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

PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER 5, 2026

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

IN THE OPINION OF BOND COUNSEL, THE BONDS ARE VALID OBLIGATIONS OF CHARLESTON MUNICIPAL UTILITY DISTRICT, AND INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR PURPOSES OF FEDERAL INCOME TAXATION UNDER STATUTES, REGULATIONS, PUBLISHED RULINGS AND COURT DECISIONS EXISTING ON THE DATE OF SUCH OPINION, SUBJECT TO THE MATTERS DESCRIBED UNDER "LEGAL MATTERS" HEREIN, INCLUDING THE ALTERNATIVE MINIMUM TAX ON CERTAIN CORPORATIONS. SEE "LEGAL MATTERS" HEREIN FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.

THE BONDS WILL BE DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS. SEE "LEGAL MATTERS—QUALIFIED TAX-EXEMPT OBLIGATIONS."

BOOK-ENTRY-ONLY

$4,000,000
CHARLESTON MUNICIPAL UTILITY DISTRICT
(A political subdivision of the State of Texas located within Fort Bend County)
UNLIMITED TAX BONDS
SERIES 2026

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

Principal of the bonds described above (the "Bonds") will be payable at maturity or earlier redemption at the principal payment office of the Paying Agent/Registrar, initially The Bank of New York Mellon Trust Company, N.A., Houston, Texas (the "Paying Agent/Registrar"). Interest on the Bonds will accrue from the date of initial delivery (expected on or about December 17, 2026) (the "Date of Delivery") and will be payable on May 1 and November 1 of each year, commencing May 1, 2027, until maturity or prior redemption and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Bonds will be issued in fully registered form only in denominations of $5,000 each or integral multiples thereof. The Bonds will be 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, as herein defined, 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."

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS

Due (May 1)	Principal Amount (a)		Interest Rate	Initial Reoffering Yield (b)	CUSIP Number (c)	Due (May 1)	Principal Amount (a)		Interest Rate	Initial Reoffering Yield (b)	CUSIP Number (c)
2029	$ 50,000					2041	$ 175,000	(d)			
2030	50,000					2042	175,000	(d)			
2031	50,000					2043	175,000	(d)			
2032	75,000					2044	175,000	(d)			
2033	75,000	(d)				2045	200,000	(d)			
2034	100,000	(d)				2046	200,000	(d)			
2035	100,000	(d)				2047	235,000	(d)			
2036	100,000	(d)				2048	235,000	(d)			
2037	115,000	(d)				2049	235,000	(d)			
2038	115,000	(d)				2050	235,000	(d)			
2039	175,000	(d)				2051	380,000	(d)			
2040	175,000	(d)				2052	400,000	(d)			

(a) The Initial Purchaser (as herein defined) may designate one or more maturities as term bonds. See accompanying "Official Notice of Sale" and "Official Bid Form."

(b) Initial reoffering yield represents the initial offering yield to the public, which has been established by the Initial Purchaser for offers to the public and which may be subsequently changed by the Initial Purchaser and is the sole responsibility of the Initial Purchaser. The initial reoffering yields indicated above represent the lower of the yields resulting when priced to maturity or to the first call date.

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

(d) The Bonds maturing on or after May 1, 2033 are subject to redemption prior to maturity at the option of the District, in whole or, from time to time in part, on May 1, 2032, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. See "THE BONDS—Redemption Provisions."

The Bonds, when issued, will constitute valid and legally binding obligations of Charleston Municipal Utility District (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, Fort Bend County, Texas, the City of Arcola, Texas or any entity other than the District. Investment in the Bonds is subject to special risk factors described herein. See "RISK FACTORS."

The Bonds are offered when, as and if issued by the District, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Schwartz, Page & Harding, L.L.P., Houston, Texas, Bond Counsel. Delivery of the Bonds in book-entry form through DTC is expected on or about December 17, 2026.

Bids Due: Thursday, November 12, 2026 at 10:00 A.M., Houston Time, Houston, Texas
Bid Award: Thursday, November 12, 2026 at 1:30 P.M., Houston Time, Houston, Texas

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DISTRICT AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED MARCH 31, 2026 ..... APPENDIX A

USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

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

All of the summaries of the statutes, orders, contracts, audited financial statements, engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Schwartz, Page & Harding, L.L.P., 1300 Post Oak Boulevard, Suite 2400, Houston, Texas, 77056 upon payment of the costs of duplication.

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 relevant information actually comes to its attention, the other matters described in this Official Statement until delivery of the Bonds to the Initial Purchaser, and thereafter only as specified in "UPDATING OF OFFICIAL STATEMENT."

OFFICIAL STATEMENT SUMMARY

The following information 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 FINANCING

The Issuer ..... Charleston Municipal Utility District (the "District"), a political subdivision of the State of Texas, is located in Fort Bend County, Texas. See "THE DISTRICT."

The Issue ..... $4,000,000 Charleston Municipal Utility District Unlimited Tax Bonds, Series 2026, dated December 1, 2026 (the "Bonds"). The Bonds mature serially on May 1 in each year from 2029 through 2052, both inclusive, in the respective amounts and bearing interest at the rates for each maturity shown on the cover page hereof. Interest on the Bonds will accrue from the Date of Delivery and will be payable May 1 and November 1 of each year, commencing May 1, 2027, until maturity or prior redemption and will be calculated on the basis of 360-day year consisting of twelve 30-day months. The Bonds maturing on or after May 1, 2033 are subject to optional redemption, in whole or, from time to time, in part, on May 1, 2032, or on any date thereafter, at a price equal to the principal amount of the Bonds to be redeemed plus accrued interest thereon to the date fixed for redemption. The Bonds will be issued in fully registered form only, in denominations of $5,000 or any integral multiple thereof. See "THE BONDS."

Book-Entry-Only ..... The Bonds will be registered in the name of, and delivered only to, Cede & Co., the nominee of DTC, pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the Beneficial Owners. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC, which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the Beneficial Owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM."

Authority for Issuance ..... At an election held within the District on May 4, 2019, voters authorized a total of $23,000,000 in principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities. The Bonds constitute the fourth issuance of bonds from such authorization. The Bonds are issued by the District pursuant to the terms and provisions of the Bond Order (hereinafter defined); Article XVI, Section 59 of the Texas Constitution; Chapters 49 and 54 of the Texas Water Code, as amended; an election held within the District and an order of the Texas Commission on Environmental Quality (the "Commission" or "TCEQ"). See "THE BONDS—Authority for Issuance."

Source of Payment ..... The Bonds and the Outstanding Bonds (defined herein) are payable from a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. The Bonds are obligations solely of the District and are not obligations of the State of Texas, Fort Bend County, Texas, the City of Arcola, Texas (the "City of Arcola") or any entity other than the District. See "THE BONDS—Source and Security for Payment."

Use of Proceeds ..... Proceeds from the Bonds will be used to reimburse the Developer (hereinafter defined) for certain construction and engineering costs associated with the District's wastewater treatment plant facilities, the District's detention facilities and the water, sanitary sewer and drainage facilities to serve Charleston Heights, Section One. Proceeds of the Bonds will also be used to pay interest on funds advanced by the Developer, to pay land acquisition costs and to pay certain costs associated with the issuance of the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

Payment Record ..... The District has previously issued $11,085,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities in three series, of which $10,775,000 principal amount remains outstanding as of the date hereof (the "Outstanding Bonds"). See "FINANCIAL STATEMENT—Outstanding Bonds." The District has timely paid its debt service on the Outstanding Bonds.

Qualified Tax-Exempt Obligations ..... The District will designate the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended. See "LEGAL MATTERS—Qualified Tax-Exempt Obligations."

Legal Opinion ..... Schwartz, Page & Harding, L.L.P., Bond Counsel, Houston, Texas.

Engineer ..... Odyssey Engineering Group, LLC, Houston, Texas.

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

Financial Advisor ..... Masterson Advisors LLC, Houston, Texas.

Paying Agent/Registrar ... The Bank of New York Mellon Trust Company, N.A., Houston, Texas.

Municipal Bond Rating and Municipal Bond Insurance ..... The District has not applied for an underlying rating on the Bonds nor is it expected that the District would have received an investment grade rating had such application been made. The Bonds have qualified for municipal bond insurance and the purchase of municipal bond insurance with an associated rating of at least "AA" from S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC or "Aa" from Moody's Investors Service is mandatory, at the expense of the Initial Purchaser, including any rating fees associated with the insurance. See "RISK FACTORS—Risk Factors Related to the Purchase of Municipal Bond Insurance" and "MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE."

Risk Factors ..... The purchase and ownership of the Bonds are subject to special risk factors, and all prospective purchasers are urged to examine carefully the entire Official Statement with respect to the investment security of the Bonds, including particularly the section captioned "RISK FACTORS."

THE DISTRICT

Description ..... The District is a municipal utility district created by an order of the Commission dated August 7, 2018 and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended. The District currently contains approximately 103 acres of land. See "THE DISTRICT."

Location ..... The District is located approximately 20 miles south of downtown Houston, north of Texas State Highway 6 and south of Post Road. Access to the District is provided by Texas State Highway 6 and Post Road. The District is located entirely within the extraterritorial jurisdiction of the City of Arcola and within the boundaries of the Fort Bend Independent School District. See "THE DISTRICT" and "AERIAL PHOTO."

Status of Development ..... The land within the District has been developed primarily as a single-family residential community. Development in the District consists of the subdivision Charleston Heights, Sections One and Two, totaling 404 single-family residential lots on approximately 71 acres.

As of August 31, 2026, the District contained 399 occupied single-family homes and 5 unoccupied single-family homes. The average home value within the District for tax year 2026 is approximately $275,600.

The District also includes approximately 15 acres that are undevelopable (roads, detention, drainage, open space and District facilities) and approximately 17 developable acres remaining to be developed. See "THE DISTRICT."

The Developer and Principal Landowner .... The developer in the District is Charleston C.M.I., Ltd., a Texas limited partnership ("Charleston C.M.I." or the "Developer"), whose general partner is C.I.L. Holdings LLC and whose limited partner is Camcorp Interests, LLC. All of the above-mentioned entities have common ownership.

VRE/Rosharon, LLC, a Delaware limited liability company ("VRE/Rosharon" or the "Principal Landowner"), owns approximately 17 developable acres of undeveloped land in the District. The District can make no representation about when or whether any future development will occur on such acreage.

No landowner, developer or any of their respective affiliates, is obligated to pay any principal of or interest on the Bonds. See "THE DISTRICT" and "THE DEVELOPER AND PRINCIPAL LANDOWNER."

SELECTED FINANCIAL INFORMATION

2026 Certified Taxable Assessed Valuation	$114,220,895	(a)
Gross Direct Debt Outstanding	$14,775,000	(b)
Estimated Overlapping Debt	5,616,504	(c)
Total Gross Direct Debt and Estimated Overlapping Debt	$20,391,504	
Ratio of Gross Direct Debt to:		
2026 Certified Taxable Assessed Valuation	12.94%	
Ratio of Gross Direct and Estimated Overlapping Debt to:		
2026 Certified Taxable Assessed Valuation	17.85%	
2026 Debt Service Tax Rate	$0.88	
2026 Maintenance and Operations Tax Rate	0.62	
2026 Total Tax Rate	$1.50	
Average Annual Debt Service Requirement (2027-2052)	$ 985,951	(d)
Maximum Annual Debt Service Requirement (2039)	$1,065,475	(d)
Tax Rate Required to Pay Average Annual Debt Service (2027-2052) at a 95% Collection Rate Based upon 2026 Certified Taxable Assessed Valuation	$0.91	
Tax Rate Required to Pay Maximum Annual Debt Service (2039) at a 95% Collection Rate Based upon 2026 Certified Taxable Assessed Valuation	$0.99	
Status of Development as of August 31, 2026 (e):		
Single-Family Homes Occupied	399	
Single-Family Homes Unoccupied	5	
Estimated Population	1,397	(f)

(a) As certified by the Fort Bend Central Appraisal District (the "Appraisal District"). See "TAX PROCEDURES."
(b) Includes the Bonds and the Outstanding Bonds. See "FINANCIAL STATEMENT—Outstanding Bonds."
(c) See "ESTIMATED OVERLAPPING DEBT STATEMENT."
(d) See "DEBT SERVICE REQUIREMENTS."
(e) See "THE DISTRICT—Status of Development."
(f) Based upon 3.5 persons per occupied single-family residence.

PRELIMINARY OFFICIAL STATEMENT

$4,000,000

CHARLESTON MUNICIPAL UTILITY DISTRICT
(A political subdivision of the State of Texas located within Fort Bend County)

UNLIMITED TAX BONDS, SERIES 2026

This Official Statement provides certain information in connection with the issuance by Charleston Municipal Utility District (the "District") of its $4,000,000 Unlimited Tax Bonds, Series 2026 (the "Bonds").

This Official Statement includes descriptions, among others, of the Bonds and an order authorizing the issuance of the Bonds (the "Bond Order") adopted by the Board of Directors of the District (the "Board"), and certain other information about the District, Charleston C.M.I., Ltd., a Texas limited partnership ("Charleston C.M.I." or the "Developer") and VRE/Rosharon, LLC, a Delaware limited liability company, ("VRE/Rosharon" or the "Principal Landowner"). All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of documents may be obtained from the District c/o Schwartz, Page & Harding, L.L.P., 1300 Post Oak Boulevard, Suite 2400, Houston, Texas 77056, upon payment of the cost of duplication.

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, a copy of which is 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 May 1 and November 1 (each an "Interest Payment Date"), commencing May 1, 2027, 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. The Bonds mature on May 1 of the years and in the amounts shown under "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS" 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 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 system described herein ("Registered Owners"). No physical delivery of the Bonds will be made to the purchasers thereof. See "BOOK-ENTRY-ONLY SYSTEM." Interest calculations are based upon a three hundred sixty (360) day year comprised of twelve (12) thirty (30) day months.

Authority for Issuance

At an election held within the District on May 4, 2019, voters of the District authorized a total of $23,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities. The Bonds constitute the fourth issuance of bonds from such authorization. After the issuance of the Bonds, a total of $7,915,000 principal amount of unlimited tax bonds for acquiring or constructing water, sanitary sewer and drainage facilities will remain authorized but unissued. The Bonds are issued by the District pursuant to the terms and provisions of the Bond Order; Article XVI, Section 59 of the Texas Constitution; Chapters 49 and 54 of the Texas Water Code, as amended; the general laws of the State of Texas; and an order of the Texas Commission on Environmental Quality (the "TCEQ" or the "Commission").

Source and Security for Payment

The Bonds, together with the Outstanding Bonds 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 "TAX 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 "RISK FACTORS." The Bonds are obligations solely of the District and are not obligations of the City of Arcola, Texas (the "City of Arcola"), Fort Bend County, the State of Texas, or any political subdivision or entity other than the District.

Funds

The Bond Order confirms the establishment of the District's Construction Fund (the "Construction Fund") and the District's Bond Fund (the "Bond Fund") created and established pursuant to the order of the District authorizing the issuance of the Outstanding Bonds. All proceeds of the Bonds will be deposited in the Construction Fund. The Bond Fund, which constitutes a trust fund for the benefit of the owners of the Bonds, the Outstanding Bonds and any additional tax bonds issued by the District, is to be kept separate from all other funds of the District, and is to be used for payment of debt service on the Bonds, the Outstanding Bonds and any of the District's duly authorized additional bonds payable in whole or part from taxes. Amounts on deposit in the Bond Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar, to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Bonds, the Outstanding Bonds and any additional bonds payable in whole or in part from taxes, and to pay any tax anticipation notes issued, together with interest thereon, as such tax anticipation notes become due.

