

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 81
(Harris County, Texas)

PRELIMINARY OFFICIAL STATEMENT
DATED: APRIL 23, 2026

\$12,490,000
UNLIMITED TAX BONDS
SERIES 2026

BIDS TO BE SUBMITTED BY: 2:00 P.M., CENTRAL TIME
THURSDAY, MAY 28, 2026

BONDS TO BE AWARDED BY: 6:00 P.M., CENTRAL TIME
THURSDAY, MAY 28, 2026



PRELIMINARY OFFICIAL STATEMENT DATED APRIL 23, 2026

This Preliminary Official Statement is subject to completion and amendment, as provided in the Official Notice of Sale, and is intended for the solicitation of initial bids to purchase the Bonds (herein defined). Upon the sale of the Bonds, the Official Statement will be completed and delivered to the Initial Purchaser (herein defined).

IN THE OPINION OF BOND COUNSEL, UNDER EXISTING LAW, INTEREST ON THE BONDS (I) IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER SECTION 103 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED, AND (II) IS NOT AN ITEM OF TAX PREFERENCE FOR PURPOSES OF THE ALTERNATIVE MINIMUM TAX ON INDIVIDUALS. SEE "TAX MATTERS" HEREIN, INCLUDING INFORMATION REGARDING POTENTIAL ALTERNATIVE MINIMUM TAX CONSEQUENCES FOR CORPORATIONS.

The Bonds will not be designated as "qualified tax-exempt obligations" for financial institutions.

NEW ISSUE – Book Entry Only

S&P Global Ratings (Underlying) "A+"

\$12,490,000

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 81

(A Political Subdivision of the State of Texas, located within Harris County)

UNLIMITED TAX BONDS, SERIES 2026

Dated: June 1, 2026

Interest Accrues: Date of Delivery

Due: September 1, as shown on inside cover

The \$12,490,000 Unlimited Tax Bonds, Series 2026 (the "Bonds"), are obligations of Harris County Municipal Utility District No. 81 (the "District"), and are not obligations of the State of Texas; Harris County, Texas; the City of Houston, Texas; or any political subdivision or entity other than the District. Neither the faith and credit nor the taxing power of the State of Texas; Harris County, Texas; the City of Houston, Texas; or any entity other than the District is pledged to the payment of the principal of or interest on the Bonds.

Principal of the Bonds is payable upon presentation to the paying agent/registrar, initially, The Bank of New York Mellon Trust Company, N.A., Houston, Texas (the "Paying Agent/Registrar"). The Bonds are dated June 1, 2026 (the "Dated Date"). Interest on the Bonds accrues from the date of initial delivery, which is expected to be on or about June 30, 2026 (the "Date of Delivery"), and is payable March 1, 2027, and on each September 1 and March 1 thereafter (each an "Interest Payment Date") until the earlier of maturity or redemption. Interest on the Bonds is payable by check dated as of the Interest Payment Date, and mailed by the Paying Agent/Registrar to registered owners ("Registered Owners") as shown on the records of the Paying Agent/Registrar at the close of business on the 15th calendar day of the month next preceding each interest payment date (the "Record Date"). The Bonds are fully registered bonds in the denomination of \$5,000 or any integral multiple thereof.

The Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. Beneficial owners of the Bonds will not receive physical certificates representing the Bonds, but will receive a credit balance on the books of the nominees of such beneficial owners. So long as Cede & Co. is the registered owner of the Bonds, the principal of and interest on the Bonds will be paid by the Paying Agent/Registrar directly to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds as described herein. See "THE BONDS – Book-Entry-Only System."

See "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL REOFFERING YIELDS AND CUSIPS" on inside cover.

The Bonds constitute the eleventh series of unlimited tax bonds issued by the District for the purpose of constructing water, wastewater and drainage facilities (the "System") to serve the District. 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 to rate or amount, levied against all taxable property within the District. See "THE BONDS – Source of Payment."

