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 OCTOBER 8, 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 the sale of the Bonds, the Official Statement will be completed and delivered to the Initial Purchaser.

THE DELIVERY OF THE BONDS IS SUBJECT TO THE OPINION OF BOND COUNSEL TO THE DISTRICT AS TO THE VALIDITY OF THE BONDS AND TO THE EFFECT THAT INTEREST ON THE BONDS IS EXCLUDABLE FROM THE GROSS INCOME OF THE OWNERS OF THE BONDS FOR PURPOSES OF FEDERAL INCOME TAXATION UNDER STATUTES, REGULATIONS, PUBLISHED RULINGS, AND COURT DECISIONS ON THE DATE THEREOF, SUBJECT TO THE MATTERS DESCRIBED UNDER "TAX MATTERS" HEREIN, INCLUDING THE ALTERNATIVE MINIMUM TAX ON CERTAIN CORPORATIONS. SEE "LEGAL MATTERS" AND "TAX MATTERS" HEREIN FOR A DISCUSSION OF BOND COUNSEL'S OPINION.

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

NEW ISSUE- Book-Entry-Only

Rating: Moody's "A2"
See "MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE" herein.

$8,585,000
TIMBERLAKE IMPROVEMENT DISTRICT
(A political subdivision of the State of Texas located within Harris County)
UNLIMITED TAX BONDS
SERIES 2026

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

Principal of 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. (the "Paying Agent/Registrar"). Interest on the Bonds will accrue from the initial date of delivery (expected to be December 16, 2026) (the "Delivery Date") and will be payable on August 1 and February 1 of each year, commencing August 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 (August 1)	Principal Amount (a)	Interest Rate	Initial Reoffering Yield (b)	CUSIP Number (c)	Due (August 1)	Principal Amount (a)	Interest Rate	Initial Reoffering Yield (b)	CUSIP Number (c)
2028	$ 80,000	%	%		2041	$ 50,000 (d)	%	%	
2029	50,000				2042	50,000 (d)			
2030	50,000				2043	575,000 (d)			
2031	50,000				2044	600,000 (d)			
2032	50,000				2045	625,000 (d)			
2033	50,000 (d)				2046	650,000 (d)			
2034	50,000 (d)				2047	675,000 (d)			
2035	50,000 (d)				2048	705,000 (d)			
2036	50,000 (d)				2049	735,000 (d)			
2037	50,000 (d)				2050	765,000 (d)			
2038	50,000 (d)				2051	795,000 (d)			
2039	50,000 (d)				2052	825,000 (d)			
2040	50,000 (d)				2053	855,000 (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 August 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 August 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 Timberlake Improvement 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 against all taxable property located within the District. The Bonds are obligations solely of the District and are not obligations of the State of Texas, Harris County, the City of Houston or any entity other than the District. The Bonds are subject to special investment risks described herein under the section captioned "INVESTMENT CONSIDERATIONS."

The Bonds are offered by the Initial Purchaser subject to prior sale, when, as and if issued by the District and accepted by the Initial Purchaser, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Young & Brooks, Houston, Texas, Bond Counsel. Delivery of the Bonds is expected on or about December 16, 2026 in Houston, Texas.

BIDS DUE: THURSDAY, NOVEMBER 12, 2026, AT 9:00 A.M., HOUSTON TIME, HOUSTON, TEXAS
BID AWARD: THURSDAY, NOVEMBER 12, 2026 AT 10:30 A.M., HOUSTON TIME, HOUSTON, TEXAS

TABLE OF CONTENTS

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS 1
OFFICIAL STATEMENT SUMMARY 3
SELECTED FINANCIAL INFORMATION 5
THE BONDS 6
BOOK-ENTRY-ONLY SYSTEM 10
THE DISTRICT 12
MANAGEMENT 13
THE SYSTEM 14
FINANCIAL STATEMENT 17
ESTIMATED OVERLAPPING DEBT STATEMENT 18
TAX DATA 19
TAX PROCEDURES 21
WATER AND SEWER OPERATIONS 26
DEBT SERVICE REQUIREMENTS 27
INVESTMENT CONSIDERATIONS 28
LEGAL MATTERS 33
TAX MATTERS 33
SALE AND DISTRIBUTION OF THE BONDS 36
PREPARATION OF OFFICIAL STATEMENT 36
CONTINUING DISCLOSURE OF INFORMATION 38
MISCELLANEOUS 39
AERIAL PHOTOGRAPH 40
PHOTOGRAPHS OF THE DISTRICT 41
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 representation must not be relied upon as having been authorized by the District.

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

All of the summaries of the statutes, orders, 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 Young & Brooks, 10000 Memorial Drive, Suite 260, Houston, Texas, 77024 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 FINANCING

The Issuer ..... Timberlake Improvement District (the "District"), a political subdivision of the State of Texas, is located in Harris County, Texas. See "THE DISTRICT."

The Issue ..... $8,585,000 Timberlake Improvement District Unlimited Tax Bonds, Series 2026, dated December 1, 2026. The Bonds mature on August 1 in each of the years and in the principal amounts set forth on the cover page hereof. Interest on the Bonds will accrue from the Delivery Date and will be payable August 1 and February 1 of each year commencing August 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 August 1, 2033 are subject to redemption, in whole or from time to time in part, on August 1, 2032, or on any date thereafter, at a price of par plus accrued interest to the date fixed for redemption. If less than all the Bonds are redeemed, the particular maturities and amounts to be redeemed shall be selected by the District in integral multiples of $5,000, and if fewer than all of the Bonds of a given maturity are selected to be called, the specific Bonds within such maturity shall be selected by the Paying Agent/Registrar (as defined herein) by lot or other customary random method in integral multiples of $5,000 in principal amount. See "THE BONDS."

Book-Entry-Only System ..... The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC, pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds (defined herein) may be acquired in denominations of $5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar (hereinafter defined) to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see "THE BONDS—Book-Entry-Only System").

Source of Payment ..... Principal of and interest on the Bonds, the Outstanding Bonds (hereinafter defined), and such additional tax bonds as may hereafter be issued by the District are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. The Bonds are obligations of the District and are not obligations of the City of Houston, Harris County, the State of Texas or any entity other than the District. See "THE BONDS—Sources of Payment."

Use of Proceeds ..... Proceeds from sale of the Bonds will be used to finance water line improvements. Additionally, proceeds of the Bonds will be used to pay certain engineering fees, capitalize the lesser of months six (6) of interest on the Bonds or $225,356, which is the maximum amount of capitalized interest approved by the TCEQ, and to pay for certain issuance costs of the Bonds. See "THE SYSTEM—Use and Distribution of Bond Proceeds."

Payment Record ..... The District has previously issued two series of combination tax and revenue bonds, one series of combination tax and revenue refunding bonds, five series of unlimited tax bonds and two series of unlimited tax refunding bonds, of which $7,690,000 was outstanding as of the date hereof (the "Outstanding Bonds"). The District has never defaulted in the payment of principal and interest on its previously issued 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 ..... Young & Brooks, Bond Counsel, Houston, Texas.

Engineer ..... A & S Engineers, Inc., 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 Insurance and Municipal Bond Rating..... Application has been made to Moody's Investors Service ("Moody's") for an underlying rating on the Bonds, and Moody's has assigned an underlying rating of "A2" to the Bonds. Application has also been made to various municipal bond insurance companies for qualification of the Bonds for municipal bond insurance. If qualified, such insurance will be available at the option of the Initial Purchaser (as defined herein) and at the Initial Purchaser's expense. The rating fee of Moody's will be paid for by the District; payment of any other rating fee will be the responsibility of the Initial Purchaser. See "INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance" and "MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE."

THE DISTRICT

Description..... The District is a political subdivision of the State of Texas, organized as a conservation and reclamation district pursuant to Chapters 49 and 54 of the Texas Water Code, as amended and Article 16, Section 59 of the Texas Constitution. The District was created by legislative act effective June 16, 1965. The District consists of approximately 322 acres of land. The District is located approximately 22 miles northwest of the central downtown business district of the City of Houston. Access to the District from the City of Houston is provided by U.S. Highway 290 to Huffmeister Road. The District lies wholly within the boundaries of Cypress-Fairbanks Independent School District and is within the extraterritorial jurisdiction of the City of Houston. See "THE DISTRICT."

Status of Development…… Substantially all of the developable land within the District has been developed for single family residential purposes, including the development of Ravensway, Sections One through Three; Ravensway South; Ravensway Estates; Saracen Park, Sections One through Three; and Timberlake Estates, Section One (collectively 828 single-family residential lots). In addition to single-family residential development, commercial development in the District includes 13 fourplexes and two duplexes, a dry cleaners, a fast food restaurant, a self storage facility and an automotive repair facility. An elementary school and church have been constructed adjacent to the District's boundaries and are not subject to taxation by the District.

Water supply and distribution and wastewater collection and treatment are available to serve the entire District. Development of land in the District began in the 1970s and the District has been substantially built out for many years. As of October 8, 2026, the District contained 828 completed single family homes (814 occupied), 13 fourplexes, and 2 duplexes. The average value for single family residential homes in the District for the 2026 tax year is approximately $296,000. Recreational facilities include private stables, 7 tennis courts, two swimming pools, and two playgrounds. See "THE DISTRICT—Status of Development."

INVESTMENT CONSIDERATIONS

The purchase and ownership of the Bonds are subject to special investment risks, 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 "INVESTMENT CONSIDERATIONS."

SELECTED FINANCIAL INFORMATION

2026 Taxable Assessed Valuation	$249,843,901	(a)
Gross Direct Debt Outstanding	$16,275,000	(b)
Ratio of Gross Direct Debt to:		
2026 Taxable Assessed Valuation	6.51%	
Capital Projects Funds Available as of October 8, 2026	$3,417,889	
Operating Funds Available as of October 8, 2026	$1,127,277	
Debt Service Funds Available as of October 8, 2026	$1,368,091	(c)
2026 Debt Service Tax Rate	$0.38	
2026 Maintenance Tax Rate	0.00	
Total	$0.38	
Average percentage of total tax collections (2021-2025)	99.66%	
Average Annual Debt Service Requirement (2027-2053)	$1,048,227	(d)
Maximum Annual Debt Service Requirement (2028)	$1,204,438	(d)
Tax Rate Required to Pay Average Annual Debt Service (2027-2053) at a 95% Collection Rate Based upon 2026 Taxable Assessed Valuation	$0.45	
Tax Rate Required to Pay Maximum Annual Debt Service (2028) at a 95% Collection Rate Based upon 2026 Taxable Assessed Valuation	$0.51	

Status of Water Connections as of October 8, 2026 (e):

Single family - Occupied	814	
Single family - Unoccupied	14	
Multi-family (56 units)	14	
Commercial	12	
Other	15	
Estimated 2026 Population	2,961	(f)

(a) The Harris Central Appraisal District (the "Appraisal District") has certified $236,964,626 of taxable value and an additional $12,879,275 of taxable value remains uncertified. The uncertified value is the landowner's opinion of the value; however, such value is subject to review and downward revision prior to certification. No tax will be levied on said uncertified value until it is certified by the Appraisal District. See "TAXING PROCEDURES."

(b) Includes the Bonds. See "FINANCIAL STATEMENT—Outstanding Debt."

(c) Neither the Bond Order nor Texas law requires the District to maintain any particular balance in such fund. In addition, the lesser of six (6) months of capitalized interest or $225,356, which is the maximum amount of capitalized interest approved by the TCEQ, will be deposited into the Debt Service Fund upon closing of the Bonds.

(d) See "DEBT SERVICE REQUIREMENTS."

(e) See "THE DISTRICT—Status of Development."

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

PRELIMINARY OFFICIAL STATEMENT

$8,585,000
TIMBERLAKE IMPROVEMENT DISTRICT
(A political subdivision of the State of Texas located within Harris County)

UNLIMITED TAX BONDS
SERIES 2026

This Official Statement provides certain information in connection with the issuance by Timberlake Improvement District (the "District") of its $8,585,000 Unlimited Tax Bonds, Series 2026 (the "Bonds").

The Bonds are issued pursuant to the Texas Constitution, the general laws of the State of Texas, particularly Chapters 49 and 54, Texas Water Code, as amended, and an order authorizing the issuance of the Bonds (the "Bond Order") adopted by the Board of Directors of the District (the "Board").

This Official Statement includes descriptions of, among others, the Bonds, the Bond Order and certain other information about the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of documents may be obtained from Young & Brooks, Bond Counsel, 10000 Memorial Drive, Suite 260, Houston, Texas, 77024, upon the payment of the costs of duplication.

THE BONDS

General

The Bonds are dated December 1, 2026 and mature on August 1 in each of the years and in the amounts shown on the cover page hereof. Interest will accrue from the date of initial delivery (the "Delivery Date"), at the rates per annum shown on the cover hereof, will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on August 1 and February 1 of each year, commencing August 1, 2027 until the earlier of maturity or redemption. The definitive Bonds will be issued only in fully registered form in any integral multiple of $5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. No physical delivery of the Bonds will be made to the owners thereof. Initially, principal of and interest on the Bonds will be payable by The Bank of New York Mellon Trust Company, N.A. (the "the Paying Agent/Registrar," "Paying Agent," or "Registrar") to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "Book-Entry-Only System" herein.

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

Method of Payment of Principal and Interest

In the Bond Order, the Board has appointed The Bank of New York Mellon Trust Company, N.A. as Paying Agent/Registrar for the Bonds. The principal of the Bonds shall be payable, without exchange or collection charges, in any coin or currency of the United States of America which, on the date of payment, is legal tender for the payment of debts due the United States of America, upon their presentation and surrender as they respectively become due and payable, at the principal payment office of the Paying Agent/Registrar in Houston, Texas. Interest on each Bond shall be payable by check or draft payable on each Interest Payment Date, mailed by the Paying Agent/Registrar on or before each Interest Payment Date to the Registered Owners as shown on the Bond Register on the fifteenth (15th) day (whether or not a business day) of the month prior to each Interest Payment Date (defined herein as the "Record Date"), to the address of such Registered Owner as shown on the Paying Agent/Registrar's records (the "Register") or by such other customary banking arrangements as may be agreed to by the Paying Agent/Registrar and the Registered Owners at the risk and expense of the Registered Owners.

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

Source and Security for Payment

The Bonds, the Outstanding Bonds (hereinafter defined), and such additional tax bonds as may hereafter be issued by the District are payable from and secured by a pledge of the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. See "TAX PROCEDURES". The Bonds involve certain elements of risk, and all prospective purchasers are urged to examine carefully this Official Statement with respect to the investment security of the Bonds. See "INVESTMENT CONSIDERATIONS."

