is a total loss. Any such temporary exemption granted for disaster-damaged property expires on January 1 of the first year in which the property is reappraised.

District and Taxpayer Remedies

Under certain circumstances taxpayers and taxing units (such as the District) may appeal the orders of the Appraisal Review Board by filing a timely petition for review in State district court. In such event, the value of the property in question will be determined by the court or by a jury if requested by any party. Additionally, taxing units may bring suit against the Appraisal District to compel compliance with the Property Tax Code.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the District and provides for taxpayer referenda which could result in the repeal of certain tax increases. The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes, and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, which may be rejected by taxing units. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties and interest, if the person requests an installment agreement and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) sixty-five (65) years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continue to accrue during the period of deferral.

Certain qualified taxpayers, including owners of residential homesteads, located within a natural disaster area and whose property has been damaged as a direct result of the disaster, are entitled to enter into a tax payment installment agreement with a taxing jurisdiction such as the District if the tax payer pays at least one-fourth of the tax bill imposed on the property by the delinquency date. The remaining taxes may be paid without penalty or interest in three equal installments within six months of the delinquency date.

Tax Payment Installments After Disaster

Certain qualified taxpayers, including owners of residential homesteads, located within a designated disaster area or emergency area, and whose property has been damaged as a direct result of the disaster or emergency, are entitled to enter into a tax payment installment agreement with a taxing jurisdiction such as the District if the taxpayer pays at least one-fourth of the tax bill imposed on the property by the delinquency date. The remaining taxes may be paid without penalty or interest in three equal installments within six months of the delinquency date.

Additionally, the Texas Tax Code authorizes a taxing jurisdiction such as the District, solely at the jurisdiction's discretion, to adopt a similar installment payment option for taxes imposed on property that is located within a designated disaster area or emergency area, and is owned or leased by certain qualified business entities, regardless of whether the property has been damaged as a direct result of the disaster or emergency.

Rollback of Operation and Maintenance Tax Rate

Chapter 49 of the Texas Water Code, as amended classifies districts differently based on the current operation and maintenance tax rate or on the percentage of build-out that the District has completed. Districts that have adopted an operation and maintenance tax rate for the current year that is 2.5 cents or less per \$100 of taxable value are classified as "Special Taxing Units." Districts that have financed, completed, and issued bonds to pay for all improvements and facilities necessary to serve at least 95% of the projected build-out of the district are classified as "Developed Districts." Districts that do not meet either of the classifications previously discussed can be classified herein as "Developing Districts." The impact each classification has on the ability of a district to increase its maintenance and operations tax rate is described for each classification below. Debt service and contract tax rates cannot be reduced by a rollback election held within any of the districts described below.

Special Taxing Units: Special Taxing Units that adopt a total tax rate that would impose more than 1.08 times the amount of the total tax imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Special Taxing Unit is the current year's debt service and contract tax rate plus 1.08 times the previous year's operation and maintenance tax rate.

Developed Districts: Developed Districts that adopt a total tax rate that would impose more than 1.035 times the amount of the total tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions for the preceding tax year, plus any unused increment rates, as calculated and described in Section 26.013 of the Tax Code, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Developed District is the current year's debt service and contract tax rate plus 1.035 times the previous year's operation and maintenance tax rate plus any unused increment rates. In addition, if any part of a Developed District lies within an area declared for disaster by the Governor of Texas or President of the United States, alternative procedures and rate limitations may apply for a temporary period. If a district qualifies as both a Special Taxing Unit and a Developed District, the district will be subject to the operation and maintenance tax threshold applicable to Special Taxing Units.

Developing Districts: Districts that do not meet the classification of a Special Taxing Unit or a Developed District can be classified as Developing Districts. The qualified voters of these districts, upon the Developing District's adoption of a total tax rate that would impose more than 1.08 times the amount of the total tax rate imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions, are authorized to petition for an election to reduce the operation and maintenance tax rate. If an election is called and passes, the total tax rate for Developing Districts is the current year's debt service and contract tax rate plus 1.08 times the previous year's operation and maintenance tax rate.

The District: A determination as to a district's status as a Special Taxing Unit, Developed District or Developing District will be made by the Board of Directors on an annual basis. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation. For tax year 2026, the District was classified as a Developing District.

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State of Texas and each local taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of such other taxing units. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Overlapping Taxes." A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. Personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both subject to the restrictions on residential homesteads described in the preceding section under "Levy and Collection of Taxes". In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights or by bankruptcy proceedings which restrict the collection of taxpayer debts. A taxpayer may redeem property within six (6) months for commercial property and two (2) years for residential and all other types of property after the purchaser's deed issued at the foreclosure sale is filed in the county records. The District's ability to foreclose its tax lien or collect penalties or interest on delinquent taxes may be limited on property owned by a financial institution which is under receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act, 12 U.S.C. 1825, as amended. See "RISK FACTORS—General" and "—Tax Collection Limitations and Foreclosure Remedies."

RISK FACTORS

General

The Bonds are obligations solely of the District and are not obligations of the State of Texas, Harris County, the City of Houston, or any entity other than the District. Payment of the principal of and interest on the Bonds depends upon the ability of the District to collect taxes levied on all taxable property within the District in an amount sufficient to service the District's bonded debt, or in the event of foreclosure, on the value of the taxable property in the District and the taxes levied by the District and other taxing authorities upon the property within the District. See "THE BONDS—Source of Payment." The collection by the District of delinquent taxes owed to it and the enforcement by registered owners of the Bonds ("Registered Owners") of the District's obligation to collect sufficient taxes may be a costly and lengthy process. Furthermore, the District cannot and does not make any representations that continued development of taxable property within the District will accumulate or maintain taxable values sufficient to justify continued payment of taxes by property owners or that there will be a market for the property or that owners of the property will have the ability to pay taxes. See "Registered Owners' Remedies and Bankruptcy Limitations" herein.

Economic Factors and Interest Rates

The majority of the taxable value of the District results from the current market value of single-family residences and of developed lots which are currently being sold by the Developer for the construction of primary residences. The market value of such homes and lots is related to general economic conditions in the Houston region and the national economy and those conditions can affect the demand for residences. Demand for lots of this type and the construction of residential dwellings thereon can be significantly affected by factors such as interest rates, credit availability (see "Credit Market and Liquidity in the Financial Markets" below), construction costs and the prosperity and demographic characteristics of the urban center toward which the marketing of lots is directed. Decreased levels of construction activity would tend to restrict the growth of property values in the District or could adversely impact such values.

Credit Markets and Liquidity in the Financial Markets

Interest rates and the availability of mortgage and development funding have a direct impact on the construction activity, particularly short-term interest rates at which the Developer is able to obtain financing for development costs. Interest rate levels may affect the ability of a landowner with undeveloped property to undertake and complete construction activities within the District. Because of the numerous and changing factors affecting the availability of funds, the District is unable to assess the future availability of such funds for continued construction within the District. In addition, since the District is located approximately 29 miles from the central downtown business district of the City of Houston, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the Houston metropolitan and regional economies and the national financial and credit markets. A downturn in the economic conditions of Houston and the nation could adversely affect development and home-building plans in the District and restrain the growth or reduce the value of the District's property tax base.

Competition

The demand for and construction of single-family homes in the District could be affected by competition from other developments located in the western portion of the Houston metropolitan area. The competitive position of the Developer in the sale of developed lots and the construction of single-family residential houses within the District by Lennar Homes is affected by most of the factors discussed in this section. Such a competitive position directly affects the growth and maintenance of taxable values in the District.

The District can give no assurance that building and marketing programs in the District by the Developer and its affiliates will be implemented or, if implemented, will be successful.

Increase in Costs of Building Materials

As a result of supply issues, shipping constraints, and ongoing trade disputes (including tariffs), there have been recent substantial increases in the cost of lumber and other building materials, causing many homebuilders and general contractors to experience budget overruns. Further, the unpredictable nature of current trade policy (including the threatened imposition of tariffs) may impact the ability of the Developer or homebuilder in the District to estimate costs. Additionally, immigration policies may affect the State's workforce, and any labor shortages that could occur may impact the rate of construction within the District. Uncertainty surrounding availability and cost of materials may result in decreased levels of construction activity, and may restrict the growth of property values in the District. The District makes no representations regarding the probability of development or homebuilding continuing in a timely manner or the effects that current or future economic or governmental circumstances may have on any plans of the Developer or homebuilder.

Possible Impact on District Tax Rates

Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of owners of property within the District to pay their taxes. The 2026 Taxable Assessed Valuation is \$352,725,213 (\$323,570,292 of certified plus \$29,154,921 of uncertified). After issuance of the Bonds, the maximum annual debt service requirement will be \$4,146,044 (2051), and the average annual debt service requirement will be \$3,922,597 (2027-2052 inclusive). Assuming no increase or decrease from the 2026 Taxable Assessed Valuation of \$352,725,213, the issuance of no additional debt, and no other funds available for the payment of debt service, a tax rate of \$1.24 per \$100 of taxable assessed valuation at a ninety-five percent (95%) collection rate would be necessary to pay the maximum annual debt service requirement and \$1.18 per \$100 of taxable assessed valuation would be necessary to pay the average annual debt service requirement. The Estimated Taxable Assessed Valuation as of July 15, 2026, is \$406,558,148, which reduces the above calculations to \$1.08 and \$1.02 per \$100 of taxable assessed valuation, respectively. Although calculations have been made regarding average and maximum tax rates necessary to pay the debt service on the Bonds and the Outstanding Bonds based upon the 2026 Taxable Assessed Valuation and the Estimated Taxable Assessed Valuation as of July 15, 2026, the District can make no representations regarding the future level of assessed valuation within the District. See “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements” and “TAX DATA—Tax Adequacy for Debt Service.”

No representation or suggestion is made that the uncertified portion of the 2026 Taxable Assessed Valuation, or the Estimated Taxable Assessed Valuation as of July 15, 2026, will be certified by the Appraisal District and no person should rely upon such amounts or their inclusion herein as assurance of their attainment. See “TAXING PROCEDURES.”

Dependence on Major Taxpayers and the Developer

The principal taxpayers represent \$38,383,341 or 11.85% of the certified portion of the 2026 Taxable Assessed Valuation (\$323,570,292) within the District. The Developer represents \$29,807,216 or 9.20% of the certified portion of the 2026 Taxable Assessed Valuation (\$323,570,292). FR Beeson, the former owner of the undeveloped land in the District, represents \$1,595,263 or 0.49% of the certified portion of the 2026 Taxable Assessed Valuation (\$323,570,292). The District anticipates that Millrose and OHL Lennar will be top taxpayers in the future. See “THE DEVELOPER.” An accurate principal taxpayer list related to the Estimated Taxable Assessed Valuation as of July 15, 2026, is not available. See “THE DISTRICT,” “THE DEVELOPER” and “TAX DATA—Principal Taxpayers.” The ability of any principal taxpayer to make full and timely payments of taxes levied against its property by the District and similar taxing authorities will directly affect the District’s ability to meet its debt service obligations. If, for any reason, any one or more principal taxpayers do not pay taxes due or do not pay in a timely manner, the District may need to levy additional taxes or use other funds available for debt service purposes. However, the District has not covenanted in the Bond Resolution, nor is it required by Texas law, to maintain any particular balance in its WSD Debt Service Fund or any other funds to allow for any such delinquencies. Therefore, failure by one or more principal taxpayers to pay their taxes could have a material adverse effect upon the District’s ability to pay debt service on the Bonds.

The Developer and its affiliates have informed the District that their current plans are to continue developing their property in the District and/or marketing lots and commercial tracts. However, neither the Developer nor any future developer is obligated to implement development plans on any particular schedule or at all. Thus, the furnishing of any information related to any proposed development should not be interpreted as a commitment. The District makes no representation about the probability of development continuing in a timely manner or about the ability of the Developer to implement any plan of development. Furthermore, there is no restriction on any landowner’s right to sell land. The District can make no prediction as to the effects that current or future economic conditions or governmental circumstances may have on any plans of the Developer or any other landowners.

Undeveloped Acreage and Vacant Lots

There are approximately 91 developable acres of land in the District that have not been fully provided with water, sanitary sewer, storm sewer, road and other facilities necessary for the construction of taxable improvements and 338 developed lots that remain vacant (including approximately 62 acres of land and 271 single-family residential lots currently under construction with expected completion in fourth quarter of 2026). Failure of the Developer to develop the developable land or of builders to construct taxable improvements on developed lots could restrict the rate of growth of taxable values in the District. The District makes no representation as to when or if development of the undeveloped acreage will occur or the success of any homebuilding programs. See “THE DISTRICT—Land Use” and “—Status of Development.”

Operating Funds

The District's primary source of operating revenue, to date is developer advances and maintenance tax revenue. The District levied a 2025 tax rate of \$1.50 per \$100 of taxable assessed valuation consisting of \$0.25 tax rate for debt service and \$1.25 for maintenance and operations. The District's unaudited General Fund balance as of August 12, 2026 was \$930,882. The District expects to increase the debt service tax and proportionally reduce maintenance tax in 2026. The revenue produced from the 2025 maintenance tax rate and reduced maintenance tax in 2026 may not be sufficient to offset the operating expenses of the District. Continued maintenance of a positive General Fund balance will depend upon (1) cash subsidies from the Developer, and (2) continued development and increased amounts of maintenance tax revenue and water and sewer revenue. If funds from these sources are not forthcoming, the District would have to increase its maintenance tax rate. Such an increase may result in a total District tax in excess of similar developments and could adversely affect continued development of the District, as well as the willingness of taxpayers to pay taxes on their property. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (Unaudited)—General Operating Fund."

Landowner Obligation to the District

There are no commitments from or obligations of the Developer or any other landowner to the District to proceed at any particular rate or according to any specified plan with the development of land or construction of improvements in the District, and there is no restriction on any landowner's right to sell its land. Failure to construct taxable improvements on developed tracts of land or developed lots could restrict the rate of growth of taxable values in the District. The District cannot and does not make any representations that over the life of the Bonds the District will increase or maintain its taxable property. See "THE DEVELOPER."