Record Date

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

Redemption Provisions

The District reserves the right, at its option, to redeem the Bonds maturing on and after May 1, 2033 prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of $5,000, on May 1, 2032, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. 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 to collect interest which would otherwise accrue after the redemption date on any Bond or portion thereof called for redemption shall terminate on the date fixed for redemption.

Method of Payment of Principal and Interest

The Board has appointed The Bank of New York Mellon Trust Company, N.A., having its principal corporate trust office and principal payment office in Houston, Texas, as the initial 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. See "BOOK-ENTRY-ONLY SYSTEM."

Registration

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 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 the Register on behalf of the District.

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.

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.

Issuance of Additional Debt

The District's voters have authorized the issuance of a total of $23,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities and could authorize additional amounts. Following the issuance of the Bonds, the District will have $7,915,000 principal amount of unlimited tax bonds authorized but unissued for said improvements and facilities. The District's voters have also authorized a total of $23,000,000 principal amount of unlimited tax refunding bonds for the purpose of refunding outstanding bonds of the District, all of which remains authorized but unissued, and could authorize additional amounts.

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

Financing Road Facilities

Pursuant to Chapter 54 of the Water Code, a municipal utility district may petition the Commission for the power to issue bonds supported by property taxes to finance roads. Before the District could issue such bonds, the District would be required to receive a grant of such power from the Commission, authorization from the District's voters to issue such bonds, and approval of the bonds by the Attorney General of Texas. The District has not considered filing an application to the Commission for "road powers" or calling such an election at this time. Issuance of bonds for roads could dilute the investment security for the Bonds.

Financing Recreational Facilities

Conservation and reclamation districts in certain counties are authorized to develop and finance with property taxes certain recreational facilities after a district election has been successfully held to approve the issuance of bonds payable from taxes and/or a maintenance tax to support recreational facilities.

The District is authorized to issue bonds payable from an ad valorem tax to pay for the development and maintenance of recreational facilities if (i) the District duly adopts a plan for the facilities; (ii) the bonds are authorized at an election; (iii) the bonds payable from any source do not exceed one percent (1%) of the value of the taxable property in the District at the time of issuance of the bonds, or in the event the District meets certain conditions, three percent (3%) of the value of the taxable property in the District at the time of issuance of the bonds, but in no event in an amount greater than the estimated cost in the plan; (iv) the District obtains any necessary governmental consents allowing the issuance of such bonds; (v) the issuance of the bonds is approved by the Commission in accordance with its rules with respect to same;

and (vi) the bonds are approved by the Attorney General of Texas. The District may issue bonds for such purposes payable solely from net operating revenues without an election. In addition, the District is authorized to levy an operation and maintenance tax to support recreational facilities at a rate not to exceed 10 cents per $100 of assessed valuation of taxable property in the District, after such tax is approved at an election. Said maintenance tax is in addition to any other maintenance tax authorized to be levied by the District.

The District has not considered calling an election for such purposes but could consider doing so in the future. Issuance of bonds for recreational facilities could dilute the investment security for the Bonds.

Annexation

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Arcola, the District may be annexed for full purposes by the City of Arcola, subject to compliance by the City of Arcola with various requirements of Chapter 43 of the Texas Local Government Code, as amended. Such requirements may include the requirement that the City of Arcola hold an election in the District whereby the qualified voters of the District approve the proposed annexation. If the District is annexed, the City of Arcola must assume the District's assets and obligations (including the Bonds and the Outstanding Bonds) and abolish the District within ninety (90) days of the date of annexation. Annexation of territory by the City of Arcola is a policy-making matter within the discretion of the Mayor and City Council of the City of Arcola, and, therefore, the District makes no representation that the City of Arcola will ever attempt to annex the District and assume its debt. Moreover, no representation is made concerning the ability of the City of Arcola to make debt service payments should annexation occur.

Consolidation

The District has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its 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 right to seek 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. Certain traditional legal remedies may also not be available. See "RISK FACTORS—Registered Owners' Remedies."

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) for obligations of the District payable from revenues or from ad valorem taxes or both, or a commercial bank or trust company designated in the proceedings authorizing such 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, including obligations that are unconditionally guaranteed by 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 investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The foregoing obligations may be in book entry form and shall 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. If any of such Bonds are to be redeemed prior to their respective dates of maturity, provision must have been made for giving notice of redemption as provided in the Bond Order.

Upon such deposit as described above, such Bonds shall no longer be regarded to be 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 a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Bond Order does not contractually limit such investments, Registered Owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under Texas law.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by The Depository Trust Company, New York, New York, ("DTC") while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District and the Financial Advisor believe the source of such information to be reliable, but neither of the District or the Financial Advisor take any responsibility for the accuracy or completeness thereof.

The District cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and 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 procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

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 Bonds 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, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities 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 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a rating of "AA+" from S&P Global Ratings. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

All payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent/Registrar, 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 Bonds 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/Registrar, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments 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/Registrar, 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/Registrar. 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-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

THE DISTRICT

General

The District is a municipal utility district created by an order of the Commission dated August 7, 2018 and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended, and other general statutes of Texas applicable to municipal utility districts. The District, which lies wholly within the extraterritorial jurisdiction of the City of Arcola, is subject to the continuing supervisory jurisdiction of the Commission.

The District is empowered, among other things, to finance, purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation and treatment of wastewater; and the control and diversion of storm water. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District may also provide solid waste disposal and collection services. The District is also empowered to establish, operate and maintain fire-fighting facilities, separately or jointly with one or more conservation and reclamation districts, municipalities or other political subdivisions, after approval by the Commission and the voters of the District. Additionally, the District may, subject to certain limitations, develop and finance recreational facilities and may also, subject to the granting of road powers by the Commission and certain limitations, develop and finance roads. See "THE BONDS—Issuance of Additional Debt," "—Financing Road Facilities" and "—Financing Recreational Facilities."

The District is required to observe certain requirements of the City of Arcola which limit the purposes for which the District may sell bonds to finance the acquisition, construction, and improvement of waterworks, wastewater, drainage, recreational, road and fire-fighting facilities and the refunding of outstanding debt obligations; limit the net effective interest rate on such bonds and other terms of such bonds; require approval by the City of Arcola of District construction plans; and permit connections only to lots and reserves described in a plat that has been properly approved and filed in the real property records of Fort Bend County. The District is also required to obtain certain Commission approvals prior to acquiring, constructing and financing road and fire-fighting facilities, as well as voter approval of the issuance of bonds for said purposes and/or for the purposes of financing recreational facilities. Construction and operation of the District's drainage system is subject to the regulatory jurisdiction of additional State of Texas and local agencies. See "THE SYSTEM."

Description and Location

The District is located approximately 20 miles south of downtown Houston, north of Texas State Highway 6 and south of Post Road. The District currently contains approximately 103 acres of land. Access to the District is provided by Texas State Highway 6 and Post Road. The District is located entirely within the extraterritorial jurisdiction of the City of Arcola and within the boundaries of the Fort Bend Independent School District. See "AERIAL PHOTO."

Land Use

The following table represents the current land use within the District.

Single-Family Residential	Approximate Acres	Lots
Charleston Heights:		
Section 1	36	216
Section 2	35	188
Subtotal	71	404
Future Development	17	---
Undevelopable (a)	15	---
	103	404

(a) Includes roads, detention, drainage, open space and district facilities.

Status of Development

The land within the District has been developed primarily as a single-family residential community. Development in the District consists of the subdivision Charleston Heights, Sections One and Two, totaling 404 single-family residential lots on approximately 71 acres. As of August 31, 2026, the District contained 399 occupied single-family homes and 5 unoccupied single-family homes. The average home value within the District for tax year 2026 is approximately $275,600.

Undeveloped Acreage

The District includes approximately 15 acres that are undevelopable (roads, detention, drainage, open space and District facilities) and approximately 17 developable acres remaining to be developed.

THE DEVELOPER AND PRINCIPAL LANDOWNER

In general, the activities of a landowner or developer in a municipal utility district such as the District include designing the project, defining a marketing program and setting building schedules; securing necessary governmental approvals and permits for development; arranging for the construction of streets and the installation of utilities; and selling or leasing improved tracts or commercial reserves to other developers or third parties. While a developer is generally required by the Commission to advance funds to pave streets (in areas where District facilities are being financed with bonds) and finance the construction of the water, sanitary sewer and storm drainage facilities, such advances to be reimbursed (except for paving costs) from the sale of District bonds to the extent allowed by the Commission, 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.

Charleston C.M.I., Ltd.

The developer of Charleston Heights, Sections One and Two (404 single-family residential lots on approximately 71 acres) is Charleston C.M.I. Charleston C.M.I. does not own any remaining developable land in the District.

Camcorp Interests, LLC and Consolidated Subsidiaries

C.I.L. Holdings LLC, a Texas limited liability company, is the general partner and Camcorp Interests, LLC, a Texas limited liability company, is the limited partner of Charleston C.M.I. All current development activities within the District are funded by Camcorp Interests, LLC. All of the above-mentioned entities have common ownership.

VRE/Rosharon, LLC

VRE/Rosharon, as the Principal Landowner, owns approximately 17 developable acres of undeveloped land in the District. The District can make no representation about when or whether any future development will occur on such acreage.

MANAGEMENT

Board of Directors

The District is governed by the Board, consisting of five directors, which has control over and management supervision of all affairs of the District. Directors are elected to four-year terms and elections are held in May in even numbered years only. Each of the board members owns land within the District subject to a note and deed of trust in favor of the Developer. Directors have staggered four-year terms. The current members of the Board, along with their titles and terms, are listed as follows:

Name	Title	Term Expires
Todd Elston	President	May 2030
Frances Watson	Vice President	May 2028
Carson Underwood	Secretary	May 2030
Stephen Jones	Assistant Secretary	May 2028
Adam Chaky	Director	May 2030

The District has no full-time employees but instead contracts with the entities described below for professional services:

Tax Assessor/Collector

Land and improvements in the District are being appraised for taxation by the Fort Bend Central Appraisal District. The District contracts with Bob Leared Interests to act as Tax Assessor/Collector for the District (the "Tax Assessor/Collector").

System Operator

The District contracts with Municipal Operations & Consulting, Inc. for maintenance and operation of the District's system (the "Operator").

Bookkeeper

The District contracts with Municipal Accounts & Consulting, L.P. for bookkeeping services for the District (the "Bookkeeper").

Engineer

The District's consulting engineer is Odyssey Engineering Group, LLC (the "Engineer").

Auditor

As required by the Texas Water Code, the District retains an independent auditor to audit the District's financial statements annually, which annual audit is filed with the Commission. The District's financial statements for the fiscal year ending March 31, 2026, have been audited by the independent accounting firm of McCall Gibson Swedlund Barfoot Ellis PLLC. See "APPENDIX A" for a copy of the District's audited financial statements.

Bond Counsel and General Counsel

Schwartz, Page & Harding, L.L.P. ("Bond Counsel") serves as bond counsel to the District. The fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds. In addition, Schwartz, Page & Harding, L.L.P. serves as general counsel to the District on matters other than the issuance of bonds.

Financial Advisor

Masterson Advisors LLC (the "Financial Advisor") serves as financial advisor to the District. The fee to be paid the Financial Advisor is contingent upon the sale and delivery of the Bonds.

Disclosure Counsel

McCall, Parkhurst & Horton L.L.P. ("Disclosure Counsel") has been engaged by the District to serve as disclosure counsel. Fees for services rendered by Disclosure Counsel in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds.

THE SYSTEM

Regulation

According to the Engineer, the District's water distribution, wastewater collection, and storm drainage facilities (collectively, the "System") have been designed in accordance with accepted engineering practices and the then current requirements of various agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities. The construction and operation of the System was to be accomplished in accordance with the standards and specifications and requirements of such entities and is subject to inspection by each such entity. The Commission exercises continuing supervisory authority over the District. Discharge of treated sewage is subject to the regulatory authority of the Commission and the U.S. Environmental Protection Agency. Construction of drainage facilities is subject to the regulatory authority of Fort Bend County and, in some instances, the Commission. Fort Bend County, the City of Arcola, and the Texas Department of Health also exercise regulatory jurisdiction over the System. The regulations and requirements of entities exercising regulatory jurisdiction over the System are subject to further development and revision which, in turn, could require additional expenditures by the District in order to achieve compliance. In particular, additional or revised requirements in connection with any permit for the wastewater treatment plant which provides service to the District beyond the criteria existing at the time of construction of the plant could result in the need to construct additional facilities in the future. The following descriptions are based upon information supplied by the District's Engineer.

Water Distribution and Wastewater Collection and Drainage System

The District's System includes water, sanitary sewer and drainage facilities to serve the land described under the section "THE DISTRICT—Status of Development."

Water Supply

The District owns and operates Water Plant No. 1 (the "Water Plant"). The Water Plant includes a 300 gallon per minute ("gpm") water well, two 5,000 gallon pressure tanks, two 50,000 gallon ground storage tanks and booster pump capacity of 900 gpm. According to the Engineer, the District's current Water Plant facilities are sufficient to serve 450 single-family connections, which is sufficient to serve existing development in the District.

The District has an emergency water supply interconnect with the City of Arcola.

Subsidence and Conversion to Surface Water Supply

The District is within the boundaries of the Fort Bend 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 2005, the Texas legislature created the North Fort Bend Water Authority (the "Authority") to, among other things, reduce groundwater usage in, and to provide surface water to, the northern portion of Fort Bend County (including the District) and a small portion of Harris County. The Authority has entered into a Water Supply Contract with the City of Houston, Texas ("Houston") to obtain treated surface water from Houston. The Authority has developed a groundwater reduction plan ("GRP") and obtained Subsidence District approval of its GRP. The Authority's GRP sets forth the Authority's plan to comply with Subsidence District regulations, construct surface water facilities, and convert users from groundwater to alternate source water (e.g., surface water). The District's water wells are included within 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 imposed on the District for groundwater pumped by or imported to the District), user fees, rates, charges and special assessments as necessary to accomplish its purposes; and (iii) mandate water users, including the District, to convert from groundwater to surface water. The Authority currently charges the District, and other major groundwater users, a fee per 1,000 gallons based on the amount of groundwater pumped by the District, and the amount, if any, of surface water received from the Authority. The Authority has issued revenue bonds to fund, among other things, Authority surface water project costs. It is expected that the Authority will continue to issue a substantial amount of bonds by the year 2027 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 to: (i) limit groundwater withdrawals to no more than 70% of the total water demand of the water users within the Authority's GRP, beginning in the year 2014; and (ii) limit groundwater withdrawals to no more than 40% of the total water demand of the water users within the Authority's GRP, beginning in the year 2025. If the Authority fails to comply with the above Subsidence District regulations, the Authority is subject to a disincentive fee penalty per 1,000 gallons ("Disincentive Fees"), imposed by the Subsidence District for any groundwater withdrawn in excess of 40% of the total water demand in the Authority's GRP. In the event of such Authority failure to comply, the Subsidence District may also seek to collect Disincentive Fees from the District. If the District failed to comply with surface water conversion requirements mandated by the Authority, the Authority would likely seek monetary or other penalties against the District.