The Bonds are subject to special investment considerations described herein. Bond purchasers are encouraged to read this entire Official Statement, including particularly the section titled "INVESTMENT CONSIDERATIONS," prior to making an investment decision. See "INVESTMENT CONSIDERATIONS."

The Bonds are offered subject to prior sale, when, as and if issued by the District and accepted by the Initial Purchaser, subject to the approval of the Attorney General of Texas and of Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel. Delivery of the Bonds is expected on or about June 30, 2026.

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL REOFFERING YIELDS, AND CUSIPS

\$12,490,000 Unlimited Tax Bonds, Series 2026

Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. _____ (b)	Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. _____ (b)
2027	\$ 15,000	____%	____%	—	2039 (c)	\$ 425,000	____%	____%	—
2028	135,000	____%	____%	—	2040 (c)	440,000	____%	____%	—
2029	135,000	____%	____%	—	2041 (c)	455,000	____%	____%	—
2030	140,000	____%	____%	—	2042 (c)	470,000	____%	____%	—
2031	145,000	____%	____%	—	2043 (c)	490,000	____%	____%	—
2032 (c)	150,000	____%	____%	—	2044 (c)	505,000	____%	____%	—
2033 (c)	160,000	____%	____%	—	2045 (c)	1,105,000	____%	____%	—
2034 (c)	165,000	____%	____%	—	2046 (c)	1,160,000	____%	____%	—
2035 (c)	175,000	____%	____%	—	2047 (c)	1,215,000	____%	____%	—
2036 (c)	180,000	____%	____%	—	2048 (c)	1,275,000	____%	____%	—
2037 (c)	395,000	____%	____%	—	2049 (c)	1,340,000	____%	____%	—
2038 (c)	410,000	____%	____%	—	2050 (c)	1,405,000	____%	____%	—

- (a) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Initial Purchaser (herein defined). Initial reoffering yields represent the initial offering price, which may be changed for subsequent purchasers. The initial yield indicated above represents the yield resulting when priced to maturity.
- (b) CUSIP numbers have been assigned to the Bonds by CUSIP Global Service, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association and are included solely for the convenience of the owners of the Bonds.
- (c) Bonds maturing on September 1, 2032, and thereafter, shall be subject to redemption and payment at the option of the District, in whole, or from time to time in part, on September 1, 2031, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. In addition, the Initial Purchaser may designate one or more maturities as term bonds.

USE OF INFORMATION IN OFFICIAL STATEMENT

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

This document, when further supplemented by adding additional 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 such term is defined in Rule 15c2-12.

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

This Official Statement does not alone constitute, and is not authorized by the District for use in connection with, an offer to sell or the solicitation of any 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, records, and 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 Allen Boone Humphries Robinson LLP for further information.

This Official Statement contains, in part, estimates, assumptions and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates, assumptions, or matters of opinion, or as to the likelihood that they will be realized. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this "Official Statement" nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District, or other matters described herein since the date hereof. However, the District has agreed to keep this "Official Statement" current by amendment or sticker to reflect material changes in the affairs of the District, and to the extent such information actually comes to its attention, other matters described in this "Official Statement" until delivery of the Bonds to the Initial Purchaser and thereafter only as specified in "OFFICIAL STATEMENT – Updating of Official Statement."

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

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SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the bid of _____ (the "Initial Purchaser") to purchase the Bonds at the interest rates shown on the inside cover of this Official Statement at a price of _____% of par, resulting in a net effective interest rate to the District of _____%, as calculated pursuant to Chapter 1204, Texas Government Code, as amended. No assurance can be given that any trading market will be developed for the Bonds after their sale by the District to the Initial Purchaser. The District has no control over the price at which the Bonds are subsequently sold, and the initial yields at which the Bonds are priced and reoffered are established by and are the sole responsibility of the Initial Purchaser.

Prices and Marketability

The delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Initial Purchaser on or before the date of 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 Initial Purchaser regarding the reoffering yields or prices of the Bonds. Information concerning reoffering yields or prices is the responsibility of the Initial Purchaser.

