PRELIMINARY OFFICIAL STATEMENT DATED JUNE 17, 2026

IN THE OPINION OF BOND COUNSEL (AS DEFINED HEREIN), BASED UPON AN ANALYSIS OF EXISTING LAWS, REGULATIONS, RULINGS AND COURT DECISIONS, AND ASSUMING, AMONG OTHER MATTERS, THE ACCURACY OF CERTAIN REPRESENTATIONS AND COMPLIANCE WITH CERTAIN COVENANTS, INTEREST ON THE BONDS (AS DEFINED HEREIN) IS EXCLUDED FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER SECTION 103 OF THE INTERNAL REVENUE CODE OF 1986. IN THE FURTHER OPINION OF BOND COUNSEL, INTEREST ON THE BONDS IS NOT A SPECIFIC PREFERENCE ITEM FOR PURPOSES OF FEDERAL INDIVIDUAL ALTERNATIVE MINIMUM TAX. BOND COUNSEL OBSERVES THAT, FOR TAX YEARS BEGINNING AFTER DECEMBER 31, 2022, INTEREST ON THE BONDS INCLUDED IN ADJUSTED FINANCIAL STATEMENT INCOME OF CERTAIN CORPORATIONS IS NOT EXCLUDED FROM THE FEDERAL CORPORATE ALTERNATIVE MINIMUM TAX. BOND COUNSEL EXPRESSES NO OPINION REGARDING ANY OTHER TAX CONSEQUENCES RELATED TO THE OWNERSHIP OR DISPOSITION OF, OR THE AMOUNT, ACCRUAL OR RECEIPT OF INTEREST ON, THE BONDS. SEE "TAX MATTERS" HEREIN.

The District will designate the Bonds as "qualified tax-exempt obligations" for purposes of the calculation of interest expense by financial institutions which may own the Bonds. See "TAX MATTERS -- Qualified Tax-Exempt Obligations for Financial Institutions."

NEW ISSUE | **RATING (S&P): Applied For**
BOOK-ENTRY-ONLY
CUSIP Base No. 575203

MASON CREEK UTILITY DISTRICT OF HARRIS COUNTY, TEXAS

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

$6,425,000
UNLIMITED TAX BONDS, SERIES 2026

Bonds Dated Date: August 1, 2026 | **Due: August 1, as shown on inside cover**

The $6,425,000 Unlimited Tax Bonds, Series 2026 (the "Bonds") are obligations solely of Mason Creek Utility District of Harris County, Texas (the "District") and are not obligations of the State of Texas; Harris County, Texas; the City of Houston, Texas; or any other political subdivision or agency. See "THE BONDS--Source of and Security for Payment."

Interest on the Bonds will accrue from August 1, 2026, will be payable February 1, 2027 and each August 1 and February 1 thereafter, and will be calculated on the basis of a 360-day year of twelve 30-day months. The Bonds are issuable only in fully registered form in principal denominations of $5,000 or integral multiples thereof initially registered solely in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), acting as securities depository for the Bonds, until DTC resigns or is discharged. The Bonds initially will be available to purchasers in book-entry form only. So long as Cede & Co. is the registered owner of the Bonds, as nominee for DTC, the Bonds shall be payable to Cede & Co., which will in turn, remit such amount to DTC participants for subsequent disbursement to the beneficial owners of the Bonds. See "THE BONDS--Book-Entry-Only System."

Principal of, interest on and the redemption price for the Bonds are payable by UMB Bank N.A., Houston, Texas or any successor paying agent/registrar (the "Paying Agent/Registrar"). Interest on the Bonds will be payable by check mailed on or before the interest payment date to registered owners (the "Registered Owners") shown on the records of the Paying Agent/Registrar on the fifteenth (15th) day of the month preceding each interest payment date or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and the Registered Owner at the risk and expense of the Registered Owner. See "THE BONDS--Description."

SEE INSIDE COVER PAGE FOR MATURITY SCHEDULE

The Bonds, when issued, will constitute valid and legally binding obligations of the District and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. See "THE BONDS--Source of and Security for Payment." The Bonds are subject to special risk factors described herein. See "RISK FACTORS." **Neither the State of Texas, Harris County, Texas, the City of Houston, Texas, nor any political subdivision other than the District shall be obligated to pay the principal of and interest on the Bonds.**

The Bonds will be delivered when, as, and if issued by the District and accepted by the initial purchaser of the Bonds (the "Underwriter"), subject, amongst other things, to the approval of the initial Bonds by the Attorney General of the State of Texas and by the approval of certain legal matters by Michael A. Cole, P.C., ("Bond Counsel") and Orrick, Herrington & Sutcliffe LLP, Houston, Texas ("Disclosure Counsel"). Delivery of the Bonds is expected on August 19, 2026 (the "Date of Delivery").

Receiving Bids Until: 10:00 a.m., Central Time, July 15, 2026

MATURITY SCHEDULE

Bonds Dated Date: August 1, 2026 **Due: August 1, as shown below**

Maturity	***Amount***	***Interest Rate***	***Initial Yield(a)***	***Maturity***	***Amount***	***Interest Rate***	***Initial Yield(a)***
2027	$170,000	%	%	2037(b)	$205,000	%	%
2028	170,000			2038(b)	210,000		
2029	180,000			2039(b)	215,000		
2030	190,000			2040(b)	505,000		
2031	185,000			2041(b)	520,000		
2032	180,000			2042(b)	540,000		
2033(b)	185,000			2043(b)	560,000		
2034(b)	190,000			2044(b)	585,000		
2035(b)	195,000			2045(b)	605,000		
2036(b)	205,000			2046(b)	630,000		

(a) Initial yield represents the initial reoffering yield to the public which has been established by the Underwriter for public offerings and which subsequently may be changed. The initial yields indicated above represent the lower of the yields resulting when priced to maturity or to the first call date. Accrued interest from August 1, 2026 is to be added to the price.

(b) Bonds maturing on or after August 1, 2033, are subject to redemption prior to maturity at the option of the District, as a whole or, from time to time, in part, on August 1, 2032, or on any date thereafter, at par plus accrued interest from the most recent Interest Payment Date to the date fixed for redemption. See "THE BONDS–Optional Redemption."

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USE OF INFORMATION IN OFFICIAL STATEMENT

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission ("Rule 15c2-12"), this document may be treated as an Official Statement of the District with respect to the Bonds described herein 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(b)(1).

This Official Statement, when further supplemented by adding information specifying the interest rates and certain other information relating to the Bonds, shall constitute a "Final Official Statement" of the District with respect to the Bonds, as that term is defined in Rule 15c2-12.

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

This Official Statement is not to be used in connection with 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 the District, c/o Michael A. Cole, P.C., 5120 Bayard Lane, Houston, Texas 77006 upon payment of duplication costs.

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 condition of the District or other matters described herein since the date hereof. The District has agreed to keep this Official Statement current by amendment or sticker to reflect material changes in the affairs of the District and, to the extent that information actually comes to its attention, the other matters described in this Official Statement until delivery of the Bonds to the Underwriter and thereafter only as specified in "PREPARATION OF OFFICIAL STATEMENT-- Updating the Official Statement" and "CONTINUING DISCLOSURE OF INFORMATION."

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this offering document for any purpose.

SALE AND DISTRIBUTION OF THE BONDS

Prices and Marketability

The delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Underwriter prior to delivery of the Bonds stating the prices at which a substantial amount of the Bonds of each maturity has been sold to the public. For this purpose, the term "public" shall not include any person who is a bond house, broker or similar person acting in the capacity of underwriter or wholesaler. Otherwise, the District has no understanding with the Underwriter or control regarding the reoffering yields or prices of the Bonds. Information concerning reoffering yields or prices is the sole responsibility of the Underwriter.

THE PRICES AND OTHER TERMS RESPECTING THE OFFERING AND SALE OF THE BONDS MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER AFTER THE BONDS ARE RELEASED FOR SALE, AND THE BONDS MAY BE OFFERED AND SOLD AT PRICES OTHER THAN THE INITIAL OFFERING PRICES, INCLUDING SALES TO DEALERS WHO MAY SELL THE BONDS INTO INVESTMENT ACCOUNTS. IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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

Securities Laws

No registration statement relating to the Bonds has been filed with the United States Securities and Exchange Commission (the "SEC") under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities laws of any other jurisdiction. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any other jurisdiction in which the Bonds may be offered, sold or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdictions.

Underwriter

After requesting competitive bids for the Bonds, the District accepted the bid resulting in the lowest net effective interest rate, which bid was tendered by _______________ (the "Underwriter") bearing the interest rates shown on the inside cover page hereof, at a price of ______________% of the par value 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 "IBA" method).

The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into unit investment trusts) and others at prices lower than the public offering price stated on the inside cover page hereof. The initial offering price may be changed from time to time by the Underwriter within the guidelines prescribed by applicable laws and regulations of the SEC.

Municipal Bond Rating

In connection with the sale of the Bonds, the District made application to S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC business ("S&P"), which has assigned a rating of "___" to the Bonds. An explanation of the significance of such rating may be obtained from S&P. The rating reflects only the view of S&P and the District makes no representation as to the appropriateness of such rating.

The District can make no assurance that the S&P rating will continue for any period of time or that such rating will not be revised downward or withdrawn entirely by S&P if in the judgment of S&P circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

SUMMARY

The following information is a summary of certain information contained herein and is qualified in its entirety by the more detailed information and financial statements appearing elsewhere in this Official Statement, reference to which is made for all purposes. This summary should not be detached and should be used in conjunction with more complete information contained herein.

- The District -

Description	Mason Creek Utility District of Harris County, Texas (the "District") originally was created by House Bill No. 1702, Acts of the 62nd Legislature of Texas, Regular Session, 1971, is now codified under Chapter 8286 of the Special District Local Laws Code of Texas (the "Act") pursuant to the provision of Section 59 of Article XVI of the Texas Constitution. The District, which contains approximately 893.838 acres, lies entirely within Harris County, Texas and within the exclusive extraterritorial jurisdiction of the City of Houston, Texas (the "City of Houston") (although some commercial areas have been annexed by the City of Houston for limited purposes, including the imposition of sales and use tax). It is located in western Harris County, Texas, approximately 22 miles west of the Houston Central Business District. The District is roughly bounded on the north by IH-10, on the east by Fry Road, on the south by Nottingham Country Municipal Utility District, and on the west by Westgreen Boulevard. See "THE DISTRICT--Description and Location." The greater Houston area has experienced three storms exceeding a 0.2% probability (i.e., "500-year flood" events) since 2015, including Hurricane Harvey in 2017, Tropical Storm Imelda in 2019 and Hurricane Beryl in 2024. According to the District, as a result of Hurricane Harvey, there were approximately ten homes flooded but no interruption of water or wastewater service. See "TAX PROCEDURES–Reappraisal of Property after Disaster" and "–Tax Payment Installments after Disaster;" "RISK FACTORS–Extreme Weather Events; "–Specific Flood Type Risks;" and "THE SYSTEM–Storm Drainage."
Authority	The rights, powers, privileges, authority and functions of the District are established by the general laws of the State of Texas pertaining to municipal utility districts, including particularly Chapters 49 and 54 of the Texas Water Code, as amended. See "THE DISTRICT--Authority, Purpose and Functions."

- The Bonds -

Description	The District's $6,425,000 Unlimited Tax Bonds, Series 2026 (the "Bonds") are dated August 1, 2026 and bear interest from such date at the rates per annum set forth on the inside cover page hereof, which interest is payable February 1, 2027 and each August 1 and February 1 thereafter until the earlier of maturity or redemption. The Bonds mature serially on August 1 in the years 2027 through 2046, both inclusive, in the principal amounts set forth on the inside cover page hereof. The Bonds maturing on and after August 1, 2033 are subject to optional redemption at the option of the District on any date on or after August 1, 2032, at a price of par plus accrued interest to the date of redemption. See "THE BONDS--Description" and "--Redemption of Bonds."
Source of Payment	Principal of and interest on the Bonds are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against taxable property within the District. The Bonds are obligations of the District and are not obligations of Harris County, Texas; the City of Houston, Texas; the State of Texas; or any political subdivision other than the District. See "THE BONDS--Source of and Security for Payment."

Use of Proceeds	Proceeds of the sale of the Bonds will be used to reimburse the District for sanitary sewer projects completed within the last two years; engineering fees; and legal fees, financial advisor fees and certain other costs related to the issuance of the Bonds. See "THE BONDS — Use of Proceeds."
Outstanding Debt	The District has previously issued and has outstanding its $2,650,000 Unlimited Tax Bonds, Series 2020 (the "Series 2020 Bonds") and $1,485,000 Unlimited Tax Refunding Bonds, Series 2020 (the "Series 2020 Refunding Bonds). As of July 1, 2026, $2,315,000 of the Series 2020 Bonds and $900,000 of the Series 2020 Refunding Bonds remain outstanding (collectively, the "Outstanding Bonds")
Payment Record	The District has never defaulted on the payment of any bond obligation. See "DISTRICT DEBT."
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, and will represent that the total amount of tax-exempt bonds (including the Bonds) issued by it during the calendar year 2026 is not reasonably expected to exceed $10,000,000. See "TAX MATTERS--Qualified Tax Exempt Obligations."
Book-Entry-Only System	The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co. and Cede & Co. will make distribution of the amounts so paid to the beneficial owners of the Bonds (see "THE BONDS--Book-Entry-Only System").
Municipal Bond Rating	The District made application to S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC business ("S&P"), which has assigned a rating of "___" to the Bonds. See "SALE AND DISTRIBUTION OF THE BONDS--Municipal Bond Rating."
Bond Counsel	Michael A. Cole, P. C., Houston, Texas. See "LEGAL MATTERS."
Disclosure Counsel	Orrick, Herrington & Sutcliffe, LLP, Houston, Texas.
Financial Advisor	Blitch Associates, Inc., Houston, Texas.

RISK FACTORS

THE PURCHASE AND OWNERSHIP OF THE BONDS ARE SUBJECT TO SPECIAL RISK FACTORS AND ALL PROSPECTIVE PURCHASERS ARE URGED TO EXAMINE CAREFULLY THE ENTIRE OFFICIAL STATEMENT WITH RESPECT TO THE INVESTMENT SECURITY OF THE BONDS, INCLUDING PARTICULARLY THE SECTION CAPTIONED "RISK FACTORS."

- Financial Highlights -
(Unaudited)

2025 Taxable Assessed Valuation (100% of Market Value)		$950,690,290	(a)
Direct Debt			
Outstanding Bonds (As of July 1, 2026)		$3,215,000	
The Bonds		6,425,000	
Total Direct Debt		9,640,000	
Estimated Overlapping Debt		48,536,376	(b)
Total Direct and Estimated Overlapping Debt		$58,176,376	
Direct Debt Ratios:			
Direct Debt to Value		1.01%	
Direct & Estimated Overlapping Debt to Value		6.12%	
2025 Tax Rate per $100 of Assessed Value			
Debt Service		$0.071	
Maintenance		0.280	
Total		$0.351	
	Current	***Total***	
2024 Tax Collection Percentage	98.58%	98.09%	
Five-Year Average (2020/2024) Collection Percentage	99.00%	99.53%	
Estimated Combined Average Annual Debt Service Requirements (2027/46)		$709,992	(c)
Estimated Combined Maximum Annual Debt Service Requirements (2027)		$748,350	(c)
Debt Tax Rate Required to pay such Requirements at 98% Collection			
Estimated Average (2027/2046)		$0.0763	
Estimated Maximum (2027)		$0.0804	
Fund Balances as of June 17, 2026 (Cash & Investments)			
General Fund		$5,826,769	
Debt Service Fund		$682,312	

(a) Represents the taxable assessed valuation in the District as of January 1, 2025, as certified by the Harris Central Appraisal District (the "Appraisal District"). See "TAX PROCEDURES."
(b) See "DISTRICT DEBT--Estimated Overlapping Debt."
(c) Such requirements are on the Bonds and the Outstanding Bonds.

MASON CREEK UTILITY DISTRICT OF HARRIS COUNTY, TEXAS
(A political subdivision of the State of Texas located within Harris County, Texas)

$6,425,000

UNLIMITED TAX BONDS, SERIES 2026

This Official Statement of Mason Creek Utility District of Harris County, Texas (the "District") is provided to furnish certain information with respect to the sale by the District of its $6,425,000 Unlimited Tax Bonds, Series 2026 (the "Bonds"). The Bonds are issued pursuant to the Texas Constitution, the general laws of the State of Texas and an order authorizing the issuance of the Bonds (the "Bond Resolution") adopted by the Board of Directors of the District (the "Board"), Article XVI, Section 59 of the Texas Constitution and Chapters 49 and 54 of the Texas Water Code, as amended. See "THE BONDS."

This Official Statement includes descriptions of the Bonds, the Bond Resolution 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 such document, copies of which may be obtained by contacting the District, c/o Michael A. Cole, P.C., 5120 Bayard Lane, Houston, Texas 77006-6512.

THE BONDS

Description

The following is a description of some of the terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Bond Resolution. A copy of the Bond Resolution may be obtained upon request to the District and payment of the applicable copying charges.

The Bonds will mature on August 1 of the years and in principal amounts, and will bear interest from August 1, 2026, at the rates per annum, set forth on the inside cover page of this Official Statement. Interest on the Bonds will be payable on February 1, 2027, and semiannually thereafter on each August 1 and February 1 thereafter until the earlier of maturity or redemption. Principal of and interest on the Bonds will be payable to Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York ("DTC"), by the paying agent/registrar, initially UMB Bank N.A., Houston, Texas (the "Paying Agent/Registrar"). Cede & Co. will make distribution of the principal and interest so paid to the beneficial owners of the Bonds. For so long as DTC shall continue to serve as securities depository for the Bonds, all transfers of beneficial ownership interest will be made by book-entry only and no investor or other party purchasing, selling or otherwise transferring beneficial ownership of the Bonds is to receive, hold or deliver any Bond certificate.

If at any time, DTC ceases to hold the Bonds as securities depository, then principal of the Bonds will be payable to the registered owner at maturity or redemption upon presentation and surrender at the principal payment office of the Paying Agent/Registrar. Interest on the Bonds will be payable by check, dated as of the interest payment date, and mailed by the Paying Agent/Registrar to the registered owners as shown on the records of the Paying Agent/Registrar at the close of business on the 15th day of the month next preceding the interest payment date (the "Record Date"). The Bonds of each maturity will be issued in fully-registered form only in the principal amount of $5,000 or any integral multiple thereof.

