PRELIMINARY OFFICIAL STATEMENT DATED AUGUST 25, 2026

This Preliminary Official Statement is subject to completion and amendment and is intended solely for the purpose of soliciting initial bids on the Bonds. Upon the sale of the Bonds, the Official Statement will be completed and delivered to the Initial Purchaser.

IN THE OPINION OF BOND COUNSEL, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER EXISTING LAW, AND INTEREST ON BONDS IS NOT INCLUDABLE IN THE ALTERNATIVE MINIMUM TAXABLE INCOME OF INDIVIDUALS OR CORPORATIONS EXCEPT FOR CERTAIN ALTERNATIVE MINIMUM TAX CONSEQUENCES FOR CORPORATIONS. SEE "TAX MATTERS" FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.

THE BONDS WILL **NOT** BE DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS. SEE "TAX MATTERS—NOT QUALIFIED TAX-EXEMPT OBLIGATIONS FOR FINANCIAL INSTITUTIONS."

NEW ISSUE-Book-Entry Only

Underlying Rating: Moody's "A1"
See "MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE" herein.

$10,015,000
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 157
(A political subdivision of the State of Texas located within Harris County)
UNLIMITED TAX BONDS
SERIES 2026

Dated Date: October 1, 2026 **Due: March 1, as shown below**
Interest Accrual Date: Date of Delivery

The Bonds will be issued in fully registered form only, in denominations of $5,000 or any integral multiple of $5,000 for any one maturity. Principal of the Bonds will be payable at stated maturity or redemption upon presentation of the Bonds at the principal payment office of the paying agent/registrar, initially, The Bank of New York Mellon Trust Company, N.A., Houston, Texas (the "Paying Agent/Registrar"). Interest accrues from the initial date of delivery (expected to be on or about October 22, 2026) (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 on the basis of a 360-day year of twelve 30-day months.

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 as described herein. See "THE BONDS—Book-Entry-Only System."

MATURITY SCHEDULE

Due (Mar. 1)	Principal Amount (a)	Interest Rate	Initial Reoffering Yield (b)	CUSIP Number (d)	Due (Mar. 1)	Principal Amount (a)	Interest Rate	Initial Reoffering Yield (b)	CUSIP Number (d)
2031	$ 250,000				2038	$ 750,000 (c)			
2032	250,000				2039	750,000 (c)			
2033	265,000 (c)				2040	750,000 (c)			
2034	750,000 (c)				2041	1,000,000 (c)			
2035	750,000 (c)				2042	1,000,000 (c)			
2036	750,000 (c)				2043	1,000,000 (c)			
2037	750,000 (c)				2044	1,000,000 (c)			

(a) The Initial Purchaser may elect to designate one or more term bonds. See accompanying Official Notice of Sale and Official Bid Form.
(b) Initial reoffering yield represents the initial offering yield to the public which has been established by the Initial Purchaser (as herein defined) for offers to the public and which may be subsequently changed by the Initial Purchaser and is the sole responsibility of the Initial Purchaser. The initial reoffering yields indicated above represent the lower of the yields resulting when priced at maturity or to the first call date.
(c) Bonds maturing on and after March 1, 2033, are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on March 1, 2032, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. See "THE BONDS—Redemption Provisions."
(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 Initial Purchaser shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.

The Bonds, when issued, will constitute valid and legally binding obligations of Harris County Municipal Utility District No. 157 (the "District") and will be payable from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. 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. The Bonds are subject to special investment risks described herein. See "INVESTMENT CONSIDERATIONS."

The Bonds are offered by the Initial Purchaser subject to prior sale, when, as and if issued by the District and accepted by the Initial Purchaser, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Smith, Murdaugh, Little & Bonham, L.L.P., Bond Counsel. Delivery of the Bonds through DTC is expected on or about October 22, 2026.

Bids Due: Tuesday, September 15, 2026 at 9:15 A.M., Houston Time in Houston, Texas
Bid Award: Tuesday, September 15, 2026 at 12:00 P.M., Houston Time in Houston, Texas

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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 representation 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, orders, resolutions, 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 Smith, Murdaugh, Little & Bonham, L.L.P., 2727 Allen Parkway, Suite 1100, Houston, Texas 77019, upon payment of duplication costs.

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 Initial Purchaser and thereafter only as specified in “PREPARATION OF OFFICIAL STATEMENT—Updating the Official Statement.”

OFFICIAL STATEMENT SUMMARY

The following information is qualified in its entirety by the more detailed information and financial statements appearing elsewhere in this Official Statement.

THE FINANCING

The Issuer...	Harris County Municipal Utility District No. 157 (the "District"), a political subdivision of the State of Texas, located in Harris County, Texas. See "THE DISTRICT."
The Issue...	$10,015,000 Harris County Municipal Utility District No. 157 Unlimited Tax Bonds, Series 2026 (the "Bonds"), dated October 1, 2026. The Bonds mature serially on March 1 in each year 2031 through 2044, both inclusive, in the principal amounts set forth on the cover page of this Official Statement. Interest on the Bonds will accrue from the Date of Delivery, with interest payable March 1, 2027 and each September 1 and March 1 thereafter until maturity. See "THE BONDS."
Redemption...	Bonds maturing on or after March 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 March 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."
Book-Entry-Only System…	The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC, pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "THE BONDS—Book-Entry-Only System."
Source of Payment…	The Bonds are payable from a continuing direct annual ad valorem tax, without legal limit as to rate or amount, levied against all taxable property within the District. 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. See "THE BONDS—Source of Payment."
Use of Proceeds...	Proceeds from the sale of the Bonds will be used to finance (1) improvements to the wastewater treatment plant; (2) lift stations supervisory control and data acquisition additions; (3) water plant supervisory control and data acquisition improvements; (4) lift station rehabilitation; (5) waterline replacements in Highland Creek Village, Section One, Estates of Highland Creek, and Strathmore, Section One; and (6) materials testing and engineering fees. Bond proceeds will also be used to capitalize twelve (12) months of interest on the Bonds, and to pay certain costs associated with the issuance of the Bonds. See "THE SYSTEM" and "USE AND DISTRIBUTION OF BOND PROCEEDS."
Payment Record…	The District has previously issued a total of three series of waterworks and sewer system combination unlimited tax and revenue bonds, ten series of unlimited tax bonds, and nine series of unlimited tax refunding bonds. The District currently has $23,415,000 principal amount of such bonds outstanding (the "Outstanding Bonds"). The District has never defaulted in the timely payment of any previously issued bonds. The District will capitalize twelve (12) months of interest from proceeds of the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS" and "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)."
Not Qualified Tax-Exempt Obligations…	The Bonds will not be designated as Qualified Tax-Exempt Obligations for financial institutions. See "TAX MATTERS—Not Qualified Tax-Exempt Obligations for Financial Institutions."

Municipal Bond Rating and Municipal Bond Insurance... Moody's Investor Service ("Moody's") has assigned an underlying rating of "A1" to the Bonds. The fee associated with the rating assigned to the District by Moody's will be paid by the District; however, the fee associated with ratings provided by other agencies will be at the expense of the Initial Purchaser. See "MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE." Application has also been made for municipal bond insurance. If qualified, the purchase of municipal bond insurance is optional and at the expense of the Initial Purchaser. See "INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance."

Bond Counsel… Smith, Murdaugh, Little & Bonham, L.L.P., Bond Counsel, Houston, Texas.

Financial Advisor… Masterson Advisors LLC, Houston, Texas.

Disclosure Counsel… McCall, Parkhurst & Horton L.L.P., Disclosure Counsel, Houston, Texas.

THE DISTRICT

Description... The District is a political subdivision of the State of Texas, created by Order of the Texas Water Commission, predecessor to the Texas Commission on Environmental Quality (the "TCEQ" or "Commission") on December 5, 1977, under the provisions of Article XVI, Section 59, of the Texas Constitution. The District consists of approximately 1,112 acres of land.

Location... The District operates in accordance with Chapters 49 and 54 of the Texas Water Code, as amended. The District is located in approximately 23 miles northwest of the central business district of the City of Houston and approximately 8 miles northeast of the City of Katy, Texas. Primary access to the District from the City of Houston is provided by Interstate Highway 10 to Fry Road. The District lies wholly within the boundaries of the Cypress-Fairbanks Independent School District and is within the extraterritorial jurisdiction (ETJ) of the City of Houston. See "THE DISTRICT" and "AERIAL PHOTOGRAPH."

Status of Development… Development of the District began in 1978. Residential development currently consists of approximately 816 acres developed into 4,028 single-family residential lots of Highland Creek Village, Sections One and Three; Estates of Highland Creek, Sections One through Four; Strathmore, Sections One through Three; Cross Creek, Sections One and Two; Highland Creek Ranch, Sections One through Six; Canyon Village at Cypress Springs, Sections One through Ten; Strathmore Park, Section One; Oak Landing, Sections One and Two; and Barker Village, Sections One, Two, Three, Four, and Five, and Enclave at Cypress Springs. In addition to single-family residential development, a 330-unit apartment complex has been constructed on approximately 13 acres. See "THE DISTRICT—Status of Development."

Based on the 2026 certified tax rolls of the District, the average taxable house value in the District is approximately $228 000.

As of August 18, 2026, 4,026 homes were constructed within the District (3,965 homes occupied) and 2 lots were available for home construction.

In addition to residential development, approximately 128 acres have been developed for commercial use where a boat and recreational vehicle storage facility, Walgreen's drug store, two child care centers, Jack-in-the-Box fast food restaurant, a Bueno fast food restaurant, PetSuites pet boarding facility, Timewise Shell gas station and convenience store, Fiesta Supermarket, Dairy Queen, Take 5 Oil Change, Jiffy Lube, Firestone Tires, Starbucks, West Little York Storage, ACU Texas Bank, U.S. Auto Center, Brake and Tire Check, Kroozin gas station and convenience store, Bluewave Carwash, La Michoacana Meat Market, and retail centers consisting of various retail and service businesses have been constructed. An elementary school has been constructed on approximately 11 acres and is not subject to ad valorem taxation by the District. The District also has approximately 27 acres of remaining developable land, all of which are served by nearby underground trunkline water, sanitary sewer and drainage facilities for future commercial or multi-family development and approximately 117 which acres are not developable or are being used for plant or storm water detention sites, recreational purposes, streets and easements. See "THE DISTRICT—Status of Development."

INVESTMENT CONSIDERATIONS

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 "INVESTMENT CONSIDERATIONS."

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SELECTED FINANCIAL INFORMATION (UNAUDITED)

2026 Taxable Assessed Valuation	$1,170,831,830	(b)
Gross Debt Outstanding (after the issuance of the Bonds)	$33,430,000	
Estimated Overlapping Debt	48,477,973	(c)
Gross Debt and Estimated Overlapping Debt	$81,907,973	
Ratios of Gross Debt to:		
2026 Taxable Assessed Valuation	2.86%	
Ratios of Gross Debt and Estimated Overlapping Debt to:		
2026 Taxable Assessed Valuation	7.00%	
Funds Available for Debt Service:		
Debt Service Fund Balance as of August 18, 2026	$2,664,301	
Capitalized Interest from Proceeds of the Bonds	475,713	(d)
Total Funds Available for Debt Service:	$3,140,014	
Maintenance and Operations Fund Balance as of August 18, 2026	$12,834,783	
Capital Projects Fund Balance as of August 18, 2026	$ 1,776,181	
2025 Debt Service Tax Rate	$0.317	
2025 Maintenance Tax Rate	0.200	
2025 Total Tax Rate	$.517/$100 A.V.	
Projected Average Annual Debt Service Requirements (2027-2044) of the Bonds at an assumed interest rate of 4.75% ("Average Requirement")	$2,395,632	
Projected Maximum Annual Debt Service Requirement (2027) of the Bonds at an assumed interest rate of 4.75% ("Maximum Requirement")	$3,991,402	
Tax Rate Required to Pay Average Requirement (2027-2044) at a 95% Collection Rate Based upon 2026 Taxable Assessed Valuation	$0.22/$100 A.V.	
Tax Rate Required to Pay Maximum Requirement (2027) at a 95% Collection Rate Based upon 2026 Taxable Assessed Valuation	$0.36/$100 A.V.	
Status of home construction as of August 18, 2026:		
Total Single-Family Homes Occupied	3,965	
Total Single-Family Unoccupied Homes	46	
Vacant Developed Lots	2	
Multi-Family Units	330	

Estimated 2026 Population – 14,538 (e)

(a) The Harris Central Appraisal District (the "Appraisal District") has certified $1,084,662,638 of taxable value and an additional $86,169,192 of taxable value remains uncertified. The uncertified value is the landowners' opinion of the value; however, such value is subject to review and downward adjustment prior to certification. No tax will be levied on said uncertified value until it is certified by the Appraisal District. See "TAXING PROCEDURES."

(b) Provided by the Appraisal District as a preliminary indication of the 2026 taxable value as of January 1, 2026. Such value is subject to property owner protest and Appraisal District review and downward revision prior to certification. See "TAXING PROCEDURES."

(c) See "ESTIMATED OVERLAPPING DEBT."

(d) The District will capitalize twelve (12) months of interest from Bond proceeds. The amount shown above is estimated at 4.75%. See "USE AND DISTRIUBTION OF BOND PROCEEDS."

(e) Based upon 3.5 persons per occupied single-family home and 2 persons per occupied multi-family unit.

PRELIMINARY OFFICIAL STATEMENT

$10,015,000
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 157
(A political subdivision of the State of Texas located within Harris County)

UNLIMITED TAX BONDS
SERIES 2026

This Official Statement provides certain information in connection with the issuance by Harris County Municipal Utility District No. 157 (the "District") of its $10,015,000 Unlimited Tax Bonds, Series 2026 (the "Bonds").

The Bonds are issued pursuant to 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 relating to the issuance of bonds by political subdivisions of the State, an election held within the District, an order authorizing the issuance of the Bonds (the "Bond Order") adopted by the Board of Directors of the District (the "Board") and an order of the Texas Commission on Environmental Quality (the "Commission").

This Official Statement includes descriptions, among others, of the Bonds and the Bond Order, and certain other information about the District, and development activity within the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of such documents may be obtained from the District upon payment of the costs of duplication therefor from Smith, Murdaugh, Little & Bonham, L.L.P., Bond Counsel, 2727 Allen Parkway, Suite 1100, Houston, Texas 77019.

THE BONDS

Description

The Bonds are dated October 1, 2026 and will accrue interest from the Date of Delivery with interest payable each March 1 and September 1 (each an "Interest Payment Date"), beginning March 1, 2027, and mature on the dates and in the principal amounts and pay interest at the rates shown on the cover page hereof. The definitive Bonds will be issued only in fully registered form in any integral multiple of $5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. No physical delivery of the Bonds will be made to the owners thereof. Initially, principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "Book-Entry-Only System" herein.

In the event the Book-Entry-Only System is discontinued, interest on the Bonds shall be payable by check on or before each interest payment date, mailed by the Paying Agent/Registrar to the registered owners ("Registered Owners") as shown on the bond register (the "Register") kept by the Paying Agent/Registrar at the close of business on the 15th calendar day of the month immediately preceding each interest payment date to the address of such Registered Owner as shown on the Register, or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and a Registered Owner at the risk and expense of such Registered Owner.

Book-Entry-Only System

The information in this section concerning 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 are 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+" from 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 effect 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).

Payments 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.

The information in this section concerning 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 thereof.

Use of Certain Terms in Other Sections of this Official Statement

In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and, (ii) except as described above, notices that are to be given to registered owners under the Order will be given only to DTC.

Registration, Transfer and Exchange

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 Bond Order. While the Bonds are in the Book-Entry-Only System, Bonds will be registered only in the name of Cede & Co and held by DTC. See "Book-Entry-Only System."

In the event the Book-Entry-Only System should be discontinued, Bonds 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 therefore, 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 Order 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 the 15th calendar day of the month next preceding an Interest Payment Date and ending on 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. The provisions of this paragraph are subject to the Book-Entry-Only System.

Mutilated, Lost, Stolen or Destroyed Bonds

In the event the book-entry-only system is 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 therefore 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.

If, after the delivery of such replacement Bond, a bona fide purchaser of the original Bond in lieu of which such replacement Bond was issued presents for payment such original Bond, the District and Registrar shall be entitled to recover such replacement Bond from the person to whom it was delivered or any person taking therefrom, except a bona fide purchaser, and shall be entitled to recover upon the security or indemnity provided therefor to the extent of any loss, damage, cost or expense incurred by the District or the Paying Agent/Registrar in connection therewith.

If any such mutilated, lost, apparently destroyed or wrongfully taken Bond has become or is about to become payable, the District in its discretion may, instead of issuing a replacement Bond, authorize the Paying Agent/Registrar to pay such Bond.

Each replacement Bond delivered in accordance with this Section shall be entitled to the benefits and security of the Bond Order to the same extent as the Bond or Bonds in lieu of which such replacement Bond is delivered.

Paying Agent/Registrar

The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., in Houston, Texas. In the Bond Order the District retains the right to replace the Paying Agent/Registrar. The District covenants to maintain and provide a Paying Agent/Registrar at all times until the Bonds are duly paid, and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State of Texas or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the District agrees to promptly cause a written notice thereof to be sent to each Registered Owner of the Bonds by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

Source of Payment

The Bonds, when issued, will constitute valid and binding obligations of the District and are payable as to principal and interest from and are secured by the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. Tax proceeds, after deduction for collection costs, will be placed in the Debt Service Fund (as defined in the Bond Order) and used solely to pay principal of and interest on the Bonds, the Outstanding Bonds (as defined herein) and on any additional bonds issued by the District payable from taxes which may be levied. See "TAX DATA."

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

Funds

In the Bond Order, the previous establishment of the 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 Order shall be deposited, as collected, in such fund. The Debt Service Fund is to be kept separate from all other funds of the District and used for payment of debt service on the Bonds, the Outstanding Bonds, and any of the District's duly authorized additional bonds, together with interest thereon, as such becomes due. Amounts on deposit in the Debt Service Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar, and to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Bonds and any additional bonds.

Twelve (12) months of capitalized interest shall be deposited into the Debt Service Fund upon receipt. The remaining proceeds from sale of the Bonds including interest earnings thereon, will be deposited into the Capital Projects Fund to be used for the purpose of acquiring and constructing District facilities and for paying the costs of issuing the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS" for a complete description of the use of Bond proceeds.

The Bond Order also confirms the previous establishment of the District's General Fund. The District deposits, as collected, all revenues derived from operation of the District's water and sanitary sewer system and from maintenance taxes into the General Fund. From the General Fund, the District pays all administration, operation, and maintenance expenses of the water and sanitary sewer system and the District's storm drainage system. Any funds remaining in the General Fund after payment of maintenance and operating expenses, and to the extent they are ever necessary, after any payments pledged pursuant to the requirements of the Bonds, may be used by the District for any lawful purposes.

