OFFICIAL STATEMENT DATED NOVEMBER 12, 2026

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 DISTRICT HAS DESIGNATED THE BONDS AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS. SEE "TAX MATTERS—QUALIFIED TAX-EXEMPT OBLIGATIONS FOR FINANCIAL INSTITUTIONS."

NEW ISSUE-BOOK-ENTRY-ONLY

Insured Ratings (AG): S&P "AA" (stable outlook)
Moody's "A1" (stable outlook)
Underlying Rating: Moody's "A3"
See "MUNICIPAL BOND RATING" and "MUNICIPAL BOND INSURANCE" herein.

$6,610,000
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 416
(A political subdivision of the State of Texas located within Harris County)
UNLIMITED TAX BONDS
SERIES 2026

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

The bonds described above (the "Bonds") are obligations solely of Harris County Municipal Utility District No. 416 (the "District") and are not obligations of the State of Texas, Harris County, the City of Houston, the City of Tomball, or any entity other than the District. Principal of the Bonds is payable at maturity or prior redemption. Interest on the Bonds initially accrues from the date of delivery (the "Date of Delivery," expected to be on or about December 15, 2026), and is payable on September 1, 2027. Thereafter, interest on the Bonds accrues from the most recent interest payment date and is payable on each March 1 and September 1 until maturity or prior redemption. The Bonds will be issued only in fully registered form in denominations of $5,000 each or integral multiples thereof. The Bonds mature and are subject to redemption prior to their maturity, as shown below.

The Bonds will be registered and delivered only 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 (as defined herein under "BOOK-ENTRY-ONLY SYSTEM.") of the Bonds will not receive physical certificates representing the Bonds but will receive a credit balance on the books of the DTC participants. 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, initially The Bank of New York Mellon Trust Company, N.A. in Houston, Texas (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. See "BOOK-ENTRY-ONLY SYSTEM."

ASSURED GUARANTY

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by ASSURED GUARANTY INC. ("AG" or the "Insurer").

MATURITY SCHEDULE

Due (March 1)	Principal Amount		Interest Rate	Initial Reoffering Yield (a)	CUSIP Number (b)	Due (March 1)	Principal Amount		Interest Rate	Initial Reoffering Yield (a)	CUSIP Number (b)
2028	$ 335,000		6.50 %	3.13 %	41427P GR8	2038	$ 330,000	(c)	4.00 %	4.30 %	41427P HB2
2029	335,000		6.50	3.21	41427P GS6	2039	330,000	(c)	4.00	4.40	41427P HC0
2030	330,000		6.50	3.32	41427P GT4	2040	330,000	(c)	4.00	4.50	41427P HD8
2031	330,000		6.50	3.43	41427P GU1	2041	330,000	(c)	4.00	4.60	41427P HE6
2032	330,000		6.50	3.50	41427P GV9	2042	330,000	(c)	4.00	4.65	41427P HF3
2033	330,000	(c)	6.50	3.65	41427P GW7	2043	330,000	(c)	4.00	4.70	41427P HG1
2034	330,000	(c)	5.00	3.75	41427P GX5	2044	330,000	(c)	4.00	4.75	41427P HH9
2035	330,000	(c)	4.00	4.00	41427P GY3	2045	330,000	(c)	4.25	4.80	41427P HJ5
2036	330,000	(c)	4.00	4.10	41427P GZ0	2046	330,000	(c)	4.50	4.85	41427P HK2
2037	330,000	(c)	4.00	4.20	41427P HA4	2047	330,000	(c)	4.50	4.90	41427P HL0

(a) Initial Reoffering Yield represents the initial offering yield to the public, which will be established by the Underwriter for offers to the public and which subsequently may be changed.

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

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

The Bonds, when issued, will constitute valid and legally binding obligations of the District and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District, as further described herein. The Bonds are obligations solely of the District and are not obligations of the State of Texas, Harris County, the City of Houston, the City of Tomball, or any entity other than the District. **INVESTMENT IN THE BONDS IS SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS DESCRIBED HEREIN. See "INVESTMENT CONSIDERATIONS."**

The Bonds are offered by the Underwriter subject to prior sale, when, as and if issued by the District and accepted by the Underwriter, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Smith, Murdaugh, Little & Bonham, L.L.P., Houston, Texas, Bond Counsel. See "LEGAL MATTERS." Delivery of the Bonds in book-entry form through the facilities of DTC is expected on or about December 15, 2026.

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

All of the summaries of the statutes, 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 Underwriter and thereafter only as specified in "PREPARATION OF OFFICIAL STATEMENT—Updating the Official Statement."

Assured Guaranty Inc. ("AG" or the "Insurer") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, the Insurer has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this OFFICIAL STATEMENT or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the Insurer supplied by the Insurer and presented under the heading "MUNICIPAL BOND INSURANCE" and "APPENDIX B—Specimen Municipal Bond Insurance Policy."

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District accepted the bid resulting in the lowest net effective interest rate, which bid was tendered by Robert W. Baird & Co., Inc. (the "Underwriter"), paying the interest rates shown on the cover page hereof, at a price of 97.00% of the par value thereof which resulted in a net effective interest rate of 4.687728% as calculated pursuant to Chapter 1204, Texas Government Code, as amended (the IBA method).

Prices and Marketability

Information concerning initial reoffering yields or prices is the responsibility of the Underwriter.

Except as otherwise described in the OFFICIAL NOTICE OF SALE under "DELIVERY OF THE BONDS AND ACCOMPANYING DOCUMENTS—Establishing the Issue Price of the Bonds," the prices and other terms with respect to the offering and sale of the Bonds may be changed from time-to-time by the Underwriter after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts. In connection with the offering of the Bonds, the Underwriter may over-allot or effect transactions which stabilize or maintain the market prices of the Bonds at levels above those which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

The District has no control over trading of the Bonds in the secondary market. Moreover, there is no guarantee that a secondary market will be made in the Bonds. In such a secondary market, the difference between the bid and asked price of 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 municipal entities, as bonds of such entities are more generally bought, sold or traded in the secondary market.

Securities Laws

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

OFFICIAL STATEMENT SUMMARY

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

THE DISTRICT

Description... Harris County Municipal Utility District No. 416 (the "District"), a political subdivision of the State of Texas, was created by an order of the Texas Commission on Environmental Quality (the "TCEQ"), dated February 7, 2006. The District operates in accordance with Chapters 49 and 54 of the Texas Water Code, as amended, and other statutes of Texas applicable to municipal utility districts. At the time of its creation, the District contained approximately 478 acres and subsequently annexed approximately 301 acres. The District currently contains approximately 779 acres of land. See "THE DISTRICT."

Location... The District is located in Harris County approximately 26 miles northwest of the City of Houston central business district. The District is located north of Boudreaux Road and east of Telge Road. Approximately 759 acres within the District are within the extraterritorial jurisdiction of the City of Houston and approximately 20 acres are within the extraterritorial jurisdiction of the City of Tomball. The District is within the Tomball Independent School District. See "THE DISTRICT" and "AERIAL LOCATION MAP."

The Developer... CC Telge Road, LP ("CC Telge Road") is a Texas limited partnership whose general partner is CC Telge Road, GP, L.L.C. The general partner is controlled by Caldwell Companies. Caldwell Companies has developed approximately 3,000 lots in northwest Houston in areas other than the District. Caldwell Companies also develops commercial projects. CC Telge Road assigned its District reimbursement rights to Willow Creek Telge, L.L.C., a Texas limited liability company ("Willow Creek Telge"), a special purpose entity formed by Caldwell Companies. CC Telge Road and Willow Creek Telge are collectively referred to herein as the "Developer." The Developer continues to own approximately 69 acres in the District. See "THE DEVELOPER."

Status of Development... The District is being developed as Willowcreek Ranch, a large lot/estate home development. Construction of water distribution and stormwater drainage facilities to serve 282 lots on approximately 453 acres, as well as street paving, has been completed on behalf of the District by the Developer. Wastewater treatment is provided by individual lot owners through on-site aerobic septic systems. As of September 1, 2026, 233 custom homes were completed and occupied, 12 new custom homes were under construction, 18 estate lots had been sold to individuals for future construction of a home, and 19 estate lots were available for sale and home construction.

Home values within the District range from $600,000 to over $4,300,000. See "THE DISTRICT—Land Use" and "—Status of Development" and "THE SYSTEM" for a description of water supply facilities for the District.

Development in the District includes a 35,000 square-foot equestrian center on approximately 20 acres, which includes 24 horse stalls encompassing 10,000 square-feet and a 25,000 square-foot covered riding arena. The facility is open to all residents and their invited guests. The facility includes a full-time horse trainer and manager and an on-site groom for twenty-four-hour care. Recreational facilities also include a 6,000 square-foot lodge that includes a fitness center, full kitchen and entertainment area for residents. The remainder of the District is comprised of approximately 158 developable acres that have not been served with water distribution and storm sewer and approximately 148 acres of undevelopable acreage (easements, detention, open space and utility sites) See "THE DISTRICT—Status of Development."

Lot Sales… To date, the Developer has completed the construction of water distribution and stormwater drainage facilities to serve 282 estate lots varying in size from approximately 0.80 to 3.74 acres and the equestrian center. Of the 282 lots, 263 lots have been sold to individuals who have constructed, are constructing, or intend to construct a custom home and no lots have been sold to custom homebuilders. According to the Developer, lot owners are required to start construction of a home within twenty-four (24) months of lot acquisition; if home construction has not commenced within twenty-four (24) months, then the Developer, upon thirty (30) days' written notice to the property owner, has the right (but not the obligation) to repurchase the lot at seventy percent (70%) of the original purchase price. To date, the Developer has not exercised the repurchase clause. See "THE DEVELOPER—Lot Sales" and "INVESTMENT CONSIDERATIONS—Developer Obligation to the District."

Payment Record... The District has previously issued $18,170,000 principal amount of unlimited tax bonds for water, sewer and drainage facilities in four series, $1,690,000 of unlimited tax road bonds for road facilities in one series, $2,460,000 of unlimited tax park bonds for acquiring or constructing parks and recreational facilities in one series, and $4,620,000 principal amount of unlimited tax refunding bonds in one series, of which $18,480,000 principal amount remains collectively outstanding as of the date hereof (the "Outstanding Bonds"). The Series 2026 Bonds are the District's fifth issuance of unlimited tax bonds for water, sewer and drainage facilities.

THE BONDS

Description... The $6,610,000 Unlimited Tax Bonds, Series 2026 (the "Bonds") are being issued as fully registered bonds pursuant to an order (the "Bond Order") authorizing the issuance of the Bonds adopted by the District's Board of Directors (the "Board"). The Bonds are scheduled to mature serially on March 1 in the years 2028 through 2047, both inclusive. The Bonds will be issued in book-entry form only in denominations of $5,000 or integral multiples of $5,000. Interest on the Bonds accrues from the Date of Delivery, and is payable on September 1, 2027. Thereafter, interest on the Bonds accrues from the most recent interest payment date and is payable on each March 1 and September 1 until maturity or prior redemption. See "THE BONDS."

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

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

Use of Proceeds... Proceeds of the Bonds will be used to finance engineering, land acquisition and construction costs as shown herein under "USE AND DISTRIBUTION OF BOND PROCEEDS." In addition, the Bond proceeds will be used to pay interest on funds advanced by the Developer on behalf of the District; to pay engineering fees and administrative costs; and to pay certain other costs related to the issuance of the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

Authority for Issuance... The Bonds are the fifth series of bonds issued out of an aggregate of $36,000,000 principal amount of unlimited tax bonds authorized by the District's voters for the purpose of acquiring or constructing water, sewer and stormwater drainage facilities. The Bonds are issued by the District pursuant to the terms and provisions of Article XVI, Section 59 of the Texas Constitution, the general laws of the State of Texas, including, without limitation, Chapters 49 and 54 of the Texas Water Code, as amended, elections held within the District, an order of the TCEQ approving the issuance of the Bonds, and the terms and conditions of the Bond Order. See "INVESTMENT CONSIDERATIONS—Future Debt," "THE BONDS—Authority for Issuance," and "—Issuance of Additional Debt."

Source of Payment... Principal of and interest on the Bonds and the Outstanding Bonds are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. The Bonds are obligations of the District and are not obligations of the State of Texas, Harris County, the City of Houston, the City of Tomball, or any entity other than the District. See "THE BONDS—Source and Security for Payment" and "—Funds."

Municipal Bond Rating and Municipal Bond Insurance... S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, ("S&P") assigned a municipal bond insured rating of "AA" (stable outlook) and Moody's Investors Service, Inc. ("Moody's") is expected to assign a municipal bond insured rating of "A1" (stable outlook), respectively, to the Bonds with the understanding that, upon issuance and delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by Assured Guaranty Inc. ("AG" or the "Insurer"). Moody's Investors Service, Inc. ("Moody's") has assigned an underlying rating of "A3" to the Bonds. An explanation of the ratings may be obtained from S&P and Moody's. See "INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance," "MUNICIPAL BOND RATING," "MUNICIPAL BOND INSURANCE" and "APPENDIX B."

Qualified Tax-Exempt Obligations...	The District has designated the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b) of the Internal Revenue Code of 1986 and will represent that the total amount of tax-exempt bonds (including the Bonds) issued by it during calendar year 2026 is not expected to exceed $10,000,000. See "TAX MATTERS—Qualified Tax-Exempt Obligations for Financial Institutions."
Bond Counsel...	Smith, Murdaugh, Little & Bonham, L.L.P., Houston, Texas. See "MANAGEMENT OF THE DISTRICT," "LEGAL MATTERS," and "TAX MATTERS."
Disclosure Counsel...	McCall Parkhurst & Horton L.L.P., Houston, Texas.
Financial Advisor...	Masterson Advisors LLC, Houston, Texas. See "MANAGEMENT OF THE DISTRICT" and "PREPARATION OF THE OFFICIAL STATEMENT."
Paying Agent/Registrar...	The Bank of New York Mellon Trust Company, N.A., Houston, Texas. See "THE BONDS—Method of Payment of Principal and Interest."

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."

SELECTED FINANCIAL INFORMATION (UNAUDITED)

2026 Taxable Assessed Valuation	$545,326,732	(a)
Gross Direct Debt Outstanding	$25,090,000	(b)
Estimated Overlapping Debt	35,206,633	(c)
Gross Direct Debt and Estimated Overlapping Debt	$60,296,633	
Ratio of Gross Direct Debt to:		
2026 Taxable Assessed Valuation	4.60%	
Ratio of Gross Direct Debt and Estimated Overlapping Debt to:		
2026 Taxable Assessed Valuation	11.06%	
Debt Service Funds Available as of October 8, 2026		
WS&D Debt Service Fund Balance	$1,579,322	(d)
Road Debt Service Fund Balance	86,008	(d)
Total Debt Service Funds Available	$1,665,330	(d)
WS&D Capital Project Funds Available as of October 8, 2026	$ 943,206	
Road Capital Project Funds Available as of October 8, 2026	$ 317,783	
Park Capital Project Funds Available as of October 8, 2026	$ 119,870	
Operating Funds Available as of October 8, 2026	$4,769,936	
2026 Debt Service Tax Rate	$0.37	
2026 Maintenance Tax Rate	0.23	
2026 Total Tax Rate	$0.60	
Average Annual Debt Service Requirement (2027-2047)	$1,633,623	(e)
Maximum Annual Debt Service Requirement (2028)	$2,140,305	(e)
Tax Rates Required to Pay Average Annual Debt Service (2027-2047) at a 95% Collection Rate Based upon the 2026 Taxable Assessed Valuation	$0.32	(f)
Tax Rates Required to Pay Maximum Annual Debt Service (2028) at a 95% Collection Rate Based upon the 2026 Taxable Assessed Valuation	$0.42	(f)
Status of Development as of September 1, 2026 (g):		
Total Estate Lots Constructed	282	
Homes Completed and Occupied	233	
Homes Under Construction or in a Builder's Name	12	
Vacant Estate Lots Owned by Individuals for Home Construction	18	
Vacant Estate Lots Available for Sale and Future Home Construction	19	
Estimated Population	816	(h)

(a) The Harris Central Appraisal District (the "Appraisal District") has certified $497,096,055 of taxable value and an additional $48,230,677 of taxable value remains uncertified. The uncertified value is subject to review and downward revision or 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) After the issuance of the Bonds. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds."

(c) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Estimated Overlapping Debt."

(d) Although all the District's debt, including the Outstanding Bonds and the Bonds, has been issued on a parity basis and is payable from an unlimited tax pledge, portions of the District's ad valorem tax revenue will be allocated on a pro rata basis between debt service on bonds issued for the purpose of financing water, sewer and drainage and recreational facilities or to refund such bonds, including the Bonds ("WS&D Bonds") and bonds issued for the purpose of financing road facilities or to refund such bonds ("Road Bonds"), and deposited into separate sub-accounts within the District's Debt Service Fund.

(e) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements."

(f) See "INVESTMENT CONSIDERATIONS—Possible Impact on District Tax Rates" and "TAX DATA—Tax Adequacy for Debt Service."

(g) See "THE DISTRICT—Land Use" and "—Status of Development."

(h) Based upon 3.5 persons per occupied single-family residence.

OFFICIAL STATEMENT

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 416

(A political subdivision of the State of Texas located within Harris County)

$6,610,000
UNLIMITED TAX BONDS
SERIES 2026

This OFFICIAL STATEMENT provides certain information in connection with the issuance by Harris County Municipal Utility District No. 416 (the "District") of its $6,610,000 Unlimited Tax Bonds, Series 2026 (the "Bonds").