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

Wastewater Treatment Facilities

The District's wastewater treatment is provided by a 150,000 gallons per day ("gpd") wastewater treatment plant (the "Wastewater Treatment Plant") owned and operated by the District. According to the Engineer, the Wastewater Treatment Plant has sufficient capacity to serve 500 equivalent single-family connections, based upon 300 gpd per single-family connection, which is sufficient to serve existing development in the District.

Stormwater Drainage Facilities

The District is located in the West Fork Chocolate Bayou watershed and outfalls into the existing drainage system of Texas State Highway 6, into an existing drainage channel and, ultimately, into West Chocolate Bayou. The District owns and operates stormwater drainage facilities outside its boundary that are within the boundaries of Brazoria Drainage District No. 4. Stormwater is collected through curb and gutter road drainage connected to underground storm sewers that outfall into drainage channels and detention basins. These systems have been designed to meet Fort Bend County and Brazoria Drainage District No. 4 criteria for development. Neither Fort Bend County nor Brazoria Drainage District No. 4 require stormwater quality features.

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 rainstorm 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, no acreage within the District is located within the 100-year flood plain. See "RISK FACTORS—Extreme Weather Events."

Atlas 14

In 2018, the National Weather Service completed a rainfall study known as NOAA Atlas 14, Volume 11 Precipitation-Frequency Atlas of the United States ("Atlas 14"). Floodplain boundaries within the District may be redrawn based on the Atlas 14 study based on a higher statistical rainfall amount, resulting in interim floodplain regulations applying to a larger number of properties. Such regulations could additionally result in higher insurance rates, increased development fees, and stricter building codes for any property located within the expanded boundaries of the floodplain.

USE AND DISTRIBUTION OF BOND PROCEEDS

Proceeds from the Bonds will be used to reimburse the Developer for certain construction and engineering costs associated with phase two of the Wastewater Treatment Plant expansion, phase two of detention facilities in the District and the water, sanitary sewer and drainage facilities to serve Charleston Heights, Section One. Proceeds of the Bonds will also be used to pay interest on funds advanced by the Developer, to pay land acquisition costs and to pay certain costs associated with the issuance of the Bonds.

The construction costs below were compiled by the District's Engineer and were submitted to the Commission in the District's Bond application. Non-construction costs are based upon either contract amounts or estimates of various costs by the Engineer and 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 completion of agreed-upon procedures by the District's Auditor. The surplus funds may be expended for any lawful purpose for which surplus construction funds may be used, if approved by the Commission, where required.

CONSTRUCTION COSTS	
Construction and Land Costs Approved by the Commission	$ 2,800,352
Engineering Fees	361,642
Less: Surplus Funds (a)	(95,000)
Total Construction Costs	**$ 3,066,994**
NON-CONSTRUCTION COSTS	
Bond Discount (Estimated at 3.00%) (b)	$ 120,000
Developer Interest (Estimated)	529,006
Total Non-Construction Costs	**$ 649,006**
ISSUANCE COSTS AND FEES	
Issuance Costs and Professional Fees	$ 237,500
Bond Application Report Costs	32,500
State Regulatory Fees	14,000
Total Issuance Costs and Fees	**$ 284,000**
TOTAL BOND ISSUE	**$ 4,000,000**

(a) The District will contribute $95,000 of surplus Capital Projects Funds towards the issuance of the Bonds. See "FINANCIAL STATEMENT—Cash and Investment Balances."
(b) The Commission approved a maximum Bond Discount of 3.00%.

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

Future Debt

With the consent of the District, the Developer has financed the design and construction of water, sanitary sewer and drainage facilities to serve property within the District as well as certain other District improvements for which the Developer has not been reimbursed. After reimbursement with the proceeds of the Bonds, the District will owe the Developer approximately $3,700,000. It is anticipated that additional bonds will be issued to reimburse the Developer and the Principal Landowner and to finance the construction of District facilities as well as additionally required wastewater treatment plant capacity and/or water plant capacity, if any.

The District can make no representation that any additional development will occur within the District. The Engineer has stated that the District's authorized but unissued bonds should be adequate, under present land use projections, to finance such improvements.

WATER AND SEWER OPERATIONS

General

The Bonds and the Outstanding Bonds are payable from the levy of an ad valorem tax, without legal limitation as to rate or amount, upon all taxable property in the District. Net revenues, if any, derived from the District's operations are not pledged to the payment of the Bonds and the Outstanding Bonds, but are available for any lawful purpose including payment of debt service on the Bonds and the Outstanding Bonds, at the discretion and upon action of the Board. It is not anticipated that any revenues will be available for the payment of debt service on the Bonds and the Outstanding Bonds.

Waterworks and Sewer System Operating Statement

The following statement sets forth in condensed form the historical results of operation of the District's General Fund. Accounting principles customarily employed in the determination of net revenues have been observed and, in all instances, exclude depreciation. Such summary is based upon information obtained from the District's audited financial statements for the fiscal years ended March 31, 2022 through 2026. Reference is made to such records and statements for further and more complete information.

	Fiscal Year Ended March 31				
	2026	2025	2024	2023	2022
Revenues					
Property Taxes	$ 807,376	$ 748,458	$ 523,166	$ 157,182	$ 13,263
Water Service	120,010	104,203	82,519	38,469	-
Wastewater Service	210,557	186,067	121,768	55,311	-
Water Authority Fees	170,872	131,843	101,979	38,943	-
Penalty and Interest	21,050	15,910	10,626	4,233	925
Tap Connection and Inspection Fees	-	174,590	294,050	379,221	62,460
Investment and Misc. Revenues	29,302	28,414	5,954	3,062	84
Total Revenues	$ 1,359,167	$ 1,389,485	$ 1,140,062	$ 676,421	$ 76,732
Expenditures					
Professional Fees	$ 118,627	$ 130,278	$ 98,362	$ 71,518	$ 67,398
Contracted Services	232,383	192,210	159,761	86,990	26,271
Utilities	46,933	44,455	41,128	15,597	-
Regional Water Authority Assessment	164,219	128,365	109,873	52,930	-
Repairs & Maintenance	290,328	381,509	229,791	144,754	25,860
Other	111,355	198,030	263,461	309,168	51,949
Total Expenditures	$ 963,845	$ 1,074,847	$ 902,376	$ 680,957	$ 171,478
Revenues Over (Under) Expenditures	$ 395,322	$ 314,638	$ 237,686	$ (4,536)	$ (94,746)
Other Sources (Uses)					
Developer Advances	$ -	$ -	$ 206,000	$ -	$ 125,000
Transfers In (Out)	3,500 (a)	12,085 (a)	-	-	-
Total Other Financing Sources	$ 3,500	$ 12,085	$ 206,000	$ -	$ 125,000
Fund Balance (Beginning of Year)	$ 758,856	$ 432,133	$ (11,553)	$ (7,017)	$ (37,271)
Fund Balance (End of Year)	$ 1,157,678	$ 758,856	$ 432,133	$ (11,553)	$ (7,017)

(a) Transfer from the Capital Projects Fund related to the reimbursement of bond issuance costs.

FINANCIAL STATEMENT

2026 Certified Taxable Assessed Valuation	$114,220,895	(a)
Gross Direct Debt Outstanding	$14,775,000	(b)
Estimated Overlapping Debt	5,616,504	
Total Gross Direct Debt and Estimated Overlapping Debt	$20,391,504	
Ratio of Gross Direct Debt to:		
2026 Certified Taxable Assessed Valuation	12.94%	
Ratio of Gross Direct Debt and Estimated Overlapping Debt to:		
2026 Certified Taxable Assessed Valuation	17.85%	

Area of District – 103 Acres
Estimated 2026 Population – 1,397 (c)

(a) As certified by the Appraisal District. See "TAX PROCEDURES."
(b) Includes the Bonds and the Outstanding Bonds. See "—Outstanding Bonds" below.
(c) Based upon 3.5 persons per occupied single-family residence.

Cash and Investment Balances (unaudited as of September 22, 2026)

Operating Fund	Cash and Temporary Investments	$ 921,764	
Bond Fund	Cash and Temporary Investments	$ 643,054	(a)
Capital Projects Fund	Cash and Temporary Investments	$ 96,271	(b)

(a) Includes funds for the November 1, 2026 debt service payment in the amount of $261,566. Neither Texas law nor the Bond Order requires the District to maintain any minimum balance in the Bond Fund.
(b) The District will contribute $95,000 of surplus Capital Projects Funds towards the issuance of the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

Outstanding Bonds

The District has previously issued $11,085,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities in three series, of which $10,775,000 principal amount remains outstanding as of the date hereof (the "Outstanding Bonds").

Series	Original Principal Amount	Principal Amount Outstanding
2023	$ 3,000,000	$ 2,800,000
2024	3,085,000	2,975,000
2025	5,000,000	5,000,000
Total	$ 11,085,000	$ 10,775,000

District Investment Policy

The policy of the District is to invest District funds only in instruments which further the following investment objectives of the District stated in order of importance: (1) preservation and safety of principal; (2) liquidity; and (3) yield. The District does not currently own, nor does it anticipate the inclusion of, long term securities or derivative products in the District portfolio.

ESTIMATED OVERLAPPING DEBT STATEMENT

Other governmental entities whose boundaries overlap the District have outstanding bonds payable from ad valorem taxes. The following statement of direct and estimated overlapping ad valorem tax debt was developed from information contained in "Texas Municipal Reports" published by the Municipal Advisory Council of Texas or other publicly available information. Except for the amount relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person is entitled to rely upon such information as being accurate or complete. Political subdivisions overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for operation, maintenance, and/or general revenue purposes in addition to taxes for payment of their debt, and some are presently levying and collecting such taxes.

Taxing Jurisdiction	Outstanding Bonds	As of	Overlapping Percent	Overlapping Amount
Fort Bend County	$ 1,152,335,706	8/31/2026	0.09%	$ 1,037,102
Fort Bend County Drainage District	20,585,000	8/31/2026	0.09%	18,527
Fort Bend ISD	2,073,125,000	8/31/2026	0.22%	4,560,875
Total Estimated Overlapping Debt				$ 5,616,504
Direct Debt	14,775,000	(a)	100.00%	14,775,000
Total Direct and Estimated Overlapping Debt				$ 20,391,504
Ratio of Direct and Estimated Overlapping Debt to 2026 Certified Taxable Assessed Valuation				17.85%

(a) Includes the Bonds and the Outstanding Bonds.

Overlapping Taxes for 2026

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 taxing jurisdictions overlapping the District 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.

	2026 Tax Rate per $100 of Taxable Assessed Valuation
Fort Bend County	$ 0.407000
Fort Bend County Drainage District	0.010000
Fort Bend County ESD No. 7	0.100000
Fort Bend ISD	0.996900
Total Overlapping Tax Rate	$ 1.513900
The District (a)	$ 1.500000
Total Tax Rate	$ 3.013900

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

TAX DATA

Tax Collections

The following statement of tax collections set forth in condensed form the historical tax collection experience of the District. This summary has been prepared for inclusion herein, based upon information from District records. Reference is made to such records for further and more complete information.

Tax Year	Certified Taxable Assessed Valuation	Tax Rate	Total Tax Levy	Total Collections as of August 31, 2026 (a)	
				Amount	Percent
2021	$ 886,690	$ 1.50	$ 13,300	$ 13,300	100.00%
2022	10,923,053	1.50	163,846	163,846	100.00%
2023	43,068,266	1.50	646,024	646,024	100.00%
2024	74,479,742	1.50	1,117,196	1,117,196	100.00%
2025	109,280,442	1.50	1,639,207	1,613,730	98.45%
2026	114,220,895	1.50	1,713,313	(b)	(b)

(a) Unaudited.
(b) In the process of collection. Taxes for 2026 are due by January 31, 2027.

Taxes are due upon receipt of bill therefor and become delinquent after January 31 of the following year or 30 days after the date billed, whichever is later, or, if billed after January 10, they are delinquent on the first day of the month next following the 21st day after such taxes are billed. No split payments are allowed and no discounts are allowed.

Tax Rate Distribution

	2026	2025	2024	2023	2022
Debt Service	$ 0.88	$ 0.75	$ 0.66	$ -	$ -
Maintenance and Operations	0.62	0.75	0.84	1.50	1.50
Total	$ 1.50	$ 1.50	$ 1.50	$ 1.50	$ 1.50

Tax Rate Limitations

Debt Service: Unlimited (no legal limit as to rate or amount).
Maintenance and Operations: $1.50 per $100 Assessed Valuation

Debt Service Tax

The Board will covenant in the Bond Order to levy and assess, for each year that all or any part of the Bonds and the Outstanding Bonds remain outstanding and unpaid, a tax which, when added to other funds legally available to the District for payment of outstanding debt obligations, is adequate to provide funds to pay the principal of and interest on the Bonds and the Outstanding Bonds. The District levied a debt service tax for 2026 in the amount of $0.88 per $100 assessed valuation. See "—Tax Rate Distribution" above, "—Summary of Assessed Valuation" herein and "TAX PROCEDURES."

Maintenance and Operations Tax

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements, if such maintenance tax is authorized by a vote of the District's electors. On May 4, 2019, voters in the District authorized the Board to levy such a maintenance tax in an amount not to exceed $1.50 per $100 assessed valuation. Such tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds, the Outstanding Bonds and any additional unlimited tax bonds which may be issued in the future. The District levied a maintenance and operations tax for 2026 in the amount of $0.62 per $100 assessed valuation. See "—Debt Service Tax" above.

Tax Exemptions

As discussed in the section titled "TAX PROCEDURES" herein, certain property in the District may be exempt from taxation by the District. For tax year 2026, the District granted a $5,000 homestead exemption for persons over 65 or disabled.

Principal Taxpayers

The following list of principal taxpayers were provided by the District's Tax Assessor/Collector based upon the 2026 Certified Taxable Assessed Valuation of $114,220,895, which reflects ownership at January 1, 2026.

Taxpayer	Type of Property	2026 Certified Taxable Assessed Valuation	% of 2026 Certified Taxable Assessed Valuation
VRE Rosharon LLC (a)	Land	$ 1,511,015	1.32%
LCM Properties LLC	Land & Improvements	1,051,017	0.92%
ABA Therapy Realty Holdings	Land & Improvements	794,006	0.70%
Individual	Land & Improvements	602,320	0.53%
Individual	Land & Improvements	585,641	0.51%
Individual	Land & Improvements	563,336	0.49%
Individual	Land & Improvements	558,283	0.49%
Individual	Land & Improvements	546,810	0.48%
Individual	Land & Improvements	369,615	0.32%
Individual	Land & Improvements	366,190	0.32%
Total		$ 6,948,233	6.08%

(a) See "THE DEVELOPER AND PRINCIPAL LANDOWNER."

Summary of Assessed Valuation

The following breakdown of the 2022 through 2026 Certified Taxable Assessed Valuation has been provided by the District's Tax Assessor/Collector based on information contained in the 2022 through 2026 certified tax rolls of the District.