The prices and other terms with respect to the offering and sale of the Bonds may be changed from time to time by the Initial Purchaser after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts. In connection with the offering of the Bonds, the Initial Purchaser may over-allot or effect transactions 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 assurance that a secondary market will be made in the Bonds. If there is a secondary market, the difference between the bid and asked prices of the Bonds may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional municipal entities, as bonds of such entities are more generally bought, sold or traded in the secondary market.

Securities Laws

No registration statement relating to the offer and sale of the Bonds has been filed with the United States Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon 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 acts of any other jurisdictions. The District assumes no responsibility for registration of the Bonds under the securities laws of any 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 should not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdiction.

MUNICIPAL BOND INSURANCE

The District has made applications for a commitment to provide municipal bond insurance on the Bonds. The purchase of such insurance, if available, and payment of all associated costs, including the premium charged by the insurer, will be at the option and expense of the Initial Purchaser.

RATING

S&P Global Ratings ("S&P") is located at 55 Water Street, New York, New York 10041, telephone number (212) 208-8000 and has engaged in providing ratings for corporate bonds since 1923 and municipal bonds since 1940. Long-term debt ratings assigned by S&P reflect its analysis of the overall level of credit risk involved in financings. At present S&P assigns long-term debt ratings with symbols "AAA" (the highest rating) through "D" (the lowest rating).

The Bonds received an underlying rating of "A+" from S&P.

The District is not aware of any rating assigned to the Bonds other than the ratings of S&P. The ratings reflect only the view of S&P and the District makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised or withdrawn entirely by S&P, if in its judgment, circumstances so warrant. Any such revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

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OFFICIAL STATEMENT 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. The summary should not be detached and should be used in conjunction with the more complete information contained herein. A full review should be made of this entire Official Statement and of the documents summarized or described herein.

THE BONDS

The Issuer	Harris County Municipal Utility District No. 81 (the "District"), a political subdivision of the State of Texas, is located in Harris County, Texas. See "THE DISTRICT."
The Issue	The District's \$12,490,000 Unlimited Tax Bonds, Series 2026 (the "Bonds"), are dated June 1, 2026 (the "Dated Date"). Interest accrues from the date of initial delivery, which is expected to be on or about June 30, 2026 (the "Date of Delivery"), at the rates set forth on the inside cover page hereof, and is payable March 1, 2027, and each September 1 and March 1 thereafter until the earlier of stated maturity or redemption.
Redemption.....	Bonds maturing on and after September 1, 2032, are subject to redemption, in whole or from time to time in part, at the option of the District on September 1, 2031, and on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date of redemption. See "THE BONDS – Redemption of the Bonds."
Source of Payment.....	The Bonds are payable from a continuing direct annual ad valorem tax, unlimited as to rate or amount, levied against all taxable property within the District. The Bonds are obligations solely of the District and are not obligations of the City of Houston, Texas, Harris County, Texas, the State of Texas, or any entity other than the District. See "THE BONDS – Source of Payment."
Outstanding Bonds.....	The District has previously issued thirteen (13) series of unlimited tax bonds and unlimited tax refunding bonds, of which \$9,905,000 principal amount remains outstanding as of April 23, 2026 (the "Outstanding Bonds"). See "THE BONDS – Outstanding Bonds."
Use of Proceeds	Proceeds from sale of the Bonds will be used to finance a portion of the costs associated with the projects listed herein under "USE AND DISTRIBUTION OF BOND PROCEEDS." Proceeds from the Bonds will also be used to pay costs of issuance of the Bonds.
Payment Record.....	The District has never defaulted on the timely payment of principal or interest on its bonded indebtedness. See "THE BONDS – Source of Payment."
Authority for Issuance.....	The District's voters have authorized the issuance of (i) \$14,950,000 waterworks and sewer system combination unlimited tax and revenue bonds at an election held in the District on March 2, 1974 (the "1974 Election"), (ii) \$10,000,000 unlimited tax and refunding bonds at an election held in the District on January 16, 1999 (the "1999 Election"), (iii) \$14,000,000 unlimited tax and refunding bonds at an election held in the District on May 11, 2013 (the "2013 Election") and (iv) \$8,500,000 unlimited tax bonds at an election held in the District on May 1, 2021 (the "2021 Election"). Following the issuance of the Bonds, \$4,245,000 in unlimited tax bonds will