If the specified date for any payment of principal (or redemption price) or interest on the Bonds shall be a Saturday, Sunday or legal holiday or equivalent (other than a moratorium) for banking institutions generally in the City of Houston, Texas, such payment may be made on the next succeeding date which is not one of the foregoing days without additional interest and with the same force and effect as if made on the specified date for such payments.

Use of Proceeds

Proceeds of the sale of the Bonds will be used to reimburse the District for sanitary sewer projects completed within the last two years; engineering fees; and legal fees, financial advisor fees and certain other costs related to the issuance of the Bonds.

The estimated costs outlined below have been provided by Venturi Engineers LLC, The Woodlands, Texas, the District's consulting engineer (the "Engineer"), and reflect a portion of the costs approved by the Texas Commission on Environmental Quality ("TCEQ") of a bond issue of $6,790,000. Blitch Associates, Inc. (the "Financial Advisor") determined that the one year's capitalized interest from Bond proceeds would not be necessary and could be eliminated without affecting the feasibility. The Bonds have been reduced accordingly as shown below.

Non-construction costs are based upon either contract amounts, or estimates of various costs by the Engineer and the Financial Advisor. The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Bonds and completion of agreed-upon procedures by the District's auditor. *Amounts indicated may not add due to rounding.*

Construction Costs	***As Approved***	***Less:***	***The Bonds***
Section 6 SS Rehab (2024 Project)	$2,279,492		$2,279,492
Section 1 & 3 SS Rehab (2025 Project)	2,692,927		2,692,927
Engineering	905,000		905,000
Total Construction Costs	$5,877,419		$5,877,419
Non-Construction Costs			
Bond Counsel	$150,800	($7,300)	$143,500
Financial Advisor	90,400	(3,650)	86,750
One year's capitalized interest (5.00%)	339,500	(339,500)	0
Bond Discount (3.00%)	203,700	(10,950)	192,750
Engineering Report	60,000	0	60,000
TCEQ Fee (0.25%)	16,975	(913)	16,063
Attorney General Fee (0.10%)	6,790	(365)	6,425
Costs of Issuance	44,416	(2,323)	42,094
Total Non-Construction Costs	$912,581		$547,581
The Bonds	$6,790,000	($365,000)	$6,425,000

In the instance that approved estimated amounts exceed actual costs, the difference comprises a surplus which may be expended for uses approved by the TCEQ. In the instance that actual costs exceed previously approved estimated amounts and contingencies, additional TCEQ approval and the issuance of additional bonds may be required. The Engineer has advised the District that the proceeds of the sale of the Bonds should be sufficient to pay the costs of the above-described facilities; however, the District cannot and does not guarantee the sufficiency of such funds for such purposes.

Book-Entry-Only System

This section describes how ownership of the Bonds are to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by 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 believes the source of such information to be reliable, but takes no 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.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for the Bonds, in the aggregate principal amount of such issue, 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 a 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 companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+." 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 DTC Participants, which will receive a credit for such purchases 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 or 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 interest 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 the 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 nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's 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 the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the District or Paying Agent/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 securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, 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 and principal and interest 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 Paying Agent/Registrar, disbursement of such payments to Direct Participants shall 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 securities depository with respect to the Bonds at any time by giving reasonable notice to the District or Paying Agent/Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, Bonds are required to be printed and delivered.

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

Use of Certain Terms in Other Sections of this Official Statement. In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to Registered Owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to Registered Owners under the Bond Resolution will be given only to DTC. Information concerning DTC and the Book-Entry-Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the District, the Financial Advisor, nor the Underwriter.

Registration, Transfer and Exchange

In the event the Book-Entry-Only System is discontinued, the Bonds are transferable only on the bond register kept by the Paying Agent/Registrar upon surrender at the corporate trust office of the Paying Agent/Registrar in Houston, Texas. A Bond may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. At any time after the date of initial delivery, any Bond may be transferred upon its presentation and surrender at the designated offices of the Paying Agent/Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the Registered Owner.

The Bonds are exchangeable upon presentation at the designated office(s) of the Paying Agent/Registrar, for an equal principal amount of Bonds of the same maturity in authorized denominations. To the extent possible, new Bonds issued in exchange or transfer of Bonds will be delivered to the Registered Owner or assignee of the Registered Owner within not more than three (3) business days after the receipt by the Paying Agent/Registrar of the request in proper form to transfer or exchange the Bonds. New Bonds registered and delivered in an exchange or transfer shall be in the denomination of $5,000 in principal amount for a Bond, or any integral multiple thereof for any one maturity and shall bear interest at the same rate and be for a like aggregate principal or maturity amount as the Bond or Bonds surrendered for exchange or transfer. Neither the Paying Agent/Registrar nor the District is required to issue, transfer, or exchange any Bond during a period beginning at the opening of business on a Record Date and ending at the close of business on the next succeeding Interest Payment Date or to transfer or exchange any Bond selected for redemption, in whole or in part, beginning fifteen (15) calendar days prior to, and ending on the date of the mailing of notice of redemption, or where such redemption is scheduled to occur within thirty (30) calendar days. No service charge will be made for any transfer or exchange, but the District or Paying Agent/Registrar may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith.

Optional Redemption

The District reserves the right, at its option, to redeem the Bonds maturing on or after August 1, 2033, in whole or in part in principal amounts of $5,000 or any integral multiple thereof on August 1, 2032, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. If less than all of the Bonds are to be redeemed, the Paying Agent/Registrar shall select by lot those Bonds to be redeemed.

At least thirty (30) days prior to the date fixed for any such redemption a written notice of such redemption shall be given to the Registered Owner of each Bond or a portion thereof being called for redemption by depositing such notice in the United States mail, first class, postage prepaid, addressed to each such Registered Owner at his address shown on the registration books of the Paying Agent/Registrar; provided, however, that the failure to receive such notice shall not affect the validity or effectiveness of the proceedings for the redemption of any Bond. By the date fixed for any such redemption due provision shall be made with the Paying Agent/Registrar for the payment of the required redemption price for the Bonds or the portions thereof which are to be so redeemed, plus accrued interest to the date fixed for redemption. If a portion of any Bond shall be redeemed, a substitute Bond having the same maturity date, bearing interest at the same rate, in any integral multiple of $5,000, and in aggregate principal amount equal to the unredeemed position thereof, will be issued to the Registered Owner upon the surrender of the Bonds being redeemed, at the expense of the District, all as provided for in the Bond Resolution.

Ownership

The District, the Paying Agent/Registrar and any agent of either may treat the person in whose name any Bond is registered as the absolute owner of such Bond for the purpose of receiving payment of the principal and the interest thereon, and for all other purposes, whether or not such Bond is overdue. Neither the District, the Paying Agent/Registrar nor any agent of either shall be bound by any notice or knowledge to the contrary. All payments made to the person deemed to be the owner of any Bond in accordance with the Bond Resolution shall be valid and effective and shall discharge the liability of the District and the Paying Agent/Registrar for such Bond to the extent of the sums paid.

Source of and Security for Payment

The Bonds (together with any additional unlimited tax bonds as may hereafter be issued) are payable as to principal and interest from the proceeds of a continuing, direct, annual ad valorem tax without legal limitation as to rate or amount, levied against all taxable property located within the District. In the Bond Resolution, the District covenants to levy annually a tax sufficient in amount to pay principal of and interest on the Bonds, full allowance being made for delinquencies and costs of collection. Collected taxes will be placed in the District's Debt Service Fund and used solely to pay principal and interest on the Bonds, the Outstanding Bonds and on any additional bonds payable from taxes which may be issued. See "Issuance of Additional Debt" below.

Replacement of Paying Agent/Registrar

Provision is made in the Bond Resolution for the 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. In order to act as Paying Agent/Registrar for the Bonds, any paying agent/registrar selected by the District shall be a national or state banking institution, 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.

Authority for Issuance

At elections held within the District on June 17, 1972, December 30, 1974, April 3, 1976, December 4, 1993 and November 2, 2021, the voters of the District authorized the issuance of an aggregate of $72,899,000 in bonds for water, sanitary sewer, surface water and drainage facilities.

The Bonds constitute the seventh installment of bonds authorized at such elections. Following issuance of the Bonds, an aggregate of $129,000 in combination unlimited tax and revenue bonds and $44,475,000 in unlimited tax bonds will remain authorized but unissued. See "Issuance of Additional Debt" below.

The Bonds are issued pursuant to the Bond Resolution; Chapters 49 and 54 of the Texas Water Code, as amended; Chapter 1201, Texas Government Code, as amended; and Article XVI, Section 59 of the Texas Constitution.

Outstanding Debt

The District has previously issued and has outstanding its $2,650,000 Unlimited Tax Bonds, Series 2020 (the "Series 2020 Bonds") and $1,485,000 Unlimited Tax Refunding Bonds, Series 2020 (the "Series 2020 Refunding Bonds").

As of July 1, 2026, $2,315,000 of the Series 2020 Bonds and $900,000 of the Series 2020 Refunding Bonds remain outstanding (collectively, the "Outstanding Bonds"). All other previously issued bonds of the District have been retired. The District has timely made all payments due on the Outstanding Bonds.

Issuance of Additional Debt

The District may issue additional bonds to provide those improvements for which the District was created. Following the issuance of the Bonds, $44,475,000 in unlimited tax bonds and $129,000 in combination tax and revenue bonds authorized will remain unissued.

The District's Engineer has proposed a capital improvements program over the next fifteen years addressing recoating the elevated and two ground storage tanks, the potential replacement of a water well, and annual water main and sanitary sewer line rehabilitation. Such improvements could approach $8 million.

According to the District's Engineer, although the District's water, sanitary sewer and drainage facilities have been extended to serve the entirety of the District, the remaining authorized bonds will not be sufficient to replace and renovate the utility system within the District and the District's share of shared and regional facilities for the next ten to fifteen years; consequently, additional bonds may have to be authorized by District voters. Depending upon increases in assessed valuation of taxable property within the District and the amount, maturity schedule and time of issuance of such additional bonds, increases in the District's annual tax rate may be required to provide for the payment of the principal of and interest on such additional bonds and the Bonds. Additional tax bonds and/or tax and revenue bonds may be voted in the future. The Board is further empowered to borrow money for any lawful purpose and pledge the revenues of the waterworks and sewer system therefor and to issue bond anticipation notes and tax anticipation notes.

The Bond Resolution imposes no limitation on the amount of additional bonds which may be issued by the District. Any additional bonds issued by the District may be on a parity with the Bonds, and may dilute the security of the Bonds.

The District has no plans to sell additional bonds within the next twelve months.

Defeasance

The Bond Resolution provides that the obligation of the District to make money available to pay the principal of and interest on the Bonds may be terminated by the deposit of money and/or non-callable direct or indirect obligations of the United States of America, sufficient for such purpose, in the manner described in the Bond Resolution.

Mutilated, Lost, Stolen or Destroyed Bonds

The District has agreed to replace mutilated, destroyed, lost or stolen Bonds upon surrender of the mutilated Bonds to the Paying Agent/Registrar, or receipt of satisfactory evidence of such destruction, loss or theft, and receipt by the District and Paying Agent/Registrar of security or indemnity as may be required by either of them to hold them harmless. The District may require payment of taxes, governmental charges and other expenses in connection with any such replacement.

Annexation and Consolidation

The District is located entirely within the extraterritorial jurisdiction of the City of Houston, Texas (the "City of Houston"). Under prior Texas law, a municipality could annex and dissolve a utility district located within its extraterritorial jurisdiction without consent of the district or its residents. Under House Bill 347 approved in 2019 during the 86th Regular Legislative Session ("HB 347"), (a) a municipality may annex a district with a population of less than 200 residents only if: (i) the municipality obtains consent to annex the district through a petition signed by more than 50% of the registered voters of the district, and (ii) if the registered voters in the area to be annexed do not own more than 50% of the land in the area, a petition has been signed by more than 50% of the landowners consenting to the annexation; and (b) a municipality may annex a district with a population of 200 residents or more only if: (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% of the land in the area, a petition has been signed by more than 50% of the landowners consenting to the annexation. Notwithstanding the foregoing, a municipality may annex an area if each owner of land in the area requests annexation. As of the date hereof, the District had an estimated population in excess of 200, thus triggering the voter approval and/or landowner consent requirements discussed in clause (b) above. The described election and petition process does not apply, however, during the term of a strategic partnership agreement between a municipality and a district specifying the procedures for annexation of all or a portion of the District.

The District has the right to consolidate with other districts and, in connection therewith, to provide for the consolidation of its System with the water and sewer systems of the district or districts with which it is consolidating. Should any such consolidation occur, the net revenues from the operation of the consolidated system would be applied to the payment of principal, interest, redemption price and bank charges on the combination unlimited tax and revenue bonds of the District, if any, and of the district or districts with which the District is consolidated without prejudice to any series of bonds, except that bonds with subordinate liens on net revenues shall continue to be subordinate. No representations are made that the District will ever consolidate its System with other systems.

Amendments to the Bond Resolution

The District may, without the consent of or notice to any Registered Owners, amend the Bond Resolution in any manner not detrimental to the interests of the Registered Owners, including the curing of any ambiguity, inconsistency or formal defect or omission therein. In addition, the District may, with the written consent of the Registered Owners of a majority in aggregate principal amount of the Bonds then outstanding affected thereby, amend, add to or rescind any of the provisions of the Bond Resolution; provided that, without the consent of the Registered Owners of all of the Bonds affected, no such amendment, addition or rescission may (a) extend the time or times of payment of the principal of and interest (or accrual of interest) on the Bonds, or reduce the principal amount thereof or the rate of interest thereon or in any other way modify the terms of payment of the principal of or interest on the Bonds, (b) give preference of any Bond over any other Bond, or (c) extend any waiver of default to subsequent defaults. In addition, a state, consistent with federal law, may in the exercise of its police power make such modifications in the terms and conditions of contractual covenants relating to the payment of indebtedness of a political subdivision as are reasonable and necessary for attainment of an important public purpose.

Registered Owners' Remedies and Effects of Bankruptcy

The Bond Resolution provides that, in the event the District defaults in the observance or performance of any covenant in the Bond Resolution, including payment when due of the principal of and interest on the Bonds, any Registered Owner may apply for a writ of mandamus from a court of competent jurisdiction requiring the Board or other officers of the District to observe or perform any covenants, obligations or conditions prescribed by the Bond Resolution. Such right is in addition to other rights of the Registered Owners of the Bonds that may be provided by the laws of the State of Texas.

The Bond Resolution does not provide additional remedies to a Registered Owner. Specifically, the Bond Resolution does not provide for appointment of a trustee to protect and enforce the interests of the Registered Owners or for the acceleration of maturity of the Bonds upon the occurrence of a default in the District's obligations. Consequently, the remedy of mandamus may have to be relied upon from year to year by the Registered Owners.

Under Texas law, no judgment obtained against the District may be enforced by execution or a levy against the District's public purpose property. The Registered Owners cannot themselves foreclose on taxable property within the District or sell property within the District in order to pay principal of and interest on the Bonds. In addition, the enforceability of the rights and remedies of the Registered Owners may be subject to limitation pursuant to federal bankruptcy laws or other similar laws affecting the rights of creditors of political subdivisions.

Bankruptcy Limitation to Registered Owners' Rights

The enforceability of the rights and remedies of the Registered Owners may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Subject to the requirements of Texas law, the District may voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Sections 901-946, if the District: (1) is generally authorized to file for federal bankruptcy protection by State law; (2) is insolvent or unable to meet its debts as they mature; (3) desires to effect a plan to adjust such debt; and (4) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiation is impracticable. Under Texas law, a municipal utility district such as the District must obtain approval of the TCEQ prior to filing for bankruptcy. The TCEQ must investigate the financial condition of the District and will authorize the District to proceed only if the TCEQ determines that the District has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

If the District decides in the future to proceed voluntarily under the Federal Bankruptcy Code, the District would develop and file a plan for the adjustment of its debts, and the Bankruptcy Court would confirm the District's plan if: (1) the plan complies with the applicable provisions of the Federal Bankruptcy Code; (2) all payments to be made in connection with the plan are fully disclosed and reasonable; (3) the District is not prohibited by law from taking any action necessary to carry out the plan; (4) administrative expenses are paid in full; and (5) the plan is in the best interests of creditors and is feasible. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect a Registered Owner by reducing or eliminating the amount of indebtedness, deferring or rearranging the debt service schedule, reducing or eliminating the interest rate, modifying or abrogating collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of such Registered Owner's claim against the District.

Legal Investment and Eligibility to Secure Public Funds in Texas

The following is quoted from Section 49.186, 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.

Most political subdivisions in the State of Texas are required to adopt investment guidelines under the Public Funds Investment Act, Chapter 2256, Texas Government Code, and such political subdivisions may impose a requirement consistent with such act that the Bonds have a rating of not less than "A" or its equivalent to be legal investments for such entity's funds. The District makes no representation that the Bonds will be acceptable to banks, savings and loan associations or public entities for investment purposes or to secure deposits of public funds. The District has made no investigation of other laws, regulations or investment criteria which might apply to or otherwise limit the suitability of the Bonds for investment or collateral purposes. Prospective purchasers are urged to carefully evaluate the investment quality of the Bonds as to the suitability of the Bonds for investment or collateral purposes.

THE DISTRICT

Description

The District is a municipal utility district, created by House Bill No. 1702, Acts of the 62nd Legislature of Texas, Regular Session, 1971, is now codified under Chapter 8286 of the Special District Local Laws Code of Texas (the "Act") pursuant to the provision of Section 59 of Article XVI of the Texas Constitution. The District, which contains approximately 893.838 acres, lies entirely within Harris County, Texas ("Harris County") and within the exclusive extraterritorial jurisdiction of the City of Houston (although some commercial areas have been annexed by the City of Houston for limited purposes, including the imposition of sales and use tax. See "TAX DATA--Strategic Partnership Agreement – Limited Purpose Annexation by City of Houston"). The rights, powers, privileges, authority and functions of the District are established by the general laws of the State of Texas pertaining to municipal utility districts, including particularly Chapters 49 and 54 of the Texas Water Code, as amended. The principal functions of the District are to finance, construct, own and operate waterworks, wastewater and drainage facilities and to provide such facilities and services to the customers of the District. The District is subject to the continuing supervision of the TCEQ.