Future Debt

The District has the right to issue obligations other than the Bonds, including tax anticipation notes and bond anticipation notes, and to borrow for any valid purpose. The District's voters have authorized a total of \$426,500,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring water, sanitary sewer and drainage facilities and \$426,500,000 principal amount for refunding such bonds, \$164,150,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring roads and related facilities and \$164,150,000 principal amount for refunding such bonds, and \$99,500,000 principal amount of unlimited tax bonds for the purpose of constructing and/ or acquiring park and recreational facilities and \$99,500,000 principal amount for refunding such bonds. After the issuance of the Bonds, \$391,600,000 principal amount of the unlimited tax bonds authorized for water, sanitary sewer and drainage facilities, \$140,300,000 principal amount of the unlimited tax bonds authorized for road facilities, and all of the bonds authorized for park and recreational facilities will remain authorized but unissued. In addition, voters may authorize the issuance of additional bonds secured by ad valorem taxes. The issuance of additional obligations may increase the District's tax rate and could adversely affect the security for, and the investment quality and value of, the Bonds.

To date, the Developer has advanced certain funds for engineering and construction of water, sanitary sewer and drainage facilities, recreational facilities and roads and related facilities for which it has not been reimbursed. After the reimbursements are made with Bond proceeds, the District will owe approximately \$57,800,000 plus interest to the Developer. The District intends to issue additional bonds in order to reimburse the Developer and other landowners for existing development and to develop the remainder of undeveloped but developable land (approximately 29 acres). The District does not employ any formula with respect to appraised valuations, tax collections or otherwise to limit the amount of parity bonds which it may issue. Further, the principal amount of unlimited tax bonds issued by the District for constructing and/or acquiring park and recreational facilities may not exceed one percent (1%) of the District's certified taxable assessed valuation, unless the District meets certain financial feasibility requirements under the TCEQ rules, in which case the outstanding principal amount of such bonds issued by the District may exceed an amount equal to one percent (1%) but not greater than three percent (3%) of the value of the taxable property in the District. The issuance of additional bonds for water, sanitary sewer and drainage facilities and park and recreational facilities is subject to approval by the TCEQ pursuant to its rules regarding issuance and feasibility of bonds. In addition, future changes in health or environmental regulations could require the construction and financing of additional improvements without any corresponding increases in taxable value in the District. See "THE BONDS—Issuance of Additional Debt."

Marketability of the Bonds

The District has no understanding with the Underwriter regarding the reoffering yields or prices of the Bonds and has no control over trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made in the Bonds. If there is a secondary market, the difference between the bid and asked price of the Bonds may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional issuers, as such bonds are more generally bought, sold or traded in the secondary market.

Potential Effects of Oil Price Volatility on the Houston Area

The economy of the Houston area has, in the past, been particularly affected by adverse conditions in the oil and gas industry, and such conditions and their spillover effects into other industries could result in declines in the demand for residential and commercial property in the Houston area and could reduce or negatively affect property values or homebuilding activity within the District. The District cannot predict the impact that negative conditions in the oil industry could have on property values in the District.

Cybersecurity

The District's consultants use digital technologies to collect taxes, hold funds and process disbursements. These systems necessarily hold sensitive protected information that is valued on the black market. As a result, the electronic systems and networks of organizations like the District's consultants are considered targets for cyber-attacks and other potential breaches of their systems. To the extent the District is determined to be the party responsible for various electronic systems or suffers a loss of funds due to a security breach, there could be a material adverse effect on the District's finances. Insurance to protect against such breaches is limited.

Extreme Weather

The greater Houston area, including the District, is subject to occasional severe weather events, including tropical storms and hurricanes. If the District were to sustain damage to its facilities requiring substantial repair or replacement, or if substantial damage were to occur to taxable property within the District as a result of such a weather event, the investment security of the Bonds could be adversely affected. Certain areas within the greater Houston area have experienced multiple storms exceeding a 0.2% probability (i.e. "500-year flood" events) since 2015.

If a future weather event significantly damaged all or part of the improvements within the District, the assessed value of property within the District could be substantially reduced, which could result in a decrease in tax revenues and/or necessitate an increase in the District's tax rate. Further, there can be no assurance that a casualty loss to taxable property within the District will be covered by insurance (or that property owners will even carry flood or other casualty insurance), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild or repair any damaged improvements within the District. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within the District could be adversely affected.

Specific Flood Type Risks

River (or Fluvial) Flood: Riverine, or fluvial, flooding occurs when water levels rise over the top of river, bayou or channel banks due to excessive rain from tropical systems making landfall and/or persistent thunderstorms over the same area for extended periods of time. The damage from a riverine flood can be widespread. The overflow can affect smaller rivers and streams downstream, or may sheetflow overland. Flash flooding is a type of riverine flood that is characterized by an intense, high velocity torrent of water that occurs in an existing river channel with little to no notice. Flash floods are very dangerous and destructive not only because of the force of the water, but also the hurtling debris that is often swept up in the flow. They can occur within minutes or a few hours of excessive rainfall. They can also occur even if no rain has fallen, for instance, after a levee, dam or reservoir has failed, or after a sudden release of water by a debris or ice jam. Controlled releases from a dam, levee or reservoir also could potentially create a flooding condition in rivers, bayous, or man-made drainage systems (canals or channels) downstream.

Ponding (or Pluvial) Flood: Ponding, or pluvial, flooding occurs when heavy rainfall creates a flood event independent of an overflowing water body, typically in relatively flat areas. Intense rainfall can over capacitate a drainage system which becomes trapped and flows out into streets and nearby structures until it reaches a natural outlet. Ponding can also occur in a flood pool upstream or behind a dam, levee or reservoir.

Tax Collections Limitations and Foreclosure Remedies

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other local taxing authorities on the property against which taxes are levied, and such lien may be enforced by judicial foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedures against a taxpayer, or (c) market conditions affecting the marketability of taxable property within the District and limiting the proceeds from a foreclosure sale of such property. Moreover, the proceeds of any sale of property within the District available to pay debt service on the Bonds may be limited by the existence of other tax liens on the property (see "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Overlapping Taxes"), by the current aggregate tax

rate being levied against the property, and by other factors (including the taxpayers' right to redeem property within two years of foreclosure for residential and agricultural use property and six months for other property). Finally, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes assessed against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two other ways: first, a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid.

Registered Owners' Remedies and Bankruptcy Limitations

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Resolution, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Resolution, the Registered Owners have the statutory right of a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Resolution. Except for mandamus, the Bond Resolution does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners. Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages, so that in the absence of other waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the Bond Resolution may not be reduced to a judgment for money damages. If such a judgment against the District were obtained, it could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may further be limited by a State of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District.

Subject to the requirements of Texas law discussed below, a political subdivision such as the District may voluntarily file a petition for relief from creditors under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Sections 901-946. The filing of such petition would automatically stay the enforcement of a Registered Owner's remedies, including mandamus. The automatic stay would remain in effect until the federal bankruptcy judge hearing the case dismisses the petition, enters an order granting relief from the stay or otherwise allows creditors to proceed against the petitioning political subdivision. A political subdivision such as the District may qualify as a debtor eligible to proceed in a Chapter 9 case only if it (1) is authorized to file for federal bankruptcy protection by applicable state law, (2) is insolvent or unable to meet its debts as they mature, (3) desires to effect a plan to adjust such debts, and (4) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiation is impracticable. Special districts such as the District must obtain the approval of the TCEQ as a condition to seeking relief under the Federal Bankruptcy Code. The TCEQ is required to investigate the financial condition of a financially troubled district and authorize such district to proceed under federal bankruptcy law only if such district has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

Notwithstanding noncompliance by a district with Texas law requirements, the District could file a voluntary bankruptcy petition under Chapter 9, thereby invoking the protection of the automatic stay until the bankruptcy court, after a hearing, dismisses the petition. A federal bankruptcy court is a court of equity and federal bankruptcy judges have considerable discretion in the conduct of bankruptcy proceedings and in making the decision of whether to grant the petitioning District relief from its creditors. While such a decision might be appealable, the concomitant delay and loss of remedies to the Registered Owner could potentially and adversely impair the value of the Registered Owner's claim.

If a petitioning district were allowed to proceed voluntarily under Chapter 9 of the Federal Bankruptcy Code, it could file a plan for an adjustment of its debts. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect Registered Owners by reducing or eliminating the amount of indebtedness, deferring or rearranging the debt service schedule, reducing or eliminating the interest rate, modifying or abrogating the collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of a Registered Owners' claims against a district.

A district may not be forced into bankruptcy involuntarily.

Environmental Regulations

Wastewater treatment and water supply facilities are subject to stringent and complex environmental laws and regulations. Facilities must comply with environmental laws at the federal, state, and local levels. These laws and regulations can restrict or prohibit certain activities that affect the environment in many ways such as:

- Requiring permits for construction and operation of water supply wells and wastewater treatment facilities;
- Restricting the manner in which wastes are released into the air, water, or soils;
- Restricting or regulating the use of wetlands or other property;
- Requiring action to prevent or mitigate pollution;
- Imposing substantial liabilities for pollution resulting from facility operations.

Compliance with environmental laws and regulations can increase the cost of planning, designing, constructing and operating water production and wastewater treatment facilities. Sanctions against a municipal utility district or other type of district (“Utility Districts”) for failure to comply with environmental laws and regulations may include a variety of civil and criminal enforcement measures, including assessment of monetary penalties, imposition of remedial requirements, and injunctive relief as to future compliance of and the ability to operate the Utility District’s water supply, wastewater treatment, and drainage facilities. Environmental laws and regulations can also impact an area’s ability to grow and develop. The following is a discussion of certain environmental concerns that relate to Utility Districts, including the District. It should be noted that changes in environmental laws and regulations occur frequently, and any changes that result in more stringent and costly requirements could materially impact the District.

Air Quality Issues: Air quality control measures required by the United States Environmental Protection Agency (the “EPA”) and the Texas Commission on Environmental Quality (the “TCEQ”) may impact new industrial, commercial and residential development in the Houston area. Under the Clean Air Act (“CAA”) Amendments of 1990, the eight-county Houston-Galveston-Brazoria area (“HGB Area”)—Harris, Galveston, Brazoria, Chambers, Fort Bend, Waller, Montgomery and Liberty Counties—has been designated a nonattainment area under two separate federal ozone standards: the eight-hour ozone standard of 75 ppb promulgated by the EPA in 2008 (the “2008 Ozone Standard”), and the EPA’s most-recent promulgation of an even lower, 70 ppb eight-hour ozone standard in 2015 (the “2015 Ozone Standard”). While the State of Texas has been able to demonstrate steady progress and improvements in air quality in the HGB Area, the HGB Area remains subject to CAA nonattainment requirements.

The HGB Area is currently designated as a “severe” nonattainment area under the 2008 Ozone Standard, with an attainment deadline of July 20, 2027. If the EPA ultimately determines that the HGB Area has failed to meet the attainment deadline based on the relevant data, the area is subject to reclassification to a nonattainment classification that provides for more stringent controls on emissions from the industrial sector. In addition, the EPA may impose a moratorium on the awarding of federal highway construction grants and other federal grants for certain public works construction projects if it finds that an area fails to demonstrate progress in reducing ozone levels.

The HGB Area is currently designated as a “serious” nonattainment area under the 2015 Ozone Standard, with an attainment deadline of August 3, 2027. For purposes of the 2015 Ozone Standard, the HGB Area consists of only six counties: Brazoria, Chambers, Fort Bend, Galveston, Harris, and Montgomery Counties.

In order to demonstrate progress toward attainment of the EPA’s ozone standards, the TCEQ has established a state implementation plan (“SIP”) for the HGB Area setting emission control requirements, some of which regulate the inspection and use of automobiles. These types of measures could impact how people travel, what distances people are willing to travel, where people choose to live and work, and what jobs are available in the HGB Area. These SIP requirements can negatively impact business due to the additional permitting/regulatory constraints that accompany this designation and because of the community stigma associated with a nonattainment designation. It is possible that additional controls will be necessary to allow the HGB Area to reach attainment with the ozone standards by the EPA’s attainment deadlines. These additional controls could have a negative impact on the HGB Area’s economic growth and development.

Water Supply & Discharge Issues: Water supply and discharge regulations that municipal utility districts, including the District, may be required to comply with involve: (1) groundwater well permitting and surface water appropriation; (2) public water supply systems; (3) wastewater discharges from treatment facilities; (4) storm water discharges; and (5) wetlands dredge and fill activities. Each of these is addressed below:

Certain governmental entities regulate groundwater usage in the HGB Area. A municipal utility district or other type of special purpose district that (i) is located within the boundaries of such an entity that regulates groundwater usage, and (ii) relies on local groundwater as a source of water supply, may be subject to requirements and restrictions on the drilling of water wells and/or the production of groundwater that could affect both the engineering and economic feasibility of district water supply projects.

Pursuant to the federal Safe Drinking Water Act (“SDWA”) and the EPA’s National Primary Drinking Water Regulations (“NPDWRs”), which are implemented by the TCEQ’s Water Supply Division, a municipal utility district’s provision of water for human consumption is subject to extensive regulation as a public water system. Municipal utility districts must generally provide treated water that meets the primary and secondary drinking water quality standards adopted by the TCEQ, the applicable disinfectant residual and inactivation standards, and the other regulatory action levels established under the agency’s rules. The EPA has established NPDWRs for more than ninety (90) contaminants and has identified and listed other contaminants which may require national drinking water regulation in the future. Further, the EPA has established a NPDWR for six (6) Per- and Polyfluoroalkyl Substances (“PFAS”), which requires public water systems to perform certain monitoring and remediation measures. Public water systems may be subject to additional PFAS regulation in the future, which could increase the cost of constructing, operating, and maintaining water production and distribution facilities.

Texas Pollutant Discharge Elimination System (“TPDES”) permits set limits on the type and quantity of discharge, in accordance with state and federal laws and regulations. The TCEQ reissued the TPDES Construction General Permit (TXR150000) (“CGP”), with an effective date of March 5, 2023, which is a general permit authorizing the discharge of stormwater runoff associated with small and large construction sites and certain non-stormwater discharges into surface water in the state. The CGP has a 5-year permit term, and is then subject to renewal. Moreover, the Clean Water Act (“CWA”) and Texas Water Code require municipal wastewater treatment plants to meet secondary treatment effluent limitations and more stringent water quality-based limitations and requirements to comply with the Texas water quality standards. Any water quality-based limitations and requirements with which a municipal utility district must comply may have an impact on the municipal utility district’s ability to obtain and maintain compliance with TPDES permits.