remain authorized and unissued from the 2013 Election. No bonds remain authorized but unissued from the 1974 Election, the 1999 Election nor the 2021 Election.

The Bonds are issued pursuant to (i) Article XVI, Section 59 of the Texas Constitution, the general laws of the State of Texas, including particularly Chapters 49 and 54 of the Texas Water Code as amended, (ii) elections held within the District, (iii) a resolution (the “Bond Resolution”) adopted by the Board of Directors of the District (the “Board”), and (iv) and order by the Texas Commission on Environmental Quality (the “TCEQ”).

Municipal Bond Insurance and Ratings.....Applications have been made for a commitment for municipal bond insurance on the Bonds. The purchase of such insurance, if available, and payment of all associated costs, including the premium charged by the insurer, and fees charged by any rating companies, other than S&P Global Ratings (“S&P”), will be at the option and expense of the Initial Purchaser. S&P has assigned an underlying rating of “A+” to the Bonds. See “MUNICIPAL BOND INSURANCE” and “RATING” above.

Legal Opinion Allen Boone Humphries Robinson LLP, Houston, Texas. See “LEGAL MATTERS.”

Financial Advisor.....Cedar Creek Municipal Advisors, LLC, Houston, Texas.

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

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

THE DISTRICT

Description.....Harris County Municipal Utility District No. 81 is a political subdivision of the State of Texas created by the Texas Water Rights Commission (predecessor to the Texas Commission on Environmental Quality) on July 16, 1973, and operates as a municipal utility district pursuant to Chapters 49 and 54 of the Texas Water Code, as amended. The District is located approximately 24 miles west of the City of Houston's central business district. The District contains approximately 921 acres and is located within the Katy Independent School District and the extraterritorial jurisdiction of the City of Houston. See “THE DISTRICT – Description.”

Development within the District.....The District is comprised of the single-family residential subdivisions of Memorial Parkway, Sections 1-9, 11, 13, and portions of Sections 10 and 14; Cimarron, Sections 1-6; and Silverstone, Section 1. As of April 23, 2026, development within the District consisted of 2,993 occupied homes, 38 unoccupied homes, two (2) apartment complexes containing 588 units, the District Administration Building, and approximately 80 acres of retail centers and commercial establishments. There is no remaining undeveloped but developable land in the District.

INVESTMENT CONSIDERATIONS

THE DISTRICT'S TAX IS LEVIED ONLY ON THE TAXABLE PROPERTY LOCATED WITHIN THE DISTRICT. THEREFORE, THE INVESTMENT SECURITY AND QUALITY OF THE BONDS IS DEPENDENT UPON THE PROPERTY LOCATED WITHIN THE DISTRICT AND THE PAYMENT AND COLLECTION OF TAXES LEVIED THEREON.

THE BONDS ARE SUBJECT TO CERTAIN INVESTMENT CONSIDERATIONS. PROSPECTIVE PURCHASERS SHOULD REVIEW THIS ENTIRE OFFICIAL STATEMENT, INCLUDING PARTICULARLY THE SECTION OF THIS OFFICIAL STATEMENT ENTITLED "INVESTMENT CONSIDERATIONS," BEFORE MAKING AN INVESTMENT DECISION.