	2026	2025	2024	2023	2022
Land	$ 28,802,503	$ 25,307,150	$ 21,342,542	$ 16,186,783	$ 9,984,340
Improvements	90,801,726	89,471,145	56,427,207	28,354,899	934,160
Personal Property	-	104,954	74,957	34,070	34,070
Exemptions	(5,383,334)	(5,602,807)	(3,364,964)	(1,507,486)	(29,517)
Total	$ 114,220,895	$ 109,280,442	$ 74,479,742	$ 43,068,266	$ 10,923,053

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 Certified Taxable Assessed Valuation of $114,220,895. 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 "DEBT SERVICE REQUIREMENTS" and "RISK FACTORS—Impact on District Tax Rates."

Average Annual Debt Service Requirement (2027-2052)	$ 985,951
$0.91 Tax Rate on 2026 Certified Taxable Assessed Valuation	$ 987,440
Maximum Annual Debt Service Requirement (2039)	$1,065,475
$0.99 Tax Rate on 2026 Certified Taxable Assessed Valuation	$1,074,248

TAX PROCEDURES

Property Tax Code and County-Wide Appraisal District

The Texas Tax Code (the "Property Tax Code") requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas a single appraisal district with the responsibility for recording and appraising property for all taxing units within a county and a single appraisal review board with the responsibility for reviewing and equalizing the values established by the appraisal district. The Fort Bend Central Appraisal District (the "Appraisal District") has the responsibility for appraising property for all taxing units wholly within Fort Bend County, including the District. Such appraisal values are subject to review and change by the Fort Bend Central Appraisal Review Board (the "Appraisal Review Board"). Under certain circumstances, taxpayers and taxing units (such as the District) may appeal the orders of the Appraisal Review Board by filing a 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. Absent any such appeal, the appraisal roll, as prepared by the Appraisal District and approved by the Appraisal Review Board, must be used by each taxing jurisdiction in establishing its tax roll and tax rate. The District is eligible, along with all other conservation and reclamation districts within Fort Bend County, to participate in the nomination of and vote for a member of the Board of Directors of the Appraisal District.

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property and tangible personal property in the District is subject to taxation by the District; however, it is expected that no effort will be made by the District to collect taxes on personal property other than on personal property rendered for taxation, business inventories and the property of privately owned utilities. Principal categories of exempt property include: 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; farm products owned by the producer; all oil, gas and mineral interests owned by an institution of higher education; certain property owned by exclusively charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; solar and wind-powered energy devices; most individually owned automobiles and intangible personal property. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years or older or under a disability for purposes of payment of disability insurance benefits under the Federal Old-Age Survivors and Disability Insurance Act to the extent deemed advisable by the Board. The District would be required to call an election on such residential homestead exemption upon petition by at least twenty percent (20%) of the number of qualified voters who voted in the District's preceding election and would be required to offer such an exemption if a majority of voters approve it at such election. For the 2026 tax year, the District has granted an exemption of $5,000 of assessed valuation for persons 65 years of age and older and to individuals who are under a disability for purposes of payment of disability insurance benefits under the Federal Old Age Survivors and Disability Insurance Act. The District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between $5,000 and $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 an exemption for the full value of the veteran's residence homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if (i) the residence homestead was donated by a charitable organization at no cost to the disabled veteran or (ii) the residence was donated

by a charitable organization at some cost to the disabled veteran if such cost is less than or equal to fifty percent (50%) of the total good faith estimate of the market value of the residence as of the date the donation is made. Also, the surviving spouse of a member of the armed forces or a first responder (as defined under Texas law), who was (i) killed in action, or (ii) fatally injured in the line of duty, is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

A "Freeport Exemption" applies to goods, wares, merchandise, other tangible personal property and ores, other than oil, natural gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining oil or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit" Exemption is applicable to certain tangible personal property, as defined by the Property Tax Code, acquired in or imported into Texas for storage purposes and which 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. The exemption excludes oil, natural gas, petroleum products, aircraft and certain special inventory including dealer's motor vehicles, dealer's vessel and outboard motor vehicle, dealer's heavy equipment and retail manufactured housing inventory. The exemption applies to covered property if it 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. 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. However, taxing units who took official action as allowed by prior law before October 1, 2011, to tax goods-in-transit property, and who pledged such taxes for the payment of debt, may continue to impose taxes against the goods-in-transit property until the debt is discharged without further action, if cessation of the imposition would impair the obligations of the contract by which the debt was created. The District has not exercised its option to tax goods-in-transit personal property but may choose to do so in the future.

General Residential Homestead Exemption

Texas law authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the appraised value of residential homesteads, but not less than $5,000 if any exemption is granted, from ad valorem taxation. The law provides, however, that where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. For the 2026 tax year, the District has not granted a general residential homestead exemption.

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. Assessments under the Property Tax Code are to be based upon one hundred percent (100%) of market value. The appraised value of residential homestead property may be limited to the lesser of the market value of the property, or the sum of the appraised value of the property for the last year in which it was appraised, plus ten percent (10%) of such appraised value multiplied by the number of years since the last appraisal, plus the market value of all new improvements to the property. Once an appraisal roll is prepared and approved by the Appraisal Review Board, it is used by the District in establishing its tax rate. The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraised values. The plan must provide for appraisal of all real property by 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 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 l of the first year in which the property is reappraised.

District and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units, including the District, may appeal orders of the Appraisal Review Board by filing a petition for review in district court within forty-five (45) days after notice is received that a final order has been entered. In such event, the property value in question may 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 comply with the Property Tax Code. The District may challenge the exclusion of property from the appraisal rolls or the grant, in whole or in part, of an exemption.

Texas law provides for notice and hearing procedures prior to the adoption of an ad valorem tax rate by the District. Additionally, under certain circumstances, an election would be required to determine whether to approve the adopted total tax rate. See "—Rollback of Operation and Maintenance Tax Rate" herein. The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property values, appraisals that are higher than renditions and appraisals of property not previously on an appraisal roll.

Agricultural, Open Space, Timberland and Inventory Deferment

The Property Tax Code permits land designated for agricultural use (including wildlife management), open space, or timberland to be appraised at its value based on the land's capacity to produce agriculture or timber products rather than at its fair market value. The Property Tax Code permits, under certain circumstances, that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of any of such designations must apply for the designation, and the Appraisal District is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions and not as to others. If a claimant receives the designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use for the three (3) years prior to the loss of the designation for agricultural, timberland or open space land. According to the District's Tax Assessor/Collector, as of January 1, 2026, no acreage within the District was designated for agricultural use, open space, inventory deferment, or timberland.

Tax Abatement

Fort Bend County or the City may designate all or part of the District as a reinvestment zone, and the District, Fort Bend County, and (if it were to annex the area) the City may thereafter enter into tax abatement agreements with the owners of property within the zone. The tax abatement agreements may exempt from ad valorem tax, by the applicable taxing jurisdictions and by 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 a comprehensive plan. According to the District's Tax Assessor/Collector, to date, none of the area within the District has been designated as a reinvestment zone.

Levy and Collection of Taxes

The District is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. The District adopts its tax rate each year after it receives a tax roll certified by the Appraisal District. Taxes are due upon receipt of a bill therefor, and become delinquent after January 31 of the following year or 30 days after the date billed, whichever is later, or, if billed after January 10, they are delinquent on the first day of the month next following the 21st day after such taxes are billed. A delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month the tax remains unpaid beginning the first calendar month it is delinquent. A delinquent tax also incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent plus a one percent (1%) penalty 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. However, a tax delinquent on July 1 incurs a total penalty of twelve percent (12%) of the amount of the delinquent tax without regard to the number of months the tax has been delinquent, which penalty remains at such rate without further increase. If the tax is not paid by July 1, an additional penalty of up to the amount of the compensation specified in the District's contract with its delinquent tax collection attorney, but not to exceed twenty percent (20%) of the total tax, penalty and interest, may, under certain circumstances, be imposed by the District. With respect to personal property taxes that become delinquent on or after February 1 of a year and that remain delinquent sixty (60) days after the date on which they become delinquent, as an alternative to the penalty described in the foregoing sentence, an additional penalty on personal property of up to the amount specified in the District's contract with its delinquent tax attorney, but not to exceed twenty percent (20%) of the total tax, penalty and interest, may, under certain circumstances, be imposed by the District prior to July 1. The District's contract with its delinquent tax collection attorney currently specifies a twenty percent (20%) additional penalty. The District may waive penalties and interest on delinquent taxes only for the items specified in the Texas Property Tax Code. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency of taxes under certain

circumstances. The owner of a residential homestead property who (i) is a person sixty-five (65) years of age or older, (ii) is under a disability for purpose of payment of disability insurance benefits under the Federal Old Age Survivors and Disability Insurance Act, or (iii) qualifies as a disabled veteran under Texas law, is also 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. Additionally, a person who is delinquent on taxes for a residential homestead is entitled to an agreement with the District to pay such taxes in installments over a period of between 12 and 36 months (as determined by the District) when such person has not entered into another installment agreement with respect to delinquent taxes with the District in the preceding 24 months.

Rollback of Operation and Maintenance Tax Rate

Chapter 49 of the Texas Water Code 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 "Low Tax Rate Districts." 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 a rollback election held within any of the districts described below. See "SELECTED FINANCIAL INFORMATION" for a description of the District's current total tax rate.

Low Tax Rate Districts: Low Tax Rate Districts 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 Low Tax Rate District 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 Low Tax Rate District and a Developed District, the district will be subject to the operation and maintenance tax threshold applicable to Low Tax Rate Districts.

Developing Districts: Districts that do not meet the classification of a Low Tax Rate District 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 Low Tax Rate District, Developed District or Developing District will be made by the Board on an annual basis. The District is designated as a "Developing District" for the 2026 tax year. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property against which the tax is levied. In addition, on January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of other such taxing units. See "ESTIMATED OVERLAPPING DEBT STATEMENT." 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. Further, personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalties, and interest.

Except with respect to (i) owners of residential homestead property who are sixty-five (65) years of age or older or under a disability as described above and who have filed an affidavit as required by law and (ii) owners of residential homesteads who have entered into an installment agreement with the District for payment of delinquent taxes as described above and who are not in default under said agreement, 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. 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, or by taxpayer redemption rights (a taxpayer may redeem property that is a residence homestead or was designated for agricultural use within two (2) years after the deed issued at foreclosure is filed of record and may redeem all other property within six (6) months after the deed issued at foreclosure is filed of record) or by bankruptcy proceedings which restrict the collection of taxpayer debt. The District's ability to foreclose its tax lien or collect penalties and interest 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. Generally, the District's tax lien and a federal tax lien are on par with the ultimate priority being determined by applicable federal law. See "RISK FACTORS—Tax Collection Limitations."

DEBT SERVICE REQUIREMENTS

The following sets forth the debt service requirements for the Outstanding Bonds and the estimated debt service requirements for the Bonds at an assumed interest rate of 5.50%.

Year	Outstanding Bonds Debt Service Requirements	Plus: Debt Service on the Bonds			Total Debt Service Requirements
		Principal	Interest	Total	
2027	$ 770,256	$ -	$ 191,889	$ 191,889	$ 962,145
2028	793,175	-	220,000	220,000	1,013,175
2029	784,431	50,000	218,625	268,625	1,053,056
2030	775,066	50,000	215,875	265,875	1,040,941
2031	765,119	50,000	213,125	263,125	1,028,244
2032	755,528	75,000	209,688	284,688	1,040,216
2033	751,753	75,000	205,563	280,563	1,032,316
2034	737,981	100,000	200,750	300,750	1,038,731
2035	740,463	100,000	195,250	295,250	1,035,713
2036	734,134	100,000	189,750	289,750	1,023,884
2037	732,122	115,000	183,838	298,838	1,030,959
2038	729,316	115,000	177,513	292,513	1,021,828
2039	720,938	175,000	169,538	344,538	1,065,475
2040	721,781	175,000	159,913	334,913	1,056,694
2041	716,741	175,000	150,288	325,288	1,042,028
2042	710,719	175,000	140,663	315,663	1,026,381
2043	713,456	175,000	131,038	306,038	1,019,494
2044	710,100	175,000	121,413	296,413	1,006,513
2045	700,897	200,000	111,100	311,100	1,011,997
2046	700,741	200,000	100,100	300,100	1,000,841
2047	674,884	235,000	88,138	323,138	998,022
2048	673,141	235,000	75,213	310,213	983,353
2049	674,859	235,000	62,288	297,288	972,147
2050	670,219	235,000	49,363	284,363	954,581
2051	352,547	380,000	32,450	412,450	764,997
2052	-	400,000	11,000	411,000	411,000
Total	$ 17,810,366	$ 4,000,000	$ 3,824,364	$ 7,824,364	$ 25,634,730

Maximum Annual Debt Service Requirement (2039) $1,065,475
Average Annual Debt Service Requirements (2027-2052)..... $ 985,951

RISK FACTORS

General

The Bonds, which are obligations of the District and not obligations of the State of Texas, Fort Bend County, Texas, the City of Arcola, or any other political entity other than the District, will be secured by a continuing direct annual ad valorem tax levied, without legal limitation as to rate or amount, on all taxable property within the District. The ultimate security for payment of the principal of and interest on the Bonds depends on the ability of the District to collect from the property owners within the District all taxes levied against the property, or in the event of foreclosure, on the value of the taxable property with respect to taxes levied by the District and by other taxing authorities.

Undeveloped Acreage

There are approximately 17 developable acres of land within the District that have not been fully provided with water, sanitary sewer, storm drainage and paving facilities necessary for the construction of new development. Failure of the Principal Landowner or other property owners to develop the developable land could restrict the rate of growth of taxable values in the District. The District makes no representation as to when or if development of the undeveloped acreage will occur. See "THE DISTRICT—Land Use" and "—Status of Development."

Landowner Obligation to the District

There are no commitments from or obligations of the Developer, the Principal Landowner or 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 develop or construct taxable improvements on developable 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.

The Arcola Fault

Professional geologists have identified the alignment of the Arcola Fault and the associated fault zone within the boundaries of the District. Large and abrupt movements of faults, which are the cause of earthquakes, generally do not occur in the Houston region. Faults that exist directly beneath structures can cause slight to significant damage to those structures, depending on movement. The Developer is aware of the Arcola Fault and has mitigated the risk of the impact to current and planned residential and commercial structures by strategically planning the location of detention basins on or around the vicinity of the fault zone within the District. As a result, the Arcola Fault is not expected to significantly impact structures or the taxable value of property within the District.

Impact on District Tax Rates

Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of District property owners to pay their ad valorem taxes. The 2026 Certified Taxable Assessed Valuation of the District is $114,220,895. See "FINANCIAL STATEMENT." After issuance of the Bonds, the maximum annual debt service requirement will be $1,065,475 (2039) and the average annual debt service requirement will be $985,951 (2027-2052, inclusive). Assuming no increase or decrease from the 2026 Certified Taxable Assessed Valuation and no use of funds other than tax collections, a tax rate of $0.99 per $100 assessed valuation at a 95% collection rate would be necessary to pay the maximum annual debt service requirement and a tax rate of $0.91 per $100 assessed valuation at a 95% collection rate would be necessary to pay the average annual debt service requirement. See "DEBT SERVICE REQUIREMENTS." Although calculations have been made regarding average and maximum tax rates necessary to pay the debt service on the Bonds based upon the 2026 Certified Taxable Assessed Valuation, the District can make no representations regarding the future level of assessed valuation within the District. Increases in the tax rate may be required in the event major taxpayers do not pay their District taxes timely. See "TAX DATA—Tax Adequacy for Debt Service" and "TAX 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 and gas industry may have on property values 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.

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

Specific Flood Type Risks

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.