The District’s stormwater discharges currently maintain permit coverage through the Municipal Separate Storm System Permit (the “Current Permit”) issued to the Storm Water Management Joint Task Force consisting of Harris County, Harris County Flood Control District, the City of Houston, and the Texas Department of Transportation. In the event that at any time in the future the District is not included in the Current Permit, it may be required to seek independent coverage under the TCEQ’s General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the “MS4 Permit”), which authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. If the District’s inclusion in the MS4 Permit were required at a future date, the District could incur substantial costs to develop, implement, and maintain the necessary plans as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff in order to comply with the MS4 Permit.

Operations of utility districts, including the District, are also potentially subject to requirements and restrictions under the CWA regarding the use and alteration of wetland areas that are within the “waters of the United States.” The District must obtain a permit from the United States Army Corps of Engineers (“USACE”) if operations of the District require that wetlands be filled, dredged, or otherwise altered.

In 2023, the Supreme Court of the United States issued its decision in *Sackett v. EPA*, which clarified the definition of “waters of the United States” and significantly restricted the reach of federal jurisdiction under the CWA. Under the Sackett decision, “waters of the United States” includes only geographical features that are described in ordinary parlance as “streams, oceans, rivers, and lakes” and to adjacent wetlands that are indistinguishable from such bodies of water due to a continuous surface connection. Subsequently, the EPA and USACE issued a final rule amending the definition of “waters of the United States” under the CWA to conform with the Supreme Court’s decision.

While the *Sackett* decision and subsequent regulatory action removed a great deal of uncertainty regarding the ultimate scope of “waters of the United States” and the extent of EPA and USACE jurisdiction, operations of municipal utility districts, including the District, could potentially be subject to additional restrictions and requirements, including additional permitting requirements, in the future.

Changes in Tax Legislation

Certain tax legislation, whether currently proposed or proposed in the future, may directly or indirectly reduce or eliminate the benefit of the exclusion of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, may also affect the value and liquidity of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed, pending or future legislation.

Continuing Compliance with Certain Covenants

Failure of the District to comply with certain covenants contained in the Bond Resolution on a continuing basis prior to the maturity of the Bonds could result in interest on the Bonds becoming taxable retroactive to the date of original issuance. See “TAX MATTERS.”

Risk Factors Related to the Purchase of Municipal Bond Insurance

The District has applied for a bond insurance policy (the “Policy”) to guarantee the scheduled payment of principal and interest on the Bonds. Purchase of such insurance is mandatory. Investors should be aware of the following risk factors:

The long-term ratings on the Bonds are dependent in part on the financial strength of the bond insurer (the “Insurer”) and its claim paying ability. The Insurer’s financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the Insurer and of the ratings on the Bonds insured by the Insurer will not be subject to downgrade and such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds. See description of “MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE.”

The obligations of the Insurer are contractual obligations and in an event of default by the Insurer, the remedies available may be limited by applicable bankruptcy law or state law related to insolvency of insurance companies.

Neither the District nor the Underwriter has made independent investigation into the claims paying ability of the Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal and interest on the Bonds and the claims paying ability of the Insurer, particularly over the life of the investment. See “MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE” for further information provided by the Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Insurer.

MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE

The District has not applied for an underlying rating nor is it expected that the District would have received an investment grade rating had such application been made.

The Bonds have qualified for municipal bond insurance and the purchase of municipal bond insurance with an associated rating of at least “AA” from S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC or “Aa” from Moody’s Investors Service is mandatory, at the expense of the Underwriter, including any rating fees associated with the insurance. See “RISK FACTORS—Risk Factors Related to the Purchase of Municipal Bond Insurance.”

LEGAL MATTERS

Legal Proceedings

Delivery of the Bonds will be accompanied by the approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the District under the Constitution and laws of the State of Texas, payable from the proceeds of an annual ad valorem tax levied, without legal limitation as to rate or amount, upon all taxable property within the District, and, based upon their examination of a transcript of certified proceedings relating to the issuance and sale of the Bonds, the approving legal opinion of Bond Counsel to a like effect and to the effect that, under existing law, interest on the Bonds (i) is excludable from gross income for federal income tax purposes under section 103 of the Code (as defined herein), and (ii) is not an item of tax preference for purposes of the alternative minimum tax on individuals.

Bond Counsel has reviewed the information appearing in this OFFICIAL STATEMENT under “THE BONDS,” “THE DISTRICT—General,” “TAXING PROCEDURES,” “LEGAL MATTERS,” “TAX MATTERS”, and “CONTINUING DISCLOSURE OF INFORMATION” solely to determine if such information, insofar as it relates to matters of law, is true and correct, and whether such information fairly summarizes the provisions of the documents referred to therein. Bond Counsel has not, however, independently verified any of the factual information contained in this OFFICIAL STATEMENT nor has it conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this OFFICIAL STATEMENT. No person is entitled to rely upon Bond Counsel’s limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any information contained herein.

Allen Boone Humphries Robinson LLP also serves as general counsel to the District on matters other than the issuance of bonds. The legal fees paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the bonds actually issued, sold and delivered and, therefore, such fees are contingent upon the sale and delivery of the Bonds.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction, nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

No Material Adverse Change

The obligations of the Underwriter to take and pay for the Bonds, and of the District to deliver the Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the condition (financial or otherwise) of the District from that set forth or contemplated in the PRELIMINARY OFFICIAL STATEMENT, as it may have been supplemented or amended through the date of the sale.

No-Litigation Certificate

The District will furnish the Underwriter a certificate, executed by both the President, Vice President and Secretary or Assistant Secretary of the Board, and dated as of the date of delivery of the Bonds, to the effect that there is not pending, and to their knowledge, there is not threatened, any litigation affecting the validity of the Bonds, or the levy and/or collection of taxes for the payment thereof, or the organization or boundaries of the District, or the title of the officers thereof to their respective offices, and that no additional bonds or other indebtedness have been issued since the date of the statement of indebtedness or nonencumbrance certificate submitted to the Attorney General of Texas in connection with approval of the Bonds.

TAX MATTERS

The following discussion of certain federal income tax considerations is for general information only and is not tax advice. Each prospective purchaser of the Bonds should consult its own tax advisor as to the tax consequences of the acquisition, ownership and disposition of the Bonds.

Tax Exemption

In the opinion of Allen Boone Humphries Robinson LLP, Bond Counsel, under existing law, interest on the Bonds (i) is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) is not an item of tax preference for purposes of the alternative minimum tax on individuals.

The Code imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of bond proceeds and the source of repayment of bonds, limitations on the investment of bond proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of bond proceeds be paid periodically to the United States and a requirement that the issuer file an information report with the Internal Revenue Service (the "Service"). The District has covenanted in the Bond Resolution that it will comply with these requirements.

Bond Counsel's opinion will assume continuing compliance with the covenants of the Bond Resolution pertaining to those sections of the Code that affect the excludability of interest on the Bonds from gross income for federal income tax purposes and, in addition, will rely on representations by the District and other parties involved with the issuance of the Bonds with respect to matters solely within the knowledge of the District and such parties, which Bond Counsel has not independently verified. If the District fails to comply with the covenants in the Bond Resolution or if the foregoing representations are determined to be inaccurate or incomplete, interest on the Bonds could become includable in gross income from the Date of Delivery of the Bonds, regardless of the date on which the event causing such inclusion occurs.

Bond Counsel will express no opinion as to the amount or timing of interest on the Bonds or, except as stated above, any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or acquisition, ownership or disposition of, the Bonds. Certain actions may be taken or omitted subject to the terms and conditions set forth in the Bond Resolution upon the advice or with the approving opinion of Bond Counsel. Bond Counsel will express no opinion with respect to Bond Counsel's ability to render an opinion that such actions, if taken or omitted, will not adversely affect the excludability of interest of the Bonds from gross income for federal income tax purposes.

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel's knowledge of facts as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent Bond Counsel's legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given as to whether the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the District as the taxpayer, and the Owners of the Bonds may not have a right to participate in such audit. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds, regardless of the ultimate outcome of the audit.

Not Qualified Tax-Exempt Obligations

The District will not designate the Bonds as "qualified tax-exempt obligations" for financial institutions.

Additional Federal Income Tax Considerations

Collateral Tax Consequences: Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences, including but not limited to those noted below. Therefore, prospective purchasers of the Bonds should consult their own tax advisors as to the tax consequences of the acquisition, ownership and disposition of the Bonds.

An "applicable corporation" (as defined in section 59(k) of the Code) may be subject to a 15 percent alternative minimum tax imposed under section 55 of the Code on its "adjusted financial statement income" (as defined in section 56A of the Code) for such taxable year. Because interest on tax-exempt obligations, such as the Bonds, is included in a corporation's "adjusted financial statement income," ownership of the Bonds could subject certain corporations to alternative minimum tax consequences.

Ownership of tax-exempt obligations also may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, low and middle income taxpayers otherwise qualifying for the health insurance premium assistance credit and individuals otherwise qualifying for the earned income tax credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively connected earnings and profits, including tax-exempt interest such as interest on the Bonds.

Prospective purchasers of the Bonds should also be aware that, under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on the Bonds, received or accrued during the year.

Tax Accounting Treatment of Original Issue Premium: If the issue price of any maturity of the Bonds exceeds the stated redemption price payable at maturity of such Bonds, such Bonds (the "Premium Bonds") are considered for federal income tax purposes to have "bond premium" equal to the amount of such excess. The basis of a Premium Bond in the hands of an initial owner is reduced by the amount of such excess that is amortized during the period such initial owner holds such Premium Bond in determining gain or loss for federal income tax purposes. This reduction in basis will increase the amount of any gain or decrease the amount of any loss recognized for federal income tax purposes on the sale or other taxable disposition of a Premium Bond by the initial owner. No corresponding deduction is allowed for federal income tax purposes for the reduction in basis resulting from amortizable bond premium. The amount of bond premium on a Premium Bond that is amortizable each year (or shorter period in the event of a sale or disposition of a Premium Bond) is determined using the yield to maturity on the Premium Bond based on the initial offering price of such Premium Bond.

The federal income tax consequences of the purchase, ownership and redemption, sale or other disposition of Premium Bonds that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above. All owners of Premium Bonds should consult their own tax advisors with respect to the determination for federal, state, and local income tax purposes of amortized bond premium upon the redemption, sale or other disposition of a Premium Bond and with respect to the federal, state, local, and foreign tax consequences of the purchase, ownership, and sale, redemption or other disposition of such Premium Bonds.

Tax Accounting Treatment of Original Issue Discount: If the issue price of any maturity of the Bonds is less than the stated redemption price payable at maturity of such Bonds (the “OID Bonds”), the difference between (i) the amount payable at the maturity of each OID Bond, and (ii) the initial offering price to the public of such OID Bond constitutes original issue discount with respect to such OID Bond in the hands of any owner who has purchased such OID Bond in the initial public offering of the Bonds. Generally, such initial owner is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such OID Bond equal to that portion of the amount of such original issue discount allocable to the period that such OID Bond continues to be owned by such owner. Because original issue discount is treated as interest for federal income tax purposes, the discussions regarding interest on the Bonds under the captions “—Tax Exemption,” “—Additional Federal Income Tax Considerations—Collateral Tax Consequences” and “—Tax Legislative Changes” generally apply and should be considered in connection with the discussion in this portion of the OFFICIAL STATEMENT.

In the event of the redemption, sale or other taxable disposition of such OID Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such OID Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such OID Bond was held by such initial owner) is includable in gross income.

The foregoing discussion assumes that (i) the Underwriter has purchased the Bonds for contemporaneous sale to the public and (ii) all of the OID Bonds have been initially offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm’s-length transactions for a price (and with no other consideration being included) not more than the initial offering prices thereof stated on the cover page of this OFFICIAL STATEMENT. Neither the District nor Bond Counsel has made any investigation or offers any assurance that the OID Bonds will be offered and sold in accordance with such assumptions.

Under existing law, the original issue discount on each OID Bond accrues daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner’s basis for such OID Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (i) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (ii) the amounts payable as current interest during such accrual period on such Bond.

The federal income tax consequences of the purchase, ownership, and redemption, sale or other disposition of OID Bonds that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above. All owners of OID Bonds should consult their own tax advisors with respect to the determination for federal, state, and local income tax purposes of interest accrued upon redemption, sale or other disposition of such OID Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such OID Bonds.

Tax Legislative Changes

Current law may change so as to directly or indirectly reduce or eliminate the benefit of the excludability of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, could also affect the value and liquidity of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any recently enacted, proposed, pending or future legislation.

PREPARATION OF OFFICIAL STATEMENT

Sources and Compilation of Information

The financial data and other information contained in this OFFICIAL STATEMENT has been obtained primarily from the District’s records, the Developer, the Engineer, the Tax Assessor/Collector, the Appraisal District and information from other sources. All of these sources are believed to be reliable, but no guarantee is made by the District as to the accuracy or completeness of the information derived from such sources, and its inclusion herein is not to be construed as a representation on the part of the District except as described below under “Certification of OFFICIAL STATEMENT.” Furthermore, there is no guarantee that any of the assumptions or estimates contained herein will be realized. The summaries of the agreements, reports, statutes, resolutions, engineering and other related information set forth in this OFFICIAL STATEMENT are included herein subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents for further information.

Financial Advisor

Masterson Advisors LLC is employed as the Financial Advisor to the District to render certain professional services, including advising the District on a plan of financing and preparing the OFFICIAL STATEMENT, including the OFFICIAL NOTICE OF SALE and the OFFICIAL BID FORM for the sale of the Bonds. In its capacity as Financial Advisor, Masterson Advisors LLC has compiled and edited this PRELIMINARY OFFICIAL STATEMENT. The Financial Advisor has reviewed the information in this PRELIMINARY OFFICIAL STATEMENT in accordance with, and as a part of, its responsibilities to the District and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

Consultants

In approving this OFFICIAL STATEMENT the District has relied upon the following consultants.