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

This OFFICIAL STATEMENT includes descriptions, among others, of the Bonds and the Bond Order, and certain other information about the District, development in the District and CC Telge Road, LP, a Texas limited partnership and Willow Creek Telge, L.L.C., a Texas limited liability company (CC Telge Road, LP and Willow Creek Telge, L.L.C. are collectively referred to herein as the "Developer"). All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of documents may be obtained from Smith, Murdaugh, Little & Bonham, L.L.P., Bond Counsel, 2727 Allen Parkway, Suite 1100, Houston, Texas 77019 upon payment of the costs of duplication therefore.

THE BONDS

General

The following is a description of some of the terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Bond Order, copies of which are available from Bond Counsel upon payment of the costs of duplication therefor. The Bond Order authorizes the issuance and sale of the Bonds and prescribes the terms, conditions and provisions for the payment of the principal of and interest on the Bonds by the District.

Description

The Bonds will be dated December 1, 2026, with interest payable on September 1, 2027, and on each March 1 and September 1 thereafter (each an "Interest Payment Date") until the earlier of maturity or redemption. Interest on the Bonds initially accrues from the Date of Delivery, and thereafter, from the most recent Interest Payment Date. Interest calculations are based upon a three hundred sixty (360) day year comprised of twelve (12) thirty (30) day months. The Bonds mature, and principal in respect of the Bonds is payable, on March 1 of the years and in the amounts, and accrue interest at the rates, shown under "MATURITY SCHEDULE" on the cover page hereof. The Bonds are issued in fully registered form only in denominations of $5,000 or any integral multiple of $5,000 for any one maturity. The Bonds will be initially registered and delivered only to The Depository Trust Company, New York, New York ("DTC"), in its nominee name of Cede & Co., pursuant to the book-entry-only system described herein. No physical delivery of the Bonds will be made to the purchaser thereof. See "BOOK-ENTRY-ONLY SYSTEM."

Method of Payment of Principal and Interest

The Board has appointed The Bank of New York Mellon Trust Company, National Association, having its principal payment office in Houston, Texas as the initial paying agent/registrar (the "Paying Agent/Registrar") for the Bonds. The principal of and interest on the Bonds shall be paid to DTC, which will make distribution of the amounts so paid to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM." Interest calculations are based upon a thirty (30) day month and a three hundred sixty (360) day year. In the event the book-entry system is discontinued, principal of the Bonds shall be payable upon presentation and surrender of the Bonds as they respectively become due and payable, at the principal payment office of the Paying Agent/Registrar in Houston, Texas and interest on each Bond shall be payable by check payable on each Interest Payment Date, mailed by the Paying Agent/Registrar on or before each Interest Payment Date to the Registered Owner of record as of the close of business on the February 15 or August 15 immediately preceding each Interest Payment Date (defined herein as the "Record Date"), to the address of such Registered Owner as shown on the Paying Agent/Registrar's records (the "Register") or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and the Registered Owners at the risk and expense of the Registered Owners.

Source and Security for Payment

The Bonds, together with the Outstanding Bonds (hereinafter defined) and any additional bonds payable from ad valorem taxes, are secured by and payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property located within the District. See "TAXING PROCEDURES." Investment in the Bonds involves certain elements of risk, and all prospective purchasers are urged to examine carefully this OFFICIAL STATEMENT with respect to the investment security of the Bonds. See "INVESTMENT CONSIDERATIONS." 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 political subdivision or entity other than the District.

Funds

In the Bond Order, the WS&D Debt Service Fund is confirmed. The WS&D 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 and any of the District's duly authorized additional water, sewer, stormwater drainage, and park and recreation bonds as such becomes due. Amounts on deposit in the WS&D 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 water, sewer and stormwater drainage bonds. Funds in the WS&D Debt Service Fund are not available to pay principal and interest on bonds issued to finance roads ("Road Bonds").

The District also maintains a Debt Service Fund for payment of Road Bonds (the "Road Debt Service Fund") that is not pledged to the Bonds. Funds in the Road Debt Service Fund are not available to pay principal of and interest on the Bonds.

The proceeds of sale of the Bonds shall be deposited into the Capital Projects Fund to be used for the purpose of paying certain construction costs, paying Developer interest and for paying the costs of issuance of the Bonds. Any monies remaining in the Capital Projects Fund will be used as described in the Bond Order or ultimately transferred to the WS&D Debt Service Fund. See "USE AND DISTRIBUTION OF BOND PROCEEDS" for a description of the use of Bond proceeds and the projects related thereto.

The Bond Order also confirms the previous establishment of the District's General Fund. The District deposits, as collected, all revenues from maintenance taxes into the General Fund. From the General Fund, the District pays all administration, operation, and maintenance expenses of the water system and stormwater drainage system and recreational facilities. Any funds remaining in the General Fund after payment of maintenance and operating expenses may be used by the District for any lawful purposes.

Redemption Provisions

The District reserves the right, at its option, to redeem the Bonds maturing on or 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 equal to the principal amount thereof plus accrued interest thereon through the date fixed for redemption of such Bonds (the "Redemption Date"). If fewer than all of the Bonds are to be redeemed, the particular maturity or maturities and the amounts thereof to be redeemed shall be determined by the District. If fewer than all of the Bonds of the same maturity are to be redeemed, the particular Bonds shall be selected by DTC in accordance with its procedures. See "BOOK-ENTRY-ONLY SYSTEM." Notice of each exercise of the reserved right of optional redemption shall be given by the Paying Agent/Registrar at least thirty (30) calendar days prior to the Redemption Date, in the manner specified in the Bond Order.

By the Redemption Date, due provision shall be made with the Paying Agent/Registrar for payment of the principal of the Bonds or portions thereof to be redeemed, plus accrued interest to the Redemption Date. 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 (hereafter defined) to collect interest which would otherwise accrue after the Redemption Date on any Bond or portion thereof called for redemption shall terminate on the Redemption Date.

Authority for Issuance

At bond elections held within the District, the voters of the District authorized the issuance of $36,000,000 principal amount of unlimited tax bonds for purposes of acquiring or constructing water, sewer, and stormwater drainage facilities and for refunding such bonds. The Bonds are issued pursuant to such authorizations. The Bonds are the fifth issuance of bonds from the authorization for acquiring or constructing water, sewer and drainage facilities.

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

The Bonds are issued by the District pursuant to the terms and provisions of Article XVI, Section 59 of the Texas Constitution, the general laws of the State of Texas, including, without limitation, Chapters 49 and 54 of the Texas Water Code, as amended, elections held within the District, an order of the TCEQ approving the issuance of the Bonds, and the Bond Order.

Registration and Transfer

Section 149(a) of the Internal Revenue Code of 1986, as amended, requires that all tax-exempt obligations (with certain exceptions that do not include the Bonds) be in registered form in order for the interest payable on such obligations to be excludable from a Beneficial Owner's income for federal income tax purposes. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. pursuant to the Book-Entry-Only System described herein. One fully-registered Bond will be issued for each maturity of each series of the Bonds and will be deposited with DTC. See "BOOK-ENTRY-ONLY SYSTEM." So long as any Bonds remain outstanding, the District will maintain at least one paying agent/registrar in the State of Texas for the purpose of maintaining, on behalf of the District, the registry books reflecting the names and addresses of the holders of the Bonds (the "Registered Owners") and the maturities, principal amounts, and such other information as necessary to identify the Bonds registered in the name of such Registered Owners. All references herein to the Registered Owners of the Bonds shall mean Cede & Co. and not the Beneficial Owners of the Bonds, so long as the Bonds are registered in the name of Cede & Co. See "BOOK-ENTRY-ONLY SYSTEM."

Replacement of Paying Agent/Registrar

Provision is made in the Bond Order for replacement of the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the District, the new paying agent/registrar shall be required to accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any paying agent/registrar selected by the District shall be a duly qualified and competent trust or banking corporation or organization organized and doing business under the laws of the United States of America or of any State thereof, with a combined capital and surplus of at least $25,000,000, which is subject to supervision of or examination by federal or state banking authorities, and which is a transfer agent duly registered with the United States Securities and Exchange Commission.

Issuance of Additional Debt

The District's voters have authorized the issuance of $36,000,000 principal amount of unlimited tax bonds for the purpose of constructing and or acquiring water, sewer, and stormwater drainage facilities and refunding such bonds and $27,225,000 principal amount of unlimited tax bonds for the purpose constructing road facilities and refunding such bonds and could authorize additional amounts. After the issuance of the Bonds, $11,025,000 principal amount of unlimited tax bonds for constructing or acquiring water, sewer, and stormwater drainage facilities and/ or refunding the same will remain authorized but unissued, and $25,535,000 principal amount of unlimited tax bonds for road facilities and/ or refunding the same will remain authorized but unissued. Although the voters have authorized bonds for sewer facilities, wastewater treatment for the District is provided by individual lot owners through on-site aerobic septic systems and as such the District has no intention of issuing bonds for the purpose of constructing or acquiring a sewer system.

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. The District prepared and adopted a detailed park plan and at an election held in 2014, the voters of the District authorized the issuance of $2,460,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities and for the purpose of refunding such bonds. No principal amount of unlimited tax bonds for acquiring or constructing parks and recreational facilities remains authorized but unissued. Additional bonds could be authorized in the future.

The Bond Order imposes no limitation on the amount of additional parity bonds which may be authorized for issuance by the District's voters or the amount ultimately issued by the District. The District expects to issue additional bonds in order to reimburse the Developer for the cost of waterworks and stormwater drainage facilities constructed within the District. Issuance of additional bonds or other subsequently authorized bonds could dilute the investment security of the Bonds.

Annexation

Approximately 759 acres within the District are currently within the extraterritorial jurisdiction of the City of Houston and approximately 20 acres within the District are currently within the extraterritorial jurisdiction of the City of Tomball. Under Texas law, the property within the extraterritorial jurisdiction of a municipality may be annexed by that municipality without the consent of the District subject to observance and compliance with the various requirements of Chapter 43, Local Government Code, as amended. This may include the requirement that the municipality hold an election in the District whereby the District's voters approve the annexation. In the event of annexation of a portion of the District by the City of Houston or the City of Tomball, then the District would continue to exist. In the event of annexation of the entirety of the District by the City of Houston and the City of Tomball, then the District may be abolished by agreement among the District, the City of Houston, and the City of Tomball. The agreement abolishing the District must provide for the distribution of assets and liabilities of the District. Once a district is annexed, the annexing municipality must take over all property and assets of the district, assume all debts, liabilities and obligations of the district and perform all of the function of the district, including the provision of service. No representation is made that annexation or dissolution will occur. Moreover, no representation is made concerning the ability of the City of Houston or the City of Tomball to make debt service payments should annexation occur.

Consolidation

The District has the legal authority to consolidate with other municipal utility districts and, in connection therewith, to provide for the consolidation of its water and wastewater systems with the water and wastewater systems of the district or districts with which it is consolidating, subject to voter approval. In their consolidation agreement, the consolidating districts may agree to assume each other's bonds, notes and other obligations. If each district assumes the other's bonds, notes and other obligations, taxes may be levied uniformly on all taxable property within the consolidated district in payment of same. If the districts do not assume each other's bonds, notes and other obligations, each district's taxes are levied on property in each of the original districts to pay said debts created by the respective original district as if no consolidation had taken place. No representation is made concerning whether the District will consolidate with any other district, but the District currently has no plans to do so.

Remedies in Event of Default

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond 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."

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.

Defeasance

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

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

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

BOOK-ENTRY-ONLY SYSTEM

The information in this section concerning DTC and DTC's book-entry-only system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC, DTC Direct Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) Bonds representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) prepayment or other notices sent to DTC or Cede & Co., its nominee, as the Registered Owner of the Bonds, or that they will do so on a timely basis or that DTC, DTC Direct Participants or DTC Indirect Participants will act in the manner described in this OFFICIAL STATEMENT. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedure" of DTC to be followed in dealing with DTC Direct Participants is on file with DTC.

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

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

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

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

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

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

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

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

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

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

USE AND DISTRIBUTION OF BOND PROCEEDS

The construction costs below were 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 Edminster, Hinshaw, Russ and Associates d/b/a EHRA, Inc (the "Engineer") and Masterson Advisors LLC (the "Financial Advisor"). The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Bonds and review by the District's auditor. The surplus funds may be expended for any lawful purpose for which surplus construction funds may be used, if approved by the TCEQ, where required.

I. CONSTRUCTION COSTS		
Willowcreek Ranch, Section Nine - Water Distribution, Storm Water Facilities	$	63,401
Willowcreek Ranch, Section Twelve - Water Distribution, Storm Water Facilities		360,546
Willowcreek Ranch South Detention Basin, Phase II		730,261
Ditch Desilting & Regrading for Drainage Purposes		2,600,000
Drainage Swale Redirection		166,320
South Detention Phase II Erosion Control		135,000
Erosion Control		30,816
Land Acquisition		138,407
Storm Water Pollution Prevention Plan Compliance		118,098
Topographic Survey - South Mitigation Pond		8,000
Construction Management		23,928
Special Engineering Reports		233,815
Engineering & Geotechnical		851,532
Contingencies		276,632
Total Construction Costs	**$**	**5,736,756**
II. NON-CONSTRUCTION COSTS		
Underwriter's Discount (a)	$	198,300
Developer Interest (Estimated)		209,195
Total Non-Construction Costs	**$**	**407,495**
III. ISSUANCE COSTS AND FEES		
Issuance Costs and Professional Fees	$	375,601
Bond Application Report Costs		67,013
State Regulatory Fees		23,135
Total Issuance Costs and Fees	**$**	**465,749**
TOTAL BOND ISSUE REQUIREMENT	**$**	**6,610,000**

(a) The TCEQ approved a maximum Underwriter's Discount of 3.00%.

THE DISTRICT

General

The District, a political subdivision of the State of Texas, was created by an order of the TCEQ, dated February 7, 2006. The District operates in accordance with Chapters 49 and 54 of the Texas Water Code, as amended and other statutes of Texas applicable to municipal utility districts.

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. However, the District is only providing water supply and distribution and storm drainage facilities. Wastewater treatment is provided by individual lot owners through on-site aerobic septic systems. See "THE SYSTEM."

The District has the power to finance, own, and maintain certain road projects pursuant to Chapter 8255, Texas Special District Local Laws Code and Section 52, Article III, Texas Constitution. Such road projects may include thoroughfare, arterial, or collector roads or improvements in aid of such roads. The District may with the consent of Harris County or the municipality in whose corporate or extraterritorial jurisdiction in which the proposed project is located, currently the City of Houston, convey such completed road project to such municipality or county. The District is authorized by statute to issue bonds or other obligations payable wholly or partly from ad valorem taxes, impact fees, revenue, grants, or other District money, or any combination of those sources to pay for road projects pursuant to Chapter 8255, Texas Special District Local Laws Code. The total principal amount of bonds, notes or other obligations issued or incurred to finance road projects may not exceed one fourth of the assessed value of the real property in the District according to the most recent certified appraisal roll for Harris County.

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. Additionally, the District may, subject to certain limitations, develop and finance recreational facilities and roads. See "THE BONDS—Issuance of Additional Debt."

The TCEQ exercises continuing supervisory jurisdiction over the District. In order to obtain the consent for creation from the City of Houston, within whose extraterritorial jurisdiction the District lies, the District is required to observe certain requirements of the City of Houston which: limit the purposes for which the District may sell bonds for the acquisition, construction, and improvement of waterworks, wastewater, drainage, road and recreational facilities and the refunding of outstanding debt obligations; limit the net effective interest rate on such bonds and other terms of such bonds; and require certain public facilities to be designed in accordance with applicable City of Houston standards. Construction and operation of the District's system is subject to the regulatory jurisdiction of additional governmental agencies. See "THE SYSTEM—Regulation."

Description and Location

The District is located in northwest Harris County, approximately 26 miles northwest of downtown Houston, and is north of Boudreaux Road and east of Telge Road. All the District is within the Tomball Independent School District. At the time of its creation, the District contained approximately 478 acres and subsequently annexed approximately 301 acres. The District currently contains approximately 779 acres of land. Approximately 759 acres within the District are within the extraterritorial jurisdiction of the City of Houston and approximately 20 acres are within the extraterritorial jurisdiction of the City of Tomball. See "AERIAL LOCATION MAP."

Land Use

The District currently includes approximately 453 acres developed as 282 single-family residential estate lots that are provided with water supply and distribution and stormwater drainage facilities (see "THE SYSTEM—Wastewater Collection and Treatment"), approximately 148 undevelopable acres, approximately 20 acres developed as a 35,000 square foot equestrian center, and approximately 158 developable acres not yet served with water distribution and supply, or storm drainage facilities. The table below represents a detailed breakdown of the current acreage and development in the District.

	Approximate Acres	Lots
Willowcreek Ranch:		
Section One	64	14
Section Two	84	71
Section Three	43	20
Section Four	34	10
Section Five	16	12
Section Seven	42	13
Section Eight	42	42
Section Nine	35	28
Section Ten	54	42
Section Eleven	19	15
Section Twelve	20	15
Subtotal	453	282
Equestrian Center	20	-
Future Development	158	-
Non-Developable (a)	148	-
	779	282

(a) Includes drainage and pipeline easements, detention, open spaces, utility sites and approximately 103 acres of land within the 100-year flood plain.