No Arbitrage

The District will certify as of the date the Bonds are delivered and paid for that, based upon all facts and estimates then known or reasonably expected to be in existence on the date the Bonds are delivered and paid for, the District reasonably expects that the proceeds of the Bonds will not be used in a manner that would cause the Bonds, or any portion of the Bonds, to be "arbitrage bonds" under the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations prescribed thereunder. Furthermore, all officers, employees, and agents of the District have been authorized and directed to provide certifications of facts and estimates that are material to the reasonable expectations of the District as of the date the Bonds are delivered and paid for. In particular, all or any officers of the District are authorized to certify to the facts and circumstances and reasonable expectations of the District on the date the Bonds are delivered and paid for regarding the amount and use of the proceeds of the Bonds. Moreover, the District covenants in the Bond Order that it shall make such use of the proceeds of the Bonds, regulate investment of proceeds of the Bonds, and take such other and further actions and follow such procedures, including, without limitation, calculating the yield on the Bonds, as may be required so that the Bonds shall not become "arbitrage bonds" under the Code and the regulations prescribed from time to time thereunder.

Record Date

The record date for payment of the interest on any regularly scheduled interest payment date is defined as the 15th day of the month (whether or not a business day) preceding such interest payment date.

Redemption Provisions

The District reserves the right, at its option, to redeem the Bonds maturing on and after March 1, 2033, prior to their scheduled maturities, in whole or, from time to time in part, in integral multiples of $5,000 on March 1, 2032, or any date thereafter, at a price of the principal amount of bonds to be redeemed plus accrued interest to the date fixed for redemption. If less than all of the Bonds of a given maturity are to be redeemed, the particular Bonds to be redeemed shall be selected by the Paying Agent/Registrar by random method selection (or by DTC in accordance with its procedures while the Bonds are in Book-Entry-Only form).

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 within any one maturity 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 an election held within the District on February 2, 2002, the voters of the District authorized the issuance of a total of $74,500,000 principal amount of unlimited tax bonds for purposes of acquiring or constructing water, sanitary sewer and drainage facilities, and after issuance of the Bonds, the District will have $9,750,000 in principal amount of unlimited tax bonds authorized but unissued for water, sanitary sewer, and drainage facilities. See “Issuance of Additional Debt” below.

The Commission, pursuant to its order approving sale of the Bonds, has authorized the District to sell the Bonds for the purposes described in “USE AND DISTRIBUTION OF BOND PROCEEDS.”

The Bonds are issued by the District pursuant to the terms and conditions of the Bond Order, Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, and the general laws of the State of Texas relative to the issuance of bonds by political subdivision of the State. 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. See “LEGAL MATTERS—Legal Opinion.”

Issuance of Additional Debt

The District's voters have authorized the issuance of $74,500,000 of unlimited tax bonds for purposes of acquiring and constructing the District’s water, sanitary sewer and storm drainage system to the land within its boundaries and after issuance of the Bonds, the District will have $9,750,000 of such bonds authorized but unissued. The District’s voters have authorized the issuance of $12,000,000 principal amount of unlimited tax refunding bonds for the refunding of the Bonds, the Outstanding Bonds, or any bonds issued in the future, of which $8,312,653.57 principal amount remains authorized but unissued. See “INVESTMENT CONSIDERATIONS—Future Debt.”

The District is also authorized by statute to engage in fire-fighting activities, including the issuing of bonds payable from taxes for such purpose. Before the District could issue fire-fighting bonds payable from taxes, the following actions would be required: (a) amendments to the existing City of Houston ordinance specifying the purposes for which the District may issue bonds; (b) authorization of a detailed master plan and bonds for such purpose by the qualified voters in the District; (c) approval of the master plan and issuance of bonds by the TCEQ; and (d) approval of bonds by the Attorney General of Texas. It is not anticipated at this time that bonds will be issued by the District for fire-fighting purposes.

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. Before the District could issue park bonds payable from taxes, the following actions would be required: (a) preparation of a detailed park plan; (b) authorization of park bonds by the qualified voters in the District; (c) approval of the park projects and bonds by the Commission; and (d) approval of the bonds by the Attorney General of Texas. 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, the outstanding principal amount of such bonds issued by the District may exceed an amount equal to one percent (1%) but not three percent (3%) of the value of the taxable property in the District. The Board has not considered authorizing the preparation of a park plan or calling a park bond election at this time.

Pursuant to Chapter 54 of the Water Code, a municipal utility district may petition the Commission for the power to issue bonds supported by property taxes to finance roads. Before the District could issue such bonds, the District would be required to receive a grant of such power from the Commission, authorization from the District's voters to issue such bonds, and approval of the bonds by the Attorney General of Texas. The District has not considered filing an application to the Commission for "road powers" nor calling such an election at this time.

Issuance of additional bonds or other subsequently authorized bonds could affect the investment quality or security of the Bonds. See "INVESTMENT CONSIDERATIONS—Future Debt."

Defeasance

The District may defease the Bonds pursuant to provisions of the Bond Order and discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal of and interest on the Bonds in any manner permitted by law. Under current Texas law, such discharge may be accomplished as follows: (1) by paying or causing to be paid principal and interest due on the Bonds (whether at maturity, redemption or otherwise) in accordance with the terms of the Bonds; (2) 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 (3) by depositing with any place of payment (paying agent) of the Bonds or other obligations of the District payable with revenues or from ad valorem taxes or both, or with a commercial bank or trust company designated in the proceedings authorizing the discharge, moneys or investments which, together with interest earned on or profits to be realized from such investments, will be sufficient to pay principal, interest or redemption price to maturity or to the date fixed for redemption of the Bonds provided that such deposits may be invested and reinvested only in (a) direct obligations of the United States of America, (b) non-callable 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) non-callable 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 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 payment or deposit, the Bonds shall no longer be regarded as outstanding and unpaid. However, if the maturity date on the Bonds shall not have then arrived, provision shall be made by the District for payment to the Registered Owners of the Bonds at the date of maturity or at a date fixed for redemption in full the amount to which the Registered Owners would be entitled by way of principal, interest and redemption price to the date of such maturity or redemption as provided in the Bond Order, and further provided written notice thereof shall have been given as provided in the Bond Order.

Annexation

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston, the District must conform to a City of Houston consent ordinance. Generally, the District may be annexed by the City of Houston without the District's consent, and the City cannot annex territory within the District unless it annexes the entire District; however, the City 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 and the District specifying the procedures for full purpose annexation of all or a portion of the District. See "Strategic Partnership" below for a description of the terms of the Strategic Partnership Agreement between the City and the District.

Consolidation

A district (such as 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, with the assets of districts with which it is consolidating as well as its liabilities (which would include the Bonds). No representation is made concerning the likelihood of consolidation, but the District currently has no plans to do so.

Strategic Partnership

The District entered into a Strategic Partnership Agreement (the "SPA") with the City of Houston on December 20, 2007. Pursuant to the terms of the SPA, the City agreed not to annex the District for full purposes (a traditional municipal annexation) for at least thirty (30) years. See "THE DISTRICT—Strategic Partnership Agreement." The District could consent to a full purpose annexation prior to that time by agreeing to amend the SPA to such effect; however, the District currently has no intention to do so.

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 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.

Amendments

The District has reserved the right to amend the Bond Order without the consent of the Registered Owners as may be required (a) by the provisions of the Bond Order, (b) for the purpose of curing any ambiguity, inconsistency, or formal defect or omission in the Bond Order, or (c) in connection with any other change not to the prejudice of the Registered Owners, but the District may not otherwise amend the terms of the Bonds or of the Bond Order without the consent of the Registered Owners.

Registered Owners' Remedies

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 Order, or defaults in the observance or performance of any other covenants, conditions, or obligations set forth in the Bond Order, 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 Order. Except for mandamus, the Bond Order 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 Order 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 "INVESTMENT CONSIDERATIONS—Registered Owners' Remedies and Bankruptcy Limitations."

THE DISTRICT

General

The District is a conservation and reclamation district created by order of the Texas Water Commission, predecessor to the TCEQ, on December 5, 1977, in accordance with the pertinent provisions of Article XVI, Section 59 of the Texas Constitution, and operates as a municipal utility district pursuant to Chapters 49 and 54 of the Texas Water Code, as amended.

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water. The District may issue bonds and other forms of indebtedness to purchase or construct 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 City of Houston, the TCEQ and the voters of the District and to establish parks and recreational facilities for the residents of the District. Additionally, the District may, subject to certain limitations, develop and finance roads. The District does not have "road powers" at this time.

The TCEQ exercises continuing supervisory jurisdiction over the District. The District is required to observe certain requirements of the City of Houston. See "THE SYSTEM—Regulation."

Description and Location

The District contains approximately 1,112 acres of land and is located in Harris County, approximately 23 miles northwest of the central business district of the City of Houston. The District lies approximately 8 miles northeast of the City of Katy, Texas. Primary access to the District is provided by Interstate Highway 10 to Fry Road. The District lies wholly within the boundaries of the Cypress-Fairbanks Independent School District and is within the extraterritorial jurisdiction of the City of Houston. See "AERIAL PHOTOGRAPH."

Status of Development

Single-Family Residential: Residential development currently consists of approximately 816 acres developed into 4,028 single-family residential lots of Highland Creek Village, Sections One and Three; Estates of Highland Creek, Sections One through Four; Strathmore, Sections One through Three; Cross Creek, Sections One and Two; Highland Creek Ranch, Sections One through Six; Canyon Village at Cypress Springs, Sections One through Ten; Strathmore Park, Section One; Oak Landing, Sections One and Two; and Barker Village, Sections One, Two, Three, Four and Five, and Enclave at Cypress Springs.

Based on the 2026 certified tax rolls of the District, the average taxable house value in the District is approximately $228,000. According to a report prepared by the District's operator, Municipal District Services, LLC, as of August 18, 2026, 4,026 homes were constructed within the District, of which 3,965 homes were occupied and 2 lots were available for home construction.

Multi-Family Residential: A 330-unit apartment complex has been constructed on approximately 13 acres within the District.

The District has an estimated population of 14,538 (based upon 3.5 persons per occupied single-family residence and 2 persons per occupied multi-family unit).

Commercial/Retail Development: Approximately 128 acres have been developed for commercial use where a boat and recreational vehicle storage facility, Walgreen's drug store, two child care centers, Jack-in-the-Box fast food restaurant, a Bueno fast food restaurant, PetSuites pet boarding facility, Timewise Shell gas station and convenience store, Fiesta Supermarket, Dairy Queen, Take 5 Oil Change, Jiffy Lube, Firestone Tires, Starbucks, West Little York Storage, ACU Texas Bank, U.S. Auto Center, Brake and Tire Check, Kroozin gas station and convenience store, Bluewave Carwash, La Michoacana Meat Market, and retail centers consisting of various retail and service businesses have been constructed. An elementary school has been constructed on approximately 11 acres and is not subject to ad valorem taxation by the District.

Undeveloped Acreage: The District has approximately 27 acres of remaining developable land owned by various entities, all of which are served by nearby underground trunkline water, sanitary sewer and drainage facilities for future commercial or multi-family development and approximately 117 which acres are not developable or are being used for plant sites, storm water detention sites, recreational purposes, streets and easements.

Future Development

The District is primarily a single-family residential development with some complementary retail/commercial development. The District has approximately 27 acres of remaining developable land, all of which are served by nearby underground trunkline water, sanitary sewer and drainage facilities for future commercial or multi-family development. There can be no assurances if and when any of such undeveloped land will ultimately be developed or improvements constructed upon. The District anticipates issuing additional bonds to accomplish full development of the District. See "INVESTMENT CONSIDERATIONS—Vacant Land and Vacant Lots" and "—Future Debt." The Engineer has stated that under current development plans (and excluding any costs of converting to surface water), the remaining authorized but unissued bonds ($9,750,000) should be sufficient to finance the construction of water, wastewater and storm drainage facilities to complete the District's water and wastewater system for full development of the District. See "INVESTMENT CONSIDERATIONS—Future Debt" and "THE SYSTEM."

Strategic Partnership Agreement

The District and the City of Houston (the "City") entered into a Strategic Partnership Agreement (the "SPA"), effective as of December 20, 2007, pursuant to Chapter 43 of the Texas Local Government Code. The SPA provides for a "limited purpose annexation" for that portion of the District which is developed for retail and commercial purposes in order to apply certain City health, safety, planning and zoning ordinances within the District and to impose a sales tax. Areas of residential development within the District are not subject to the limited purpose annexation. The SPA also provides that the City will not annex the District for "full purposes" for at least thirty (30) years from the effective date of the SPA.

As of the effective date of the SPA, the City was authorized to impose the one percent (1%) City sales and use tax within the portion of the District included in the limited purpose annexation. The City pays to the District an amount equal to one half (1/2) of all sales and use tax revenue generated within such area of the District and received by the City from the Comptroller of Public Accounts of the State of Texas (the "Sales Tax Revenue"). Pursuant to State law, the District is authorized to use Sales Tax Revenue generated under the SPA for any lawful purpose. None of the Sales Tax Revenue is pledged toward the payment of principal and interest on the Bonds.

MANAGEMENT OF THE DISTRICT

Board of Directors

The District is governed by the Board of Directors, consisting of four (4) directors, which has control over and management supervision of all affairs of the District. Directors are elected to four-year staggered terms, and elections are held in May in even numbered years only. All of the Directors live within the District. The current members and officers of the Board, along with their titles and terms of offices, are listed as follows:

Name	Title	Term Expires
Leonard Spearman, Jr.	President	May 2028
Jason Valenzuela	Vice President	May 2030
Perla I. Flores	Secretary	May 2030
Betty Niblett	Director	May 2028
January Garcia	Director	May 2028

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

Tax Appraisal

Land and improvements within the District are appraised for ad valorem taxation purposes by the Harris Central Appraisal District.

Tax Assessor/Collector

The District's tax assessor/collector is Bob Leared Interests (the "Tax Assessor/Collector").

Bookkeeper

The District contracts with McLennan & Associates, L.P. for bookkeeping services.

Operator

The District contracts with Municipal District Services for operations and maintenance services.

Engineer

The consulting engineer for the District in connection with the design and construction of certain District facilities is BGE, Inc. (the "Engineer").

Attorney

The District has engaged Smith, Murdaugh, Little & Bonham, L.L.P. as general counsel and as Bond Counsel in connection with the issuance of the Bonds. The legal fees to be paid 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 on the sale and delivery of the Bonds.

Financial Advisor

Masterson Advisors LLC (the "Financial Advisor") serves as financial advisor to the District. The fee to be paid the Financial Advisor for services rendered in connection with the issuance of the Bonds is based upon a percentage of bonds actually issued, sold and delivered and therefore such fee is contingent upon sale and delivery of the Bonds.

Auditor

As required by the Texas Water Code, the District retains an independent auditor to audit the District's financial statements annually, which audit is filed with the Commission. The District's audited financial statements for the fiscal year ending December 31, 2025 have been prepared by Mark C. Eyring, CPA, PLLC. See "APPENDIX A" for a copy of the District's December 31, 2025 audited financial statements.

THE SYSTEM

Regulation

According to the Engineer, the District's water, sanitary sewer and drainage improvements have been designed and the corresponding plans prepared in accordance with accepted engineering practices and specifications and the approval and permitting requirements of the TCEQ, the Texas Department of Health, Harris County and the City of Houston, where applicable. Construction of the District's facilities is subject to inspection by the TCEQ, the City of Houston and Harris County. Each of the aforementioned agencies exercises continuing jurisdiction over the District's facilities.

Water Supply

Water supply is currently provided by three water plants, each of which has one well, and a remote fourth well, with a combined capacity of 3,400 gallons per minute of water, 90,000 gallons of hydropneumatic tank capacity, 1,538,000 gallons of ground storage tank capacity, 12,100 gallons per minute ("gpm") of booster pump capacity and related appurtenances. In addition to ground water supply, the District also receives surface water at all three water plants from the Authority (as defined below). The District has the capacity to provide water service to 5,500 equivalent single-family connections ("ESFCs"). As of August 1, 2026, the District was serving approximately 4,173 ESFCs. Additionally, the District has existing emergency interconnects with Harris County Municipal Utility District No. 165, Harris County Municipal Utility District No. 105, and Harris County Municipal Utility District No. 239. A portion of the Bond proceeds will be used to finance communication improvements to the water plants and the remote well, and waterline replacements. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

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 1999, the Texas legislature created the West Harris County Regional Water Authority ("Authority") to, among other things, reduce groundwater usage in, and to provide surface water to, the western portion of Harris 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, Texas ("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's groundwater well(s) are 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 or for surface water received by the District from the Authority), user fees, rates, and charges 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 the amount of surface water, if any, received 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 ("Disincentive Fees") imposed by the Subsidence District for any groundwater withdrawn in excess of 20% of the total 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 Facilities

The District jointly owns a 2.3 million gallons per day ("gpd") wastewater treatment plant with Harris County Municipal Utility District No. 165. The plant is capable of serving 8,846 ESFCs based on 260 gpd/ESFC, of which the District currently owns approximately 4,827 ESFCs. As of August 1, 2026, the District was serving approximately 4,173 ESFCs. A portion of the Bond proceeds will be used to finance improvements to the wastewater treatment plant. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

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 no 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 past several years. According to the Federal Emergency Management Agency Flood Insurance Rate Map Nos. 48201C0605L and 48201C0415M, dated June 18, 2007 and October 16, 2013, respectively, the 100-year flood plain is contained within a 180 feet wide Harris County Flood Control District easement for Dinner Creek. See "INVESTMENT CONSIDERATIONS—Extreme Weather Events."

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Water and Sewer Operations

The Bonds are payable from the levy of an annual ad valorem tax, without legal limitation as to rate or amount, upon all taxable property in the District. Net revenues, if any, derived from the District's water and sanitary sewer system are not pledged to the payment of debt service on the Bonds or Outstanding Bonds but are available for any lawful purpose including payment of debt service on the Bonds and the Outstanding Bonds, at the discretion and upon action of the Board. It is not anticipated that any significant net revenues will be available for the payment of debt service on the Bonds or Outstanding Bonds. In the event net revenues are insufficient to meet District expenditures, the District may raise additional revenues by increasing its water and sewer rates or by levying a maintenance tax. See "TAX DATA—Maintenance and Operations Tax."

The following statement sets forth in condensed form the historical results of operation of the District's General Operating Fund. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Such summary is based upon information obtained from the District's audited financial statements for the fiscal years ended December 31, 2022 through 2025, and an unaudited summary for the seven month period ended July 31, 2026 as provided by the District's Bookkeeper. Reference is made to such statements for further and complete information.