Management of the District

The District is governed by the Board of Directors, consisting of five directors, which has management control over and management supervision of all affairs of the District. Directors are elected to serve four-year staggered terms. Elections are held within the District in May in even-numbered years. The current members and officers of the Board are as follows:

Director	***Officer***	***Term Expires***
Brian C. Connolly	President	May 2028
James K. Nordhaus	Vice-President	May 2030
Frederick J. Castellano	Secretary/Treasurer	May 2028
Joe M. Adams	Assistant Secretary/Treasurer	May 2030
John H. Cameron	Director	May 2028

Development Within The District

The District is located in western Harris County approximately 22 miles west of the Houston Central Business District. The District is roughly bounded on the north by IH-10, on the east by Fry Road, on the south by Nottingham Country Municipal Utility District, and on the west by Westgreen Boulevard.

Development within the District consists of the residential subdivisions of Nottingham Country, Sections 1 through 9, and Mason Creek Park, Section 1, and includes significant commercial development. Except for a few small unimproved reserves remaining, residential development within the District is complete.

Consultants and Other Services

The District employs a staff of nine to manage the operation of the District. The District has contracted for legal, engineering, financial advisory, tax assessing and collecting services and annual auditing of its books as follows:

Tax Assessor/Collector - The District's tax assessor/collector is Bob Leared Interests, Houston, Texas.

Bookkeeper - The District’s bookkeeper is Municipal Accounts & Consulting L.P., Houston, Texas.

Auditor - The District's annual financial statements as of June 30, 2025 have been prepared by McCall Gibson Swedlund Barfoot Ellis PLLC, Certified Public Accountants, Houston, Texas. See "APPENDIX A" for a copy of the District's June 30, 2025 audited financial statements.

Utility System Operator - The District's operator is James M. Parrott Utility Operations, Inc., Katy, Texas.

Engineer - The consulting engineer for the District is Venturi Engineers LLC, The Woodlands, Texas (the "Engineer").

Financial Advisor - Blitch Associates, Inc., Houston, Texas, serves as Financial Advisor to the District in connection with the sale of the Bonds, the fees for which are contingent on the sale of the Bonds.

Bond Counsel - Michael A Cole, P.C., Houston, Texas, serves as Bond Counsel in connection with the issuance of the Bonds, the fees for which are contingent on the sale of the Bonds.

General Counsel - James L. Dougherty, Jr., Houston, Texas serves as general counsel to the District.

DISTRICT DEBT

Debt Statement

2025 Taxable Assessed Valuation (100% of Market Value)	$950,690,290	(a)
Direct Debt		
Outstanding Bonds (As of July 1, 2026)	$3,215,000	
The Bonds	6,425,000	
Total Direct Debt	9,640,000	
Estimated Overlapping Debt	48,536,376	(b)
Total Direct and Estimated Overlapping Debt	$58,176,376	
Direct Debt Ratios:		
Direct Debt to Value	1.01%	
Direct & Estimated Overlapping Debt to Value	6.12%	
Estimated Combined Average Annual Debt Service Requirements (2027/46)	$709,992	(c)
Estimated Combined Maximum Annual Debt Service Requirements (2027)	$748,350	(c)
Fund Balances as of June 17, 2026 (Cash & Investments)		
General Fund	$5,826,769	
Debt Service Fund	$682,312	

(a) Represents the taxable assessed valuation in the District as of January 1, 2025, as certified by the Appraisal District. See "TAX PROCEDURES."
(b) See "Estimated Overlapping Debt,"below.
(c) Such requirements are on the Bonds and the Outstanding Bonds.

Estimated Overlapping Debt

The following table indicates the indebtedness, defined as outstanding bonds payable from ad valorem taxes, of governmental entities within which the District is located and the estimated percentages and amounts of such indebtedness attributable to property within the District. This information is based upon data secured from the individual jurisdiction and/or the Texas Municipal Reports. Such figures do not indicate the tax burden levied by the applicable taxing jurisdictions for operation and maintenance or for other purposes. See "TAX DATA--Estimated Overlapping Taxes."

Jurisdiction	*Debt As Of June 1, 2026*	*Overlapping Percent*	*Overlapping Amount*
Harris County (a)	$2,473,654,736	0.138%	$3,413,644
Harris County Department of Education	28,960,000	0.138%	39,965
Harris County Flood Control District	937,165,000	0.138%	1,293,288
Harris County Hospital District	1,644,825,000	0.138%	2,269,859
Katy Independent School District	2,514,530,000	1.630%	40,986,839
Port of Houston Authority	386,074,397	0.138%	532,783
Estimated Overlapping Debt			$48,536,376
The District (b)			9,640,000
Total Direct & Estimated Overlapping Debt			$58,176,376

(a) Includes $215,920,000 Flood Control Tax Bonds.
(b) Includes the Bonds and the Outstanding Bonds.

Historical Operations of the Debt Service Fund

The following statement sets forth in condensed form the historical operations of the District's Debt Service Fund. Such information has been prepared based upon information obtained from the District's audited financial statements. Reference is made to such statements for further and complete information. See "APPENDIX A--Financial Statements of the District."

	Fiscal Year Ended June 30,				
	2025	**2024**	**2023**	**2022**	**2021**
Revenues					
Property Tax	$252,775	$248,742	$246,122	$247,610	$260,862
Penalty & Interest	32,880	19,741	24,573	20,512	17,725
Investment & Other Income	10,188	43,616	14,136	46,902	15,928
Total Revenues	$295,843	$312,099	$284,831	$315,024	$294,515
Expenditures					
Principal	$180,000	$175,000	$130,000	$175,000	$180,000
Interest & Fees	74,725	79,525	127,400	85,275	87,671
Contracted & Other Expenses	26,993	7,850	8,976	7,617	9,073
Total Expenditures	$281,718	$262,375	$266,376	$267,892	$276,744
Net Revenues (Expenditures)	$14,125	$49,724	$18,455	$47,132	$17,771
Fund Balance (July 1)	766,241	71,651	698,062	650,930	632,660
Proceeds from Bond Sale	0	0	0	0	499
Fund Balance (June 30)	$780,366	$766,241	$716,517	$698,062	$650,930
Cash & Investments (June 30)	$438,631	$518,622	$550,404	$613,227	$604,707

Pro Forma Debt Service Schedule

The following sets forth the debt service requirements on the Outstanding Bonds and the projected debt service requirements on the Bonds, assuming an interest rate of 5.00% on the Bonds (*Note: Totals may not add due to rounding*):

Year	*Outstanding Debt Service*	*The Bonds Principal*	*The Bonds Interest*	*The Bonds Total D/S*	*Grand Total Debt Service*
2026	$257,300				$257,300
2027	257,100	$170,000	$321,250	$491,250	748,350
2028	263,200	170,000	312,750	482,750	745,950
2029	259,100	180,000	304,250	484,250	743,350
2030	255,000	190,000	295,250	485,250	740,250
2031	260,900	185,000	285,750	470,750	731,650
2032	271,600	180,000	276,500	456,500	728,100
2033	272,000	185,000	267,500	452,500	724,500
2034	272,300	190,000	258,250	448,250	720,550
2035	272,500	195,000	248,750	443,750	716,250
2036	272,600	205,000	239,000	444,000	716,600
2037	277,600	205,000	228,750	433,750	711,350
2038	276,880	210,000	218,500	428,500	705,380
2039	281,050	215,000	208,000	423,000	704,050
2040	0	505,000	197,250	702,250	702,250
2041	0	520,000	172,000	692,000	692,000
2042	0	540,000	146,000	686,000	686,000
2043	0	560,000	119,000	679,000	679,000
2044	0	585,000	91,000	676,000	676,000
2045	0	605,000	61,750	666,750	666,750
2046	0	630,000	31,500	661,500	661,500
	$3,749,130	$6,425,000	$4,283,000	$10,708,000	$14,457,130

Estimated Combined Average Annual Debt Service (2027/2046) $ 709,992 (a)
Estimated Combined Maximum Annual Debt Service (2027) $ 748,350 (a)

(a) On the Bonds and the Outstanding Bonds.

TAX PROCEDURES

Authority To Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in sufficient amount to pay the principal of and interest on the District's Outstanding Bonds, the Bonds and any additional bonds payable from taxes which the District may hereafter issue, and to pay the expenses of assessing and collecting such taxes. The Board is also authorized to levy and collect annual ad valorem taxes for the administration, operation and maintenance of the District and its properties and for the payment of certain contractual obligations other than bonds if such taxes are authorized by vote of the District's electors at an election. At an election held within the District on May 1, 1999, the voters in the District authorized the levy of a maintenance and operation tax unlimited as to rate or amount. For the 2025 tax year, a maintenance and operation tax of $0.280 per $100 assessed value was levied within the District.

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes, and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District; however, no effort is expected to be made to levy taxes against tangible or intangible personal property not devoted to commercial or industrial use. Principal categories of exempt real 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; non-profit cemeteries; certain household goods, family supplies and personal effects; and certain property owned by qualified charitable, religious, veterans, youth, fraternal, or educational organizations. Goods, wares, ores, and merchandise (other than oil, gas or petroleum products) that are acquired in or imported into the state and forwarded out of state within 175 days thereafter are also exempt. Property owned by a disabled veteran or by the spouse or certain children of a deceased disabled veteran or a veteran who died while on active duty is exempt to between $5,000 and $12,000 depending on the disability rating of the veteran. State law further mandates a complete exemption for the residential homestead of disabled veterans determined to be 100% disabled by the U.S. Department of Veterans Affairs. 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 such exemption on the same property to which the disabled veteran's exemption applied, including, effective January 1, 2016, the surviving spouse of a disabled veteran who would have qualified for such an exemption if such an exemption had been in effect on the date the disabled veteran died. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

The surviving spouse of a first responder who is killed or fatally injured in the line of duty is entitled to an exemption of the total appraised value of the surviving spouse's residence homestead if the surviving spouse has not remarried since the first responder's death, and said property was the first responder's residence homestead at the time of death. Such exemption would be transferred to a subsequent residence homestead of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

If approved by the Board or through a process of petition and referendum by the District's voters, residence homesteads of certain persons who are disabled or at least 65 years old are exempt to the extent of $3,000 or such higher amount, as the Board or the District's voters may approve. The District's tax assessor is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax-supported debt incurred prior to adoption of the exemption by the District. The District currently grants a homestead exemption of $50,000 to persons who are 65 years of age or older and $150,000 to persons who are disabled.

Residential Homestead Exemptions: The Board also may exempt up to 20% of the market value of residential homesteads from ad valorem taxation. Such exemption would be in addition to any other applicable exemptions provided by law. However, if ad valorem taxes have previously been pledged for the payment of debt and the granting of the homestead exemption would impair the obligation or the contract by which the debt was created, then the Board may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged. The Board currently grants a 20% homestead exemption.

Freeport Goods Exemption: Freeport goods are goods, wares, merchandise, other tangible personal property and ores, other than oil, natural gas and other petroleum products, which have been acquired or brought into the state for assembling, storing, manufacturing, repair, maintenance, processing or fabricating or used to repair or maintain aircraft of a certified air carrier and will be shipped out of the state within 175 days. As the result of a state constitutional amendment passed by Texas voters on November 7, 1989, good in transit ("freeport goods") are exempted from taxation by the District effective January 1, 1990.

Goods-In-Transit Exemption: Article VIII, Section 1-n of the Texas Constitution provides for the exemption from taxation of "goods-in-transit." "Goods-in-transit" is defined by a provision of the Property Tax Code, which is effective for tax year 2011 and prior applicable years, as personal property acquired or imported into Texas and transported to another location in the State or outside of the State within 175 days of the date the property was acquired or imported into Texas. The exemption excludes oil, natural gas, petroleum products, aircraft and special inventory, including motor vehicle, vessel and out-board motor, heavy equipment and manufactured housing inventory. For tax year 2012 and subsequent years, such Goods-In-Transit Exemption is limited to tangible personal property 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 Property Tax Code provision permits local governmental entities, on a local option basis, to take official action by January 1 of the year preceding a tax year, after holding a public hearing, to tax goods-in-transit during the following tax year. A taxpayer may receive only one of the Freeport exemptions or the goods-in-transit exemptions for items of personal property. The District has taken official action to not provide such exemptions.

Reinvestment Zone: Harris County may designate all or part of the area within the District as a reinvestment zone, and may thereafter enter into tax abatement agreements with owners of real property within the zone. The tax abatement agreements may exempt from ad valorem taxation by the applicable taxing jurisdiction, for a period of up to 10 years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with a comprehensive plan. None of the area within the District has been designated as a reinvestment zone to date.

Valuation of Property for Taxation

The Texas Property Tax Code (the "Property Tax Code") establishes an appraisal district (the "Appraisal District") and an appraisal review board in each county of the State of Texas. The Appraisal District is governed by a board of directors which is elected by the governing bodies of cities, towns, the county, school districts and, if entitled to vote, the conservation and reclamation districts that participate in the Appraisal District, and of the county. The board of directors selects a chief appraiser to manage the appraisal office of the Appraisal District. The Appraisal Districts are responsible for appraising property within the District, subject to review by the their respective Appraisal Review Boards (the "Appraisal Review Boards"). The appraisal roll approved by the Appraisal Review Boards must be used by the District in establishing its tax rolls and tax rate. The valuation and assessment of taxable property within the District is governed by the Property Tax Code.

During the 2nd Special Session, convened on June 27, 2023, the Texas Legislature passed Senate Bill 2 ("SB 2"), which, among other things, includes provisions that prohibit an appraisal district from increasing the appraised value of real property during the 2024 tax year on non-homestead properties (the "Subjected Property") whose appraised values are not more than $5,000,000 (the "Maximum Property Value") to an amount not to exceed the lesser of: (1) the market value of the Subjected Property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20 percent of the appraised value of the Subjected Property for the preceding tax year; (b) the appraised value of the Subjected Property for the preceding tax year; and (c) the market value of all new improvements to the Subjected Property. After the 2024 tax year, through December 31, 2026, the Appraisal Cap may be increased or decreased by the product of the preceding state fiscal year's increase or decrease in consumer price index, as applicable, to the Maximum Property Value. SB 2 was signed into law by the Governor of Texas (the "Governor") on July 22, 2023. The provisions described hereinabove took effect January 1, 2024, after the constitutional amendment proposed by H.J.R. 2, 88th Legislature, 2nd Called Session, 2023, was approved by voters at an election held on November 7, 2023.

District and Taxpayer Remedies

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

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

Assessment and Levy

Generally, all taxable property in the District (other than any qualifying agricultural or timber land) must be appraised at 100% of market value as of January 1 of each tax year, subject to review and approval by the Appraisal Review Board. However, houses 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 houses at inventory level in future years could reduce the assessed value of developer and builder house inventory within the District. 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, agriculture and hunting or recreational leases. Once an appraisal roll is prepared and approved by the Appraisal Review Boards it is used by the District in establishing its tax rate.

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

The chief appraiser must give written notice to each owner if the appraised value of their property is greater than it was in the preceding year, if the appraised value of the property is greater than the value rendered by the property owner, or if the property was not on the appraisal roll in the preceding year. In addition, the chief appraiser must give written notice to each property owner whose property was reappraised in the current year or if ownership of the property changed during the preceding year. The Appraisal Review Board has the ultimate responsibility for determining the value of all taxable property within the District; however, any owner who has timely filed notice with the appropriate Appraisal Review Boards may appeal the final determination by the Appraisal Review Board by filing suit in Texas district court. Prior to such appeal and prior to the delinquency date, 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. Additionally, the District is entitled to challenge certain matters before the Appraisal Review Board, including the level of appraisals of a certain category of property, the exclusion of property from the appraisal records, or the grant in whole or in part of a partial exemption. The District may not, however, protest a valuation of individual property.

The rate of taxation is set by the Board of the District based upon the valuation of property within the District as of the preceding January 1 and based upon the amount required to be raised for debt service, maintenance purposes and authorized contractual obligations.

The District is responsible for the levy and collection of its taxes and will continue to do so unless the Board or the qualified voters of the District at an election held for such purpose determines to transfer such functions to the Appraisal District or another taxing unit.

Collection

Taxes are due on receipt of the tax bill and become delinquent after January 31 of the following year. However, a person over 65 years of age is entitled by law to pay current taxes on his residence homestead in installments or to defer taxes without penalty during the time he owns and occupies the property as his residence homestead. The date of the delinquency of a tax bill may be postponed if the tax bill is mailed after January 10. Delinquent taxes are subject to a six percent (6%) penalty for the first month of delinquency, one percent (1%) for each month thereafter to June 30 and twelve percent (12%) total if any taxes are unpaid on July 1. Delinquent taxes also accrue interest at the rate of one percent (1%) per month during the period they remain outstanding. In addition, if the District engages an attorney for collection of delinquent taxes, the Board may impose a further penalty not to exceed twenty percent (20%) on all taxes, penalty and interest unpaid on July 1.

Taxes levied by the District are a personal obligation of the person who owns or acquires the property on January 1 of the year for which the tax is imposed. The District has a statutory lien for unpaid taxes on real property against which the taxes are assessed. In the event a taxpayer fails to make timely payment of taxes due the District, the District may file suit to foreclose its lien securing payment of the tax, to enforce personal liability for the tax, or both. The District's tax lien is on a parity with the tax liens of the other state and local jurisdictions levying taxes on property within the District. Whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. In the absence of such federal law, the District's tax lien takes priority over a lien of the United States. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other federal, state and local taxing jurisdictions, by effects of the foreclosure sale price attributable to market conditions, by taxpayer redemption rights, or by bankruptcy proceedings which restrain the collection of a taxpayer's debts.

The District’s tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties and interest, if the person requests an installment agreement in writing and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) sixty-five (65) years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continues to accrue during the period of deferral.

Rollback of Operation and Maintenance Tax Rate

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

Special Taxing Units

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

Developed Districts

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

Developing Districts

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

The District

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

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property as of January 1 of the year in which the tax is imposed. 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 the State and each taxing unit, including the District, having the power to tax the property. The District's tax lien is on a parity with the tax liens of other such taxing units. See "TAX DATA–Estimated Overlapping Taxes." A tax lien on real property takes priority over the claims of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty and interest.

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights or by bankruptcy proceedings which restrict the collection of taxpayer debts. A taxpayer may redeem property within two years for residential and agricultural property and six months for commercial property and all other types of property after the purchaser's deed at the foreclosure sale is filed in the county records.