Status of Development

Single-Family Residential: The District is being developed as Willowcreek Ranch, a large lot/estate home development. Construction of water distribution and stormwater drainage facilities to serve 282 estate lots on approximately 453 acres, as well as street paving, has been completed on behalf of the District by the Developer. Wastewater treatment is provided by individual lot owners through on-site aerobic septic systems. As of September 1, 2026, 233 custom homes were completed and occupied, 12 new custom homes were under construction, 18 estate lots had been sold to individuals for future construction of a home, and 19 estate lots were available for sale and home construction. Home values within the District range from $600,000 to over $4,300,000. The estimated population in the District, based upon 3.5 persons per occupied residence, is 816.

Development in the District includes a 35,000 square-foot equestrian center on approximately 20 acres, which includes 24 horse stalls encompassing 10,000 square-feet and a 25,000 square-foot covered riding arena. The facility is open to all residents and their invited guests. The facility includes a full-time horse trainer and manager and an on-site groom for twenty-four-hour care.

Recreational facilities also include a 6,000 square-foot lodge that includes a fitness center, full kitchen and entertainment area for residences.

Builders

Although a preferred list of custom homebuilders is provided by the Developer, lot owners may select their own homebuilder. All home plans must obtain approval by the Architectural Review Committee before construction can begin. See "THE DEVELOPER."

Future Development

The District is currently planned primarily as a single-family residential development. Approximately 158 developable acres of land currently within the District are not yet served with water distribution and supply or storm drainage facilities. While the Developer anticipates future development of this acreage as business conditions warrant, there can be no assurances if and when any of such undeveloped land will ultimately be developed. See "THE DEVELOPER." The District anticipates issuing additional bonds to reimburse the Developer for utilities, roads, and park amenities and to accomplish full development of the District. See "INVESTMENT CONSIDERATIONS—Undeveloped Acreage and Vacant Lots" and "—Future Debt." The Engineer has stated that under regulatory criteria and current development plans (and excluding any costs of converting to surface water), the remaining authorized but unissued bonds ($36,560,000) should be sufficient to finance the construction of facilities to complete the District's water, drainage, road and recreation system for full development of the District.

THE DEVELOPER

Role of a Developer

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

Prospective Bond purchasers should note that the prior real estate experience of the Developer should not be construed as an indication that further development within the District will occur, or that construction of taxable improvements upon property within the District will occur, or that marketing or leasing of taxable improvements constructed upon property within the District will be successful. See "INVESTMENT CONSIDERATIONS."

The Developer

CC Telge Road, LP ("CC Telge Road") is a Texas limited partnership whose general partner is CC Telge Road, GP, L.L.C. The general partner is controlled by Caldwell Companies. Caldwell Companies has developed approximately 3,000 lots in northwest Houston in areas other than the District. Caldwell Companies also develops commercial projects. CC Telge Road assigned its District reimbursement rights to Willow Creek Telge, L.L.C., a Texas limited liability company ("Willow Creek Telge"), a special purpose entity formed by Caldwell Companies. CC Telge Road and Willow Creek Telge are collectively referred to herein as the "Developer." The Developer continues to own approximately 69 acres within the District.

Lot Sales

The Developer to date has completed the construction of water distribution and stormwater drainage to serve 282 estate lots varying in size from approximately 0.80 to 3.74 acres and the equestrian center. Of the 282 lots, 263 lots have been sold to individuals who have constructed, are constructing, or intend to construct a custom home and no lots have been sold to custom homebuilders. Lot owners are required to start construction of a home within twenty-four (24) months of lot acquisition; if home construction has not commenced within twenty-four (24) months, then the Developer, upon thirty (30) days' written notice to the property owner, has the right to repurchase the lot at seventy percent (70%) of the original purchase price. To date, the Developer has not exercised the repurchase clause.

MANAGEMENT OF THE DISTRICT

Board of Directors

The District is governed by the Board, consisting of five (5) directors, which has control over and management supervision of all affairs of the District. Directors are elected to four-year staggered terms and elections are held in May in even numbered years only. All of the Board members reside within the District. The current members and officers of the Board along with their titles and terms, are listed as follows:

Name	District Board Title	Term Expires
Christopher C. Hughes	President	May 2030
Thomas A. Cook	Vice President	May 2028
William L. Shappley, III	Secretary	May 2030
Reed Tinsely	Assistant Secretary	May 2028
Gary Brinkley	Director	May 2030

District Consultants

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

Bond Counsel/Attorney: The District has engaged Smith, Murdaugh, Little & Bonham, L.L.P. as general counsel to the District and as Bond Counsel in connection with the issuance of the District's bonds.

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

Engineer: The District's consulting engineer is Edminster, Hinshaw, Russ and Associates d/b/a EHRA, Inc. ("the Engineer").

Auditor: The District's financial statements for the fiscal year ended June 30, 2026, were audited by McCall Gibson Swedlund Barfoot Ellis PLLC. See "APPENDIX A" for a copy of the District's audited financial statements for the fiscal year ended June 30, 2026.

Bookkeeper: The District contracts with Municipal Financial Management, Inc. (the "Bookkeeper") for bookkeeping services for the District.

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

Tax Assessor/Collector: The District has appointed an independent tax assessor/collector to perform the tax collection function. Bob Leared Interests (the "Tax Assessor/Collector") have been employed by the District to serve in this capacity.

Utility System Operator: The District contracts with Northwest Harris County Municipal Utility District No. 5 ("MUD 5") for water supply in the District. MUD 5 has contracted with Municipal District Services, L.L.C. for operation of the water system. See "THE SYSTEM."

ROAD FACILITIES

The District has road powers that allow the District to build and finance roads and related improvements within the District. Proceeds from the District's sale of the Series 2020 Road Bonds were used for construction of Holderrieth Road and related improvements. See "INVESTMENT CONSIDERATIONS—Future Debt."

THE SYSTEM

Regulation

Construction and operation of the District's water and stormwater drainage system (the "System") as it now exists or as it may be expanded from time to time is subject to regulatory jurisdiction of federal, state and local authorities. The TCEQ exercises continuing, supervisory authority over the District. Discharge of treated sewage into Texas waters is also subject to the regulatory authority of the TCEQ and the United States Environmental Protection Agency. Withdrawal of ground water and the issuance of water well permits is subject to the regulatory authority of the Harris-Galveston Subsidence District (see "Water Supply" and "Subsidence and Conversion to Surface Water Supply" below). Construction of drainage facilities is subject to the regulatory authority of the Harris County Flood Control District. Harris County, the City of Houston, and the Texas Department of Health also exercise regulatory jurisdiction over the District's System.

Water Supply

Water supply for the District is currently provided by MUD 5. The MUD 5 water supply facilities include water well capacity of 6,315 gallons per minute ("gpm"), pressure tank capacity of 140,000 gallons, ground storage capacity of 2,620,000 gallons and booster pump capacity of 13,000 gpm. The District also receives a portion of its water supply from surface water provided by the North Harris County Regional Water Authority (the "Authority") through MUD 5. Pursuant to an agreement with MUD 5, MUD 5 installs all the water meters within the District in consideration for connection charges paid for no less than ten (10) connections at a time. The District has the right to reserve up to 300 equivalent single family connections ("ESFC"). MUD 5 provides water service directly to District residents. MUD 5 collects the water revenues and maintains the water distribution system. Rates charged to MUD 5 customers within the District are equal to the rates charged by MUD 5 to customers located within MUD 5 plus 10%. In the event MUD 5 experiences unusual or extraordinary costs associated with the maintenance of water distribution facilities in the District, MUD 5 may charge such costs to the District. The District's current water supply capacity received from MUD 5 is adequate to serve 290 ESFCs. As of September 1, 2026, the District was serving 245 active connections (233 completed homes and 12 homes under construction). According to the Engineer, the District's current configuration and land plan do not require reservation of more than 300 ESFCs. In the event more than the reserved amount is required, the District has the option to request additional connections with MUD 5. It will be at the discretion of MUD 5 and its then capacity levels to grant those connections.

Subsidence and Conversion to Surface Water Supply

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 Authority to, among other things, reduce groundwater usage in, and to provide surface water to, the northern portion of Harris County. The District and MUD 5 are 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). MUD 5's groundwater well(s) are included within the Authority's GRP. MUD 5'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 MUD 5 for groundwater pumped by MUD 5 or for surface water received by MUD 5 from the Authority), user fees, rates, and charges as necessary to accomplish its purposes; and (iii) mandate water users, including MUD 5, to convert from groundwater to surface water. The Authority currently charges MUD 5, and other major groundwater users, a fee per 1,000 gallons based on the amount of groundwater pumped by MUD 5 and a fee per 1,000 gallons of surface water received by MUD 5 from the Authority. MUD 5 passes such fees on to its customers, including customers in the District, with respect to water used by each individual customer. 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 annual water demand in the Authority's GRP. In the event of such Authority failure to comply, the Subsidence District may also seek to collect Disincentive Fees from MUD 5. If MUD 5 failed to comply with surface water conversion requirements mandated by the Authority, the Authority would likely impose monetary or other penalties against MUD 5, which penalties could result in an increase in rates to MUD 5 customers including those within the boundaries of 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 continue passing such fees through to its customers: (i) through higher water rates and/or (ii) with portions of maintenance tax proceeds, if any. In addition, further 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 Collection and Treatment

Wastewater treatment for the District is provided by individual lot owners through on-site aerobic septic systems. The individual systems are permitted by Harris County and are maintained by the homeowner. As of September 1, 2026, 245 aerobic septic systems were active in the District (233 completed homes and 12 homes under construction).

Water Distribution and Stormwater Drainage Facilities

Water distribution and stormwater drainage facilities have been constructed to serve 282 single-family residential estate lots within the District. See "Wastewater Collection and Treatment" above and "THE DISTRICT—Land Use."

100-Year Flood Plain

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

According to the Engineer, approximately 369 acres within the District's boundaries are within the 100-year flood plain. Approximately 103 acres will not be developed. Home pad sites for the remaining 266 acres located along the south and north side of the District were elevated above the 100-year base flood elevation as development occurred. None of the existing home pad sites are below the 100-year base flood elevation. See "INVESTMENT CONSIDERATIONS—Extreme Weather Events."

FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)

2026 Taxable Assessed Valuation	$545,326,732	(a)
Gross Direct Debt Outstanding	$25,090,000	(b)
Estimated Overlapping Debt	35,206,633	(c)
Gross Direct Debt and Estimated Overlapping Debt	$60,296,633	
Ratio of Gross Direct Debt to:		
2026 Taxable Assessed Valuation	4.60%	
Ratio of Gross Direct Debt and Estimated Overlapping Debt to:		
2026 Taxable Assessed Valuation	11.06%	
Debt Service Funds Available as of October 8, 2026		
WS&D Debt Service Fund Balance	$1,579,322	(d)
Road Debt Service Fund Balance	86,008	(d)
Total Debt Service Funds Available	$1,665,330	
WS&D Capital Project Funds Available as of October 8, 2026	$ 943,206	
Road Capital Project Funds Available as of October 8, 2026	$ 317,783	
Park Capital Project Funds Available as of October 8, 2026	$ 119,870	
Operating Funds Available as of October 8, 2026	$4,769,936	

(a) The Harris Central Appraisal District (the "Appraisal District") has certified $497,096,055 of taxable value and an additional $48,230,677 of taxable value remains uncertified. The uncertified value is subject to review and downward revision or 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) After the issuance of the Bonds. See "Outstanding Bonds" herein.
(c) See "Estimated Overlapping Debt" herein.
(d) Although all the District's debt, including the Outstanding Bonds and the Bonds, has been issued on a parity basis and is payable from an unlimited tax pledge, portions of the District's ad valorem tax revenue will be allocated on a pro rata basis between debt service on bonds issued for the purpose of financing water, sewer and drainage and recreational facilities or to refund such bonds, including the Bonds ("WS&D Bonds") and bonds issued for the purpose of financing road facilities or to refund such bonds ("Road Bonds"), and deposited into separate sub-accounts within the District's Debt Service Fund. The See "USE AND DISTRIBUTION OF BOND PROCEEDS."

Investments of the District

The District maintains an investment strategy that emphasizes, in order of priority, safety, liquidity, and return on investment, as embodied in its investment policy (the "Investment Policy"). The District does not invest in, among other things, inverse floater, interest-only or principal-only mortgage-backed securities. The Investment Policy provides, among other things, that (i) its bookkeeper or any replacement investment manager must submit quarterly investment reports to the Board of Directors and (ii) the Investment Policy must be reviewed annually by the Board of Directors.

Outstanding Bonds

The District has previously issued $18,170,000 principal amount of unlimited tax bonds for water and drainage facilities in four series, $1,690,000 of unlimited tax bonds for road facilities in one series, $2,460,000 of unlimited tax bonds for parks in one series, and $4,620,000 of unlimited tax refunding bonds in one series, $18,480,000 of which remains outstanding (the "Outstanding Bonds") as of the date hereof.

Series		Original Principal Amount	Principal Currently Outstanding
2016		$ 5,000,000	$ -
2017		4,950,000	3,915,000
2019		2,625,000	2,120,000
2020	(a)	1,690,000	1,315,000
2021	(b)	4,620,000	3,775,000
2025		5,595,000	5,195,000
2025A	(c)	2,460,000	2,160,000
Total		$ 26,940,000	$ 18,480,000

(a) Unlimited Tax Road Bonds.
(b) Unlimited Tax Refunding Bonds.
(c) Unlimited Tax Park Bonds.

District Operations

The following statement sets forth in condensed form the General Operating Fund as shown in the District's audited financial statements for the fiscal years ended June 30, 2022 through June 30, 2026. MUD 5 provides the water supply within the District and collects all water revenue directly from customers in the District. See "THE SYSTEM." The District's only significant source of operating revenue is maintenance tax revenue. Accounting principles customarily employed in the determination of net revenues have been observed and, in all instances, exclude depreciation. Reference is made to such statements, including "APPENDIX A," for further and complete information.

	Fiscal Year Ended June 30				
	2026	2025	2024	2023	2022
Revenues					
Property Taxes	$ 1,570,872	$ 1,390,542	$ 1,115,872	$ 756,886	$ 399,427
Investment and Miscellaneous Revenues	122,680	105,337	63,160	30,447	9,453
Total Revenues	$ 1,693,552	$ 1,495,879	$ 1,179,032	$ 787,333	$ 408,880
Expenditures					
Professional Fees	$ 310,934	$ 195,124	$ 181,699	$ 156,074	$ 131,918
Contracted Services	52,400	36,400	35,800	39,836	14,520
Repairs and Maintenance	212,533	233,312	70,768	73,375	26,517
Other	15,688	23,210	18,527	17,968	24,031
Capital Outlay	-	120,766	64,267	-	33,327
Total Expenditures	$ 591,555	$ 608,812	$ 371,061	$ 287,253	$ 230,313
NET REVENUES	$ 1,101,997	$ 887,067	$ 807,971	$ 500,080	$ 178,567
General Operating Fund Balance	$ 2,844,599	$ 1,957,532	$ 1,149,561	$ 649,481	$ 470,914
Beginning of the Year					
End of the Year	$ 3,946,596	$ 2,844,599	$ 1,957,532	$ 1,149,561	$ 649,481

Debt Service Requirements

The following sets forth the debt service on the Outstanding Bonds and the Bonds.

Year	Outstanding Bonds Debt Service Requirements	The Series 2026 Bonds			Total Debt Service Requirements
		Principal	Interest	Total	
2027	$ 1,741,977.50		$ 228,675.56	$ 228,675.56	$ 1,970,653.06
2028	1,494,617.50	$ 335,000	310,687.50	645,687.50	2,140,305.00
2029	1,483,237.50	335,000	288,912.50	623,912.50	2,107,150.00
2030	1,463,162.50	330,000	267,300.00	597,300.00	2,060,462.50
2031	1,457,080.00	330,000	245,850.00	575,850.00	2,032,930.00
2032	1,429,845.00	330,000	224,400.00	554,400.00	1,984,245.00
2033	1,423,775.00	330,000	202,950.00	532,950.00	1,956,725.00
2034	1,406,995.00	330,000	183,975.00	513,975.00	1,920,970.00
2035	1,394,202.50	330,000	169,125.00	499,125.00	1,893,327.50
2036	1,385,777.50	330,000	155,925.00	485,925.00	1,871,702.50
2037	1,376,228.75	330,000	142,725.00	472,725.00	1,848,953.75
2038	1,355,862.50	330,000	129,525.00	459,525.00	1,815,387.50
2039	1,344,262.50	330,000	116,325.00	446,325.00	1,790,587.50
2040	1,331,787.50	330,000	103,125.00	433,125.00	1,764,912.50
2041	1,323,200.00	330,000	89,925.00	419,925.00	1,743,125.00
2042	1,308,293.75	330,000	76,725.00	406,725.00	1,715,018.75
2043	1,002,393.75	330,000	63,525.00	393,525.00	1,395,918.75
2044	471,787.50	330,000	50,325.00	380,325.00	852,112.50
2045	385,193.75	330,000	36,712.50	366,712.50	751,906.25
2046	-	330,000	22,275.00	352,275.00	352,275.00
2047	-	330,000	7,425.00	337,425.00	337,425.00
Total	$ 24,579,680.00	$ 6,610,000	$ 3,116,413.06	$ 9,726,413.06	$ 34,306,093.06

Average Annual Debt Service Requirements (2027-2047) $1,633,623
Maximum Annual Debt Service Requirement (2028) $2,140,305

Estimated Overlapping Debt

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

Taxing Jurisdiction	Outstanding Bonds	As of	Overlapping Percent	Overlapping Amount
Harris County	$ 2,952,415,112	9/30/2026	0.08%	$ 2,361,932
Harris County Department of Education	28,960,000	9/30/2026	0.08%	23,168
Harris County Flood Control District	1,001,580,000	9/30/2026	0.08%	801,264
Harris County Hospital District	1,644,825,000	9/30/2026	0.08%	1,315,860
Lone Star College System	336,455,000	9/30/2026	0.14%	471,037
Port of Houston Authority	386,074,397	9/30/2026	0.08%	308,860
Tomball ISD	1,053,680,000	9/30/2026	2.84%	29,924,512
Total Estimated Overlapping Debt				$ 35,206,633
The District's Total Direct Debt (a)				25,090,000
Total Direct and Estimated Overlapping Debt				$ 60,296,633
Direct and Estimated Overlapping Debt as a Percentage of:				
2026 Certified Taxable Assessed Valuation of $545,326,732				11.06%

(a) Includes the Bonds and the Outstanding Bonds.