	1/1/2026 to	Fiscal Year Ended December 31			
	7/31/2026 (a)	2025	2024	2023	2022
Revenues					
Property Taxes	$ 2,204,528	$ 2,179,810	$ 2,099,033	$ 1,871,868	$ 1,572,097
Water Service	793,038	1,333,160	1,340,030	1,345,012	1,105,008
Wastewater Service	1,195,853	1,834,373	1,778,540	1,703,688	1,563,085
Surface Water Fees	1,015,202	1,847,829	1,863,149	1,934,351	1,737,506
Penalty and Interest	109,500	173,321	154,406	142,839	117,732
Tap Connection and Inspection Fees	81,927	132,201	167,322	550,951	75,175
Sales and Use Taxes	160,081	269,182	242,594	226,623	193,363
Interest on Deposits and Investments	262,059	474,215	521,577	426,936	111,570
Miscellaneous	3,674	81,225	108,458	108,103	98,953
Total Revenues	$ 5,825,862	$ 8,325,316	$ 8,275,109	$ 8,310,371	$ 6,574,489
Expenditures					
Professional Fees	$ 141,735	$ 237,987	$ 215,059	$ 260,014	$ 234,517
Contracted Services	184,952	295,985	264,670	258,067	240,075
Purchased Water/Wastewater Services	552,403	916,304	842,980	879,567	675,436
Groundwater Pumpage Fees	873,465	1,905,031	1,840,336	1,871,213	1,750,237
Utilities	217,225	320,451	285,715	280,190	283,703
Repairs and Maintenance	473,859	1,112,391	1,256,117	1,000,436	865,210
Other	198,181	500,834	444,793	458,992	458,521
Security Service	130,665	313,047	299,796	282,855	270,628
Garbage Disposal	715,025	1,181,777	1,130,703	1,044,878	941,894
Capital Outlay	186,757	612,363	699,570	308,189	1,230,337
Total Expenditures	$ 3,674,267	$ 7,396,170	$ 7,279,739	$ 6,644,401	$ 6,950,558
Revenues Over (Under) Expenditures	$ 2,151,595	$ 929,146	$ 995,370	$ 1,665,970	$ (376,069)
Fund Balance (Beginning of Year)	$ 4,176,468	$ 3,247,322	$ 2,251,952	$ 585,982	$ 962,051
Fund Balance (End of Year)	$ 6,328,063	$ 4,176,468	$ 3,247,322	$ 2,251,952	$ 585,982

(a) Unaudited. Provided by the District's bookkeeper.

USE AND DISTRIBUTION OF BOND PROCEEDS

The construction costs were compiled by BGE, Inc., the District's engineer (the "Engineer"), based on the estimated cost of facilities 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 the District's financial advisor, Masterson Advisors LLC (the "Financial Advisor"), at the time the District's bond application was filed with the TCEQ. Surplus funds, if any, may be expended for any lawful purpose for which surplus construction funds may be used. Certain uses of surplus funds require TCEQ approval.

A portion of the proceeds from the sale of the Bonds will be used to pay for the construction costs associated with the items shown below. Additionally, a portion of the proceeds from the sale of the Bonds will be used to pay certain non-construction costs associated with the issuance of the Bonds. The estimated use and distribution of Bond proceeds is shown below. Of proceeds to be received from sale of the Bonds, $8,670,297 is estimated for construction costs, and $1,344,706 is estimated for non-construction costs as detailed below.

CONSTRUCTION COSTS		
Wastewater Treatment Plant Improvements	$	158,253
Wastewater Treatment Plant Supervisory Control and Data Acquisition Improvements		313,778
Lift Station Supervisory Control and Data Acquisition Addition		195,000
Lift Station No. 3 Rehabilitation		150,000
Water Plant Supervisory Control and Data Acquisition Improvements		950,000
Highland Creek Village, Section One - Waterline Replacement		2,000,000
Estates of Highland Creek - Waterline Replacement		1,700,000
Strathmore, Section One - Waterline Replacement		1,300,000
Contingencies		676,703
Geotechnical and Materials Testing		110,000
Engineering		1,116,560
Total Construction Costs	**$**	**8,670,294**
NON-CONSTRUCTION COSTS		
Legal Fees	$	250,375
Financial Advisory Fees		165,225
Capitalized Interest (12 Months) (a)		500,750
Bond Discount (3%) (a)		300,450
Bond Issuance Expenses		43,368
Bond Application Report		50,000
Attorney General Fee		9,500
TCEQ Fee		25,038
Total Non-Construction Costs	**$**	**1,344,706**
TOTAL BOND ISSUE	**$**	**10,015,000**

(a) The TCEQ approved a maximum Bond Discount of 3.00% and twelve (12) months of capitalized interest estimated at 5.00% per annum. Capitalized interest shown elsewhere herein is calculated at an estimated interest rate of 4.75% per annum.

In the instance that TCEQ-approved estimated amounts exceed actual costs, the difference comprises a surplus which may be expended for uses approved under the rules of the TCEQ. In the instance that actual costs exceed previously approved estimated amounts and contingencies, additional TCEQ approval and the issuance of additional bonds may be required.

FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)

2026 Taxable Assessed Valuation	$1,170,831,830	(a)
Gross Debt Outstanding (after the issuance of the Bonds)	$33,430,000	
Estimated Overlapping Debt	48,477,973	(b)
Gross Debt and Estimated Overlapping Debt	$81,907,973	
Ratios of Gross Debt to:		
2026 Taxable Assessed Valuation	2.86%	
Ratios of Gross Debt and Overlapping Debt to:		
2026 Taxable Assessed Valuation	7.00%	
Funds Available for Debt Service:		
Debt Service Fund Balance as of August 18, 2026	$2,664,301	
Capitalized Interest from Proceeds of the Bonds (Twelve (12) Months)	475,713	(c)
Total Funds Available for Debt Service	$3,140,014	
Maintenance and Operations Fund Balance as of August 18, 2026	$12,834,783	
Capital Projects Fund Balance as of August 18, 2026	$ 1,776,181	

Area of District – 1,112 Acres
Estimated 2026 Population – 14,538 (d)

(a) The Appraisal District has certified $1,084,662,638 of taxable value and an additional $86,169,192 of taxable value remains uncertified. The uncertified value is the landowners' opinion of the value; however, such value is subject to review and downward adjustment prior to certification. No tax will be levied on said uncertified value until it is certified by the Appraisal District. See "TAXING PROCEDURES."
(b) See "Estimated Overlapping Debt" herein.
(c) The District will capitalize twelve (12) months of interest from Bond proceeds. The amount shown above is estimated at 4.75%. See "USE AND DISTRIBUTION OF BOND PROCEEDS."
(d) Based upon 3.5 persons per occupied single-family home and 2 persons per occupied multi-family unit.

Investment Policies and Procedures

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 are invested in short-term obligations of the U.S. Treasury and federal agencies, 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 or intend to purchase long-term securities or derivative products.

Outstanding Bonds

The following table lists the original principal amount of the Outstanding Bonds and the principal amount of the Outstanding Bonds that are outstanding as of August 1, 2026.

Series	Original Principal Amount	Outstanding Bonds 8/1/2026
2014(a)	$ 2,850,000	$ 685,000
2015	4,745,000	2,920,000
2015A(a)	6,445,000	4,495,000
2016(a)	7,070,000	3,800,000
2017	6,695,000	3,325,000
2019(a)	9,485,000	4,515,000
2023	3,825,000	3,675,000
Total	$ 41,115,000	$ 23,415,000

(a) Unlimited Tax Refunding Bonds

Estimated Overlapping Debt

Expenditures of the various taxing entities which include the territory in the District are paid out of ad valorem taxes levied by such entities on properties within the District. Such entities are independent of the District and may incur borrowings to finance their expenditures. This statement of direct and estimated overlapping ad valorem tax bonds ("Tax Debt") was developed from information contained in "Texas Municipal Reports" published by the Municipal Advisory Council of Texas. Except for the amounts relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed may have issued additional bonds since the date of such reports, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot be determined. The following table reflects the estimated share of overlapping Tax Debt allocable to the District.

Taxing Jurisdiction	Outstanding Bonds	As of	Overlapping Percent	Overlapping Amount
Harris County………………………………………	$ 2,473,177,553	7/31/2026	0.17%	$ 4,204,402
Harris County Flood Control District…………….	937,165,000	7/31/2026	0.17%	1,593,181
Harris County Hospital District……………………	1,644,825,000	7/31/2026	0.17%	2,796,203
Harris County Department of Education………..	28,960,000	7/31/2026	0.17%	49,232
Port of Houston Authority………………………..	386,074,397	7/31/2026	0.17%	656,326
Cypress-Fairbanks Independent School District.	3,264,440,000	7/31/2026	1.19%	38,846,836
Lone Star College System………………………..	342,055,000	7/31/2026	0.10%	331,793
Total Estimated Overlapping Debt……………….				$ 48,477,973
The District……………………………………….	33,430,000 (a)	Current	100.00%	33,430,000
Total Direct and Estimated Overlapping Debt…..				$ 81,907,973

Ratio of Estimated Direct and Overlapping Debt to 2026 Taxable Assessed Valuation………………………………. 7.00%

(a) Includes the Bonds and the Outstanding Bonds.

Overlapping Tax Rates for 2025

	2025 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)…………………………	$ 0.628928
Cypress-Fairbanks Independent School District…………………………….	1.066900
Harris County Emergency Services District No. 9	0.038831
Lone Star College System ……………………………………………………	0.106000
Total Overlapping Tax Rate……………………………………………………	$ 1.840659
The District………………………………………………………………………	0.517000
Total Tax Rate…………………………………………………………………	$ 2.357659

Debt Service Requirements

The following table sets forth the debt service for the Outstanding Bonds plus the estimated debt service requirements for the Bonds at an assumed interest rate of 4.75% per annum. This schedule does not reflect the fact that the District will capitalize twelve (12) months of interest from proceeds of the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

Year	Outstanding Bonds Debt Service Requirements	The Bonds Principal	The Bonds Interest	The Bonds Total	Total Debt Service Requirements
2026	$ 394,807 (a)				$ 394,807
2027	3,555,332		$ 436,070	$ 436,070	3,991,402
2028	3,500,781		475,713	475,713	3,976,494
2029	3,485,875		475,713	475,713	3,961,588
2030	3,450,488		475,713	475,713	3,926,200
2031	3,111,519	$ 250,000	469,775	719,775	3,831,294
2032	3,044,088	250,000	457,900	707,900	3,751,988
2033	2,870,688	265,000	445,669	710,669	3,581,356
2034	908,250	750,000	421,563	1,171,563	2,079,813
2035	610,000	750,000	385,938	1,135,938	1,745,938
2036	590,000	750,000	350,313	1,100,313	1,690,313
2037	570,000	750,000	314,688	1,064,688	1,634,688
2038	550,000	750,000	279,063	1,029,063	1,579,063
2039	530,000	750,000	243,438	993,438	1,523,438
2040	510,000	750,000	207,813	957,813	1,467,813
2041	-	1,000,000	166,250	1,166,250	1,166,250
2042	-	1,000,000	118,750	1,118,750	1,118,750
2043	-	1,000,000	71,250	1,071,250	1,071,250
2044	-	1,000,000	23,750	1,023,750	1,023,750
Total	$ 27,681,826	$ 10,015,000	$ 5,819,364	$ 15,834,364	$ 43,516,190

(a) Excludes the District's March 1, 2026 debt service payment of $3,208,555.

Maximum Annual Debt Service Requirement (2027).. $3,991,402
Average Annual Debt Service Requirement (2027-2044).. $2,395,632

TAX DATA

Debt Service Tax

The Board covenants in the Bond Order 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 "Tax Rate Distribution" and "Tax Roll Information" in this section and "TAXING PROCEDURES."

Maintenance and Operations Tax

The Board 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. On January 15, 1983, voters within the District authorized a maintenance tax not to exceed $0.25 per $100 of taxable assessed valuation. A maintenance tax, if levied, is in addition to taxes that the District is authorized to levy for paying principal of and interest on the Bonds. See "Debt Service Tax" above.

Tax Rate Distribution

	2025	2024	2023	2022	2021
Debt Service	$ 0.317	$ 0.319	$ 0.340	$ 0.390	$ 0.410
Maintenance and Operations	0.200	0.200	0.200	0.200	0.189
Total	$ 0.517	$ 0.519	$ 0.540	$ 0.590	$ 0.599

Historical Tax Collections

The following statement of tax collections sets forth in condensed form the historical tax collection experience of the District. This summary has been prepared for inclusion herein, based upon information from District records. Information in this summary may differ slightly from the assessed valuations shown herein due to differences in dates of data. Reference is made to these records for further and more complete information.

Tax Year	Taxable Assessed Valuation	Tax Rate	Total Tax Levy	Total Collections as of July 31, 2026 (a)	
				Amount	Percent
2021	$ 830,931,296	$ 0.599	$ 4,977,278	$ 4,967,801	99.81%
2022	939,012,565	0.590	5,540,174	5,514,386	99.53%
2023	1,058,325,158	0.540	5,714,956	5,690,082	99.56%
2024	1,095,312,808	0.519	5,684,673	5,649,430	99.38%
2025	1,182,976,244	0.517	6,115,987	6,020,386	98.44%

(a) Unaudited.

Taxes are due October 1 and are delinquent after January 31 of the following year. No split payments are allowed, and no discounts are allowed.

Tax Exemptions

As discussed in the section titled "TAXING PROCEDURES" herein, certain property in the District may be exempt from taxation by the District. For 2026, the District has adopted a $25,000 exemption for persons who are 65 or older and/or disabled and a sixteen percent (16%) general residential homestead exemption.

Additional Penalties

The District has contracted with Perdue, Brandon, Fielder, Collins, and Mott L.L.P. for collection of delinquent taxes. In connection with that contract, the District established an additional penalty of twenty percent (20%) of the tax, penalty and interest 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, but not later than May 1 of that year, and that remain delinquent on April 1 (for personal property) and 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.

Tax Roll Information

The following summary of the 2024, 2025 and 2026 Certified Taxable Assessed Valuation is provided by the District's Tax Assessor/Collector based on information contained in the 2024, 2025 and 2026 tax rolls of the District. An accurate breakdown of the uncertified portion ($86,169,192) of the 2026 Taxable Assessed Valuation is not available from the Appraisal District. Information in this summary may differ slightly from the assessed valuations shown herein due to differences in dates of data.

	2026 Assessed Valuation	2025 Assessed Valuation	2024 Assessed Valuation
Land	$ 296,068,892	$ 307,605,586	$ 291,592,104
Improvements	928,760,991	1,009,346,995	955,592,108
Personal Property	25,090,228	34,475,994	28,586,320
Exemptions	(165,257,473)	(168,452,331)	(180,457,724)
Certified Total	$ 1,084,662,638	$ 1,182,976,244	$ 1,095,312,808
Uncertified Value	86,169,192	-	-
Total	$ 1,170,831,830	$ 1,182,976,244	$ 1,095,312,808

Principal Taxpayers

The following list of principal taxpayers was provided by the District's Tax Assessor/Collector based upon the 2026 Certified Taxable Assessed Valuation of $1,084,662,638 which reflects ownership on January 1, 2026. A principal taxpayer list related to the uncertified portion ($86,169,192) of the 2026 Taxable Assessed Valuation is not available from the Appraisal District.

Taxpayer	Type of Property	2026 Certified Taxable Assessed Valuation	% of 2026 Certified Taxable Assessed Valuation
Alta Fry LLC (a)	Land & Improvements	$ 46,635,293	4.30%
Retail Center Fry 529 Ltd	Land & Improvements	25,282,817	2.33%
Asmbawa LLC	Land & Improvements	11,734,974	1.08%
Centerpoint Energy Hou Elec	Personal Property	9,369,702	0.86%
Kroozin Real Estate 529 LLC	Land & Improvements	8,587,250	0.79%
Little York Storage LLC	Land, Improvements & Personal Property	7,171,675	0.66%
HNHN Real Estate LLC	Land & Improvements	6,783,561	0.63%
Simsam LLC	Land & Improvements	5,361,780	0.49%
KDIG Properties LLC	Land & Improvements	4,833,661	0.45%
Individual	Land & Improvements	4,470,000	0.41%
Total		$ 130,230,713	12.01%

(a) Owners of apartment complexes within the District.

Tax Adequacy for Debt Service

The tax rate calculations set forth below are presented to indicate the tax rates per $100 assessed valuation which would be required to meet average annual and maximum debt service requirements if no growth in the District's tax base occurred beyond the 2026 Taxable Assessed Valuation of $1,170,831,830 ($1,084,662,638 certified value plus $86,169,192 uncertified value). The calculations contained in the following table merely represent the tax rates required to pay principal and interest on the Bonds and Outstanding 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.

Average Annual Debt Service Requirement (2027-2044)	$2,395,632
$0.22 Tax Rate on 2026 Taxable Assessed Valuation at 95% collections	$2,447,039
Maximum Annual Debt Service Requirement (2027)	$3,991,402
$0.36 Tax Rate on 2026 Taxable Assessed Valuation at 95% collections	$4,004,245

No representation or suggestion is made that the uncertified portion of the 2026 Taxable Assessed Valuation will be certified as taxable value by the Appraisal District, and no person should rely upon such amount or its inclusion herein as assurance of its 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, the Outstanding Bonds, and any additional bonds payable from taxes which the District may hereafter issue (see "INVESTMENT CONSIDERATIONS—Future Debt") and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Order to levy such a tax from year to year as described more fully herein under "THE BONDS—Source of Payment." Under Texas law, the Board may also levy and collect an annual ad valorem tax for the operation and maintenance of the District. See "TAX DATA—Maintenance and Operations Tax."

Property Tax Code and County-Wide Appraisal District

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

The 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 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 County Appraisal Review Board (the "Appraisal Review Board"). The appraisal roll as approved by the Appraisal Review Board must be used by the District in establishing its tax rolls and tax rate. The District is responsible under current Texas law for the levy and collection of its taxes.

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 or older and of certain disabled persons to the extent deemed advisable by the Board. The District has adopted a residential homestead exemption in the amount of $25,000 for persons age 65 and older and disabled persons. Additionally, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between $5,000 and $12,000 depending on the disability rating of the veteran. 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. See "TAX DATA."

Partially disabled veterans 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. The surviving spouse of a member of the armed forces who was killed or fatally injured in the line of duty 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.

Residential Homestead Exemptions: The Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) (not less than $5,000) 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. For 2026, the District has granted a 16% general 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 or the City of Houston may designate all or part of the area within the District as a reinvestment zone. Thereafter, Harris County, the District, and the City of Houston, 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 assessed valuation of property covered by the agreement over its assessed 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. Each taxing jurisdiction has discretion to determine certain terms for its tax abatement agreements without regard to such 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. Generally, assessments under the Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the Tax Code. In determining market value, either the replacement cost or the income or the market data method of valuation may be used, whichever is appropriate. Nevertheless, certain land may be appraised at less than market value under the Tax Code. Increases in the appraised value of residence homesteads are limited by the Texas Constitution to 10 percent annually regardless of the market value of the property.