Tax Exemption for Property Damaged by Disaster

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

Tax Payment Installments after Disaster

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

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

The Effect of FIRREA on Tax Collections of the District

The Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("FIRREA") contains certain provisions which affect the time for protesting property valuations, the fixing of tax liens and the collection of penalties and interest on delinquent taxes on real property owned by the Federal Deposit Insurance Corporation ("FDIC") when the FDIC is acting as the conservator or receiver of an insolvent financial institution.

Under FIRREA, real property held by the FDIC is still subject to ad valorem taxation, but such act states (i) that no real property of the FDIC shall be subject to foreclosure or sale without the consent of the FDIC and no involuntary liens shall attach to such property, (ii) the FDIC shall not be liable for any penalties, interest, or fines, including those arising from the failure to pay any real or personal property tax when due, and (iii) notwithstanding failure of a person to challenge an appraisal in accordance with state law, such value shall be determined as of the period for which such tax is imposed.

To the extent that the FDIC attempts to enforce the same, these provisions may affect the timeliness of collection of taxes on property, if any, owned by the FDIC in the District and may prevent the collection of penalties and interest on such taxes or may affect the valuation of such property.

TAX DATA

General

All taxable property within the District is subject to the assessment, levy and collection by the District of a continuing, direct annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Outstanding Bonds, the Bonds, and any future tax-supported bonds which may be issued from time to time as may be authorized. Taxes are levied by the District each year against the District's assessed valuation as of January 1 of that year. Taxes become due October 1 of such year, or when billed, and become delinquent after January 31 of the following year. The Board covenants in the Bond Resolution to assess and levy for each year that all or any part of the Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay the principal and interest on the Bonds when due. The actual rate of such tax will be determined from year to year as a function of the District's tax base, its debt service requirements and available funds.

Tax Collection History

The following table indicates the collection history for taxes assessed by the District:

Tax Year	*Assessed Valuation*	*Tax Rate*	*Levy*	*Percent Current*	*Percent Total*	*Yr End Aug 31*	
2008	$408,224,120	$0.3240	$1,325,550	99.16%	100.19%	2009	
2009	403,695,139	0.3240	1,311,525	98.61%	99.28%	2010	
2010	397,801,145	0.3460	1,380,758	98.96%	99.98%	2011	
2011	406,038,587	0.3460	1,417,919	99.25%	100.20%	2012	
2012	414,705,548	0.3460	1,447,579	99.14%	99.64%	2013	
2013	448,775,146	0.3460	1,558,615	99.30%	100.13%	2014	
2014	499,576,755	0.3345	1,688,739	99.48%	100.01%	2015	
2015	558,522,803	0.3230	1,808,719	99.37%	100.03%	2016	
2016	595,728,746	0.3230	1,938,373	99.08%	99.51%	2017	
2017	613,548,648	0.3230	1,994,435	99.29%	100.15%	2018	
2018	614,522,276	0.3300	2,037,379	99.08%	99.67%	2019	
2019	641,697,896	0.3510	2,263,363	98.97%	99.38%	2020	
2020	658,675,780	0.3510	2,352,849	99.12%	100.05%	2021	
2021	697,372,084	0.3360	2,362,875	99.04%	99.85%	2022	
2022	785,306,301	0.3120	2,496,480	99.13%	99.84%	2023	
2023	863,538,169	0.3053	2,667,362	99.12%	99.80%	2024	
2024	915,454,362	0.3014	2,799,456	98.58%	98.09%	2025	
2025	950,690,290	0.3510	3,336,923	97.84%	98.50%	2026	(a)

(a) Collections through June 7, 2026 only.

Tax Rate Distribution

The following table sets forth the tax rate distribution of the District for the years indicated:

	2025	***2024***	***2023***	***2022***	***2021***	***2020***	***2019***	***2018***
Debt Service	$0.0710	$0.0278	$0.0293	$0.031	$0.036	$0.039	$0.044	$0.027
Maintenance	0.2800	0.2736	0.2760	0.281	0.300	0.312	0.307	0.303
Totals	$0.3510	$0.3014	$0.3053	$0.312	$0.336	$0.351	$0.351	$0.330

Estimated Overlapping Taxes

Property within the District is subject to taxation by several taxing authorities in addition to the District. Under Texas law, a tax lien attaches to property to secure the payment of all taxes, penalty, and interest for the year, on January 1 of that year. The tax lien on property in favor of the District is on a parity with tax liens of other taxing jurisdictions. In addition to ad valorem taxes required to make debt service payments on bonded debt of the District and of such other jurisdictions, certain taxing jurisdictions are authorized by Texas law to assess, levy, and collect ad valorem taxes for operation, maintenance, administrative, and/or general revenue purposes.

Taxing Entities	***2025 Tax Rates***
Harris County	$0.380960
Harris Co. Department of Education	0.004798
Harris Co. Emergency Services District No. 48	0.099995
Harris Co. Flood Control District	0.049660
Harris Co. Hospital District	0.187610
Katy Independent School District	1.117100
Port of Houston Authority	0.005900
Overlapping Taxes	$1.846023
The District	0.351000
Total Direct & Overlapping Taxes	$2.197023

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per $100 of assessed valuation which would be required to meet certain debt service requirements if no growth in the District's tax base occurs beyond the 2025 Taxable Value ($950,690,290). The calculations assume collection of 98% of taxes levied and the sale of no additional bonds (other than the Bonds and the Outstanding Bonds) by the District.

Estimated Combined Average Annual Debt Service Requirements (2027/2046)	$709,992
Tax Rate of $0.0763 on the 2025 Taxable Value produces	$7,110,869

Estimated Combined Maximum Annual Debt Service Requirements (2027)	$748,350
Tax Rate of $0.0804 on the 2025 Taxable Value produces	$749,068

Analysis of Tax Base

Based on information provided to the District by its Tax Assessor/Collector, the following represents the composition of property comprising the tax roll valuations for each of the years indicated:

	2025 Tax Year			2024 Tax Year		
	Amount	***Amount***	***Prct***	***Amount***	***Amount***	***Prct***
Land	$353,308,145		27.95%	$334,152,157		26.65%
Improvements	852,863,646		67.47%	846,696,061		68.60%
Personal	57,925,161		4.58%	59,755,482		4.75%
Total Appraised Value		$1,264,096,952			$1,240,603,700	
Less: Exemptions						
Totally Exempt	$77,640,273			$76,324,399		
20% Homestead	163,935,002			157,590,954		
Over 65/Disabled	53,397,330			53,956,042		
Other	14,808,650	309,779,255		38,277,943	325,149,338	
		$954,317,697			$915,454,362	

	2023 Tax Year			2022 Tax Year		
	Amount	***Amount***	***Prct***	***Amount***	***Amount***	***Prct***
Land	$321,787,022		26.06%	$261,700,826		23.82%
Improvements	853,080,038		69.10%	779,301,834		70.94%
Personal	59,693,897		4.84%	57,472,169		5.23%
Total Appraised Value		$1,234,560,957			$1,098,474,829	
Less: Exemptions						
Totally Exempt	$73,812,697			$66,990,775		
20% Homestead	138,516,924			128,051,871		
Over 65/Disabled	47,194,015			46,535,279		
Other	93,526,738	353,050,374		65,964,916	307,542,841	
		$881,510,583			$790,931,988	

Note: Values shown above may reflect original certified amounts and may differ from those shown elsewhere herein.

Principal Taxpayers

Name of Taxpayer	***Type of Property***	***2025 Taxable Value***	***% of '25 A.V.***	***2024 Taxable Value***	***% of '24 A.V.***
Texan Ford Inc (a)	Auto Dealership	$47,725,745	5.02%	$48,761,315	5.25%
NHA Partners LLC	Apartments	30,618,642	3.22%	29,500,000	3.18%
Storage Trust Properties	Storage Facilities	14,753,002	1.87%	17,450,000	1.88%
Smithco Nottingham LLC	Shopping Ctr/Bldgs	16,250,301	1.71%	13,333,704	1.44%
K Town Plaza LLC	Health Club	15,169,478	1.60%	15,526,125	1.67%
West Houston Luxury	Auto Dealership	10,000,000	1.05%	10,000,000	1.08%
Land Rover West Houston	Auto Dealership	9,474,804	1.00%	9,803,848	1.06%
Mercury Storage 2 LLC	Storage Facilities	8,033,796	0.85%	7,900,000	0.85%
Security Village Association	Strip Center	5,000,000	0.53%	4,800,000	0.52%
GT Katy Freeway LLC	Commercial	3,876,407	0.41%	(b)	
Tradewind Associates LLC	Shopping Center	(b)		3,854,569	0.42%
Total--Top Ten		$163,902,175	17.24%	$160,929,561	17.34%

(a) Includes Champion Ford Katy and Autonation Ford Katy, owner of automobile inventory.
(b) Not among top ten this year.

Strategic Partnership Agreement – Limited Purpose Annexation by City of Houston

The District entered into a Strategic Partnership Agreement ("SPA") with the City of Houston effective as of December 2, 2002 whereby the tracts of land containing commercial development were annexed into the City of Houston for the limited purpose of applying certain of the City of Houston's Planning, Zoning, Health and Safety Ordinances to the commercial businesses. The SPA was amended effective as of December 14, 2009 to include an additional tract. The City of Houston imposes a Sales and Use Tax within the annexed tracts on the receipts from the sales and use at retail of taxable items at the rate of one percent or such other rate as may be imposed by the City of Houston from time to time. Under the SPA, one-half or 50% of the sales tax revenue generated by the commercial business will be paid to the District, and the District can use the sales tax for any purpose for which the District is lawfully authorized. Neither the District nor any owners of taxable property in the District is liable for any present or future debts of the City of Houston and current and future ad valorem taxes levied by the City of Houston will not be levied on taxable property in the District.

In consideration of the services provided by the City of Houston, in lieu of full purpose annexation, the District is required to pay the City of Houston an annual fee of $100 on each anniversary of the date the SPA was approved by the City Council of the City of Houston. Under the SPA the City of Houston agrees that it will not annex all or part of the District for a period of thirty years. See "THE BONDS–Annexation and Consolidation."

The Bonds are not obligations of the City of Houston and the SPA does not obligate the City of Houston, either directly or indirectly to pay the principal of and interest on the Bonds.

The following is an analysis of the collection history of the SPA revenues received from the City of Houston for the years indicated:

	Ad Valorem Taxation Comparisons			
Fiscal Year Ended 6/30	***SPA Receipts***	***Equivalent Tax Year***	***Tax Rate Equivalent***	***% of Adjusted Tax Levy***
2010	$208,079	2009	.0515	15.87%
2011	219,602	2010	.0552	15.90%
2012	255,502	2011	.0629	18.02%
2013	291,701	2012	.0703	20.15%
2014	294,809	2013	.0657	18.91%
2015	308,296	2014	.0617	18.26%
2016	307,281	2015	.0550	16.99%
2017	263,465	2016	.0442	13.59%
2018	269,026	2017	.0438	13.49%
2019	245,075	2018	.0399	12.03%
2020	249,484	2019	.0388	11.02%
2021	248,123	2020	.0376	10.46%
2022	310,362	2021	.0441	13.13%
2023	298,696	2022	.0338	12.64%
2024	288,688	2023	.0330	10.82%
2025	246,040	2024	.0265	8.80%

THE SYSTEM

Regulation

The water, wastewater and drainage facilities (the "System") financed by the District have been designed in accordance with accepted engineering practices and the requirements of certain governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities including, among others, the TCEQ, Harris County, Harris County Flood Control District and the City of Houston. During construction, facilities are subject to inspection by the District's Engineer, the foregoing governmental agencies and by the TCEQ.

Operation of the System is subject to regulation by, among others, the Environmental Protection Agency, the TCEQ, Harris County and the City of Houston. In many cases, regulations promulgated by these agencies have become effective only recently and are subject to further development and revision.

Description of the System

The District has developed the System with proceeds of previously issued bonds, all of which have been retired, and with funds provided by developers, which were reimbursed in part with proceeds of such previously issued bonds. The System currently serves 2,709 equivalent single family connections ("ESFC") with water service and 3,180 ESFC with wastewater service.

-Water Supply and Distribution-

The water facilities include four water wells currently on line with a combined capacity of 5,900 gallons per minute ("gpm"). The water plants also include 25,000 gallons of pressure tanks, 2,940,000 gallons of ground storage tanks, 500,000 gallons of elevated storage tanks and booster pump capacity of 7,000 gpm. Water distribution lines have been installed throughout the District. The water supply facilities are capable of serving 3,500 ESFC.

The District also has interconnect agreements for water supply with Green Trails Municipal Utility District, Harris County Municipal Utility District No. 81 and Interstate Municipal Utility District.

-Wastewater Collection and Treatment-

The District has entered into joint agreements with two regional treatment facilities for the treatment of its wastewater. The two agreements, detailed below, give the District a total wastewater treatment capacity of 1,300,000 gallons per day ("gpd"). This capacity is capable of serving 4,333 ESFC (based on 300 gpd per connection).

West Memorial Regional Wastewater Treatment Plant: The District originally entered into an agreement on December 18, 1972 with three other districts to participate in the West Memorial Regional Wastewater Treatment Plant. The plant is located within the boundaries of the West Memorial Municipal Utility District which also operates and manages the facility. The plant had an original capacity of 2,570,000 gpd, of which the District had capacity ownership of 500,000 gpd. Pursuant to an amendatory agreement dated August 30, 1983, the districts, along with a fifth participating district, agreed to expand the capacity to the West Memorial Regional Wastewater Treatment Plant to 6,475,000 gpd, of which the District's ownership capacity consists of 800,000 gpd. The agreement for the "Initial Term" of 40 years expired in August 2023. An amendment was executed in August 2023 to extend the agreement on a yearly basis to continue in force and effect for an additional period of one (1) year (the "Initial Term Extension"). Following the Initial Term Extension, this contract shall continue in full force and effect for successive one-year terms ("Renewal Periods"), unless a Party has given at least sixty (60) days' written notice to the other Parties, that this contract is to terminate at the end of the Initial Term Extension or at the end of any successive Renewal Periods. The West Memorial Plant is capable of serving 21,583 ESFC, out of which the District's capacity share is 2,667 ESFC.

Cinco Regional Plant: In 1978, the District entered into an agreement with three other districts to participate in wastewater treatment plant known as the "Cinco Plant" together with a trunk-sewer collection system. Since 1978, the agreement has been amended and supplemented. The Cinco Plant has a total rated capacity of 3,000,000 gpd, of which the District has ownership of 500,000 gpd. Harris County Municipal District No. 81 operates the plant and there is an advisory operating committee composed of one representative from each member district. The Cinco Plant is capable of serving 10,000 ESFC, out of which the District's capacity share is 1,667 ESFC.

-Storm Drainage-

Storm sewer lines have been extended to serve the entirety of the District. The storm sewer lines drain directly into Mason Creek, a Harris County Flood Control District maintained channel.

According to the National Flood Insurance Program Flood Insurance Rate Map for Harris County dated November 19, 2019, the areas within the 100-year floodplain are contained within the drainage easements of Mason Creek.

Subsidence District

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 from its well is subject to annual permits issued by the Subsidence District. The Subsidence District has adopted a District Regulatory Plan (the "Plan") to reduce groundwater withdrawal through conversion to surface water in areas within the Subsidence District's jurisdiction. Under the Plan, the District must submit a groundwater reduction plan ("GRP") to the Subsidence District by January of 2003 and begin construction of surface water conversion infrastructure by January 2005, or pay a disincentive fee for any groundwater withdrawn in excess of 20% of the District's total water demand. Additional disincentive fees will be imposed under the Plan if the District's groundwater withdrawal exceeds 70% of the District's total water demand beginning January 2010, exceeds 30% of the District's total water demand beginning January 2020, and exceeds 20% of the District's total water demand beginning January 2030.

Pursuant to an order of the Subsidence District, the area within the boundaries of the District must be converted to at least 30% alternate source (e.g., surface) water use by 2010, 70% alternate source water use by 2020, and 80% alternate source water use by 2030. To implement the required conversion to alternate source water use in accordance with such schedule, the City of Houston will design, construct and operate a project to meet compliance of the Subsidence District. Effective July 18, 2003, the District executed a City of Houston Water Supply and Groundwater Reduction Plan Agreement for Regulatory Area 3, which operates to provide this alternative water source.

The issuance of additional bonds by the District in an undetermined amount may be necessary at some time in the future in order to develop surface water conversion infrastructure or to participate in a regional surface water conversion effort. If the District does not meet the Subsidence District's requirements as described above, the District may be required to pay the disincentive fees adopted by the Subsidence District.

Rate Order

The District's utility rate order, subject to change from time to time by the Board, is summarized in part below from the most recent Rate Order, as amended August 13, 2025:

-Water Rates (a)-

Residential

First 3,000 gallons	$23.68 (minimum)
Next 7,000 gallons	$2.28 per 1,000 gallons
Next 5,000 gallons	$3.47 per 1,000 gallons
Next 5,000 gallons	$3.81 per 1,000 gallons
Over 20,000 gallons	$5.86 per 1,000 gallons

Commercial

First 6,000 gallons	$32.29 to $710.36 (minimum) (b)
Over 6,000 gallons	$3.28 per 1,000 gallons

(a) Plus the groundwater reduction fee per thousand gallons pumped by the District, currently $2.88 per thousand gallons, including minimum quantities and additional quantities, if any.
(b) Minimum fees dependent on meter size.

-Sewer Rates-

Residential

First 3,000 gallons	$24.11 (minimum)
Next 7,000 gallons	$2.21 per 1,000 gallons
Next 5,000 gallons	$3.10 per 1,000 gallons
Next 5,000 gallons	$3.41 per 1,000 gallons
Over 20,000 gallons	$3.41 per 1,000 gallons

Commercial

First 6,000 gallons	$24.11 (minimum)
Over 6,000 gallons	$4.49 per 1,000 gallons

Historical Operations of the General Operating Fund

The following statement sets forth in condensed form the historical operations of the District's General Operating Fund. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Such information has been prepared based upon information obtained from the District's audited financial statements (except for the eleven month period ending May 31, 2026, which was extracted from District records), reference to which is made for further and complete information.