Future Debt

After the issuance of the Bonds, the District reserves in the Bond Order the right to issue the remaining $7,915,000 principal amount of authorized but unissued unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities for the District and the $23,000,000 principal amount of authorized but unissued unlimited tax refunding bonds, and any additional bonds which may be voted hereafter. After reimbursement with the proceeds of the Bonds, the District will owe the Developer approximately $3,700,000. The issuance of such additional obligations may adversely affect the investment security of the Bonds. The District does not employ any formula with regard to assessed valuations or tax collections or otherwise to limit the amount of bonds which may be issued. Any bonds issued by the District, however, must be approved by the Attorney General of Texas and the Board and any bonds issued to acquire or construct water, sanitary sewer and drainage facilities must be approved by the Commission. The District can make no representation that any additional development will occur within the District. The Engineer has stated that the District's authorized but unissued bonds and other available District funds are adequate, under present land use projections, to finance the improvements necessary to serve such development. The District has no plans to call an election to authorize additional bonds at this time.

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 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 Polyfluoroalkyl Substances ("PFAS"), which requires public water systems to perform certain monitoring and remediation measures. Public water systems may be subject to additional PFAS regulation in the future, which could increase the cost of constructing, operating, and maintaining water production and distribution facilities.

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

The TCEQ issued the General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the "MS4 Permit") on August 15, 2024. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. The District has received authorization for coverage under the MS4 Permit and has developed a storm water management plan which includes best management practices to minimize or eliminate unauthorized pollutants which may otherwise be found in stormwater runoff. The District has begun to implement this plan and is required to file an annual report with the TCEQ.

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 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.

Tax Collection 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 (a) cumbersome, time consuming and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedure against a taxpayer, or (c) market conditions limiting the proceeds from a foreclosure sale of taxable property. 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. Attorney's fees and other 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."

Registered Owners Remedies

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Order, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Order, the Beneficial Owners have the right to seek 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 Beneficial 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 Beneficial 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. Even if a judgment against the District for money damages could be obtained, it could not be enforced by direct levy and execution against the District's property. Further, the Beneficial 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 Beneficial 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.

Bankruptcy Limitation to Registered Owners' Rights

Subject to the requirements of Texas law, the District may voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Section 901-946, if the District: (1) is authorized to file for federal bankruptcy protection by Texas law; (2) is insolvent or unable to meet its debts as they mature; (3) desires to effect a plan to adjust such debts; and (4) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiation is impracticable. Under Texas law, the District must also obtain the approval of the Commission prior to filing bankruptcy. Such law requires that the Commission investigate the financial conditions of the District and authorize the District to proceed only if the District has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

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

If the District decides in the future to proceed voluntarily under the federal Bankruptcy Code, the District could develop and file a plan for the adjustment of its debts. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect the Registered Owners by reducing or eliminating the interest rate or the principal amount, modifying or abrogating collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of such Registered Owner's claim against the District.

A district may not be forced into bankruptcy involuntarily.

Continuing Compliance with Certain Covenants

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

Marketability

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

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.

Cybersecurity

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

Risk Factors Related to the Purchase of Municipal Bond Insurance

The District has applied for and the Bonds have qualified for a bond insurance policy (the "Policy") to guarantee the scheduled payment of principal and interest on the Bonds, which insurance is mandatory. Investors should be aware of the following investment considerations.

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

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

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

MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE

The District has not applied for an underlying investment grade rating on the Bonds nor is it expected that the District would have been successful if such application had been made. The Bonds have qualified for municipal bond insurance and the purchase of municipal bond insurance with an associated rating of at least "AA" from S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC or "Aa" from Moody's Investors Service is mandatory, at the expense of the Initial Purchaser, including any rating fees associated with the insurance. See "RISK FACTORS—Risk Factors Related to the Purchase of Municipal Bond Insurance."

LEGAL MATTERS

Legal Opinions

The District will furnish to the Initial Purchaser a transcript of certain certified proceedings incident to the issuance and authorization of the Bonds, including a certified copy of the approving legal 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 Attorney General has examined a transcript of proceedings authorizing the issuance of the Bonds, and that based upon such examination, the Bonds are valid and binding obligations of the District 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 District will also furnish the approving legal opinion of Schwartz, Page & Harding, L.L.P., Houston, Texas, 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, except to the extent that enforcement of the rights and remedies of the Registered Owners of the Bonds may be limited 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 and to the effect that interest on the Bonds is excludable from gross income for federal income tax purposes under the statutes, regulations, published rulings and court decisions existing on the date of such opinion, assuming compliance by the District with certain covenants relating to the use and investment of the proceeds of the Bonds. See "—Tax Exemption" below. The legal opinion of Bond Counsel will further state that the Bonds are payable, both as to principal and interest, from the levy of ad valorem taxes, without legal limitation as to rate or amount, upon all taxable property within the District. Bond Counsel's opinion will also address the matters described below.

In addition to serving as Bond Counsel, Schwartz, Page & Harding, L.L.P., also serves as counsel to the District on matters not related to the issuance of bonds. The legal fees to be paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are based upon a percentage of bonds actually issued, sold and delivered, and, therefore, such fees are contingent upon the sale and delivery of the Bonds. Certain legal matters will be passed upon for the District by McCall, Parkhurst & Horton L.L.P., Houston, Texas, as Disclosure Counsel.

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

Legal Review

In its capacity as Bond Counsel, Schwartz, Page & Harding, L.L.P., has reviewed the information appearing in this Official Statement under the captioned sections "THE BONDS," "THE DISTRICT—General," "MANAGEMENT—Bond Counsel and General Counsel," "TAX PROCEDURES," and "LEGAL MATTERS" solely to determine whether such information fairly summarizes the law and documents referred to therein. Such firm has not independently verified factual information contained in this Official Statement, nor has such firm 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 such firm'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 other information contained herein.

Tax Exemption

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, as amended (the "Code"). Except as stated above, Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the ownership of, receipt of interest on or disposition of the Bonds.

In rendering its opinion, Bond Counsel will rely upon, and assume continuing compliance with, (a) certain information and representations of the District, including information and representations contained in the District's federal tax certificate issued in connection with the Bonds, and (b) covenants of the District contained in the Bond Order 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.

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, upon which Bond Counsel has based its opinion, is subject to change by Congress, administrative interpretation by the Department of the Treasury and to subsequent judicial interpretation. 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 ownership of the Bonds.

Qualified Tax-Exempt Obligations

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 in determining the taxpayer's 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 that is a "financial institution" allocable to tax-exempt obligations, other than "private activity bonds," that 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" and "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 that 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 will designate 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 that would assure, or to refrain from such action that 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 exceeds $10,000,000, there is a reasonable basis to conclude that the payment of a de minimis amount of premium in excess of $10,000,000 is disregarded; however, the Internal Revenue Service could take a contrary view. If the Internal Revenue Service takes the position that the amount of such premium is not disregarded, then such obligations might fail to satisfy the aforementioned dollar limitation and the Bonds would not be "qualified tax-exempt obligations."

Collateral Federal Income Tax Consequences

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on Existing Law which is subject to change or modification retroactively.

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences. The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, including financial institutions, life insurance and property and casualty insurance companies, owners of interests in a FASIT, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, certain S corporations with accumulated earnings and profits and excess passive investment income, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health-insurance premium assistance credit, and individuals allowed an earned income credit. THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIFIC PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP, AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

Interest on the Bonds may be includable in 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.

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.

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.

Tax Accounting Treatment of Original Issue Discount and Premium Bonds

The initial public offering price to be paid for one or more maturities of the Bonds may be less than the principal amount thereof or one or more periods for the payment of interest on the Bonds may not be equal to the accrued period or be in excess of one year (the "Original Issue Discount Bonds"). 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 constitutes original issue discount with respect to such Original Issue Discount Bond in the hands of any owner who has purchased such Original Issue Discount Bond in the initial public offering of the Bonds. 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, such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Bond continues to be owned by such owner. See "—Collateral Federal Income Tax Consequences" herein for a discussion of certain collateral federal tax consequences.

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 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 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 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.

The initial public offering price to be paid for certain maturities of the Bonds may be greater than the amount payable on such Bonds at maturity (the "Premium Bonds"). 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 initial purchaser of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such initial purchaser 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 a sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by an initial purchaser 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.

REGISTRATION AND QUALIFICATION UNDER SECURITIES LAWS

The offer and sale of the Bonds have not been registered or qualified 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 jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated 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 provisions.

NO MATERIAL ADVERSE CHANGE

The obligations of the Initial Purchaser to take and pay for the Bonds, and 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 financial condition of the District subsequent to the date of sale from that set forth or contemplated in the Preliminary Official Statement, as it may have been supplemented or amended through the date of the sale.

NO-LITIGATION CERTIFICATE

With the delivery of the Bonds, the President or Vice President and Secretary or Assistant Secretary of the Board will, on behalf of the District, execute and deliver to the Initial Purchaser a certificate dated as of the Date of Delivery, to the effect that no litigation of any nature of which the District has notice is pending against or, to the knowledge of the District's certifying officers, threatened against the District, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the authorization, execution or delivery of the Bonds; affecting the provision made for the payment of or security for the Bonds; in any manner questioning the authority or proceedings for the authorization, execution or delivery of the Bonds; or affecting the validity of the Bonds, the corporate existence or boundaries of the District or the title of the then present officers and directors of the Board.

SALE AND DISTRIBUTION OF THE BONDS

After requesting competitive bids for the Bonds, the District accepted the bid resulting in the lowest net interest cost, which bid was rendered by _____ (the "Initial Purchaser") bearing the interest rates shown on the cover page of this Official Statement, at a price of _____% of the principal amount thereof, which resulted in a net effective interest rate of _____% as calculated pursuant to Chapter 1204, Texas Government Code (the "IBA" method).

The prices and other terms with respect to the offering and the sale of the Bonds may be changed from time to time by the Initial Purchaser after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial prices, including sales to dealers who may sell the Bonds into investment accounts. In connection with the offering of the Bonds, the Initial Purchaser may over-allocate 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 municipal utility district bonds may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional municipal entities, which are more generally bought, sold or traded in the secondary market.

PREPARATION OF OFFICIAL STATEMENT

Sources and Compilation of Information

The financial data and other information contained in this Official Statement has been obtained primarily from the District's records, the Developer, the Engineer, the Tax Assessor/Collector, the Appraisal District and information from other sources believed to be reliable. No guarantee is made by the District as to the accuracy or completeness of the information derived from sources other than the District, and the inclusion herein of information from sources other than the District is not to be construed as a representation on the part of the District to such effect, except as described 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. In addition to compiling and editing, the Financial Advisor has obtained the information set forth herein under the caption indicated from the following sources:

"THE DISTRICT"— Odyssey Engineering Group, LLC; "THE DEVELOPER AND PRINCIPAL LANDOWNER"— Charleston C.M.I. and VRE/Rosharon; "TAX PROCEDURES"— Bob Leared Interests and Schwartz, Page & Harding, L.L.P.; "THE SYSTEM"— Odyssey Engineering Group, LLC; "THE BONDS" and "LEGAL MATTERS"— Schwartz, Page & Harding, L.L.P.; "FINANCIAL STATEMENT" and "TAX DATA"— Fort Bend Central Appraisal District, Bob Leared Interests and the Municipal Advisory Council of Texas.

Consultants

In approving this Official Statement, the District has relied upon the following consultants in addition to the Financial Advisor.

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" (as it relates to District facilities) has been provided by Odyssey Engineering Group, LLC and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

Appraisal District: The information contained in this Official Statement relating to the assessed valuations of the District has been provided by the Fort Bend Central Appraisal District and has been included herein in reliance upon the authority of such entity as experts in assessing the values of property in Fort Bend County, including the District.

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

Auditor: The financial statements of the District as of March 31, 2026 and for the year then ended, included in this offering document, have been audited by McCall Gibson Swedlund Barfoot Ellis PLLC, independent auditors, as stated in their report appearing herein. See "APPENDIX A."

UPDATING OF OFFICIAL STATEMENT

For the period beginning on the date of the award of the sale of the Bonds to the Initial Purchaser and ending on the ninety-first (91st) day after the "end of the underwriting period," (as defined in Rule 15c(2)-12(f)(2) of the United States Securities and Exchange Commission (the "SEC")), if any event shall occur of which the District has knowledge and as a result of which it is necessary to amend or supplement this Official Statement in order to make the statements herein, in light of the circumstances when this Official Statement is delivered to a prospective purchaser, not materially misleading, the District will promptly notify the Initial Purchaser of the occurrence of such event and will cooperate in the preparation of a revised Official Statement, or amendments or supplements hereto, so that the statements in this Official Statement, as revised, amended or supplemented, will not, in light of the circumstances when this Official Statement is delivered to a prospective purchaser, be materially misleading. The District assumes no responsibility for supplementing this Official Statement thereafter.

CERTIFICATION OF OFFICIAL STATEMENT

The District, acting through its Board in its official capacity and in reliance upon the experts listed above, 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.

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide certain updated financial information and operating data to the MSRB annually. 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 "WATER AND SEWER OPERATIONS," "FINANCIAL STATEMENT," "TAX DATA—Tax Collections," "—Tax Rate Distribution," "—Principal Taxpayers," "—Summary of Assessed Valuation" and "—Tax Adequacy for Debt Service" (most of which information is contained in the District's annual audited financial statements) "DEBT SERVICE REQUIREMENTS" and "APPENDIX A." The District will update and provide this information within six (6) 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, as permitted by SEC Rule 15c2-12. The updated information will include audited financial statements, if the District commissions an audit and the audit is completed by the required time. If the audit of such financial statements is not complete within such period, then the District will provide unaudited financial statements by the District by the required time and audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in the Bond Order or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

The District's current fiscal year end is March 31. Accordingly, it must provide updated information by September 30 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 business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other events affecting the tax-exempt status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of CFR § 240.15c2-12 (the "Rule"); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material to a decision to purchase or sell Bonds; (15) incurrence of a financial obligation of the District or other obligated person within the meaning of the Rule, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person within the meaning of the Rule, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the District or other obligated person within the meaning of the Rule, any of which reflect financial difficulties. The terms "financial obligation" and "material" when used in this paragraph shall have the meaning ascribed to them 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 under "—Annual Reports."

Availability of Information from the MSRB

The District has agreed to provide the foregoing information only to the MSRB. Investors can access continuing disclosure information filed with the MSRB at www.emma.msrb.org.

Limitations and Amendments

The District has agreed to update information and to provide notices of specified events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition or prospects or agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although Holders and beneficial owners of the Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

The District may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or operations of the District, but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with SEC Rule 15c2-12, taking into account any amendments and interpretations of SEC Rule 15c2-12 to the date of such amendment, as well as changed circumstances, and either the Holders of a majority in aggregate principal amount of the outstanding Bonds consent or any person unaffiliated with the District (such as a nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of the Bonds. The District may also amend or repeal the agreement if the SEC amends or repeals the applicable provisions of SEC Rule 15c2-12 or a court of final jurisdiction determines that such provisions are invalid but in either case, only to the extent that its right to do so would not prevent the Initial Purchaser from lawfully purchasing the Bonds in the offering described herein. 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 reason for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance With Prior Undertakings

Since the District's first issuance of bonds in 2023, the District has complied in all material respects with all continuing disclosure agreements made by it 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.