Overlapping Taxes

Property within the District is subject to taxation by several taxing authorities in addition to the District. On January 1 of each year a tax lien attaches to property to secure the payment of all taxes, penalties and interest imposed on such property. The lien exists in favor of each taxing unit, including the District, having the power to tax the property. The District's tax lien is on a parity with tax liens of taxing authorities shown below. In addition to ad valorem taxes required to pay debt service on bonded debt of the District and other taxing authorities, certain taxing jurisdictions, including the District, are also authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

Set forth below are all of the taxes levied for the 2026 tax year by all overlapping taxing jurisdictions and the 2026 tax rate of the District. No recognition is given to local assessments for civic association dues, fire department contributions, solid waste disposal charges or any other levy of entities other than political subdivisions.

	Tax Rate per $100 of Taxable Assessed Valuation
Harris County (including Harris County Flood Control District, Harris County Hospital District, Harris County Department of Education and the Port of Houston Authority)	$ 0.676267
Harris County Emergency Services District No. 8	0.100000
Harris County Emergency Services District No. 15	0.050000
Lone Star College System	0.105800
Tomball ISD	1.055800
Total Overlapping Tax Rate	$ 1.987867
The District	0.600000
Total Tax Rate	$ 2.587867

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 "Historical Tax Rate Distribution" below 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. A maintenance tax election was conducted May 10, 2014, and voters of the District authorized, among other things, the Board to levy an unlimited maintenance tax. A maintenance tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds. See "Debt Service Tax" and "Historical Tax Rate Distribution" herein.

Historical Tax Rate Distribution

	2026	2025	2024	2023	2022
Debt Service	$ 0.3700	$ 0.3150	$ 0.3000	$ 0.3400	$ 0.3800
Maintenance and Operations	0.2300	0.3350	0.3500	0.3100	0.2700
Total	$ 0.6000	$ 0.6500	$ 0.6500	$ 0.6500	$ 0.6500

Historical Tax Collections

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

Tax Year	Net Certified Taxable Valuation (a)	Tax Rate	Total Tax Levy	Total Collections as of September 30, 2026 (b) Amount	Percent
2021	227,657,421	0.65	1,479,773	1,479,773	100.00%
2022	286,010,439	0.65	1,859,068	1,859,068	100.00%
2023	361,165,146	0.65	2,347,573	2,347,573	100.00%
2024	403,670,645	0.65	2,623,859	2,623,859	100.00%
2025	470,661,659	0.65	3,059,301	3,037,776	99.30%
2026	545,326,732	0.60	3,271,960	(c)	(c)

(a) Certified by the Appraisal District. See "Tax Roll Information" below.
(b) Unaudited.
(c) In process of collection. Taxes for 2026 are due by January 31, 2027.

Tax Roll Information

The District's assessed value as of January 1 of each year is used by the District in establishing its tax rate. See "TAXING PROCEDURES—Valuation of Property for Taxation." The following represents the composition of property comprising 2022 through 2026 Taxable Assessed Valuations. An accurate breakdown related to the uncertified portion of the 2026 Taxable Assessed Valuation is not available as of the date hereof. Taxes are levied on taxable value certified by the Appraisal District as of January 1 of each year.

	2026 Taxable Assessed Valuation	2025 Taxable Assessed Valuation	2024 Taxable Assessed Valuation	2023 Taxable Assessed Valuation	2022 Taxable Assessed Valuation
Land	$ 140,339,800	$ 122,859,225	$ 116,187,078	$ 99,838,163	$ 64,485,601
Improvements	409,538,725	396,072,275	321,274,710	305,788,482	254,754,178
Personal Property	3,327,289	3,322,866	3,058,531	1,608,861	1,791,458
Exemptions	(56,109,759)	(51,592,707)	(36,849,674)	(46,070,360)	(35,020,798)
Uncertified	48,230,677	-	-	-	-
Total Taxable Value	$ 545,326,732	$ 470,661,659	$ 403,670,645	$ 361,165,146	$ 286,010,439

Principal Taxpayers

The following table represents the principal taxpayers, the taxable assessed value of such property, and such property's taxable assessed value as a percentage of the certified portion ($497,096,055) of the 2026 Taxable Assessed Valuation of $545,326,732. An accurate principal taxpayer list related to the uncertified portion ($48,230,677) of the 2026 Taxable Assessed Valuation is not available as of the date hereof. This represents ownership as of January 1, 2026.

Taxpayer	2026 Certified Taxable Assessed Valuation	% of 2026 Certified Taxable Assessed Valuation
Individual	$ 5,345,855	1.08%
Individual	5,189,638	1.04%
Individual	5,047,976	1.02%
Individual	4,808,306	0.97%
Individual	4,471,546	0.90%
Individual	4,427,861	0.89%
Individual	4,321,531	0.87%
Individual	4,255,159	0.86%
Individual	3,993,000	0.80%
Individual	3,750,421	0.75%
Total	$ 45,611,293	9.18%

Tax Adequacy for Debt Service

The tax rate calculations set forth below are presented to indicate the tax rates per $100 of taxable assessed valuation which would be required to meet average annual and maximum annual debt service requirements on the Bonds and the Outstanding Bonds if no growth in the District's tax base occurred beyond the 2026 Taxable Assessed Valuation of $545,326,732 ($497,096,055 of certified value plus $48,230,677 of uncertified value). The calculations contained in the following table merely represent the tax rates required to pay principal of and interest on the Bonds and the Outstanding Bonds when due, assuming no further increase or any decrease in the taxable value in the District, collection of ninety-five percent (95%) of taxes levied, the sale of no additional bonds, and no other funds available for the payment of debt service. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements" and "INVESTMENT CONSIDERATIONS—Possible Impact on District Tax Rates."

Average Annual Debt Service Requirement (2027-2047)	$1,633,623
$0.32 Tax Rate on the 2026 Taxable Assessed Valuation	$1,657,793
Maximum Annual Debt Service Requirement (2028)	$2,140,305
$0.42 Tax Rate on the 2026 Taxable Assessed Valuation	$2,175,854

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

TAXING PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in an amount sufficient to pay the principal of and interest on the Bonds, 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 and Security 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 and for the payment of certain contractual obligations. See "TAX DATA—Debt Service Tax" and "—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 65 years or older and of certain disabled persons, and travel trailers, to the extent deemed advisable by the Board. The District may be required to offer such an exemption if a majority of voters approve it at an election. The District would be required to call such an election upon petition by 20% of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax-supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans, or certain surviving dependents of disabled veterans if requested, but only to the maximum extent of $5,000 to $12,000 of assessed valuation depending upon the disability rating of the veteran, if such rating is less than 100%. A veteran who receives a disability rating of 100% is entitled to the exemption for the full amount of the residential homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran is entitled to an exemption for the full value of the veteran's residence homestead to which the disabled veterans' exemption applied including the surviving spouse of a disabled veteran who would have qualified for such exemption if it had been in effect on the date the disabled veteran died. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homesteads in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. The surviving spouse of a first responder who was killed or fatally injured in the line of duty is, subject to certain conditions, also entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to 20% of the appraised value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the assessor and collector of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted before July 1. The District has never adopted an order granting a general residential homestead exemption.

Freeport Goods and Goods-in-Transit Exemptions: A "Freeport Exemption" applies to goods, wares, 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 that are destined to be forwarded outside of Texas and that are detained in Texas for assembling, storing, manufacturing, processing, or fabricating for fewer 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 that are covered by the Freeport Exemption, if, for tax year 2011 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2012 and subsequent years, such Goods-in-Transit Exemption includes tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to

receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit personal property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. The District has taken official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years.

Tax Abatement

Harris County may designate all or part of the area within the District as a reinvestment zone. Thereafter, Harris County and the District, at the option and discretion of each entity, 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. If a claimant receives the agricultural or timber land appraisal on land and later changes the land use or sells the land to an unqualified owner, an additional tax is imposed on the land equal to the difference between the taxes imposed on the land for each of the three years preceding the year in which the change of use occurs that the land was appraised as agricultural or timber land and the tax that would have been imposed had the land been taxed on the basis on market value in each of those years. Provisions of the Tax Code are complex and are not fully summarized here.

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.

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. 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. For those taxes billed at a later date and that become delinquent on or after June 1, they will also incur an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. 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. 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, if the person requests an installment agreement and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in 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 a person (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 or to defer the payment of taxes without penalty during the time of ownership.

Rollback of Operation and Maintenance Tax Rate

Chapter 49 of the Texas Water Code, as amended, classifies municipal utility districts differently based on their current operation and maintenance tax rate or on the percentage of projected build-out that a 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 herein as "Special Taxing Units." Districts that have financed, completed, and issued bonds to pay for all land, 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 an 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 in the district, subject to certain homestead exemptions, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Special Taxing Unit is the current year's debt service and contract tax rate plus 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 by the Board of Directors on an annual basis, at the time a district sets its tax rate. For 2026, the District was designated as a Developing 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)—Overlapping Taxes." A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. Personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

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

INVESTMENT CONSIDERATIONS

General

The Bonds are obligations solely of the District and are not obligations of the City of Houston, the City of Tomball, 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 and Security 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 taxable property within the District will 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.

Economic Factors and Interest Rates

A substantial percentage of the taxable value of the District results from the current market value of single-family residences and developed lots which are currently being marketed by the Developer for the construction of primary residences. The market value of such homes and lots is related to general economic conditions in the greater Houston region and the natural economy which can affect the demand for residences. Demand for lots and the construction of residential improvements thereon can be significantly affected by factors such as interest rates, credit availability, construction costs, energy availability and the prosperity and demographic characteristics of the urban center toward which the marketing of lots is directed. Decreased levels of construction activity would tend to restrict the growth of property values in the District or could adversely impact such values. See "THE DISTRICT—Builders" and "Credit Markets and Liquidity in the Financial Markets" below.

Credit Markets and Liquidity in the Financial Markets

Interest rates and the availability of mortgage and development funding have a direct impact on the construction activity, particularly short-term interest rates at which developers are able to obtain financing for development costs. Interest rate levels may affect the ability of a landowner with undeveloped property to undertake and complete construction activities within the District. Because of the numerous and changing factors affecting the availability of funds, the District is unable to assess the future availability of such funds for continued construction within the District. In addition, since the District is located approximately 26 miles from the central downtown business district of the City of Houston, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the greater Houston metropolitan and regional economies and the national financial and credit markets. A downturn in the economic conditions of the City of Houston and the nation could adversely affect development and building plans in the District and restrain the growth or reduce the value of the District's property tax base.

Competition

The demand for and construction of single-family homes in the District, which is approximately 26 miles from downtown Houston, could be affected by competition from other developments, including other more traditional residential developments located in the northwestern portion of the Houston area market. In addition to competition for new home sales from other developments, there are numerous previously owned homes in the area of the District. Such homes could represent additional competition for new homes proposed to be sold within the District.

The competitive position of the Developer in the sale of single-family residential lots to homebuyers and custom homebuilders and the timing of the construction of homes within the District is affected by most of the factors discussed in this section. Such a competitive position directly affects the growth and maintenance of taxable values in the District and tax revenues to be received by the District. The District can give no assurance that building and marketing programs in the District by the Developer or home site owners will be implemented or, if implemented, will be successful. See "THE DEVELOPER—Lot Sales."

Undeveloped Acreage and Vacant Lots

There are approximately 158 developable acres in the District that have not been provided with water, sewer, drainage, and road facilities necessary for the construction of taxable improvements. There are 37 vacant estate lots with no home construction, of which 19 are available for sale and home construction and 18 are owned by individuals for future home construction. The District makes no representation as to when or if development of undeveloped acreage will occur or if vacant lots will be sold to a homeowner or when a home may be constructed on a lot. Future increases in value will result primarily from the construction of homes or developed lots. Failure of the Developer to develop the developable land or of builders to construct taxable improvements on the developed lots could restrict the rate of growth of taxable value in the District. See "THE DISTRICT—Land Use," "THE DEVELOPER—Lot Sales" and "THE SYSTEM."

Landowner Obligation to the District

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

Increase in Costs of Building Materials

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

Possible Impact on District Tax Rates

Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of owners of property within the District to pay their taxes. The 2026 Taxable Assessed Valuation is $545,326,732 ($497,096,055 of certified value plus $48,230,677 of uncertified value). After issuance of the Bonds, the maximum annual debt service requirement will be $2,140,305 (2028), and the average annual debt service requirement will be $1,633,623 (2027-2047 inclusive). Assuming no increase or decrease from the 2026 Taxable Assessed Valuation, the issuance of no additional debt, and no other funds available for the payment of debt service, tax rates of $0.42 and $0.32 per $100 of taxable assessed valuation at a ninety-five percent (95%) collection rate would be necessary to pay both the maximum annual debt service requirement and the average annual debt service requirements, respectively.

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

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 or homebuilding activity within the District. The District cannot predict the impact that negative conditions in the oil industry could have on property values or homebuilding activity in the District.

Extreme Weather Events

The greater Houston area, including the District, is subject to occasional severe weather events, including tropical storms and hurricanes. If the District were to sustain damage to its facilities requiring substantial repair or replacement, or if substantial damage were to occur to taxable property within the District as a result of such a weather event, the investment security of the Bonds could be adversely affected. 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 26, 2017, and brought historic levels of rainfall during the successive four days.

According to the Developer and the Engineer, the District's water and drainage system did not sustain any material damage and there was no interruption of water service as a result of Hurricane Harvey. Further, to the best knowledge of the Developer, and the Engineer, no homes within the District experienced structural flooding or other material damage as a result of Hurricane Harvey.

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

Specific Flood Type Risks

The District may be 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.

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 "TAX PROCEDURES—District's Rights in the Event of Tax Delinquencies."

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. A total of $36,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sewer and stormwater drainage facilities and refunding such bonds, $27,225,000 principal amount of unlimited tax bonds for the purpose of constructing road facilities and refunding such bonds, and $2,460,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities and refunding such bonds has been authorized by the District's voters. Although the voters have authorized bonds for sewer facilities, the District does not intend to finance such facilities. After issuance of the Bonds, $11,025,000 principal amount of unlimited tax bonds will remain authorized but unissued for water, sewer and stormwater drainage facilities, $25,535,000 principal amount of unlimited tax bonds for road facilities and none of the authorized bonds for parks and recreational facilities will remain authorized but unissued. In addition, voters may authorize the issuance of additional bonds secured by ad valorem taxes. The issuance of additional obligations may increase the District's tax rate and adversely affect the security for, and the investment quality and value of, the Bonds.

To date, the Developer has advanced certain funds for construction of water and stormwater drainage facilities which has not been reimbursed. After reimbursements are made with Bond proceeds, the District will owe the Developer approximately $300,000 for funds advanced to construct water and stormwater drainage facilities, roads and parks and recreational facilities in the District. The District intends to issue additional bonds in the future in order to develop the remainder of undeveloped but developable land (approximately 158 acres). The District does not employ any formula with respect to appraised valuations, tax collections or otherwise to limit the amount of parity bonds which it may issue. However, the outstanding principal amount of bonds issued to finance parks and recreational facilities may not exceed 1% of the District's certified taxable assessed valuation, unless the District meets certain financial feasibility requirements under the TCEQ rules, in which case the outstanding principal amount of such bonds issued by the District may not exceed an amount equal to three percent (3%) of the value of the taxable property in the District. Any bonds issued by the District, however, must be approved by the Attorney General of Texas and the Board of the District and any bonds issued to acquire or construct water and storm drainage facilities and recreational facilities, but not road facilities, must be approved by the TCEQ.

In addition, future changes in health or environmental regulations could require the construction and financing of additional improvements without any corresponding increases in taxable value in the District. See "THE BONDS— Issuance of Additional Debt."

Environmental and Air Quality Regulations

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.

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.

Risk Factors Related to the Purchase of Municipal Bond Insurance

The Underwriter has entered into an agreement with Assured Guaranty Inc. ("AG" or the "Insurer") for the purchase of a municipal bond insurance policy (the "Policy"). At the time of entering into the agreement, the Insurer was rated "AA" (stable outlook) by S&P and "A1" (stable outlook) by Moody's. See "MUNICIPAL BOND INSURANCE" and "APPENDIX B."