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

Payment Record

The District has previously issued two series of combination tax and revenue bonds, one series of combination tax and revenue refunding bonds, five series of unlimited tax bonds and two series of unlimited tax refunding bonds, of which $7,690,000 was outstanding as of the date hereof (the "Outstanding Bonds"). The District has never defaulted in the timely payment of any previously issued bonds.

Funds

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

The lesser of six (6) months of capitalized interest or $225,356, which is the maximum amount of capitalized interest approved by the TCEQ, shall be deposited into the Debt Service Fund upon receipt. The remaining proceeds of sale of the Bonds, including interest earnings thereon, shall be deposited into the Capital Projects Fund, which is confirmed by the Bond Order, to be used for the purpose of paying for construction costs and for paying the costs of issuing the Bonds. See "THE SYSTEM—Use and Distribution of Bond Proceeds."

Authority for Issuance

At three elections held within the District, voters of the District authorized a total of $4,600,000 in combination unlimited tax and revenue bonds and $24,000,000 in unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities and refunding of such bonds. The Bonds are being issued pursuant to such authorization. After sale of the Bonds, the District will have no principal amount of unlimited tax bonds authorized but unissued. See "Issuance of Additional Debt" below. The Commission (hereinafter defined) has authorized the District to sell the Bonds for the purposes described in "THE SYSTEM—Use and Distribution of Bond Proceeds."

The Bonds are issued by the District pursuant to the terms and provisions of the Bond Order, an Order of the Texas Commission on Environmental Quality (the "Commission"), Article XVI, Section 59 of the Texas Constitution, and Chapters 49 and 54 of the Texas Water Code, as amended.

Registration, Transfer and Exchange

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 Registered Owners' 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 "THE BONDS—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 act in the same capacity as the previous Paying Agent/Registrar. Any paying agent/registrar selected by the District shall be a national or state banking institution, a corporation organized and doing business under the laws of the United States of America or of any state, authorized under such laws to exercise trust powers, and subject to supervision or examination by federal or state authority, to act as Paying Agent/Registrar for the Bonds.

Redemption Provisions

The District reserves the right, at its option, to redeem the Bonds maturing on or after August 1, 2033, in whole or from time to time in part, on August 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.

Issuance of Additional Debt

The District may issue additional bonds, with the approval of the Commission and District voters, necessary to provide and maintain improvements and facilities consistent with the purposes for which the District was created. See "THE DISTRICT— General." The District's voters have authorized the issuance of a total of $4,600,000 in combination unlimited tax and revenue bonds and $24,000,000 in unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities and improvements and refunding of such bonds and could authorize additional amounts at subsequent elections. Following the issuance of the Bonds, the District will have no principal amount of unlimited tax bonds authorized but unissued.

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 Board has not considered calling an election to authorize fire-fighting bonds at this time. Issuance of bonds for fire-fighting activities could dilute the investment security for the Bonds.

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

Annexation by the City of Houston

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

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

Strategic Partnership

The District is authorized to enter into a strategic partnership agreement with the City of Houston to provide the terms and conditions under which services would be provided and funded by the parties and under which the District would continue to exist for an extended period if the land within the District were to be annexed for full or limited purposes by the City. The terms of any such agreement would be determined by the City and the District, and could provide for the continuance of the District as a limited district following general purpose annexation by the City, the conversion of a limited purpose annexation to a general purpose annexation within ten years, or the payment of a fee in lieu of annexation to be derived from residential property within the District based on the costs of providing municipal services to the District. Although the City has negotiated and entered into such an agreement with several other districts in its extraterritorial jurisdiction, none is currently contemplated with respect to the District. No representation can be made regarding the future likelihood of a strategic partnership agreement or the terms thereof

Consolidation

A district (such as the District) has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its assets, such as cash and the utility system, with the assets of districts with which it is consolidating as well as its liabilities (which would include the Bonds). No representation is made concerning the likelihood of consolidation.

Remedies in Event of Default

Other than a writ of mandamus, the Bond Order does not provide a specific remedy for a default. Even if a Registered Owner could obtain a judgment against the District for a default in the payment of principal or interest, such judgment could not be satisfied by execution against any property of the District. If the District defaults, a Registered Owner could petition for a writ of mandamus issued by a court of competent jurisdiction compelling and requiring the District and the District's officials to observe and perform the covenants, obligations or conditions prescribed in the Bond Order. Such remedy might need to be enforced on a periodic basis. The enforcement of a claim for payment on the Bonds would be subject to the applicable provisions of the federal bankruptcy laws, any other similar laws affecting the rights of creditors of political subdivisions, and general principals of equity. Further, certain traditional legal remedies also may not be available. See "INVESTMENT CONSIDERATIONS—Registered Owners' Remedies and Bankruptcy Limitations."

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

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

Defeasance

The Bond Order provides that the District may discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal, interest and redemption price thereon in any manner permitted by law. Under current Texas law, such discharge may be accomplished either (i) by depositing with the Comptroller of Public Accounts of the State of Texas a sum of money equal to the principal of, premium, if any, and all interest to accrue on the Bonds to maturity or redemption or (ii) by depositing with any place of payment (paying agent) for obligations of the District payable from revenues or from ad valorem taxes or both or with a trust company or commercial bank named 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, (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 Bonds have been made as described above, all rights of the District to initiate proceedings to call such Bonds for redemption or take any other action amending the terms of such Bonds are extinguished; provided, however, that the right to call such 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 such Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of such 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. There is also no assurance that any investment held for such discharge will maintain its rating.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Bonds is to be transferred and how the principal of 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 nor the Financial Advisor takes 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.

General

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+ by S&P Global Ratings. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not 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 political subdivision of the State of Texas, organized as a conservation and reclamation district pursuant to Chapters 49 and 54 of the Texas Water Code, as amended and Article 16, Section 59 of the Texas Constitution. The District was created by legislative act effective June 16, 1965. The District is located wholly within the exclusive extraterritorial jurisdiction of the City of Houston, Texas (the "City" or "Houston").

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District is also empowered to establish parks and recreational facilities for the residents of the District, to contract for or employ its own peace officers and, after approval by the City, the Commission and the voters of the District, to establish, operate, and maintain fire-fighting facilities, independently or with one or more conservation and reclamation districts.

The Commission exercises continuing supervisory jurisdiction over the District. The District is required to observe certain requirements of the City which limit the purposes for which the District may sell bonds to the acquisition, construction, and improvement of waterworks, wastewater, and drainage 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 District construction plans; and permit connections only to platted lots and reserves which have been approved by the Planning Commission of the City. Construction and operation of the District's drainage system are subject to the regulatory jurisdiction of additional government agencies. See "THE SYSTEM."

Location

The District consists of approximately 322 acres of land. The District is located approximately 22 miles northwest of the central downtown business district of the City. Access to the District from the City is provided by U.S. Highway 290 to Huffmeister Road. The District lies wholly within the boundaries of Cypress-Fairbanks Independent School District and is within the extraterritorial jurisdiction of the City.

Status of Development

Substantially all of the developable land within the District has been developed for single family residential purposes, including the development of Ravensway, Sections One through Three; Ravensway South; Ravensway Estates; Saracen Park, Sections One through Three; and Timberlake Estates, Section One (collectively 828 single-family residential lots). In addition to single-family residential development, commercial development in the District includes 13 fourplexes and two duplexes (collectively 56 units), a dry cleaners, a fast food restaurant, a self storage facility and an automotive repair facility. An elementary school and church have been constructed adjacent to the District boundaries and are not subject to taxation by the District.

Water supply and distribution and wastewater collection and treatment are available to serve the entire District. Development of land in the District began in the 1970s and the District has been substantially built out for many years. As of October 8, 2026, the District contained 828 completed single family homes, 13 fourplexes, and 2 duplexes. The average value for single family residential homes in the District for the 2026 tax year is approximately $296,000. Recreational facilities include private stables, 7 tennis courts, two swimming pools, and two playgrounds. In addition, the Timberlake homeowners association owns a stable with boarding and riding facilities available to the residents of the District.

Community Facilities

Community facilities are available in the general vicinity of the District. Neighborhood shopping facilities including supermarkets, pharmacies, cleaners, restaurants, banking facilities, and other retail and service establishments are located near the District. Fire protection is provided by the Harris County Emergency Services District No. 13. The District lies wholly within the boundaries of Cypress-Fairbanks Independent School District.

MANAGEMENT

Board of Directors

The District is governed by the Board of Directors, consisting of five directors, which has control over and management supervision of all affairs of the District. All of the Directors are residents of the District. Directors are elected by the voters within the District for four-year staggered terms. Directors elections are held only in May of even numbered years. The Directors and Officers of the District are listed below:

Name	Title	Term Expires
Rick Boehm	President	May 2030
Ernie P. Fontenot	Vice President	May 2028
Alvin Craig Tally	Secretary	May 2028
Robert F. Tierney	Assistant Secretary	May 2028
Randy Whitehead	Director	May 2030

While the District does not employ any full time employees, it has contracted for certain services as follows:

Tax Appraisal

The Harris Central Appraisal District has the responsibility for appraising taxable property within the District. See "TAX PROCEDURES."

Tax Assessor/Collector

Land and improvements within the District are appraised for ad valorem taxation purposes by the Harris Central Appraisal District. The District's Tax Assessor/Collector is appointed by the Board of Directors of the District to collect the District's taxes. Wheeler and Associates, Inc. is currently serving in this capacity for the District.

System Operator

The District contracts with Regional Water Corporation, for maintenance and operation of the District's system.

Bookkeeper

The District contracts with Myrtle Cruz, Inc., for bookkeeping services.

Engineer

The consulting engineer for the District is A & S Engineers, Inc., Houston, Texas.

Auditor

The District's audited financial statements for the year ended March 31, 2026 were prepared by Mark C. Eyring, CPA, PLLC See "Appendix A" for a copy of the District's March 31, 2026 financial statements.

Bond Counsel/Attorney

The District has engaged Young & Brooks as general counsel to the District and as Bond Counsel in connection with the issuance of District bonds. The fees of Bond Counsel are contingent upon the sale and delivery of the Bonds.

Financial Advisor

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

Disclosure Counsel

The District has engaged McCall, Parkhurst & Horton L.L.P. as Disclosure Counsel in connection with the issuance of District bonds. The fees of Disclosure Counsel are contingent upon the sale and delivery of the Bonds.

THE SYSTEM

Regulation

According to the Engineer, the District's water supply and distribution, wastewater collection, and storm drainage facilities (collectively, the "System") have been designed in accordance with accepted engineering practices and the then current requirements of various entities having regulatory or supervisory jurisdiction over the construction and operation of such facilities. The construction of the System was required to be accomplished in accordance with the standards and specifications of such entities and is subject to inspection by each such entity. Operation of the System must be accomplished in accordance with the standards and requirements of such entities. The Commission exercises continuing supervisory authority over the District. Discharge of treated sewage is subject to the regulatory authority of the Commission and U.S. Environmental Protection Agency. Construction of drainage facilities is subject to the regulatory authority of the Harris County Flood Control District, the City, Harris County and, in some instances, the Commission. Harris County and the City 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 achieved compliance. The following descriptions are based upon information supplied by the District's Engineer.

Source of Water Supply

Water supply for the District is provided by two water wells with a rated capacity of 1,000 gallons per minute ("gpm") and 300 gpm, respectively, three ground storage tanks with a total of 350,000 gallons of capacity, hydro-pneumatic tank capacity of 25,000 gallons, booster pump capacity of 3,200 gpm and related appurtenances. In addition, the District has a water supply interconnect with Harris County Fresh Water Supply District No. 61. According to the Engineer, the District's water supply facilities are adequate to serve all of the existing development within the current boundaries of the District and 17 equivalent single-family connections for Milsap Elementary School adjacent to the District's boundaries. A portion of Bond proceeds will be used for improvements to the water lines. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

Subsidence District Requirements

The District is within the boundaries of the Harris-Galveston Subsidence District (the "Subsidence District") which regulates groundwater withdrawal. The District's authority to pump groundwater is subject to an annual permit issued by the Subsidence District. The Subsidence District has adopted regulations requiring reduction of groundwater withdrawals through conversion to alternate source water (e.g., surface water) in areas within the Subsidence District's jurisdiction. In 1999, the Texas legislature created the North Harris County Regional Water Authority (the "Authority") to, among other things, reduce groundwater usage in, and to provide surface water to, the northern portion of Harris County (including the District).

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 Authority has entered into a Water Supply Contract with the City of Houston, Texas ("Houston") to obtain treated surface water from Houston. The District is included within the Authority's GRP.

The Authority has the power to issue debt supported by the revenues pledged for the payment of its obligations and may establish fees, rates, and charges as necessary to accomplish its purposes. The Authority currently charges the District, and other major groundwater users, a fee of $3.85 per 1,000 gallons of groundwater pumped and $4.30 for surface water received. These fees are subject to increase in the future. The Authority has issued revenue bonds to fund, among other things, certain Authority surface water project costs, including the construction of a network of transmission and distribution lines, storage tanks and pumping stations to transport and distribute water within the Authority (the "Authority System"). It is expected that the Authority will issue substantially more bonds by the year 2035 to finance the Authority's project costs.

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 annual water demand within the Authority's GRP beginning in 2010; (ii) limit groundwater withdrawals to no more than 40% of the total annual water demand within the Authority's GRP beginning in 2025; and (iii) limit groundwater withdrawals to no more than 20% of the total annual water demand within the Authority's GRP beginning in 2035. If the Authority fails to comply with the above Subsidence District regulations or its GRP, the Authority is subject to a disincentive fee penalty ("Disincentive Fees") imposed by the Subsidence District for any groundwater withdrawn in excess of 20% of the total annual water demand within the Authority's GRP. The current rate for Disincentive Fees imposed by the Subsidence District is $12.52 per 1,000 gallons. In the event of such Authority failure to comply, the Subsidence District may also seek to collect Disincentive Fees from the District. Groundwater pumped from wells located within the Authority is not currently subject to the Disincentive Fee. 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 continue passing such fees through to its customers resulting in higher water rates. In addition, conversion to surface water could necessitate improvements to the System which could require the issuance of additional bonds by the District. No representation is made that the Authority: (i) will build the necessary facilities to meet the requirements of the Subsidence District for conversion to surface water, (ii) will comply with the Subsidence District's surface water conversion requirements, or (iii) will comply with its GRP.

Wastewater Treatment

The District's wastewater is treated by a 500,000 gallon per day ("gpd") wastewater treatment plant. According to the Engineer, the District's wastewater treatment plant is adequate to serve all of the existing development within the current boundaries of the District.

Water Distribution, Wastewater Collection and Storm Drainage

Water distribution, wastewater collection and storm drainage facilities are available to serve all developable acres within the District. See "THE DISTRICT—Status of Development.".