	7/1/25 to		*Fiscal Year Ended June 30,*			
	5/31/26(a)	2025	2024	2023	2022	2021
Revenues						
Water Service	$2,136,616	$2,121,231	$2,369,121	$2,073,581	$1,707,415	$1,665,357
Sewer Service	1,151,980	1,172,324	1,257,078	1,234,146	1,152,727	1,187,834
Property Taxes	2,616,595	2,488,440	2,369,140	2,230,792	2,064,089	2,085,452
Sales Tax	224,088	246,040	288,688	298,696	310,362	248,123
Other Revenues	329,177	536,746	539,854	208,484	72,182	160,094
Total Revenues	$6,458,456	$6,564,781	$6,823,881	$6,045,699	$5,306,775	$5,346,860
Expenditures						
Contracted Services	$953,982	$1,048,060	$1,007,121	$913,398	$885,128	$853,132
Purchased Sewer Service	350,614	408,978	378,340	381,987	302,192	341,996
Payroll	963,348	924,095	899,401	849,123	836,668	778,625
Repairs & Maintenance	403,290	596,634	670,374	1,143,882	491,512	1,648,470
Professional Fees	677,189	147,707	158,848	113,011	139,829	115,088
Other Operating Expend.	1,913,501	1,887,811	1,980,370	1,367,709	1,299,806	1,314,798
Total Expenditures	$5,261,925	$5,013,285	$5,094,454	$4,769,110	$3,955,135	$5,052,109
Net Revenues (Expend.)	$1,196,532	$1,551,496	$1,729,427	$1,276,589	$1,351,640	$294,751
Beginning Fund Balances		8,714,249	9,148,252	8,440,752	7,668,881	8,256,546
Capital Outlay	(2,537,230)	(3,297,197)	(2,163,430)	(569,089)	(579,769)	(791,106)
Transfers In (Out)		0	0	0	0	(91,310)
Year-End Fund Balance		$6,968,548	$8,714,249	$9,148,252	$8,440,752	$7,668,881
Cash/Invest's at 6/30 (b)		$7,517,925	$8,723,996	$9,195,460	$8,610,001	$7,858,333
% of Annual Expenses		149.96%	171.24%	192.81%	217.69%	155.55%
Active Water Connections		2,596	2,597	2,593	2,585	2,564

(a) Unaudited.
(b) Exclusive of customer deposits.

RISK FACTORS

General

The Bonds, which are obligations of the District and are not obligations of the State of Texas; Harris County, Texas; the City of Houston, or any other political subdivision, will be secured by a continuing, direct, annual ad valorem tax, 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. At this point in the development of the District, the potential increase in taxable values of property is directly related to the demand for commercial and residential development, not only because of general economic conditions, but also due to particular factors discussed below.

The volatility in oil prices in the U.S. and globally may lead to adverse conditions in the oil and gas industry, including but not limited to reduced revenues, declines in capital and operating expenditures, business failures, and layoffs of workers. The economy of the Houston area has, in the past, been particularly affected by adverse conditions in the oil and gas industry, and such conditions and their spillover effects into other industries could result in declines in the demand for residential and commercial property in the Houston area and could reduce or negatively affect property values or homebuilding activity within the District. The District cannot predict the impact that negative conditions in the oil industry could have on property values in the District. As previously stated, the Bonds are secured by the proceeds of an annual ad valorem tax and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds as well as the District's share of operations and maintenance expenses payable from ad valorem taxes.

Factors Affecting Taxable Values and Tax Payments

Economic Factors: The growth of taxable values in the District is directly related to the vitality of the commercial development and housing and building industry in the Houston metropolitan area. The housing and building industry has historically been a cyclical industry, affected by both short and long-term interest rates, availability of mortgage and development funds, labor conditions and general economic conditions. During the late 1980s, an oversupply of single-family residential housing in the Houston metropolitan market and the general downturn in the Houston economy adversely affected the local residential development and construction industries. In addition to a decline in housing demand, mortgage foreclosure by private banks and government and financial institutions depressed housing prices and the value of residential real estate in the Houston metropolitan area. The Houston economy is still dependent on energy prices and a precipitous decline in such prices could result in additional adverse effects on the economy.

Maximum Impact on District Rates: Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of District property owners to pay their taxes. The 2025 Taxable Valuation is $950,690,290. See "TAX DATA." After issuance of the Bonds, the combined estimated maximum annual debt service requirement on the Bonds and the Outstanding Bonds (2027) is $748,350 and the combined estimated average annual debt service requirements on the Bonds and the Outstanding Bonds (2027/2046) is $709,992. Assuming no increase or decrease from the 2025 Taxable Valuation and no use of funds other than tax collections, tax rates of $0.0804 and $0.0763 per $100 assessed valuation at a 98% collection rate against the 2025 Assessed Valuation would be necessary to pay the combined maximum and combined annual debt service requirements, respectively. The Board levied a 2025 tax rate of $0.071 for debt service purposes and $0.280 for maintenance purposes. See "DISTRICT DEBT–Pro Forma Debt Service Schedule" and "TAX DATA--Tax Rate Calculations."

Natural Disaster Declarations: The Governor of the State of Texas, Greg Abbott, issued a Severe Weather Disaster Declaration on April 30, 2024, which was subsequently amended on May 2, 2024, May 7, 2024, May 15, 2024, and May 20, 2024, certifying the severe storms and flooding that began on April 26, 2024 caused widespread and severe property damage, injury, or loss of life and declaring a disaster in several counties through out the State of Texas, including Harris

County, Texas, in which the District is located. Additionally, the President of the United States of America, Joe Biden, issued a Major Disaster Declaration declaring a major disaster exists in the State of Texas as a result of severe weather and flooding beginning April 26, 2024 and making federal funding available to affected individuals in seven counties in the State of Texas, including Harris County, Texas, in which the District is located. Property in the District damaged by natural disasters in a declared disaster area may impact the taxable values of the property and the timing of tax payments by the tax payer. See "TAX PROCEDURES – Temporary Tax Exemptions for Property Damaged by Disaster" and "TAX PROCEDURES – Tax Payment Installments after Disaster" and "Extreme Weather Events."

Extreme Weather Events

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

The greater Houston area has experienced multiple storms exceeding a 0.2% probability (i.e., a "500-year flood" event) since 2015, including Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 25, 2017, and brought historic levels of rainfall during the successive four days. According to the District's Operator 10 homes within the District flooded but no District facilities were flooded.

The District cannot predict the effect that additional extreme weather events may have upon the District and the Gulf Coast. Additional extreme weather events have the potential to cause damage within the District and along the Gulf Coast generally that could have a negative effect on taxable assessed valuations in the District and the economy of the District and the region.

The heavy rainstorms that began April 26, 2024 through May 20, 2024 and Hurricane Beryl on July 8, 2024 resulted in flooding in the Harris County, Texas area, including the District. To the District's best knowledge, the District reports no homes were flooded, water and sewer service was not interrupted and no System operations were interrupted.

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

Specific Flood Type Risks

<u>Ponding (or Pluvial) Flood</u>: 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.

<u>Riverine (or Fluvial) Flood</u>: 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.

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

Dependence on the Oil and Gas Industry

Adverse developments in economic conditions, particularly in the oil and gas industry, could adversely impact the businesses of taxpayers and the property values in the District, resulting in less local tax revenue. The State of Texas may be particularly at risk from any global slowdown in the oil and gas industry, given the prevalence of international trade in the State of Texas and the risk of contraction in the oil and gas industry and spillover effects into other industries. Should oil prices remain depressed over a long period of time or other adverse developments in economic conditions were to occur, particularly in the oil and gas industry, these businesses could be adversely impacted.

Production of Net Revenues

The Net Revenues, if any, to be derived from the operation of the System are entirely dependent upon sales of water and sewer services to current and future residents and users of the System and related operating expenses. The District does not expect that the operation of the System will produce Net Revenues sufficient to make a significant contribution, if any, to the District's debt service requirements. An audit of the District's accounts for the fiscal year ended June 30, 2025, is included as "APPENDIX A" to this Official Statement. See "THE SYSTEM – Historical Operations of the General Operating Fund."

Overlapping Tax Rates

Consideration should be given to the total tax burden of all overlapping jurisdictions imposed upon property located within the District as contrasted with property located in comparable real estate developments to gauge the relative tax burden on property within the District. The combination of the District's tax rate and the overlapping taxing entities' tax rates is higher than the combined tax rates levied upon certain other comparable developments in the market area. Consequently, an increase in the District's tax rate above those anticipated above may have an adverse impact on future development or the construction of taxable improvements in the District. See "DISTRICT DEBT--Estimated Overlapping Debt" and "TAX DATA--Estimated Overlapping Taxes."

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 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) collection procedures, (b) a bankruptcy court's stay of tax collection procedures 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. Because ownership of the land within the District may become highly fragmented among a number of taxpayers, 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, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes against such taxpayer.

Registered Owners' Remedies

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners may seek a writ of mandamus requiring the District to levy adequate taxes to make such payments. Except for the remedy of mandamus, the Bond Resolution does not specifically provide for remedies to a Registered Owner in the event of a District default, nor does it provide for the appointment of a trustee 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. Although the Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on the property of the District or sell property within the District in order to pay the principal of or interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may be further limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District. For example, a Chapter IX bankruptcy proceeding by the District could delay or eliminate payment of principal or interest to the Registered Owners.

Bankruptcy Limitation to Registered Owners' Rights

The enforceability of the rights and remedies of Registered Owners may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. 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 USC sections 901-946. The filing of such petition would automatically stay the enforcement of Registered Owner's remedies, including mandamus and the foreclosure of tax liens upon property within the District discussed above. 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 subdivisions.

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 a Registered Owner by reducing or eliminating the amount of indebtedness, deferring or rearranging the debt service schedule, reducing or eliminating the interest rate, modifying or abrogating collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of the Registered Owner's claim against a district.

The District may not be placed into bankruptcy involuntarily.

Environmental Regulations

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

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

Sanctions against a municipal utility district or other type of special purpose district for failure to comply with environmental laws and regulations may include a variety of civil and criminal enforcement measures, including assessment of monetary penalties, imposition of remedial requirements and issuance of injunctions to ensure future compliance. Environmental laws and compliance with environmental laws and regulations can increase the cost of planning, designing, constructing and operating water production and wastewater treatment facilities. Environmental laws can also inhibit growth and development within the District. Further, changes in regulations occur frequently, and any changes that result in more stringent and costly requirements could materially impact the District.

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

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

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

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

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

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

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

Texas Pollutant Discharge Elimination System ("TPDES") permits set limits on the type and quantity of discharge, in accordance with state and federal laws and regulations. The TCEQ reissued the TPDES Construction General Permit (TXR150000) ("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 TCEQ issued the General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the "MS4 Permit") on August 15, 2024. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. While the District is currently not subject to the MS4 Permit, if the District's inclusion were required at a future date, the District could incur substantial costs to develop, implement, and maintain the necessary plans as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff in order to comply with the MS4 Permit.

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

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 definition of "waters of the United States" under the CWA to conform with the Supreme Court's decision.

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

Changes in Tax Legislation

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

Continuing Compliance with Certain Covenants

The Bond Resolution 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 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.

Marketability

The District has no understanding (other than the initial reoffering yields) with the initial purchaser of the Bonds (the "Underwriter") regarding the reoffering yields or prices of the Bonds and has no control over the trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made for 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 other bonds which are more generally bought, sold or traded in the secondary market. See "SALE AND DISTRIBUTION OF THE BONDS--Prices and Marketability."

Financing Parks and Recreational Facilities

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 project 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 one percent (1%) of the value of the taxable property in the District, unless the District meets certain feasibility, requirements under the TCEQ rules in which case the outstanding principal amounts of such bonds issued by the District may exceed an amount equal to one percent (1%) but not three percent (3%) of the value of the taxable property in the District. The Board has not considered authorizing the preparation of a park plan or calling a park bond election at this time.

Current law may be changed in a manner to increase the amount of bonds that may be issued as related to a percentage of the value of taxable property or to allow a higher or lower maintenance tax rate for such purposes. The levy of taxes for such purposes may dilute the security for the Bonds.

Tax Payment Installments after Disaster

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

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

Increase in Costs of Building Materials and Labor Shortages

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

Competition: The demand for and construction of taxable improvements in the District could be affected by competition from other developments near the District. In addition to competition for new single-family home sales from other developments, there are numerous previously-owned single-family homes in more established commercial centers and neighborhoods closer to the City of Houston that are for sale. Such existing developments could represent additional competition for new development proposed to be constructed within the District. The competitive position of any developer or principal landowners in the sale of land, and the sale or leasing of residences is affected by most of the factors discussed in this section. Such a competitive position is directly related to the growth and maintenance of taxable values in the District and tax revenues to be received by the District. The District can give no assurance that building and marketing programs in the District will be implemented or, if implemented, will be successful.

Location and Access: The District is located in western Harris County approximately 22 miles west of the Houston Central Business District. The District is roughly bounded on the north by IH-10, on the east by Fry Road, on the south by Nottingham Country Municipal Utility District and on the west by Westgreen Boulevard. Many of the single-family developments with which the District competes are in a more developed state and have lower taxes. As a result, particularly during times of increased competition, any developer within the District may be at a competitive disadvantage to the developers in other single-family projects located closer to major urban centers or in a more developed state. See "THE DISTRICT."

Cybersecurity

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

Approval of the Bonds

The Attorney General of Texas must approve the legality of the Bonds prior to their delivery. The Attorney General, however, does not pass upon or guarantee the security of the Bonds as an investment, nor has the Attorney General passed upon the adequacy or accuracy of the information contained in this Official Statement.

LEGAL MATTERS

The District will furnish the Underwriter a transcript of certain certified proceedings held incident to the authorization and issuance of the Bonds, including a certified copy of the approving opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Bonds are valid and legally binding obligations of the District. The District will also furnish the legal opinion of Michael A. Cole, P.C, Bond Counsel, to the effect that, based upon an examination of such transcript, the Bonds are legal, valid and binding obligations of the District. Issuance of the Bonds is also subject to the legal opinion of Bond Counsel to the effect that interest on the Bonds is excludable from gross income for federal income tax purposes under existing statutes, regulations, published rulings and court decisions as described below under "TAX MATTERS." Such opinions will express no opinions with respect to the sufficiency of the security for or the marketability of the Bonds.

Legal Review

Bond Counsel has reviewed the information appearing in this Official Statement under the sections captioned: "THE BONDS" (except the subsection "--Book-Entry-Only System"), "THE DISTRICT–Description," "TAX PROCEDURES--Authority to Levy Taxes," "LEGAL MATTERS - Legal Opinions," "LEGAL MATTERS–Legal Review," "TAX MATTERS–Tax Exemption" and "CONTINUING DISCLOSURE OF INFORMATION" (except the subsection "--Compliance with Prior Undertakings") solely to determine whether such information fairly summarizes matters of law with respect to the provisions of the documents referred to therein. Bond Counsel has not, however, independently verified any of the factual information contained in this Official Statement, nor has it conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon Bond Counsel's limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of any of the information contained herein, other than the matters discussed immediately above.

The legal fees paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are based upon 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-Litigation Certificate

On the date of delivery of the Bonds to the Underwriter, the District will execute and deliver to the Underwriter a certificate to the effect that no litigation of any nature has been filed or is pending, as of that date, of which the District has notice, to restrain or enjoin the issuance or delivery of the Bonds, or which would affect the provisions made for their payment or security, or in any manner question the validity of the Bonds.

No Material Adverse Change

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

Legal Opinions

Issuance of the Bonds is subject to the approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and binding obligations of the District secured by the proceeds of an ad valorem tax levied, without limit as to rate or amount, upon all taxable property in the District and, based upon examination of the transcript of the proceedings incident to authorization and issuance of the Bonds, the legal opinion of Bond Counsel to the effect that (1) the Bonds are valid and legally binding obligations of the District payable from the sources and enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity, and (2) are payable from annual ad valorem taxes, which are not limited by applicable law in rate or amount, levied against all property within the District which is not exempt from taxation by or under applicable law. The Attorney General of Texas does not guarantee or pass upon the safety of the Bonds as an investment or upon the adequacy of the information contained in this Official Statement. Bond Counsel's opinion will address the matters described below under "TAX MATTERS."

TAX MATTERS

In the opinion of Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”). Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel observes that, for tax years beginning after December 31, 2022, interest on the Tax-Exempt Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such

Bonds. Beneficial Owners of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of obligations, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The District has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the District or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The District has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the District or the Beneficial Owners regarding the tax-exempt status of the Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the District and its appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the District legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Bonds, and may cause the District or the Beneficial Owners to incur significant expense.

Qualified Tax-Exempt Obligations for Financial Institutions

The District will designate the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3)(B) of the Internal Revenue Code of 1986, as amended. Pursuant to that section of the Code, a qualifying financial institution will be allowed a deduction from its own federal corporate income tax for the portion of interest expense the financial institution is able to allocate to designated "bank-qualified" investments.

CONTINUING DISCLOSURE OF INFORMATION

The District, in the Bond Resolution, has made the following agreement for the benefit of the holders 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 material events, to certain information vendors. This information will be available free of charge from the Municipal Securities Rule Making Board ("MSRB") via the Electronic Municipal Market Access ("EMMA") system at www.emma.msrb.org.

Annual Reports

The District will provide certain updated financial information and operating data to certain information vendors annually. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under the headings "SUMMARY–Financial Highlights;" "THE DISTRICT–Development of the District;" "DISTRICT DEBT–Estimated Overlapping Debt" and "–Historical Operations of the Debt Service Fund;" "TAX DATA–Tax Collection History," "–Principal Taxpayers," "–Estimated Overlapping Taxes," "–Analysis of Tax Base," "–Ta x Rate Calculations" and "–Strategic Partnership Agreement–-Limited Purpose Annexation by City of Houston;" and "THE SYSTEM–Historical Operations of the General Fund; and "APPENDIX A–Financial Statements of the District."

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

Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of CFR §240.15c2-12 (the "Rule"); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the SEC Rule 15c2-12 or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person within the meaning of the Rule, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person within the meaning of the Rule, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person within the meaning of the Rule, any of which reflect financial difficulties. The term "material" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Resolution makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports."

For these purposes, any event described in (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District; and the District intends the words used in the immediately preceding paragraphs (15) and (16) and the definition of Financial Obligation in this subcaption to have the same meanings as when they are used in the Rule, as evidenced by SEC Release No. 34-83885, dated August 20, 2018 (the "2018 Release") and any further written guidance provided by the SEC or its staff with respect to the amendment to the Rule effected by the 2018 Release.

Availability of Information From EMMA

Investors will be able to access continuing disclosure information filed with the MSRB at www.emma.msrb.org. The District has agreed in the Bond Resolution to provide the foregoing information only to the MSRB through EMMA. The information will be available to holders of Bonds only if the holders comply with the procedures of the MSRB or obtain the information through securities brokers who do so.