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

Neither the District nor the Underwriter have 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.

Marketability of the Bonds

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

Continuing Compliance with Certain Covenants

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

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 their own tax advisors with respect to any proposed pending or future legislation.

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.

LEGAL MATTERS

Legal Opinions

The District will furnish the Underwriter 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 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. 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 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," "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 Underwriter 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 Underwriter to take and pay for the Bonds, and of the District to deliver the Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the condition (financial or otherwise) of the District from that set forth or contemplated in the Preliminary Official Statement, as it may have been supplemented or amended, through the date of 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 is 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") is 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 Consequence

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.

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.

Qualified Tax-Exempt Obligations for Financial Institutions

Section 265(a) of the Code provides, in pertinent part, that interest paid or incurred by a taxpayer, including a "financial institution," on indebtedness incurred or continued to purchase or carry tax-exempt obligations is not deductible by such taxpayer in determining taxable income. Section 265(b) of the Code provides an exception to the disallowance of such deduction for any interest expense paid or incurred on indebtedness of a taxpayer which is a "financial institution" allocable to tax-exempt obligations, other than "private activity bonds," which are designated by a "qualified small issuer" as "qualified tax-exempt obligations." A "qualified small issuer" is any governmental issuer (together with any "on behalf of" or "subordinate" issuers) who issues no more than $10,000,000 of tax-exempt obligations during the calendar year. Section 265(b)(5) of the Code defines the term "financial institution" as any "bank" described in section 585(a)(2) of the Code, or any person accepting deposits from the public in the ordinary course of such person's trade or business which is

subject to federal or state supervision as a financial institution. Notwithstanding the exception to the disallowance of the deduction of interest on indebtedness related to "qualified tax-exempt obligations" provided by Section 265 (b) of the Code, Section 291 of the Code provides that the allowable deduction to a "bank" as defined in Section 585(a)(2) of the Code, for interest on indebtedness incurred or continued to purchase "qualified tax-exempt obligations" shall be reduced by twenty percent (20%) as a "financial institution preference item."

The District has designated the Bonds as "qualified tax-exempt obligations" within the meaning of section 265(b) of the Code. In furtherance of that designation, the District will covenant to take such action which would assure or to refrain from such action which would adversely affect the treatment of the Bonds as "qualified tax-exempt obligations." Potential purchasers should be aware that if the issue price to the public (or, in the case of discount bonds, the amount payable at maturity) exceeds $10,000,000, then such obligations might fail to satisfy the $10,000,000 limitation and the obligations would not be "qualified tax-exempt obligations."

MUNICIPAL BOND RATING

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, ("S&P") assigned a municipal bond insured rating of "AA" (stable outlook) and Moody's Investors Service, Inc. ("Moody's") is expected to assign a municipal bond insured rating of "A1" (stable outlook), respectively, to the Bonds with the understanding that, upon issuance and delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by Assured Guaranty Inc. ("AG" or the "Insurer"). Moody's has also assigned an underlying credit rating of "A3" to the Bonds. An explanation of the ratings may be obtained from S&P and Moody's. See "INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance," "MUNICIPAL BOND INSURANCE" and "APPENDIX B."

The ratings reflect only the view of such organizations and the District makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised or withdrawn entirely by S&P or Moody's, if in their judgment, circumstances so warrant. Any such revisions or withdrawal of the ratings may have an adverse effect on the market price of the Bonds.

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Assured Guaranty Inc. ("AG") will issue its Municipal Bond Insurance Policy (the "Policy") for the Bonds. The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an appendix to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, Maryland, California, Connecticut or Florida insurance law.

Assured Guaranty Inc.

AG is a Maryland domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL" and together with its subsidiaries, "Assured Guaranty"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO." AGL, through its subsidiaries, provides credit enhancement products to the U.S. and non-U.S. public finance (including infrastructure) and structured finance markets, and participates in the asset management business through ownership interests in Sound Point Capital Management, LP and certain of its investment management affiliates, and in the annuity reinsurance business through Assured Life Reinsurance Ltd. Only AG is obligated to pay claims under the insurance policies AG has issued, and not AGL or any of its shareholders or other affiliates.

AG's financial strength is rated "AA" (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("KBRA") and "A1" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of AG should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AG in its sole discretion. In addition, the rating agencies may at any time change AG's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AG. AG only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AG on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On August 3, 2026, KBRA announced that it had affirmed AG's insurance financial strength rating of "AA+" (stable outlook).

On July 27, 2026, Moody's announced that it had affirmed AG's insurance financial strength rating of "A1" (stable outlook).

On July 17, 2026, S&P announced that it had affirmed AG's financial strength rating of "AA" (stable outlook).

AG can give no assurance as to any further ratings action that S&P, Moody's and/or KBRA may take. For more information regarding AG's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2025.

Capitalization of AG

At September 30, 2026:

- The policyholders' surplus of AG was approximately $3,102 million.
- The contingency reserve of AG was approximately $1,599 million.
- The net unearned premium reserves and net deferred ceding commission income of AG and its subsidiaries (as described below) were approximately $2,415 million. Such amount includes (i) 100% of the net unearned premium reserve and net deferred ceding commission income of AG and (ii) the net unearned premium reserves and net deferred ceding commissions of AG's wholly owned subsidiary Assured Guaranty UK Limited ("AGUK"), and its 99.9999% owned subsidiary Assured Guaranty (Europe) SA ("AGE").

The policyholders' surplus, contingency reserve, and net unearned premium reserves and net deferred ceding commission income of AG were determined in accordance with statutory accounting principles. The net unearned premium reserves and net deferred ceding commissions of AGUK and AGE were determined in accordance with accounting principles generally accepted in the United States of America.

Incorporation of Certain Documents by Reference

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AG are incorporated by reference into this OFFICIAL STATEMENT and shall be deemed to be a part hereof:

(i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2025 (filed by AGL with the SEC on February 27, 2026);

(ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2026 (filed by AGL with the SEC on May 8, 2026);

(iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2026 (filed by AGL with the SEC on August 7, 2026); and

(iv) the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2026 (filed by AGL with the SEC on November 6, 2026).

All information relating to AG included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this OFFICIAL STATEMENT and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at http://www.sec.gov, at AGL's website at http://www.assuredguaranty.com, or will be provided upon request to Assured Guaranty Inc.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AG included herein under the caption "MUNICIPAL BOND INSURANCE – Assured Guaranty Inc." or included in a document incorporated by reference herein (collectively, the "AG Information") shall be modified or superseded to the extent that any subsequently included AG Information (either directly or through incorporation by reference) modifies or supersedes such previously included AG Information. Any AG Information so modified or superseded shall not constitute a part of this OFFICIAL STATEMENT, except as so modified or superseded.

Miscellaneous Matters

AG makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AG has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AG supplied by AG and presented under the heading "MUNICIPAL Bond Insurance."

PREPARATION OF OFFICIAL STATEMENT

Sources and Compilation of Information

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

Financial Advisor

Masterson Advisors LLC is employed as the Financial Advisor to the District to render certain professional services, including advising the District on a plan of financing and preparing the OFFICIAL STATEMENT, including the OFFICIAL NOTICE OF SALE and the OFFICIAL BID FORM for the sale of the Bonds. In its capacity as Financial Advisor, Masterson Advisors LLC has compiled and edited this 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.

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

Engineer: The information contained in this OFFICIAL STATEMENT relating to engineering and to the description of the System and, in particular that information included in the sections entitled "THE DISTRICT" and "THE SYSTEM" has been provided by Edminster, Hinshaw, Russ and Associates, Inc. d/b/a EHRA, Inc., and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

Auditor: The District's financial statements for the year ended June 30, 2026, were audited by McCall Gibson Swedlund Barfoot Ellis PLLC, Certified Public Accountants. See "APPENDIX A" for a copy of the District's June 30, 2026, financial statements.

Updating the Official Statement

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

Certification of Official Statement

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

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Order, the District has made the following agreement for the benefit of the Registered Owners and Beneficial Owners. 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 and material events, to the Municipal Securities Rulemaking Board ("MSRB") through its Electronic Municipal Market Access ("EMMA") or any successor to its functions as a repository through the MSRB's system. This information will be publicly available on the MSRB's website at www.emma.msrb.org.

Annual Reports

The District will provide certain updated financial information and operating data annually to the MSRB via EMMA. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this OFFICIAL STATEMENT under the headings titled "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)" (except "Estimated Overlapping Debt" and "Overlapping Taxes"), "TAX DATA" and in "APPENDIX A—Audited Financial Statements." The District will update and provide this information to EMMA within six months after the end of each fiscal year ending in or after 2027.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents on the EMMA system, as permitted by SEC Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements, if such audit completed by the required time. If audited financial statements are not available by the required time, then the District shall provide unaudited financial statements for the applicable fiscal year to EMMA within such six month period, and audited financial statements when the audit report on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix A 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 June 30. Accordingly, it must provide updated information by December 31 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

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 (10) 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; 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; (15) incurrence of a financial obligation of the District or other obligated person within the meaning on the Rule, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person,

any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person 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. The MSRB makes the information available to the public without charge through its Electronic Municipal Market Access internet portal at www.emma.msrb.org.

Limitations and Amendments

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

Compliance With Prior Undertakings

During the last five years, the District has complied in all material respects with its prior continuing disclosure agreements made in accordance with SEC Rule 15c2-12.

MISCELLANEOUS

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

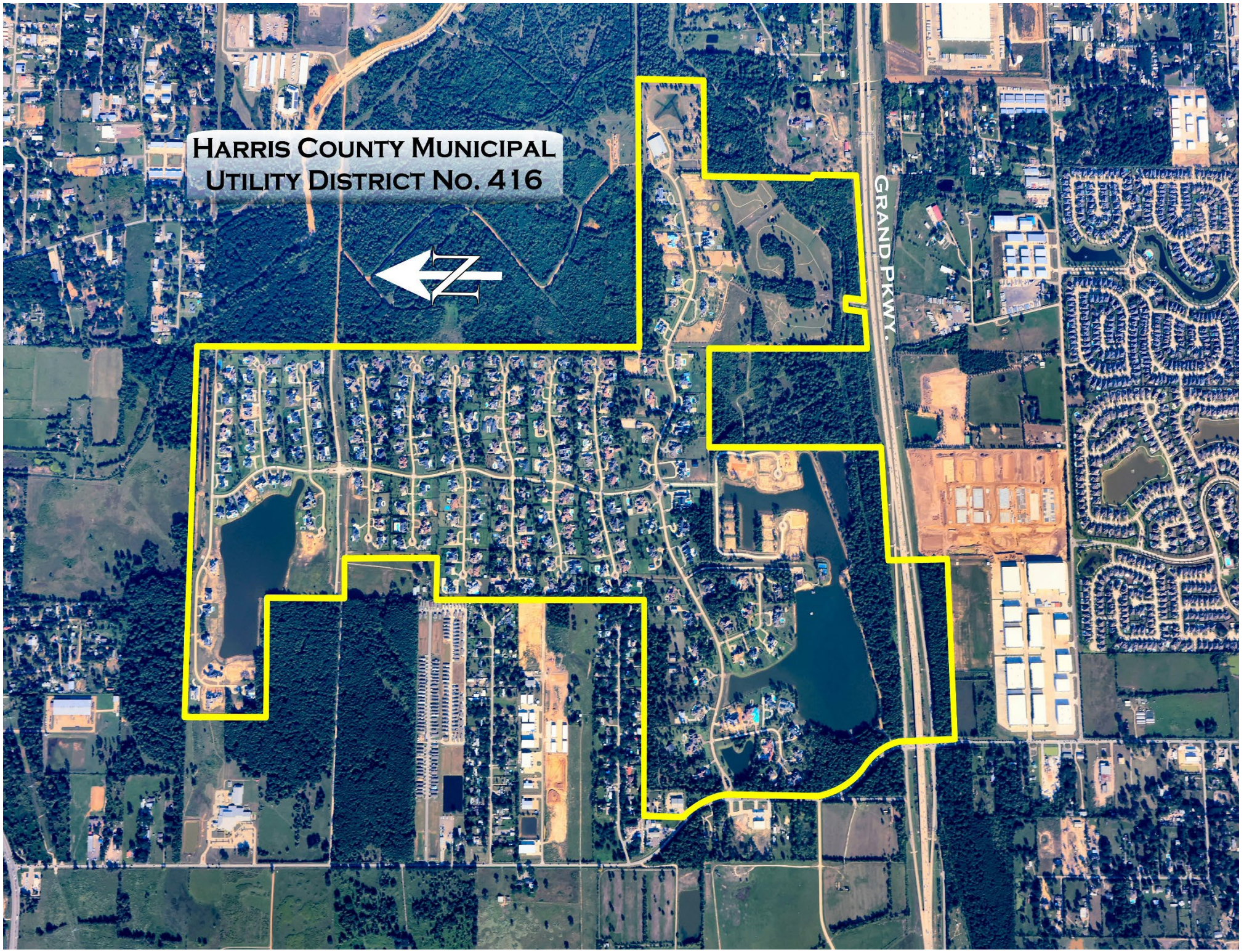
/s/Christopher C. Hughes
President, Board of Directors

ATTEST:

/s/William L. Shappley, III
Secretary, Board of Directors

AERIAL LOCATION MAP

(Approximate boundaries as of October 2026)


HARRIS COUNTY MUNICIPAL
UTILITY DISTRICT NO. 416
GRAND PKWY.

PHOTOGRAPHS OF THE DISTRICT

(Taken October 2026)











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APPENDIX A

The information contained in this appendix includes the Annual Audit Report of Harris County Municipal Utility District No. 416 and certain supplemental information for the fiscal year ended June 30, 2026.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 416

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

JUNE 30, 2026

McCALL GIBSON SWEDLUND BARFOOT ELLIS PLLC
Certified Public Accountants

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McCall Gibson Swedlund Barfoot Ellis PLLC

Certified Public Accountants

Chris Swedlund
Noel W. Barfoot
Joseph Ellis
Ashlee Martin

Mike M. McCall
(retired)
Debbie Gibson
(retired)

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Harris County Municipal
Utility District No. 416
Harris County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Harris County Municipal Utility District No. 416 (the "District") as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of June 30, 2026, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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 the District'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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the 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. We 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 we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Board of Directors
Harris County Municipal Utility District No. 416

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information required by the Texas Commission on Environmental Quality as published in the *Water District Financial Management Guide* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The supplementary information, excluding that portion marked "Unaudited" on which we express no opinion or provide an assurance, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

McCall Gibson Swedlund Barfoot Ellis PLLC

McCall Gibson Swedlund Barfoot Ellis PLLC
Certified Public Accountants
Houston, Texas

September 10, 2026

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 416
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2026

Management's discussion and analysis of the financial performance of Harris County Municipal Utility District No. 416 (the "District") provides an overview of the District's financial activities for the fiscal year ended June 30, 2026. Please read it in conjunction with the District's financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The basic financial statements include: (1) combined fund financial statements and government-wide financial statements and (2) notes to the financial statements. The combined fund financial statements and government-wide financial statements combine both: (1) the Statement of Net Position and Governmental Funds Balance Sheet and (2) the Statement of Activities and Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances. This report also includes required and other supplementary information in addition to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The District's annual report includes two financial statements combining the government-wide financial statements and the fund financial statements. The government-wide financial statements provide both long-term and short-term information about the District's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The Statement of Net Position includes all of the District's assets, liabilities, and deferred outflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

The Statement of Activities reports how the District's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid.

FUND FINANCIAL STATEMENTS

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has three governmental fund types. The General Fund accounts for property tax revenues, maintenance, repairs, professional fees, and administrative expenditures. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

FUND FINANCIAL STATEMENTS (Continued)

Governmental funds are reported in each of the financial statements. The focus in the fund financial statements provides a distinctive view of the District's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of the District and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. The adjustments columns, the Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position, and the Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities explain the differences between the two presentations and assists in understanding the differences between these two perspectives.

NOTES TO THE FINANCIAL STATEMENTS

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

OTHER INFORMATION

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information ("RSI") and other supplementary information. The budgetary comparison information is included as RSI for the General Fund.

FINANCIAL SUMMARY AND DETAILED ANALYSIS

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets and deferred outflows or resources exceeded liabilities by $1,917,567 as of June 30, 2026. A portion of the District's net position reflects its net investment in capital assets which includes the costs to construct or acquire District infrastructure less any debt issued to pay for those assets that is still outstanding.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The following table summarizes the changes in net position for the current and prior fiscal years.

Summary of Changes in the Statement of Net Position

	2026	2025	Change Positive (Negative)
Current and Other Assets	$ 8,620,488	$ 6,645,631	$ 1,974,857
Capital Assets (Net of Depreciation)	16,524,478	15,246,971	1,277,507
Total Assets	$ 25,144,966	$ 21,892,602	$ 3,252,364
Deferred Outflows of Resources	$ 59,100	$ 62,752	$ (3,652)
Due to Developer	$ 3,241,885	$ 7,166,188	$ 3,924,303
Bonds Payable	19,757,368	12,087,996	(7,669,372)
Other Liabilities	287,246	213,258	(73,988)
Total Liabilities	$ 23,286,499	$ 19,467,442	$ (3,819,057)
Net Position:			
Net Investment in Capital Assets	$ (4,952,595)	$ (2,630,989)	$ (2,321,606)
Restricted	2,963,888	2,438,192	525,696
Unrestricted	3,906,274	2,680,709	1,225,565
Total Net Position	$ 1,917,567	$ 2,487,912	$ (570,345)

The following table provides a comparative analysis of the District's operations for the years ending June 30, 2026 and June 30, 2025. The District's net position decreased by $570,345. Revenues, 90% of which are property taxes, increased by $431,480 compared to last year. This 16% increase resulted primarily from an increase in assessed valuations. Expenditures this fiscal year were $2,672,214 higher than the prior fiscal year, or 207%, primarily due to bond issuance costs and developer interest attributed to the two bond sales during the current fiscal year along with increases to operating costs which were impacted by inflationary pressures.