SELECTED FINANCIAL INFORMATION
(UNAUDITED)

2025 Taxable Assessed Valuation.....	\$ 884,425,887	(a)
Preliminary Assessed Valuation as of January 1, 2026	\$ 940,390,563	(b)
Direct Debt		
The Outstanding Bonds.....	\$ 9,905,000	
The Bonds	<u>\$ 12,490,000</u>	
Total.....	\$ 22,395,000	
Estimated Overlapping Debt	<u>\$ 44,215,293</u>	(c)
Total Direct and Estimated Overlapping Debt	\$ 66,610,293	
Debt Service Fund Balance (as of April 23, 2026)	\$ 1,774,113	(d)
General Fund Balance (as of April 23, 2026)	\$ 8,188,324	
Capital Projects Fund (as of April 23, 2026)	\$ 12,502	
2025 tax rate per \$100 of Taxable Assessed Valuation		
Debt Service	\$ 0.070	
Maintenance.....	<u>\$ 0.180</u>	
Total.....	\$ 0.250	
Direct Debt Ratio:		
As a percentage of 2025 Taxable Assessed Valuation.....	2.53	%
As a percentage of Preliminary Assessed Valuation as of January 1, 2026	2.38	%
Direct and Estimated Overlapping Debt Ratio:		
As a percentage of 2025 Taxable Assessed Valuation.....	7.53	%
As a percentage of Preliminary Assessed Valuation as of January 1, 2026	7.08	%
Average Annual Debt Service Requirement (2026-2050)	\$ 1,477,568	(e)
Maximum Annual Debt Service Requirement (2039).....	\$ 1,480,019	(e)
Tax Rate per \$100 of Taxable Assessed Valuation Required to Pay Average Annual Debt Service Requirement (2026-2050) at 95% Tax Collections		
Based Upon 2025 Taxable Assessed Valuation.....	\$ 0.18	
Based Upon Preliminary Assessed Valuation as of January 1, 2026.....	\$ 0.17	
Tax Rate per \$100 of Taxable Assessed Valuation Required to Pay Maximum Annual Debt Service Requirement (2039) at 95% Tax Collections		
Based Upon 2025 Taxable Assessed Valuation.....	\$ 0.18	
Based Upon Preliminary Assessed Valuation as of January 1, 2026.....	\$ 0.17	

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- (a) As certified by the Harris Central Appraisal District (the "Appraisal District" or "HCAD"). See "TAX DATA" and "TAXING PROCEDURES."
- (b) Provided by the Appraisal District as the Preliminary 2026 Assessed Value. This value represents the preliminary determination of the taxable value in the District as of January 1, 2026. No taxes will be levied on this preliminary value, which is subject to protest by the landowners. The value will be certified by the Appraisal Review Board and taxes will be levied on the certified value. See "TAXING PROCEDURES"
- (c) See "DISTRICT DEBT - Estimated Direct and Overlapping Debt Statement."
- (d) Neither Texas law nor the Bond Resolution (defined herein) requires that the District maintain any particular sum in the Debt Service Fund (referenced herein).
- (e) Requirement of debt service on the Outstanding Bonds and the Bonds. Debt service on the Bonds is an estimate based on 5.00% interest rate.

OFFICIAL STATEMENT
relating to
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 81
\$12,490,000
UNLIMITED TAX BONDS
SERIES 2026

INTRODUCTION

This Official Statement of Harris County Municipal Utility District No. 81 (the “District”) is provided to furnish information with respect to the issuance by the District of its \$12,490,000 Unlimited Tax Bonds, Series 2026 (the “Bonds”).

The Bonds are issued pursuant to (i) Article XVI, Section 59 of the Texas Constitution, the general laws of the State of Texas, including particularly Chapters 49 and 54 of the Texas Water Code as amended, (ii) elections held within the District, (iii) a resolution authorizing the issuance of the Bonds (the “Bond Resolution”) adopted by the Board of Directors of the District (the “Board”), and (iv) and order by the Texas Commission on Environmental Quality (the “TCEQ”).

Following in this Official Statement are descriptions of the Bonds, the Bond Resolution, and certain information about the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027, upon payment of the costs of duplication therefor. Certain capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Bond Resolution, except as otherwise indicated herein.