The Tax Code permits land designated for agricultural or timber land use to be appraised at its value based on the land's capacity to produce agricultural products or, with respect to timber land, the value based upon accepted income capitalization methods. The 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 of such property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of the agricultural, timber land or residential real property appraisal must apply for such appraisal, and the Appraisal District is required to act on each claimant's application 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 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% 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. For more information on the disaster exemption, reference is made to Section 11.35 of the Texas Tax Code.

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 Tax Code. The 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. However, a person who is 65 years of age or older or disabled is entitled by law to pay current taxes on his residential homestead in installments or to receive a deferral or abatement of delinquent taxes without penalty during the time he owns or occupies his property as his residential homestead. 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 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 in writing 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 equal 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 continues 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.

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 a rollback 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 the operation and maintenance tax rate that would impose 1.08 times the amount of operation and maintenance tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the district in that year, subject to certain homestead exemptions.

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 in the district, subject to certain homestead exemptions, 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 the operation and maintenance tax rate that would impose 1.035 times the amount of operation and maintenance tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the district in that year, subject to certain homestead exemptions, 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 imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead in the district, 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 the operation and maintenance tax rate that would impose 1.08 times the amount of operation and maintenance tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the district in that year, subject to certain homestead exemptions.

The District: A determination as to a district's status as a Special Taxing Unit, Developed District or Developing District will be made 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 rollback election calculation. For tax year 2026, the Board designated the District as a "Developed District." 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 rollback election calculation.

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) – Estimated Overlapping Debt and Overlapping Tax Rates." 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, among other collection methods available, 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 above 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 cost of suit and sale, 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 (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) or by bankruptcy proceedings which restrict the collection of taxpayer debts. See "INVESTMENT CONSIDERATIONS."

INVESTMENT CONSIDERATIONS

General

The Bonds are obligations solely of the District and are not obligations of the City of Houston, Harris County, the State of Texas, 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 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 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" below.

Vacant Land and Vacant Lots

There are approximately 27 acres of land within the District that are served with underground trunkline water, sanitary sewer and drainage facilities for future commercial or multifamily development but have no vertical construction to date. There are currently 2 vacant developed lots available for home construction. Failure of builders to construct taxable improvements on the vacant land or to constructed homes on the developed lots could restrict the rate of growth of taxable values in the District. See "THE DISTRICT—Status of Development."

Potential Effects of Oil Price Fluctuations 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 within the District. This District cannot predict the impact that negative conditions in the oil industry could have on property values in the District.

Extreme Weather Events

The greater Houston area, including Harris County, 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. The greater Houston area has experienced multiple storms exceeding a 0.2% probability (i.e. "500-year flood" events) since 2015, including Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 25, 2017, and brought historic levels of rainfall during the successive four days.

To the best knowledge of the District, the District's System (as defined herein) did not sustain any material damage and there was no interruption of water and sewer service as a result of Hurricane Harvey. The District was not notified of any homes that experienced structural flooding or other material damage as a result of Hurricane Harvey. The District is not aware of any commercial businesses that experienced structural flooding or other material damage as a result of Hurricane Harvey.

If a hurricane (or any other natural disaster) significantly damaged all or part of the improvements within the District, the assessed value of property within the District could be substantially reduced, with a corresponding decrease in tax revenues or necessity to increase 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 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 would be adversely affected.

Specific Flood Type Risks

The District is subject to the following flood risks:

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 exceed the drainage capacity of a drainage system, which may result in water within the drainage system becoming trapped and diverted onto streets and nearby property until it is able to reach a natural outlet. Ponding can also occur in a flood pool upstream or behind a dam, levee or reservoir.

Riverine (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 sheet-flow over land. 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 flooding can also occur even if no rain has fallen, for instance, after a levee, dam or reservoir has failed or experienced an uncontrolled release, or after a sudden release of water by a debris or ice jam. In addition, planned or unplanned controlled releases from a dam, levee or reservoir also may result in flooding in areas adjacent to rivers, bayous or man made drainage systems (canals or channels) downstream.

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 District property owners to pay their taxes. The 2026 Taxable Assessed Valuation of the District is $$1,170,831,830 ($1,084,662,638 certified value plus $86,169,192 uncertified value). After issuance of the Bonds, the maximum annual debt service requirement will be $3,991,402 (2027) and the average annual debt service requirement will be $2,395,632 (2027-2044). Assuming no increase or decrease from the 2026 Taxable Assessed Valuation, a tax rate of $0.36 per $100 assessed valuation at a 95% collection rate would be necessary to pay the maximum annual debt service requirement and a tax rate of $0.22 per $100 assessed valuation at a 95% collection rate would be necessary to pay the average annual debt service requirement. See "DEBT SERVICE REQUIREMENTS." Although calculations have been made regarding average and maximum tax rates necessary to pay the debt service on the Bonds based upon the 2026 Taxable Assessed Valuation, the District can make no representations regarding the future level of taxable assessed valuation within the District. Increases in the tax rate may be required in the event the District's taxable assessed valuation does not continue to increase or in the event major taxpayers do not pay their District taxes timely. Increases in taxable values depend primarily on the continuing construction and sale of homes and other taxable improvements within the District.

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 corporate purpose. Voters within the District have authorized the issuance of $74,500,000 principal amount of unlimited tax bonds for the purposes of acquiring and constructing a water, sanitary sewer and drainage system. After issuance of the Bonds, the District will have $9,750,000 principal amount of unlimited tax bonds authorized but unissued. The District's voters have authorized the issuance of $12,000,000 principal amount of unlimited tax refunding bonds for the refunding of the Bonds, the Outstanding Bonds, or any bonds issued in the future, of which $8,312,653.57 principal amount remains authorized but unissued.

Any additional bonds issued will be on a parity with the Bonds; therefore, the issuance of additional obligations may increase the District's tax rate and adversely affect the security of, and the investment quality and value of the Bonds. The District does not employ any formula with respect to assessed valuations, tax collections or otherwise to limit the amount of parity bonds that it may issue. The issuance of additional bonds for water, sanitary sewer and storm drainage purposes is subject to approval by the TCEQ pursuant to issuance guidelines established by the TCEQ. See "THE BONDS—Issuance of Additional Debt."

Tax Collections Limitations

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 state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by market conditions limiting the proceeds from a foreclosure sale of taxable property and collection procedures. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. The costs of collecting any such taxpayer's delinquencies could substantially reduce the net proceeds to the District from a tax foreclosure sale. Finally, a 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 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. See "TAXING PROCEDURES—District's Rights in the Event of Tax Delinquencies."

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 Order, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Order, 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 Order. Except for mandamus, the Bond Order 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 Order 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 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 is (1) 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 Commission as a condition to seeking relief under the Federal Bankruptcy Code. The Commission 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 the Registered Owners' claims against a district.

A district may not be forced into bankruptcy involuntarily.

Continuing Compliance with Certain Covenants

The Bond Order contains covenants by the District intended to preserve the exclusion from gross income of interest on the Bonds. Failure by the District to comply with such covenants in the Bond Order on a continuous basis prior to maturity of the Bonds could result in interest on the Bonds becoming taxable retroactively to the date of original issuance. See "TAX MATTERS."

Marketability

The District has no understanding with the Initial Purchaser 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.

Environmental Regulation and Air Quality

Wastewater treatment, water supply, storm sewer facilities and construction activities within the District are subject to complex environmental laws and regulations at the federal, state and local levels that may require or prohibit certain activities that affect the environment, such as:

- Requiring permits for construction and operation of water wells, wastewater treatment and other facilities;
- Restricting the manner in which wastes are treated and released into the air, water and soils;
- Restricting or regulating the use of wetlands or other properties; or
- Requiring remedial action to prevent or mitigate pollution.

Sanctions against a municipal utility district or other type of special purpose district 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 issuance of injunctions to ensure future compliance. Environmental laws and compliance with environmental laws and regulations can increase the cost of planning, designing, constructing and operating water production and wastewater treatment facilities. Environmental laws can also inhibit growth and development within the District. Further, changes in 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 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 Polyflouroalkyl 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), 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. It 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 TCEQ issued the General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the "MS4 Permit") on August 15, 2024. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. While the District is currently not subject to the MS4 Permit, if the District's inclusion 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.

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.

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. If the Policy is issued, investors should be aware of the following investment considerations:

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 Initial Purchaser 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.

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.

LEGAL MATTERS

Legal Opinion

The District will furnish the Initial Purchaser a transcript of certain certified proceedings incident to the authorization and issuance of the Bonds. Such transcript will include a certified copy of the approving opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Bonds are valid and binding obligations of the District, payable from the proceeds of an annual ad valorem tax levied without limitation as to rate or amount upon all taxable property within the District. The District also will furnish the approving legal opinion of Smith, Murdaugh, Little & Bonham, L.L.P., Houston, Texas, Bond Counsel to the District ("Bond Counsel"), to the effect that, based upon an examination of such transcript, the Bonds are valid and binding obligations of the District under the Constitution and laws of the State of Texas. The legal opinion of Bond Counsel will further state that the Bonds, including principal of and interest thereon, are payable from ad valorem taxes, without legal limitation as to rate or amount, upon all taxable property located within the District except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium or other similar laws of general application affecting rights of creditors of political subdivisions such as the District and that interest on the Bonds is excludable from gross income for federal income tax purposes under existing laws subject to the matters described under the caption which follows entitled "TAX MATTERS."

Legal Review

In its capacity as Bond Counsel, Smith, Murdaugh, Little & Bonham, L.L.P. has reviewed the information appearing in this Official Statement under the captions "THE BONDS" (except for "Book-Entry-Only System"), "TAXING PROCEDURES," "THE DISTRICT—General," "LEGAL MATTERS," "TAX MATTERS," and "CONTINUING DISCLOSURE OF INFORMATION" to determine whether such information fairly summarizes the procedures, law and documents referred to therein. Bond Counsel has not, however, independently verified any of the other 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 of the information contained herein. The legal fees to be paid 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 on the sale and delivery of the Bonds. Bond Counsel acts as general counsel for the District on matters other than the issuance of Bonds.

No-Litigation Certificate

The District will furnish to the Initial Purchaser a certificate, dated as of the date of delivery of the Bonds, to the effect that no litigation of any nature has been filed or is then pending or threatened, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the issuance, execution or delivery of the Bonds; affecting the provisions made for the payment of or security for the Bonds; in any manner questioning the authority or proceedings for the issuance, execution, or delivery of the Bonds; or affecting the validity of the Bonds.

No Material Adverse Change

The obligations of the Initial Purchaser 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 sale.

TAX MATTERS

Opinion

On the date of initial delivery of the Bonds, Bond Counsel will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof, and (2) the Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Interest on the Bonds may be excludable in certain corporations "adjusted financial statement income" determined under Section 56A of the Code to calculate the alternative minimum tax imposed by Section 55 of the Code. Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds.

In rendering its opinion, Bond Counsel will rely upon (a) certain information and representations of the District, including information and representations contained in the District's federal tax certificate, and (b) covenants of the District contained in the Bond documents relating to certain matters, including arbitrage and the use of the proceeds of the Bonds and the property financed or refinanced therewith. Failure by the District to observe the aforementioned representations or covenants could cause the interest on the Bonds to become taxable retroactively to the date of issuance.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The opinion of Bond Counsel is conditioned on compliance by the District with such requirements, and Bond Counsel has not been retained to monitor compliance with these requirements subsequent to the issuance of the Bonds.

Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel's opinion is not a guarantee of a result. Existing Law is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Bonds.

A ruling was not sought from the Internal Revenue Service by the District with respect to the Bonds or the property financed or refinanced with proceeds of the Bonds. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an Internal Revenue Service audit is commenced, under current procedures the Internal Revenue Service is likely to treat the District as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

Federal Income Tax Accounting Treatment of Original Discount Bonds

The initial public offering price to be paid for one or more maturities of the Bonds may be less than the principal amount thereof, or one or more periods for the payment of interest on the bonds may not be equal to the accrual period or be in excess of one year (the “Original Issue Discount Bonds”). In such event, the difference between (i) the “stated redemption price at maturity” of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The “stated redemption price at maturity” means the sum of all payments to be made on the bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under existing law, any owner who has purchased such Original Issue Discount Bond in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

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

Under existing law, the original issue discount on each Original Issue Discount Bond is accrued 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 Original Issue Discount 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 (a) 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 (b) the amounts payable as current interest during such accrual period on such Original Issue Discount Bond.

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

Federal Income Tax Accounting Treatment of Premium Bonds

The initial public offering price of certain Bonds (the “Premium Bonds”) may be greater than the amount payable on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the underwriter of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such underwriter must be reduced each year by the amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon the sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by an underwriter is determined by using such purchaser’s yield to maturity. Purchasers of the Premium Bonds should consult with their own tax advisors with respect to the determination of amortizable bond premium with respect to the Premium Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning Premium Bonds.

Collateral Federal Income Tax Consequences

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on existing statutes, regulations, published rulings and court decisions, all of which are subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with accumulated earnings and profits and excess passive investment income, taxpayers qualifying for the health-insurance premium assistance credit, foreign corporations subject to the branch profits tax and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

Interest on the Bonds may be includable in the “adjusted financial statement income” of certain corporations as determined under section 56A of the Code to calculate the alternative minimum tax imposed by section 55 of the Code.

Under Section 6012 of the Code, holders of tax-exempt obligations, such as the Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Bonds, if such obligation was acquired at a “market discount” and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to “market discount bonds” to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A “market discount bond” is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the “revised issue price” (i.e., the issue price plus accrued original issue discount). The “accrued market discount” is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

Future and Proposed Legislation

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under Federal or state law and could affect the market price or marketability of the Bonds. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

State, Local and Foreign Taxes

Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the Bonds under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

Not Qualified Tax-Exempt Obligations for Financial Institutions

The Bonds are **NOT** designated as “qualified tax-exempt obligations” within the meaning of Section 265(b) of the Internal Revenue Code of 1986.

MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE

Moody's Investors Service ("Moody's") has assigned a credit rating of "A1" on the Bonds. An explanation of the rating may be obtained from Moody's. The fee associated with the rating assigned to the District by Moody's will be paid by the District; however, the fee associated with ratings provided by other agencies will be at the expense of the Initial Purchaser.

Application has also been made to various municipal bond insurance companies for qualification of the Bonds for municipal bond insurance. If qualified, the purchase of municipal bond insurance is optional and at the expense of the Initial Purchaser. The rating fees of Moody's will be paid by the District; any other rating fees associated with the insurance will be the responsibility of the Initial Purchaser. See "INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance."

There is no assurance that such rating will continue for any given period of time or that it will not be revised or withdrawn entirely by Moody's, if in its judgment, circumstances so warrant. Any such revisions or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

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 interest cost, which bid was tendered by _________________________ (the "Initial Purchaser") bearing the interest rates shown on the cover page hereof, at a price of $_____________, representing ________% of the principal amount thereof which resulted in a net effective interest rate of __________% as calculated pursuant to Chapter 1204 of the Texas Government Code.

Prices and Marketability

The prices and other terms with respect to the offering and sale of the Bonds may be changed at any time by the Initial Purchaser 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 Initial Purchaser may over-allot or effect transactions that stabilize or maintain the market prices of the Bonds at levels above those that 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; nor have the Bonds 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.

PREPARATION OF OFFICIAL STATEMENT

Sources and Compilation of Information

The financial data and other information contained in this Preliminary Official Statement has been obtained primarily from the District's records, the Engineer, the Tax Assessor/Collector, the Appraisal District and information from certain 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 Preliminary 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. In its capacity as Financial Advisor, Masterson Advisors LLC has compiled and edited this OFFICIAL STATEMENT. The Financial Advisor has reviewed the information in this 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.

Auditor: The District's audited financial statements for the year ended December 31, 2025, were prepared by Mark C. Eyring, CPA, PLLC. See "APPENDIX A" for a copy of the District's December 31, 2025, audited financial statements.

Engineer: The information contained in this Official Statement relating to engineering matters and to the description of the System and, in particular that information included in the sections entitled "THE DISTRICT" and "THE SYSTEM," has been provided by BGE, Inc., and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

Appraisal District: The information contained in this Official Statement relating to the assessed valuations has been provided by the Harris Central Appraisal District and has been included herein in reliance upon the authority of such entity to establish the taxable value of property in Harris County, including the District.

Tax Assessor/Collector: The information contained in this Official Statement relating to the historical breakdown of the taxable assessed valuations, principal taxpayers, and certain other historical data concerning tax rates and tax collections has been provided by Bob Leared Interests and is included herein in reliance upon the authority of such firm as an expert in assessing and collecting taxes.

Bookkeeper: The information related to the "unaudited" summary of the District's General Operating Fund as it appears in "THE SYSTEM—Water and Sewer Operations" has been provided by McLennan & Associates, L.P.. and is included herein in reliance upon the authority of such firm as experts in the tracking and managing the various funds of municipal utility districts.

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 Initial Purchaser, of any adverse event which causes the Official Statement to be materially misleading, and unless the Initial Purchaser elects to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Initial Purchaser an appropriate amendment or supplement to the Official Statement satisfactory to the Initial Purchaser; provided, however, that the obligation of the District to so amend or supplement the Official Statement will terminate when the District delivers the Bonds to the Initial Purchaser, unless the Initial Purchaser 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 of Directors 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 light of the circumstances under which they are made, not misleading. With respect to information included in this Preliminary 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.

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Order, the District has made 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"). This information will be available to the public without charge through its Electronic Municipal Market Access ("EMMA") internet portal at www.emma.msrb.org.

Annual Reports

The District will provide annually to the MSRB certain updated financial information and operating data. The information to be updated includes the quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under the headings "FINANCIAL STATEMENT CONCERNING THE DISTRICT (UNAUDITED)," "THE SYSTEM", "TAX DATA," and "APPENDIX A" (Annual Financial Report). 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 2026.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements, if the District commissions an audit and the audit is completed by the required time. If the audit of such financial statements is not complete within such period, then the District will provide unaudited financial statements by the required time and audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in the Bond Order or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

The District's current fiscal year end is December 31. Accordingly, it must provide updated information by June 30 in each year, 0unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB via EMMA of the change.

Specified 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-exempt status of the Bonds, or other events affecting the tax-exempt 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 within the meaning of CFR § 240.15c2-12 (the "Rule"); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of an 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 to a decision to purchase or sell Bonds; (15) incurrence of a financial obligation of the District or other obligated person within the meaning of the Rule, 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 within the meaning of the Rule, 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 the financial obligation of the District or other obligated person within the meaning of the Rule, any of which reflect financial difficulties. 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 Order 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 information only to the MSRB. Investors will be able to access, without charge from the MSRB, continuing disclosure information filed with the MSRB 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 or 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 holders 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 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 (1) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with SEC Rule 15c2-12, taking into account any amendments or interpretations of SEC Rule 15c2-12 to the date of such amendment, as well as such changed circumstances, and (2) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) 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. 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 so provided.

Compliance With Prior Undertakings

The District has previously made continuing disclosure agreements in accordance with SEC Rule 15c2-12 and in the past five years has been in compliance with such agreements.