Tax Assessor/Collector: The information contained in this OFFICIAL STATEMENT relating to the breakdown of the District's historical assessed value and principal taxpayers, including particularly such information contained in the section entitled "TAX DATA" has been provided by Assessments of the Southwest, Inc., and is included herein in reliance upon the authority of such firm as an expert in assessing property values and collecting taxes.

Engineer: The information contained in this OFFICIAL STATEMENT relating to engineering and to the description of the District's water, wastewater and storm drainage system and, in particular that information included in the sections entitled "THE DISTRICT," "THE SYSTEM" and "THE ROAD SYSTEM" has been provided by LJA Engineering, Inc., Consulting Engineers and has been included herein in reliance upon the authority of said firm as the District's Engineer.

Auditor: The financial statements of the District as of February 28, 2026, and for the year then ended, included in this offering document, have been audited by Forvis Mazars, LLP, independent auditors, as stated in their report appearing herein. See "APPENDIX A" for a copy of the District's February 28, 2026, financial statements.

Updating the Official Statement

If subsequent to the date of the Official Statement, the District learns, through the ordinary course of business and without undertaking any investigation or examination for such purposes, or is notified by the Underwriter, of any adverse event which causes the Official Statement to be materially misleading, and unless the Underwriter elects to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Underwriter an appropriate amendment or supplement to the Official Statement satisfactory to the Underwriter; provided, however, that the obligation of the District to the Underwriter to so amend or supplement the Official Statement will terminate when the District delivers the Bonds to the Underwriter, unless the Underwriter notifies the District on or before such date that less than all of the bonds have been sold to ultimate customers, in which case the District's obligations hereunder will extend for an additional period of time as required by law (but not more than 90 days after the date the District delivers the Bonds).

Certification of Official Statement

The District, acting through its Board in its official capacity, hereby certifies, as of the date hereof, that the information, statements, and descriptions or any addenda, supplement and amendment thereto pertaining to the District and its affairs contained herein, to the best of its knowledge and belief, contain no untrue statement of a material fact and do not omit to state any material fact necessary to make the statements herein, in the light of the circumstances under which they are made, not misleading. With respect to information included in this OFFICIAL STATEMENT other than that relating to the District, the District has no reason to believe that such information contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements herein, in the light of the circumstances under which they are made, not misleading; however, the Board has made no independent investigation as to the accuracy or completeness of the information derived from sources other than the District. In rendering such certificate, the Board has relied in part upon its examination of records of the District, and upon discussions with, or certificates or correspondence signed by, certain other officials, employees, consultants and representatives of the District.

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Resolution, the District has the following agreement for the benefit of the registered and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (the “MSRB”). The MSRB has established the Electronic Municipal Market Access (“EMMA”) system.

Annual Reports

The District will provide certain financial information and operating data annually to the MSRB. The financial information and operating data which will be provided with respect to the District includes all quantitative financial information and operating data of the general type included in this Official Statement under the headings “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED),” (except for “Estimated Overlapping Debt”), “TAX DATA,” and in APPENDIX A (Independent Auditor’s Report and Financial Statements of the District and certain supplemental schedules). The District will update and provide this information to the MSRB within six months after the end of each of its fiscal years ending in or after 2027. Any financial statements provided by the District shall be prepared in accordance with generally accepted accounting principles or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to the MSRB within such six month period, and audited financial statements when the audit report becomes available.

The District’s current fiscal year ends the last day of February. Accordingly, it must provide updated information by August 31 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person or the sale of all or substantially all of the assets of the District or other obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person, any of which affect beneficial owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person, any of which reflect financial difficulties. The terms “obligated person” and “financial obligation” when used in this paragraph shall have the meanings ascribed to them under SEC Rule 15c2-12 (the “Rule”). The term “material” when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Resolution makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under “Annual Reports.”

Availability of Information from the MSRB

The District has agreed to provide the foregoing updated information only to the MSRB. The MSRB makes the information available to the public without charge through an internet portal at www.emma.msrb.org.

Limitations and Amendments

The District has agreed to update information and to provide notices of specified events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects; nor has the District agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although Registered Owners or beneficial owners of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

The District may amend its continuing disclosure agreement from time to time to adapt to the changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and either the Registered Owners of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the Registered Owners and beneficial owners of the Bonds. The District may amend or repeal the agreement in the Bond Resolution if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction determines that such provisions are invalid or unenforceable, but only to the extent that its right to do so would not prevent the Underwriter from lawfully purchasing the Bonds in the initial offering. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance With Prior Undertakings

Since the District's first issuance of bonds in 2024, the District has complied in all material respects with its prior continuing disclosure agreements made in accordance with the Rule.

MISCELLANEOUS

All estimates, statements and assumptions in this OFFICIAL STATEMENT and the APPENDICES hereto have been made on the basis of the best information available and are believed to be reliable and accurate. Any statements in this OFFICIAL STATEMENT involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact, and no representation is made that any such statements will be realized.

/s/ _____
President, Board of Directors

ATTEST:

/s/ _____
Secretary, Board of Directors

AERIAL LOCATION MAP
(As of July 2026)

**HARRIS COUNTY MUNICIPAL
UTILITY DISTRICT No. 539**

FM 529

KATY-HOCHLEY RD.

BECKENDORFF RD.



PHOTOGRAPHS OF THE DISTRICT
(As of July 2026)













APPENDIX A

Independent Auditor's Report and Financial Statements of the District for the fiscal year ended February 28, 2026



Harris County Municipal Utility District No. 539

Harris County, Texas

**Independent Auditor's Report, Financial Statements,
and Supplementary Information**

February 28, 2026



Harris County Municipal Utility District No. 539
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February 28, 2026

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Independent Auditor's Report

Board of Directors
Harris County Municipal Utility District No. 539
Harris County, Texas

Opinions

We have audited the financial statements of the governmental activities and each major fund of Harris County Municipal Utility District No. 539 (District), as of and for the year ended February 28, 2026, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of February 28, 2026, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from

error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison schedule, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedules required by the Texas Commission on Environmental Quality listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Forvis Mazars, LLP

Houston, Texas
July 13, 2026

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. This report also contains supplementary information required by the Governmental Accounting Standards Board and by the District's state oversight agency, the Texas Commission on Environmental Quality (Commission).

In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities that engage in a single governmental program, such as the provision of water, sanitary sewer, and drainage services. Other activities, such as the provision of recreation facilities and solid waste collection, are minor activities and are not budgeted or accounted for as separate programs. The financial statements of special-purpose governments combine two types of financial statements into one statement. These two types of financial statements are the government-wide financial statements and the fund financial statements. The fund financial statements are presented on the left side of the statements, a column for adjustments is to the right of the fund financial statements, and the government-wide financial statements are presented to the right side of the adjustments column. The following sections describe the measurement focus of the two types of statements and the significant differences in the information they provide.

Government-Wide Financial Statements

The focus of government-wide financial statements is on the overall financial position and activities of the District. The District's government-wide financial statements include the statement of net position and statement of activities, which are prepared using accounting principles that are similar to commercial enterprises. The purpose of the statement of net position is to attempt to report all of the assets, liabilities, and deferred inflows and outflows of resources of the District. The District reports all of its assets when it acquires or begins to maintain the assets and reports all of its liabilities when they are incurred.

The difference between the District's assets, liabilities, and deferred inflows and outflows of resources is labeled as net position, and this difference is similar to the total stockholders' equity presented by a commercial enterprise.

The purpose of the statement of activities is to present the revenues and expenses of the District. Again, the items presented on the statement of activities are measured in a manner similar to the approach used by a commercial enterprise in that revenues are recognized when earned or established criteria are satisfied and expenses are reported when incurred by the District. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues are reported even when they may not be collected for several months or years after the end of the accounting period, and expenses are recorded even though they may not have used cash during the current year.

Although the statement of activities looks different from a commercial enterprise's statement of income, the financial statement is different only in format, not substance. Whereas the bottom line in a commercial enterprise is its net income, the District reports an amount described as change in net position, essentially the same thing.

Fund Financial Statements

Unlike government-wide financial statements, the focus of fund financial statements is directed to specific activities of the District rather than the District as a whole. Except for the general fund, a specific fund is established to satisfy managerial control over resources or to satisfy finance-related legal requirements established by external parties or governmental statutes or regulations.

Governmental Fund

Governmental-fund financial statements consist of a balance sheet and a statement of revenues, expenditures, and changes in fund balances and are prepared on an accounting basis that is significantly different from that used to prepare the government-wide financial statements.

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Management's Discussion and Analysis
Year Ended February 28, 2026

In general, these financial statements have a short-term emphasis and, for the most part, measure and account for cash and other assets that can easily be converted into cash. For example, amounts reported on the balance sheet include items such as cash and receivables collectible within a very short period of time but do not include capital assets such as land and water, sewer, and drainage systems. Fund liabilities include amounts that are to be paid within a very short period after the end of the fiscal year. The difference between a fund's assets, liabilities, and deferred inflows and outflows of resources is labeled the fund balance and generally indicates the amount that can be used to finance the next fiscal year's activities. Likewise, the operating statement for governmental funds reports only those revenues and expenditures that were collected in cash or paid with cash, respectively, during the current period or very shortly after the end of the fiscal year.

Because the focus of the government-wide and fund financial statements is different, there are significant differences between the totals presented in these financial statements. For this reason, there is an analysis in the notes to financial statements that describes the adjustments to fund balances to arrive at net position presented in the governmental activities column on the statement of net position. Also, there is an analysis in the notes to financial statements that reconciles the total change in fund balances for all governmental funds to the change in net position, as reported in the governmental activities column in the statement of activities.

Notes to Financial Statements

The notes to financial statements provide additional information that is essential to a full understanding of the data found in the government-wide and fund financial statements.

Financial Analysis of the District as a Whole

The District's overall financial position and activities for the past two years are summarized as follows, based on the information included in the government-wide financial statements:

Summary of Net Position

	2026	2025
Current and other assets	\$ 5,141,904	\$ 6,890,215
Capital and lease assets	40,702,583	10,571,004
Total assets	<u>\$ 45,844,487</u>	<u>\$ 17,461,219</u>
Long-term liabilities	\$ 84,528,077	\$ 16,974,592
Other liabilities	651,820	6,608,864
Total liabilities	<u>85,179,897</u>	<u>23,583,456</u>
Net position		
Net investment in capital assets	(3,146,674)	(148,766)
Restricted	429,606	4,873
Unrestricted	<u>(36,618,342)</u>	<u>(5,978,344)</u>
Total net position	<u>\$ (39,335,410)</u>	<u>\$ (6,122,237)</u>

The total net position of the District decreased by \$33,213,173 or about 543%. The majority of the decrease in net position is related to the conveyance of capital assets to another governmental entity for maintenance. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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Management's Discussion and Analysis
Year Ended February 28, 2026

At February 28, 2026, the net investment in capital assets was \$(3,146,674). Within Harris County, the county government assumes the maintenance and other incidents of ownership of most drainage and road facilities constructed by the District. Accordingly, these assets are not recorded in the financial statements of the District.

Summary of Changes in Net Position

	2026	2025
Revenues		
Property taxes	\$ 2,171,926	\$ 284,025
Charges for services	1,678,283	350,919
Other revenues	1,016,010	1,248,495
Total revenues	<u>4,866,219</u>	<u>1,883,439</u>
Expenses		
Services	3,521,657	1,770,640
Conveyance of capital assets	31,486,509	5,473,841
Depreciation and amortization	932,009	102,263
Debt service	2,139,217	329,271
Total expenses	<u>38,079,392</u>	<u>7,676,015</u>
Change in net position	(33,213,173)	(5,792,576)
Net position, beginning of year	<u>(6,122,237)</u>	<u>(329,661)</u>
Net position, end of year	<u><u>\$ (39,335,410)</u></u>	<u><u>\$ (6,122,237)</u></u>

Financial Analysis of the District's Funds

The District's combined fund balances as of the end of the fiscal year ended February 28, 2026 were \$4,241,897, an increase of \$3,862,461 from the prior year.

The general fund's fund balance increased by \$1,247,446 due to property tax and service revenues, tap connection and inspection fees revenues, and developer advances received exceeding capital outlay expenditures and service operations expenditures.

The debt service fund's fund balance increased by \$1,668,346 due to property tax revenues and proceeds received from the sale of bonds exceeding debt service interest and fees expenditures.

The capital projects fund's fund balance increased by \$946,669 due to proceeds received from the sale of bonds exceeding capital outlay expenditures and debt issuance costs.

General Fund Budgetary Highlights

There were several differences between the final budgetary amounts and actual amounts. The major differences between budget and actual were due to property taxes, service revenues, and tap connection and inspection fees revenues and regional water fee, professional fees, contracted services, utilities and repairs and maintenance expenditures being greater than anticipated. In addition, purchased services, lease expenditures, debt issuance costs, and capital outlay expenditures incurred as well as interfund transfers in and developer advances received were not included in the budget. The fund balance as of February 28, 2026 was expected to be \$(63,418), and the actual end-of-year fund balance was \$1,184,028.