THE BONDS

General

The District’s \$12,490,000 Unlimited Tax Bonds, Series 2026 (the “Bonds”), are dated June 1, 2026 (the “Dated Date”). Interest accrues from the date of initial delivery, which is expected to be on or about June 30, 2026 (the “Date of Delivery”), at the rates set forth on the inside cover page hereof, and is payable March 1, 2027, and each September 1 and March 1 thereafter until the earlier of stated maturity or redemption. The Bonds are fully-registered bonds maturing on September 1 of the years shown under “MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL REOFFERING YIELDS, AND CUSIPS” on the inside cover page of this Official Statement.

Principal of the Bonds is payable upon presentation to the paying agent/registrar, initially, The Bank of New York Mellon Trust Company, N.A., Houston, Texas (the “Paying Agent/Registrar”). Interest on the Bonds is payable by check dated as of the Interest Payment Date, and mailed by the Paying Agent/Registrar to registered owners (“Registered Owners”) as shown on the records of the Paying Agent/Registrar at the close of business on the 15th calendar day of the month next preceding each interest payment date (the “Record Date”). The Bonds are fully registered bonds in the denomination of \$5,000 or any integral multiple thereof.

Book-Entry-Only System

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be required by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each of the Bonds, each in the aggregate principal amount of such issue, and will be deposited with DTC. If however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange

Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC.

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

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

Redemption proceeds, distributions, and dividend 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, Paying Agent/Registrar or District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to Tender/Remarketing Agent, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records to Tender/Remarketing Agent. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to Tender/Remarketing Agent's DTC account.

DTC may discontinue providing its services as 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 depository is not obtained, Bond certificates are required to be printed and delivered.

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

The information in the section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

Replacement of Paying Agent/Registrar

Provision is made in the Bond Resolution for replacement of the Paying Agent/Registrar by the District. If the Paying Agent/Registrar is replaced by the District the new Paying Agent/Registrar shall act in the same capacity as the previous Paying Agent/Registrar. Any Paying Agent/Registrar selected by the District shall be a national or state banking institution, a corporation organized and doing business under the laws of the United States of America or of any State, authorized under such laws to exercise trust powers, and subject to supervision or examination by federal or state authority, to act as Paying Agent/Registrar for the Bonds.

Registration, Transfer and Exchange

In the event the Book-Entry-Only System should be discontinued, the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar or its corporate trust office and such transfer or exchange shall be without expenses or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. 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. A new Bond or Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the principal payment office of the Paying Agent/Registrar, or sent by the United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Bonds to be cancelled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 for any one maturity and for a like aggregate principal amount as the Bond or Bonds surrendered for exchange or transfer. See "Book-Entry-Only System" above for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds.

Redemption of the Bonds

The Bonds that mature September 1, 2032 shall be subject to redemption and payment at the option of the District, in whole or from time to time in part, on September 1, 2031, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. Notice of the exercise of the reserved right of redemption will be given at least thirty (30) days prior to the redemption date by sending such notice by first class mail to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the bond register. If less than all of the Bonds are redeemed at any time, the maturities of the Bonds to be redeemed shall be selected by the District. If less than all of the Bonds of a certain maturity are to be redeemed, the particular Bonds or portions thereof to be redeemed will be selected by the Paying Agent/Registrar prior to the redemption date by such random method as the Paying Agent/Registrar deems fair and appropriate in integral multiples of \$5,000 within any one maturity. The Registered Owner of any Bond, all or a portion of which has been called for redemption, shall be required to present such Bond to the Paying Agent/Registrar for payment of the redemption price on the portion of the Bonds so called for redemption and issuance of a new Bond in the principal amount equal to the portion of such Bond not redeemed.

Mutilated, Lost, Stolen or Destroyed Bonds

In the event the book-entry-only system is discontinued, 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.