This Official Statement was approved by the Board of Directors of Charleston Municipal Utility District, as of the date shown on the cover page.

/s/_____
President, Board of Directors
Charleston Municipal Utility District

ATTEST:

/s/_____
Secretary, Board of Directors
Charleston Municipal Utility District

AERIAL PHOTO

(Approximate boundaries as of August 2026)


Post Rd.
Charleston Municipal
Utility District
State Hwy 6
N

PHOTOGRAPHS

The following photographs were taken in the District in August 2026 solely to illustrate the type of improvements which have been constructed in the District. The District cannot predict if additional improvements will be constructed in the future.





















APPENDIX A

District Audited Financial Statements for the Fiscal Year Ended March 31, 2026

The information contained in this appendix includes the Independent Auditor's Report and Financial Statements of Charleston Municipal Utility District and certain supplemental information for the fiscal year ended March 31, 2026.

CHARLESTON MUNICIPAL UTILITY DISTRICT

FORT BEND COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

MARCH 31, 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
Charleston Municipal Utility District
Fort Bend County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Charleston Municipal Utility District (the "District") as of and for the year ended March 31, 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 March 31, 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 Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund 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
Charleston Municipal Utility District

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

July 28, 2026

CHARLESTON MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2026

Management's discussion and analysis of Charleston Municipal Utility District (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended March 31, 2026. Please read it in conjunction with the District's 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 the District's assets, liabilities and, if applicable, deferred inflows and 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 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 customer service revenues, property taxes, operating costs and general 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 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 assist 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. A budgetary comparison schedule is included as RSI for the General Fund.

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, liabilities and deferred inflows of resources exceeded assets by $7,780,672 as of March 31, 2026. The following table provides a comparative analysis of government-wide changes in net position.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2026	2025	Change Positive (Negative)
Current and Other Assets	$ 2,555,574	$ 2,206,486	$ 349,088
Capital Assets (Net of Accumulated Depreciation)	12,765,671	13,478,400	(712,729)
Total Assets	$ 15,321,245	$ 15,684,886	$ (363,641)
Due to Developers	$ 10,833,744	$ 15,334,173	$ 4,500,429
Bonds Payable	11,076,115	6,139,958	(4,936,157)
Other Liabilities	372,145	265,239	(106,906)
Total Liabilities	$ 22,282,004	$ 21,739,370	$ (542,634)
Deferred Inflows of Resources	$ 819,913	$ 495,237	$ (324,676)
Net Position:			
Net Investment in Capital Assets	$ (8,608,558)	$ (6,971,080)	$ (1,637,478)
Restricted	91,042	90,813	229
Unrestricted	736,844	330,546	406,298
Total Net Position	$ (7,780,672)	$ (6,549,721)	$ (1,230,951)

The following table provides a comparative analysis of the District's operations for the years ending March 31, 2026, and March 31, 2025.

	Summary of Changes in the Statement of Activities		
	2026	2025	Change Positive (Negative)
Revenues:			
Property Taxes	$ 1,306,418	$ 629,603	$ 676,815
Charges for Services	530,763	619,022	(88,259)
Other Revenues	79,952	81,048	(1,096)
Total Revenues	$ 1,917,133	$ 1,329,673	$ 587,460
Expenses for Services	3,148,084	2,391,109	(756,975)
Change in Net Position	$ (1,230,951)	$ (1,061,436)	$ (169,515)
Net Position, Beginning of Year	(6,549,721)	(5,488,285)	(1,061,436)
Net Position, End of Year	$ (7,780,672)	$ (6,549,721)	$ (1,230,951)

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of March 31, 2026, were $1,546,944, an increase of $14,523 from the prior year.

The General Fund fund balance increased by $398,822, primarily due to property tax revenues, service revenues and a transfer from the Capital Projects Fund exceeding operating costs.

The Debt Service Fund fund balance increased by $104,722, primarily due to the structure of the District's outstanding long-term debt.

The Capital Projects Fund fund balance decreased by $489,021, primarily due to capital outlay and developer reimbursement costs, including interest, and a transfer to the General Fund that exceeded the bond proceeds received from the sale of the Series 2025 Unlimited Tax Bonds and investment income.

CAPITAL ASSETS

Capital assets as of March 31, 2026, total $12,765,671 (net of accumulated depreciation) and include water, wastewater and drainage/detention facilities. Additional information on the District's capital assets can be found in Note 6 of this report.

Capital Assets At Year-End, Net of Accumulated Depreciation

	2026	2025	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	$ 483,898	$ 56,439	$ 427,459
Capital Assets, Net of Accumulated Depreciation:			
Water System	3,588,539	3,500,253	88,286
Wastewater System	4,499,759	4,753,001	(253,242)
Drainage/Detention System	4,193,475	5,168,707	(975,232)
Total Net Capital Assets	$ 12,765,671	$ 13,478,400	$ (712,729)

LONG-TERM DEBT

At the end of the current fiscal year, the District had total long-term debt payable of $10,985,000. The changes in the debt position of the District during the fiscal year ended March 31, 2026, are summarized as follows:

Bond Debt Payable, April 1, 2025	$	6,085,000
Add: Bond Sale - Series 2025		5,000,000
Less: Bond Principal Paid		100,000
Bond Debt Payable, March 31, 2026	$	10,985,000

The Series 2023, Series 2024, and Series 2025 bonds do not carry an underlying rating. The Series 2024 carry an insured rating of "AA" by virtue of bond insurance issued by Build America Assurance Company, while the Series 2025 bonds carry an insured rating of "AA" through bond insurance provided by Assured Guaranty. The above ratings are as of March 31, 2026 and reflect all rating changes of the bond insurers through the fiscal year-end.

As of March 31, 2026, the District recorded an amount due to Developer of $10,833,744, consisting of $440,013 of operating advances and $10,393,731 of completed projects funded by the Developer that remain eligible for reimbursement. During the current fiscal year, the District reimbursed $4,500,429 for eligible project costs and related developer interest.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors adopted an unappropriated budget for the current year. The budget was amended during the current fiscal year to increase contribution revenues and decrease projected repairs and maintenance costs. Actual revenues were $115,167 more than budgeted revenues and actual expenditures were $65,455 less than budgeted expenditures. This resulted in a positive budget variance of $180,622. See the budget to actual comparison on page 28 for more information.

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 Charleston Municipal Utility District, c/o Schwartz, Page & Harding, L.L.P., 1300 Post Oak Boulevard, Suite 2400, Houston, Texas 77056-3078.

CHARLESTON MUNICIPAL UTILITY DISTRICT
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
MARCH 31, 2026

	General Fund	Debt Service Fund
ASSETS		
Cash	$ 99,234	$ 30,039
Investments	1,130,492	1,083,790
Receivables:		
Property Taxes	19,179	19,179
Penalty and Interest on Delinquent Taxes		
Service Accounts	46,490	
Other	621	
Due from Other Funds	17,121	
Prepaid Costs	18,872	
Land		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	$ 1,332,009	$ 1,133,008
LIABILITIES		
Accounts Payable	$ 84,402	$ 2,325
Accrued Interest Payable		
Due to Developers		
Due to Other Funds		17,121
Security Deposits	70,750	
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	$ 155,152	$ 19,446
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	$ 19,179	$ 819,913
FUND BALANCES		
Nonspendable: Prepaid Costs	$ 18,872	$
Restricted for Authorized Construction		
Restricted for Debt Service		293,649
Unassigned	1,138,806	
TOTAL FUND BALANCES	$ 1,157,678	$ 293,649
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 1,332,009	$ 1,133,008
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
$ 470	$ 129,743	$	$ 129,743
103,048	2,317,330		2,317,330
	38,358		38,358
		4,160	4,160
	46,490		46,490
	621		621
	17,121	(17,121)	
	18,872		18,872
		483,898	483,898
		12,281,773	12,281,773
$ 103,518	$ 2,568,535	$ 12,752,710	$ 15,321,245
$ 7,901	$ 94,628	$	$ 94,628
		206,767	206,767
		10,833,744	10,833,744
	17,121	(17,121)	
	70,750		70,750
		210,000	210,000
		10,866,115	10,866,115
$ 7,901	$ 182,499	$ 22,099,505	$ 22,282,004
$ -0-	$ 839,092	$ (19,179)	$ 819,913
$	$ 18,872	$ (18,872)	$
95,617	95,617	(95,617)	
	293,649	(293,649)	
	1,138,806	(1,138,806)	
$ 95,617	$ 1,546,944	$ (1,546,944)	$ -0-
$ 103,518	$ 2,568,535		
		$ (8,608,558)	$ (8,608,558)
		91,042	91,042
		736,844	736,844
		$ (7,780,672)	$ (7,780,672)

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

CHARLESTON MUNICIPAL UTILITY DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
MARCH 31, 2026

Total Fund Balances - Governmental Funds		$ 1,546,944
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		12,765,671
Deferred inflows of resources related to property tax revenues for the 2025 and prior maintenance tax levies and the 2024 and prior debt service tax levies, as well as penalty and interest receivable for the 2025 and prior tax levies became part of recognized revenue in the governmental activities of the District.		23,339
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 Developers	$ (10,833,744)	
Accrued Interest Payable	(206,767)	
Bonds Payable	(11,076,115)	(22,116,626)
Total Net Position - Governmental Activities		$ (7,780,672)

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

CHARLESTON MUNICIPAL UTILITY DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MARCH 31, 2026

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	$ 807,376	$ 491,566
Water Service	120,010	
Wastewater Service	210,557	
Water Authority Fees	170,872	
Penalty and Interest	21,050	5,893
Investment and Miscellaneous Revenues	29,302	21,655
TOTAL REVENUES	$ 1,359,167	$ 519,114
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	$ 118,627	$ 2,489
Contracted Services	232,383	23,672
Utilities	46,933	
Regional Water Authority Assessment	164,219	
Repairs and Maintenance	290,328	
Depreciation		
Other	111,355	4,410
Capital Outlay		
Developer Interest		
Debt Service:		
Bond Principal		100,000
Bond Interest		283,821
Bond Issuance Costs		
TOTAL EXPENDITURES/EXPENSES	$ 963,845	$ 414,392
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES	$ 395,322	$ 104,722
OTHER FINANCING SOURCES (USES)		
Transfers In (Out)	$ 3,500	$
Proceeds from Issuance of Long-Term Debt		
Bond Discount		
Bond Premium		
TOTAL OTHER FINANCING SOURCES (USES)	$ 3,500	$ -0-
NET CHANGE IN FUND BALANCES	$ 398,822	$ 104,722
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - APRIL 1, 2025	758,856	188,927
FUND BALANCES/NET POSITION - MARCH 31, 2026	$ 1,157,678	$ 293,649

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
$	$ 1,298,942	$ 7,476	$ 1,306,418
	120,010		120,010
	210,557		210,557
	170,872		170,872
	26,943	2,381	29,324
28,995	79,952		79,952
$ 28,995	$ 1,907,276	$ 9,857	$ 1,917,133
$ 26,698	$ 147,814	$	$ 147,814
1,235	257,290		257,290
	46,933		46,933
	164,219		164,219
	290,328		290,328
		265,995	265,995
159	115,924		115,924
4,053,695	4,053,695	(4,053,695)	
969,972	969,972		969,972
	100,000	(100,000)	
	283,821	104,118	387,939
501,670	501,670		501,670
$ 5,553,429	$ 6,931,666	$ (3,783,582)	$ 3,148,084
$ (5,524,434)	$ (5,024,390)	$ 3,793,439	$ (1,230,951)
$ (3,500)	$	$	$
5,000,000	5,000,000	(5,000,000)	
(115,167)	(115,167)	115,167	
154,080	154,080	(154,080)	
$ 5,035,413	$ 5,038,913	$ (5,038,913)	$ -0-
$ (489,021)	$ 14,523	$ (14,523)	$
		(1,230,951)	(1,230,951)
584,638	1,532,421	(8,082,142)	(6,549,721)
$ 95,617	$ 1,546,944	$ (9,327,616)	$ (7,780,672)

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

CHARLESTON MUNICIPAL UTILITY DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED MARCH 31, 2026

Net Change in Fund Balances - Governmental Funds	$	14,523
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.		7,476
Governmental funds report penalty and interest revenue on property taxes when collected. However, in the Statement of Activities, revenue is recorded when penalties and interest are assessed.		2,381
Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated. The expense is recorded in the Statement of Activities.		(265,995)
Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected.		4,053,695
Governmental funds report bond premiums/discounts as other financing sources/uses in the year received/paid. However, in the Statement of Net Position, the bond premiums/discounts are amortized over the life of the bonds and the current year amortized portion is recorded in the Statement of Activities.		(38,913)
Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.		(104,118)
Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Position, bond principal decrease long-term liabilities.		100,000
Governmental funds report bond proceeds as other financing sources. Proceeds from the sale of bonds increase long-term liabilities in the Statement of Net Position.		(5,000,000)
Change in Net Position - Governmental Activities	$	(1,230,951)

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

NOTE 1. CREATION OF DISTRICT

The District was created by an order of the Texas Commission on Environmental Quality (the "Commission"), effective August 7, 2018, in accordance with the Texas Water Code, Chapters 49 and 54. The District is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water, wastewater service, storm sewer drainage, irrigation, to construct roads, and to construct parks and recreational facilities for the residents of the District. The Board of Directors held its first meeting on January 18, 2019 and the first bonds were sold on December 5, 2023.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying 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 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, including restricted capital assets, net of accumulated depreciation and 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's 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. The District's Statement of Net Position and Statement of Activities 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, if any, are eliminated to obtain net total revenues and expenses of the government-wide Statement of Activities.

Fund Financial Statements

As discussed above, 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.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements (Continued)

Governmental Fund

The District has three governmental funds and considers each to be a major fund.

General Fund - To account for customer service revenues, property taxes, operating costs and general expenditures.

Debt Service Fund – To account for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes.

Capital Projects Fund – To account for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

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 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. Recognition of tax revenues for the 2025 debt service tax levy has been deferred until the 2027 fiscal year.

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 March 31, 2026, the Debt Service Fund owed the General Fund $17,121 for maintenance tax collections. During the current fiscal year, the Capital Projects Fund transferred $3,500 to the General Fund to reimburse it for bond issuance costs previously paid by the General Fund.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets are reported in the government-wide Statement of Net Position. Capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. 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.

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. Estimated useful lives are as follows:

	Years
Water System	10-45
Wastewater System	10-45
Drainage System	10-45

Budgeting

An annual unappropriated budget is adopted 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 original General Fund budget for the current year was amended. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund presents the original and amended budget amounts compared to the actual amounts of revenues and expenditures for the current year.

Pensions

A pension plan has not been established. The District does not have employees, except that the Internal Revenue Service has determined that directors are considered "employees" for federal 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.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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

	Series 2023	Series 2024	Series 2025
Amount Outstanding – March 31, 2026	$ 2,900,000	$ 3,085,000	$ 5,000,000
Interest Rates	5.000% - 5.625%	4.00% - 6.50%	4.125% - 6.625%
Maturity Dates – Serially Beginning/Ending	May 1, 2026/2050	May 1, 2026/2050	May 1, 2028/2051
Interest Payment Dates	May 1/ November 1	May 1/ November 1	May 1/ November 1
Callable Dates	May 1, 2030*	May 1, 2031*	May 1, 2032*

* Or any date thereafter as a whole or in part, at par plus interest accrued to the date of redemption. Series 2023 term bonds maturing on May 1, 2039, May 1, 2041, and May 1, 2050 are subject to mandatory redemption beginning May 1, 2038, May 1, 2040, and May 1, 2042, respectively. Series 2025 term bonds maturing on May 1, 2037, May 1, 2039, and May 1, 2051 are subject to mandatory redemption beginning May 1, 2036, May 1, 2038, and May 1, 2050, respectively.