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.

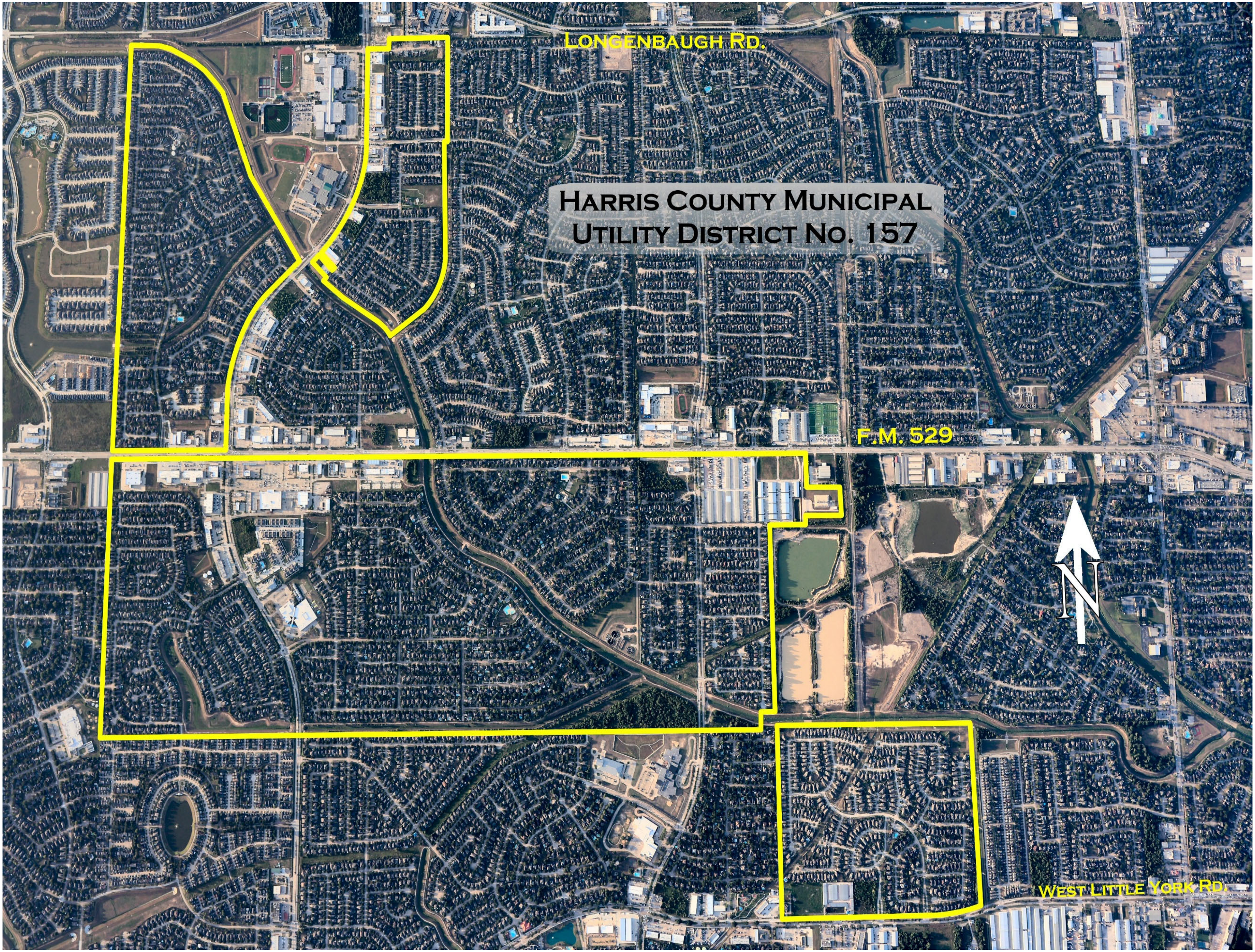
This Official Statement was approved by the Board of Directors of Harris County Municipal Utility District No. 157, as of the date shown on the cover page.

/s/ ____________________________
President, Board of Directors

ATTEST:

/s/ ____________________________
Secretary, Board of Directors

AERIAL PHOTOGRAPH
(As of August 2026)



Longenbaugh Rd.
Harris County Municipal
Utility District No. 157
F.M. 529
N
West Little York Rd.

PHOTOGRAPHS OF THE DISTRICT
(As of August 2026)

CIRCLE K
Unleaded
CASH
3.39
Diesel
4.95
innercircle
ANY SIZE
79¢

ALTA
CYPRESS SPRINGS
APARTMENTS


WASHATERIA
LAUNDRY - 24 HRS
DRY CLEANERS
POLLO BRAVO
FAMILY DOLLAR


pet suites


BlueWave
EXPRESS
CAR WASH
BlueWave
EXPRESS
CAR WASH
BlueWave EXPRESS
CAR WASH


kroozin
Regular Cash
3.29
Regular Credit / Debit
3.44
Diesel
4.99
DOS TOROS
TACO
24HR
WASHATERIA
ATM
TACOS REGIOS
EL COQUIS
REYES

APPENDIX A

District Audited Financial Statements for the fiscal year ended December 31, 2025

HARRIS COUNTY

MUNICIPAL UTILITY DISTRICT NO. 157

HARRIS COUNTY, TEXAS

ANNUAL AUDIT REPORT

DECEMBER 31, 2025

C O N T E N T S

Mark C. Eyring, CPA, PLLC

12702 Century Drive • Suite C2 • Stafford, Texas 77477 • 281-277-9595 • Mark@EyringCPA.com

April 21, 2026

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Harris County Municipal
Utility District No. 157
Harris County, Texas

Opinions

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Harris County Municipal Utility District No. 157 as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise Harris County Municipal Utility District No. 157's basic financial statements as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Harris County Municipal Utility District No. 157, as of December 31, 2025, and the respective changes in financial position and, where applicable, cash flows there of for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Harris County Municipal Utility District No. 157, and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 Harris County Municipal Utility District No. 157's ability to continue as a going concern for twelve 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

My 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 my 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 generally accepted auditing standards 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 generally accepted auditing standards, I: 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 Harris County Municipal Utility District No. 157'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 my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Harris County Municipal Utility District No. 157's ability to continue as a going concern for a reasonable period of time.

I am 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 I 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 information 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. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, 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 I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

INDEPENDENT AUDITOR'S REPORT (Continued)

Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Harris County Municipal Utility District No. 157's basic financial statements. The supplementary information on Pages 25 to 44 is presented for purposes of additional analysis and is not a required part of the 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 financial statements. Except for the portion marked "unaudited," the information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The supplementary information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it. The accompanying supplementary information includes financial data excerpted from prior year financial statements which were audited by my firm.

Management’s Discussion and Analysis

Using this Annual Report

Within this section of the Harris County Municipal Utility District No. 157 (the "District") annual report, the District’s Board of Directors provides narrative discussion and analysis of the financial activities of the District for the fiscal year ended December 31, 2025.

The annual report consists of a series of financial statements plus additional supplemental information to the financial statements as required by its state oversight agency, the Texas Commission on Environmental Quality. In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities which engage in a single governmental program. In the District’s case, the single governmental program is provision of water and sewer services. Other activities, such as security service and garbage 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 and liabilities owned by 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 total assets and total liabilities is labeled as *net position* and this difference is similar to the total owners’ 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. 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 period.

Although the statement of activities looks different from a commercial enterprise’s income statement, 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 financial statements consist of a balance sheet and statement of revenues, expenditures and change in fund balances and are prepared on an accounting basis that is significantly different from that used to prepare the government-wide financial statements.

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 and sewer 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 total assets and total liabilities 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 are different, there are significant differences between the totals presented in these financial statements. For this reason, there is an analysis in Note 3 of the notes to the financial statements that reconciles the total fund balances to the amount of net position presented in the governmental activities column on the statement of net position. Also, there is an analysis in Note 3 of the notes to the 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.

Financial Analysis of the District as a Whole

Financial Analysis of the District as a Whole begins with an understanding of how financial resources flow through the District's funds. Resources in the Capital Projects Fund are derived principally from proceeds of the sale of bonds, and expenditures from this fund are subject to the Rules of the Texas Commission on Environmental Quality. Resources in the Debt Service Fund are derived principally from the collection of property taxes and are used for the payment of tax collection costs and bond principal and interest. Resources in the General Fund are derived principally from property taxes and billings for water and sewer services and are used to operate and maintain the system and to pay costs of administration of the District.

Management has financial objectives for each of the District's funds. The financial objective for the Capital Projects Fund is to spend the funds as necessary in accordance with the Rules of the Texas Commission on Environmental Quality. The financial objective for the Debt Service Fund is to levy the taxes necessary to pay the fiscal year debt service requirements plus the cost of levying and collecting taxes, leaving the appropriate fund balance as recommended by the District's financial advisor. The financial objective for the General Fund is to keep the fund's expenditures as low as possible while ensuring that revenues are adequate to cover expenditures and maintaining the fund balance that Management believes is prudent. The financial objective for the Special Revenue Fund is to insure that the expenditures in the funds are billed to the participants in accordance with the contract. Management believes that these financial objectives were met during the fiscal year.

Management believes that the required method of accounting for certain elements of the government-wide financial statements makes the government-wide financial statements as a whole not useful for financial analysis. In the government-wide financial statements, capital assets and depreciation expense have been required to be recorded at historical cost. Management's policy is to maintain the District's capital assets in a condition greater than or equal to the condition required by regulatory authorities, and management does not believe that depreciation expense is relevant to the management of the District. In the government-wide financial statements, certain non-cash costs of long-term debt are capitalized and amortized over the life of the related debt. Management believes that this required method of accounting is not useful for financial analysis of the District and prefers to consider the required cash flows of the debt as reported in the fund statements and the notes to the financial statements. In the government-wide financial statements, property tax revenues are required to be recorded in the fiscal year for which the taxes are levied, regardless of the year of collection. Management believes that the cash basis method of accounting for property taxes in the funds provides more useful financial information.

The following required summaries of the District's overall financial position and operations for the past two years are based on the information included in the government-wide financial statements. For the reasons described in the preceding paragraph, a separate analysis of the summaries is not presented.

Summary of Net Position

	2025	2024	Change
Current and other assets	$ 22,830,841	$ 22,020,537	$ 810,304
Capital assets	23,117,523	23,409,318	(291,795)
Total assets	45,948,364	45,429,855	518,509
Long-term liabilities	23,843,376	26,700,898	(2,857,522)
Other liabilities	4,445,336	4,694,103	(248,767)
Total liabilities	28,288,712	31,395,001	(3,106,289)
Total deferred inflows of resources	6,149,721	5,743,698	406,023
Net position:			
Invested in capital assets, net of related debt	(3,583,375)	(6,081,200)	2,497,825
Restricted	3,931,876	4,146,697	(214,821)
Unrestricted	11,161,430	10,225,659	935,771
Total net position	$ 11,509,931	$ 8,291,156	$ 3,218,775

Summary of Changes in Net Position

	2025	2024	Change
Revenues:			
Property taxes, including related penalty and interest	$ 5,763,822	$ 5,776,004	$ (12,182)
Charges for services	6,117,459	6,069,292	48,167
Other revenues	945,277	1,029,456	(84,179)
Total revenues	12,826,558	12,874,752	(48,194)
Expenses:			
Service operations	8,786,012	8,584,029	201,983
Debt service	821,771	905,365	(83,594)
Total expenses	9,607,783	9,489,394	118,389
Change in net position	3,218,775	3,385,358	(166,583)
Net position, beginning of year	8,291,156	4,905,798	3,385,358
Net position, end of year	$ 11,509,931	$ 8,291,156	$ 3,218,775

Financial Analysis of the District's Funds

The District's combined fund balances as of the end of the fiscal year ended December 31, 2025, were $15,685,553, an increase of $669,961 from the prior year.

The General Fund balance increased by $929,146, in accordance with the District's financial plan.

The Special Revenue Fund balance did not change.

The Debt Service Fund balance decreased by $102,075, in accordance with the District's financial plan.

The Capital Projects Fund balance decreased by $157,110, as interest earnings on deposits and investments exceeded authorized expenditures.

General Fund Budgetary Highlights

The Board of Directors did not amend the budget during the fiscal year. The District's budget is primarily a planning tool. Accordingly, actual results varied from the budgeted amounts. A comparison of actual to budgeted amounts is presented on Page 23 of this report. The budgetary fund balance as of December 31, 2025, was expected to be $11,033,407 and the actual end of year fund balance was $11,109,071.

Capital Asset and Debt Administration

Capital Assets

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

	Capital Assets (Net of Accumulated Depreciation)		
	2025	2024	Change
Land and easements	$ 852,156	$ 852,156	$ 0
Detention ponds	3,542,604	3,542,604	0
Construction in progress	30,981	461,457	(430,476)
Water facilities	9,611,866	9,640,811	(28,945)
Sewer facilities	9,079,916	8,912,290	167,626
Totals	$ 23,117,523	$ 23,409,318	$ (291,795)

Changes to capital assets during the fiscal year ended December 31, 2025, are summarized as follows:

Additions:	
Improvements at joint facility	$ 204,404
Water system improvements	601,940
Total additions to capital assets	806,344
Decreases:	
Depreciation	(1,098,139)
Net change to capital assets	$ (291,795)

Debt

Changes in the bonded debt position of the District during the fiscal year ended December 31, 2025, are summarized as follows:

Bonded debt payable, beginning of year	$ 28,900,000
Bonds paid	(2,715,000)
Bonded debt payable, end of year	$ 26,185,000

At December 31, 2025, the District had $19,765,000 of bonds authorized but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage system within the District.

The Series 2015, 2015A, 2016, 2017, 2019 and 2023 bonds have an underlying rating of A1 from Moody's. The Series 2014 bonds do not have an underlying rating. The Series 2015, 2015A, 2016 and 2017 bonds are insured by Build America Mutual Assurance Company. The Series 2019 and 2023 bonds are insured by Assured Guaranty Inc. Because of the insurance, the Series 2015, 2015A, 2016, 2017, 2019 and 2023 bonds are rated AA by Standard & Poor's. There was no change in the bond ratings during the fiscal year ended December 31, 2025.

RELEVANT FACTORS AND WATER SUPPLY ISSUES

Property Tax Base

The District's tax base increased approximately $93,240,000 for the 2025 tax year (about 9%) due to the addition of new houses to the tax base and the increase in the average assessed valuations on existing property.

Relationship to 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 a City of Houston ordinance consenting to the creation of the District. In addition, the District may be annexed by the City of Houston, subject to the agreement described below. If the District is annexed, the City will assume the District's assets and obligations (including the bonded indebtedness) and dissolve the District within ninety (90) days.

Utilizing a provision of Texas law, the City of Houston ("City") and the District entered into a Strategic Partnership Agreement ("SPA") effective as of December 20, 2007. The term of the SPA is 30 years. During the term of the SPA, the City has agreed not to annex all or part of the District or commence any action to annex all or part of the District for full purposes. The SPA provides for the limited purpose annexation of certain developed commercial tracts within the District into the City (the "Partial District") for the limited purposes of imposition of the City's Sales and Use Tax, certain municipal court jurisdictions, and health inspection services and enforcement. No other City services are provided. The properties made subject to the SPA may not be taxed for ad valorem purposes by the City. Additional properties may become subject to the SPA by amending the SPA upon the consent of the City and the District. The City pays the District one half of all Sales and Use Tax revenues generated within the boundaries of the Partial District and received by the City from the Comptroller of Public Accounts of the State of Texas.

The City imposed a Sales and Use Tax within the boundaries of the Partial District at the time of the limited-purpose annexation of the Partial District. The Agreement provides that the City shall pay to the District one half of all Sales and Use Tax revenues generated within, the boundaries of the Partial District and received by the City from the Comptroller of Public Accounts of the State of Texas.

Water Supply Issues

The District is within the Harris-Galveston Subsidence District (the "Subsidence District") Regulatory Area No. 3. The Subsidence District regulates the withdrawal of groundwater within its jurisdiction. The District's authority to pump ground water from its well is subject to annual permits issued by the Subsidence District. The Subsidence District has ordered certain areas of suburban Houston to convert most of their water supply to surface water under various schedules. The Subsidence District has designated January 2010, as the date required for the District to restrict the withdrawal of ground water and convert 30% of its total water use to surface water; January 2025, as the date required for the District to restrict the withdrawal of ground water and convert 60% of its total water use to surface water and January 2035, as the date required for the District to restrict the withdrawal of ground water and convert 80% of its total water use to surface water. If the District does not meet the requirements of the Subsidence District, the District may be required to pay the disincentive fees adopted by the Subsidence District.

In May, 2001, the Texas Legislature created the West Harris County Regional Water Authority (the "Authority") and included the District within the boundaries of the Authority. The Authority was created to provide a regional entity to build the necessary facilities to meet the subsidence District's requirements for conversion from ground water to surface water of all permit holders within its boundaries, including the District. Accordingly, the District is required to pay groundwater reduction plan fees to the Authority, and in turn is entitled to rely upon the Authority's GRP to achieve compliance with the subsidence District's requirements. In accordance with the GRP, the Authority has negotiated a water supply contract with the City of Houston and has issued revenue bonds to finance the surface water supply system. The Authority may establish such fees, charges, or tolls as necessary to accomplish its purposes. The Authority's groundwater pumpage fee was equal to $3.95 and the surface water usage fee was equal to $4.35 as of December 31, 2025.