Harris County Municipal Utility District No. 539
Management's Discussion and Analysis
Year Ended February 28, 2026

Capital and Lease Assets and Related Debt

Capital and Lease Assets

Capital and lease assets held by the District at the end of the current and previous fiscal years are summarized below:

Capital and Lease Assets (Net of Accumulated Depreciation and Amortization)

	<u>2026</u>	<u>2025</u>
Land and improvements	\$ 13,855,510	\$ 7,564,433
Water facilities	10,473,855	583,475
Wastewater facilities	14,551,035	750,234
Lease assets	<u>1,822,183</u>	<u>1,672,862</u>
Total capital and lease assets	<u><u>\$ 40,702,583</u></u>	<u><u>\$ 10,571,004</u></u>

During the current year, additions to capital and lease assets were as follows:

Water supply plant No. 1, Phases 1 and 2	\$ 4,306,023
Wastewater treatment plant No. 1, Phases 1 and 2	1,746,371
Water and sewer facilities to serve Anniston, Sections 1, 3-9, Section 10 and Recreational Center, 11, Section 12 and offsite sanitary and force main, 13-14 and 16-17	13,923,374
Water and sewer facilities to serve Anniston Reserves, Section 1	798,204
Water facilities to serve Anniston Reserves, Section 5	276,908
Lift station No. 1, Phase 1	1,146,578
Lift station No. 2	932,702
Lift station No. 3, Phase 1	1,253,099
2.358-acre tract to serve the water plant	141,096
4.023-acre tract to serve the wastewater treatment plant	240,725
15.068-acre tract to serve Anniston Reserves, Section 2	901,626
20.526-acre tract to serve Anniston Reserves, Section 3	1,228,217
33.719-acre tract to serve Anniston Reserves, Section 4	2,017,649
4.459-acre tract to serve Anniston Reserve A, Section 14	266,814
2.70% of 74.62-acre tract to serve middle pond	120,556
Drainage easement acquisition	1,374,394
Leased wastewater treatment plant, Phase 2	<u>389,252</u>
Total additions to capital and lease assets	<u><u>\$ 31,063,588</u></u>

The developer within the District has constructed facilities on behalf of the District under the terms of a contract with the District. The District has agreed to reimburse the developer for these facilities from the proceeds of future bond issues, subject to the approval of the Commission, if required. As of February 28, 2026, a liability for developer-constructed capital assets of \$42,713,996 has been recorded in the government-wide financial statements.

Debt

The changes in the debt position of the District during the fiscal year ended February 28, 2026 are summarized as follows:

Harris County Municipal Utility District No. 539
Management's Discussion and Analysis
Year Ended February 28, 2026

Long-term debt payable, beginning of year	\$ 16,974,592
Increases in long-term debt	68,683,503
Decreases in long-term debt	<u>(1,130,018)</u>
Long-term debt payable, end of year	<u>\$ 84,528,077</u>

At February 28, 2026, the District had \$412,500,000 of unlimited tax bonds authorized, but unissued, for the purpose of acquiring, constructing, and improving the water, sanitary sewer, drainage, and storm sewer systems within the District; \$99,500,000 of unlimited tax bonds authorized, but unissued, for the purpose of constructing recreational facilities within the District; and \$145,400,000 of unlimited tax bonds authorized, but unissued, for the purpose of constructing and improving roads within the District.

The District's bonds do not carry an underlying rating. The Road Series 2024 bonds do not carry an insured rating. The Series 2025 and Road Series 2025 bonds carry a "AA" rating from Standard & Poor's by virtue of bond insurance issued by Build America Mutual Assurance Company.

Other Relevant Factors

Contingencies

The developer of the District is constructing water, sewer, drainage, road, and park facilities to serve the District. The District has agreed to reimburse the developer for a portion of these costs, plus interest, from the proceeds of future bond sales to the extent approved by the Commission, if required. The District's engineer has stated that the current construction contract amounts are approximately \$13,308,000. This amount has not been recorded in the financial statements since the facilities are not complete or operational.

Economic Dependency

The District's developer owns the majority of the taxable property in the District. The District's ability to meet its obligations is dependent on the developer's ability to pay future property taxes.

Since inception, the developer has advanced \$1,070,000 to the District for operations, net of repayments, and \$7,100,001 for the acquisition of capital assets. These advances have been recorded as liabilities in the government-wide financial statements.

Subsequent Event

On March 12, 2026, the District issued its Series 2026 Unlimited Tax Road Bonds in the amount of \$5,100,000 at a net effective interest rate of approximately 4.42%. The bonds were sold to finance construction projects within the District.

Harris County Municipal Utility District No. 539
Statement of Net Position and Governmental Funds Balance Sheet
February 28, 2026

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash	\$ 273,243	\$ 284,381	\$ 17,426	\$ 575,050	\$ -	\$ 575,050
Short-term investments	662,264	1,905,037	1,079,542	3,646,843	-	3,646,843
Receivables						
Property taxes	496,613	99,281	-	595,894	-	595,894
Service accounts	253,933	-	-	253,933	-	253,933
Accrued penalty and interest	-	-	-	-	41,750	41,750
Interfund receivable	281,084	-	-	281,084	(281,084)	-
Due from others	14,560	-	-	14,560	-	14,560
Prepaid expenditures	80,974	-	-	80,974	(67,100)	13,874
Capital and lease assets (net of accumulated depreciation and amortization)						
Land and improvements	-	-	-	-	13,855,510	13,855,510
Infrastructure	-	-	-	-	25,024,890	25,024,890
Lease assets	-	-	-	-	1,822,183	1,822,183
Total Assets	\$ 2,062,671	\$ 2,288,699	\$ 1,096,968	\$ 5,448,338	\$ 40,396,149	\$ 45,844,487
Liabilities						
Accounts payable	\$ 280,086	\$ 1,159	\$ -	\$ 281,245	\$ -	\$ 281,245
Customer deposits	176,575	-	-	176,575	-	176,575
Unearned tap connection fees	194,000	-	-	194,000	-	194,000
Interfund payable	-	276,648	4,436	281,084	(281,084)	-
Long-term liabilities						
Due within one year	-	-	-	-	252,551	252,551
Due after one year	-	-	-	-	84,275,526	84,275,526
Total Liabilities	650,661	277,807	4,436	932,904	84,246,993	85,179,897
Deferred Inflows of Resources						
Deferred property tax revenues	227,982	45,555	-	273,537	(273,537)	-
Fund Balances/Net Position						
Fund balances						
Nonspendable, prepaid expenditures	80,974	-	-	80,974	(80,974)	-
Restricted						
Unlimited tax road bonds	-	814,659	-	814,659	(814,659)	-
Water, sewer, and drainage	-	1,150,678	528,938	1,679,616	(1,679,616)	-
Roads	-	-	563,594	563,594	(563,594)	-
Unassigned	1,103,054	-	-	1,103,054	(1,103,054)	-
Total fund balances	1,184,028	1,965,337	1,092,532	4,241,897	(4,241,897)	-
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 2,062,671	\$ 2,288,699	\$ 1,096,968	\$ 5,448,338		
Net position						
Net investment in capital assets					(3,146,674)	(3,146,674)
Restricted for debt service					410,826	410,826
Restricted for capital projects					18,780	18,780
Unrestricted					(36,618,342)	(36,618,342)
Total net position					\$ (39,335,410)	\$ (39,335,410)

Harris County Municipal Utility District No. 539
Statement of Activities and Governmental Funds Revenues,
Expenditures, and Changes in Fund Balances
Year Ended February 28, 2026

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues						
Property taxes	\$ 1,609,997	\$ 316,447	\$ -	\$ 1,926,444	\$ 245,482	\$ 2,171,926
Water service	442,661	-	-	442,661	-	442,661
Sewer service	729,178	-	-	729,178	-	729,178
Regional water fee	506,444	-	-	506,444	-	506,444
Penalty and interest	37,600	8,437	-	46,037	41,750	87,787
Tap connection and inspection fees	860,540	-	-	860,540	-	860,540
Investment income	5,935	39,700	16,928	62,563	-	62,563
Other income	5,120	-	-	5,120	-	5,120
Total Revenues	4,197,475	364,584	16,928	4,578,987	287,232	4,866,219
Expenditures/Expenses						
Service operations						
Purchased services	25,760	-	-	25,760	-	25,760
Regional water fee	489,279	-	-	489,279	-	489,279
Professional fees	372,321	638	-	372,959	(71,900)	301,059
Contracted services	436,921	23,755	-	460,676	-	460,676
Utilities	128,187	-	-	128,187	-	128,187
Repairs and maintenance	1,536,799	-	-	1,536,799	-	1,536,799
Tap connections	484,813	-	-	484,813	-	484,813
Other expenditures	85,651	9,305	128	95,084	-	95,084
Capital outlay	1,374,394	-	23,451,959	24,826,353	(24,826,353)	-
Conveyance of capital assets	-	-	-	-	31,486,509	31,486,509
Depreciation and amortization	-	-	-	-	932,009	932,009
Debt service						
Interest and fees	-	681,364	-	681,364	267,432	948,796
Debt issuance costs	48,825	-	1,141,596	1,190,421	-	1,190,421
Lease payments	364,020	-	-	364,020	(364,020)	-
Total Expenditures/Expenses	5,346,970	715,062	24,593,683	30,655,715	7,423,677	38,079,392
Deficiency of Revenues Over Expenditures	(1,149,495)	(350,478)	(24,576,755)	(26,076,728)	(7,136,445)	
Other Financing Sources (Uses)						
Interfund transfers in (out)	190,512	(9,457)	(181,055)	-	-	-
Repayment of developer advances	-	-	(397,240)	(397,240)	397,240	-
Developer advances	2,206,429	-	-	2,206,429	(2,206,429)	-
General obligation bonds issued	-	2,028,281	26,971,719	29,000,000	(29,000,000)	-
Discount on debt issued	-	-	(870,000)	(870,000)	870,000	-
Total Other Financing Sources	2,396,941	2,018,824	25,523,424	29,939,189	(29,939,189)	
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	1,247,446	1,668,346	946,669	3,862,461	(3,862,461)	
Change in Net Position					(33,213,173)	(33,213,173)
Fund Balances (Deficit)/Net Position						
Beginning of year	(63,418)	296,991	145,863	379,436	-	(6,122,237)
End of year	\$ 1,184,028	\$ 1,965,337	\$ 1,092,532	\$ 4,241,897	\$ -	\$ (39,335,410)

Note 1. Nature of Operations and Summary of Significant Accounting Policies

Harris County Municipal Utility District No. 539 (District) was created and is operating pursuant to a special act of the 84th Texas Legislature, now codified at Chapter 7904 of the Texas Special District Local Laws Code, effective June 18, 2015, in accordance with Article XVI, Section 59, of the Texas Constitution. The District operates in accordance with Chapter 49 and 54 of the Texas Water Code and is subject to the continuing supervision of the Texas Commission on Environmental Quality (Commission). The principal functions of the District are to finance, construct, own, and/or operate waterworks, wastewater, drainage, recreational, and road facilities and to provide such facilities and services to the customers of the District.

The District is governed by a Board of Directors (Board) consisting of five individuals who are residents or owners of property within the District and are elected by voters within the District. The Board sets the policies of the District. The accounting and reporting policies of the District conform to accounting principles generally accepted in the United States of America for state and local governments, as defined by the Governmental Accounting Standards Board. The following is a summary of the significant accounting and reporting policies of the District:

Reporting Entity

The accompanying government-wide financial statements present the financial statements of the District. There are no component units that are legally separate entities for which the District is considered to be financially accountable. Accountability is defined as the District's substantive appointment of the voting majority of the component unit's governing board. Furthermore, to be financially accountable, the District must be able to impose its will upon the component unit or there must be a possibility that the component unit may provide specific financial benefits to, or impose specific financial burdens on, the District.

Government-Wide and Fund Financial Statements

In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities that engage in a single governmental program, such as the provision of water, wastewater, drainage, and other related services. The financial statements of special-purpose governments combine two types of financial statements into one statement. These two types of financial statements are the government-wide financial statements and the fund financial statements. The fund financial statements are presented with a column for adjustments to convert to the government-wide financial statements.

The government-wide financial statements report information on all of the activities of the District. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Governmental activities generally are financed through taxes, charges for services, and intergovernmental revenues. The statement of activities reflects the revenues and expenses of the District.

The fund financial statements provide information about the District's governmental funds. Separate statements for each governmental fund are presented. The emphasis of fund financial statements is directed to specific activities of the District.

The District presents the following major governmental funds:

General Fund – The general fund is the primary operating fund of the District, which accounts for all financial resources not accounted for in another fund. Revenues are derived primarily from property taxes, charges for services, and interest income.

Debt Service Fund – The debt service fund is used to account for financial resources that are restricted, committed, or assigned to expenditures for principal and interest related costs, as well as the financial resources being accumulated for future debt service.

Harris County Municipal Utility District No. 539
Notes to Financial Statements
February 28, 2026

Capital Projects Fund – The capital projects fund is used to account for financial resources that are restricted, committed, or assigned to expenditures for capital outlays.

Fund Balances – Governmental Funds

The fund balances for the District's governmental funds can be displayed in up to five components:

Nonspendable – Amounts that are not in a spendable form or are required to be maintained intact.

Restricted – Amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally, or through enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers.

Committed – Amounts that can be used only for the specific purposes determined by resolution of the Board. Commitments may be changed or lifted only by issuance of a resolution by the District's Board.

Assigned – Amounts intended to be used by the District for specific purposes as determined by management. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

Unassigned – The residual classification for the general fund and includes all amounts not contained in the other classifications.

The District considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance are available. The District applies committed amounts first, followed by assigned amounts, and then unassigned amounts when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows.

Nonexchange transactions, in which the District receives (or gives) value without directly giving (or receiving) equal value in exchange, include property taxes and donations. Recognition standards are based on the characteristics and classes of nonexchange transactions. Revenues from property taxes are recognized in the period for which the taxes are levied. Donations are recognized as revenues, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met. Amounts received before all eligibility requirements have been met are reported as liabilities. Intergovernmental revenues are recognized as revenues, net of estimated refunds and uncollectible amounts, in the accounting period when an enforceable legal claim to the assets arises and the use of resources is required or is first permitted.

Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and liabilities are generally included on the balance sheet. The statement of governmental funds revenues, expenditures, and changes in fund balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in spendable resources. General capital asset acquisitions are reported as expenditures, and proceeds of long-term debt are reported as other financing sources. Under the modified accrual basis of accounting, revenues are recognized when both measurable and available. The District considers revenues reported in the governmental

funds to be available if they are collectible within 60 days after year-end. Principal revenue sources considered susceptible to accrual include taxes, charges for services, and investment income. Other revenues are considered to be measurable and available only when cash is received by the District. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized as expenditures when payment is due.

Deferred Outflows and Inflows of Resources

A deferred outflow of resources is a consumption of net position that is applicable to a future reporting period, and a deferred inflow of resources is an acquisition of net position that is applicable to a future reporting period.