100-Year Flood Plain

"Flood Insurance Rate Map" or "FIRM" means an official map of a community on which the Federal Emergency Management Agency (FEMA) has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100-year flood plain, is depicted on these maps. The "100-year flood plain" (or 1% chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rain storm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes must be built above the 100-year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. An engineering or regulatory determination that an area is above the 100-year flood plain is no assurance that homes built in such area will not be flooded. The District's drainage system has been designed and constructed to all current standards.

According to the Engineer, approximately 90 acres of land within the District are within the 100-year flood plain. See "INVESTMENT CONSIDERATIONS—Extreme Weather Events."

Use and Distribution of Bonds Proceeds

The estimated use and distribution of Bond proceeds is shown below. Of proceeds to be received from sale of the Bonds, $7,528,015 is estimated for construction costs, and $1,056,985 is estimated for nonconstruction costs, including six (6) months of capitalized interest on the Bonds. Non-construction costs are based upon either contract amounts or estimates of various costs by the Engineer and the Financial Advisor.

CONSTRUCTION COSTS		
Water Line Improvements	$	5,951,000
Engineering & Additional Services		981,915
Contingencies		595,100
Total Construction Costs	**$**	**7,528,015**
NON-CONSTRUCTION COSTS		
Legal Fees	$	268,550
Financial Advisory Fees		171,700
Capitalized Interest (6 months at 5.25%)		225,356
Bond Discount (Estimated at 3%)		257,550
Bond Issuance Expenses		53,791
Bond Application Report		50,000
TCEQ Fee (0.25%)		21,453
Attorney General Fee		8,585
Total Non-Construction Costs	**$**	**1,056,985**
TOTAL BOND ISSUE	**$**	**8,585,000**

In the instance that 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. The District cannot and does not guarantee the sufficiency of such funds for such purpose.

FINANCIAL STATEMENT

2026 Taxable Assessed Valuation	$249,843,901	(a)
The Outstanding Bonds (as of October 1, 2026)	$ 7,690,000	
The Bonds	8,585,000	
Total Direct Debt	$16,275,000	
Ratio of Gross Direct Debt to:		
2026 Taxable Assessed Valuation	6.51%	

Area of District—322 acres
Estimated 2026 Population – 2,961 (b)

(a) The Appraisal District has certified $236,964,626 of taxable value and an additional $12,879,275 of taxable value remains uncertified. The uncertified value is the landowner's opinion of the value; however, such value is subject to review and downward revision prior to certification. No tax will be levied on said uncertified value until it is certified by the Appraisal District. See "TAXING PROCEDURES."
(b) Estimate based upon 3.5 persons per occupied home and 2 persons per multi-family unit.

Cash and Investment Balances as of October 8, 2026

Capital Projects Fund	Cash and Investments	$3,417,889	
Debt Service Fund	Cash and Investments	$1,368,091	(a)
General Fund	Cash and Investments	$1,127,277	

(a) Neither the Bond Order nor Texas law requires the District to maintain any particular balance in such fund. In addition, the lesser of six (6) months of capitalized interest or $225,356, which represents six (6) months of interest at 5.25%, and is the maximum amount of capitalized interest approved by the TCEQ, will be deposited into the Debt Service Fund upon closing of the Bonds.

Outstanding Debt

Series		Original Principal Amount	Outstanding Bonds (as of 10/1/26)
2016	(a)	$ 3,760,000	$ 1,415,000
2019		6,275,000	6,275,000
Total		$ 10,035,000	$ 7,690,000

(a) Unlimited tax refunding bonds.

Investments of the District

The District has adopted an Investment Policy as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code. The District's goal is to preserve principal and maintain liquidity while securing a competitive yield on its portfolio. Funds of the District are invested in short-term obligations of the U.S. Treasury and federal agencies, certificates of deposit insured by the Federal Deposit Insurance Corporation ("FDIC") or secured by collateral evidenced by perfected safekeeping receipts held by a third party bank, and public funds investment pools rated in the highest rating category by a nationally recognized rating service. The District does not currently own or intend to purchase long-term securities or derivative products.

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 or other 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 purpose 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
Harris County	$ 3,080,611,581	8/31/2026	0.04%	$ 1,109,020
Harris County Flood Control District	1,034,900,000	8/31/2026	0.04%	372,564
Harris County Hospital District	1,644,825,000	8/31/2026	0.04%	592,137
Harris County Department of Education	28,960,000	8/31/2026	0.04%	10,426
Port of Houston Authority	386,074,397	8/31/2026	0.04%	138,987
Lone Star College System	338,975,000	8/31/2026	0.07%	237,283
Cypress-Fairbanks Independent School District	3,264,440,000	8/31/2026	0.35%	11,458,184
Total Estimated Overlapping Debt				$ 13,918,600
The District	16,275,000 (a)	Current	100.00%	16,275,000
Total Direct and Estimated Overlapping Debt				$ 30,193,600
Ratio of Estimated Direct and Overlapping Debt to 2026 Taxable Assessed Valuation				12.08%

(a) Includes the Bonds.

Overlapping Taxes

	Tax Rate per $100 of Taxable Assessed Valuation
Harris County (including Harris County Flood Control District, Harris County Hospital District, Harris County Department of Education, and the Port of Houston Authority (a)	$ 0.676267
Cypress Fairbanks Independent School District (b)	1.066900
Harris County ESD No. 13 (a)	0.097799
Harris County ESD No. 11 (a)	0.039072
Total Overlapping Tax Rate	$ 1.880038
The District (a)	0.380000
Total Tax Rate	$ 2.260038

(a) 2026 tax rate.
(b) 2025 tax rate.

TAX DATA

Tax Collections

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

Tax Year	Taxable Assessed Valuation	Tax Rate	Total Tax Levy	Total Collections as of September 30, 2026	
				Amount	Percent
2022	$ 207,162,357	$ 0.38	$ 787,217	$ 785,983	99.84%
2023	228,270,074	0.38	867,426	866,343	99.88%
2024	241,859,974	0.38	919,068	917,287	99.81%
2025	249,190,196	0.37	922,004	912,052	98.92%
2026	249,843,901	0.38	949,407	(a)	(a)

(a) In process of collections. Taxes for 2026 are due by January 31, 2027.

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

Tax Rate Distribution

	2026	2025	2024	2023	2022
Debt Service	$ 0.38	$ 0.37	$ 0.38	$ 0.38	$ 0.38
Maintenance and Operations	-	-	-	-	-
Total	$ 0.38	$ 0.37	$ 0.38	$ 0.38	$ 0.38

Tax Rate Limitation

Debt Service: Unlimited (no legal limit as to rate or amount)
Maintenance: Not authorized.

Debt Service Tax

The Board covenants in the Bond Order to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Bonds. The District levied a debt service tax for 2026 in the amount of $0.38 per $100 assessed valuation.

Maintenance 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 vote of the District's electors. The District's voters have not authorized the levy of a maintenance tax. If authorized, such tax would be in addition to taxes which the District is authorized to levy for paying principal of and interest on the Outstanding Bonds, the Bonds, and any additional tax bonds which may be issued in the future.

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 2026, the District has exempted $10,000 of the assessed value of residential homesteads for persons who are disabled or over 65 years of age.

Additional Penalties

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

Principal Taxpayers

The following table represents the principal taxpayers, the type of property, the taxable assessed value of such property and such property's certified assessed value as a percentage of the certified portion ($236,964,626) of the 2026 Taxable Assessed Valuation of $249,843,901, which represents certified ownership as of January 1, 2026. A principal taxpayer list related to the uncertified portion ($12,879,275) of the 2026 Taxable Assessed Valuation of $249,843,901 is not available from the Appraisal District. Differences in totals may vary slightly from other information herein due to differences in dates of data.

Taxpayer	Type of Property	2026 Certified Taxable Assessed Valuation	% of 2026 Certified Taxable Assessed Valuation
SS Cyfair North Houston LLC	Land & Improvements	$ 5,556,675	2.34%
Centerpoint Energy Hou Ele	Personal	1,121,090	0.47%
Centerpoint Energy Entex	Personal	885,070	0.37%
S H Group Inc.	Land & Improvements	874,347	0.37%
Individual	Land & Improvements	770,337	0.33%
Individual	Land & Improvements	759,997	0.32%
Individual	Land & Improvements	704,500	0.30%
Comcast of Houston LLC	Personal	699,410	0.30%
Individual	Land & Improvements	620,019	0.26%
Individual	Land & Improvements	602,260	0.25%
Total		$ 12,593,705	5.31%

Summary of Assessed Valuation

The following summaries of the 2026, 2025 and 2024 Taxable Assessed Valuations were provided by the District's Tax Assessor/Collector based on information contained in the respective tax rolls of the District. A breakdown of the uncertified portion ($12,879,275) of the 2026 Taxable Assessed Valuation of $249,843,901 is not available from the Appraisal District. Differences in totals may vary slightly from other information herein due to differences in dates of data.

	2026 Taxable Assessed Valuation	2025 Taxable Assessed Valuation	2024 Taxable Assessed Valuation
Land	$ 58,324,832	$ 61,484,907	$ 56,726,135
Improvements	185,691,346	193,644,664	189,386,712
Personal Property	3,952,758	3,844,039	3,528,407
Exemptions	(11,004,310)	(9,783,414)	(7,781,280)
Certified Total	$ 236,964,626	$ 249,190,196	$ 241,859,974
Uncertified Value	12,879,275	-	-
Total	$ 249,843,901	$ 249,190,196	$ 241,859,974

Tax Adequacy for Debt Service

The tax rate calculations set forth below are presented to indicate the tax rates per $100 assessed valuation which would be required to meet average annual and maximum annual debt service requirements if no growth in the District's tax base occurred beyond the 2026 Taxable Assessed Valuation of $249,843,901 ($236,964,626 of certified value plus $12,879,275 of uncertified value). The calculations contained in the following table merely represent the tax rates required to pay principal and interest on the Bonds and the Outstanding Bonds when due, assuming no further increase or any decrease in taxable values in the District, collection of ninety-five percent (95%) of taxes levied, the sale of no additional bonds, and no other funds available for the payment of debt service. See "INVESTMENT CONSIDERATIONS—Impact on District Tax Rates."

Average Annual Debt Service Requirement (2027-2053)	$1,048,227
$0.45 Tax Rate on 2026 Taxable Assessed Valuation at 95% collections	$1,068,083
Maximum Annual Debt Service Requirement (2028)	$1,204,438
$0.51 Tax Rate on 2026 Taxable Assessed Valuation at 95% collections	$1,210,494

No representation or suggestion is made that the uncertified portion ($12,879,275) of the 2026 Taxable Assessed Valuation provided by the Appraisal District for the District will be certified as taxable value by the Appraisal District, and no person should rely upon such amount or its inclusion herein as assurance of its attainment. See "TAX PROCEDURES."

TAX PROCEDURES

Property Tax Code and County-Wide Appraisal District

The Texas Property 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 Harris County Central Appraisal District (the "Appraisal District") has the responsibility for appraising property for all taxing units wholly within Harris County, including the District. Such appraisal values are subject to review and change by the Harris County Appraisal Review Board (the "Appraisal Review Board"). 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 Harris 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; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years or older and of certain disabled persons to the extent deemed advisable by the Board. The District may 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. 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 (i) a member of the armed forces or, (ii) a first responder as defined under Texas law, who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

Residential Homestead Exemptions: 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.

Freeport Goods and Goods-in-Transit Exemptions: 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 taken official action to allow taxation of all such goods-in-transit personal property, but may choose to exempt same in the future by further official action.

Tax Abatement

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

Valuation of Property for Taxation

Generally, all taxable property in the District (other than any qualifying agricultural or timber land) must be appraised by the Harris County Appraisal District at one hundred percent (100%) of market value as of January 1 of each year, subject to review and approval by the Appraisal Review Board. Nevertheless, certain land may be appraised at less than market value under the Property Tax Code. Increases in the appraised value of residence homesteads are limited to 10 percent annually regardless of the market value of the property. Houses or lots held for sale by a developer or builder which remain unoccupied, are not leased or rented and produce no income are required to be assessed at the price for which they would sell as a unit to a purchaser who would continue the owner's business. Valuation of lots or houses at inventory level in future years could reduce the assessed value of such property within the District. The Property Tax Code also requires the Chief Appraiser to reduce the market value of any property by the estimated cost of any remedial action by a property owner to correct, mitigate or prevent pollution.

Certain land may be appraised at less than market value under the Property Tax Code. Upon application of a landowner, land which qualifies as "open-space land" is appraised based on the category of land, using accepted income capitalization methods applied to the average net income derived from the use of the land for agriculture and hunting or recreational leases. Upon application of a landowner, land which qualifies as "timber land" is appraised based on the category of land, using accepted income capitalization methods applied to the average net income derived from the use of the land for production of timber. In either case, if the use of land changes, an additional tax is imposed on the land equal to the difference between the taxes imposed on the land for each of the five (5) years preceding the year in which the change of use occurs and the tax that would have been imposed had the land been taxed on the basis of market value in each of those years, plus interest at an annual rate of seven percent (7%) calculated from the dates on which the differences would have become due. There are also special appraisal methods for agricultural land owned by individuals whose primary occupation and income are farming and for recreational, park, and scenic land.

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 in the Appraisal District at least once every three (3) years. It is not known what frequency of reappraisal will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county-wide basis.

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

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 if (i) an error or omission of a representative of the District, including the Appraisal District, caused the failure of the taxpayer to pay taxes, (ii) the delinquent taxes are paid on or before the one-hundred and eightieth (180th) day after the taxpayer received proper notice of such delinquency and the delinquent taxes relate to a property for which the appraisal roll lists one or more certain specified inaccuracies, or (iii) the taxpayer submits evidence sufficient to show that the tax payment was delivered before the delinquency, date to the United States Postal Service or other delivery service, but an act or omission of the postal or delivery service resulted in the tax payment being considered delinquent. 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 is (i) a person sixty-five (65) years of age or older, (ii) 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, as amended, classifies districts differently based on the current operation and maintenance tax rate or on the percentage of build-out that the District has completed. Districts that have adopted an operation and maintenance tax rate for the current year that is 2.5 cents or less per $100 of taxable value are classified as "Low Tax Rate Districts." Districts that have financed, completed, and issued bonds to pay for all improvements and facilities necessary to serve at least 95% of the projected build-out of the district are classified as "Developed Districts." Districts that do not meet either of the classifications previously discussed are 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.