Limitations and Amendments

The District has agreed to update information and to provide notices of material events only as described above. The District has not agreed to provide other information that may be relevant or material to 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 of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

The District may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status or type of operations of the District, if but only if (1) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as any changed circumstances, and (2) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any qualified professional unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described under "Annual Reports," an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating so provided. The District may also amend or repeal the agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgement that such provisions of the Rule are invalid, and the District also may amend its continuing disclosure agreement in its discretion in any other manner or circumstance, but in either case only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds.

Compliance with Prior Undertakings

During the last five years, the District has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule.

PREPARATION OF OFFICIAL STATEMENT

General

The information contained in this Official Statement has been obtained primarily from the District's records, the District's Engineer, the Appraisal District, the District's Tax Assessor/Collector and other sources believed to be reliable. The District, however, makes no representation as to the accuracy or completeness of the information derived from such sources. The summaries of the statutes, resolutions, orders, agreements and engineering and other related reports 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.

Consultants

The information contained in this Official Statement relating to the physical characteristics of the District and engineering matters and, in particular, that engineering information included in the sections captioned "THE DISTRICT" and "THE SYSTEM" has been provided by the District's Engineer and has been included herein in reliance upon the authority of such firm as experts in the field of civil engineering.

The information contained in this Official Statement relating to assessed valuations of property generally and, in particular, that information concerning historical breakdown of District valuations, principal taxpayers and collection rates contained in the sections captioned "TAX DATA" and "DISTRICT DEBT" has been provided by the Appraisal District and the District's Tax Assessor/Collector and has been included herein in reliance upon their authority as experts in the field of tax assessing and collecting.

The financial statements contained in "APPENDIX A–Financial Statements of the District" have been included in reliance upon the accompanying report of the District's Auditor.

Updating the Official Statement

If, subsequent to the date of the Official Statement, the District learns, or is notified by the Underwriter, of any adverse event which causes the Official Statement to be materially misleading, unless the Underwriter elects to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Underwriter an appropriate amendment or supplement to the Official Statement satisfactory to the Underwriter; provided, however, that the obligation of the District to so amend or supplement the Official Statement will terminate when the District delivers the Bonds to the Underwriter, unless the Underwriter notifies the District on or before such date that less than all of the Bonds have been sold to ultimate customers, in which case the District's obligations hereunder will extend for an additional period of time (but not more than 90 days after the date the District delivers the Bonds to the Underwriter) until all of the Bonds have been sold to ultimate customers.

Certification of Official Statement

The District, acting through the Board in its official capacity, hereby certifies, as of the date hereof, that the information, statements and descriptions pertaining to the District and its affairs contained herein, to the best of its knowledge and belief, contain no untrue statements of a material fact and do not omit to state any material fact necessary to make the statements herein, in light of the circumstances under which they are made, not misleading. With respect to information included in this Official Statement other than that relating to the District, the Board 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 light of the circumstances under which they are made, not misleading; however, the Board can give no assurance as to the accuracy or completeness of the information derived from sources other than the District. This Official Statement is duly certified and approved by the Board of Directors of Mason Creek Utility District as of the date specified on the first page hereof.

/s/ ________________
President, Board of Directors
Mason Creek Utility District

ATTEST:

/s/ ____________________
Secretary, Board of Directors
Mason Creek Utility District

APPENDIX A–Financial Statements of the District

MASON CREEK UTILITY DISTRICT

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

JUNE 30, 2025

McCALL GIBSON SWEDLUND BARFOOT ELLIS PLLC
Certified Public Accountants

TABLE OF CONTENTS

McCall Gibson Swedlund Barfoot Ellis PLLC
Certified Public Accountants

Chris Swedlund
Noel W. Barfoot
Joseph Ellis
Ashlee Martin

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

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Mason Creek Utility District
Harris County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Mason Creek Utility District (the "District") as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of June 30, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Houston | Austin | Dallas
13100 Wortham Center Drive, Suite 235, Houston, Texas 77065-5610 713-462-0341

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Board of Directors
Mason Creek Utility District

Supplementary Information

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

McCall Gibson Swedlund Barfoot Ellis PLLC

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

November 6, 2025

MASON CREEK UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2025

Management's discussion and analysis of the financial performance of Mason Creek Utility District (the "District") provides an overview of the District's financial activities for the fiscal year ended June 30, 2025. Please read it in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

FUND FINANCIAL STATEMENTS

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has two governmental fund types. The General Fund accounts for resources not accounted for in another fund, customer service revenues, operating costs and general expenditures. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes.

FUND FINANCIAL STATEMENTS (Continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities by $20,497,072 as of June 30, 2025. A portion of the District's net position reflects its net investment in capital assets which includes land, buildings and equipment as well as the water, wastewater, drainage, and recreational facilities, less any debt used to acquire those assets that is still outstanding.

The table on the following page presents a comparative analysis of the Statement of Net Position as of June 30, 2025, and June 30, 2024.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Summary of Changes in the Statement of Net Position

	2025	2024	Change Positive (Negative)
Current and Other Assets	$ 8,569,861	$ 10,287,581	$ (1,717,720)
Capital Assets and Intangible Assets Net of Depreciation and Amortization)	16,198,528	13,832,388	2,366,140
Total Assets	$ 24,768,389	$ 24,119,969	$ 648,420
Deferred Outflows of Resources	$ 28,080	$ 32,691	$ (4,611)
Bonds Payable	$ 3,437,834	$ 3,624,046	$ 186,212
Other Liabilities	861,563	883,974	22,411
Total Liabilities	$ 4,299,397	$ 4,508,020	$ 208,623
Net Position:			
Net Investment in Capital Assets	$ 12,663,243	$ 10,093,346	$ 2,569,897
Restricted	794,664	773,816	20,848
Unrestricted	7,039,165	8,777,478	(1,738,313)
Total Net Position	$ 20,497,072	$ 19,644,640	$ 852,432

The following table provides a comparative analysis of the District's operations for the fiscal years ending June 30, 2025, and June 30, 2024:

Summary of Changes in the Statement of Activities

	2025	2024	Change Positive (Negative)
Revenues:			
Property Taxes	$ 2,750,924	$ 2,625,767	$ 125,157
Charges for Services	3,352,731	3,668,991	(316,260)
Sales Taxes	246,040	288,688	(42,648)
Other Revenues	524,483	566,168	(41,685)
Total Revenues	$ 6,874,178	$ 7,149,614	$ (275,436)
Expenses for Services	6,021,746	6,135,018	113,272
Change in Net Position	$ 852,432	$ 1,014,596	$ (162,164)
Net Position, Beginning of Year	19,644,640	18,630,044	1,014,596
Net Position, End of Year	$ 20,497,072	$ 19,644,640	$ 852,432

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of June 30, 2025, were $7,748,914, a decrease of $1,731,576 from the prior year.

The General Fund fund balance decreased by $1,745,701, primarily due to operating and capital expenditures exceeding service and property tax revenues.

The Debt Service Fund fund balance increased by $14,125, primarily due to the structure of the District's outstanding debt requirements.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors adopted a budget for the current fiscal year. Actual revenues were $379,560 less than budgeted revenues and actual expenditures were $4,789,229 less than budgeted expenditures which resulted in a positive variance of $4,409,669. See the budget to actual comparison for more information.

LONG-TERM DEBT ACTIVITY

As of June 30, 2025, the District had total bond debt payable of $3,400,000. The changes in the debt position of the District for the current fiscal year are summarized in the following table:

Bond Debt Payable, July 1, 2024	$ 3,580,000
Less: Bond Principal Paid	(180,000)
Bond Debt Payable, June 30, 2025	$ 3,400,000

The District's Series 2020 and Series 2020 Refunding bonds carry insured ratings of "AA" by virtue of bond insurance issued by Assured Guaranty Inc. The District's underlying rating is "A+". Credit enhanced ratings provided through bond insurance policies are subject to change based on changes to the ratings of the insurers.

See also Note 15 for information related to the District's subscription liability.

CAPITAL ASSETS

Capital assets as of June 30, 2025, total $16,072,997 and include land, buildings and equipment as well as the water, wastewater, drainage and recreational facilities. Significant capital asset activity during the current fiscal year included the District's share of improvements to joint facilities as well as rehabilitation and improvements to District facilities.

Capital Assets At Year-End

	2025	2024	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	$ 729,167	$ 729,167	$
Construction in Progress	5,954,443	2,819,941	3,134,502
Capital Assets Subject to Depreciation:			
Community Center	1,420,931	1,396,931	24,000
Recreational Facility	99,752	99,752	
Buildings and Improvements	828,487	828,487	
Furniture and Equipment	2,128,304	2,093,609	34,695
Water System	12,400,711	12,296,711	104,000
Wastewater System	11,738,765	11,738,765	
Drainage System	4,333,210	4,333,210	
Less Accumulated Depreciation	(23,560,773)	(22,651,872)	(908,901)
Total Net Capital Assets	$ 16,072,997	$ 13,684,701	$ 2,388,296

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Mason Creek Utility District, 847 Dominion, Katy, Texas 77450.

MASON CREEK UTILITY DISTRICT
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2025

	General Fund	Debt Service Fund
ASSETS		
Cash	$ 387,465	$ 91,528
Investments	7,204,464	347,103
Receivables:		
Property Taxes	83,990	8,883
Penalty and Interest on Delinquent Taxes		
Service Accounts	272,199	
Due from Other Funds		359,816
Due from the City of Houston	59,614	
Right-to-Use Subscription-Based Service Asset		
Joint Facilities Operating Advances	79,075	
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	$ 8,086,807	$ 807,330
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charges on Refunding Bonds	$ - 0 -	$ - 0 -
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 8,086,807	$ 807,330

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

Total	Adjustments	Statement of Net Position
$ 478,993	$	$ 478,993
7,551,567		7,551,567
92,873		92,873
	35,540	35,540
272,199		272,199
359,816	(359,816)	
59,614		59,614
	125,531	125,531
79,075		79,075
	729,167	729,167
	5,954,443	5,954,443
	9,389,387	9,389,387
$ 8,894,137	$ 15,874,252	$ 24,768,389
$ - 0 -	$ 28,080	$ 28,080
$ 8,894,137	$ 15,902,332	$ 24,796,469

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

MASON CREEK UTILITY DISTRICT
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2025

	General Fund	Debt Service Fund
LIABILITIES		
Accounts Payable	$ 600,449	$ 18,081
Accrued Interest Payable		
Due to Other Funds	359,816	
Security Deposits	74,004	
Long-Term Liabilities:		
Subscription Payable, Due Within One Year		
Subscription Payable, Due After One Year		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	$ 1,034,269	$ 18,081
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	$ 83,990	$ 8,883
FUND BALANCES		
Nonspendable:		
Joint Facilities Operating Advances	$ 79,075	$
Restricted for Debt Service		780,366
Assigned For 2026 Budget	3,064,351	
Unassigned	3,825,122	
TOTAL FUND BALANCES	$ 6,968,548	$ 780,366
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 8,086,807	$ 807,330
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

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

Total	Adjustments	Statement of Net Position
$ 618,530	$	$ 618,530
	30,125	30,125
359,816	(359,816)	
74,004		74,004
	21,748	21,748
	117,156	117,156
	185,000	185,000
	3,252,834	3,252,834
$ 1,052,350	$ 3,247,047	$ 4,299,397
$ 92,873	$ (92,873)	$ - 0 -
$ 79,075	$ (79,075)	$
780,366	(780,366)	
3,064,351	(3,064,351)	
3,825,122	(3,825,122)	
$ 7,748,914	$ (7,748,914)	$ - 0 -
$ 8,894,137		
	$ 12,663,243	$ 12,663,243
	794,664	794,664
	7,039,165	7,039,165
	$ 20,497,072	$ 20,497,072

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

MASON CREEK UTILITY DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2025

Total Fund Balances - Governmental Funds		$ 7,748,914
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets and intangible assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		16,198,528
Interest paid in advance as part of a refunding bond sale is recorded as a deferred outflow in the governmental activities and systematically charged to interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter.		28,080
Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2024 and prior tax levies became part of recognized revenue in the governmental activities of the District.		128,413
Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:		
Accrued Interest Payable	$ (30,125)	
Subscription Payable	(138,904)	
Bonds Payable	(3,437,834)	(3,606,863)
Total Net Position - Governmental Activities		$ 20,497,072

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

MASON CREEK UTILITY DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2025

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	$ 2,488,440	$ 252,775
Water Service	1,303,511	
Wastewater Service	1,172,324	
Groundwater Reduction Fees	817,720	
Sales Tax Revenues	246,040	
Penalty and Interest	22,451	32,880
Community Center Fees	55,309	
Investment and Miscellaneous Revenues	458,986	10,188
TOTAL REVENUES	$ 6,564,781	$ 295,843
EXPENDITURES/EXPENSES		
Service Operations:		
Personnel	$ 924,095	$
Professional Fees	147,707	720
Contracted Services	1,048,060	6,885
Purchased Wastewater Service	408,978	
Utilities	391,576	
Groundwater Reduction Costs	901,436	
Repairs and Maintenance	596,634	
Depreciation and Amortization		
Community Center	240,993	
Other	353,806	19,388
Capital Outlay	3,297,197	
Debt Service:		
Bond Principal		180,000
Bond Interest		74,725
TOTAL EXPENDITURES/EXPENSES	$ 8,310,482	$ 281,718
NET CHANGE IN FUND BALANCES	$ (1,745,701)	$ 14,125
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - JULY 1, 2024	8,714,249	766,241
FUND BALANCES/NET POSITION - JUNE 30, 2025	$ 6,968,548	$ 780,366

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

Total	Adjustments	Statement of Activities
$ 2,741,215	$ 9,709	$ 2,750,924
1,303,511		1,303,511
1,172,324		1,172,324
817,720		817,720
246,040		246,040
55,331	3,845	59,176
55,309		55,309
469,174		469,174
$ 6,860,624	$ 13,554	$ 6,874,178
$ 924,095	$	$ 924,095
148,427		148,427
1,054,945		1,054,945
408,978		408,978
391,576		391,576
901,436		901,436
596,634		596,634
	931,057	931,057
240,993		240,993
373,194	(20,692)	352,502
3,297,197	(3,297,197)	
180,000	(180,000)	
74,725	(3,622)	71,103
$ 8,592,200	$ (2,570,454)	$ 6,021,746
$ (1,731,576)	$ 1,731,576	$
	852,432	852,432
9,480,490	10,164,150	19,644,640
$ 7,748,914	$ 12,748,158	$ 20,497,072

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

MASON CREEK UTILITY DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025

Net Change in Fund Balances - Governmental Funds	$	(1,731,576)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.		9,709
Governmental funds report penalty and interest revenue on property taxes when collected. However, in the Statement of Activities, revenue is recorded when penalties and interest are assessed.		3,845
Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities. Certain assets are also amortized related to subscriptions payable.		(931,057)
Governmental funds report capital outlay as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected.		3,297,197
Governmental funds report bond principal and subscription payments as expenditures. However, in the Statement of Net Position, bond principal payments and subscription payments are reported as decreases in long-term liabilities.		200,692
Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.		3,622
Change in Net Position - Governmental Activities	$	852,432

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

MASON CREEK UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1. CREATION OF DISTRICT

Mason Creek Utility District of Harris County, Texas (the "District") was created by the Acts of the 62nd Legislature of Texas, Regular Session, 1971, page 2164, chapter 664, pursuant to the provisions of Section 59 of Article XVI of the Texas Constitution. The District operates under the provisions of Chapters 49 and 54, Texas Water Code, as amended. The Board of Directors held its first meeting on December 29, 1971 and its first bonds were sold on July 23, 1973.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board ("GASB"). The accounting records of the District are maintained generally in accordance with the *Water District Financial Management Guide* published by the Commission. The District is a political subdivision of the State of Texas governed by an elected board. GASB has established the criteria for determining whether an entity is a primary government or a component unit of a primary government. The primary criteria are that it has a separately elected governing body, is legally separate, and is fiscally independent of other state and local governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District's financial statements as component units.

Financial Statement Presentation

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

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

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

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

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

Governmental Funds

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

General Fund - To account for resources not required to be accounted for in another fund, customer service revenues, operating costs and general expenditures.

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

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

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

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. The General Fund owes the Debt Service Fund $359,816 for the over transfer of maintenance tax collections and tax collection costs.

Capital Assets and Intangible Assets

Capital assets which include property, plant and equipment are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs, that extend the life of an asset, are capitalized and depreciated over the estimated useful life of the asset. Engineering fees and certain other costs are capitalized as part of the asset.

Assets are capitalized, including infrastructure assets, if they have an original cost greater than $2,500 and a useful life over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets and Intangible Assets (Continued)

Estimated useful lives are as follows:

	Years
Buildings	50
Water System	50
Wastewater System	50
Drainage System	40
Sewer Plant Contribution	50
Community Center	20
Machinery and Equipment	5-15

In accordance with GASB Statement No. 96, the District records its subscription based meter reading service as an intangible asset (see Note 15). The right-to-use asset is being amortized over the same term as the subscription contract using the straight-line method of amortization.

Budgeting

An annual budget is adopted for the General Fund by the District's Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. The original General Fund budget for the current year was not amended. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund presents the budgeted amounts compared to the actual amounts of revenues and expenditures for the current year.

Pensions

The District has established a simplified pension plan and has elected to provide social security coverage to all employees who are not participating in a public retirement system (see Note 10). Directors' fees of office are subject to federal income tax withholding for payroll purposes only.

Measurement Focus

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

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

Nonspendable: amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

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

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

Assigned: amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. The District has not adopted a formal policy regarding the assignment of fund balances. The District assigned $3,064,351 of its General Fund fund balance to cover the 2026 budget deficit.

Unassigned: all other spendable amounts in the General Fund.

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

Accounting Estimates

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

NOTE 3. LONG-TERM DEBT

	Series 2020
Amounts Outstanding - June 30, 2025	$ 2,370,000
Interest Rates	2.00% - 2.20%
Maturity Dates – Serially Beginning/Ending	August 1, 2025/2039
Interest Payment Dates	August 1 / February 1
Callable Dates	August 1, 2026*

	Series 2020 Refunding
Amounts Outstanding - June 30, 2025	$ 1,030,000
Interest Rates	2.00% - 3.00%
Maturity Dates – Serially Beginning/Ending	August 1, 2025/2031
Interest Payment Dates	August 1 / February 1
Callable Dates	August 1, 2026*

* Or on any date thereafter, in whole or part, at a price of par value plus accrued interest to the date fixed for redemption. Series 2020 Term Bonds maturing on August 1, 2033, 2035 and 2039, are subject to mandatory redemption beginning August 1, 2032, 2034 and 2037, respectively.