The following is a summary of transactions regarding bonds payable for the year ended March 31, 2026:

	April 1, 2025	Additions	Retirements	March 31, 2026
Bonds Payable	$ 6,085,000	$ 5,000,000	$ 100,000	$ 10,985,000
Unamortized Discounts	(48,441)	(115,167)	(3,537)	(160,071)
Unamortized Premiums	103,399	154,080	6,293	251,186
Bonds Payable, net	$ 6,139,958	$ 5,038,913	$ 102,756	$ 11,076,115

Amount Due Within One Year	$ 210,000
Amount Due After One Year	10,866,115
Total Bonds Payable	$ 11,076,115

NOTE 3. LONG-TERM DEBT (Continued)

As of March 31, 2026, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2027	$ 210,000	$ 512,940	$ 722,940
2028	255,000	515,256	770,256
2029	295,000	498,176	793,176
2030	305,000	479,431	784,431
2031	315,000	460,066	775,066
2032-2036	1,740,000	2,010,843	3,750,843
2037-2041	2,070,000	1,568,292	3,638,292
2042-2046	2,490,000	1,061,913	3,551,913
2047-2051	2,960,000	433,845	3,393,845
2052	345,000	7,547	352,547
	$ 10,985,000	$ 7,548,309	$ 18,533,309

As of March 31, 2026, the District had authorized but unissued water, sewer and drainage bonds of $11,915,000 and refunding bonds of $23,000,000.

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. During the year ended March 31, 2026, the District levied an ad valorem debt service tax rate of $0.75 per $100 of assessed valuation, which resulted in a tax levy of $819,913 on the adjusted taxable valuation of $109,321,649 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 costs of assessing and collecting taxes. See Note 7 for the maintenance tax levy.

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 bond orders state that the District is required to provide to certain information repositories continuing disclosure of annual financial information and operating data with respect to the District. The information, along with the audited annual financial statements, is of the general type included in the annual audit report and must be filed within six months after the end of each fiscal year of the District.

NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS (Continued)

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 the five-year anniversary of each use.

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 $129,743 and the bank balance was $124,579. The District was not exposed to custodial credit risk.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at March 31, 2026, as listed below:

	Cash
GENERAL FUND	$ 99,234
DEBT SERVICE FUND	30,039
CAPITAL PROJECTS FUND	470
TOTAL DEPOSITS	$ 129,743

Investments

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

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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

The District also invest in Texas Cooperative Liquid Assets Securities System ("Texas CLASS"). Texas CLASS is a public funds investment pool which has operated since 1996. The pool seeks to provide safety, liquidity, convenience and competitive rates of return for Texas public sector investors such as municipal utility districts. Public Trust Advisors, LLC serves as the pool's administrator and investment advisor. UMB Bank, N.A. serves as custodian for the pool. Texas CLASS meets the criteria established in GASB Statement No. 79 and measures portfolio assets at amortized cost. As a result, the District also measures its investments in Texas CLASS at amortized costs for financial reporting purposes. There are no limitations or restrictions on withdrawals from Texas CLASS.

As of March 31, 2026, the District has the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities of Less Than 1 Year
GENERAL FUND		
Texas CLASS	$ 1,130,492	$ 1,130,492
DEBT SERVICE FUND		
Texas CLASS	1,083,790	1,083,790
CAPITAL PROJECTS FUND		
Texas CLASS	103,048	103,048
TOTAL INVESTMENTS	$ 2,317,330	$ 2,317,330

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. At March 31, 2026, the District's investments in Texas CLASS were rated AAAm by Standard and 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 investments in Texas CLASS to have a maturity of less than one year due to the fact 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

Capital asset activity for the year ended March 31, 2026:

	April 1, 2025	Increases	Decreases	March 31, 2026
Capital Assets Not Being Depreciated				
Land and Land Improvements	$ 56,439	$ 427,459	$ - 0 -	$ 483,898
Capital Assets Subject to Depreciation				
Water System	$ 3,851,844	$ 239,264	$	$ 4,091,108
Wastewater System	5,085,999	(144,984)		4,941,015
Drainage/Detention System	5,610,870	(968,473)		4,642,397
Total Capital Assets Subject to Depreciation	$ 14,548,713	$ (874,193)	$ -0-	$ 13,674,520
Accumulated Depreciation				
Water System	$ 351,591	$ 150,978	$	$ 502,569
Wastewater System	332,998	108,258		441,256
Drainage/Detention System	442,163	6,759		448,922
Total Accumulated Depreciation	$ 1,126,752	$ 265,995	$ -0-	$ 1,392,747
Total Depreciable Capital Assets, Net of Accumulated Depreciation	$ 13,421,961	$ (1,140,188)	$ -0-	$ 12,281,773
Total Capital Assets, Net of Accumulated Depreciation	$ 13,478,400	$ (712,729)	$ -0-	$ 12,765,671

Additionally, the District has financed $4,222,853 of paving assets for Charleston Heights, Sections 1 and 2 which have been conveyed to Fort Bend County for maintenance.

NOTE 7. MAINTENANCE TAX

On May 4, 2019, the voters of the District approved the levy and collection of a maintenance tax not to exceed $1.50 per $100 of assessed valuation of taxable property within the District. This maintenance tax is to be used by the General Fund to pay expenditures of operating the District's facilities as well as any other lawfully authorized purpose. During the year ended March 31, 2026, the District levied an ad valorem maintenance tax of $0.75 per $100 of assessed valuation, which resulted in a tax levy of $819,913 on the taxable valuation of $109,321,649 for the 2025 tax year.

NOTE 8. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

NOTE 9. UNREIMBURSED COSTS

The District has entered into certain financing and reimbursement agreements with a Developer within the District which provides for the Developer to fund costs associated with water, sewer, drainage and recreational facilities as well as to fund operating advances. The District has an obligation to reimburse the Developer for these costs from future bond issues to the extent approved by the Commission. The District has recorded a liability to the Developer of $440,013 for operating advances and $10,393,731 of completed projects made by the Developer for completed projects as of March 31, 2026, which remain eligible for future reimbursement. The actual amounts owed, including developer interest, will be calculated at the time debt is issued to reimburse the Developer. The following table summarizes the current fiscal year activity related to unreimbursed Developer costs:

Due to Developer, beginning of year	$ 15,334,173
Less: Reimbursements	4,500,429
Due to Developer, end of year	$ 10,833,744

NOTE 10. NORTH FORT BEND WATER AUTHORITY

The District entered into a Groundwater Reduction Plan Participation Agreement with the North Fort Bend Water Authority (the "Authority") on October 28, 2020. The District will pay the Authority a water well pumpage fee based on the amount of water pumped from all well(s) owned and operated by the District. This fee will enable the Authority to fulfill its purpose and regulatory functions. The fee charged as of year-end was $4.55 per 1,000-gallons of water pumped from each well. The term of this agreement is for 40 years from the effective date of the agreement. The District recorded $164,219 for pumpage fees in the current fiscal year.

NOTE 11. EMERGENCY WATER INTERCONNECT AGREEMENT

On March 10, 2020, the District entered into an Emergency Water Interconnect Agreement with Fort Bend County Freshwater Supply District No. 1 and the City of Arcola. The District will be responsible for all costs associated with construction of the water line and interconnect facilities required. The rate for water delivered is $1.00 per 1,000 gallons plus any per 1000-gallon plus any applicable water Authority fees. The term of the agreement is 25 years from the effective date of the agreement.

NOTE 12. BOND SALE

On November 26, 2025, the District issued $5,000,000 of Unlimited Tax Bonds, Series 2025. Proceeds from the bonds were used to reimburse the Developer a portion of the construction and engineering costs for the Charleston MUD Water Plant Phase 2, Detention Phases 1 and 2, the interconnect waterline with the City of Arcola, Texas, and land acquisition for detention facilities. Additional proceeds were used to fund developer interest and pay issuance costs of the bonds.

NOTE 13. USE OF SURPLUS FUNDS

On January 22, 2026, the Commission approved the use of $594,363 of surplus Series 2023 and Series 2024 bond proceeds to reimburse costs associated with Charleston MUD Water Plant Phase 2, Wastewater Treatment Plant Phase 1, related engineering costs, and developer interest.

CHARLESTON MUNICIPAL UTILITY DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

MARCH 31, 2026

CHARLESTON MUNICIPAL UTILITY DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2026

	Original Budget	Final Amended Budget	Actual	Variance Positive (Negative)
REVENUES				
Property Taxes	$ 619,000	$ 619,000	$ 807,376	$ 188,376
Water Service	109,000	109,000	120,010	11,010
Wastewater Service	196,000	196,000	210,557	14,557
Water Authority Fees	136,000	136,000	170,872	34,872
Penalty and Interest	17,000	17,000	21,050	4,050
Tap Connection and Inspection Fees	29,000	29,000		(29,000)
Investment and Miscellaneous Revenues	78,000	138,000	29,302	(108,698)
TOTAL REVENUES	$ 1,184,000	$ 1,244,000	$ 1,359,167	$ 115,167
EXPENDITURES				
Service Operations:				
Professional Fees	$ 102,250	$ 102,250	$ 118,627	$ (16,377)
Contracted Services	189,850	189,850	232,383	(42,533)
Utilities	45,000	45,000	46,933	(1,933)
Regional Water Authority Assessment	136,000	136,000	164,219	(28,219)
Repairs and Maintenance	395,000	375,500	290,328	85,172
Other	155,700	155,700	111,355	44,345
Capital Outlay	25,000	25,000		25,000
TOTAL EXPENDITURES	$ 1,048,800	$ 1,029,300	$ 963,845	$ 65,455
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ 135,200	$ 214,700	$ 395,322	$ 180,622
OTHER FINANCING SOURCES(USES)				
Transfers In	$ 3,500	$ 3,500	$ 3,500	$
NET CHANGE IN FUND BALANCE	$ 138,700	$ 218,200	$ 398,822	$ 180,622
FUND BALANCE - APRIL 1, 2025	758,856	758,856	758,856	
FUND BALANCE - MARCH 31, 2026	$ 897,556	$ 977,056	$ 1,157,678	$ 180,622

See accompanying independent auditor's report.

CHARLESTON MUNICIPAL UTILITY DISTRICT

SUPPLEMENTARY INFORMATION – REQUIRED BY THE

WATER DISTRICT FINANCIAL MANAGEMENT GUIDE

MARCH 31, 2026

CHARLESTON MUNICIPAL UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED MARCH 31, 2026

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

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

2. RETAIL SERVICE PROVIDERS
a. RETAIL RATES FOR A 5/8" METER (OR EQUIVALENT):

Based on the rate order effective March 1, 2026.

	Minimum Charge	Minimum Usage	Flat Rate	Rate per 1,000 Gallons over Minimum	Usage Levels
WATER:	$ 22.50	10,000	N	$ 2.25	10,001 to 15,000
				$ 3.25	15,001 to 20,000
				$ 4.25	20,001 to 25,000
				$ 5.25	25,001 and up
WASTEWATER	$ 46.22		Y		
SURCHARGE:					
Regional Water Authority Fees		0,001	N	$ 5.00	All

District employs winter averaging for wastewater usage? ____ Yes X No

Total monthly charges per 10,000 gallons usage: Water: $22.50 Wastewater: $46.22 Surcharge: $50.00 Total: $118.72

See accompanying independent auditor's report.

CHARLESTON MUNICIPAL UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED MARCH 31, 2026

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFCs
Unmetered			x 1.0	
≤¾"	399	392	x 1.0	392
1"	11	11	x 2.5	28
1½"	1	1	x 5.0	5
2"	2	2	x 8.0	16
3"			x 15.0	
4"			x 25.0	
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water Connections	413	406		441
Total Wastewater Connections	405	398	x 1.0	398

3. TOTAL WATER CONSUMPTION DURING THE FISCAL YEAR ROUNDED TO THE NEAREST THOUSAND: (Unauditied)

Water Accountability Ratio: 97.01%
(Gallons billed/Gallons pumped)

Gallons pumped into system:	35,773,000
Gallons billed to customers:	34,620,000
Leaks and flushing:	85,000

See accompanying independent auditor's report.

CHARLESTON MUNICIPAL UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED MARCH 31, 2026

4. STANDBY FEES (authorized only under TWC Section 49.231):

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

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

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes X No _____

County in which District is located:

Fort Bend 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 _____

ETJ in which District is located:

City of Arcola, Texas

Are Board Members appointed by an office outside the District?

Yes _____ No X

See accompanying independent auditor's report.

CHARLESTON MUNICIPAL UTILITY DISTRICT
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED MARCH 31, 2026

PROFESSIONAL FEES:		
Auditing	$	17,000
Engineering		50,656
Legal		50,971
TOTAL PROFESSIONAL FEES	$	118,627
CONTRACTED SERVICES:		
Bookkeeping	$	61,395
Operations and Billing		46,209
Solid Waste Disposal		124,779
TOTAL CONTRACTED SERVICES	$	232,383
UTILITIES	$	46,933
REPAIRS AND MAINTENANCE	$	290,328
ADMINISTRATIVE EXPENDITURES:		
Director Fees, Including Payroll Taxes	$	7,613
Insurance		17,679
Legal Notices		4,585
Office Supplies and Postage		8,969
Payroll Administration		612
Travel and Meetings		1,915
Other		6,768
TOTAL ADMINISTRATIVE EXPENDITURES	$	48,141
OTHER EXPENDITURES:		
Chemicals	$	15,490
Laboratory Fees		17,046
Permit Fees		15,939
Inspection Fees		13,157
Water Authority Assessments		164,219
TCEQ Regulatory Assessment		1,582
TOTAL OTHER EXPENDITURES	$	227,433
TOTAL EXPENDITURES	$	963,845

See accompanying independent auditor's report.

CHARLESTON MUNICIPAL UTILITY DISTRICT
INVESTMENTS
MARCH 31, 2026

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
GENERAL FUND					
Texas CLASS	XXXX0003	Varies	Daily	$ 1,130,492	$ -0-
DEBT SERVICE FUND					
Texas CLASS	XXXX0002	Varies	Daily	$ 1,083,790	$ -0-
CAPITAL PROJECTS FUND					
Texas CLASS	XXXX0001	Varies	Daily	$ 16,646	$ -0-
Texas CLASS	XXXX0004	Varies	Daily	69	
Texas CLASS	XXXX0005	Varies	Daily	86,333	
TOTAL CAPITAL PROJECTS FUND				$ 103,048	$ - 0 -
TOTAL - ALL FUNDS				$ 2,317,330	$ -0-

See accompanying independent auditor's report.

CHARLESTON MUNICIPAL UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED MARCH 31, 2026

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE - APRIL 1, 2025	$ 11,703		$ 9,195	
Adjustments to Beginning Balance	(5,061)	$ 6,642	(3,671)	$ 5,524
Original 2025 Tax Levy	$ 825,451		$ 825,451	
Adjustment to 2025 Tax Levy	(5,538)	819,913	(5,538)	819,913
TOTAL TO BE ACCOUNTED FOR		$ 826,555		$ 825,437
TAX COLLECTIONS:				
Prior Years	$ 6,642		$ 5,524	
Current Year	800,734	807,376	800,734	806,258
TAXES RECEIVABLE - MARCH 31, 2026		$ 19,179		$ 19,179

See accompanying independent auditor's report.