Summary of Changes in the Statement of Activities

	2026	2025	Change Positive (Negative)
Revenues:			
Property Taxes	$ 3,055,907	$ 2,624,427	$ 431,480
Other Revenues	337,363	290,967	46,396
Total Revenues	$ 3,393,270	$ 2,915,394	$ 477,876
Expenses:			
Service Operations	$ 783,690	$ 532,564	$ (251,126)
Depreciation	527,137	406,363	(120,774)
Debt Service	2,652,788	352,474	(2,300,314)
Total Expenses	$ 3,963,615	$ 1,291,401	$ (2,672,214)
Change in Net Position	$ (570,345)	$ 1,623,993	$ (2,194,338)
Net Position, Beginning of Year	2,487,912	863,919	1,623,993
Net Position, End of Year	$ 1,917,567	$ 2,487,912	$ (570,345)

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of June 30, 2026, totaled $8,436,869, an increase of $2,001,367 over the prior year. Fund balances include $3,122,193 which is restricted for Debt Service and $1,368,080 which is restricted for authorized construction. The remaining balance totaling $3,946,596 is considered unassigned and is available for use by the District for day-to-day operations. The General Fund fund balance increased by $1,101,997, primarily due to property tax revenues exceeding professional and repairs and maintenance costs. The Debt Service Fund fund balance increased by $630,262, primarily due to the structure of the District's outstanding bond debt. The Capital Projects Fund fund balance increased by $269,108. See Note 13 for information on the current year bond sales accounted for in the Capital Projects Fund.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors adopted a budget for the General Fund and did not amend the budget during the fiscal year. For additional information, see the budget to actual comparison and related notes presented as RSI.

SIGNIFICANT CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

CAPITAL ASSETS

Capital assets as of June 30, 2026, totaled $16,524,478 (net of accumulated depreciation). Current year additions to capital assets included roads serving Willowcreek Ranch, Section 12 as well as two bond sale which occurred during the current fiscal year described in Note 13.

Capital Assets At Year-End

	2026	2025	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	$ 2,293,980	$ 2,293,980	$
Capital Assets Subject to Depreciation:			
Park and Recreation	620,731	620,731	
Water Facilities and Connection Fees	2,855,047	2,825,047	30,000
Drainage and Detention Facilities	10,247,534	9,623,270	624,264
Paving	3,433,281	2,282,901	1,150,380
Less Accumulated Depreciation	(2,926,095)	(2,398,958)	(527,137)
Total Net Capital Assets	$ 16,524,478	$ 15,246,971	$ 1,277,507

LONG-TERM DEBT ACTIVITY

Bonds payable as of June 30, 2026, totaled $19,670,000. The changes in bonds payable during the current fiscal year are summarized in the following table:

Bond Debt Payable, July 1, 2025	$ 12,090,000
Add: Bond Sales	8,055,000
Less: Bond Principal Paid	(475,000)
Bond Debt Payable, June 30, 2026	$ 19,670,000

District bonds issued since 2021 through current have been assigned an underlying credit rating of "A3" by Moody's, while bonds issued prior to 2021 have not been assigned an underlying credit rating. The District's bonds (with the exception of the Series 2017 Bonds) carry insured ratings of "AA" by virtue of bond insurance issued by either Build America Mutual Assurance Company or Assured Guaranty. Credit enhanced ratings provided through bond insurance policies are subject to change based on changes to the ratings of the insurers.

The District's developer has funded the costs associated with the construction of utilities, roads and recreational facilities as well as made operating advances. Reimbursement will come from the proceeds of future bond issuances to the extent approved by the Commission. The developer liability at year end totaled $3,241,885.

CURRENTLY KNOWN FACTS, DECISIONS OR CONDITIONS

The adopted budget for fiscal year 2027 projects an increase in General Fund fund balance of $1,021,332. Revenues are expected to be $1,470,000 while expenditures are expected to be $448,668. This anticipated increase in the fund balance is consistent with the current year actual results.

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Harris County Municipal Utility District No. 416, c/o Smith, Murdaugh, Little & Bonham, L.L.P., 2727 Allen Parkway, Suite 1100, Houston, TX 77019.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 416
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2026

	General Fund	Debt Service Fund
ASSETS		
Cash	$ 9,341	$ 67,568
Investments	3,921,599	3,075,853
Property Taxes Receivable	54,678	51,414
Penalty and Interest on Delinquent Taxes		
Due from Other Funds	11,217	
Due from Community Association	57,365	
Land		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	$ 4,054,200	$ 3,194,835
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charges on Refunding Bonds	$ -0-	$ -0-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 4,054,200	$ 3,194,835

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
$	$ 76,909	$	$ 76,909
1,368,080	8,365,532		8,365,532
	106,092		106,092
		14,590	14,590
	11,217	(11,217)	
	57,365		57,365
		2,293,980	2,293,980
		14,230,498	14,230,498
$ 1,368,080	$ 8,617,115	$ 16,527,851	$ 25,144,966
$ -0-	$ -0-	$ 59,100	$ 59,100
$ 1,368,080	$ 8,617,115	$ 16,586,951	$ 25,204,066

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 416
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2026

	General Fund	Debt Service Fund
LIABILITIES		
Accounts Payable	$ 52,926	$ 10,011
Accrued Interest Payable		
Due to Developer		
Due to Other Funds		11,217
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	$ 52,926	$ 21,228
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	$ 54,678	$ 51,414
FUND BALANCES		
Restricted for Authorized Construction	$	$
Restricted for Debt Service		3,122,193
Unassigned	3,946,596	
TOTAL FUND BALANCES	$ 3,946,596	$ 3,122,193
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 4,054,200	$ 3,194,835
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
$	$ 62,937	$	$ 62,937
		224,309	224,309
		3,241,885	3,241,885
	11,217	(11,217)	
		1,190,000	1,190,000
		18,567,368	18,567,368
$ -0-	$ 74,154	$ 23,212,345	$ 23,286,499
$ -0-	$ 106,092	$ (106,092)	$ -0-
$ 1,368,080	$ 1,368,080	$ (1,368,080)	$
	3,122,193	(3,122,193)	
	3,946,596	(3,946,596)	
$ 1,368,080	$ 8,436,869	$ (8,436,869)	$ -0-
$ 1,368,080	$ 8,617,115		
		$ (4,952,595)	$ (4,952,595)
		2,963,888	2,963,888
		3,906,274	3,906,274
		$ 1,917,567	$ 1,917,567

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 416
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2026

Total Fund Balances - Governmental Funds		$ 8,436,869
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Interest paid in advance as part of a refunding bond sale is recorded as a deferred outflow of resources in governmental activities and systematically charged to interest expense over the remaining life of the new debt or the old debt, whichever is shorter.		59,100
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds.		16,524,478
Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2025 tax levy became part of recognized revenue in the governmental activities of the District.		120,682
Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:		
Due to Developer	$ (3,241,885)	
Accrued Interest Payable	(224,309)	
Bonds Payable	(19,757,368)	(23,223,562)
Total Net Position - Governmental Activities		$ 1,917,567

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 416
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2026

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	$ 1,570,872	$ 1,475,390
Penalty and Interest		66,944
Investment and Miscellaneous Revenues	122,680	95,684
TOTAL REVENUES	$ 1,693,552	$ 1,638,018
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	$ 310,934	$ 21,204
Contracted Services	52,400	35,047
Repairs and Maintenance	212,533	
Depreciation		
Other	15,688	7,786
Developer Interest		
Capital Outlay		
Debt Service:		
Bond Principal		475,000
Bond Interest		468,719
Bond Issuance Costs		
TOTAL EXPENDITURES/EXPENSES	$ 591,555	$ 1,007,756
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES	$ 1,101,997	$ 630,262
OTHER FINANCING SOURCES (USES)		
Proceeds From Issuance of Long-Term Debt	$	$
Bond Discount		
Bond Premium		
TOTAL OTHER FINANCING SOURCES (USES)	$ -0-	$ -0-
NET CHANGE IN FUND BALANCES	$ 1,101,997	$ 630,262
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - JULY 1, 2025	2,844,599	2,491,931
FUND BALANCES/NET POSITION - JUNE 30, 2026	$ 3,946,596	$ 3,122,193

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
$	$ 3,046,262	$ 9,645	$ 3,055,907
	66,944	(1,243)	65,701
53,298	271,662		271,662
$ 53,298	$ 3,384,868	$ 8,402	$ 3,393,270
$ 128,098	$ 460,236	$	$ 460,236
	87,447		87,447
	212,533		212,533
		527,137	527,137
	23,474		23,474
1,329,255	1,329,255		1,329,255
5,728,948	5,728,948	(5,728,948)	
	475,000	(475,000)	
	468,719	109,231	577,950
745,583	745,583		745,583
$ 7,931,884	$ 9,531,195	$ (5,567,580)	$ 3,963,615
$ (7,878,586)	$ (6,146,327)	$ 5,575,982	$ (570,345)
$ 8,055,000	$ 8,055,000	$ (8,055,000)	$
(123,847)	(123,847)	123,847	
216,541	216,541	(216,541)	
$ 8,147,694	$ 8,147,694	$ (8,147,694)	$ -0-
$ 269,108	$ 2,001,367	$ (2,001,367)	$
		(570,345)	(570,345)
1,098,972	6,435,502	(3,947,590)	2,487,912
$ 1,368,080	$ 8,436,869	$ (6,519,302)	$ 1,917,567

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 416
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2026

Net Change in Fund Balances - Governmental Funds	$	2,001,367
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.		9,645
Governmental funds report penalty and interest revenue on delinquent property taxes when collected. However, in the Statement of Activities, revenue is recorded when penalties and interest are assessed.		(1,243)
Governmental funds do not account for depreciation. However, in the Statement of Activities, depreciation expense is recorded on capital assets.		(527,137)
Governmental funds report capital outlay as expenditures in the period purchased. However, capital outlay increases capital assets or decreases the associated developer liability.		5,728,948
Governmental funds report bond premiums and bond discounts as other financing sources and uses in the year bonds are sold. However, in governmental activities, bond premiums and bond discounts are amortized over the life of the bonds.		(92,694)
Governmental funds report bond principal payments as expenditures. However, in governmental activities, bond principal payments are reported as decreases in long-term liabilities.		475,000
Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in governmental activities, interest is accrued on the long-term debt through fiscal year-end.		(109,231)
Governmental funds report bond proceeds as other financing sources. Issued bonds increase long-term liabilities in the Statement of Net Position.		(8,055,000)
Change in Net Position - Governmental Activities	$	(570,345)

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 416
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2026

NOTE 1. CREATION OF DISTRICT

Harris County Municipal Utility District No. 416 of Harris County, Texas was created effective February 7, 2006, by an Order of the Texas Commission on Environmental Quality (the "Commission"). Pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code, the District is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water, wastewater service, storm sewer drainage, irrigation, roads, solid waste collection and disposal, including recycling, parks and recreational facilities for the residents of the District. The first Board of Directors meeting was on March 13, 2006.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board ("GASB"). In addition, the accounting records of the District are maintained generally in accordance with the *Water District Financial Management Guide* published by the Commission.

The District is a political subdivision of the State of Texas governed by an elected board. GASB has established the criteria for determining whether or not an entity is a primary government or a component unit of a primary government. The primary criteria are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District's financial statement as component units.

Financial Statement Presentation

These financial statements have been prepared in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting ("GASB Codification"). The GASB Codification sets forth standards for external financial reporting for all state and local government entities, which include a requirement for a Statement of Net Position and a Statement of Activities. It requires the classification of net position into three components: Net Investment in Capital Assets; Restricted; and Unrestricted.

These classifications are defined as follows:

- Net Investment in Capital Assets – This component of net position consists of Capital Assets, reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

- Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

- Unrestricted Net Position – This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

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

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole and are combined with the governmental fund financial statements. The District is viewed as a special-purpose government and has the option of combining these financial statements. The Statement of Net Position is reported by adjusting the governmental fund types to report on the full accrual basis, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Any amounts recorded due to and due from other funds are eliminated in the Statement of Net Position. The Statement of Activities is reported by adjusting the governmental fund types to report only items related to current year revenues and expenditures. Items such as capital outlay are allocated over their estimated useful lives as depreciation expense. Internal activities between governmental funds are eliminated to obtain net total revenues and expenses of the Statement of Activities.

Fund Financial Statements

The District's fund financial statements are combined with the government-wide financial statements. The fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

Governmental Funds

The District has three governmental funds and considers each to be a major fund. The General Fund accounts for property tax revenues, maintenance, repairs, professional fees, and administrative costs. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

The District uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both "measurable and available." Measurable means the amount can be determined. Available means collectable within the current period or soon enough thereafter to pay current liabilities. The District considers revenue reported in governmental funds to be available if they are collectable within 60 days after year end. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, which are recognized as expenditures when payment is due.

Property taxes considered available by the District and included in revenue include taxes collected during the year and taxes collected after year-end, which were considered available to defray the expenditures of the current year. Deferred inflows of resources related to property tax revenues are those taxes which the District does not reasonably expect to be collected soon enough in the subsequent period to finance current expenditures.

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. As of June 30, 2026, the Debt Service Fund owed the General Fund $11,217 for maintenance tax collections.

Capital Assets

Capital assets include land, roads, drainage and detention facilities and are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Repairs and maintenance are expensed as incurred. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Engineering fees and certain other costs are capitalized as part of the asset, while developer interest costs are expensed when paid. Assets are capitalized, including infrastructure assets, if they have an original cost greater than $5,000 and a useful life over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation over periods ranging between 10 and 45 years. Water facilities are conveyed to Northwest Harris County Municipal Utility District No. 5 for the purpose of providing services to the District residents. In accordance with governmental accounting standards, the District records in its financial statements its investment in infrastructure as well as the associated long-term liabilities to finance the costs of such facilities which are used for the benefit of residents within the District.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgeting

The Board of Directors adopted a budget for the General Fund which was prepared using the same method of accounting as for financial reporting. The original General Fund budget for the current year was not amended. The Budgetary Comparison Schedule – General Fund presents the budgeted amounts compared to the actual amounts of revenues and expenditures for the current year.

Pensions

The District has not established a pension plan as the District does not have employees. The Internal Revenue Service has determined that fees of office received by Directors are considered to be wages subject to federal income tax withholding for payroll tax purposes only.

Measurement Focus

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets and liabilities associated with the activities are reported. Fund equity is classified as net position.

Governmental fund types are accounted for on a spending or financial flow measurement focus. Accordingly, only current assets and current liabilities are included on the Balance Sheet, and the reported fund balances provide an indication of available spendable or appropriable resources. Operating statements of governmental fund types report increases and decreases in available spendable resources.

Fund balances in governmental funds are classified using the following hierarchy:

Nonspendable: amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District does not have any nonspendable fund balances.

Restricted: amounts that can be spent only for specific purposes because of constitutional provisions, or enabling legislation, or because of constraints that are imposed externally.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

Committed: amounts that can be spent only for purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. This action must be made no later than the end of the fiscal year. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. The District does not have any committed fund balances.

Assigned: amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. The District has not adopted a formal policy regarding the assignment of fund balances and does not have any assigned fund balances.

Unassigned: all other spendable amounts in the General Fund.

When expenditures are incurred for which restricted, committed, assigned or unassigned fund balances are available, the District considers amounts to have been spent first out of restricted funds, then committed funds, then assigned funds, and finally unassigned funds.

Accounting Estimates

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

NOTE 3. LONG-TERM DEBT

The following table summarizes bonds payable transactions for the current fiscal year.