Authority for Issuance

The District's voters have authorized the issuance of (i) \$14,950,000 waterworks and sewer system combination unlimited tax and revenue bonds at an election held in the District on March 2, 1974 (the "1974 Election"), (ii) \$10,000,000 unlimited tax and refunding bonds at an election held in the District on January 16, 1999 (the "1999 Election"), (iii) \$14,000,000 unlimited tax and refunding bonds at an election held in the District on May 11, 2013 (the "2013 Election") and (iv) \$8,500,000 unlimited tax bonds at an election held in the District on May 1, 2021 (the "2021 Election"). Following the issuance of the Bonds, \$4,245,000 in unlimited tax bonds will remain authorized and unissued from the 2013 Election. No bonds remain authorized but unissued from the 1974 Election, the 1999 Election nor the 2021 Election.

The Bonds are issued pursuant to (i) Article XVI, Section 59 of the Texas Constitution, the general laws of the State of Texas, including particularly Chapters 49 and 54 of the Texas Water Code as amended, (ii) elections held within the District, (iii) the Bond Resolution, and (iv) and order by the TCEQ.

Source of Payment

The Bonds are payable from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. In the Bond Resolution, the District covenants to levy a sufficient tax to pay principal of and interest on the Bonds, with full allowance being made for delinquencies, costs of collections, Paying Agent/Registrar fees and appraisal districts fees. Tax proceeds, after deduction for collection costs, will be placed in the debt service fund and used solely to pay principal of and interest on the Bonds, and additional bonds payable from taxes which may be issued, and Paying Agent/Registrar fees.

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

Annexation and Consolidation

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

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

Outstanding Bonds

The District has previously issued sixteen (16) series of unlimited tax bonds or unlimited tax refunding bonds, of which \$9,905,000 principal amount remains outstanding as of April 23, 2026 (the “Outstanding Bonds”).

Issuance of Additional Debt

The District may issue additional bonds with the approval of the TCEQ, necessary to provide improvements and facilities consistent with the purposes for which the District was created.

The District’s voters have authorized the issuance of (i) \$14,950,000 waterworks and sewer system combination unlimited tax and revenue bonds from the 1974 Election, (ii) \$10,000,000 unlimited tax and refunding bonds from the 1999 Election, (iii) \$14,000,000 unlimited tax and refunding bonds for System purposes from the 2013 Election and (iv) \$8,500,000 unlimited tax bonds for System purposes from the 2021 Election. Following the issuance of the Bonds, \$4,245,000 in bonds will remain authorized and unissued from the 2013 Election. No bonds remain authorized but unissued from the 1974 Election, the 1999 Election nor the 2021 Election.

The District may issue bonds pursuant to its existing voter authorization necessary to finance additional improvements and facilities for which the District was created, with approval of the TCEQ. Additional tax or tax and revenue bonds may be voted in the future. The Board is further empowered to borrow money, under limited circumstances, for its lawful corporate purpose and to issue revenue notes, bond anticipation notes, or tax anticipation notes. See “INVESTMENT CONSIDERATIONS – Future Debt.”

The District also is authorized by law to engage in fire-fighting activities, including the issuance of bonds payable from taxes for such purpose. Before the District could issue such bonds, the following actions would be required: (1) authorization of a detailed master plan and bonds for such purpose by the qualified voters in the District; (2) approval of the master plan and bonds by the TCEQ; and (3) approval of bonds by the Attorney General of Texas. The Board has not considered calling an election at this time for such purposes. If additional debt obligations are issued in the future by the District, such issuance may increase gross debt property ratios and might adversely affect the investment security of the Bonds.

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. Before the District could issue park bonds payable from taxes, the following actions would be required: (a) preparation of a detailed park plan; (b) authorization of park bonds by the qualified voters in the District; (c) approval of the park 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 of the value of the taxable property in the District at the time of issuance of such bonds. The Board has not considered authorizing the preparation of a park plan or calling a park bond election at this time.

The Bond Resolution imposes no limitation on the amount of additional bonds that may be issued by the District. Any additional bonds issued by the District would be on parity with the Bonds.