Interfund Transactions

Transfers from one fund to another fund are reported as interfund receivables and payables if there is intent to repay the amount and if there is the ability to repay the advance on a timely basis. Transfers represent legally authorized transfers from the fund receiving resources to the fund through which the resources are to be expended.

Pension Costs

The District does not participate in a pension plan and, therefore, has no pension costs.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and deferred inflows and outflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

Investments and Investment Income

Investments in certificates of deposit, U.S. Government and agency securities, and certain pooled funds, which have a remaining maturity of one year or less at the date of purchase, are recorded at amortized cost. All other investments are carried at fair value. Fair value is determined using quoted market values.

Investment income includes dividends and interest income and the net change for the year in the fair value of investments carried at fair value. Investment income is credited to the fund in which the investment is recorded.

Property Taxes

An appraisal district annually prepares appraisal records listing all property within the District and the appraised value of each parcel or item as of January 1. Additionally, on January 1, a tax lien attaches to property to secure the payment of all taxes and penalty and interest ultimately imposed for the year on the property. After the District receives its certified appraisal roll from the appraisal district, the rate of taxation is set by the Board of the District based upon the aggregate appraisal value. Taxes are due and payable October 1 or when billed, whichever is later, and become delinquent after January 31 of the following year.

In the governmental funds, property taxes are initially recorded as receivables and deferred inflows of resources at the time the tax levy is billed. Revenues recognized during the fiscal year ended February 28, 2026 include collections during the current period or within 60 days of year-end related to the 2025 and prior years' tax levies.

In the government wide statement of net position, property taxes are considered earned in the budget year for which they are levied. For the District's fiscal year ended February 28, 2026, the 2025 tax levy is considered earned during the current fiscal year. In addition to property taxes levied, any delinquent taxes are recorded net of amounts considered uncollectible.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an individual cost of \$5,000 or more and an estimated useful life of two years or more. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset lives is not capitalized.

Within Harris County, the county government assumes the maintenance and other incidents of ownership of most road and drainage facilities constructed by the District. Accordingly, these assets are not recorded in the financial statements of the District.

Capital assets are depreciated using the straight-line method over their estimated useful lives as follows:

Water production and distribution facilities	10–45 years
Wastewater collection and treatment facilities	10–45 years
Park and recreational facilities	10–30 years

Lease Assets

Lease assets are initially recorded at the initial measurement of the lease liability, plus lease payments made at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease, plus initial direct costs that are ancillary to place the asset into service. Lease assets are amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

Debt Issuance Costs

Debt issuance costs, other than prepaid insurance, do not meet the definition of an asset or deferred outflows of resources since the costs are not applicable to a future period and, therefore, are recognized as an expense/expenditure in the period incurred.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are recognized as a component of long-term liabilities and amortized over the life of the related debt using the effective interest rate method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Net Position/Fund Balances

Fund balances and net position are reported as restricted when constraints placed on them are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or are imposed by law through constitutional provisions or enabling legislation.

When both restricted and unrestricted resources are available for use, it is generally the District's policy to use restricted resources first.

Harris County Municipal Utility District No. 539
Notes to Financial Statements
February 28, 2026

Reconciliation of Government-Wide and Fund Financial Statements

Amounts reported for net position of governmental activities in the statement of net position and fund balances in the governmental funds balance sheet are different because:

Capital and lease assets used in governmental activities are not financial resources and are not reported in the fund financial statements.	\$ 40,702,583
Property tax revenue recognition and the related reduction of deferred inflows of resources are subject to availability of funds in the fund financial statements.	273,537
Penalty and interest on delinquent taxes is not receivable in the current period and is not reported in the fund financial statements.	41,750
Prepaid lease expenditures are not reported as assets in the government-wide financial statements.	(67,100)
Long-term debt obligations are not due and payable in the current period and are not reported in the funds.	<u>(84,528,077)</u>
Adjustment to fund balances to arrive at net position.	<u><u>\$ (43,577,307)</u></u>

Amounts reported for change in net position of governmental activities in the statement of activities are different from change in fund balances in the governmental funds statement of revenues, expenditures, and changes in fund balances because:

Change in fund balances.	\$ 3,862,461
Governmental funds report capital outlays as expenditures. However, for government-wide financial statements, the cost of capitalized assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation and amortization expense, noncapitalized expenses, and conveyance of capital assets exceeded capital outlay expenditures in the current period.	(7,520,265)
Governmental funds report developer advances as other financing sources or uses as amounts are received or paid. However, for government-wide financial statements, these amounts are recorded as an increase or decrease in due to developer.	(1,809,189)
Governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	870,000
Governmental funds report lease payments as expenditures. For the statement of activities, these are reported as a reduction of lease liability and as interest expense.	364,020

Harris County Municipal Utility District No. 539
Notes to Financial Statements
February 28, 2026

Governmental funds report proceeds from the sale of bonds because they provide current financial resources to governmental funds. Principal payments on debt are recorded as expenditures. None of these transactions, however, have any effect on net position.	\$ (29,000,000)
Revenues that do not provide current financial resources are not reported as revenues for the funds but are reported as revenues in the statement of activities.	287,232
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	<u>(267,432)</u>
Change in net position of governmental activities.	<u>\$ (33,213,173)</u>

Note 2. Deposits, Investments, and Investment Income

Deposits

Custodial credit risk is the risk that, in the event of a bank failure, a government's deposits may not be returned to it. The District's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance; a surety bond; bonds and other obligations of the U.S. Treasury, U.S. agencies, or instrumentalities of the State of Texas; or certain collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States.

At February 28, 2026, none of the District's bank balances were exposed to custodial credit risk.

Investments

The District may legally invest in obligations of the United States or its agencies and instrumentalities, direct obligations of Texas or its agencies or instrumentalities, collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States, other obligations guaranteed as to principal and interest by the State of Texas or the United States or their agencies, and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, obligations of states, agencies, and counties and other political subdivisions with an investment rating not less than "A," certificates of deposit of financial institutions domiciled in Texas, and certain bankers' acceptances, repurchase agreements, mutual funds, commercial paper, guaranteed investment contracts, and investment pools.

The District's investment policy may be more restrictive than the Public Funds Investment Act.

The District invests in TexSTAR, an external investment pool that is not registered with the Securities and Exchange Commission. A Board of Directors, made up of participants and representatives of the administrator and investment manager, has oversight of TexSTAR. The District's investments may be redeemed at any time. The District's investments in TexSTAR are reported at amortized cost.

Harris County Municipal Utility District No. 539
Notes to Financial Statements
February 28, 2026

At February 28, 2026, the District had the following investments and maturities:

<u>Type</u>	<u>Maturities in Years</u>				
	<u>Amortized Cost</u>	<u>Less Than 1</u>	<u>1–5</u>	<u>6–10</u>	<u>More Than 10</u>
TexSTAR	\$ 3,646,843	\$ 3,646,843	\$ -	\$ -	\$ -

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy does not allow investments in certain mortgage-backed securities, collateralized mortgage obligations with a final maturity date in excess of 10 years, and interest rate indexed collateralized mortgage obligations. The external investment pool is presented as an investment with a maturity of less than one year because it is redeemable in full immediately.

Credit Risk. Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At February 28, 2026, the District's investments in TexSTAR were rated "AAAm" by Standard & Poor's.

Summary of Carrying Values

The carrying values of deposits and investments shown previously are included in the balance sheet and statement of net position at February 28, 2026 as follows:

Carrying value	
Deposits	\$ 575,050
Investments	<u>3,646,843</u>
Total	<u>\$ 4,221,893</u>

Investment Income

Investment income of \$62,563 for the year ended February 28, 2026 consisted of interest income.

Note 3. Capital and Lease Assets

A summary of changes in capital and lease assets for the year ended February 28, 2026 is presented as follows:

<u>Governmental Activities</u>	<u>Balances, Beginning of Year</u>	<u>Additions</u>	<u>Balances, End of Year</u>
Capital assets, non-depreciable			
Land and improvements	\$ 7,564,433	\$ 6,291,077	\$ 13,855,510

Harris County Municipal Utility District No. 539
Notes to Financial Statements
February 28, 2026

Governmental Activities (Continued)	Balances, Beginning of Year	Additions	Balances, End of Year
Capital and lease assets, depreciable			
Water production and distribution facilities	\$ 596,736	\$ 10,184,995	\$ 10,781,731
Wastewater collection and treatment facilities	767,285	14,198,264	14,965,549
Lease assets – equipment	1,744,813	389,252	2,134,065
Total capital and lease assets, depreciable	3,108,834	24,772,511	27,881,345
Less accumulated depreciation and amortization			
Water production and distribution facilities	(13,261)	(294,615)	(307,876)
Wastewater collection and treatment facilities	(17,051)	(397,463)	(414,514)
Lease assets – equipment	(71,951)	(239,931)	(311,882)
Total accumulated depreciation and amortization	(102,263)	(932,009)	(1,034,272)
Total governmental activities, net	\$ 10,571,004	\$ 30,131,579	\$ 40,702,583

Note 4. Long-Term Liabilities

Changes in long-term liabilities for the year ended February 28, 2026 were as follows:

Governmental Activities	Balances, Beginning of Year	Increases	Decreases	Balances, End of Year	Amounts Due in One Year
Bonds payable					
General obligation bonds	\$ 3,750,000	\$ 29,000,000	\$ -	\$ 32,750,000	\$ 70,000
Less discounts on bonds	109,933	870,000	15,933	964,000	-
	3,640,067	28,130,000	(15,933)	31,786,000	70,000
Due to developer	5,340,837	37,970,682	597,523	42,713,996	-
Developer advances – operations	397,240	1,070,000	397,240	1,070,000	-
Developer advances – capital assets	5,963,572	1,136,429	-	7,100,001	-
Lease liability	1,632,876	376,392	151,188	1,858,080	182,551
Total governmental activities long-term liabilities	\$ 16,974,592	\$ 68,683,503	\$ 1,130,018	\$ 84,528,077	\$ 252,551

Harris County Municipal Utility District No. 539
Notes to Financial Statements
February 28, 2026

General Obligation Bonds Issued

	Road Series 2024	Series 2025
Amounts outstanding, February 28, 2026	\$3,750,000	\$14,000,000
Interest rates	4.000% to 4.625%	4.000% to 6.500%
Maturity dates, serially beginning/ending	September 1, 2026/2051	September 1, 2027/2051
Interest payment dates	March 1/September 1	March 1/September 1
Callable dates*	September 1, 2031	September 1, 2031
		Road Series 2025
Amount outstanding, February 28, 2026		\$15,000,000
Interest rates		4.000% to 6.500%
Maturity dates, serially beginning/ending		September 1, 2027/2051
Interest payment dates		March 1/September 1
Callable date*		September 1, 2031

*Or any date thereafter; callable at par plus accrued interest to the date of redemption

Annual Debt Service Requirements

The District has been paying the amount due March 1 within the fiscal year preceding the due date, and the following schedule has been prepared according to this practice. The schedule shows the annual debt service requirements to pay principal and interest on general obligation bonds outstanding at February 28, 2026:

Year	Principal	Interest	Total
2027	\$ 70,000	\$ 1,530,150	\$ 1,600,150
2028	685,000	1,507,425	2,192,425
2029	720,000	1,463,700	2,183,700
2030	755,000	1,417,826	2,172,826
2031	790,000	1,369,737	2,159,737
2032–2036	4,580,000	6,077,176	10,657,176
2037–2041	5,875,000	4,914,466	10,789,466
2042–2046	7,490,000	3,499,952	10,989,952
2047–2051	9,570,000	1,620,753	11,190,753
2052	2,215,000	49,996	2,264,996
Total	<u>\$ 32,750,000</u>	<u>\$ 23,451,181</u>	<u>\$ 56,201,181</u>

Harris County Municipal Utility District No. 539
Notes to Financial Statements
February 28, 2026

The bonds are payable from proceeds of an ad valorem tax levied upon all property within the District subject to taxation, without limitation as to rate or amount.

Bonds voted	
Water, sewer, drainage, and storm sewer system facilities	\$ 426,500,000
Recreational facilities	99,500,000
Road facilities	164,150,000
Bonds sold	
Road facilities	18,750,000
Water, sewer, drainage, and storm sewer system facilities	14,000,000
Refunding bonds voted	
Water, sewer, drainage, and storm sewer facilities	426,500,000
Recreational facilities	99,500,000
Road facilities	164,150,000

Due to Developer

The developer within the District has constructed facilities on behalf of the District under the terms of a contract with the District. The District has agreed to reimburse the developer for these facilities from the proceeds of future bond issues, subject to the approval of the Commission, if applicable. As of February 28, 2026, a liability for developer-constructed capital assets of \$42,713,996 has been recorded in the government-wide financial statements.

Lease Liability

The following schedule shows the annual lease requirements to pay principal and interest on the lease liability outstanding at February 28, 2026:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2027	\$ 182,551	\$ 220,049	\$ 402,600
2028	206,485	196,115	402,600
2029	233,557	169,043	402,600
2030	231,583	138,917	370,500
2031	176,522	114,058	290,580
2032–2034	827,382	155,984	983,366
Total	<u>\$ 1,858,080</u>	<u>\$ 994,166</u>	<u>\$ 2,852,246</u>

Note 5. Significant Bond Resolution and Commission Requirements

- (A) The Bond Resolutions require that the District levy and collect an ad valorem debt service tax sufficient to pay interest and principal on road bonds when due. During the year ended February 28, 2026, the District levied an ad valorem road debt service tax at the rate of \$0.2500 per \$100 of assessed valuation, which resulted in a tax levy of \$362,002 on the taxable valuation of \$144,800,752 for the 2025 tax year. The principal and interest requirements to be paid from the tax revenues and available resources are \$1,434,392, of which \$598,617 has been paid and \$835,775 is due September 1, 2026.
- (B) In accordance with the Series 2024 Road, Series 2025, and Series 2025 Road Bond Resolutions, a portion of the bond proceeds was deposited into the debt service fund and reserved for the payment of bond interest. This bond interest reserve is reduced as the interest is paid.