The District cannot predict the amount or level of fees and charges which may be due the Authority for future years, but anticipates that it will pass such fees through to its customers in higher water rates. In addition, conversion to surface water will necessitate improvements to the District's water supply system, which could require issuance of additional bonds. In the event the Authority fails to commence construction of surface water infrastructure by the deadline established by the Subsidence District, the District and others within the Authority's GRP group could be required to pay the disincentive fee on withdrawn groundwater. This disincentive fee is substantial, and the District expects it would need to pass such fee through to its customers in higher water rates. This disincentive fee would be in addition to the Authority's fee.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 157

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET

DECEMBER 31, 2025

	General	Special Revenue Fund	Debt Service	Capital Projects	Total	Adjustments (Note 3)	Statement of Net Position
ASSETS							
Cash, including interest-bearing accounts, Note 7	$ 528,451	$ 124,978	$ 1,171,133	$ 6,776	$ 1,831,338	$	$ 1,831,338
Temporary investments, at cost, Note 7	10,752,730	276,122	2,452,117	1,791,442	15,272,411		15,272,411
Receivables:							
Property taxes	1,872,502		2,986,709		4,859,211		4,859,211
Accrued penalty and interest on property taxes					0	86,109	86,109
Service accounts	476,747				476,747		476,747
Sales and Use Taxes, Note 11	71,615				71,615		71,615
Due from other district		103,286		996	104,282		104,282
Other	20,098	15,941			36,039		36,039
Maintenance taxes collected not yet transferred from other fund	442,266				442,266	(442,266)	0
Due from other funds	30,981	19,799			50,780	(50,780)	0
Prepaid expenditures	93,089				93,089		93,089
Operating reserve at sewage treatment plant, Note 9	294,747				294,747	(294,747)	0
Capital assets, net of accumulated depreciation, Note 4:							
Capital assets not being depreciated					0	4,425,741	4,425,741
Depreciable capital assets					0	18,691,782	18,691,782
Total assets	$14,583,226	$ 540,126	$ 6,609,959	$ 1,799,214	$ 23,532,525	22,415,839	45,948,364
LIABILITIES							
Accounts payable	$ 308,607	$	$ 27,069	$	$ 335,676		335,676
Accrued interest payable					0	292,371	292,371
Customer and builder deposits	714,388				714,388		714,388
Maintenance taxes collected not yet transferred to other fund			442,266		442,266	(442,266)	0
Due to other funds	19,799			30,981	50,780	(50,780)	0
Other district equity in joint venture					0	245,379	245,379
Long-term liabilities, Note 5:							
Due within one year					0	2,857,522	2,857,522
Due in more than one year					0	23,843,376	23,843,376
Total liabilities	1,042,794	0	469,335	30,981	1,543,110	26,745,602	28,288,712
DEFERRED INFLOWS OF RESOURCES							
Property tax revenues	2,431,361	0	3,872,501	0	6,303,862	(154,141)	6,149,721
FUND BALANCES / NET POSITION							
Fund balances:							
Reserved for:							
Operating reserve at sewage treatment plant, Note 9	294,747				294,747	(294,747)	0
Assigned to:							
Debt service			2,268,123		2,268,123	(2,268,123)	0
Capital projects				1,768,233	1,768,233	(1,768,233)	0
Operating reserve at sewage treatment plant, Note 9		540,126			540,126	(540,126)	0
Unassigned	10,814,324				10,814,324	(10,814,324)	0
Total fund balances	11,109,071	540,126	2,268,123	1,768,233	15,685,553	(15,685,553)	0
Total liabilities, deferred inflows, and fund balances	$14,583,226	$ 540,126	$ 6,609,959	$ 1,799,214	$ 23,532,525		
Net position:							
Invested in capital assets, net of related debt, Note 4						(3,583,375)	(3,583,375)
Restricted for debt service						2,163,643	2,163,643
Restricted for capital projects						1,768,233	1,768,233
Unrestricted						11,161,430	11,161,430
Total net position						$ 11,509,931	$ 11,509,931

The accompanying notes are an integral part of the financial statements.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 157

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED DECEMBER 31, 2025

	General Fund	Regional WWTP Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments (Note 3)	Statement of Activities
REVENUES							
Property taxes	$ 2,179,810	$	$ 3,479,815	$	$ 5,659,625	$ 12,333	$ 5,671,958
Water service	1,333,160				1,333,160		1,333,160
Sewer service	1,834,373				1,834,373		1,834,373
Surface water fees, Note 10	1,847,829				1,847,829		1,847,829
From participants in plant		1,631,654			1,631,654	(916,304)	715,350
Penalty and interest	173,321		80,367		253,688	11,497	265,185
Tap connection and inspection fees	132,201				132,201		132,201
Sales and Use Taxes, Note 11	269,182				269,182		269,182
Interest on deposits and investments	474,215	9,835	113,770	78,275	676,095		676,095
Other revenues	81,225				81,225		81,225
Total revenues	8,325,316	1,641,489	3,673,952	78,275	13,719,032	(892,474)	12,826,558
EXPENDITURES / EXPENSES							
Service operations:							
Purchased sewer services, Note 9	916,304				916,304	(916,304)	0
Professional fees	237,987	8,450	25,482		271,919		271,919
Contracted services	295,985	112,204	99,274		507,463		507,463
Utilities	101,114	144,577			245,691		245,691
Utilities, street lights	219,337				219,337		219,337
Groundwater pumpage fees, Note 10	1,905,031				1,905,031		1,905,031
Repairs and maintenance	1,112,391	510,387			1,622,778		1,622,778
Other operating expenditures	252,327	772,716			1,025,043		1,025,043
Security service	313,047	34,773			347,820		347,820
Garbage disposal	1,181,777				1,181,777		1,181,777
Administrative expenditures	248,507	58,382	12,721		319,610		319,610
Depreciation					0	1,098,139	1,098,139
Capital outlay / non-capital outlay	612,363			235,385	847,748	(806,344)	41,404
Debt service:							
Principal retirement			2,715,000		2,715,000	(2,715,000)	0
Interest and fees			923,550		923,550	(101,779)	821,771
Total expenditures / expenses	7,396,170	1,641,489	3,776,027	235,385	13,049,071	(3,441,288)	9,607,783
Excess (deficiency) of revenues over expenditures	929,146	0	(102,075)	(157,110)	669,961	2,548,814	3,218,775
Net change in fund balances / net position	929,146	0	(102,075)	(157,110)	669,961	2,548,814	3,218,775
Beginning of year	10,179,925	540,126	2,370,198	1,925,343	15,015,592	(6,724,436)	8,291,156
End of year	$ 11,109,071	$ 540,126	$ 2,268,123	$ 1,768,233	$ 15,685,553	$ (4,175,622)	$ 11,509,931

NOTE 1: REPORTING ENTITY

Harris County Municipal Utility District No. 157 (the "District") was created by an order of the Texas Water Rights Commission (now the Texas Commission on Environmental Quality) effective December 5, 1977, and operates in accordance with Texas Water Code Chapters 49 and 54. The District is a political subdivision of the State of Texas, governed by an elected five member Board of Directors. The Board of Directors held its first meeting on April 4, 1978, and the first bonds were sold on July 8, 1980. The District is subject to the continuing supervision of the Texas Commission on Environmental Quality.

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply of water; the collection, transportation and treatment of wastewater; and the control and diversion of storm water. The District may provide garbage disposal and collection services. In addition, the District is empowered, if approved by the electorate, the Texas Commission on Environmental Quality and other governmental entities having jurisdiction, to establish, operate and maintain a fire department, either independently or jointly with certain other districts.

In evaluating how to define the District for financial reporting purposes, the Board of Directors of the District has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities.

The District is the owner and manager of the Harris County Municipal Utility District No. 157 Regional Wastewater Treatment Plant (the "Plant"). Oversight of the Plant is exercised by the Board of Directors of the District and financial activity of the Plant has been included as a component unit in the financial statements of the District. The Plant's General Fund has been reported as the Special Revenue Fund of the District. Transactions with this joint venture are described in Note 9.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

The District's financial statements are prepared in accordance with generally accepted accounting principles ("GAAP"). The Governmental Accounting Standards Board (the "GASB") is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board issued through November 30, 1989 (when applicable), that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the District are discussed below.

Basic Financial Statements

The District's basic financial statements include both government-wide (reporting the District as a whole) and governmental fund financial statements (reporting the District's funds). Because the District is a single-program government as defined by the GASB, the District has combined the government-wide statements and the fund financial statements using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column on the face of the financial statements. An additional reconciliation between the fund and the government-wide financial data is presented in Note 3.

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. The effect of interfund activity has been removed from these statements. The District's net position is reported in three parts – invested in capital assets, net of related debt; restricted net position; and unrestricted net position. The government-wide statement of activities reports the components of the changes in net position during the reporting period.

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for in a separate set of self-balancing accounts that comprises its assets, liabilities, fund balances, revenues and expenditures and changes in fund balances. The District's fund balances are reported as nonspendable, restricted, committed, assigned or unassigned. Nonspendable fund balances are either not in spendable form or are contractually required to remain intact. Restricted fund balances include amounts that can only be used for the specific purposes stipulated by constitutional provisions, external resource providers or enabling legislation. Committed fund balances include amounts that can only be used for the specific purposes determined by formal action of the District's Board of Directors. Assigned fund balances are intended for a specific purpose but do not meet the criteria to be classified as restricted or committed. Unassigned fund balance is the residual classification for the District's General Fund and includes all spendable amounts not contained in the other classifications. The transactions of the District are accounted for in the following funds:

General Fund -- To account for all revenues and expenditures not required to be accounted for in other funds.

Special Revenue Fund -- To account for all revenues and expenditures of the general operations of the Harris County Municipal Utility District No. 157 Regional Wastewater Treatment Plant.

Debt Service Fund -- To account for the accumulation of financial resources for, and the payment of, bond principal and interest, paid principally from property taxes levied by the District.

Capital Projects Fund -- To account for financial resources designated to construct or acquire capital assets. Such resources are derived principally from proceeds of the sale of bonds.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Basis of Accounting

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting which recognizes all long-term assets and receivables as well as long-term debt and obligations. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Ad valorem property taxes are recognized as revenues in the fiscal year for which they have been levied and related penalties and interest are recognized in the fiscal year in which they are imposed. An allowance for uncollectibles is estimated for delinquent property taxes and reported separately in the financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred except for principal and interest on bonds payable which are recorded only when payment is due.

Interfund Activity

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is reported as interfund receivables or payables, as appropriate, as are all other outstanding balances between funds. Operating transfers between funds represent legally authorized transfers from the fund receiving resources to the fund through which the resources are to be expended.

Receivables

Service accounts receivable as reported are considered collectible. The District uses the direct write off method for uncollectible service accounts. Unbilled water and sewer revenues are not material and are not recorded at year end. The District considers service accounts revenues to be available if they are to be collected within 60 days after the end of the fiscal year.

In the fund financial statements, ad valorem taxes and penalties and interest are reported as revenues in the fiscal year in which they become available to finance expenditures of the fiscal year for which they have been levied. Property taxes which have been levied and are not yet collected (or have been collected in advance of the fiscal year for which they have been levied) are recorded as deferred inflow of resources. Property taxes collected after the end of the fiscal year are not included in revenues.

Capital Assets

Capital assets, which include property, plant, equipment, and immovable public domain or "infrastructure" assets are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than $10,000 (including installation costs, if any, and associated professional fees) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed by the District. Donated capital assets are recorded at historical cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset or increase the value of an asset are capitalized. Costs incurred for repairs and maintenance are expensed as incurred.

Depreciation on capital assets is computed using the straight-line method over the following estimated useful lives:

Plant and equipment	10-45 years
Underground lines	45 years

Long-term Liabilities

Long-term debt and other long-term obligations are reported in the government-wide financial statements. Bond premiums and discounts, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable premium or discount. If bonds are refunded and the carrying amount of the new debt is different than the net carrying amount of the old debt, the difference is netted against the new debt and amortized using the effective interest method over the shorter of the remaining life of the refunded debt or the life of the new debt issued.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, 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 expenditures of the fund from which they are paid.

NOTE 3: RECONCILIATION OF FUND TO GOVERNMENT-WIDE FINANCIAL STATEMENTS

Reconciliation of year end fund balances to net position:

Total fund balances, end of year		$ 15,685,553
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Capital assets, net		23,117,523
Some long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:		
Bonds payable	$ (26,185,000)	
Deferred charge on refunding (to be amortized as interest expense)	169,929	
Issuance premium, net of discount (to be amortized as interest expense)	(685,827)	(26,700,898)
The assets in the special revenue fund are owned by the District and other participants in the joint venture:		
The District's equity	(294,747)	
Other participants' equity	(245,379)	(540,126)
Some receivables that do not provide current financial resources are not reported as receivables in the funds:		
Accrued penalty and interest on property taxes receivable	86,109	
Uncollected property taxes	154,141	240,250
Some liabilities that do not require the use of current financial resources are not reported as liabilities in the funds:		
Accrued interest		(292,371)
Net position, end of year		$ 11,509,931

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Reconciliation of net change in fund balances to change in net position:

Total net change in fund balances		$ 669,961
The funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:		
Capital outlay	$ 806,344	
Depreciation	(1,098,139)	(291,795)
The issuance of long-term debt (bonds payable) provides current financial resources to the funds, while the repayment of the principal of long-term debt consumes the current financial resources of the funds. Neither transaction, however, has any effect on net position. The effect of these differences in the treatment of long-term debt:		
Principal reduction		2,715,000
The funds report the effect of bond premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of these items:		
Refunding charges	(42,113)	
Issuance premium, net of discount	116,733	74,620
Some revenues reported in the statement of activities do not provide current financial resources and therefore are not reported as revenues in the funds:		
Accrued penalty and interest on property taxes receivable	11,497	
Uncollected property taxes	12,333	23,830
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 funds:		
Accrued interest		27,159
Change in net position		$ 3,218,775

NOTE 4: CAPITAL ASSETS

At December 31, 2025, “Invested in capital assets, net of related debt” was $(3,583,375). This amount was negative primarily because not all expenditures from bond proceeds (such as bond issuance costs) were for the acquisition of capital assets. Within Harris County, the county government assumes the maintenance and other incidents of ownership of most storm sewer facilities constructed by the District. Accordingly, these assets are not recorded in the financial statements of the District. In addition, some expenditures from bond proceeds were for the acquisition of capital assets beneath the capitalization threshold of $10,000 (see Note 2) and some authorized expenditures were not for capital assets.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Capital asset activity for the fiscal year ended December 31, 2025, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land and easements	$ 852,156	$	$	$ 852,156
Detention ponds	3,542,604			3,542,604
Construction in progress	461,457	644,730	1,075,206	30,981
Total capital assets not being depreciated	4,856,217	644,730	1,075,206	4,425,741
Depreciable capital assets:				
Water system	19,852,037	596,857		20,448,894
Sewer system	18,602,469	639,963		19,242,432
Total depreciable capital assets	38,454,506	1,236,820	0	39,691,326
Less accumulated depreciation for:				
Water system	(10,211,226)	(625,802)		(10,837,028)
Sewer system	(9,690,179)	(472,337)		(10,162,516)
Total accumulated depreciation	(19,901,405)	(1,098,139)	0	(20,999,544)
Total depreciable capital assets, net	18,553,101	138,681	0	18,691,782
Total capital assets, net	$ 23,409,318	$ 783,411	$ 1,075,206	$ 23,117,523
Changes to capital assets:				
Capital outlay		$ 806,344	$	
Assets transferred to depreciable assets		1,075,206	1,075,206	
Less depreciation expense for the fiscal year		(1,098,139)		
Net increases / decreases to capital assets		$ 783,411	$ 1,075,206	

NOTE 5: LONG-TERM LIABILITIES AND CONTINGENT LIABILITIES

Long-term liability activity for the fiscal year ended December 31, 2025 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds payable	$ 28,900,000	$	$ 2,715,000	$ 26,185,000	$ 2,770,000
Less deferred amounts:					
For issuance (discounts) premiums	802,560		116,733	685,827	125,173
For refunding	(212,042)		(42,113)	(169,929)	(37,651)
Total bonds payable	29,490,518	0	2,789,620	26,700,898	2,857,522
Total long-term liabilities	$ 29,490,518	$ 0	$ 2,789,620	$ 26,700,898	$ 2,857,522

Developer Construction Commitments and Liabilities

At December 31, 2025, there were no developer construction commitments or liabilities.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

As of December 31, 2025, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2026	$ 2,770,000	$ 833,362	$ 3,603,362
2027	2,805,000	750,332	3,555,332
2028	2,830,000	670,780	3,500,780
2029	2,900,000	585,876	3,485,876
2030	2,960,000	490,488	3,450,488
2031 - 2035	9,420,000	1,124,544	10,544,544
2036 - 2040	2,500,000	250,000	2,750,000
	$ 26,185,000	$ 4,705,382	$ 30,890,382

Bonds voted	$ 74,500,000
Bonds approved for sale and sold	54,735,000
Bonds voted and not issued	19,765,000
Refunding bonds voted	12,000,000
Refunding bonds approved for sale and sold	3,687,346
Refunding bonds voted and not issued	8,312,654

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

The bond issues payable at December 31, 2025, were as follows:

	Refunding Series 2014	Series 2015	Refunding Series 2015A
Amounts outstanding, December 31, 2025	$1,030,000	$3,145,000	$4,735,000
Interest rates	2.93%	3.00% to 3.25%	4.00%
Maturity dates, serially beginning/ending	March 1, 2026/2028	March 1, 2026/2033	March 1, 2026/2033
Interest payment dates	March 1/September 1	March 1/September 1	March 1/September 1
Callable dates	March 1, 2022*	March 1, 2023*	March 1, 2023*

*Or any date thereafter, callable at par plus accrued interest in whole or in part at the option of the District.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	Refunding Series 2016	Series 2017	Refunding Series 2019
Amounts outstanding, December 31, 2025	$4,230,000	$3,700,000	$5,620,000
Interest rates	4.00%	2.25% to 3.00%	2.00% to 3.00%
Maturity dates, serially beginning/ending	March 1, 2026/2033	March 1, 2026/2034	March 1, 2026/2032
Interest payment dates	March 1/September 1	March 1/September 1	March 1/September 1
Callable dates	March 1, 2025*	March 1, 2024*	March 1, 2025*

	Series 2023
Amounts outstanding, December 31, 2025	$3,725,000
Interest rates	4.00% to 4.50%
Maturity dates, serially beginning/ending	March 1, 2026/2040
Interest payment dates	March 1/September 1
Callable dates	March 1, 2025*

*Or any date thereafter, callable at par plus accrued interest in whole or in part at the option of the District.

NOTE 6: PROPERTY TAXES

The Harris County Appraisal District has the responsibility for appraising property for all taxing units within the county as of January 1 of each year, subject to review and change by the county Appraisal Review Board. The appraisal roll, as approved by the Appraisal Review Board, must be used by the District in establishing its tax roll and tax rate. The District's taxes are usually levied in the fall, are due when billed and become delinquent after January 31 of the following year or 30 days after the date billed, whichever is later. On January 1 of each year, a statutory tax lien attaches to property to secure the payment of all taxes, penalties and interest ultimately imposed for the year on the property.

The Bond Orders require that the District levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes.

At an election held January 15, 1983, the voters within the District authorized a maintenance tax not to exceed $0.25 per $100 valuation on all property subject to taxation within the District. This maintenance tax is being used by the General Fund to pay expenditures of operating the District.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

On October 21, 2025, the District levied the following ad valorem taxes for the 2025 tax year and the 2026 fiscal year on the adjusted taxable valuation of $1,189,501,180:

	Rate	Amount
Debt service	$ 0.3170	$ 3,770,719
Maintenance	0.2000	2,379,002
	$ 0.5170	$ 6,149,721

A reconciliation of the tax levy to property tax revenues on the Statement of Activities is as follows:

2025 tax year total property tax levy	$ 6,149,721
2025 tax year total property tax levy deferred to 2026 fiscal year	(6,149,721)
2024 tax year total property tax levy deferred to 2025 fiscal year	5,743,699
Appraisal district adjustments to prior year taxes	(71,741)
Statement of Activities property tax revenues	$ 5,671,958

NOTE 7: DEPOSITS AND TEMPORARY INVESTMENTS

The District complied with the requirements of the Public Funds Investment Act during the current fiscal year including the preparation of quarterly investment reports required by the Act.