As of June 30, 2025, the District had authorized but unissued bonds in the amount of $51,029,000 for utility facilities. 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.

Subsequent to the report date, the District intends to issue bonds not to exceed $6,790,000. A portion of the bond proceeds totaling approximately $4,820,110 will be used to reimburse the General Fund for construction and engineering costs paid by the General Fund for the Sanitary Sewer Rehabilitation projects covering Sections 1, 3 and 6.

NOTE 3. LONG-TERM DEBT (Continued)

Bonds payable activity for the current fiscal year is summarized in the following table:

	July 1, 2024	Additions	Retirements	June 30, 2025
Bonds Payable	$ 3,580,000	$	$ 180,000	$ 3,400,000
Unamortized Premiums	44,046		6,212	37,834
Bonds Payable, Net	$ 3,624,046	$ -0-	$ 186,212	$ 3,437,834

Amount Due Within One Year	$ 185,000
Amount Due After One Year	3,252,834
Bonds Payable, Net	$ 3,437,834

As of June 30, 2025, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2026	$ 185,000	$ 69,800	$ 254,800
2027	190,000	64,700	254,700
2028	195,000	60,150	255,150
2029	205,000	56,150	261,150
2030	205,000	52,050	257,050
2031-2035	1,125,000	195,550	1,320,550
2036-2040	1,295,000	71,880	1,366,880
	$ 3,400,000	$ 570,280	$ 3,970,280

During the year ended June 30, 2025, the District levied an ad valorem debt service tax rate of $0.0278 per $100 of assessed valuation, which resulted in a tax levy of $257,786 on the adjusted taxable valuation of $927,287,398 for the 2024 tax year. The bond resolutions require the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 6 for the maintenance tax levy.

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

NOTE 4. SIGNIFICANT BOND RESOLUTION AND LEGAL REQUIREMENTS

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

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

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes. Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District's deposits was $478,993 and the bank balance was $522,774. The District was not exposed to custodial credit risk at year-end.

The carrying values of the deposits at year end are summarized in the following table:

	Cash
GENERAL FUND	$ 387,465
DEBT SERVICE FUND	91,528
TOTAL DEPOSITS	$ 478,993

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Restrictions

All cash of the Debt Service Fund is restricted for the payment of debt service and the cost of assessing and collecting taxes.

Investments

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

Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. The District has adopted a written investment policy to establish the guidelines by which it may invest. This policy is reviewed annually. The District's investment policy may be more restrictive than the Public Funds Investment Act.

As of June 30, 2025, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities of Less Than 1 year
GENERAL FUND		
TexPool	$ 7,204,464	$ 7,204,464
DEBT SERVICE FUND		
TexPool	347,103	347,103
TOTAL INVESTMENTS	$ 7,551,567	$ 7,551,567

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The District's investment in TexPool is rated AAAm by Standard and Poor's.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investment in TexPool to have a maturity of less than one year since the share position can usually by redeemed each day at the discretion of the District, unless there has been a significant change in value.

NOTE 6. MAINTENANCE TAX

On May 1, 1999, the voters within the District approved for the District to levy an unlimited maintenance tax rate per $100 of assessed valuation on property within the District. This maintenance tax is to be used by the General Fund to pay expenditures of operating the District's waterworks and wastewater system. During the year ended June 30, 2025, the District levied an ad valorem maintenance tax rate of $0.27357 per $100 of assessed valuation, which resulted in a tax levy of $2,536,780 on the adjusted taxable valuation of $927,287,398 for the 2024 tax year.

NOTE 7. CAPITAL ASSETS

Capital asset activity for the current fiscal year is summarized in the following table:

	July 1, 2024	Increases	Decreases	June 30, 2025
Capital Assets Not Being Depreciated				
Land and Land Improvements	$ 729,167	$	$	$ 729,167
Construction in Progress	2,819,941	3,297,197	162,695	5,954,443
Total Capital Assets Not Being Depreciated	$ 3,549,108	$ 3,297,197	$ 162,695	$ 6,683,610
Capital Assets Subject to Depreciation				
Community Center	$ 1,396,931	$ 24,000	$	$ 1,420,931
Recreational Facility	99,752			99,752
Buildings and Improvements	828,487			828,487
Furniture and Equipment	2,093,609	34,695		2,128,304
Water System	12,296,711	104,000		12,400,711
Wastewater System	11,738,765			11,738,765
Drainage System	4,333,210			4,333,210
Total Capital Assets Subject to Depreciation	$ 32,787,465	$ 162,695	$ - 0 -	$ 32,950,160
Accumulated Depreciation				
Community Center	$ 1,248,793	$ 22,555	$	$ 1,271,348
Recreational Facility	95,746	3,525		99,271
Buildings and Improvements	418,366	22,863		441,229
Furniture and Equipment	1,519,404	103,293		1,622,697
Water System	8,633,482	373,239		9,006,721
Wastewater System	6,428,698	381,343		6,810,041
Drainage System	4,307,383	2,083		4,309,466
Total Accumulated Depreciation	$ 22,651,872	$ 908,901	$ - 0 -	$ 23,560,773
Total Depreciable Capital Assets, Net of Accumulated Depreciation	$ 10,135,593	$ (746,206)	$ - 0 -	$ 9,389,387
Total Capital Assets, Net of Accumulated Depreciation	$ 13,684,701	$ 2,550,991	$ 162,695	$ 16,072,997

NOTE 8. WASTEWATER TREATMENT PLANT FACILITIES

West Memorial Regional Wastewater Treatment Plant

On December 18, 1972, the District entered into agreements with Harris County Municipal Utility District No. 81, West Memorial Municipal Utility District ("West Memorial"), then known as Harris County Water Control and Improvement District No. 134, and Cimarron Municipal Utility District (the "Participants") for the provision of a regional waste treatment facility. The Plant is owned and operated by West Memorial and expanded by the Participants.

On August 30, 1983, the District and the Participants amended the agreement to include Interstate Municipal Utility District. On January 25, 1994, West Memorial purchased 29,000 gallons per day (gpd) of capacity from Cimarron Municipal Utility District. The amendment also provided for the expansion of the Plant to a capacity of 6,475,000 gpd. The Participants agreed to finance the expansion to include the issuance of bonds, if required.

On August 30, 2023, the District amended the terms of the agreement extending the initial term of 40 years for an additional 40 years from the effective date of the amendment, renewable for successive one-year terms (renewal periods).

Current capacity ownership is summarized in the following table:

	Owned Capacity in Gallons Per Day	Percentage of Ownership
The District	800,000	12.36%
West Memorial Municipal Utility District	599,000	9.25
Harris County Municipal Utility District No. 81	1,255,000	19.38
Cimarron Municipal Utility District	2,471,000	38.16
Interstate Municipal Utility District	1,350,000	20.85
TOTAL	6,475,000	100.00%

Oversight of the Plant is exercised by the Board of Directors of West Memorial. The terms of the agreement provide for an operating reserve equivalent to three months operation and maintenance costs as set forth in the annual budget allocated to the Participants based on equivalent connections.

NOTE 8. WASTEWATER TREATMENT PLANT FACILITIES (Continued)

West Memorial Regional Wastewater Treatment Plant (Continued)

The District's share of the operating reserve at June 30, 2025, was $49,075. The Participants are billed for operations based on a budgeted cost per connection. At fiscal year-end, revenues are adjusted to equal actual expenditures. Overages are disbursed to participants and shortages are billed to participants.

The following summary financial data of the West Memorial Regional Wastewater Plant is presented for the fiscal year ended June 30, 2025.

Total Assets	$ 815,965
Total Liabilities	241,366
Total Fund Balance	$ 574,599
Total Revenues	$ 3,347,918
Total Expenditures	3,347,918
Net Change in Fund Balance	$ -0-
Increase in Operating Reserve	26,173
Beginning Fund Balance	548,426
Ending Fund Balance	$ 574,599

Cinco Regional Sewage Treatment Plant

Cinco Regional Sewage Treatment Plant (the Plant) was established by agreements between Cornerstones Municipal Utility District, Harris County Municipal Utility District No. 81 (District No. 81), the District and Memorial Municipal Utility District on May 15, 1978, and as subsequently amended and restated. The agreement and subsequent amendments were entered into for the purpose of sharing the costs of constructing and operating a regional sewage treatment plant.

The participants are billed for fixed and variable plant operating costs on a monthly basis. Variable costs, consisting primarily of chemicals, sludge, and electricity costs, are allocated to each participant based on the number of connections served for each participant divided by the total number of connections served by the plant. Fixed costs are allocated based on ownership percentage and consist of all other costs of operating the plant. Major capital costs may be allocated as fixed or variable costs, depending on the nature of the costs. The District's share of the operating reserve is $30,000.

NOTE 8. WASTEWATER TREATMENT PLANT FACILITIES (Continued)

Cinco Regional Sewage Treatment Plant (Continued)

Current capacity and ownership is as follows:

	Owned Capacity in Gallons Per Day	Percentage of Ownership
The District	500,000	16.67%
Cornerstones Municipal Utility District	1,000,000	33.33
Harris County Municipal Utility District No. 81	560,000	18.67
Memorial Municipal Utility District	940,000	31.33
TOTAL	3,000,000	100.00%

The following summary financial data of the Cinco Regional Sewage Treatment Plant is presented for the fiscal year ended December 31, 2024.

Total Assets	$ 551,316
Total Liabilities	431,316
Total Fund Balance	$ 120,000
Total Revenues	$ 1,206,807
Total Expenditures	1,206,807
Net Increase (Decrease) in Fund Balance	$ -0-
Fund Balance, Beginning of Year	120,000
Fund Balance, End of Year	$ 120,000

NOTE 9. COMPENSATED ABSENCES

Employees of the District are entitled to paid vacation, sick days and holidays based on meeting certain criteria. These benefits are determined on a calendar year basis and may not be carried over to the succeeding year. The District has elected not to accrue immaterial, compensated absences as of June 30, 2025.

NOTE 10. RETIREMENT PLAN

The District established a simplified employee pension plan (defined contribution) on December 13, 1995. The plan has a calendar year end and provides for a maximum contribution of 25% of wages for eligible employees. Eligible employees are fully vested in plan balances. The District contributed 10% of the eligible employees' salaries to the plan which totaled $56,094 for the current fiscal year.

NOTE 11. GROUNDWATER REDUCTION PLAN

On January 8, 2003, the District executed an agreement between the City of Houston and the District, which was effective as of the date countersigned by the City of Houston ("GRP Manager") which was July 18, 2003. The agreement is known as the "City of Houston Water Supply and Groundwater Reduction Plan Wholesale Agreement for Regulatory Area 3 of the Harris-Galveston Costal Subsidence District," (the "Agreement") and expires on October 31, 2040. The District's costs for the year ended June 30, 2025, totaled $901,436.

NOTE 12. RISK MANAGEMENT

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

NOTE 13. STRATEGIC PARTNERSHIP AGREEMENT

Effective December 2, 2002, the District entered into a Strategic Partnership Agreement with the City of Houston, Texas. The agreement provides that in accordance with Subchapter F of Chapter 43 of the Local Government Code and Act, the City shall annex a tract of land defined as the "Subject Tract" for the limited purposes of applying the City's Planning, Zoning, Health, and Safety Ordinances within the Subject Tract within the boundaries of the District. Upon annexation, the City began imposing a Sales and Use Tax within the boundaries of the Subject Tract at the rate of one percent or the rate specified under the future amendments to Chapter 321 of the Tax Code. The City pays the District one-half of all Sales and Use Tax revenues generated within the boundaries of the Subject Tract within 30 days of the City receiving the funds from the State Comptroller's office. During the current fiscal year, the District collected $246,040 in sales tax revenue from the City of Houston. The City agrees that it will not annex the District for full purposes or commence any action to annex the District for full purposes during the term of this Agreement. The term of this Agreement is 30 years from the effective date of the agreement.

NOTE 14. EMERGENCY WATER SUPPLY CONTRACTS

On January 1, 1998, the District executed an emergency water supply contract with Harris County Municipal Utility District No. 81. The parties agree to furnish water to each other on an emergency basis for a maximum period of 15 days unless otherwise agreed in writing between the districts. The price to be paid for water delivered is $1.75 per 1,000 gallons of water used. This contract will remain in effect until terminated in writing by either party.

On October 16, 2006, the District executed an emergency water supply contract with Interstate Municipal Utility District. The parties agree to furnish water to each other on an emergency basis for a maximum period of 15 days unless otherwise agreed in writing between the districts. The price to be paid for water delivered is $1.75 per 1,000 gallons of water used. This contract will remain in effect until terminated in writing by either party.

On June 15, 2012, the District executed an emergency water supply contract with Green Trails Municipal Utility District. The parties agree to furnish water to each other on an emergency basis for a maximum period of 30 days unless otherwise agreed in writing between the districts. The price to be paid for water delivered is the first increment of volume used above the minimum monthly charge by single-family residential customers inside the district's boundaries, plus an additional amount necessary to cover City of Houston groundwater reduction fees. This contract will remain in effect until terminated in writing by either party.

NOTE 15. SUBSCRIPTION-BASED SERVICE AGREEMENT

In accordance with the requirements of Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements*, the District recorded a right-to-use asset and related subscription payable in its financial statements pertaining to the subscription service agreement it has with Badger Meter dated October 13, 2017, and as amended most recently on March 3, 2021. The term of the agreement continues through March 3, 2031.

Monthly payments are based on the number of connections serviced times the contractual rate per connection, which is currently $0.89 per connection per month. The monthly costs are approximately $2,350 per month and vary slightly as the number of connections fluctuates month-to-month. Current year subscription payments totaled approximately $28,200 with $20,692 allocated to principal and the remainder to interest. The subscription liability was measured using a discount rate of 5.00%.

NOTE 15. SUBSCRIPTION-BASED SERVICE AGREEMENT (Continued)

Right-to-use assets, current amortization expense, and accumulated amortization are summarized in the following table.

	July 1, 2024	Increases	Decreases	June 30, 2025
Intangible Assets Subject to Amortization				
Subscription Based Service	$ 221,561	$	$	$ 221,561
Accumulated Amortization				
Subscription Based Service	73,874	22,156		96,030
Total Intangible Assets, Net of Accumulated Amortization	$ 147,687	$ 22,156	$ -0-	$ 125,531

The change in subscription payable during the current fiscal year is summarized in the following table:

	July 1, 2024	Additions	Retirements	June 30, 2025
Subscription Payable	$ 159,596	$ -0-	$ 20,692	$ 138,904

Future subscription payments, including the amount due within one year and amounts due after one year, are summarized in the following tables:

Fiscal Year	Principal	Interest	Total
2026	$ 21,748	$ 6,452	$ 28,200
2027	22,861	5,339	28,200
2028	24,030	4,170	28,200
2029	25,260	2,940	28,200
2030	26,553	1,647	28,200
2031	18,452	348	18,800
	$ 138,904	$ 20,896	$ 159,800

Amount Due Within One Year	$ 21,748
Amount Due After One Year	117,156
Total Subscription Payable	$ 138,904

MASON CREEK UTILITY DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2025

MASON CREEK UTILITY DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2025

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	$ 2,377,400	$ 2,488,440	$ 111,040
Water Service	1,490,659	1,303,511	(187,148)
Wastewater Service	1,296,475	1,172,324	(124,151)
Groundwater Reduction Fees	947,800	817,720	(130,080)
Sales Tax Revenues	320,000	246,040	(73,960)
Penalty and Interest	25,000	22,451	(2,549)
Community Center Fees	70,000	55,309	(14,691)
Investment and Miscellaneous Revenues	417,007	458,986	41,979
TOTAL REVENUES	$ 6,944,341	$ 6,564,781	$ (379,560)
EXPENDITURES			
Service Operations:			
Personnel	$ 956,900	$ 924,095	$ 32,805
Professional Fees	152,300	147,707	4,593
Contracted Services	1,167,800	1,048,060	119,740
Purchased Wastewater Service	368,600	408,978	(40,378)
Utilities	370,000	391,576	(21,576)
Groundwater Reduction Costs	991,548	901,436	90,112
Repairs and Maintenance	1,362,000	596,634	765,366
Community Center	373,500	240,993	132,507
Other	358,706	353,806	4,900
Capital Outlay	6,998,357	3,297,197	3,701,160
TOTAL EXPENDITURES	$ 13,099,711	$ 8,310,482	$ 4,789,229
NET CHANGE IN FUND BALANCE	$ (6,155,370)	$ (1,745,701)	$ 4,409,669
FUND BALANCE - JULY 1, 2024	8,714,249	8,714,249	
FUND BALANCE - JUNE 30, 2025	$ 2,558,879	$ 6,968,548	$ 4,409,669

See accompanying independent auditor’s report.

MASON CREEK UTILITY DISTRICT

SUPPLEMENTARY INFORMATION – REQUIRED BY THE

WATER DISTRICT FINANCIAL MANAGEMENT GUIDE

JUNE 30, 2025

MASON CREEK UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED JUNE 30, 2025

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

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

2. RETAIL SERVICE PROVIDERS

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

The following rates are based on the rate order adopted February 12, 2025.

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1,000 Gallons over Minimum Use	Usage Levels
WATER:	$ 21.53	3,000	N	$ 2.07	3,001 to 10,000
				$ 3.15	10,001 to 15,000
				$ 3.46	15,001 to 20,000
				$ 5.33	20,001 and up
WASTEWATER:	$ 21.92	3,000	N	$2.01	3,001 to 10,000
				$2.82	10,001 to 15,000
				$3.10	15,001 and up
SURCHARGE: Groundwater Reduction				$2.63	Per 1,000 gallons
Regulatory Assessment Fee	.5% of water and wastewater billed				

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

Total monthly charges per 10,000 gallons usage: Water: $36.02 Wastewater: $35.99 Surcharge: $26.66

See accompanying independent auditor's report.

MASON CREEK UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED JUNE 30, 2025

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFCs
Unmetered			x 1.0	
≤¾"	2,469	2,452	x 1.0	2,452
1"	68	68	x 2.5	170
1½"	17	16	x 5.0	80
2"	45	45	x 8.0	360
3"	1	1	x 15.0	15
4"	2	2	x 25.0	50
6"	9	9	x 50.0	450
8"	3	3	x 80.0	240
10"			x 115.0	
Total Water Connections	2,614	2,596		3,817
Total Wastewater Connections	2,339	2,323	x 1.0	2,323

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

Gallons pumped into system:	344,891,000	Water Accountability Ratio: 92.97 % (Gallons billed/Gallons pumped)
Gallons billed to customers:	320,659,000	

See accompanying independent auditor's report.