Low Tax Rate Districts: Low Tax Rate Districts that adopt a total tax rate that would impose more than1.08 times the amount of the total tax imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions, are required to hold a rollback election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a 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 tax year on a residence homestead appraised at the average appraised value of a resident 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, subject to certain homestead exemptions for the preceding tax year, plus any unused increment rates, as calculated and described in Section 26.013 of the Tax Code, are required to hold a rollback election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a 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 are classified as Developing Districts. The qualified voters of these districts, upon the Developing District's adoption of a total tax rate that would impose more than 1.08 times the amount of the total tax rate imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions, are authorized to petition for an election to reduce the operation and maintenance tax rate. If a rollback 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 tax year on a residence homestead appraised at the average appraised value of a resident 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 is made on an annual basis, at the time a district sets its tax rate. For the 2026 tax year, the Board of Directors of the District has determined the District's status to be that of a Developed District. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new rollback election calculation.

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property 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—Overlapping Taxes for 2025." 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 "INVESTMENT CONSIDERATIONS—Tax Collection Limitations."

District and Taxpayer Remedies

The chief appraiser must give written notice before the Appraisal Review Board meeting to each owner if a reappraisal has resulted in an increase in value over the prior year or the value rendered by the owner, or if property not previously included on the appraisal roll has been appraised. Any owner who has timely filed notice with the Appraisal Review Board may appeal the final determination by the Appraisal Review Board of the owner's protest by filing suit in Texas district court. Prior to such appeal, however, the owner must pay the tax due on the amount of value of the property involved that is not in dispute or the amount of tax paid in the prior year, whichever is greater or the amount of tax due under the order from which the appeal is taken. In the event of such suit, the value of the property is determined by the court, or a jury if requested by any party. The District is entitled to challenge certain matters before the Appraisal Review Board, including the level of appraisal of a certain category of property, the exclusion of property from the appraisal records, the grant in whole or in part of a partial exemption, or a determination that land qualifies for special-use appraisal (agricultural or timber classification, for example). The District may not, however, protest a valuation of individual property.

WATER AND SEWER OPERATIONS

General

The Bonds are payable from the levy of an annual ad valorem tax, without legal limitation as to rate or amount, upon all taxable property in the District. Although not pledged to the payment of the Bonds, net revenue from operations of the District's system, if any, are available for any legal purpose, including, upon Board action, the payment of debt service on the Bonds. It is anticipated that no significant revenues, if any, will be available for debt service on the Bonds in the foreseeable future.

Waterworks and Sewer System Operating Statement

The following statement sets forth in condensed form the historical results of operation of the District's water and sewer system. Accounting principles customarily employed in the determination of net revenues for coverage of debt service have been observed and in all instances exclude depreciation. This summary has been prepared for inclusion herein based upon information obtained from the District's audited financial statements for March 31, 2022 through 2026. Reference is made to these statements for further and complete information.

	Fiscal Year Ended March 31,				
	2026	2025	2024	2023	2022
Revenues					
Water Service	$ 342,298	$ 348,265	$ 347,411	$ 349,132	$ 326,655
Sewer Service	407,525	434,573	416,410	411,865	406,065
Surface Water Fee	283,788	267,855	372,298	362,931	267,706
Penalty and Interest	20,860	15,810	22,709	19,566	16,457
Tap Connection and Inspection Fees	400	-	875	1,275	52,543
Interest on Prepaid Surface Water	73,850	78,879	83,655	88,190	92,496
Interest on Deposits	48,784	56,364	57,422	28,573	383
Other Revenues	9,669	15,190	7,240	12,970	12,042
Total Revenues	$ 1,187,174	$ 1,216,936	$ 1,308,020	$ 1,274,502	$ 1,174,347
Expenditures					
Professional Fees	$ 198,487	$ 178,020	$ 155,176	$ 214,509	$ 164,159
Contracted Services	133,259	117,308	96,808	93,368	92,400
Utilities	188,001	151,756	173,742	150,097	106,454
Surface Water Pumpage Fees	276,356	276,299	417,586	487,836	392,431
Repairs and Maintenance	471,179	259,978	208,896	191,839	257,664
Other Operating Expenditures	123,953	121,869	114,074	93,894	81,686
Administrative Expenditures	89,735	90,600	79,848	66,741	72,012
Capital Outlay	1,292	-	12,350	1,500	54,309
Total Expenditures	$ 1,482,262	$ 1,195,830	$ 1,258,480	$ 1,299,784	$ 1,221,115
Revenues Over (Under) Expenditures	$ (295,088)	$ 21,106	$ 49,540	$ (25,282)	$ (46,768)
Other Sources (Interfund Transfer) (a)	$ -	$ -	$ -	$ 997	$ -
Fund Balance (Beginning of Year)	$ 2,928,760	$ 2,907,654	$ 2,858,114	$ 2,882,399	$ 2,929,167
Fund Balance (End of Year)	$ 2,633,672	$ 2,928,760	$ 2,907,654	$ 2,858,114	$ 2,882,399

(a) Represents an interfund transfer from the District's capital projects fund.

DEBT SERVICE REQUIREMENTS

The following sets forth the debt service requirements for the Outstanding Bonds and the estimated debt service requirement for the Bonds at an assumed interest rate of 5.75%.

Year	Outstanding Bonds Debt Service Requirements	Plus: Debt Service on the Bonds			Total Debt Service Requirements
		Principal	Interest	Total	
2027	$ 650,828		$ 329,092	$ 329,092	$ 979,920
2028	630,800	$ 80,000	493,638	573,638	1,204,438
2029	600,990	50,000	489,038	539,038	1,140,028
2030	581,497	50,000	486,163	536,163	1,117,660
2031	582,219	50,000	483,288	533,288	1,115,506
2032	586,469	50,000	480,413	530,413	1,116,881
2033	585,344	50,000	477,538	527,538	1,112,881
2034	583,969	50,000	474,663	524,663	1,108,631
2035	582,344	50,000	471,788	521,788	1,104,131
2036	580,469	50,000	468,913	518,913	1,099,381
2037	578,344	50,000	466,038	516,038	1,094,381
2038	575,350	50,000	463,163	513,163	1,088,513
2039	577,094	50,000	460,288	510,288	1,087,381
2040	578,444	50,000	457,413	507,413	1,085,856
2041	579,400	50,000	454,538	504,538	1,083,938
2042	584,963	50,000	451,663	501,663	1,086,625
2043	-	575,000	448,788	1,023,788	1,023,788
2044	-	600,000	415,725	1,015,725	1,015,725
2045	-	625,000	381,225	1,006,225	1,006,225
2046	-	650,000	345,288	995,288	995,288
2047	-	675,000	307,913	982,913	982,913
2048	-	705,000	269,100	974,100	974,100
2049	-	735,000	228,563	963,563	963,563
2050	-	765,000	186,300	951,300	951,300
2051	-	795,000	142,313	937,313	937,313
2052	-	825,000	96,600	921,600	921,600
2053	-	855,000	49,163	904,163	904,163
Total	$ 9,438,522	$ 8,585,000	$ 10,278,604	$ 18,863,604	$ 28,302,127

Maximum Annual Debt Service Requirement (2028) $1,204,438
Average Annual Debt Service Requirements (2027-2053) $1,048,227

INVESTMENT CONSIDERATIONS

General

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

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 three storms exceeding a 0.2% probability (i.e. "500-year flood" events) since 2015. The most recent event was Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 26, 2017, and brought historic levels of rainfall during the successive four days. According to the Operator, there was no interruption of water and sewer service as a result of Hurricane Harvey. To the best knowledge of the District, 200 homes or other improvements within the District experienced structural flooding or other material damage as a result of Hurricane Harvey.

If a future weather event significantly damaged all or part of the improvements within the District, the assessed value of property within the District could be substantially reduced, which could result in a decrease in tax revenues and/or necessitate an increase 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.

The 100 year flood plain overlaps with developed areas within the District boundary including approximately 30 single-family residential lots, a swimming pool, private stables, tennis courts, and the wastewater treatment plant

Specific Flood Type Risks

The District is subject to the following flood risks:

Ponding (or Pluvial) Flood: Ponding, or pluvial, flooding occurs when heavy rainfall creates a flood event independent of an overflowing water body, typically in relatively flat areas. Intense rainfall can exceed the drainage capacity of a drainage system, which may result in water within the drainage system becoming trapped and diverted onto streets and nearby property until it is able to reach a natural outlet. Ponding can also occur in a flood pool upstream or behind a dam, levee or reservoir.

Riverine (or Fluvial) Flood: Riverine, or fluvial, flooding occurs when water levels rise over the top of river, bayou or channel banks due to excessive rain from tropical systems making landfall and/or persistent thunderstorms over the same area for extended periods of time. The damage from a riverine flood can be widespread. The overflow can affect smaller rivers and streams downstream, or may sheet-flow over land. Flash flooding is a type of riverine flood that is characterized by an intense, high velocity torrent of water that occurs in an existing river channel with little to no notice. Flash flooding can also occur even if no rain has fallen, for instance, after a levee, dam or reservoir has failed or experienced an uncontrolled release, or after a sudden release of water by a debris or ice jam. In addition, planned or unplanned controlled releases from a dam, levee or reservoir also may result in flooding in areas adjacent to rivers, bayous or drainage systems downstream.

Impact on District Tax Rates

Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of District property owners to pay their ad valorem taxes. The 2026 Taxable Assessed Valuation of the District is $249,843,901. See "FINANCIAL STATEMENT." After issuance of the Bonds, the maximum annual debt service requirement will be $1,204,438 (2028) and the average annual debt service requirement will be $1,048,227 (2027-2053). Assuming no increase or decrease from the 2026 Taxable Assessed Valuation and no use of funds other than tax collections, a tax rate of $0.51 per $100 assessed valuation at a 95% collection rate would be necessary to pay the maximum annual debt service requirement of $1,204,438 and a tax rate of $0.45 per $100 assessed valuation at a 95% collection rate would be necessary to pay the average annual debt service requirement of $1,048,227. See "DEBT SERVICE REQUIREMENTS." Although calculations have been made regarding average and maximum tax rates necessary to pay the debt service on the Bonds and the Outstanding Bonds based upon the 2026 Taxable Assessed Valuation, the District can make no representations regarding the future level of assessed valuation within the District. See "TAX PROCEDURES" and "TAX DATA—Tax Adequacy for Debt Service."

Future Debt

Following issuance of the Bonds, the District will have no principal amount of unlimited tax bonds remaining authorized but unissued. See "THE BONDS—Issuance of Additional Debt." The issuance of such future 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. See "THE SYSTEM."

Environmental and Air Quality Regulations

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

- Requiring permits for construction and operation of water wells, wastewater treatment and other facilities;
- Restricting the manner in which wastes are released into the air, water, or soils;
- Restricting or regulating the use of wetlands or other property; 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 Texas Commission on Environmental Quality (the "TCEQ") may impact new industrial, commercial and residential development in the Houston area. Under the Clean Air Act ("CAA") Amendments of 1990, the eight-county Houston-Galveston-Brazoria area ("HGB Area")—Harris, Galveston, Brazoria, Chambers, Fort Bend, Waller, Montgomery and Liberty Counties—has been designated a nonattainment area under two separate federal ozone standards: the eight-hour ozone standard of 75 ppb promulgated by the EPA in 2008 (the "2008 Ozone Standard"), and the EPA's most-recent promulgation of an even lower, 70 ppb eight-hour ozone standard in 2015 (the "2015 Ozone Standard"). While the State of Texas has been able to demonstrate steady progress and improvements in air quality in the HGB Area, the HGB Area remains subject to CAA nonattainment requirements.

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

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

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

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

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

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

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

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

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

On May 25, 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 definitions 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 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 and Bankruptcy Limitations

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

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

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

The District may not be placed 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 (hereinafter defined) 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.

Changes in Tax Legislation

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

Cybersecurity

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

Risk Factors Related to the Purchase of Municipal Bond Insurance

The District has applied for a bond insurance policy (the "Policy") to guarantee the scheduled payment of principal and interest on the Bonds. If the Policy is issued, investors should be aware of the following investment considerations that relate to bond insurance.

The long-term ratings on the Bonds are dependent in part on the financial strength of 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.

LEGAL MATTERS

Legal Opinions

The District will furnish the Initial Purchaser a transcript of certain certified proceedings had incident to the authorization and issuance of the Bonds including a certified copy of the unqualified approving opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Bonds are valid and binding obligations of the District under the Constitution and laws of the State of Texas. The District also will furnish the approving legal opinion of Young & Brooks, Bond Counsel, to the effect that based upon an examination of such transcript, the Bonds are valid and binding obligations of the District under the Constitution and laws of the State of Texas. The legal opinion of Bond Counsel will further state that the Bonds are payable, both as to principal and interest, from the levy of ad valorem taxes, without legal limitation as to rate or amount, against all taxable property within the District. See "TAX MATTERS" below for a discussion of Bond Counsel's opinion regarding the tax-exempt status of the Bonds. Such opinions express no opinion with respect to the sufficiency of the security for or the marketability of the Bonds.

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

Legal Review

In their capacity as Bond Counsel, Young & Brooks has reviewed the information in this Official Statement under the captioned sections "THE BONDS," "THE DISTRICT—General," "MANAGEMENT—Bond Counsel/Attorney," "TAX PROCEDURES," "LEGAL MATTERS—Legal Opinions," "TAX MATTERS," and "CONTINUING DISCLOSURE OF INFORMATION" (except for the subsection "Compliance with Prior Undertakings), solely to determine whether such information, insofar as it relates to matters of law, fairly summarizes the laws 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.

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

No Material Adverse Change

The obligations of the Initial Purchaser to take and pay for the Bonds, and of the District to deliver the Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change of 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 amend through the date of sale.

No-Litigation Certificate

The District will furnish the Initial Purchaser a certificate executed by both the President and Secretary of the Board, and dates as of the date of delivery of the Bonds, to the effect that no litigation of any nature is pending or threatened, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the levy, assessment and collection of ad valorem taxes to pay the interest on or the principal of the Bonds; in any manner questioning the authority or proceedings for the issuance, execution or delivery of the Bonds; or affecting the validity of the Bonds or the title of the present officers of the District.

TAX MATTERS

Opinion

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

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

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

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

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

Federal Income Tax Accounting Treatment of Original Issue Discount

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

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

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

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

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

Collateral Federal Income Tax Consequences

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

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

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

Interest on the Bonds may be includable in a corporation's "adjusted financial statement income" determined under section 56A of the Code to calculate the alternative minimum tax imposed on certain corporations 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.

Information Reporting and Backup Withholding

Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Bonds will be sent to each registered holder and to the Internal Revenue Service. Payments of interest and principal may be subject to backup withholding under section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner's social security number or other taxpayer identification number ("TIN"), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient's federal income tax. Special rules apply to partnerships, estates, and trusts, and in certain circumstances, and in respect of Non-U.S. Holders, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

Qualified Tax-Exempt Obligations for Financial Institutions

Section 265(a) of the Code provides, in pertinent part, that interest paid or incurred by a taxpayer, including a "financial institution," on indebtedness incurred or continued to purchase or carry tax-exempt obligations is not deductible 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 expects to 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 $10,000,000 limitation and the Bonds would not be "qualified tax-exempt obligations."