State statutes authorize the District to invest and reinvest in direct or indirect obligations of the United States, the State of Texas, any county, city, school district, or other political subdivision of the state, or in local government investment pools authorized under the Public Funds Investment Act. Funds of the District may be placed in certificates of deposit of state or national banks or savings and loan associations within the state provided that they are secured in the manner provided for the security of the funds under the laws of the State of Texas. In accordance with the District's investment policies, during the current year the District's funds were invested in interest bearing accounts at authorized financial institutions and in TexPool, a local government investment pool sponsored by the State Comptroller. TexPool is rated AAAm by Standard & Poor’s.

In accordance with state statutes and the District's investment policies, the District requires that insurance or security be provided by depositories for all funds held by them. At the balance sheet date, the carrying amount of the District's deposits was $1,831,338 and the bank balance was $1,629,811. Of the bank balance, $500,000 was covered by federal insurance, $483,096 was covered by a letter of credit in favor of the District issued by the Federal Home Loan Bank of Dallas and $646,715 was covered by the market value of collateral held by the District's custodial bank in the District's name. The market value of collateral was reported to the District by the depository.

At the balance sheet date the carrying value and market value of the investments in TexPool was $15,272,411.

Deposits and temporary investments restricted by state statutes and the Bond Orders:

Debt Service Fund

For payment of debt principal and interest, paying agent fees and costs of assessing and collecting taxes:

Cash	$ 1,171,133
Temporary investments	2,452,117
	$ 3,623,250

Capital Projects Fund

For construction of capital assets:

Cash	$ 6,776
Temporary investments	1,791,442
	$ 1,798,218

NOTE 8: 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; personal injuries and natural disasters. Significant losses are covered by insurance as described below. There were no significant reductions in insurance coverage from the prior fiscal year. There have been no settlements which have exceeded the insurance coverage for each of the past three fiscal years.

At December 31, 2025, the District had physical damage and boiler and machinery coverage of $39,240,000, comprehensive general liability coverage with a per occurrence limit of $1,000,000 and $3,000,000 general aggregate, pollution liability coverage of $1,000,000, automobile coverage of $1,000,000, consultant's crime coverage of $100,000 and a tax assessor-collector bond of $10,000.

NOTE 9: CONTRACT WITH OTHER DISTRICT

The District is the owner and manager of the Harris County Municipal Utility District No. 157 Regional Wastewater Treatment Plant (the "Plant"). On July 3, 2003, Harris County Municipal Utility District No. 157 and Harris County Municipal Utility District No. 165 entered into a Restated Permanent Waste Disposal Agreement (the "Restated Agreement") which replaced the prior agreement. The term of the Restated Agreement is 50 years. At December 31, 2025, ownership of each participating district's operating capacity in the Plant was as follows: Harris County Municipal Utility District No. 157 -- 54.57%; Harris County Municipal Utility District No. 165 -- 45.43%. Oversight of the Plant is exercised by the Board of Directors of the District and financial activity of the Plant has been included in the financial statements of the District. The Plant's General Fund has been reported as the Special Revenue Fund of the District. Construction costs of the Plant are funded by the contribution of funds from each participating district. Expansion costs of the Plant are to be based upon each participant's share of the expansion. The Plant issues no debt.

Each participant is responsible only for its share of the operating costs of the Plant. Participants are billed a monthly amount which is based upon actual costs incurred during the prior month as allocated based upon capacity owned and the number of equivalent connections within each participating district. The District has contributed $294,747 of the Plant's $540,126 operating reserve. The District's share of operating costs were $916,304 for the year ended December 31, 2025.

NOTE 10: REGIONAL WATER AUTHORITY

The West Harris County Regional Water Authority (the "Authority") was created by House Bill 1842, Acts of the 77th Legislature, Regular Session 2003. The Authority is a political subdivision of the State of Texas, governed by an elected nine member Board of Directors. The Authority is empowered to, among other powers, "acquire or develop surface water and groundwater supplies from sources inside of or outside of the boundaries of the authority and may conserve, store, transport, treat, purify, distribute, sell and deliver water to persons, corporations, municipal corporations, political subdivisions of the state, and others, inside of and outside of the boundaries of the authority." The Authority is also empowered to "establish fees and charges as necessary to enable the authority to fulfill the authority's regulatory obligations." In accordance with this provision, as of December 31, 2025, the Authority had established a groundwater pumpage fee of $3.95 per 1,000 gallons of water pumped from each regulated well. The pumpage fees payable by the District to the Authority for the fiscal year ended December 31, 2025, were $1,905,031. The District billed its customers $1,847,829 during the fiscal year to pay for the fees charged by the Authority.

NOTE 11: STRATEGIC PARTNERSHIP AGREEMENT

Effective December 20, 2007, the District and the City of Houston (the "City") entered into a 30 year Strategic Partnership Agreement (the "Agreement"). Under the terms of the Agreement, the City annexed a portion of the District (the "Partial District") for the limited purposes of applying the City's Planning, Zoning, Health, and Safety Ordinances within the Partial District. The Agreement states that the District and all taxable property within the District shall not be liable for any present or future debts of the City and current and future taxes levied by the City shall not be levied on taxable property with the District. The term of the Agreement is 30 years. The City agreed that it will not annex the District for full purposes or commence any action to annex the District for full purposes during the term of this Agreement.

The City imposed a Sales and Use Tax within the boundaries of the Partial District at the time of the limited-purpose annexation of the Partial District. The Agreement provides that the City shall pay to the District one half of all Sales and Use Tax revenues generated within the boundaries of the Partial District and received by the City from the Comptroller of Public Accounts of the State of Texas. The District accrued Sales and Use Tax revenues of $269,182 from the City for the year ended December 31, 2025, of which $71,615 was receivable at that date.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 157

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE, BUDGET AND ACTUAL, GENERAL FUND

FOR THE YEAR ENDED DECEMBER 31, 2025

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Property taxes	$ 2,100,000	$ 2,100,000	$ 2,179,810	$ 79,810
Water service	1,000,000	1,000,000	1,333,160	333,160
Sewer service	1,550,000	1,550,000	1,834,373	284,373
Surface water fees	2,100,000	2,100,000	1,847,829	(252,171)
Penalty	152,400	152,400	173,321	20,921
Tap connection and inspection fees	0	0	132,201	132,201
Sales and Use Taxes	210,000	210,000	269,182	59,182
Interest on deposits and investments	360,000	360,000	474,215	114,215
Other revenues	27,000	27,000	81,225	54,225
TOTAL REVENUES	7,499,400	7,499,400	8,325,316	825,916
EXPENDITURES				
Service operations:				
Purchased sewer services	911,473	911,473	916,304	4,831
Professional fees	208,950	208,950	237,987	29,037
Contracted services	277,300	277,300	295,985	18,685
Utilities	145,200	145,200	101,114	(44,086)
Utilities, street lights	150,000	150,000	219,337	69,337
Groundwater pumpage fees	2,100,000	2,100,000	1,905,031	(194,969)
Repairs and maintenance	891,133	891,133	1,112,391	221,258
Other operating expenditures	146,550	146,550	252,327	105,777
Security service	312,732	312,732	313,047	315
Garbage disposal	1,187,520	1,187,520	1,181,777	(5,743)
Administrative expenditures	315,060	315,060	248,507	(66,553)
Capital outlay	0	0	612,363	612,363
TOTAL EXPENDITURES	6,645,918	6,645,918	7,396,170	750,252
EXCESS REVENUES (EXPENDITURES)	853,482	853,482	929,146	75,664
FUND BALANCE, BEGINNING OF YEAR	10,179,925	10,179,925	10,179,925	0
FUND BALANCE, END OF YEAR	$ 11,033,407	$ 11,033,407	$ 11,109,071	$ 75,664

The District's Board of Directors adopts an annual nonappropriated budget. This budget may be amended throughout the fiscal year and is prepared on a basis consistent with generally accepted accounting principles.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 157

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE, BUDGET AND ACTUAL, REGIONAL WASTEWATER TREATMENT PLANT FUND

FOR THE YEAR ENDED DECEMBER 31, 2025

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
From participants in plant:				
Harris County Municipal Utility District No. 157	$ 911,473	$ 911,473	$ 916,304	$ 4,831
Harris County Municipal Utility District No. 165	705,904	705,904	715,350	9,446
Interest on deposits and investments	3,000	3,000	9,835	6,835
TOTAL REVENUES	1,620,377	1,620,377	1,641,489	21,112
EXPENDITURES				
Service operations:				
Professional fees	7,775	7,775	8,450	675
Contracted services	107,540	107,540	112,204	4,664
Utilities	174,000	174,000	144,577	(29,423)
Repairs and maintenance	378,000	378,000	510,387	132,387
Other operating expenditures	857,600	857,600	772,716	(84,884)
Security service	35,322	35,322	34,773	(549)
Administrative expenditures	60,140	60,140	58,382	(1,758)
Capital outlay	0	0	0	0
TOTAL EXPENDITURES	1,620,377	1,620,377	1,641,489	21,112
EXCESS REVENUES (EXPENDITURES)	0	0	0	0
FUND BALANCE, BEGINNING OF YEAR	540,126	540,126	540,126	0
FUND BALANCE, END OF YEAR	$ 540,126	$ 540,126	$ 540,126	$ 0

The District's Board of Directors adopts an annual nonappropriated budget. This budget may be amended throughout the fiscal year and is prepared on a basis consistent with generally accepted accounting principles.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 157

SCHEDULE OF TEXAS SUPPLEMENTARY INFORMATION
REQUIRED BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

DECEMBER 31, 2025

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

[X] TSI-1. Services and Rates

[X] TSI-2. General Fund Expenditures

[X] TSI-3. Temporary Investments

[X] TSI-4. Taxes Levied and Receivable

[X] TSI-5. Long-Term Debt Service Requirements by Years

[X] TSI-6. Changes in Long-Term Bonded Debt

[X] TSI-7. Comparative Schedule of Revenues and Expenditures - General Fund and Debt Service Fund - Five Year

[X] TSI-8. Board Members, Key Personnel and Consultants

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 157

SCHEDULE OF SERVICES AND RATES

DECEMBER 31, 2025

1. Services Provided by the District during the Fiscal Year:

X Retail Water	__ Wholesale Water	X Drainage
X Retail Wastewater	__ Wholesale Wastewater	__ Irrigation
__ Parks/Recreation	__ Fire Protection	X Security
X Solid Waste/Garbage	X Flood Control	__ Roads

X 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):

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1000 Gallons Over Minimum	Usage Levels
WATER:	$15.40	5,000	N	$1.65	5,001 to 10,000
				2.20	10,001 to 20,000
				3.30	Over 20,000
WASTEWATER:	$37.00		Y		

SURCHARGE: $4.57 per 1,000 gallons of water used. – WHCRWA surface water fees.

District employs winter averaging for wastewater usage: Yes __ No X

Total charges per 10,000 gallons usage: Water: $23.65 Wastewater: $37.00 Surcharge: $45.70

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 157

SCHEDULE OF SERVICES AND RATES (Continued)

DECEMBER 31, 2025

b. Water and Wastewater Retail Connections (unaudited):

Meter Size	Total Connections	Active Connections	ESFC* Factor	Active ESFCs
Unmetered	0	0	1.0	0
< or = 3/4"	4,028	3,975	1.0	3,975
1"	48	48	2.5	120
1-1/2"	15	15	5.0	75
2"	71	71	8.0	568
3"	1	1	15.0	15
4"	1	1	25.0	25
6"	4	4	50.0	200
8"	4	4	80.0	320
10"	0	0	115.0	0
Total Water	4,172	4,119		5,298
Total Wastewater	4,070	4,017	1.0	4,017

*Single family equivalents

3. Total Water Consumption during the Fiscal Year (rounded to thousands):

Gallons pumped into system (unaudited):	439,465
Gallons billed to customers (unaudited):	422,688
Water Accountability Ratio (Gallons billed/ gallons pumped):	96%

4. Standby Fees (authorized only under TWC Section 49.231):

Does the District have Debt Service standby fees? Yes __ No _X_

If yes, date of the most recent Commission Order: __________________

Does the District have Operation and Maintenance standby fees? Yes __ No _X_

If yes, date of the most recent Commission Order: __________________

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 157

EXPENDITURES

FOR THE YEAR ENDED DECEMBER 31, 2025

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Totals (Memorandum Only)
CURRENT					
Purchased sewer services	$ 916,304	$ 0	$ 0	$ 0	$ 916,304
Professional fees:					
Auditing	13,950	3,450			17,400
Legal	141,418	5,000	25,482		171,900
Engineering	82,619				82,619
	237,987	8,450	25,482	0	271,919
Contracted services:					
Bookkeeping	50,872	14,820			65,692
Operation and billing	241,468	97,384			338,852
Sales tax consultant	3,645				3,645
Tax assessor-collector			54,708		54,708
Central appraisal district			44,566		44,566
	295,985	112,204	99,274	0	507,463
Utilities	101,114	144,577	0	0	245,691
Utilities, street lights	219,337	0	0	0	219,337
Groundwater pumpage fees	1,905,031	0	0	0	1,905,031
Repairs and maintenance	1,112,391	510,387	0	0	1,622,778
Other operating expenditures:					
Sludge hauling		475,431			475,431
Chemicals	53,725	269,984			323,709
Laboratory costs	69,733	19,800			89,533
Inspection costs	72,854				72,854
Reconnection and transfer costs	38,213				38,213
TCEQ assessment	15,320				15,320
Other	2,482	7,501			9,983
	252,327	772,716	0	0	1,025,043
Security service	313,047	34,773	0	0	347,820
Garbage disposal	1,181,777	0	0	0	1,181,777
Administrative expenditures:					
Director's fees	24,089				24,089
Office supplies and postage	130,345	4,978			135,323
Insurance	39,171	37,802			76,973
Permit fees	10,071	15,602			25,673
Other	44,831		12,721		57,552
	248,507	58,382	12,721	0	319,610

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 157

EXPENDITURES (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2025

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Totals (Memorandum Only)
CAPITAL OUTLAY					
Authorized expenditures	$ 570,959	$	$	$ 235,385	$ 806,344
Tap connection costs	41,404				41,404
	612,363	0	0	235,385	847,748
DEBT SERVICE					
Principal retirement	0	0	2,715,000	0	2,715,000
Interest and fees:					
Interest			917,850		917,850
Paying agent fees			5,700		5,700
	0	0	923,550	0	923,550
TOTAL EXPENDITURES	$ 7,396,170	$ 1,641,489	$ 3,776,027	$ 235,385	$13,049,071

See accompanying independent auditor’s report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 157

ANALYSIS OF CHANGES IN DEPOSITS AND TEMPORARY INVESTMENTS
ALL GOVERNMENTAL FUND TYPES

FOR THE YEAR ENDED DECEMBER 31, 2025

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Totals (Memorandum Only)
SOURCES OF DEPOSITS AND TEMPORARY INVESTMENTS					
Cash receipts from revenues excluding maintenance taxes	$ 5,189,360	$ 1,666,944	$ 2,135,946	$ 78,275	$ 9,070,525
Maintenance tax collections			1,219,046		1,219,046
Maintenance tax transfers	2,183,882				2,183,882
Reimbursement from other fund	76,595				76,595
Reimbursement from other district				331,327	331,327
Overpayments from taxpayers			102,988		102,988
TOTAL DEPOSITS AND TEMPORARY INVESTMENTS PROVIDED	7,449,837	1,666,944	3,457,980	409,602	12,984,363
APPLICATIONS OF DEPOSITS AND TEMPORARY INVESTMENTS					
Cash disbursements for:					
Current expenditures	5,936,875	1,641,489	128,040		7,706,404
Capital outlay	612,363			418,619	1,030,982
Debt service			3,638,550		3,638,550
Other fund	30,981				30,981
Other district				200,743	200,743
Reimbursement to other fund				76,595	76,595
Decrease in customer and builder deposits	35,045				35,045
Maintenance tax transfers			2,183,882		2,183,882
Refund of taxpayer overpayments			102,952		102,952
TOTAL DEPOSITS AND TEMPORARY INVESTMENTS APPLIED	6,615,264	1,641,489	6,053,424	695,957	15,006,134
INCREASE (DECREASE) IN DEPOSITS AND TEMPORARY INVESTMENTS	834,573	25,455	(2,595,444)	(286,355)	(2,021,771)
DEPOSITS AND TEMPORARY INVESTMENTS BALANCES, BEGINNING OF YEAR	10,446,608	375,645	6,218,694	2,084,573	19,125,520
DEPOSITS AND TEMPORARY INVESTMENTS BALANCES, END OF YEAR	$11,281,181	$ 401,100	$ 3,623,250	$ 1,798,218	$ 17,103,749

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 157

SCHEDULE OF TEMPORARY INVESTMENTS

DECEMBER 31, 2025

	Interest Rate	Maturity Date	Year End Balance	Accrued Interest Receivable
GENERAL FUND				
TexPool				
No. 790600002	Market	On demand	$ 10,752,730	$ 0
SPECIAL REVENUE FUND				
TexPool				
No. 790600003	Market	On demand	$ 276,122	$ 0
DEBT SERVICE FUND				
TexPool				
No. 790600001	Market	On demand	$ 2,452,117	$ 0
CAPITAL PROJECTS FUND				
TexPool				
No. 790600004	Market	On demand	$ 1,791,442	$ 0
Total – All Funds			$ 15,272,411	$ 0

See accompanying independent auditor’s report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 157

TAXES LEVIED AND RECEIVABLE

FOR THE YEAR ENDED DECEMBER 31, 2025

	Maintenance Taxes	Debt Service Taxes
RECEIVABLE, BEGINNING OF YEAR	$ 739,483	$ 1,202,603
Additions and corrections to prior year taxes	(26,937)	(44,804)
Adjusted receivable, beginning of year	712,546	1,157,799
2025 ADJUSTED TAX ROLL	2,379,002	3,770,719
Total to be accounted for	3,091,548	4,928,518
Tax collections: Current tax year	(558,859)	(885,792)
Prior tax years	(660,187)	(1,056,017)
RECEIVABLE, END OF YEAR	$ 1,872,502	$ 2,986,709
RECEIVABLE, BY TAX YEAR		
2015 and prior	$ 493	$ 4,413
2016	291	1,772
2017	400	1,867
2018	945	4,135
2019	1,365	4,094
2020	1,105	2,959
2021	3,075	6,670
2022	9,096	17,738
2023	13,037	22,164
2024	22,552	35,970
2025	1,820,143	2,884,927
RECEIVABLE, END OF YEAR	$ 1,872,502	$ 2,986,709

Fiscal year 2025 General Fund property tax revenue of $2,179,810 under the modified accrual basis of accounting is comprised of prior tax year collections of $660,187 during fiscal year 2025 and 2024 tax year collections of $1,519,623 during fiscal year 2024.