Harris County Municipal Utility District No. 539
Notes to Financial Statements
February 28, 2026

Bond interest reserve, beginning of year	\$ 294,098
Additions – Interest appropriated from bond proceeds	
Series 2025	1,321,250
Road Series 2025	<u>707,031</u>
	<u>2,028,281</u>
Deductions – Appropriation from bond interest paid	
Road Series 2024	163,894
Series 2025	249,569
Road Series 2025	<u>267,100</u>
	<u>680,563</u>
Bond interest reserve, end of year	<u><u>\$ 1,641,816</u></u>

(C) During the current year, the District transferred \$181,055 from the capital projects fund to the general fund. The transfer was in accordance with the rules of the Commission.

Note 6. Maintenance Taxes

At an election held May 7, 2022, voters authorized a maintenance tax not to exceed \$1.50 per \$100 of assessed valuation on all property within the District subject to taxation. During the year ended February 28, 2026, the District levied an ad valorem maintenance tax at the rate of \$1.2500 per \$100 of assessed valuation, which resulted in a tax levy of \$1,810,009 on the taxable valuation of \$144,800,752 for the 2025 tax year. The maintenance tax is being used by the general fund to pay expenditures of operating the District.

At an election held May 7, 2022, voters authorized a road maintenance tax not to exceed \$0.25 per \$100 of assessed valuation on all property within the District subject to taxation. During the year ended February 28, 2026, the District did not levy an ad valorem road maintenance tax for the 2025 tax year. The road maintenance tax, if levied, will be used by the general fund to pay expenditures for maintenance of certain roads within the District.

Note 7. Lease Agreements

On November 8, 2023, the District entered into an agreement to lease a 164,000 gallons-per-day (gpd) wastewater treatment facility. Monthly lease payments of \$27,120 will remain in effect for 60 months and will begin on the first day of the month following substantial completion of the leased equipment, which occurred in a prior year. After the first 60 months, the District may extend the agreement on a month-to-month basis with monthly payments of \$19,095. During the current year, the District recorded \$325,440 in expenditures related to the lease.

On December 11, 2024, the District entered into a Phase 2 lease agreement for equipment for the 164,000 gpd wastewater treatment facility. Monthly lease payments of \$6,430 will remain in effect for 60 months and will begin on the first day of the month following substantial completion of the leased equipment, which occurred during the current year. After the first 60 months, the District may extend the agreement on a month-to-month basis with monthly payments of \$3,810. During the current year, the District recorded \$38,580 in expenditures related to the lease.

Note 8. Regional Water Authority

The District is within the boundaries of the West Harris County Regional Water Authority (Authority), which was created by the Texas Legislature. The Authority was created to provide a regional entity to acquire surface water and build the necessary facilities to convert from groundwater to surface water in order to meet conversion requirements mandated by the Harris-Galveston Subsidence District, which regulates groundwater withdrawal. As of February 28, 2026, the Authority was billing the District \$3.95 per 1,000 gallons of water pumped from its wells. This amount is subject to future adjustments.

Note 9. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. The District has not significantly reduced insurance coverage or had settlements that exceeded coverage amounts since the inception of the District.

Note 10. Contingencies

The developer of the District is constructing water, sewer, drainage, road, and park facilities to serve the District. The District has agreed to reimburse the developer for a portion of these costs, plus interest, from the proceeds of future bond sales to the extent approved by the Commission, if required. The District's engineer has stated that the current construction contract amounts are approximately \$13,308,000. This amount has not been recorded in the financial statements since the facilities are not complete or operational.

Note 11. Economic Dependency

The District's developer owns the majority of the taxable property in the District. The District's ability to meet its obligations is dependent on the developer's ability to pay future property taxes.

Since inception, the developer has advanced \$1,070,000 to the District for operations, net of repayments, and \$7,100,001 for the acquisition of capital assets. These advances have been recorded as liabilities in the government-wide financial statements.

Note 12. Subsequent Event

On March 12, 2026, the District issued the sale of its Series 2026 Unlimited Tax Road Bonds in the amount of \$5,100,000 at a net effective interest rate of approximately 4.42%. The bonds were sold to finance construction projects within the District.

Required Supplementary Information

Harris County Municipal Utility District No. 539
Budgetary Comparison Schedule – General Fund
Year Ended February 28, 2026

	Original Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property taxes	\$ 164,781	\$ 1,609,997	\$ 1,445,216
Water service	20,000	442,661	422,661
Sewer service	10,000	729,178	719,178
Regional water fee	10,000	506,444	496,444
Penalty and interest	3,000	37,600	34,600
Tap connection and inspection fees	697,119	860,540	163,421
Investment income	1,000	5,935	4,935
Other income	-	5,120	5,120
Total Revenues	905,900	4,197,475	3,291,575
Expenditures			
Service operations			
Purchased services	-	25,760	(25,760)
Regional water fee	40,000	489,279	(449,279)
Professional fees	156,900	372,321	(215,421)
Contracted services	40,800	436,921	(396,121)
Utilities	15,000	128,187	(113,187)
Repairs and maintenance	100,000	1,536,799	(1,436,799)
Tap connections	500,000	484,813	15,187
Other expenditures	53,200	85,651	(32,451)
Debt service			
Debt issuance costs	-	48,825	(48,825)
Lease expenditures	-	364,020	(364,020)
Capital outlay	-	1,374,394	(1,374,394)
Total Expenditures	905,900	5,346,970	(4,441,070)
Deficiency of Revenues Over Expenditures	-	(1,149,495)	(1,149,495)
Other Financing Sources			
Interfund transfers in (out)	-	190,512	190,512
Developer advances	-	2,206,429	2,206,429
Total Other Financing Sources	-	2,396,941	2,396,941
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	-	1,247,446	1,247,446
Fund Balance (Deficit), Beginning of Year	(63,418)	(63,418)	-
Fund Balance (Deficit), End of Year	\$ (63,418)	\$ 1,184,028	\$ 1,247,446

Budgets and Budgetary Accounting

An annual operating budget is prepared for the general fund by the District's consultants. The budget reflects resources expected to be received during the year and expenditures expected to be incurred. The Board is required to adopt the budget prior to the start of its fiscal year. The budget is not a spending limitation (a legally restricted appropriation). The original budget of the general fund was not amended during fiscal 2026.

The District prepares its annual operating budget on a basis consistent with accounting principles generally accepted in the United States of America. The Budgetary Comparison Schedule – General Fund presents the original and revised budget amounts, if revised, compared to the actual amounts of revenues and expenditures for the current year.

Supplementary Information

Harris County Municipal Utility District No. 539
Other Schedules Included Within This Report
February 28, 2026

(Schedules included are checked or explanatory notes provided for omitted schedules.)

- [X] Notes Required by the Water District Accounting Manual
See "Notes to Financial Statements," Pages 10–21
- [X] Schedule of Services and Rates
- [X] Schedule of General Fund Expenditures
- [X] Schedule of Temporary Investments
- [X] Analysis of Taxes Levied and Receivable
- [X] Schedules of Long-Term Debt Service Requirements by Years
- [X] Changes in Long-Term Bonded Debt
- [X] Comparative Schedules of Revenues and Expenditures – General Fund and Debt Service Fund
- [X] Board Members, Key Personnel, and Consultants

Harris County Municipal Utility District No. 539
Schedule of Services and Rates
Year Ended February 28, 2026

1. Services provided by the District

☒ Retail Water	☐ Wholesale Water	☒ Drainage
☒ Retail Wastewater	☐ Wholesale Wastewater	☐ Irrigation
☒ Parks/Recreation	☐ Fire Protection	☐ Security
☒ Solid Waste/Garbage	☐ Flood Control	☒ Roads
☐ Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)		
☐ Other _____		

2. Retail service providers

a. Retail rates for a 5/8" meter (or equivalent):

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate Per 1,000 Gallons Over Minimum</u>	<u>Usage Levels</u>	
Water:	<u>\$ 24.00</u>	<u>5,000</u>	<u>N</u>	<u>\$ 1.00</u>	<u>5,001</u>	<u>to 10,000</u>
				<u>\$ 1.50</u>	<u>10,001</u>	<u>to 20,000</u>
				<u>\$ 2.00</u>	<u>20,001</u>	<u>to No Limit</u>
Wastewater:	<u>\$ 50.00</u>	<u>-</u>	<u>Y</u>			
Regional water fee:	<u>\$ 4.35</u>	<u>1,000</u>	<u>N</u>	<u>\$ 4.35</u>	<u>1,001</u>	<u>to No Limit</u>
Does the District employ winter averaging for wastewater usage?				Yes <u> </u>	No <u>X</u>	
Total charges per 10,000 gallons usage (including fees):				Water <u>\$ 72.50</u>	Wastewater <u>\$ 50.00</u>	

b. Water and wastewater retail connections:

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFC*</u>
Unmetered	<u>-</u>	<u>-</u>	x1.0	<u>-</u>
≤ 3/4"	<u>1,450</u>	<u>1,450</u>	x1.0	<u>1,450</u>
1"	<u>2</u>	<u>2</u>	x2.5	<u>5</u>
1 1/2"	<u>-</u>	<u>-</u>	x5.0	<u>-</u>
2"	<u>11</u>	<u>11</u>	x8.0	<u>88</u>
3"	<u>-</u>	<u>-</u>	x15.0	<u>-</u>
4"	<u>-</u>	<u>-</u>	x25.0	<u>-</u>
6"	<u>-</u>	<u>-</u>	x50.0	<u>-</u>
8"	<u>-</u>	<u>-</u>	x80.0	<u>-</u>
10"	<u>-</u>	<u>-</u>	x115.0	<u>-</u>
Total water	<u>1,463</u>	<u>1,463</u>		<u>1,543</u>
Total wastewater	<u>1,450</u>	<u>1,450</u>	x1.0	<u>1,450</u>

3. Total water consumption (in thousands) during the fiscal year

Gallons pumped into the system:	<u>121,777</u>
Gallons billed to customers:	<u>116,993</u>
Water accountability ratio (gallons billed/gallons pumped):	<u>96.07%</u>

*"ESFC" means equivalent single-family connections

Harris County Municipal Utility District No. 539
Schedule of General Fund Expenditures
Year Ended February 28, 2026

Personnel (including benefits)		\$ -
Professional Fees		
Auditing	\$ 20,700	
Legal	217,888	
Engineering	133,733	
Financial advisor	-	372,321
Purchased Services for Resale		
Bulk water and wastewater service purchases		25,760
Regional Water Fee		489,279
Contracted Services		
Bookkeeping	36,425	
General manager	-	
Appraisal district	-	
Tax collector	2,900	
Security	-	
Other contracted services	177,201	216,526
Utilities		128,187
Repairs and Maintenance		1,536,799
Administrative Expenditures		
Directors' fees	12,138	
Office supplies	22,422	
Insurance	19,778	
Other administrative expenditures	31,313	85,651
Capital Outlay		
Capitalized assets	1,374,394	
Expenditures not capitalized	-	1,374,394
Tap Connection Expenditures		484,813
Solid Waste Disposal		220,395
Fire Fighting		-
Parks and Recreation		-
Lease Expenditures		364,020
Other Expenditures		48,825
Total Expenditures		\$ 5,346,970

Harris County Municipal Utility District No. 539
Schedule of Temporary Investments
February 28, 2026

	Interest Rate	Maturity Date	Face Amount	Accrued Interest Receivable
General Fund				
TexSTAR	3.68%	Demand	\$ 662,264	\$ -
Debt Service Fund				
TexSTAR	3.68%	Demand	814,659	-
TexSTAR	3.68%	Demand	1,090,378	-
			1,905,037	-
Capital Projects Fund				
TexSTAR	3.68%	Demand	563,594	-
TexSTAR	3.68%	Demand	515,948	-
			1,079,542	-
Totals			\$ 3,646,843	\$ -

Harris County Municipal Utility District No. 539
Analysis of Texas Levied and Receivable
Year Ended February 28, 2026

	Maintenance Taxes	Debt Service Taxes
Receivable, Beginning of Year	\$ 28,055	\$ -
Additions and corrections to prior years' taxes	(85)	-
Adjusted Receivable, Beginning of Year	27,970	-
 2025 Original Tax Levy	1,334,583	266,917
Additions and corrections	475,426	95,085
 Adjusted tax levy	1,810,009	362,002
 Total to Be Accounted For	1,837,979	362,002
 Tax collections: Current year	(1,313,606)	(262,721)
Prior years	(27,760)	-
Receivable, End of Year	<u>\$ 496,613</u>	<u>\$ 99,281</u>
 Receivable, by Years		
2025	\$ 496,403	\$ 99,281
2024	210	-
Receivable, End of Year	<u>\$ 496,613</u>	<u>\$ 99,281</u>

Harris County Municipal Utility District No. 539
Analysis of Texas Levied and Receivable
Year Ended February 28, 2026

(Continued)

	2025	2024	2023
Property Valuations			
Land	\$ 68,570,630	\$ 18,764,009	\$ 239,570
Improvements	76,014,061	162,130	-
Personal property	1,630,451	82,472	-
Exemptions	<u>(1,414,390)</u>	<u>(201,981)</u>	<u>-</u>
Total Property Valuations	<u><u>\$ 144,800,752</u></u>	<u><u>\$ 18,806,630</u></u>	<u><u>\$ 239,570</u></u>
Tax Rates per \$100 Valuation			
Road debt service tax rates	\$ 0.2500	\$ -	\$ -
Maintenance tax rates*	<u>1.2500</u>	<u>1.5000</u>	<u>1.5000</u>
Total Tax Rates per \$100 Valuation	<u><u>\$ 1.5000</u></u>	<u><u>\$ 1.5000</u></u>	<u><u>\$ 1.5000</u></u>
Tax Levy	<u><u>\$ 2,172,011</u></u>	<u><u>\$ 282,098</u></u>	<u><u>\$ 3,593</u></u>
Percent of Taxes Collected to Taxes Levied**	<u><u>72%</u></u>	<u><u>99%</u></u>	<u><u>100%</u></u>

*Maximum tax rate approved by voters: \$1.50 on May 7, 2022

**Calculated as taxes collected for a tax year divided by taxes levied for that tax year

Harris County Municipal Utility District No. 539
Schedule of Long-Term Debt Service Requirements by Years
February 28, 2026

Due During Fiscal Years Ending February 28	Road Series 2024		
	Principal Due September 1	Interest Due September 1, March 1	Total
2027	\$ 70,000	\$ 162,494	\$ 232,494
2028	75,000	159,593	234,593
2029	80,000	156,494	236,494
2030	85,000	153,194	238,194
2031	85,000	149,793	234,793
2032	90,000	146,294	236,294
2033	95,000	142,535	237,535
2034	100,000	138,512	238,512
2035	105,000	134,284	239,284
2036	110,000	129,850	239,850
2037	120,000	125,031	245,031
2038	125,000	119,825	244,825
2039	130,000	114,406	244,406
2040	140,000	108,669	248,669
2041	145,000	102,522	247,522
2042	155,000	95,959	250,959
2043	160,000	89,069	249,069
2044	170,000	81,850	251,850
2045	180,000	74,081	254,081
2046	185,000	65,869	250,869
2047	195,000	57,319	252,319
2048	205,000	48,319	253,319
2049	220,000	38,619	258,619
2050	230,000	28,212	258,212
2051	240,000	17,344	257,344
2052	255,000	5,897	260,897
Totals	<u>\$ 3,750,000</u>	<u>\$ 2,646,034</u>	<u>\$ 6,396,034</u>

The District pays the amount due March 1 prior to that date. This schedule has been prepared assuming this practice will continue in the future.