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District accepted the bid resulting in the lowest net interest cost, which bid was 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 plus accrued interest to the date of delivery which resulted in a net effective interest rate of _____% as calculated pursuant to Chapter 1204, Texas Government Code, as amended.

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.

MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE

Moody's Investors Service ("Moody's") has assigned an underlying rating of "A2" to the Bonds. An explanation of the rating may be obtained from Moody's. The rating fees of Moody's will be paid by the District; however, the fees associated with any other rating will be the responsibility of the Initial Purchaser.

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

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

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 Engineer, the Tax Assessor/Collector, the Appraisal District and information from other sources. All of these sources are believed to be reliable, but no guarantee is made by the District as to the accuracy or completeness of the information derived from sources other than the District, and its inclusion herein is not to be construed as a representation on the part of the District to such effect. 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. 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 SYSTEM" (as related to District facilities)—Engineer; "FINANCIAL STATEMENT" and "TAX DATA"—Harris County Appraisal District and Wheeler and Associates, Inc.; "ESTIMATED OVERLAPPING DEBT STATEMENT"—the Municipal Advisory Council of Texas.

The Financial Advisor has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the District and, if applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information

Consultants

In approving this Official Statement the District has relied upon the following consultants.

Engineer: Certain information related to the District's System and certain other information included in the sections entitled "THE DISTRICT," and "THE SYSTEM" have been provided by A & S Engineers, Inc., the District's consulting engineer, and have been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

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

Tax Assessor Collector: The information contained in this Official Statement relating to the historical breakdown of the Certified Taxable Assessed Valuations, principal taxpayers and certain other historical data concerning tax rates and tax collections has been provided by Wheeler and Associates, Inc., and is included herein in reliance upon his authority as an expert in assessing and collecting taxes.

Auditor: The District's audited financial statements for the fiscal year ending March 31, 2026 have been prepared by Mark C. Eyring, CPA, PLLC. See "APPENDIX A" for a copy of the District's March 31, 2026, audited financial statements.

Updating of Official Statement

If, subsequent to the date of the Official Statement, to and including the date the Initial Purchaser is no longer required to provide an Official Statement to customers who request same pursuant to the Rule, the District learns, or is notified by the Initial Purchaser, of any adverse event which causes the Official Statement to be materially misleading, and unless the Initial Purchaser elects to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Initial Purchaser an appropriate amendment or supplement to the Official Statement satisfactory to the Initial Purchaser; provided, however, that the obligation of the District to so amend or supplement the Official Statement will terminate upon the earlier of (i) 90 days after the "end of the underwriting period"' as defined in the Rule or (ii) the date the Official Statement is filed with the MSRB, but in no case less than 25 days after the "end of the underwriting period."

Certification of Official Statement

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

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Order, the District has made the following agreement for the benefit of the registered 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 annually to the MSRB certain updated financial information and operating data. The information to be updated with respect to the District includes all quantitative financial information and operating data of the general type included in this Official Statement under the "FINANCIAL STATEMENT," "TAX DATA," "WATER AND SEWER OPERATIONS," and "DEBT SERVICE REQUIREMENTS" (most of which information is contained in the District's annual audit report) and in Appendix A (Audited Financial Statements). 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 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 any SID of the change.

Event Notices

The District will provide timely notices of certain events to the MRSB, 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 material 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; (13) consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District, 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, any of which reflect financial difficulties. With respect to the Bonds, there are no "obligated persons" within the meaning of the Rule other than the District. 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 above 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

During the last five years, the District has complied in all material respects with all continuing disclosure agreements made by the District 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 Timberlake Improvement District, as of the date shown on the cover page.

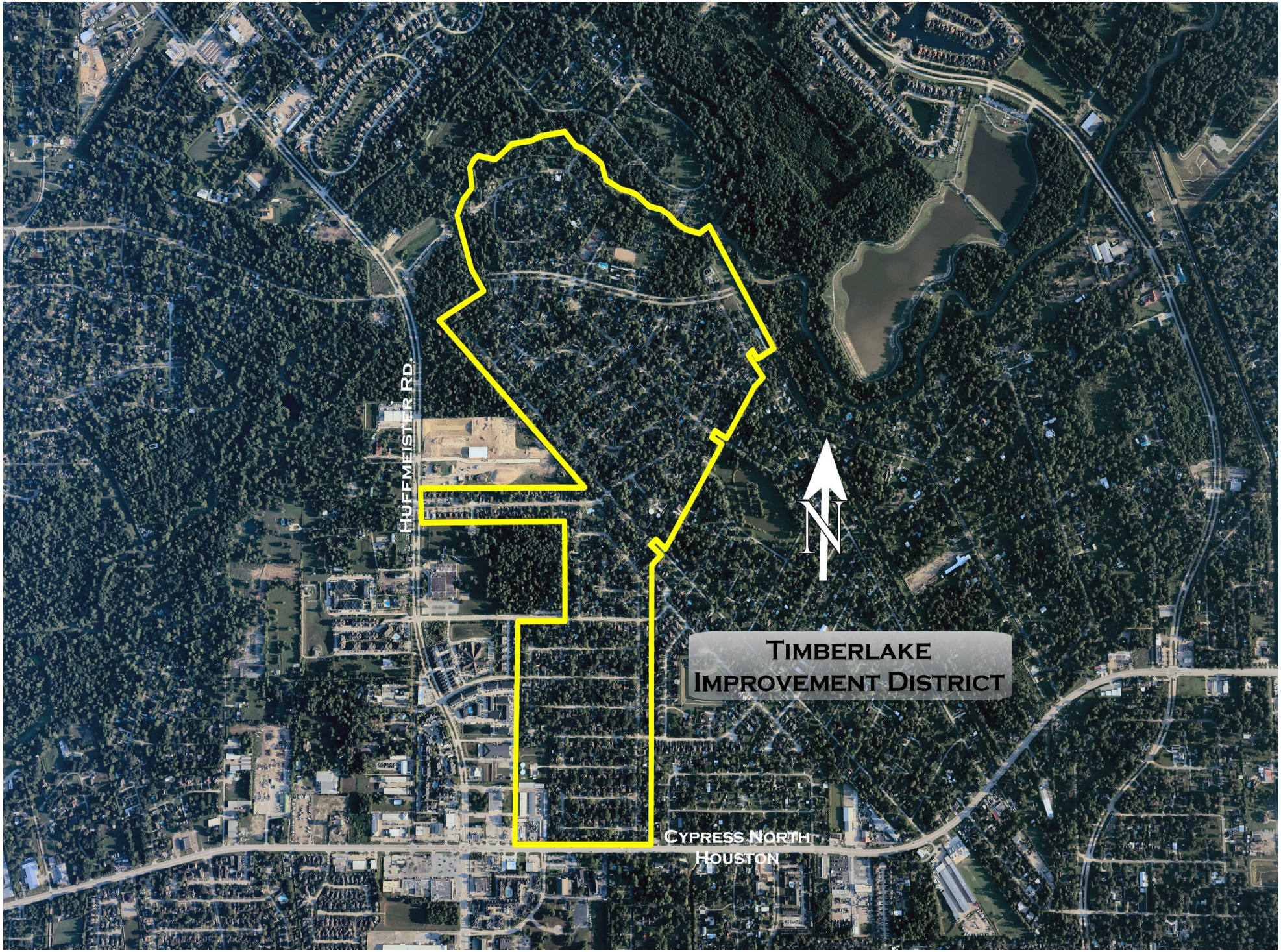
/s/_____
President, Board of Directors

ATTEST:

/s/_____
Secretary, Board of Directors

AERIAL PHOTOGRAPH

(Approximate boundaries of the District as of August 2026)


HUFFMEISTER RD.
N
TIMBERLAKE
IMPROVEMENT DISTRICT
CYPRESS NORTH
HOUSTON

PHOTOGRAPHS OF THE DISTRICT

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.






















SONIC
SONIC
OPEN
24 HOURS
24 7 AUGUST 1ST!
Drive Thru
CYPRESS AUTO REPAIR
NO PARKING


Public Storage
Rental Office

APPENDIX A

District Audited Financial Statements for the fiscal year ended March 31, 2026

TIMBERLAKE IMPROVEMENT DISTRICT

HARRIS COUNTY, TEXAS

ANNUAL AUDIT REPORT

MARCH 31, 2026

C O N T E N T S

INDEPENDENT AUDITOR'S REPORT 1-3

MANAGEMENT'S DISCUSSION AND ANALYSIS 4-9

BASIC FINANCIAL STATEMENTS

- STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET 10
- STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES 11

NOTES TO THE FINANCIAL STATEMENTS 12-21

SUPPLEMENTARY INFORMATION

- SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE, BUDGET AND ACTUAL, GENERAL FUND 22
- SCHEDULE OF TEXAS SUPPLEMENTARY INFORMATION REQUIRED BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY 23
- SCHEDULE OF SERVICES AND RATES 24-25
- EXPENDITURES FOR THE YEAR ENDED MARCH 31, 2026 26-27
- ANALYSIS OF CHANGES IN DEPOSITS AND TEMPORARY INVESTMENTS, ALL GOVERNMENTAL FUND TYPES 28
- SCHEDULE OF TEMPORARY INVESTMENTS 29
- TAXES LEVIED AND RECEIVABLE 30-31
- LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS 32-34
- ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT 35
- COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES, GENERAL FUND 36
- COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES, DEBT SERVICE FUND 37
- BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS 38-39

Mark C. Eyring, CPA, PLLC

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

August 13, 2026

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Timberlake Improvement District
Harris County, Texas

Opinions

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Timberlake Improvement District as of and for the year ended March 31, 2026, and the related notes to the financial statements, which collectively comprise Timberlake Improvement District's basic financial statements as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Timberlake Improvement District, as of March 31, 2026, and the respective changes in financial position and, where applicable, cash flows there of for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Timberlake Improvement 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

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, I: exercise professional judgment and maintain professional skepticism throughout the audit.; identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.; obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Timberlake Improvement 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 my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Timberlake Improvement District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Timberlake Improvement District's basic financial statements. The supplementary information on Pages 23 to 39 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Except for the portion marked "unaudited," the information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The supplementary information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it. The accompanying supplementary information includes financial data excerpted from prior year financial statements which were audited by my firm.



Management's Discussion and Analysis

Using this Annual Report

Within this section of the Timberlake Improvement District (the "District") annual report, the District's Board of Directors provides narrative discussion and analysis of the financial activities of the District for the fiscal year ended March 31, 2026.

The annual report consists of a series of financial statements plus additional supplemental information to the financial statements as required by its state oversight agency, the Texas Commission on Environmental Quality. In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities which engage in a single governmental program. In the District's case, the single governmental program is provision of water and sewer services. The financial statements of special-purpose governments combine two types of financial statements into one statement. These two types of financial statements are the government-wide financial statements and the fund financial statements. The fund financial statements are presented on the left side of the statements, a column for adjustments is to the right of the fund financial statements, and the government-wide financial statements are presented to the right side of the adjustments column. The following sections describe the measurement focus of the two types of statements and the significant differences in the information they provide.

Government-Wide Financial Statements

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

The difference between the District's total assets and total liabilities is labeled as *net position* and this difference is similar to the total owners' equity presented by a commercial enterprise.

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

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

Fund Financial Statements

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

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

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

Because the focus of the government-wide and fund financial statements are different, there are significant differences between the totals presented in these financial statements. For this reason, there is an analysis in Note 3 of the notes to the financial statements that reconciles the total fund balances to the amount of net position presented in the governmental activities column on the statement of net position. Also, there is an analysis in Note 3 of the notes to the financial statements that reconciles the total change in fund balances for all governmental funds to the change in net position as reported in the governmental activities column in the statement of activities.

Financial Analysis of the District as a Whole

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

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

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

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

Summary of Net Position

	2026	2025	Change
Current and other assets	$ 8,394,629	$ 8,843,225	$ (448,596)
Capital assets	4,481,789	4,213,218	268,571
Total assets	12,876,418	13,056,443	(180,025)
Long-term liabilities	7,580,349	8,028,398	(448,049)
Other liabilities	661,148	728,764	(67,616)
Total liabilities	8,241,497	8,757,162	(515,665)
Net position:			
Invested in capital assets, net of related debt	(3,546,609)	(4,262,905)	716,296
Restricted	6,893,269	7,078,674	(185,405)
Unrestricted	1,288,261	1,483,512	(195,251)
Total net position	$ 4,634,921	$ 4,299,281	$ 335,640

Summary of Changes in Net Position

	2026	2025	Change
Revenues:			
Property taxes, including related penalty and interest	$ 936,232	$ 927,532	$ 8,700
Charges for services	1,138,390	1,160,572	(22,182)
Other revenues	253,800	330,669	(76,869)
Total revenues	2,328,422	2,418,773	(90,351)
Expenses:			
Service operations	1,775,483	1,884,919	(109,436)
Debt service	217,299	231,936	(14,637)
Total expenses	1,992,782	2,116,855	(124,073)
Change in net position	335,640	301,918	33,722
Net position, beginning of year	4,299,281	3,997,363	301,918
Net position, end of year	$ 4,634,921	$ 4,299,281	$ 335,640

Financial Analysis of the District's Funds

The District's combined fund balances as of the end of the fiscal year ended March 31, 2026, were $8,151,843, a decrease of $381,488 from the prior year.

The General Fund balance decreased by $295,088, in accordance with the District's financial plan.

The Debt Service Fund balance increased by $266,399, in accordance with the District's financial plan.

The Capital Projects Fund balance decreased by $352,799, as authorized expenditures exceeded interest earnings on deposits and investments.

General Fund Budgetary Highlights

The Board of Directors did not amend the budget during the fiscal year. The District's budget is primarily a planning tool. Accordingly, actual results varied from the budgeted amounts. A comparison of actual to budgeted amounts is presented on Page 22 of this report. The budgetary fund balance as of March 31, 2026, was expected to be $3,011,095 and the actual end of year fund balance was $2,633,672.

Capital Asset and Debt Administration

Capital Assets

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

	Capital Assets (Net of Accumulated Depreciation)		
	2026	2025	Change
Land	$ 90,858	$ 90,858	$ 0
Construction in progress	54,863	866,711	(811,848)
Water facilities	2,514,322	1,336,438	1,177,884
Sewer facilities	1,821,746	1,919,211	(97,465)
Totals	$ 4,481,789	$ 4,213,218	$ 268,571

Changes to capital assets during the fiscal year ended March 31, 2026, are summarized as follows:

Additions:	
Water system improvements	$ 500,739
Decreases:	
Depreciation	(232,168)
Net change to capital assets	$ 268,571

Debt

Changes in the bonded debt position of the District during the fiscal year ended March 31, 2026, are summarized as follows:

Bonded debt payable, beginning of year	$ 8,610,000
Bonds paid	(460,000)
Bonded debt payable, end of year	$ 8,150,000

At March 31, 2026, the District had $8,585,000 in bonds for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage system within the District.