	July 1, 2025	Additions	Retirements	June 30, 2026
Bonds Payable	$ 12,090,000	$ 8,055,000	$ 475,000	$ 19,670,000
Unamortized Discounts	(60,084)	(123,848)	(7,577)	(176,355)
Unamortized Premiums	58,080	216,541	10,898	263,723
Bonds Payable, Net	$ 12,087,996	$ 8,147,693	$ 478,321	$ 19,757,368

Amount Due Within One Year	$ 1,190,000
Amount Due After One Year	18,567,368
Bonds Payable, Net	$ 19,757,368

NOTE 3. LONG-TERM DEBT (Continued)

	Series 2017 Utility	Series 2019 Utility	Series 2020 Road
Amounts outstanding – June 30, 2026	$ 4,065,000	$ 2,200,000	$ 1,390,000
Interest Rates	3.00% - 4.00%	3.00% - 3.75%	2.00% - 4.50%
Maturity Dates – Serially Beginning/Ending	September 1, 2026/2043	September 1, 2026/2043	September 1, 2026/2044
Interest Payment Dates	September 1/ March 1	September 1/ March 1	September 1/ March 1
Callable Dates	September 1, 2023*	September 1, 2024*	September 1, 2025*

	Series 2021 Refunding	Series 2025 Utility	Series 2025A Park
Amounts outstanding – June 30, 2026	$ 3,960,000	$ 5,595,000	$ 2,460,000
Interest Rates	1.00% - 3.00%	4.00% - 5.00%	4.00% - 4.375%
Maturity Dates – Serially Beginning/Ending	September 1, 2026/2042	September 1, 2026/2045	September 1, 2026/2045
Interest Payment Dates	September 1/ March 1	September 1/ March 1	September 1/ March 1
Callable Dates	September 1, 2027*	September 1, 2031*	September 1, 2031*

* The bonds are subject to redemption at the option of the District prior to their stated maturity in whole, or from time to time in part, on the call date or 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. Series 2017 term bonds maturing on September 1, 2031, 2033, 2035, 2037, and 2043, are subject to mandatory redemption on September 1, 2030, 2032, 2034, 2036, and 2038, respectively. Series 2019 term bonds maturing on September 1, 2033, 2035, 2037, 2039, 2041, and 2043, are subject to mandatory redemption on September 1, 2032, 2034, 2036, 2038, 2040, and 2042, respectively. Series 2020 Road term bonds maturing on September 1, 2036, 2040, and 2044, are subject to mandatory redemption on September 1, 2034, 2037, and 2041, respectively. Series 2021 Refunding term bonds maturing on September 1, 2034, and 2042, are subject to mandatory redemption on September 1, 2033, and 2040, respectively. Series 2025A term bonds maturing on September 1, 2038, are subject to mandatory redemption on September 1, 2037.

NOTE 3. LONG-TERM DEBT (Continued)

The District has authorized but unissued bonds in the amount of $17,635,000 for water, sanitary sewer, and stormwater drainage facilities and $25,535,000 for roads. These authorizations include any amounts issued for refunding purposes. 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.

As of June 30, 2026, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2027	$ 1,190,000	$ 649,951	$ 1,839,951
2028	1,115,000	605,797	1,720,797
2029	910,000	568,927	1,478,927
2030	930,000	538,200	1,468,200
2031	940,000	507,621	1,447,621
2032-2036	4,970,000	2,061,248	7,031,248
2037-2041	5,495,000	1,207,634	6,702,634
2042-2046	4,120,000	296,774	4,416,774
	$ 19,670,000	$ 6,436,152	$ 26,106,152

During the year ended June 30, 2026, the District levied an ad valorem debt service tax rate of $0.315 per $100 of assessed valuation, which resulted in a tax levy of $1,484,563 on the adjusted taxable valuation of $471,289,617 for the 2025 tax year. The bond orders require the District to 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.

All property values and exempt status, if any, are determined by the appraisal district. Assessed values are determined as of January 1 of each year, at which time a tax lien attaches to the related property. Taxes are levied around October/November, are due upon receipt and are delinquent the following February 1. Penalty and interest attach thereafter

NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS

The District has covenanted that it will take all necessary steps to comply with the requirement that rebatable arbitrage earnings on the investment of the gross proceeds of the bonds, within the meaning of Section 148(f) of the Internal Revenue Code, be rebated to the federal government. The minimum requirement for determination of the rebatable amount is on each five-year anniversary of the bonds.

The bond orders state the District is required by the Securities and Exchange Commission to provide continuing disclosure of certain general financial information and operating data with respect to the District to certain information repositories. This information, along with the audited annual financial statements, is to be provided within six months after the end of each fiscal year and shall continue to be provided through the life of the bonds.

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes.

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District's deposits was $76,909 and the bank balance was $85,176. The District was not exposed to custodial credit risk at year-end.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at June 30, 2026 as listed below:

	Cash
GENERAL FUND	$ 9,341
DEBT SERVICE FUND	67,568
TOTAL DEPOSITS	$ 76,909

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments

The District has adopted a written investment policy to establish the guidelines by which it may invest which is reviewed annually and which may be more restrictive than the Public Funds Investment Act.

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all District funds must be invested in accordance with the following investment objectives: understanding the suitability of the investment to the District's financial requirements, first; preservation and safety of principal, second; liquidity, third; marketability of the investments if the need arises to liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth; and yield, sixth. The District's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." No person may invest District funds without express written authority from the Board of Directors. Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act.

The District invests in TexPool, an external investment pool that is not SEC-registered. The State Comptroller of Public Accounts of the State of Texas has oversight of the pool. Federated Hermes, Inc. manages the daily operations of the pool under a contract with the Comptroller. TexPool measures all of its portfolio assets at amortized cost. As a result, the District records its investments in TexPool at amortized cost for financial reporting purposes. There are no limitations or restrictions on withdrawals from TexPool.

As of June 30, 2026, the District had the following investments and maturities:

Funds and Investment Type	Fair Value	Maturities of Less Than 1 Year
GENERAL FUND		
TexPool	$ 3,921,599	$ 3,921,599
DEBT SERVICE FUND		
TexPool	3,075,853	3,075,853
CAPITAL PROJECTS FUND		
TexPool	1,368,080	1,368,080
TOTAL INVESTMENTS	$ 8,365,532	$ 8,365,532

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The District's investment in TexPool was rated "AAAm" by Standard & Poor's. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investment in TexPool to have a maturity of less than one year since the share position can usually be redeemed each day at the discretion of the District, unless there has been a significant change in value.

Restrictions

All cash and investments of the Debt Service Fund are restricted for the payment of debt service and the cost of assessing and collecting taxes. All cash and investments of the Capital Projects Fund are restricted for the purchase of capital assets.

NOTE 6. CAPITAL ASSETS

Changes in capital assets during the current fiscal year are summarized in the following table:

	July 1, 2025	Increases	Decreases	June 30, 2026
Capital Assets Not Being Depreciated				
Land and Land Improvements	$ 2,293,980	$ - 0 -	$ -0-	$ 2,293,980
Capital Assets Subject to Depreciation				
Park and Recreation	$ 620,731	$	$	$ 620,731
Water Facilities and Connection Fees	2,825,047	30,000		2,855,047
Drainage and Detention Facilities	9,623,270	624,264		10,247,534
Paving	2,282,901	1,150,380		3,433,281
Total Capital Assets Subject to Depreciation	$ 15,351,949	$ 1,804,644	$ -0-	$ 17,156,593
Accumulated Depreciation				
Park and Recreation	$ 41,588	$ 62,073	$	$ 103,661
Water Facilities and Connection Fees	438,497	67,520		506,017
Drainage and Detention Facilities	1,652,366	330,704		1,983,070
Paving	266,507	66,840		333,347
Total Accumulated Depreciation	$ 2,398,958	$ 527,137	$ -0-	$ 2,926,095
Total Depreciable Capital Assets, Net of Accumulated Depreciation	$ 12,952,991	$ 1,277,507	$ -0-	$ 14,230,498
Total Capital Assets, Net of Accumulated Depreciation	$ 15,246,971	$ 1,277,507	$ -0-	$ 16,524,478

NOTE 7. MAINTENANCE TAX

On May 10, 2014, the voters of the District approved the levy and collection of a maintenance tax in an unlimited amount per $100 of assessed valuation of taxable property within the District. The maintenance tax is to be used to pay general and administrative expenditures and for any other lawful purpose. During the current fiscal year, the District levied an ad valorem maintenance tax rate of $0.335 per $100 of assessed valuation, which resulted in a tax levy of $1,578,821 on the adjusted taxable valuation of $471,289,617 for the 2025 tax year.

NOTE 8. WATER SUPPLY AGREEMENTS

On September 13, 2006, the District entered into an emergency water supply agreement with Northwest Harris County Municipal Utility District No. 5 ("District No. 5"). On February 14, 2007, the District and District No. 5 entered into a Water Facilities Contract. On April 4, 2007, District No. 5 purchased the water well and water plant located in the District for $2,185,150. All previous agreements were terminated by the Water Supply Agreement discussed below.

On August 15, 2013, the District and District No. 5 entered into a Water Supply Agreement. Pursuant to the agreement, the District relinquished any right to the water well and plant located within the District and District No. 5 agreed to provide water service for up to 300 equivalent single-family connections located within the District. The District is responsible for designing and constructing all water distribution facilities and purchases water capacity from District No. 5 at a cost of $1,500 per connection. District No. 5 is responsible for ordinary maintenance and repair costs while the District is responsible for unusual or extraordinary costs. The term of the agreement is 50 years.

The Water Supply Agreement was amended on January 17, 2019, to allow for the use of a portion of the District's capacity in the District No. 5 facilities to provide service to Graceview Baptist Church (the "Church").

On June 2, 2020, the District executed an Out of District Service Agreement with the Church. District No. 5 is responsible for reading the meters and billing the Church for water used. The term of the agreement is 50 years.

NOTE 9. NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY

The District is located within the boundaries of the North Harris County Regional Water Authority (the "Authority"). The Authority was created under Article 16, Section 59 of the Texas Constitution by House Bill 2965 (the "Act"), as passed by the 75th Texas Legislature, in 1999. The Act empowers the Authority to provide for the conservation, preservation, protection, recharge and prevention of waste of groundwater, and for the reduction of groundwater withdrawals. The Authority has entered into a contract for purchase of surface water from the City of Houston, Texas to assure that its participants comply with the Harris-Galveston Subsidence District ("HGSD") pumpage requirements, which mandate that districts within HGSD boundaries, including the District, convert a percentage of their water use to surface water over a period of time.

NOTE 10. UNREIMBURSED COSTS

The District's developer has funded costs associated with the construction of utilities, roads and recreational facilities. Reimbursement will come from the proceeds of future bond issuances to the extent approved by the Commission. Current year changes in unreimbursed costs owed to the developer are summarized in the following table:

Unreimbursed Costs, July 1, 2025	$ 7,166,188
Current year additions	1,804,645
Current year reimbursements	(5,728,948)
Unreimbursed Costs, June 30, 2026	$ 3,241,885

NOTE 11. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions and natural disasters from which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and there have been no settlements.

NOTE 12. MOWING AND MAINTENANCE AGREEMENT

On September 8, 2022, the District and Willowcreek Ranch Community Association (the "Association") entered into a Mowing and Maintenance Agreement. The District will provide mowing and maintenance services for the benefit of the Association. The agreement is in effect from month-to-month unless terminated. As of June 30, 2026, the Association owed the District $57,365.

NOTE 13. BOND SALES

On October 14, 2025, the District closed on the sale of its $5,595,000 Unlimited Tax Bonds, Series 2025. Proceeds were used to reimburse the developer for land as well as construction and engineering costs for water and drainage facilities serving: Willowcreek Ranch, Section 10 and Section 11; Willowcreek Ranch North Detention Facilities, Phases II and III; North Detention Phase III; and water service fees. Additional proceeds were used to pay developer interest, reimburse the developer for operating advances, and fund bond issuance costs.

On October 14, 2025, the District closed on the sale of its $2,460,000 Unlimited Tax Park Bonds, Series 2025A. Proceeds from the bond sale were used to reimburse the developer for construction and engineering costs related to land, landscape improvements, and stormwater facilities for Willowcreek Ranch, Section 1. Additional proceeds were used to pay for bond issuance costs and developer interest.

NOTE 14. NEW ACCOUNTING PRONOUNCEMENT

GASB Statement No. 103 was issued in April 2024 and became effective for the District in fiscal year 2026. The objective of this statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing an entity's accountability. For the District, GASB Statement No. 103 impacted Management's Discussion and Analysis and the budgetary comparison information for the General Fund but did not have an impact on the District's basic financial statements.

NOTE 15. PENDING BOND SALE

The District anticipates closing on the sale of its $6,610,000 Unlimited Tax Bonds, Series 2026 during the fourth quarter of 2026. Proceeds will be used to reimburse the developer for land as well as construction and engineering costs related to various water distribution facilities, storm water facilities, drainage improvements, and detention improvements. Additional proceeds will be used to pay developer interest and fund bond issuance costs.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 416

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2026

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 416
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2026

	Budgeted Amounts Original and Final	Actual Amounts Budgetary Basis	Variance with Final Budget- Over (Under) Actual Amounts
BUDGETARY REVENUES			
Property Taxes	$ 1,150,000	$ 1,570,872	$ 420,872
Investment and Miscellaneous Revenues	50,000	122,680	72,680
TOTAL BUDGETARY REVENUES	$ 1,200,000	$ 1,693,552	$ 493,552
BUDGETARY EXPENDITURES			
Service Operations:			
Professional Fees	$ 167,500	$ 310,934	$ 143,434
Contracted Services	40,000	52,400	12,400
Repairs and Maintenance	180,000	212,533	32,533
Other	29,668	15,688	(13,980)
TOTAL BUDGETARY EXPENDITURES	$ 417,168	$ 591,555	$ 174,387
NET CHANGE IN FUND BALANCE	$ 782,832	$ 1,101,997	$ 319,165
BUDGETARY FUND BALANCE - JULY 1, 2025	2,844,599	2,844,599	
BUDGETARY FUND BALANCE - JUNE 30, 2026	$ 3,627,431	$ 3,946,596	$ 319,165

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 416
NOTES TO THE BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2026

The unappropriated budget is adopted annually for the General Fund by the District's Board of Directors. The budget is prepared using the same method of accounting as for financial reporting, the modified accrual basis of accounting, which is consistent with generally accepted accounting principles. The original General Fund budget for the current year was adopted on June 26, 2025.

For the fiscal year ended June 30, 2026, actual revenues were $493,552 more than budgeted revenues primarily due to property taxes coming in higher than anticipated as a result of higher than anticipated assessed valuations. In addition, expenditures were higher than budgeted primarily due to engineering costs related to current and upcoming projects.

Overall, the District finished the year $319,165 ahead of budget.

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 416

SUPPLEMENTARY INFORMATION – REQUIRED BY THE

WATER DISTRICT FINANCIAL MANAGEMENT GUIDE

JUNE 30, 2026

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 416
SERVICES AND RATES
FOR THE YEAR ENDED JUNE 30, 2026

1. SERVICES PROVIDED BY THE DISTRICT DURING THE FISCAL YEAR:

_____	Retail Water	_____	Wholesale Water	X	Drainage
_____	Retail Sewer	_____	Wholesale Wastewater	_____	Irrigation
_____	Parks/Recreation	_____	Fire Protection	_____	Security
_____	Solid Waste/Garbage	_____	Flood Control	X	Roads
_____	Participates in joint venture or regional system				
_____	Other: See below**				

**Water service is provided by Northwest Harris County Municipal Utility District No. 5. The District is responsible for certain roads, detention and mitigation basins, amenity lakes, storm sewer facilities, and drainage infrastructure.

2. RETAIL SERVICE PROVIDERS: NOT APPLICABLE

3. TOTAL WATER CONSUMPTION: NOT APPLICABLE

4. STANDBY FEES: NOT APPLICABLE

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes X No _____

County in which District is located:

Harris County, Texas

Is the District located within a city?

Entirely _____ Partly _____ Not at all X

Is the District located within a city's extraterritorial jurisdiction (ETJ)?

Entirely X Partly _____ Not at all _____

ETJs in which District is located:

Cities of Houston, Texas and Tomball, Texas.

Is the general membership of the Board appointed by an office outside the District?

Yes _____ No X

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 416
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2026

PROFESSIONAL FEES:		
Auditing	$	18,500
Engineering		183,532
Legal		108,902
TOTAL PROFESSIONAL FEES	$	310,934
CONTRACTED SERVICES:		
Bookkeeping	$	52,400
REPAIRS AND MAINTENANCE	$	212,533
ADMINISTRATIVE EXPENDITURES:		
Director Fees, Including Payroll Taxes	$	7,137
Insurance		3,522
Meetings, Dues and Office		5,029
TOTAL ADMINISTRATIVE EXPENDITURES	$	15,688
TOTAL EXPENDITURES	$	591,555

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 416
INVESTMENTS
JUNE 30, 2026

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
GENERAL FUND					
TexPool	XXXX0006	Varies	Daily	$ 3,921,599	$ - 0 -
DEBT SERVICE FUND					
TexPool	XXXX0003	Varies	Daily	$ 2,904,617	$
TexPool	XXXX0005	Varies	Daily	171,236	
TOTAL DEBT SERVICE FUND				$ 3,075,853	$ - 0 -
CAPITAL PROJECTS FUND					
TexPool	XXXX0002	Varies	Daily	$ 789,701	$
TexPool	XXXX0004	Varies	Daily	314,842	
TexPool	XXXX0007	Varies	Daily	144,777	
TexPool	XXXX0008	Varies	Daily	118,760	
TOTAL CAPITAL PROJECTS FUND				$ 1,368,080	$ - 0 -
TOTAL - ALL FUNDS				$ 8,365,532	$ - 0 -

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 416
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2026

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE - JULY 1, 2025	$ 50,610		$ 45,837	
Adjustments to Beginning Balance	(3,882)	$ 46,728	(3,597)	$ 42,240
Original 2025 Tax Levy	$ 1,477,935		$ 1,389,700	
Adjustment to 2025 Tax Levy	100,886	1,578,821	94,863	$ 1,484,563
TOTAL TO BE ACCOUNTED FOR		$ 1,625,549		$ 1,526,803
TAX COLLECTIONS:				
Prior Years	$ 46,728		$ 42,240	
Current Year	1,524,143	1,570,871	1,433,149	1,475,389
TAXES RECEIVABLE - JUNE 30, 2026		$ 54,678		$ 51,414
TAXES RECEIVABLE BY YEAR:				
2025		$ 54,678		$ 51,414

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 416
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2026

	2025	2024	2023	2022
PROPERTY VALUATIONS:				
Land	$ 122,859,225	$ 116,187,078	$ 99,874,530	$ 64,485,601
Improvements	396,700,233	321,821,645	306,664,008	254,907,651
Personal Property	3,322,866	3,316,478	1,544,151	1,791,590
Exemptions	(51,592,707)	(36,628,490)	(46,040,087)	(34,619,429)
TOTAL PROPERTY VALUATIONS	$ 471,289,617	$ 404,696,711	$ 362,042,602	$ 286,565,413
TAX RATES PER $100 VALUATION:				
Debt Service	$ 0.315	$ 0.30	0.34	$ 0.38
Maintenance	0.335	0.35	0.31	0.27
TOTAL TAX RATES PER $100 VALUATION	$ 0.650	$ 0.65	$ 0.65	$ 0.65
ADJUSTED TAX LEVY*	$ 3,063,384	$ 2,630,527	$ 2,353,276	$ 1,862,674
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	96.54 %	100.00 %	100.00 %	100.00 %

* Based upon adjusted tax at time of audit for the period in which the tax was levied.