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

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

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

5. **LOCATION OF DISTRICT:**

Is the District located entirely within one county?

Yes _X_ No ____

County in which District is located:

Harris County, Texas

Is the District located within a city?

Entirely ____ Partly ____ Not at all _X*_

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

Entirely _X*_ Partly ____ Not at all ____

ETJ in which District is located:

City of Houston, Texas

Are Board Members appointed by an office outside the District?

Yes ____ No _X_

*Assumes that "within a city" means "within a city's general-purpose city limits (not its limited-purpose city limits)" and that any area within a city's limited-purpose city limits (not its general-purpose city limits) is within the city's extraterritorial jurisdiction (ETJ).

MASON CREEK UTILITY DISTRICT
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2025

PERSONNEL EXPENDITURES (Including Benefits)	$	924,095
PROFESSIONAL FEES:		
Auditing	$	23,000
Engineering		59,649
Legal		65,058
TOTAL PROFESSIONAL FEES	$	147,707
PURCHASED WASTEWATER SERVICE	$	408,978
CONTRACTED SERVICES:		
Tax Collection Costs	$	64,997
Bookkeeping		49,345
Billing and Collections		35,788
Solid Waste Disposal		897,930
TOTAL CONTRACTED SERVICES	$	1,048,060
UTILITIES:		
Electricity	$	240,598
Street Lights		122,039
Telephone		28,939
TOTAL UTILITIES	$	391,576
REPAIRS AND MAINTENANCE	$	596,634
ADMINISTRATIVE EXPENDITURES:		
Director Fees	$	32,160
Insurance		117,693
Office Supplies and Postage		55,617
Service Charges and Credit Card Fees		15,371
Travel and Meetings		9,823
Subscriptions, Rents, and Leases		27,411
Other		19,855
TOTAL ADMINISTRATIVE EXPENDITURES	$	277,930

See accompanying independent auditor’s report.

MASON CREEK UTILITY DISTRICT
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2025

CAPITAL OUTLAY	$ 3,297,197
COMMUNITY CENTER	$ 240,993
OTHER EXPENDITURES:	
Chemicals	$ 41,904
Groundwater Reduction Costs	901,436
Permit Fees	20,203
Regulatory Assessment	13,769
TOTAL OTHER EXPENDITURES	$ 977,312
TOTAL EXPENDITURES	$ 8,310,482

Number of persons employed by the District 9 Full-Time 1 Part-Time

See accompanying independent auditor's report.

MASON CREEK UTILITY DISTRICT
INVESTMENTS
JUNE 30, 2025

Fund	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
GENERAL FUND					
TexPool	XXXX0001	Varies	Daily	$ 7,204,464	$ - 0 -
DEBT SERVICE FUND					
TexPool	XXXX0002	Varies	Daily	$ 347,103	$ - 0 -
TOTAL - ALL FUNDS				$ 7,551,567	$ - 0 -

See accompanying independent auditor's report.

MASON CREEK UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2025

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE -				
JULY 1, 2024	$ 75,138		$ 8,026	
Adjustments to Beginning				
Balance	(39,488)	$ 35,650	(4,154)	$ 3,872
Original 2024 Tax Levy	$ 2,419,119		$ 245,829	
Adjustment to 2024 Tax Levy	117,661	2,536,780	11,957	257,786
TOTAL TO BE				
ACCOUNTED FOR		$ 2,572,430		$ 261,658
TAX COLLECTIONS:				
Prior Years	$ (12,306)		$ (1,349)	
Current Year	2,500,746	2,488,440	254,124	252,775
TAXES RECEIVABLE -				
JUNE 30, 2025		$ 83,990		$ 8,883
TAXES RECEIVABLE BY				
YEAR:				
2024		$ 36,034		$ 3,662
2023		10,501		1,115
2022		6,918		763
2021		4,564		548
2020		3,784		473
2019		3,111		446
2018		3,722		332
2017 and prior		15,356		1,544
TOTAL		$ 83,990		$ 8,883

See accompanying independent auditor’s report.

MASON CREEK UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2025

	2024	2023	2022	2021
PROPERTY VALUATIONS:				
Land	$ 334,152,157	$ 322,741,819	$ 262,483,559	$ 215,779,142
Improvements	856,990,411	854,511,063	787,209,610	674,931,087
Personal Property	59,410,496	59,669,727	57,612,636	47,916,041
Exemptions	(323,265,666)	(359,095,124)	(306,423,320)	(235,309,659)
TOTAL PROPERTY VALUATIONS	$ 927,287,398	$ 877,827,485	$ 800,882,485	$ 703,316,611
TAX RATES PER $100 VALUATION:				
Debt Service	$ 0.02780	$ 0.0293	$ 0.031	$ 0.036
Maintenance	0.27357	0.2760	0.281	0.300
TOTAL TAX RATES PER $100 VALUATION	$ 0.30137	$ 0.3053	$ 0.312	$ 0.336
ADJUSTED TAX LEVY*	$ 2,794,566	$ 2,680,007	$ 2,498,754	$ 2,363,144
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	98.58 %	99.57 %	99.69 %	99.78 %

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

** Maintenance Tax - Unlimited tax rate per $100 of assessed valuation approved by voters on May 1, 1999.

See accompanying independent auditor's report.

MASON CREEK UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2025

	SERIES-2020		
Due During Fiscal Years Ending June 30	Principal Due August 1	Interest Due August 1/ February 1	Total
2026	$ 55,000	$ 48,450	$ 103,450
2027	50,000	47,400	97,400
2028	50,000	46,400	96,400
2029	55,000	45,350	100,350
2030	55,000	44,250	99,250
2031	50,000	43,200	93,200
2032	55,000	42,150	97,150
2033	230,000	39,300	269,300
2034	235,000	34,650	269,650
2035	240,000	29,900	269,900
2036	245,000	25,050	270,050
2037	250,000	20,100	270,100
2038	260,000	14,740	274,740
2039	265,000	8,965	273,965
2040	275,000	3,025	278,025
	$ 2,370,000	$ 492,930	$ 2,862,930

See accompanying independent auditor’s report.

MASON CREEK UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2025

Due During Fiscal Years Ending June 30	REFUNDING SERIES-2020 Principal Due August 1	Interest Due August 1/ February 1	Total
2026	$ 130,000	$ 21,350	$ 151,350
2027	140,000	17,300	157,300
2028	145,000	13,750	158,750
2029	150,000	10,800	160,800
2030	150,000	7,800	157,800
2031	155,000	4,750	159,750
2032	160,000	1,600	161,600
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
	$ 1,030,000	$ 77,350	$ 1,107,350

See accompanying independent auditor's report.

MASON CREEK UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2025

Due During Fiscal Years Ending June 30	ANNUAL REQUIREMENTS FOR ALL SERIES Total Principal Due	Total Interest Due	Total Principal and Interest Due
2026	$ 185,000	$ 69,800	$ 254,800
2027	190,000	64,700	254,700
2028	195,000	60,150	255,150
2029	205,000	56,150	261,150
2030	205,000	52,050	257,050
2031	205,000	47,950	252,950
2032	215,000	43,750	258,750
2033	230,000	39,300	269,300
2034	235,000	34,650	269,650
2035	240,000	29,900	269,900
2036	245,000	25,050	270,050
2037	250,000	20,100	270,100
2038	260,000	14,740	274,740
2039	265,000	8,965	273,965
2040	275,000	3,025	278,025
	$ 3,400,000	$ 570,280	$ 3,970,280

See accompanying independent auditor’s report.

MASON CREEK UTILITY DISTRICT
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED JUNE 30, 2025

Description	Original Bonds Issued	Bonds Outstanding July 1, 2024
Mason Creek Utility District Unlimited Tax Bonds - Series 2020	$ 2,650,000	$ 2,425,000
Mason Creek Utility District Unlimited Tax Refunding Bonds - Series 2020	1,485,000	1,155,000
TOTAL	$ 4,135,000	$ 3,580,000

Bond Authority:	Tax Bonds
Amount Authorized by Voters	$ 72,899,000
Amount Issued	(21,870,000)
Remaining to be Issued	$ 51,029,000

Debt Service Fund cash balance as of June 30, 2025:	$ 438,631
Average annual debt service payment for remaining term of all bond debt:	$ 264,685

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

See accompanying independent auditor's report.

Current Year Transactions				
	Retirements		Bonds Outstanding	
Bonds Sold	Principal	Interest	June 30, 2025	Paying Agent
$	$ 55,000	$ 49,550	$ 2,370,000	UMB Bank N.A. Houston, TX
	125,000	25,175	1,030,000	UMB Bank N.A. Houston, TX
$ - 0 -	$ 180,000	$ 74,725	$ 3,400,000	

See accompanying independent auditor's report.

MASON CREEK UTILITY DISTRICT
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS

	Amounts		
	2025	2024	2023
REVENUES			
Property Taxes	$ 2,488,440	$ 2,369,140	$ 2,230,792
Water Service	1,303,511	1,454,976	1,482,701
Wastewater Service	1,172,324	1,257,078	1,234,146
Groundwater Reduction Fees	817,720	914,145	590,880
Sales Tax Revenues	246,040	288,688	298,696
Penalty and Interest	22,451	23,051	23,825
Community Center Fees	55,309	52,822	25,645
Investment, FEMA and Miscellaneous Revenues	458,986	463,981	159,014
TOTAL REVENUES	$ 6,564,781	$ 6,823,881	$ 6,045,699
EXPENDITURES			
Personnel	$ 924,095	$ 899,401	$ 849,123
Professional Fees	147,707	158,848	113,011
Contracted Services	1,048,060	1,007,121	913,398
Purchased Wastewater Service	408,978	378,340	381,987
Utilities	391,576	393,351	327,625
Groundwater Reduction Costs	901,436	944,669	469,016
Repairs and Maintenance	596,634	670,374	1,143,882
Community Center	240,993	296,454	224,513
Other	353,806	345,896	346,555
Capital Outlay	3,297,197	2,163,430	569,089
TOTAL EXPENDITURES	$ 8,310,482	$ 7,257,884	$ 5,338,199
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ (1,745,701)	$ (434,003)	$ 707,500
OTHER FINANCING SOURCES (USES)			
Transfers In (Out)	$ - 0 -	$ - 0 -	$ - 0 -
NET CHANGE IN FUND BALANCE	$ (1,745,701)	$ (434,003)	$ 707,500
BEGINNING FUND BALANCE	8,714,249	9,148,252	8,440,752
ENDING FUND BALANCE	$ 6,968,548	$ 8,714,249	$ 9,148,252

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2022	2021	2025	2024	2023	2022	2021
$ 2,064,089	$ 2,085,452	37.9 %	34.8 %	36.9 %	38.9 %	39.0 %
1,369,689	1,319,575	19.9	21.3	24.5	25.8	24.7
1,152,727	1,187,834	17.9	18.4	20.4	21.7	22.2
337,726	345,782	12.5	13.4	9.8	6.4	6.5
310,362	248,123	3.7	4.2	4.9	5.8	4.6
22,026	3,956	0.3	0.3	0.4	0.4	0.1
6,390	21,638	0.8	0.8	0.4	0.1	0.4
43,766	134,500	7.0	6.8	2.7	0.9	2.5
$ 5,306,775	$ 5,346,860	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
$ 836,668	$ 778,625	14.1 %	13.2 %	14.0 %	15.8 %	14.6 %
139,829	115,088	2.2	2.3	1.9	2.6	2.2
885,128	853,132	16.0	14.8	15.1	16.7	16.0
302,192	341,996	6.2	5.5	6.3	5.7	6.4
292,097	302,657	6.0	5.8	5.4	5.5	5.7
368,228	361,754	13.7	13.8	7.8	6.9	6.8
491,512	1,648,470	9.1	9.8	18.9	9.3	30.8
343,351	380,064	3.7	4.3	3.7	6.5	7.1
296,130	270,323	5.4	5.1	5.7	5.6	5.1
579,769	791,106	50.2	31.7	9.4	10.9	14.8
$ 4,534,904	$ 5,843,215	126.6 %	106.3 %	88.2 %	85.5 %	109.5 %
$ 771,871	$ (496,355)	(26.6) %	(6.3) %	11.8 %	14.5 %	(9.5) %
$ - 0 -	$ (91,310)					
$ 771,871	$ (587,665)					
7,668,881	8,256,546					
$ 8,440,752	$ 7,668,881					

See accompanying independent auditor's report.

MASON CREEK UTILITY DISTRICT
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS

	Amounts		
	2025	2024	2023
REVENUES			
Property Taxes	$ 252,775	$ 248,742	$ 246,122
Penalty and Interest	32,880	19,741	24,573
Investment and Miscellaneous Revenues	10,188	43,616	14,136
TOTAL REVENUES	$ 295,843	$ 312,099	$ 284,831
EXPENDITURES			
Tax Collection Expenditures	$ 25,993	$ 6,850	$ 7,476
Debt Service Principal	180,000	175,000	130,000
Debt Service Interest and Fees	75,725	80,525	128,900
Bond Issuance Costs			
TOTAL EXPENDITURES	$ 281,718	$ 262,375	$ 266,376
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ 14,125	$ 49,724	$ 18,455
OTHER FINANCING SOURCES (USES)			
Proceeds from Issuance of Refunding Bonds	$	$	$
Payment to Refunded Bond Escrow Agent			
Bond Premium			
TOTAL OTHER FINANCING SOURCES (USES)	$ - 0 -	$ - 0 -	$ - 0 -
NET CHANGE IN FUND BALANCE	$ 14,125	$ 49,724	$ 18,455
BEGINNING FUND BALANCE	766,241	716,517	698,062
ENDING FUND BALANCE	$ 780,366	$ 766,241	$ 716,517
TOTAL ACTIVE RETAIL WATER CONNECTIONS	2,596	2,597	2,593
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	2,323	2,334	2,341

See accompanying independent auditor’s report.

2022	2021	2025	2024	2023	2022	2021
		Percentage of Total Revenues				
$ 247,610	$ 260,862	85.5 %	79.7 %	86.4 %	78.6 %	88.6 %
20,512	17,725	11.1	6.3	8.6	6.5	6.0
46,902	15,928	3.4	14.0	5.0	14.9	5.4
$ 315,024	$ 294,515	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
$ 7,117	$ 7,523	8.8 %	2.2 %	2.6 %	2.3 %	2.6 %
175,000	180,000	60.8	56.1	45.6	55.6	61.1
85,775	89,221	25.6	25.8	45.3	27.2	30.3
	99,618					33.8
$ 267,892	$ 376,362	95.2 %	84.1 %	93.5 %	85.1 %	127.8 %
$ 47,132	$ (81,847)	4.8 %	15.9 %	6.5 %	14.9 %	(27.8) %
$	$ 1,485,000					
	(1,495,233)					
	110,350					
$ - 0 -	$ 100,117					
$ 47,132	$ 18,270					
650,930	632,660					
$ 698,062	$ 650,930					
2,585	2,564					
2,339	2,327					

See accompanying independent auditor's report.

MASON CREEK UTILITY DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JUNE 30, 2025

District Mailing Address	-	Mason Creek Utility District 847 Dominion Katy, TX 77450
District Telephone Number	-	(281) 578-7272

Board Members:	Term of Office (Elected or Appointed)	Fees of Office for the year ended June 30, 2025	Expense Reimbursements for the year ended June 30, 2025	Title
Brian C. Connolly	05/24 05/28 (Elected)	$ 7,200	$ -0-	President
James K. Nordhaus	05/22 05/26 (Elected)	$ 7,200	$ -0-	Vice President
Frederick Castellano	05/24 05/28 (Elected)	$ 5,280	$ -0-	Secretary/Treasurer
Joe Adams	10/24 05/26 (Appointed)	$ 3,080	$ -0-	Director
John H. Cameron	05/24 05/28 (Elected)	$ 7,200	$ -0-	Director
Len Forsyth (Resigned 09/24)	05/22 05/26 (Elected)	$ 2,200	$ -0-	Former Director

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

The most recent submission date of the District Registration Form was on October 3, 2024.

The limit on Fees of Office that a Director may receive during a fiscal year is $7,200. Fees of Office are the amounts actually paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.

MASON CREEK UTILITY DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JUNE 30, 2025

Key Personnel:	Date Hired	Fees for the year ended June 30, 2025	Title
James Parrot	02/17/99	$ 136,915	System Operator
Susan Saccomen	07/2002	$ 87,650	District Office Manager
Consultants:			
James L. Dougherty	08/1984	$ 72,281	General Counsel
McCall Gibson Swedlund Barfoot Ellis PLLC	07/2013	$ 23,000	Audit Related
McLennan & Associates	01/01/22	$ 55,593	Bookkeeper
Hal R. Gordon	08/1984	$ 7,529	Delinquent Tax Attorney
Venturi Engineers, LLC	01/2017	$ 522,569	Engineer
Blitch Associates, Inc.	10/2010	$ -0-	Financial Advisor
BLICO, Inc.	06/1995	$ 39,753	Tax Collector/ Sales Tax Consultant

See accompanying independent auditor’s report.

ANNUAL FILING AFFIDAVIT

THE STATE OF TEXAS }

COUNTY OF HARRIS }

I, Noel W. Barfoot of the
(Name of Duly Authorized District Representative)

Mason Creek Utility District
(Name of District)

hereby swear, or affirm, that the district named above has reviewed and approved at a meeting of the Board of Directors of the District on the 6th day of November, 2025, its annual audit report for the fiscal year or period ended June 30, 2025 and that copies of the annual audit report have been filed in the district office, located at

847 Dominion – Katy, TX 77450
(Address of District)

The annual filing affidavit and the attached copy of the audit report are being submitted to the Texas Commission on Environmental Quality in satisfaction of the annual filing requirements of Texas Water Code Section 49.194.

Date: November 12, 2025 By: Noel W. Barfoot
(Signature of District Representative)

Noel W. Barfoot, Auditor
(Typed Name & Title of above District Representative)

Sworn to and subscribed to before me this the 12th day of November, 2025.

(Seal)

C Bell
(Signature of Notary)

NOTARY PUBLIC STATE OF TEXAS
CHRISTINA BELL
My Notary ID # 132547109
Expires June 30, 2028

My Commission Expires On: June 30, 2028.
Notary Public in the State of Texas.