The District's Series 2019 bonds have an underlying rating of A2 by Moody's. The Series 2019 bonds are insured by Assured Guaranty Municipal Corp. Due to the insurance, the Series 2019 bonds are rated AA and A1 by Standard & Poor's and Moody's, respectively. The Series 2016 bonds are not rated. There were no changes in the bond ratings during the fiscal year ended March 31, 2026.

RELEVANT FACTORS AND WATER SUPPLY ISSUES

Property Tax Base

The District's tax base increased approximately $6,595,000 for the 2025 tax year (about 3%) primarily due to the increase in the average assessed valuations on existing property.

Relationship to the City of Houston

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston, the District must conform to a City of Houston ordinance consenting to the creation of the District. In addition, the District may be annexed by the City of Houston. If the District is annexed, the City will assume the District's assets and obligations (including the bonded indebtedness) and dissolve the District within ninety (90) days.

The District is authorized to enter into a strategic partnership agreement with the City of Houston to provide the terms and conditions under which services would be provided and funded by the parties and under which the District would continue to exist for an extended period if the land within the District would be annexed for limited purposes by the City. The terms of any such agreement would be determined by the City and the District.

The District is not aware of any plans regarding annexation or a strategic partnership with the City of Houston.

Water Supply Issues

The District is located within the boundaries of the Harris-Galveston Subsidence District ("Subsidence District") and the North Harris County Regional Water Authority ("NHCRWA"). The NHCRWA was created to provide for conversion of the area within its boundaries from groundwater usage to alternative sources of water supply (e.g., surface water) as required by regulations of the Subsidence District. The NHCRWA covers an area located in northern Harris County and adjacent to the City of Houston. Pursuant to an order of the Subsidence District and the NHCRWA's Groundwater Reduction Plan (as approved by the Subsidence District), the area within the boundaries of the NHCRWA must be converted to at least 30% alternate source (e.g., surface) water use by 2010, 60% alternate source water use by 2025, and 80% alternate source water use by 2035. To implement the required conversion to alternate source water use in accordance with such schedule, the NHCRWA is in the process of designing and constructing and will operate a network of transmission and distribution lines, storage tanks, and pumping stations to transport and distribute water within the NHCRWA (the "NHCRWA System"). In addition, the NHCRWA has entered into a water supply contract to secure a long-term supply of treated surface water from the City of Houston.

The District is subject to the NHCRWA's Groundwater Reduction Plan. The NHCRWA, as part of the plan of financing the NHCRWA System, has elected to allow districts, such as the District, to participate in a pro-rata share of the costs associated with the acquisition and construction of the NHCRWA System (including the costs associated with the acquisition of alternate sources of water supply) by issuing its own debt or using cash on hand, entitling the District to a future credit against pumpage fees due to the NHCRWA. The District has elected to participate in this manner as described below. The District may be required by the NHCRWA to participate in the groundwater conversion project by converting to surface water some time after January 1, 2010. Noncompliance with the NHCRWA's Groundwater Reduction Plan or nonparticipation in the NHCRWA's surface water conversion project could result in the District's exclusion from the NHCRWA's Groundwater Reduction Plan and assessment of the Subsidence District's disincentive fee against groundwater pumped from wells located within the District.

Groundwater pumped from wells located within the District is not currently subject to the Subsidence District's groundwater disincentive fee. However, groundwater pumped from wells located within the District is subject to a per 1,000 gallon pumpage fee that is assessed and collected by the NHCRWA pursuant to the NHCRWA's Pumpage Fee Order. At March 31, 2026, the pumpage fee was equal to $2.60 per 1,000 gallons pumped. At March 31, 2026, the Authority's surface water usage fee was equal to $3.05 per 1,000 gallons. The issuance of additional bonds by the District in an undetermined amount may be necessary at some time in the future to finance the acquisition and construction of surface water infrastructure (whether such costs are incurred directly by the District or through projects undertaken by the NHCRWA). The NHCRWA has sold bonds to finance a portion of the costs related to the design, acquisition and construction of the NHCRWA System. The NHCRWA bonds are secured by revenues of the NHCRWA, including the pumpage fee.

As further described in Note 9 of the notes to the financial statements, the District has contributed funds to the Authority for its share of the construction costs. Under the terms of the contracts, the District will receive credits quarterly. These credits are to be applied: first, against the District's pumpage fee, if any; second, against any amounts due to the Authority for water purchases or any other reason; and third, paid to the District by the Authority each in installments as payments are due, not less frequently than annually. The credits are based upon the amortization of the District's contribution.

TIMBERLAKE IMPROVEMENT DISTRICT

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET

MARCH 31, 2026

	General	Debt Service	Capital Projects	Total	Adjustments (Note 3)	Statement of Net Position
ASSETS						
Cash, including interest-bearing accounts, Note 7	$ 177,275	$ 130,451	$ 44,696	$ 352,422	$	$ 352,422
Temporary investments, at cost, Note 7	1,115,127	1,842,204	3,516,830	6,474,161		6,474,161
Receivables:						
Property taxes		55,052		55,052		55,052
Accrued penalty and interest on property taxes				0	8,111	8,111
Service accounts	74,670			74,670		74,670
Surface water conversion costs	3,471			3,471		3,471
Builder damages	81,331			81,331		81,331
Prepaid surface water capital contribution, Note 9	1,345,411			1,345,411		1,345,411
Capital assets, net of accumulated depreciation, Note 4:						
Capital assets not being depreciated				0	145,721	145,721
Depreciable capital assets				0	4,336,068	4,336,068
Total assets	$2,797,285	$2,027,707	$3,561,526	$ 8,386,518	4,489,900	12,876,418
LIABILITIES						
Accounts payable	$ 92,238	$ 12,790	$ 3,220	$ 108,248		108,248
Accrued interest payable				0	33,476	33,476
Customer deposits	71,375			71,375		71,375
Long-term liabilities, Note 5:						
Due within one year				0	448,049	448,049
Due in more than one year				0	7,580,349	7,580,349
Total liabilities	163,613	12,790	3,220	179,623	8,061,874	8,241,497
DEFERRED INFLOWS OF RESOURCES						
Property tax revenues	0	55,052	0	55,052	(55,052)	0
FUND BALANCES / NET POSITION						
Fund balances:						
Nonspendable:						
Prepaid surface water capital contribution, Note 9	1,345,411			1,345,411	(1,345,411)	0
Assigned to:						
Debt service		1,959,865		1,959,865	(1,959,865)	0
Capital projects			3,558,306	3,558,306	(3,558,306)	0
Unassigned	1,288,261			1,288,261	(1,288,261)	0
Total fund balances	2,633,672	1,959,865	3,558,306	8,151,843	(8,151,843)	0
Total liabilities, deferred inflows, and fund balances	$2,797,285	$2,027,707	$3,561,526	$ 8,386,518		
Net position:						
Invested in capital assets, net of related debt, Note 4					(3,546,609)	(3,546,609)
Restricted for debt service					1,989,552	1,989,552
Restricted for capital projects					3,558,306	3,558,306
Restricted for prepaid surface water capital contribution					1,345,411	1,345,411
Unrestricted					1,288,261	1,288,261
Total net position					$ 4,634,921	$ 4,634,921

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

TIMBERLAKE IMPROVEMENT DISTRICT

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

FOR THE YEAR ENDED MARCH 31, 2026

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments (Note 3)	Statement of Activities
REVENUES						
Property taxes	$	$ 921,860	$	$ 921,860	$ (2,791)	$ 919,069
Water service	342,298			342,298		342,298
Sewer service	407,525			407,525		407,525
Surface water fees, Note 9	283,788			283,788		283,788
Penalty and interest	20,860	15,211		36,071	1,952	38,023
Tap connection and sewer inspection fees	400			400		400
Interest on prepaid surface water capital contribution, Note 9	73,850			73,850		73,850
Interest on deposits and investments	48,784	55,076	149,940	253,800		253,800
Other revenues	9,669			9,669		9,669
Total revenues	1,187,174	992,147	149,940	2,329,261	(839)	2,328,422
EXPENDITURES / EXPENSES						
Service operations:						
Professional fees	198,487	12,350	2,000	212,837		212,837
Contracted services	133,259	35,439		168,698		168,698
Utilities	188,001			188,001		188,001
Surface water pumpage fees, Note 9	276,356			276,356		276,356
Repairs and maintenance	471,179			471,179		471,179
Other operating expenditures	123,953			123,953		123,953
Administrative expenditures	89,735	11,264		100,999		100,999
Depreciation				0	232,168	232,168
Capital outlay / non-capital outlay	1,292		500,739	502,031	(500,739)	1,292
Debt service:						
Principal retirement		460,000		460,000	(460,000)	0
Interest and fees		206,695		206,695	10,604	217,299
Total expenditures / expenses	1,482,262	725,748	502,739	2,710,749	(717,967)	1,992,782
Excess (deficiency) of revenues over expenditures	(295,088)	266,399	(352,799)	(381,488)	717,128	335,640
Net change in fund balances / net position	(295,088)	266,399	(352,799)	(381,488)	717,128	335,640
Beginning of year	2,928,760	1,693,466	3,911,105	8,533,331	(4,234,050)	4,299,281
End of year	$ 2,633,672	$ 1,959,865	$ 3,558,306	$ 8,151,843	$ (3,516,922)	$ 4,634,921

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

TIMBERLAKE IMPROVEMENT DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2026

NOTE 1: REPORTING ENTITY

Timberlake Improvement District (the "District") was created by Acts of the 59th Legislature of the State of Texas, Regular Session, 1965, and operates in accordance with Texas Water Code Chapters 49 and 54. The District is a political subdivision of the State of Texas, governed by an elected five member Board of Directors. The Board of Directors held its first meeting on October 7, 1965, and the first bonds were sold on March 30, 1972. The District is subject to the continuing supervision of the Texas Commission on Environmental Quality.

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply of water; the collection, transportation and treatment of wastewater; and the control and diversion of storm water. The District is also empowered to establish parks and recreational facilities for the residents of the District, to contract for or employ its own peace officers, and, after approval by the City of Houston, the Texas Commission on Environmental Quality, and the voters of the District, to establish, operate and maintain fire-fighting facilities, independently or with one or more conservation and reclamation districts.

In evaluating how to define the District for financial reporting purposes, the Board of Directors of the District has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, there were no other entities which were included as a component unit in the District's financial statements.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

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

Basic Financial Statements

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Basis of Accounting

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

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

Interfund Activity

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

Receivables

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

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

Capital Assets

Capital assets, which include property, plant, equipment, and immovable public domain or "infrastructure" assets are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than $5,000 (including installation costs, if any, and associated professional fees) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed by the District. Donated capital assets are recorded at historical cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset or increase the value of an asset are capitalized. Costs incurred for repairs and maintenance are expensed as incurred.

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

Plant and equipment	10-45 years
Underground lines	45 years

Prepaid Surface Water Capital Contributions

The District reports the surface water fee charges incurred by the District at the gross amount of the charges. Credits received under the terms of the Capital Contribution Contracts (the "Contracts") are recorded as either a repayment of the principal amount of the prepaid surface water capital contribution or interest earned on the prepayment at the interest rate of the applicable Contract. The principal is amortized based upon the life of the credits and the interest rate of the applicable Contract.

Long-term Liabilities

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

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

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

Reconciliation of year end fund balances to net position:

Total fund balances, end of year		$ 8,151,843
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		
Total capital assets, net		4,481,789
Some long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:		
Bonds payable	$ (8,150,000)	
Deferred charge on refunding (to be amortized as interest expense)	2,864	
Issuance discount net of premium (to be amortized as interest expense)	118,738	(8,028,398)
Some receivables that do not provide current financial resources are not reported as receivables in the funds:		
Accrued penalty and interest on property taxes receivable	8,111	
Uncollected property taxes	55,052	63,163
Some liabilities that do not require the use of current financial resources are not reported as liabilities in the funds:		
Accrued interest		(33,476)
Net position, end of year		$ 4,634,921

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

Total net change in fund balances		$ (381,488)
The funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:		
Capital outlay	$ 500,739	
Depreciation	(232,168)	268,571
The issuance of long-term debt (bonds payable) provides current financial resources to the funds, while the repayment of the principal of long-term debt consumes the current financial resources of the funds. Neither transaction, however, has any effect on net position. The effect of these differences in the treatment of long-term debt:		
Principal reduction		460,000
The funds report the effect of bond premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of these items:		
Refunding charges	(1,485)	
Issuance discounts, net of premiums	(10,790)	(12,275)
Some revenues reported in the statement of activities do not provide current financial resources and therefore are not reported as revenues in the funds:		
Accrued penalty and interest on property taxes receivable	1,952	
Uncollected property taxes	(2,791)	(839)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds:		
Accrued interest		1,671
Change in net position		$ 335,640

NOTE 4: CAPITAL ASSETS

At March 31, 2026, “Invested in capital assets, net of related debt” was $(3,546,609). This amount was negative primarily because not all expenditures from bond proceeds (such as bond issuance costs) were for the acquisition of capital assets. Within Harris County, the county government assumes the maintenance and other incidents of ownership of most storm sewer facilities constructed by the District. Accordingly, these assets are not recorded in the financial statements of the District. In addition, some expenditures from bond proceeds were for the acquisition of capital assets beneath the capitalization threshold of $5,000 (see Note 2) and some authorized expenditures were not for capital assets.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Capital asset activity for the fiscal year ended March 31, 2026, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land and improvements	$ 90,858	$	$	$ 90,858
Construction in progress	866,711	500,739	1,312,587	54,863
Total capital assets not being depreciated	957,569	500,739	1,312,587	145,721
Depreciable capital assets:				
Water system	4,246,625	1,312,587		5,559,212
Sewer system	3,267,658			3,267,658
Total depreciable capital assets	7,514,283	1,312,587	0	8,826,870
Less accumulated depreciation for:				
Water system	(2,910,187)	(134,703)		(3,044,890)
Sewer system	(1,348,447)	(97,465)		(1,445,912)
Total accumulated depreciation	(4,258,634)	(232,168)	0	(4,490,802)
Total depreciable capital assets, net	3,255,649	1,080,419	0	4,336,068
Total capital assets, net	$ 4,213,218	$ 1,581,158	$ 1,312,587	$ 4,481,789
Changes to capital assets:				
Capital outlay		$ 500,739	$	
Assets transferred to depreciable assets		1,312,587	1,312,587	
Less depreciation expense for the fiscal year		(232,168)		
Net increases / decreases to capital assets		$ 1,581,158	$ 1,312,587	

NOTE 5: LONG-TERM LIABILITIES AND CONTINGENT LIABILITIES

Long-term liability activity for the fiscal year ended March 31, 2026, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds payable	$ 8,610,000	$	$ 460,000	$ 8,150,000	$ 460,000
Less deferred amounts:					
For issuance (discounts) net of premiums	(129,528)		(10,790)	(118,738)	(10,790)
For refunding	(4,349)		(1,485)	(2,864)	(1,161)
Total bonds payable	8,476,123	0	447,725	8,028,398	448,049
Total long-term liabilities	$ 8,476,123	$ 0	$ 447,725	$ 8,028,398	$ 448,049

Developer Construction Commitments and Liabilities

At March 31, 2026, there were no developer construction commitments or liabilities.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Fiscal Year	Principal	Interest	Total
2027	$ 460,000	$ 195,842	$ 655,842
2028	460,000	185,814	645,814
2029	450,000	175,895	625,895
2030	430,000	166,244	596,244
2031	420,000	156,859	576,859
2032 - 2036	2,270,000	621,969	2,891,969
2037 - 2041	2,540,000	316,666	2,856,666
2042 - 2043	1,120,000	29,663	1,149,663
TOTALS	$ 8,150,000	$ 1,848,952	$ 9,998,952

Bonds voted	$ 28,600,000
Bonds approved for sale and sold	20,015,000
Bonds voted and not issued	8,585,000

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.