** Maintenance Tax – Voters approved an unlimited tax rate per $100 of assessed valuation on May 10, 2014.

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 416
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2026

Due During Fiscal Years Ending June 30	SERIES-2017 UTILITY		
	Principal Due September 1	Interest Due September 1/ March 1	Total
2027	$ 150,000	$ 148,765	$ 298,765
2028	160,000	144,035	304,035
2029	165,000	138,915	303,915
2030	175,000	133,388	308,388
2031	180,000	127,440	307,440
2032	190,000	121,150	311,150
2033	195,000	114,410	309,410
2034	205,000	107,210	312,210
2035	215,000	99,543	314,543
2036	225,000	91,403	316,403
2037	235,000	82,775	317,775
2038	245,000	73,655	318,655
2039	255,000	63,900	318,900
2040	270,000	53,400	323,400
2041	280,000	42,400	322,400
2042	295,000	30,900	325,900
2043	305,000	18,900	323,900
2044	320,000	6,400	326,400
2045			
2046			
	$ 4,065,000	$ 1,598,589	$ 5,663,589

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 416
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2026

Due During Fiscal Years Ending June 30	SERIES-2019 UTILITY		
	Principal Due September 1	Interest Due September 1/ March 1	Total
2027	$ 80,000	$ 71,462	$ 151,462
2028	85,000	68,987	153,987
2029	90,000	66,362	156,362
2030	95,000	63,587	158,587
2031	100,000	60,662	160,662
2032	105,000	57,587	162,587
2033	105,000	54,437	159,437
2034	110,000	51,212	161,212
2035	115,000	47,693	162,693
2036	120,000	43,876	163,876
2037	125,000	39,816	164,816
2038	135,000	35,428	170,428
2039	140,000	30,700	170,700
2040	145,000	25,713	170,713
2041	150,000	20,551	170,551
2042	160,000	15,126	175,126
2043	165,000	9,335	174,335
2044	175,000	3,175	178,175
2045			
2046			
	$ 2,200,000	$ 765,709	$ 2,965,709

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 416
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2026

Due During Fiscal Years Ending June 30	SERIES-2020 ROAD		
	Principal Due September 1	Interest Due September 1/ March 1	Total
2027	$ 75,000	$ 27,050	$ 102,050
2028	75,000	25,550	100,550
2029	75,000	24,050	99,050
2030	75,000	22,550	97,550
2031	75,000	21,050	96,050
2032	75,000	19,550	94,550
2033	75,000	18,050	93,050
2034	75,000	16,550	91,550
2035	75,000	15,050	90,050
2036	75,000	13,550	88,550
2037	75,000	12,050	87,050
2038	75,000	10,550	85,550
2039	70,000	9,100	79,100
2040	70,000	7,700	77,700
2041	70,000	6,300	76,300
2042	70,000	4,900	74,900
2043	70,000	3,500	73,500
2044	70,000	2,100	72,100
2045	70,000	700	70,700
2046			
	$ 1,390,000	$ 259,900	$ 1,649,900

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 416
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2026

Due During Fiscal Years Ending June 30	SERIES-2021 REFUNDING		
	Principal Due September 1	Interest Due September 1/ March 1	Total
2027	$ 185,000	$ 76,599	$ 261,599
2028	195,000	70,900	265,900
2029	200,000	65,975	265,975
2030	205,000	62,950	267,950
2031	205,000	60,644	265,644
2032	215,000	57,750	272,750
2033	220,000	53,938	273,938
2034	230,000	49,438	279,438
2035	230,000	44,838	274,838
2036	235,000	40,188	275,188
2037	245,000	35,388	280,388
2038	250,000	30,438	280,438
2039	255,000	25,388	280,388
2040	260,000	20,238	280,238
2041	270,000	14,769	284,769
2042	275,000	8,978	283,978
2043	285,000	3,028	288,028
2044			
2045			
2046			
	$ 3,960,000	$ 721,447	$ 4,681,447

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 416
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2026

Due During Fiscal Years Ending June 30	SERIES-2025 UTILITY		
	Principal Due September 1	Interest Due September 1/ March 1	Total
2027	$ 400,000	$ 232,100	$ 632,100
2028	350,000	213,350	563,350
2029	270,000	197,850	467,850
2030	270,000	184,350	454,350
2031	270,000	170,850	440,850
2032	270,000	157,350	427,350
2033	270,000	145,200	415,200
2034	270,000	134,400	404,400
2035	270,000	123,600	393,600
2036	270,000	112,800	382,800
2037	270,000	102,000	372,000
2038	270,000	91,200	361,200
2039	270,000	80,400	350,400
2040	270,000	69,600	339,600
2041	270,000	58,800	328,800
2042	270,000	48,000	318,000
2043	270,000	37,200	307,200
2044	265,000	26,500	291,500
2045	265,000	15,900	280,900
2046	265,000	5,300	270,300
	$ 5,595,000	$ 2,206,750	$ 7,801,750

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 416
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2026

Due During Fiscal Years Ending June 30	SERIES-2025A PARK		
	Principal Due September 1	Interest Due September 1/ March 1	Total
2027	$ 300,000	$ 93,975	$ 393,975
2028	250,000	82,975	332,975
2029	110,000	75,775	185,775
2030	110,000	71,375	181,375
2031	110,000	66,975	176,975
2032	110,000	62,575	172,575
2033	105,000	58,275	163,275
2034	105,000	54,075	159,075
2035	105,000	49,875	154,875
2036	105,000	45,675	150,675
2037	105,000	41,475	146,475
2038	105,000	37,275	142,275
2039	105,000	33,075	138,075
2040	105,000	28,875	133,875
2041	105,000	24,675	129,675
2042	105,000	20,344	125,344
2043	105,000	15,881	120,881
2044	105,000	11,419	116,419
2045	105,000	6,891	111,891
2046	105,000	2,297	107,297
	$ 2,460,000	$ 883,757	$ 3,343,757

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 416
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2026

Due During Fiscal Years Ending June 30	ANNUAL REQUIREMENTS FOR ALL SERIES		
	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2027	$ 1,190,000	$ 649,951	$ 1,839,951
2028	1,115,000	605,797	1,720,797
2029	910,000	568,927	1,478,927
2030	930,000	538,200	1,468,200
2031	940,000	507,621	1,447,621
2032	965,000	475,962	1,440,962
2033	970,000	444,310	1,414,310
2034	995,000	412,885	1,407,885
2035	1,010,000	380,599	1,390,599
2036	1,030,000	347,492	1,377,492
2037	1,055,000	313,504	1,368,504
2038	1,080,000	278,546	1,358,546
2039	1,095,000	242,563	1,337,563
2040	1,120,000	205,526	1,325,526
2041	1,145,000	167,495	1,312,495
2042	1,175,000	128,248	1,303,248
2043	1,200,000	87,844	1,287,844
2044	935,000	49,594	984,594
2045	440,000	23,491	463,491
2046	370,000	7,597	377,597
	$ 19,670,000	$ 6,436,152	$ 26,106,152

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 416
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED JUNE 30, 2026

Description	Original Bonds Issued	Bonds Outstanding July 1, 2025
Harris County Municipal Utility District No. 416 Unlimited Tax Bonds - Series 2017	$ 4,950,000	$ 4,210,000
Harris County Municipal Utility District No. 416 Unlimited Tax Bonds - Series 2019	2,625,000	2,280,000
Harris County Municipal Utility District No. 416 Unlimited Tax Road Bonds - Series 2020	1,690,000	1,465,000
Harris County Municipal Utility District No. 416 Unlimited Tax Refunding Bonds - Series 2021	4,620,000	4,135,000
Harris County Municipal Utility District No. 416 Unlimited Tax Bonds - Series 2025	5,595,000	
Harris County Municipal Utility District No. 416 Unlimited Tax Park Bonds - Series 2025A	2,460,000	
TOTAL	$ 21,940,000	$ 12,090,000

Bond Authority:	Road Bonds	Water, Sewer and Drainage Tax Bonds	Park and Recreational Facilities Bonds
Amount Authorized by Voters	$ 27,225,000	$ 36,000,000	$ 2,460,000
Amount Issued	(1,690,000)	(18,365,000)	(2,460,000)
Remaining to be Issued	$ 25,535,000	$ 17,635,000	$ - 0 -
	*	*	*

See accompanying independent auditor's report.

Current Year Transactions				
	Retirements		Bonds Outstanding	
Bonds Sold	Principal	Interest	June 30, 2026	Paying Agent
$	$ 145,000	$ 153,190	$ 4,065,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	80,000	73,862	2,200,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	75,000	29,488	1,390,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	175,000	82,000	3,960,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
5,595,000		92,133	5,595,000	The Bank of New York Mellon Trust Company, N.A. Houston, TX
2,460,000		38,046	2,460,000	The Bank of New York Mellon Trust Company, N.A. Houston, TX
$ 8,055,000	$ 475,000	$ 468,719	$ 19,670,000	

Debt Service Fund cash and investment balances as of June 30, 2026: $ 3,143,421

Average annual debt service payment for remaining term of all bond debt: $ 1,305,308

See Note 3 for interest rates, interest payment dates and maturity dates.

* Includes bonds authorized for refunding purposes.

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 416
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS

	Amounts		
	2026	2025	2024
REVENUES			
Property Taxes	$ 1,570,872	$ 1,390,542	$ 1,115,872
Investment and Miscellaneous Revenues	122,680	105,337	63,160
TOTAL REVENUES	$ 1,693,552	$ 1,495,879	$ 1,179,032
EXPENDITURES			
Professional Fees	$ 310,934	$ 195,124	$ 181,699
Contracted Services	52,400	36,400	35,800
Repairs and Maintenance	212,533	233,312	70,768
Other	15,688	23,210	18,527
Capital Outlay		120,766	64,267
TOTAL EXPENDITURES	$ 591,555	$ 608,812	$ 371,061
NET CHANGE IN FUND BALANCE	$ 1,101,997	$ 887,067	$ 807,971
BEGINNING FUND BALANCE	2,844,599	1,957,532	1,149,561
ENDING FUND BALANCE	$ 3,946,596	$ 2,844,599	$ 1,957,532

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2023	2022	2026	2025	2024	2023	2022
$ 756,886	$ 399,427	92.8 %	93.0 %	94.6 %	96.1 %	97.7 %
30,447	9,453	7.2	7.0	5.4	3.9	2.3
$ 787,333	$ 408,880	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
$ 156,074	$ 131,918	18.4 %	13.0 %	15.4 %	19.8 %	32.3 %
39,836	14,520	3.1	2.4	3.0	5.1	3.6
73,375	26,517	12.5	15.6	6.0	9.3	6.5
17,968	24,031	0.9	1.6	1.6	2.3	5.9
	33,327		8.1	5.5		8.2
$ 287,253	$ 230,313	34.9 %	40.7 %	31.5 %	36.5 %	56.5 %
$ 500,080	$ 178,567	65.1 %	59.3 %	68.5 %	63.5 %	43.5 %
649,481	470,914					
$ 1,149,561	$ 649,481					

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 416
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS

	Amounts		
	2026	2025	2024
REVENUES			
Property Taxes	$ 1,475,390	$ 1,195,454	$ 1,230,588
Penalty and Interest	66,944	40,062	41,400
Investment and Miscellaneous Revenues	95,684	89,683	78,316
TOTAL REVENUES	$ 1,638,018	$ 1,325,199	$ 1,350,304
EXPENDITURES			
Tax Collection Expenditures	$ 59,912	$ 42,868	$ 48,185
Debt Service Principal	475,000	460,000	435,000
Debt Service Interest and Fees	472,844	355,763	374,088
TOTAL EXPENDITURES	$ 1,007,756	$ 858,631	$ 857,273
NET CHANGE IN FUND BALANCE	$ 630,262	$ 466,568	$ 493,031
BEGINNING FUND BALANCE	2,491,931	2,025,363	1,532,332
ENDING FUND BALANCE	$ 3,122,193	$ 2,491,931	$ 2,025,363
TOTAL ACTIVE RETAIL WATER CONNECTIONS	*	*	*
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	**	**	**

* See Note 8

** Wastewater treatment is provided by the individual owners via an onsite aerobic system.

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2023	2022	2026	2025	2024	2023	2022
$ 1,071,650	$ 1,067,301	90.1 %	90.2 %	91.1 %	94.5 %	98.5 %
19,007	13,465	4.1	3.0	3.1	1.7	1.2
43,500	3,729	5.8	6.8	5.8	3.8	0.3
$ 1,134,157	$ 1,084,495	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
$ 33,429	$ 31,047	3.7 %	3.2 %	3.6 %	2.9 %	2.9 %
425,000	310,000	29.0	34.7	32.2	37.5	28.6
385,640	373,991	28.9	26.8	27.7	34.0	34.5
$ 844,069	$ 715,038	61.6 %	64.7 %	63.5 %	74.4 %	66.0 %
$ 290,088	$ 369,457	38.4 %	35.3 %	36.5 %	25.6 %	34.0 %
1,242,244	872,787					
$ 1,532,332	$ 1,242,244					
*	*					
**	**					

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 416
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JUNE 30, 2026

District Mailing Address - Harris County Municipal Utility District No. 416
c/o Smith, Murdaugh, Little & Bonham, L.L.P.
2727 Allen Parkway, Suite 1100
Houston, TX 77019

District Telephone Number - (713) 652-6500

Board Members	Term of Office (Elected or Appointed)	Fees of Office for the year ended June 30, 2026	Expense Reimbursements for the year ended June 30, 2026	Title
Christopher C. Hughes	05/26 05/30 (Elected)	$ 1,326	$ 312	President
Richard Godwin	05/26 05/30 (Elected)	$ 1,326	$ 463	Vice President
William L. Shappley, III	05/26 05/30 (Elected)	$ 1,547	$ 355	Secretary
Thomas A. Cook	05/24 05/28 (Elected)	$ 1,547	$ 347	Assistant Secretary
Reed Tinsley	05/24 05/28 (Elected)	$ 884	$ 205	Assistant Secretary

Notes: No Director has any business or family relationships (as defined by the Texas Water Code) with major landowners in the District, or with the District's developers or with any of the District's consultants.

The most recent submission date of the District Registration Form was on July 16, 2026.

The limit on Fees of Office that a Director may receive during a fiscal year is $7,200 as set by Board Resolution on August 10, 2023. Fees of Office are the amounts actually paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 416
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JUNE 30, 2026

	Date Hired	Fees for the year ended June 30, 2026	Title
Consultants:			
Smith, Murdaugh, Little & Bonham, L.L.P.	04/02/13	$ 108,902	General Counsel
	02/23/16	$ 21,204	Delinquent Tax Attorney
		$ 243,144	Bond Counsel
McCall Gibson Swedlund Barfoot Ellis PLLC	06/23/15	$ 18,500	Auditor
		$ 34,000	Bond Fees
Municipal Financial Management Inc.	06/22/26	$ -0-	Bookkeeper
Edminster, Hinshaw, Russ & Associates, Inc.	04/02/13	$ 228,245	Engineer
Masterson Advisors LLC	04/24/18	$ 162,416	Financial Advisor
Bob Leared Interests	04/02/13	$ 19,457	Tax Assessor/ Collector
FORVIS, LLP (Bookkeeper through Year End 06/30/2026)	07/14/22- 06/30/26	$ 52,400	Bookkeeper
		$ 3,200	Bond Fees

See accompanying independent auditor's report.

APPENDIX B

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

ASSURED GUARANTY®

MUNICIPAL BOND INSURANCE POLICY

ISSUER: Policy No.: -N

BONDS: $ in aggregate principal amount of Effective Date:

Premium: $

ASSURED GUARANTY INC. ("AG"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AG, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AG shall have received Notice of Nonpayment, AG will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AG, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AG. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AG is incomplete, it shall be deemed not to have been received by AG for purposes of the preceding sentence and AG shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AG shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AG hereunder. Payment by AG to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AG under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AG shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AG which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

SPECIMEN

AG may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AG pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AG and shall not be deemed received until received by both and (b) all payments required to be made by AG under this Policy may be made directly by AG or by the Insurer's Fiscal Agent on behalf of AG. The Insurer's Fiscal Agent is the agent of AG only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AG to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AG agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AG to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AG, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY INC. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY INC.

By _____
Authorized Officer

1633 Broadway, New York, N.Y. 10019 (212) 974-0100

SPECIMEN