Harris County Municipal Utility District No. 539
Schedule of Long-Term Debt Service Requirements by Years
February 28, 2026

Due During Fiscal Years Ending February 28	Series 2025		Total
	Principal Due September 1	Interest Due September 1, March 1	
2027	\$ -	\$ 660,625	\$ 660,625
2028	295,000	651,038	946,038
2029	310,000	631,375	941,375
2030	325,000	610,738	935,738
2031	340,000	589,125	929,125
2032	355,000	566,538	921,538
2033	375,000	542,813	917,813
2034	395,000	518,281	913,281
2035	415,000	495,563	910,563
2036	435,000	476,488	911,488
2037	455,000	458,688	913,688
2038	480,000	439,988	919,988
2039	500,000	420,388	920,388
2040	525,000	399,559	924,559
2041	555,000	376,938	931,938
2042	580,000	352,818	932,818
2043	610,000	327,150	937,150
2044	640,000	299,806	939,806
2045	670,000	271,150	941,150
2046	705,000	241,071	946,071
2047	740,000	209,462	949,462
2048	780,000	175,725	955,725
2049	815,000	139,837	954,837
2050	855,000	102,262	957,262
2051	900,000	62,775	962,775
2052	945,000	21,262	966,262
Totals	\$ 14,000,000	\$ 10,041,463	\$ 24,041,463

The District pays the amount due March 1 prior to that date. This schedule has been prepared assuming this practice will continue in the future.

Harris County Municipal Utility District No. 539
Schedule of Long-Term Debt Service Requirements by Years
February 28, 2026

Due During Fiscal Years Ending February 28	Road Series 2025		
	Principal Due September 1	Interest Due September 1, March 1	Total
2027	\$ -	\$ 707,031	\$ 707,031
2028	315,000	696,794	1,011,794
2029	330,000	675,831	1,005,831
2030	345,000	653,894	998,894
2031	365,000	630,819	995,819
2032	380,000	606,606	986,606
2033	400,000	581,256	981,256
2034	420,000	555,394	975,394
2035	440,000	531,531	971,531
2036	465,000	511,231	976,231
2037	490,000	492,131	982,131
2038	510,000	472,131	982,131
2039	540,000	451,131	991,131
2040	565,000	428,678	993,678
2041	595,000	404,381	999,381
2042	620,000	378,563	998,563
2043	655,000	351,059	1,006,059
2044	685,000	321,747	1,006,747
2045	720,000	291,013	1,011,013
2046	755,000	258,747	1,013,747
2047	795,000	224,841	1,019,841
2048	835,000	188,663	1,023,663
2049	875,000	150,188	1,025,188
2050	920,000	109,800	1,029,800
2051	965,000	67,387	1,032,387
2052	1,015,000	22,837	1,037,837
Totals	<u>\$ 15,000,000</u>	<u>\$ 10,763,684</u>	<u>\$ 25,763,684</u>

The District pays the amount due March 1 prior to that date. This schedule has been prepared assuming this practice will continue in the future.

Harris County Municipal Utility District No. 539
Schedule of Long-Term Debt Service Requirements by Years
February 28, 2026

Due During Fiscal Years Ending February 28	Annual Requirements For All Series		
	Total Principal Due	Total Interest Due	Total
2027	\$ 70,000	\$ 1,530,150	\$ 1,600,150
2028	685,000	1,507,425	2,192,425
2029	720,000	1,463,700	2,183,700
2030	755,000	1,417,826	2,172,826
2031	790,000	1,369,737	2,159,737
2032	825,000	1,319,438	2,144,438
2033	870,000	1,266,604	2,136,604
2034	915,000	1,212,187	2,127,187
2035	960,000	1,161,378	2,121,378
2036	1,010,000	1,117,569	2,127,569
2037	1,065,000	1,075,850	2,140,850
2038	1,115,000	1,031,944	2,146,944
2039	1,170,000	985,925	2,155,925
2040	1,230,000	936,906	2,166,906
2041	1,295,000	883,841	2,178,841
2042	1,355,000	827,340	2,182,340
2043	1,425,000	767,278	2,192,278
2044	1,495,000	703,403	2,198,403
2045	1,570,000	636,244	2,206,244
2046	1,645,000	565,687	2,210,687
2047	1,730,000	491,622	2,221,622
2048	1,820,000	412,707	2,232,707
2049	1,910,000	328,644	2,238,644
2050	2,005,000	240,274	2,245,274
2051	2,105,000	147,506	2,252,506
2052	2,215,000	49,996	2,264,996
Totals	<u>\$ 32,750,000</u>	<u>\$ 23,451,181</u>	<u>\$ 56,201,181</u>

Harris County Municipal Utility District No. 539
Changes in Long-Term Bonded Debt
Year Ended February 28, 2026

	Bond Issues			Totals
	Road Series 2024	Series 2025	Road Series 2025	
Interest rates	4.000% to 4.625%	4.000% to 6.500%	4.000% to 6.500%	
Dates interest payable	March 1/ September 1	March 1/ September 1	March 1/ September 1	
Maturity dates	September 1, 2026/2051	September 1, 2027/2051	September 1, 2027/2051	
Bonds outstanding, beginning of the current year	\$ 3,750,000	\$ -	\$ -	\$ 3,750,000
Bonds sold during the current year	-	14,000,000	15,000,000	29,000,000
Retirements, principal	-	-	-	-
Bonds outstanding, end of current year	<u>\$ 3,750,000</u>	<u>\$ 14,000,000</u>	<u>\$ 15,000,000</u>	<u>\$ 32,750,000</u>
Interest paid during the current year	<u>\$ 163,894</u>	<u>\$ 249,569</u>	<u>\$ 267,100</u>	<u>\$ 680,563</u>
Paying agent's name and address				
Road Series 2024	– BOKF, N.A., Dallas, Texas			
Series 2025	– BOKF, N.A., Dallas, Texas			
Road Series 2025	– BOKF, N.A., Dallas, Texas			
Bond authority	WSD Bonds	Road Bonds	Park Bonds	Refunding Bonds
Amount authorized by voters	<u>\$ 426,500,000</u>	<u>\$ 164,150,000</u>	<u>\$ 99,500,000</u>	<u>\$ 690,150,000</u>
Amount issued	<u>\$ 14,000,000</u>	<u>\$ 18,750,000</u>	<u>\$ -</u>	<u>\$ -</u>
Remaining to be issued	<u>\$ 412,500,000</u>	<u>\$ 145,400,000</u>	<u>\$ 99,500,000</u>	<u>\$ 690,150,000</u>
Debt service fund cash and temporary investment balances as of February 28, 2026:				<u>\$ 2,189,418</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:				<u>\$ 2,161,584</u>

Harris County Municipal Utility District No. 539
Comparative Schedule of Revenues and Expenditures – General Fund
Two Years Ended February 28, 2026 and 2025
and Year Ended February 29, 2024

	Amounts			Percent of Fund Total Revenues		
	2026	2025	2024	2026	2025	2024
General Fund						
Revenues						
Property taxes	\$ 1,609,997	\$ 255,993	\$ 1,644	38.4 %	13.8 %	99.40 %
Water service	442,661	110,637	-	10.6	6.0	-
Sewer service	729,178	153,465	-	17.3	8.3	-
Regional water fee	506,444	86,817	-	12.0	4.7	-
Penalty and interest	37,600	13,646	10	1.0	0.7	0.6
Tap connection and inspection fees	860,540	1,062,052	-	20.5	57.4	-
Investment income	5,935	1,928	-	0.1	0.1	-
Other income	5,120	165,996	-	0.1	9.0	-
Total Revenues	4,197,475	1,850,534	1,654	100.0	100.0	100.00
Expenditures						
Service operations						
Purchased services	25,760	150,920	8,680	0.7	8.1	524.8
Regional water fee	489,279	90,253	-	11.7	4.9	-
Professional fees	372,321	210,037	111,971	8.9	11.3	6,769.7
Contracted services	436,921	156,251	19,577	10.4	8.4	1,183.6
Utilities	128,187	28,723	-	3.0	1.6	-
Repairs and maintenance	1,536,799	408,278	-	36.6	22.1	-
Tap connections	484,813	690,775	-	11.5	37.3	-
Other expenditures	85,651	35,403	15,683	2.0	1.9	948.2
Capital outlay	1,374,394	6,114,110	-	32.7	330.4	-
Debt service						
Lease payments	364,020	108,480	-	8.7	5.9	-
Debt issuance costs	48,825	23,750	-	1.2	1.3	-
Total Expenditures	5,346,970	8,016,980	155,911	127.4	433.2	9426.3
Deficiency of Revenues Over Expenditures	(1,149,495)	(6,166,446)	(154,257)	(27.4) %	(333.2) %	(9,326.3) %
Other Financing Sources						
Interfund transfers in	190,512	-	-			
Developer advances	2,206,429	6,079,572	192,240			
Total Other Financing Sources	2,396,941	6,079,572	192,240			
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	1,247,446	(86,874)	37,983			
Fund Balance (Deficit), Beginning of Year	(63,418)	23,456	(14,527)			
Fund Balance (Deficit), End of Year	\$ 1,184,028	\$ (63,418)	\$ 23,456			
Total Active Retail Water Connections	1,463	806	-			
Total Active Retail Wastewater Connections	1,450	797	-			

Harris County Municipal Utility District No. 539
Schedule of Revenues and Expenditures – Debt Service Fund
Two Years Ended February 28, 2026 and 2025

	Amounts		Percent of Fund Total Revenues	
	2026	2025	2026	2025
Debt Service Fund				
Revenues				
Property taxes	\$ 316,447	\$ -	86.8 %	- %
Penalty and interest	8,437	-	2.3	-
Investment income	39,700	2,893	10.9	100.0
Total Revenues	364,584	2,893	100.0	100.0
Expenditures				
Current				
Professional fees	638	-	0.2	-
Contracted services	23,755	-	6.5	-
Other expenditures	9,305	-	2.6	-
Debt service, interest and fees	681,364	33,689	186.9	1,164.5
Total Expenditures	715,062	33,689	196.2	1,164.5
Deficiency of Revenues Over Expenditures	(350,478)	(30,796)	(96.2) %	(1,064.5) %
Other Financing Sources (Uses)				
Interfund transfers out	(9,457)	-		
General obligation bonds issued	2,028,281	327,787		
Total Other Financing Sources	2,018,824	327,787		
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	1,668,346	296,991		
Fund Balance, Beginning of Year	296,991	-		
Fund Balance, End of Year	\$ 1,965,337	\$ 296,991		

Harris County Municipal Utility District No. 539
Board Members, Key Personnel, and Consultants
Year Ended February 28, 2026

Complete District mailing address:	Harris County Municipal Utility District No. 539 c/o Allen Boone Humphries Robinson LLP 3200 Southwest Freeway, Suite 2600 Houston, TX 77027
District business telephone number:	713.860.6400
Submission date of the most recent District Registration Form (TWC Sections 36.054 and 45.054):	May 20, 2026
Limit on fees of office that a director may receive during a fiscal year:	\$ 7,200

Board Members	Term of Office Elected & Expires	Fees	Expense Reimbursements	Title at Year-End
James C. Potter III	Elected 05/24– 05/28	\$ 2,652	\$ -	President
David Schwarz	Elected 05/22– 05/26	2,210	-	Vice President
Ryan O. Smith	Elected 05/24– 05/28	2,210	-	Secretary
Max Monzon	Appointed 03/23– 05/26	2,414	-	Assistant Vice President
Matthew Strange	Elected 05/22– 05/26	2,652	-	Assistant Secretary

*Fees are the amounts actually paid to a director during the District's fiscal year.

Harris County Municipal Utility District No. 539
Board Members, Key Personnel, and Consultants
Year Ended February 28, 2026

(Continued)

Consultants	Date Hired	Fees and Expense Reimbursements	Title
Allen Boone Humphries Robinson LLP	09/30/21	\$ 149,624 534,111	General Counsel Bond Counsel
Assessments of the Southwest, Inc.*	07/08/22	19,446	Tax Assessor/ Collector
Forvis Mazars, LLP	08/09/23	54,000	Auditor
Harris Central Appraisal District	Legislative Action	8,409	Appraiser
LJA Engineering, Inc.	09/30/21	302,390	Engineer
Masterson Advisors, LLC	09/30/21	483,639	Financial Advisor
Myrtle Cruz, Inc.	02/09/22	50,245	Bookkeeper
Purdue, Brandon, Fielder, Collins & Mott, L.L.P.	05/10/22	638	Delinquent Tax Attorney
TNG Utility Corp.	05/10/23	1,868,685	Operator
Investment Officer			
Mary Jarmon	02/09/22	N/A	Bookkeeper

*as successor to B&A Municipal Tax Service, LLC