CHARLESTON MUNICIPAL UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED MARCH 31, 2026

	2025	2024	2023	2022
PROPERTY VALUATIONS:				
Land	$ 25,307,150	$ 21,342,542	$ 16,186,783	$ 9,984,340
Improvements	89,471,145	56,427,205	28,354,897	1,101,080
Personal Property	104,954	74,957	34,070	34,070
Exemptions	(5,561,600)	(2,808,726)	(1,441,724)	(20,530)
TOTAL PROPERTY VALUATIONS	$ 109,321,649	$ 75,035,978	$ 43,134,026	$ 11,098,960
TAX RATES PER $100 VALUATION:				
Debt Service	$ 0.75	$ 0.66	$ 0.00	$ 0.00
Maintenance	0.75	0.84	1.50	1.50
TOTAL TAX RATES PER $100 VALUATION	$ 1.50	$ 1.50	$ 1.50	$ 1.50
ADJUSTED TAX LEVY*	$ 1,639,826	$ 1,125,540	$ 647,010	$ 166,484
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	97.66 %	100.00 %	100.00 %	100.00 %

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

Maintenance Tax – Maximum tax rate of $1.50 per $100 of assessed valuation approved by voters on May 4, 2019.

See accompanying independent auditor's report.

CHARLESTON MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
FOR THE YEAR ENDED MARCH 31, 2026

Due During Fiscal Years Ending March 31	SERIES-2023 Principal Due May 1	Interest Due May 1/ November 1	Total
2027	$ 100,000	$ 153,644	$ 253,644
2028	55,000	149,769	204,769
2029	60,000	146,894	206,894
2030	60,000	143,894	203,894
2031	65,000	140,769	205,769
2032	70,000	137,394	207,394
2033	75,000	133,769	208,769
2034	80,000	129,894	209,894
2035	80,000	125,894	205,894
2036	90,000	121,644	211,644
2037	95,000	117,019	212,019
2038	100,000	112,019	212,019
2039	105,000	106,638	211,638
2040	110,000	100,994	210,994
2041	120,000	94,881	214,881
2042	125,000	88,297	213,297
2043	130,000	81,281	211,281
2044	140,000	73,688	213,688
2045	150,000	65,531	215,531
2046	155,000	56,953	211,953
2047	165,000	47,952	212,952
2048	175,000	38,391	213,391
2049	185,000	28,266	213,266
2050	200,000	17,438	217,438
2051	210,000	5,906	215,906
2052			
	$ 2,900,000	$ 2,418,819	$ 5,318,819

See accompanying independent auditor's report.

CHARLESTON MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
FOR THE YEAR ENDED MARCH 31, 2026

	SERIES-2024		
Due During Fiscal Years Ending March 31	Principal Due May 1	Interest Due May 1/ November 1	Total
2027	$ 110,000	$ 141,325	$ 251,325
2028	200,000	131,250	331,250
2029	125,000	120,688	245,688
2030	125,000	112,562	237,562
2031	125,000	104,438	229,438
2032	125,000	96,312	221,312
2033	125,000	89,125	214,125
2034	125,000	83,500	208,500
2035	125,000	78,500	203,500
2036	125,000	73,500	198,500
2037	125,000	68,500	193,500
2038	125,000	63,500	188,500
2039	125,000	58,500	183,500
2040	125,000	53,500	178,500
2041	125,000	48,500	173,500
2042	125,000	43,500	168,500
2043	125,000	38,500	163,500
2044	125,000	33,500	158,500
2045	125,000	28,500	153,500
2046	125,000	23,500	148,500
2047	125,000	18,500	143,500
2048	100,000	14,000	114,000
2049	100,000	10,000	110,000
2050	100,000	6,000	106,000
2051	100,000	2,000	102,000
2052			
	$ 3,085,000	$ 1,541,700	$ 4,626,700

See accompanying independent auditor's report.

CHARLESTON MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
FOR THE YEAR ENDED MARCH 31, 2026

Due During Fiscal Years Ending March 31	SERIES-2025 Principal Due May 1	Interest Due May 1/ November 1	Total
2027	$	$ 217,971	$ 217,971
2028		234,237	234,237
2029	110,000	230,594	340,594
2030	120,000	222,975	342,975
2031	125,000	214,859	339,859
2032	130,000	206,412	336,412
2033	135,000	197,634	332,634
2034	145,000	188,359	333,359
2035	150,000	178,587	328,587
2036	160,000	170,319	330,319
2037	165,000	163,615	328,615
2038	175,000	156,603	331,603
2039	185,000	149,178	334,178
2040	190,000	141,444	331,444
2041	200,000	133,401	333,401
2042	210,000	124,944	334,944
2043	220,000	115,937	335,937
2044	235,000	106,269	341,269
2045	245,000	96,069	341,069
2046	255,000	85,444	340,444
2047	270,000	74,288	344,288
2048	285,000	62,494	347,494
2049	300,000	49,875	349,875
2050	315,000	36,422	351,422
2051	330,000	22,313	352,313
2052	345,000	7,547	352,547
	$ 5,000,000	$ 3,587,790	$ 8,587,790

See accompanying independent auditor's report.

CHARLESTON MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
FOR THE YEAR ENDED MARCH 31, 2026

Due During Fiscal Years Ending March 31	ANNUAL REQUIREMENTS FOR ALL SERIES		
	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2027	$ 210,000	$ 512,940	$ 722,940
2028	255,000	515,256	770,256
2029	295,000	498,176	793,176
2030	305,000	479,431	784,431
2031	315,000	460,066	775,066
2032	325,000	440,118	765,118
2033	335,000	420,528	755,528
2034	350,000	401,753	751,753
2035	355,000	382,981	737,981
2036	375,000	365,463	740,463
2037	385,000	349,134	734,134
2038	400,000	332,122	732,122
2039	415,000	314,316	729,316
2040	425,000	295,938	720,938
2041	445,000	276,782	721,782
2042	460,000	256,741	716,741
2043	475,000	235,718	710,718
2044	500,000	213,457	713,457
2045	520,000	190,100	710,100
2046	535,000	165,897	700,897
2047	560,000	140,740	700,740
2048	560,000	114,885	674,885
2049	585,000	88,141	673,141
2050	615,000	59,860	674,860
2051	640,000	30,219	670,219
2052	345,000	7,547	352,547
	$ 10,985,000	$ 7,548,309	$ 18,533,309

See accompanying independent auditor's report.

CHARLESTON MUNICIPAL UTILITY DISTRICT
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED MARCH 31, 2026

Description	Original Bonds Issued	Bonds Outstanding April 1, 2025
Charleston Municipal Utility District Unlimited Tax Bonds - Series 2023	$ 3,000,000	$ 3,000,000
Charleston Municipal Utility District Unlimited Tax Bonds - Series 2024	3,085,000	3,085,000
Charleston Municipal Utility District Unlimited Tax Bonds - Series 2025	5,000,000	
TOTAL	$ 11,085,000	$ 6,085,000

Bond Authority:	Tax Bonds	Refunding Bonds
Amount Authorized by Voters	$ 23,000,000	$ 23,000,000
Amount Issued	11,085,000	
Remaining to be Issued	$ 11,915,000	$ 23,000,000

Debt Service Fund cash and investment balances as of March 31, 2026:	$ 1,113,829
Average annual debt service payment (principal and interest) for remaining term of all debt:	$ 712,820

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

See accompanying independent auditor's report.

Current Year Transactions				
	Retirements		Bonds Outstanding	
Bonds Sold	Principal	Interest	March 31, 2026	Paying Agent
$	$ 100,000	$ 158,643	$ 2,900,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
		125,178	$ 3,085,000	The Bank of New York Mellon Trust Company, N.A. Houston, TX
5,000,000			$ 5,000,000	The Bank of New York Mellon Trust Company, N.A. Houston, TX
$ 5,000,000	$ 100,000	$ 283,821	$ 10,985,000	

See accompanying independent auditor's report.

CHARLESTON MUNICIPAL UTILITY DISTRICT
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND – FIVE YEARS

	Amounts		
	2026	2025	2024
REVENUES			
Property Taxes	$ 807,376	$ 748,458	$ 523,166
Water Service	120,010	104,203	82,519
Wastewater Service	210,557	186,067	121,768
Water Authority Fees	170,872	131,843	101,979
Penalty and Interest	21,050	15,910	10,626
Tap Connection and Inspection Fees		174,590	294,050
Investment and Miscellaneous Revenues	29,302	28,414	5,954
TOTAL REVENUES	$ 1,359,167	$ 1,389,485	$ 1,140,062
EXPENDITURES			
Professional Fees	$ 118,627	$ 130,278	$ 98,362
Contracted Services	232,383	192,210	159,761
Utilities	46,933	44,455	41,128
Regional Water Authority Assessment	164,219	128,365	109,873
Repairs and Maintenance	290,328	381,509	229,791
Other	111,355	198,030	263,461
TOTAL EXPENDITURES	$ 963,845	$ 1,074,847	$ 902,376
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ 395,322	$ 314,638	$ 237,686
OTHER FINANCING SOURCES (USES)			
Transfers In (Out)	$ 3,500	$ 12,085	$
Developer Advances			206,000
TOTAL OTHER FINANCING SOURCES (USES)	$ 3,500	$ 12,085	$ 206,000
NET CHANGE IN FUND BALANCE	$ 398,822	$ 326,723	$ 443,686
BEGINNING FUND BALANCE (DEFICIT)	758,856	432,133	(11,553)
ENDING FUND BALANCE (DEFICIT)	$ 1,157,678	$ 758,856	$ 432,133

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2023	2022	2026	2025	2024	2023	2022
$ 157,182	$ 13,263	59.4 %	53.9 %	46.0 %	23.1 %	17.3 %
38,469		8.8	7.5	7.2	5.7	
55,311		15.5	13.4	10.7	8.2	
38,943		12.6	9.5	8.9	5.8	
4,233	925	1.5	1.1	0.9	0.6	1.2
379,221	62,460		12.6	25.8	56.1	81.4
3,062	84	2.2	2.0	0.5	0.5	0.1
$ 676,421	$ 76,732	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
$ 71,518	$ 67,398	8.7 %	9.4 %	8.6 %	10.6 %	87.8 %
86,990	26,271	17.1	13.8	14.0	12.9	34.2
15,597		3.5	3.2	3.6	2.3	
52,930		12.1	9.2	9.6	7.8	
144,754	25,860	21.4	27.5	20.2	21.4	33.7
309,168	51,949	8.2	14.3	23.1	45.7	67.7
$ 680,957	$ 171,478	71.0 %	77.4 %	79.1 %	100.7 %	223.4 %
$ (4,536)	$ (94,746)	29.0 %	22.6 %	20.9 %	(0.7) %	(123.4) %
$	$ 125,000					
$ - 0 -	$ 125,000					
$ (4,536)	$ 30,254					
(7,017)	(37,271)					
$ (11,553)	$ (7,017)					

See accompanying independent auditor's report.

CHARLESTON MUNICIPAL UTILITY DISTRICT
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND – FIVE YEARS

	Amounts		
	2026	2025	2024
REVENUES			
Property Taxes	$ 491,566	$	$
Penalty and Interest	5,893	7,511	
Investment and Miscellaneous Revenues	21,655	20,970	5,784
TOTAL REVENUES	$ 519,114	$ 28,481	$ 5,784
EXPENDITURES			
Tax Collection Expenditures	$ 29,071	$ 20,950	$
Debt Service Principal	100,000		
Debt Service Interest and Fees	285,321	146,675	
TOTAL EXPENDITURES	$ 414,392	$ 167,625	$ -0-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ 104,722	$ (139,144)	$ 5,784
OTHER FINANCING SOURCES (USES)			
Proceeds from Issuance of Long-Term Debt	$ -0-	$ -0-	$ 322,287
NET CHANGE IN FUND BALANCE	$ 104,722	$ (139,144)	$ 328,071
BEGINNING FUND BALANCE	188,927	328,071	
ENDING FUND BALANCE	$ 293,649	$ 188,927	$ 328,071
TOTAL ACTIVE RETAIL WATER CONNECTIONS	406	412	329
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	398	404	322

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2023	2022	2026	2025	2024	2023	2022
$	$	94.7 %	%	%	%	%
		1.1	26.4			
		4.2	73.6	100.0		
$ -0-	$ -0-	100.0 %	100.0 %	100.0 %	%	%
$	$	5.6 %	73.6 %	%	%	%
		19.3				
		55.0	515.0			
$ -0-	$ -0-	79.9 %	588.6 %	%	%	%
$ -0-	$ -0-	20.1 %	(488.6) %	100.0 %	N/A %	N/A %
$ -0-	$ -0-					
$	$					
$ -0-	$ -0-					
194	N/A					
187	N/A					

See accompanying independent auditor's report.

CHARLESTON MUNICIPAL UTILITY DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
MARCH 31, 2026

District Mailing Address - Charleston Municipal Utility District
Schwartz, Page & Harding, L.L.P.
1300 Post Oak Boulevard, Suite 2400
Houston, TX 77056-3078

District Telephone Number - (713) 623-4531

Board Members	Term of Office (Elected or Appointed)	Fees of Office for the year ended March 31, 2026	Expense Reimbursements for the year ended March 31, 2026	Title
Todd Elston	05/2022 - 05/2026 (Elected)	$ 1,768	$ 215	President
Frances Watson	05/2024 - 05/2028 (Elected)	$ 2,210	$ 849	Vice President
Carson Underwood	05/2022 - 05/2026 (Elected)	$ 1,547	$ 178	Secretary
Stephen Jones	05/2024 - 05/2028 (Elected)	$ 1,326	$ 568	Assistant Secretary
Gloria Wilson	02/2026 - 04/2026 (Resigned)	$ 221	$ 7	Former Assistant Secretary

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

Submission date of most recent District Registration Form: June 19, 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 July 25, 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.

CHARLESTON MUNICIPAL UTILITY DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
MARCH 31, 2026

Consultants:	Date Hired	Fees for the year ended March 31, 2026	Title
Schwartz, Page & Harding, L.L.P.	01/18/19	$ 64,774	General Counsel
		$ 136,914	Bond Counsel
McCall Gibson Swedlund Barfoot Ellis PLLC	04/26/22	$ 17,250	Auditor
		$ 14,500	Bond Related
		$ 750	SB 625
Municipal Accounts & Consulting, L.P.	01/18/19	$ 65,584	Bookkeeper
		$ 4,000	Bond Related
Perdue, Brandon, Fielder, Collins & Mott, LLP	01/26/21	$ 2,489	Delinquent Tax Attorney
Masterson Advisors LLC	01/18/19	$ 100,763	Financial Advisor
Odyssey Engineering Group, LLC	01/18/19	$ 64,355	Engineer
		$ 33,592	Bond Related
Bob Leared Interests, Inc.	02/08/19	$ 11,909	Tax Assessor/ Collector
		$ 5,000	Bond Related
Municipal Operations & Consulting, Inc.	08/25/20	$ 339,902	Operator
Mark Burton	01/18/19	$ -0-	Investment Officer

See accompanying independent auditor's report.