Fiscal year 2025 Debt Service Fund property tax revenue of $3,479,815 under the modified accrual basis of accounting is comprised of prior tax year collections of $1,056,017 during fiscal year 2025 and 2024 tax year collections of $2,423,798 during fiscal year 2024.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 157

TAXES LEVIED AND RECEIVABLE (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2025

ADJUSTED PROPERTY VALUATIONS AS OF JANUARY 1 OF TAX YEAR	2025	2024	2023	2022
Land	$ 307,699,373	$ 291,592,104	$ 285,952,629	$ 214,301,216
Improvements	1,015,230,511	956,141,237	1,027,562,060	918,894,939
Personal property	33,660,372	28,414,676	25,943,392	24,869,200
Less exemptions	(167,089,076)	(179,884,028)	(281,003,706)	(219,042,745)
TOTAL PROPERTY VALUATIONS	$1,189,501,180	$1,096,263,989	$1,058,454,375	$ 939,022,610
TAX RATES PER $100 VALUATION				
Debt service tax rates	$ 0.31700	$ 0.31900	$ 0.34000	$ 0.39000
Maintenance tax rates*	0.20000	0.20000	0.20000	0.20000
TOTAL TAX RATES PER $100 VALUATION	$ 0.51700	$ 0.51900	$ 0.54000	$ 0.59000
TAX ROLLS	$ 6,149,721	$ 5,689,610	$ 5,715,654	$ 5,540,234
PERCENT OF TAXES COLLECTED TO TAXES LEVIED	23.5%**	99.0 %	99.4 %	99.5%

*Maximum tax rate approved by voters on January 15, 1983: $0.25

**The District's taxes are usually levied in the fall and are not delinquent until after the following January 31.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 157

LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS

DECEMBER 31, 2025

	Series 2014		
Due During Fiscal Years Ending December 31	Principal Due March 1	Interest Due March 1, September 1	Total
2026	$ 345,000	$ 25,125	$ 370,125
2027	345,000	15,016	360,016
2028	340,000	4,981	344,981
TOTALS	$ 1,030,000	$ 45,122	$ 1,075,122

	Series 2015		
Due During Fiscal Years Ending December 31	Principal Due March 1	Interest Due March 1, September 1	Total
2026	$ 225,000	$ 94,412	$ 319,412
2027	250,000	87,288	337,288
2028	275,000	79,412	354,412
2029	325,000	70,413	395,413
2030	420,000	59,238	479,238
2031	550,000	44,344	594,344
2032	550,000	26,812	576,812
2033	550,000	8,938	558,938
TOTALS	$ 3,145,000	$ 470,857	$ 3,615,857

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 157

LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)

DECEMBER 31, 2025

	Series 2015A		
Due During Fiscal Years Ending December 31	Principal Due March 1	Interest Due March 1, September 1	Total
2026	$ 240,000	$ 184,600	$ 424,600
2027	245,000	174,900	419,900
2028	260,000	164,800	424,800
2029	620,000	147,200	767,200
2030	780,000	119,200	899,200
2031	795,000	87,700	882,700
2032	805,000	55,700	860,700
2033	990,000	19,800	1,009,800
TOTALS	$ 4,735,000	$ 953,900	$ 5,688,900

	Series 2016		
Due During Fiscal Years Ending December 31	Principal Due March 1	Interest Due March 1, September 1	Total
2026	$ 430,000	$ 160,600	$ 590,600
2027	460,000	142,800	602,800
2028	485,000	123,900	608,900
2029	510,000	104,000	614,000
2030	540,000	83,000	623,000
2031	570,000	60,800	630,800
2032	600,000	37,400	637,400
2033	635,000	12,700	647,700
TOTALS	$ 4,230,000	$ 725,200	$ 4,955,200

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 157

LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)

DECEMBER 31, 2025

	Series 2017		
Due During Fiscal Years Ending December 31	Principal Due March 1	Interest Due March 1, September 1	Total
2026	$ 375,000	$ 96,875	$ 471,875
2027	375,000	88,203	463,203
2028	375,000	79,062	454,062
2029	375,000	69,688	444,688
2030	400,000	59,500	459,500
2031	450,000	47,250	497,250
2032	450,000	33,750	483,750
2033	450,000	20,250	470,250
2034	450,000	6,750	456,750
TOTALS	$ 3,700,000	$ 501,328	$ 4,201,328

	Series 2019		
Due During Fiscal Years Ending December 31	Principal Due March 1	Interest Due March 1, September 1	Total
2026	$ 1,105,000	$ 123,125	$ 1,228,125
2027	1,080,000	95,750	1,175,750
2028	1,045,000	74,500	1,119,500
2029	1,020,000	52,575	1,072,575
2030	770,000	29,550	799,550
2031	305,000	13,425	318,425
2032	295,000	4,425	299,425
TOTALS	$ 5,620,000	$ 393,350	$ 6,013,350

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 157

LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)

DECEMBER 31, 2025

	Series 2023		
Due During Fiscal Years Ending December 31	Principal Due March 1	Interest Due March 1, September 1	Total
2026	$ 50,000	$ 148,625	$ 198,625
2027	50,000	146,375	196,375
2028	50,000	144,125	194,125
2029	50,000	142,000	192,000
2030	50,000	140,000	190,000
2031	50,000	138,000	188,000
2032	50,000	136,000	186,000
2033	50,000	134,000	184,000
2034	325,000	126,500	451,500
2035	500,000	110,000	610,000
2036	500,000	90,000	590,000
2037	500,000	70,000	570,000
2038	500,000	50,000	550,000
2039	500,000	30,000	530,000
2040	500,000	10,000	510,000
TOTALS	$ 3,725,000	$ 1,615,625	$ 5,340,625

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 157

LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)

DECEMBER 31, 2025

	Annual Requirements for All Series		
Due During Fiscal Years Ending December 31	Total Principal Due	Total Interest Due	Total
2026	$ 2,770,000	$ 833,362	$ 3,603,362
2027	2,805,000	750,332	3,555,332
2028	2,830,000	670,780	3,500,780
2029	2,900,000	585,876	3,485,876
2030	2,960,000	490,488	3,450,488
2031	2,720,000	391,519	3,111,519
2032	2,750,000	294,087	3,044,087
2033	2,675,000	195,688	2,870,688
2034	775,000	133,250	908,250
2035	500,000	110,000	610,000
2036	500,000	90,000	590,000
2037	500,000	70,000	570,000
2038	500,000	50,000	550,000
2039	500,000	30,000	530,000
2040	500,000	10,000	510,000
TOTALS	$ 26,185,000	$ 4,705,382	$ 30,890,382

See accompanying independent auditor’s report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 157

ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT

FOR THE YEAR ENDED DECEMBER 31, 2025

	(1)	(2)	(3)	(4)
Bond Series:	2014	2015	2015A	2016
Interest Rate:	2.93%	3.00% to 3.25%	4.00%	4.00%
Dates Interest Payable:	March 1/ September 1	March 1/ September 1	March 1/ September 1	March 1/ September 1
Maturity Dates:	March 1, 2026/2028	March 1, 2026/2033	March 1, 2026/2033	March 1, 2026/2033
Bonds Outstanding at Beginning of Current Year	$ 1,380,000	$ 3,320,000	$ 4,960,000	$ 4,645,000
Less Retirements	(350,000)	(175,000)	(225,000)	(415,000)
Bonds Outstanding at End of Current Year	$ 1,030,000	$ 3,145,000	$ 4,735,000	$ 4,230,000
Current Year Interest Paid	$ 35,306	$ 99,975	$ 192,775	$ 177,500

Bond Descriptions and Original Amount of Issue

(1) Harris County Municipal Utility District No. 157 Unlimited Tax Refunding Bonds, Series 2014 ($2,850,000)

(2) Harris County Municipal Utility District No. 157 Unlimited Tax Bonds, Series 2015 ($4,745,000)

(3) Harris County Municipal Utility District No. 157 Unlimited Tax Refunding Bonds, Series 2015A ($6,455,000)

(4) Harris County Municipal Utility District No. 157 Unlimited Tax Refunding Bonds, Series 2016 ($7,070,000)

Paying Agent/Registrar

(1) Branch Banking & Trust Company, Charlotte, North Carolina

(2) (3) (4) The Bank of New York Mellon Trust Company, N.A., Dallas, Texas

Bond Authority	Tax Bonds	Other Bonds	Refunding Bonds
Amount Authorized by Voters:	$ 74,500,000	$ 0	12,000,000
Amount Issued:	54,735,000		3,687,346
Remaining to be Issued:	19,765,000		8,312,654

See accompanying independent auditor’s report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 157

ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2025

	(5)	(6)	(7)	Totals
Bond Series:	2017	2019	2023	
Interest Rate:	2.25% to 3.00%	2.00% to 3.00%	4.00% to 4.50%	
Dates Interest Payable:	March 1/ September 1	March 1/ September 1	March 1/ September 1	
Maturity Dates:	March 1, 2026/2034	March 1, 2026/2032	March 1, 2026/2040	
Bonds Outstanding at Beginning of Current Year	$ 4,075,000	$ 6,745,000	$ 3,775,000	$ 28,900,000
Less Retirements	(375,000)	(1,125,000)	(50,000)	(2,715,000)
Bonds Outstanding at End of Current Year	$ 3,700,000	$ 5,620,000	$ 3,725,000	$ 26,185,000
Current Year Interest Paid	$ 104,844	$ 156,575	$ 150,875	$ 917,850

Bond Descriptions and Original Amount of Issue

(5) Harris County Municipal Utility District No. 157 Unlimited Tax Bonds, Series 2017 ($6,695,000)

(6) Harris County Municipal Utility District No. 157 Unlimited Tax Refunding Bonds, Series 2019 ($9,485,000)

(7) Harris County Municipal Utility District No. 157 Unlimited Tax Bonds, Series 2023 ($3,825,000)

Paying Agent/Registrar

(5) (6) (7) The Bank of New York Mellon Trust Company, N.A., Dallas, Texas

Net Debt Service Fund deposits and investments balances as of December 31, 2025:	$2,268,123
Average annual debt service payment for remaining term of all debt:	2,059,359

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 157

COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES, GENERAL FUND

FOR YEARS ENDED DECEMBER 31

	AMOUNT					PERCENT OF TOTAL REVENUES				
	2025	2024	2023	2022	2021	2025	2024	2023	2022	2021
REVENUES										
Property taxes	$ 2,179,810	$ 2,099,033	$ 1,871,868	$ 1,572,097	$ 1,316,617	26.2 %	25.4 %	22.5 %	23.9 %	24.0 %
Water service	1,333,160	1,340,030	1,345,012	1,105,008	973,821	16.0	16.2	16.2	16.8	17.8
Sewer service	1,834,373	1,778,540	1,703,688	1,563,085	1,538,873	22.0	21.5	20.5	23.8	28.2
Surface water fees	1,847,829	1,863,149	1,934,351	1,737,506	1,300,222	22.2	22.5	23.4	26.5	23.7
Penalty	173,321	154,406	142,839	117,732	79,036	2.1	1.9	1.7	1.8	1.4
Tap connection and inspection fees	132,201	167,322	550,951	75,175	51,450	1.6	2.0	6.6	1.1	0.9
Sales and Use Taxes	269,182	242,594	226,623	193,363	148,037	3.2	2.9	2.7	2.9	2.7
Interest on deposits and investments	474,215	521,577	426,936	111,570	2,039	5.7	6.3	5.1	1.7	0.0
Other revenues	81,225	108,458	108,103	98,953	71,675	1.0	1.3	1.3	1.5	1.3
TOTAL REVENUES	8,325,316	8,275,109	8,310,371	6,574,489	5,481,770	100.0	100.0	100.0	100.0	100.0
EXPENDITURES										
Current:										
Purchased sewer services	916,304	842,980	879,567	675,436	551,401	11.0	10.2	10.6	10.3	10.1
Professional fees	237,987	215,059	260,014	234,517	210,241	2.9	2.6	3.1	3.6	3.8
Contracted services	295,985	264,670	258,067	240,075	234,198	3.6	3.2	3.1	3.7	4.3
Utilities	101,114	129,828	136,615	148,048	150,614	1.2	1.6	1.6	2.3	2.7
Utilities, street lights	219,337	155,887	143,575	135,655	131,773	2.6	1.9	1.7	2.1	2.4
Groundwater pumpage fees	1,905,031	1,840,336	1,871,213	1,750,237	1,607,489	22.8	22.2	22.6	26.5	29.2
Repairs and maintenance	1,112,391	1,256,117	1,000,436	865,210	738,617	13.3	15.2	12.0	13.2	13.5
Other operating expenditures	252,327	201,752	270,632	248,861	185,626	3.0	2.4	3.3	3.8	3.4
Security service	313,047	299,796	282,855	270,628	266,635	3.8	3.6	3.4	4.1	4.9
Garbage disposal	1,181,777	1,130,703	1,044,878	941,894	880,725	14.2	13.7	12.6	14.3	16.1
Administrative expenditures	248,507	243,041	188,360	209,660	159,198	3.0	2.9	2.3	3.2	2.9
Capital outlay	612,363	699,570	308,189	1,230,337	662,502	7.4	8.5	3.7	18.6	12.1
TOTAL EXPENDITURES	7,396,170	7,279,739	6,644,401	6,950,558	5,779,019	88.8	88.0	80.0	105.7	105.4
EXCESS REVENUES (EXPENDITURES)	$ 929,146	$ 995,370	$ 1,665,970	$ (376,069)	$ (297,249)	11.2 %	12.0 %	20.0 %	(5.7) %	(5.4) %
TOTAL ACTIVE RETAIL WATER CONNECTIONS	4,119	4,120	4,131	4,120	4,087					
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	4,017	4,019	4,033	4,027	3,996					

See accompanying independent auditor’s report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 157

COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES, DEBT SERVICE FUND

FOR YEARS ENDED DECEMBER 31

	AMOUNT					PERCENT OF TOTAL REVENUES				
	2025	2024	2023	2022	2021	2025	2024	2023	2022	2021
REVENUES										
Property taxes	$ 3,479,815	$ 3,570,230	$ 3,654,595	$ 3,413,774	$ 3,534,414	94.7 %	94.7 %	94.7 %	97.6 %	98.3 %
Penalty and interest	80,367	58,632	70,463	43,904	60,572	2.2	1.6	1.8	1.3	1.7
Interest on deposits and investments	113,770	139,691	136,721	37,200	898	3.1	3.7	3.5	1.1	0.0
TOTAL REVENUES	3,673,952	3,768,553	3,861,779	3,494,878	3,595,884	100.0	100.0	100.0	100.0	100.0
EXPENDITURES										
Current:										
Professional fees	25,482	17,206	21,019	10,217	20,407	0.7	0.5	0.5	0.3	0.6
Contracted services	99,274	100,102	97,813	90,183	88,877	2.7	2.7	2.5	2.6	2.5
Other expenditures	12,721	13,872	13,290	12,864	8,387	0.3	0.4	0.3	0.4	0.2
Debt service:										
Principal retirement	2,715,000	2,655,000	2,575,000	2,540,000	2,510,000	74.0	70.4	66.8	72.6	69.8
Interest and fees	923,550	1,003,186	993,145	1,002,982	1,083,890	25.1	26.6	25.7	28.7	30.1
TOTAL EXPENDITURES	3,776,027	3,789,366	3,700,267	3,656,246	3,711,561	102.8	100.6	95.8	104.6	103.2
EXCESS REVENUES (EXPENDITURES)	$ (102,075)	$ (20,813)	$ 161,512	$ (161,368)	$ (115,677)	(2.8) %	(0.6) %	4.2 %	(4.6) %	(3.2) %

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 157

BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS

DECEMBER 31, 2025

Complete District Mailing Address:	Harris County Municipal Utility District No. 157 c/o Smith, Murdaugh, Little & Bonham, L.L.P. 2727 Allen Parkway, Suite 1100 Houston, Texas 77019
District Business Telephone No.:	713-652-6500

Submission date of the most recent District Registration Form: July 18, 2024

Limit on Fees of Office that a Director may receive during a fiscal year: $7,200

BOARD MEMBERS

Name and Address	Term of Office (Elected/ Appointed)	Fees of Office Paid	Expense Reimb.	Title at Year End
Leonard Spearman, Jr. c/o Smith, Murdaugh, Little & Bonham, L.L.P. 2727 Allen Parkway, Suite 1100 Houston, Texas 77019	Elected 5/04/24- 5/06/28	$ 6,188	$ 2,347	President
Perla I. Flores c/o Smith, Murdaugh, Little & Bonham, L.L.P. 2727 Allen Parkway, Suite 1100 Houston, Texas 77019	Elected 5/07/22- 5/02/26	6,630	2,106	Vice President
Betty Niblett c/o Smith, Murdaugh, Little & Bonham, L.L.P. 2727 Allen Parkway, Suite 1100 Houston, Texas 77019	Elected 5/04/24- 5/06/28	6,851	429	Secretary
Jason Valenzuela c/o Smith, Murdaugh, Little & Bonham, L.L.P. 2727 Allen Parkway, Suite 1100 Houston, Texas 77019	Elected 5/07/22- 5/02/26	4,420	1,288	Director

Four directors at December 31, 2025.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 157

BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS (Continued)

DECEMBER 31, 2025

CONSULTANTS

Name and Address	Date Hired	Fees and Expense Reimbursements	Title at Year End
Smith, Murdaugh, Little & Bonham, L.L.P. 2727 Allen Parkway, Suite 1100 Houston, Texas 77019	3/18/96	$ 141,418	Attorney
Perdue, Brandon, Fielder, Collins & Mott, L.L.P. 1235 N. Loop West, Suite 600 Houston, Texas 77008	4/23/96	25,482	Delinquent Tax Attorney
McLennan & Associates, L.P. 1717 St. James Place, Suite 500 Houston, Texas 77056	3/23/04	73,513	Bookkeeper
Jorge Diaz 1717 St. James Place, Suite 500 Houston, Texas 77056	1/17/17	0	Investment Officer
Municipal District Services, L.L.C. 406 W. Grand Parkway S., #260 Katy, Texas 77494	5/1/12	2,113,451	Operator
BGE, Inc. 10777 Westheimer, Suite 400 Houston, Texas 77042	4/4/78	174,773	Engineer
Bob Leared 11111 Katy Freeway, Suite 725 Houston, Texas 77079	4/18/79	70,616	Tax Assessor-Collector
Harris County Appraisal District P.O. Box 900275 Houston, Texas 77292	Legislative Action	44,566	Central Appraisal District
Masterson Advisors, LLC 3 Greenway Plaza, Suite 1100 Houston, Texas 77046	5/15/18	0	Financial Advisor
Mark C. Eyring, CPA, PLLC 12702 Century Drive, Suite C2 Stafford, Texas 77477	Prior to 1/1/93	17,400	Independent Auditor

See accompanying independent auditor's report.