The bond issues payable at March 31, 2026, were as follows:

	Series 2016	Series 2019
Amounts outstanding, March 31, 2026	$1,875,000	$6,275,000
Interest rates	2.18%	2.25% to 2.625%
Maturity dates, serially beginning/ending	August 1, 2026/2030	August 1, 2029/2042
Interest payment dates	August 1/February 1	August 1/February 1
Callable dates	August 1, 2023*	August 1, 2025*

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

NOTE 6: PROPERTY TAXES

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

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

On October 9, 2025, the District levied the following ad valorem taxes for the 2025 tax year on the adjusted taxable valuation of $248,725,787:

	Rate	Amount
Debt service	$ 0.3700	$ 920,281

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

2025 tax year total property tax levy	$ 920,281
Appraisal district adjustments to prior year taxes	(1,212)
Statement of Activities property tax revenues	$ 919,069

NOTE 7: DEPOSITS AND TEMPORARY INVESTMENTS

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

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

In accordance with state statutes and the District's investment policies, the District requires that insurance or security be provided by depositories for all funds held by them. At the balance sheet date, the District's deposits were covered by federal insurance.

At the balance sheet date the carrying value and market value of the investments in TexPool was $6,474,161.

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

Debt Service Fund

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

Cash	$ 130,451
Temporary investments	1,842,204
	$ 1,972,655

Capital Projects Fund

For construction of capital assets:

Cash	$ 44,696
Temporary investments	3,516,830
	$ 3,561,526

NOTE 8: RISK MANAGEMENT

The District is exposed to various risks of loss related to: torts; theft of, damage to, and destruction of assets; errors and omissions; personal injuries and natural disasters. Significant losses are covered by insurance as described below. There were no significant reductions in insurance coverage from the prior fiscal year. There have been no settlements which have exceeded the insurance coverage for each of the past three fiscal years.

At March 31, 2026, the District had physical damage and boiler and machinery coverage of $7,399,000, comprehensive general liability coverage with a per occurrence limit of $1,000,000 and $3,000,000 general aggregate, pollution liability coverage of $1,000,000, automobile liability coverage of $1,000,000, consultant's crime coverage of $10,000 and a tax assessor-collector bond of $10,000.

NOTE 9: REGIONAL WATER AUTHORITY

The North Harris County Regional Water Authority (the "Authority") was created by House Bill 2965, Acts of the 76th Legislature, Regular Session 1999, and was confirmed by an election held on January 15, 2001. The Authority is a political subdivision of the State of Texas, governed by an elected five member Board of Directors. The Authority is empowered to, among other powers, "acquire or develop surface water and groundwater supplies from sources inside of or outside of the boundaries of the authority and may conserve, store, transport, treat, purify, distribute, sell and deliver water to persons, corporations, municipal corporations, political subdivisions of the state, and others, inside of and outside of the boundaries of the authority." The Authority is also empowered to "establish fees and charges as necessary to enable the authority to fulfill the authority's regulatory obligations." In accordance with this provision, as of March 31, 2026, the Authority had established a well pumpage fee of $2.60 per 1,000 gallons of water pumped from each regulated well. The District's well pumpage fees payable to the Authority for the fiscal year ended March 31, 2026, were $276,356. The District billed its customers $283,788 during the fiscal year to pay for the fees charged by the Authority and received credits of $173,687 for principal and interest on prepaid surface water capital contributions as described in the following paragraphs.

On July 7, 2003 (amended effective October 2, 2003), the District and the Authority entered in to a Capital Contribution Contract (the "Contract"). In accordance with the Contract, the District contributed $868,810 to the Authority during the fiscal year ended March 31, 2004, to pay for its share of the costs of constructing infrastructure to bring surface water to the District. Under the terms of the Contract, the District will receive a credit in the amount of $43,940 annually for the first six years, beginning in fiscal year 2004 and $63,316 annually thereafter for the next 24 years. This credit is to be applied: first, against the District's pumpage fee, if any; second, against any amounts due to the Authority for water purchases or any other reason; and third, paid to the District by the Authority each in installments as payments are due, not less frequently than annually. The credit is based upon the amortization of the District's contribution beginning in 2010 at a rate of 5.0575% over 24 years.

On February 21, 2005, the District and the Authority entered in to a second Capital Contribution Contract (the "Contract"). In accordance with the Contract, the District contributed $583,332 to the Authority during the fiscal year ended March 31, 2005, to pay for its share of the costs of constructing infrastructure to bring surface water to the District. Under the terms of the Contract, the District will receive a credit in the amount of $28,051 annually for the first four years, beginning in fiscal year 2006 and $39,782 annually thereafter for the next 26 years. This credit is to be applied: first, against the District's pumpage fee, if any; second, against any amounts due to the Authority for water purchases or any other reason; and third, paid to the District by the Authority each in installments as payments are due, not less frequently than annually. The credit is based upon the amortization of the District's contribution beginning in 2010 at a rate of 4.8087% over 26 years.

On August 4, 2008, the District and the Authority entered in to a third Capital Contribution Contract (the "Contract"). In accordance with the Contract, the District contributed $958,480 to the Authority during the fiscal year ended March 31, 2009, to pay for its share of the costs of constructing infrastructure to bring surface water to the District. Under the terms of the Contract, the District will receive a credit in the amount of $21,950 during fiscal year 2009, $47,712 during fiscal year 2010, $51,523 annually during fiscal years 2011 through 2013, $61,056 during fiscal year 2014, $70,588 annually for each of the next 24 fiscal years and $35,294 for fiscal year 2039. This credit is to be applied: first, against the District's pumpage fee, if any; second, against any amounts due to the Authority for water purchases or any other reason; and third, paid to the District by the Authority each in installments as payments are due, not less frequently than annually. The credit is based upon the amortization of the District's contribution beginning in fiscal year 2014 at a rate of 5.3755% over 25 years.

The District reports the surface water fee charges incurred by the District at the gross amount of the charges. Credits received under the terms of the Contracts are recorded as either a repayment of the principal amount of the prepaid surface water capital contribution or interest earned on the prepayment at the interest rate of the applicable Contract. The principal is amortized based upon the life of the credits and the interest rate of the applicable Contract.

During the fiscal year ended March 31, 2026, the District received credits of $173,687 under the provisions of the Contracts. Of this amount, $99,837 was a repayment of principal and $73,850 was interest.

A summary of the amortization of the remaining scheduled credits for the prepaid capital contributions is as follows:

Credits Due During Fiscal Years Ending March 31	Principal	Interest	Total
2027	$ 105,134	$ 68,552	$ 173,686
2028	110,712	62,975	173,687
2029	116,588	57,098	173,686
2030	122,774	50,913	173,687
2031	129,292	44,394	173,686
2032-2036	597,023	119,001	716,024
2037-2039	163,888	12,582	176,470
TOTALS	$ 1,345,411	$ 415,515	$ 1,760,926

TIMBERLAKE IMPROVEMENT DISTRICT

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

FOR THE YEAR ENDED MARCH 31, 2026

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Water service	$ 430,000	$ 430,000	$ 342,298	$ (87,702)
Sewer service	395,000	395,000	407,525	12,525
Surface water fees	263,000	263,000	283,788	20,788
Penalty	14,000	14,000	20,860	6,860
Tap connection and sewer inspection fees	1,000	1,000	400	(600)
Interest on prepaid surface water capital cont.	173,686	173,686	73,850	(99,836)
Interest on deposits	59,000	59,000	48,784	(10,216)
Other revenues	1,000	1,000	9,669	8,669
TOTAL REVENUES	1,336,686	1,336,686	1,187,174	(149,512)
EXPENDITURES				
Service operations:				
Professional fees	181,000	181,000	198,487	17,487
Contracted services	114,000	114,000	133,259	19,259
Utilities	155,000	155,000	188,001	33,001
Surface water pumpage fees	300,000	300,000	276,356	(23,644)
Repairs and maintenance	281,000	281,000	471,179	190,179
Other operating expenditures	121,500	121,500	123,953	2,453
Administrative expenditures	100,351	100,351	89,735	(10,616)
Capital outlay	1,500	1,500	1,292	(208)
TOTAL EXPENDITURES	1,254,351	1,254,351	1,482,262	227,911
EXCESS REVENUES (EXPENDITURES)	82,335	82,335	(295,088)	(377,423)
FUND BALANCE, BEGINNING OF YEAR	2,928,760	2,928,760	2,928,760	0
FUND BALANCE, END OF YEAR	$ 3,011,095	$ 3,011,095	$ 2,633,672	$ (377,423)

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

TIMBERLAKE IMPROVEMENT DISTRICT

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

MARCH 31, 2026

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

[X] TSI-1. Services and Rates

[X] TSI-2. General Fund Expenditures

[X] TSI-3. Temporary Investments

[X] TSI-4. Taxes Levied and Receivable

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

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

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

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

TIMBERLAKE IMPROVEMENT DISTRICT

SCHEDULE OF SERVICES AND RATES

MARCH 31, 2026

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

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

X Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)

__ Other

2. Retail Service Providers

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

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1000 Gallons Over Minimum	Usage Levels
WATER:	$27.00	8,000	N	$1.50	8,001 to 18,000
				1.75	18,001 to 28,000
				2.25	28,001 to 38,000
				2.50	Over 38,000
WASTEWATER:	$33.00	50,000	N	$0.25	Over 50,000

SURCHARGE: $2.99 per 1,000 gallons of water used. – NHCRWA surface water fees.

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

Total charges per 10,000 gallons usage: Water: $27.00 Wastewater: $33.00 Surcharge: $29.90

TIMBERLAKE IMPROVEMENT DISTRICT

SCHEDULE OF SERVICES AND RATES (Continued)

MARCH 31, 2026

b. Water and Wastewater Retail Connections (unaudited):

Meter Size	Total Connections	Active Connections	ESFC* Factor	Active ESFCs
Unmetered	1	1	1.0	1
< or = 3/4"	828	812	1.0	812
1"	35	28	2.5	70
1-1/2"	0	0	5.0	0
2"	4	4	8.0	32
3"	0	0	15.0	0
4"	0	0	25.0	0
6"	0	0	50.0	0
8"	1	1	80.0	80
10"	0	0	115.0	0
Total Water	869	846		995
Total Wastewater	869	846	1.0	846

*Single family equivalents

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

Gallons pumped into system (unaudited):	105,000
Gallons billed to customers (unaudited):	96,000
Water Accountability Ratio (Gallons billed/ gallons pumped):	91%

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

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

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

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

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

TIMBERLAKE IMPROVEMENT DISTRICT

EXPENDITURES

FOR THE YEAR ENDED MARCH 31, 2026

	General Fund	Debt Service Fund	Capital Projects Fund	Totals (Memorandum Only)
CURRENT				
Professional fees:				
Auditing	$ 13,950	$	$	13,950
Legal	128,875	12,350	2,000	143,225
Engineering	55,662			55,662
	198,487	12,350	2,000	212,837
Contracted services:				
Bookkeeping	24,000			24,000
Operation and billing	109,259			109,259
Tax assessor-collector		28,249		28,249
Central appraisal district		7,190		7,190
	133,259	35,439	0	168,698
Utilities	188,001	0	0	188,001
Surface water pumpage fees	276,356	0	0	276,356
Repairs and maintenance	471,179	0	0	471,179
Other operating expenditures:				
Sludge hauling	25,434			25,434
Chemicals	63,190			63,190
Laboratory costs	30,786			30,786
TCEQ assessment	3,563			3,563
Other	980			980
	123,953	0	0	123,953
Administrative expenditures:				
Director's fees	11,713			11,713
Office supplies and postage	26,835			26,835
Insurance	39,039	100		39,139
Permits	5,186			5,186
Other	6,962	11,164		18,126
	89,735	11,264	0	100,999

TIMBERLAKE IMPROVEMENT DISTRICT

EXPENDITURES (Continued)

FOR THE YEAR ENDED MARCH 31, 2026

	General Fund	Debt Service Fund	Capital Projects Fund	Totals (Memorandum Only)
CAPITAL OUTLAY				
Authorized expenditures	$	$	$ 500,739	$ 500,739
Tap connection costs	1,292			1,292
	1,292	0	500,739	502,031
DEBT SERVICE				
Principal retirement	0	460,000	0	460,000
Interest and fees:				
Interest		205,870		205,870
Paying agent fees		825		825
	0	206,695	0	206,695
TOTAL EXPENDITURES	$ 1,482,262	$ 725,748	$ 502,739	$ 2,710,749

TIMBERLAKE IMPROVEMENT DISTRICT

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

FOR THE YEAR ENDED MARCH 31, 2026

	General Fund	Debt Service Fund	Capital Projects Fund	Totals (Memorandum Only)
SOURCES OF DEPOSITS AND TEMPORARY INVESTMENTS				
Cash receipts from revenues	$ 1,183,997	$ 992,147	$ 149,940	$ 2,326,084
Repayment of prepaid surface water capital contribution principal	99,837			99,837
Increase in customer deposits	2,000			2,000
Receipt of interfund receivable	5,000			5,000
Overpayments from taxpayers		10,958		10,958
TOTAL DEPOSITS AND TEMPORARY INVESTMENTS PROVIDED	1,290,834	1,003,105	149,940	2,443,879
APPLICATIONS OF DEPOSITS AND TEMPORARY INVESTMENTS				
Cash disbursements for:				
Current expenditures	1,470,271	55,846	2,000	1,528,117
Debt service		666,695		666,695
Capital outlay	1,292		588,186	589,478
Repayment of interfund payable			5,000	5,000
Refund of taxpayer overpayments		5,686		5,686
TOTAL DEPOSITS AND TEMPORARY INVESTMENTS APPLIED	1,471,563	728,227	595,186	2,794,976
INCREASE (DECREASE) IN DEPOSITS AND TEMPORARY INVESTMENTS	(180,729)	274,878	(445,246)	(351,097)
DEPOSITS AND TEMPORARY INVESTMENTS BALANCES, BEGINNING OF YEAR	1,473,131	1,697,777	4,006,772	7,177,680
DEPOSITS AND TEMPORARY INVESTMENTS BALANCES, END OF YEAR	$ 1,292,402	$ 1,972,655	$ 3,561,526	$ 6,826,583

TIMBERLAKE IMPROVEMENT DISTRICT

SCHEDULE OF TEMPORARY INVESTMENTS

MARCH 31, 2026

	Interest Rate	Maturity Date	Year End Balance	Accrued Interest Receivable
GENERAL FUND				
TexPool				
No. 2572600003	Market	On demand	$ 1,115,127	$ 0
DEBT SERVICE FUND				
TexPool				
No. 2572600001	Market	On demand	$ 1,842,204	$ 0
CAPITAL PROJECTS FUND				
TexPool				
No. 2572600005	Market	On demand	$ 3,516,830	$ 0
Total – All Funds			$ 6,474,161	$ 0

TIMBERLAKE IMPROVEMENT DISTRICT

TAXES LEVIED AND RECEIVABLE

FOR THE YEAR ENDED MARCH 31, 2026

	Debt Service Taxes
RECEIVABLE, BEGINNING OF YEAR	$ 57,843
Additions and corrections to prior year taxes	(1,212)
Adjusted receivable, beginning of year	56,631
2025 ADJUSTED TAX ROLL	920,281
Total to be accounted for	976,912
Tax collections: Current tax year	(878,713)
Prior tax years	(43,147)
RECEIVABLE, END OF YEAR	$ 55,052
RECEIVABLE, BY TAX YEAR	
2016	$ 5
2017	6
2018	802
2019	1,095
2020	918
2021	1,868
2022	2,175
2023	3,551
2024	3,064
2025	41,568
RECEIVABLE, END OF YEAR	$ 55,052

TIMBERLAKE IMPROVEMENT DISTRICT

TAXES LEVIED AND RECEIVABLE (Continued)

FOR THE YEAR ENDED MACH 31, 2026

ADJUSTED PROPERTY VALUATIONS AS OF JANUARY 1 OF TAX YEAR	2025	2024	2023	2022
Land	$ 61,368,432	$ 56,609,660	$ 55,000,500	$ 43,347,062
Improvements	193,286,730	189,765,067	177,376,229	167,157,696
Personal property	3,844,039	3,528,407	2,970,251	3,172,432
Less exemptions	(9,773,414)	(7,771,280)	(7,016,334)	(6,514,833)
TOTAL PROPERTY VALUATIONS	$ 248,725,787	$ 242,131,854	$ 228,330,646	$ 207,162,357
TAX RATES PER $100 VALUATION	$ 0.37000	$ 0.38000	$ 0.38000	$ 0.38000
TAX ROLLS	$ 920,281	$ 920,097	$ 867,652	$ 787,213
PERCENT OF TAXES COLLECTED TO TAXES LEVIED	95.5 %	99.7 %	99.6 %	99.7 %

Voters within the District have not approved a maintenance tax.

TIMBERLAKE IMPROVEMENT DISTRICT

LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS

MARCH 31, 2026

	Series 2016		
Due During Fiscal Years Ending March 31	Principal Due August 1	Interest Due August 1, February 1	Total
2027	$ 460,000	$ 35,861	$ 495,861
2028	460,000	25,833	485,833
2029	450,000	15,914	465,914
2030	260,000	8,175	268,175
2031	245,000	2,671	247,671
TOTALS	$ 1,875,000	$ 88,454	$ 1,963,454

TIMBERLAKE IMPROVEMENT DISTRICT

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

MARCH 31, 2026

Due During Fiscal Years Ending March 31	Series 2019 Principal Due August 1	Series 2019 Interest Due August 1, February 1	Total
2027	$	$ 159,981	$ 159,981
2028		159,981	159,981
2029		159,981	159,981
2030	170,000	158,069	328,069
2031	175,000	154,188	329,188
2032	430,000	146,844	576,844
2033	445,000	135,906	580,906
2034	455,000	124,657	579,657
2035	465,000	113,156	578,156
2036	475,000	101,406	576,406
2037	485,000	89,406	574,406
2038	495,000	76,847	571,847
2039	505,000	63,722	568,722
2040	520,000	50,269	570,269
2041	535,000	36,422	571,422
2042	550,000	22,182	572,182
2043	570,000	7,481	577,481
TOTALS	$ 6,275,000	$ 1,760,498	$ 8,035,498

See accompanying independent auditor's report.

TIMBERLAKE IMPROVEMENT DISTRICT

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

MARCH 31, 2026

Due During Fiscal Years Ending March 31	Annual Requirements for All Series		
	Total Principal Due	Total Interest Due	Total
2027	$ 460,000	$ 195,842	$ 655,842
2028	460,000	185,814	645,814
2029	450,000	175,895	625,895
2030	430,000	166,244	596,244
2031	420,000	156,859	576,859
2032	430,000	146,844	576,844
2033	445,000	135,906	580,906
2034	455,000	124,657	579,657
2035	465,000	113,156	578,156
2036	475,000	101,406	576,406
2037	485,000	89,406	574,406
2038	495,000	76,847	571,847
2039	505,000	63,722	568,722
2040	520,000	50,269	570,269
2041	535,000	36,422	571,422
2042	550,000	22,182	572,182
2043	570,000	7,481	577,481
TOTALS	$ 8,150,000	$ 1,848,952	$ 9,998,952

TIMBERLAKE IMPROVEMENT DISTRICT

ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT

FOR THE YEAR ENDED MARCH 31, 2026

	(1)	(2)	Totals
Bond Series	2016	2019	
Interest Rate	2.18%	2.25% to 2.625%	
Dates Interest Payable	August1/ February 1	August1/ February 1	
Maturity Dates	August 1, 2026/2030	August 1, 2029/2042	
Bonds Outstanding at Beginning of Current Year	$ 2,335,000	$ 6,275,000	$ 8,610,000
Less Retirements	(460,000)	0	(460,000)
Bonds Outstanding at End of Current Year	$ 1,875,000	$ 6,275,000	$ 8,150,000
Current Year Interest Paid	$ 45,889	$ 159,981	$ 205,870

Bond Descriptions and Original Amount of Issue

(1) Timberlake Improvement District Unlimited Tax Refunding Bonds, Series 2016 ($3,760,000)

(2) Timberlake Improvement District Unlimited Tax Bonds, Series 2019 ($6,275,000)

Paying Agent/Registrar

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

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

Bond Authority	Tax Bonds*	Other Bonds	Refunding Bonds
Amount Authorized by Voters:	$ 28,600,000	$ 0	$ 0
Amount Issued:	20,015,000		
Remaining to be Issued:	8,585,000		

*Tax bonds include the bonds which also may be used for refunding purposes.

Net Debt Service Fund deposits and investments balances as of March 31, 2026:	$1,959,865
Average annual debt service payment for remaining term of all debt:	588,173

See accompanying independent auditor's report.

TIMBERLAKE IMPROVEMENT DISTRICT

COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES, GENERAL FUND

FOR YEARS ENDED MARCH 31

	AMOUNT					PERCENT OF TOTAL REVENUES				
	2026	2025	2024	2023	2022	2026	2025	2024	2023	2022
REVENUES										
Water service	$ 342,298	$ 348,265	$ 347,411	$ 349,132	$ 326,655	28.8 %	28.6 %	26.6 %	27.4 %	27.8 %
Sewer service	407,525	434,573	416,410	411,865	406,065	34.4	35.8	31.7	32.4	34.6
Surface water fees	283,788	267,855	372,298	362,931	267,706	23.9	22.0	28.5	28.5	22.8
Penalty	20,860	15,810	22,709	19,566	16,457	1.8	1.3	1.7	1.5	1.4
Tap connection and inspection fees	400	0	875	1,275	52,543	0.0	0.0	0.1	0.1	4.5
Interest on prepaid surface water capital contribution	73,850	78,879	83,655	88,190	92,496	6.2	6.5	6.4	6.9	7.9
Interest on deposits and investments	48,784	56,364	57,422	28,573	383	4.1	4.6	4.4	2.2	0.0
Other revenues	9,669	15,190	7,240	12,970	12,042	0.8	1.2	0.6	1.0	1.0
TOTAL REVENUES	1,187,174	1,216,936	1,308,020	1,274,502	1,174,347	100.0	100.0	100.0	100.0	100.0
EXPENDITURES										
Current:										
Professional fees	198,487	178,020	155,176	214,509	164,159	16.7	14.6	11.9	16.8	14.0
Contracted services	133,259	117,308	96,808	93,368	92,400	11.2	9.6	7.4	7.3	7.9
Utilities	188,001	151,756	173,742	150,097	106,454	15.8	12.5	13.3	11.8	9.1
Surface water pumpage fees	276,356	276,299	417,586	487,836	392,431	23.4	22.8	31.9	38.3	33.4
Repairs, maintenance and other operating expenditures	595,132	381,847	322,970	285,733	339,350	50.1	31.4	24.7	22.5	28.9
Administrative expenditures	89,735	90,600	79,848	66,741	72,012	7.6	7.4	6.1	5.2	6.1
Capital outlay	1,292	0	12,350	1,500	54,309	0.1	0.0	0.9	0.1	4.6
TOTAL EXPENDITURES	1,482,262	1,195,830	1,258,480	1,299,784	1,221,115	124.9	98.3	96.2	102.0	104.0
EXCESS REVENUES (EXPENDITURES)	$ (295,088)	$ 21,106	$ 49,540	$ (25,282)	$ (46,768)	(24.9) %	1.7 %	3.8 %	(2.0) %	(4.0) %
TOTAL ACTIVE RETAIL WATER CONNECTIONS	846	852	857	856	849					
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	846	852	857	856	849					

See accompanying independent auditor's report.

TIMBERLAKE IMPROVEMENT DISTRICT

COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES,
DEBT SERVICE FUND

FOR YEARS ENDED MARCH 31

	AMOUNT					ERCENT OF TOTAL REVENUES				
	2026	2025	2024	2023	2022	2026	2025	2024	2023	2022
REVENUES										
Property taxes	$ 921,860	$ 901,115	$ 857,592	$ 791,589	$ 760,676	92.9 %	93.0 %	94.0 %	96.3 %	97.5 %
Penalty and interest	15,211	10,312	8,658	9,386	19,697	1.5	1.1	0.9	1.1	2.5
Interest on deposits and investments	55,076	56,696	46,764	21,377	321	5.6	5.9	5.1	2.6	0.0
TOTAL REVENUES	992,147	968,123	913,014	822,352	780,694	100.0	100.0	100.0	100.0	100.0
EXPENDITURES										
Current:										
Professional fees	12,350	10,560	12,017	12,883	13,140	1.2	1.1	1.3	1.6	1.7
Contracted services	35,439	31,875	28,554	30,307	29,952	3.6	3.3	3.1	3.7	3.8
Other expenditures	11,264	12,215	9,888	9,472	9,026	1.1	1.3	1.1	1.2	1.2
Debt service:										
Principal retirement	460,000	480,000	465,000	455,000	445,000	46.4	49.6	51.0	55.3	57.0
Interest and fees	206,695	218,145	231,117	242,977	254,448	20.8	22.5	25.3	29.5	32.6
TOTAL EXPENDITURES	725,748	752,795	746,576	750,639	751,566	73.1	77.8	81.8	91.3	96.3
EXCESS REVENUES (EXPENDITURES)	$ 266,399	$ 215,328	$ 166,438	$ 71,713	$ 29,128	26.9 %	22.2 %	18.2 %	8.7 %	3.7 %

See accompanying independent auditor's report.

TIMBERLAKE IMPROVEMENT DISTRICT

BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS

MARCH 31, 2026

Complete District Mailing Address: Timberlake Improvement District
c/o Young & Brooks
10000 Memorial Drive, Suite 260
Houston, Texas 77024

District Business Telephone No.: 713-951-0800

Submission date of the most recent District Registration Form: March 27, 2025

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

BOARD MEMBERS

Name and Address	Term of Office (Elected/ Appointed)	Fees of Office Paid	Expense Reimb.	Title at Year End
Rick Boehm 12719 Retreat Trail Cypress, Texas 77429	Elected 5/07/22- 5/02/26	$ 1,989	$ 267	President/ Investment Officer
Ernie P. Fontenot 13518 Ravens Hill Drive Cypress, Texas 77429	Elected 5/04/24- 5/06/28	1,989	267	Vice President
Alvin Craig Tally 13003 Lazdins Circle Cypress, Texas 77429	Elected 5/04/24- 5/06/28	2,652	355	Secretary
Bob Tierney 13518 Ravens Hill Drive Cypress, Texas 77429	Elected 5/04/24- 5/06/28	2,431	326	Assistant Secretary
Randy Whitehead 13402 Tallforest Drive Cypress, Texas 77429	Appointed 2/13/25- 5/02/26	2,652	355	Director

TIMBERLAKE IMPROVEMENT DISTRICT

BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS (Continued)

MARCH 31, 2026

CONSULTANTS

Name and Address	Date Hired	Fees and Expense Reimbursements	Title at Year End
Young & Brooks 10000 Memorial Drive, Suite 260 Houston, Texas 77024	10/07/65	$ 143,225	Attorney
Myrtle Cruz, Inc. 3401 Louisiana, Suite 400 Houston, Texas 77002	11/08/74	26,101	Bookkeeper
Regional Water Corporation P.O. Box 690406 Houston, Texas 77269	7/01/98	715,020	Operator
A & S Engineers, Inc. 10377 Stella Link Road Houston, Texas 77025	4/1/92	192,542	Engineer
Cathy Wheeler 6935 Barney Road, Suite 110 Houston, Texas 77092	4/01/99	37,992	Tax Assessor-Collector
Harris County Appraisal District P.O. Box 900275 Houston, Texas 77292	Legislative Action	7,190	Central Appraisal District
Masterson Advisors, LLC 4400 Post Oak Parkway, Suite 2370 Houston, Texas 77027	6/14/18	0	Financial Advisor
Mark C. Eyring, CPA, PLLC 12702 Century Drive, Suite C2 Stafford, Texas 77477	1/08/09	13,950	Independent Auditor