Defeasance

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

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

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

No Arbitrage

The District will certify on the date the Bonds are delivered and paid for that based upon all facts and estimates now known or reasonably expected to be in existence, the District reasonably expects that the proceeds of the Bonds will not be used in a manner that would cause the Bonds, or any portion of the Bonds, to be "arbitrage bonds" under Section 148 of the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations prescribed from time to time thereunder. Furthermore, all officers, employees and agents of the District have been authorized and directed to provide certifications of facts and estimates that are material to the reasonable expectations of the District as of the date the Bonds are delivered and paid for. In particular, all or any officers of the District have been authorized to certify to the facts, circumstances and reasonable expectations of the District on the date the Bonds are delivered and paid for regarding the amount and use of the proceeds of the Bonds. Moreover, the District will covenant in the Bond Resolution that it will make such use of the proceeds of the Bonds, regulate investments of proceeds of the Bonds and take such other and further actions and follow such procedures, including without limitation, calculation of the yield on the Bonds, as may be required so that the Bonds will not become "arbitrage bonds" under the Code and the regulations prescribed from time to time thereunder.

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

Registered Owners’ Remedies

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

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USE AND DISTRIBUTION OF BOND PROCEEDS

Proceeds from sale of the Bonds will be used to finance a portion of the costs associated with the projects listed below. Proceeds from the Bonds will also be used to pay costs of issuance of the Bonds.

Construction Costs	<u>District's Share</u>
A. Developer Items	
None	
B. District Items	
1. Cimarron Sections 2-5 Subdivision Drainage Improvements	\$ 5,683,200
2. Memorial Parkway Section 3, 4, & 5 Sanitary Sewer Rehabilitation	854,593
3. Memorial Parkway Section 6, 7 & 8 and Cimarron Section 1, 2 & 3 Sanitary Sewer Rehabilitation	3,545,000
4. Contingencies (10% of Item No. 3)	354,500
5. Engineering (Item Nos. 1-3)	<u>1,125,924</u>
Total District Items	\$ 11,563,217
Non-Construction Costs	
A. Legal Fees	\$ 289,800
B. Fiscal Agent Fees	237,325
C. Bond Discount (2.00%)	249,800
D. Bond Issuance Expenses	46,658
E. Bond Application Report Costs	50,000
F. Attorney General Fee (0.1% up to \$9,500)	9,500
G. TCEQ Bond Issuance Fee (0.25%)	31,225
H. Contingency	<u>12,475</u>
Total Non-Construction Costs	\$ 926,783
TOTAL BOND ISSUE REQUIREMENT	\$ 12,490,000

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 DISTRICT

Authority

The District is a political subdivision of the State of Texas operating as a municipal utility district pursuant to Article XVI, Section 59 of the Texas Constitution. The District was created by order of the Texas Water Rights Commission, predecessor of the Texas Commission on Environmental Quality, on July 16, 1973. The District is vested with all the rights, privileges, authority and functions conferred by the laws of the State of Texas applicable to municipal utility districts, including without limitation those conferred by Chapters 49 and 54, Texas Water Code, as amended. The District is empowered to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply of water; the collection, transportation and treatment of wastewater; and the control and diversion of storm water, among other things. The District may also provide solid waste collection and disposal service and operate and maintain parks and recreational facilities. The District provides solid waste collection service, but does not operate parks and recreational facilities.

Description

The District is located in west Harris County, approximately 24 miles from the City of Houston's (the "City") central business district, and is wholly within the exclusive extraterritorial jurisdiction of the City. Its original size was approximately 1,281.1 acres; a subsequent deannexation (363.3 acres) and annexation (2.9 acres) resulted in its present area of approximately 921 acres. The District is bounded by West Memorial Municipal Utility District and Interstate Municipal Utility District to the north, Cimarron Municipal Utility District to the west, Cornerstones Municipal Utility District and Memorial Municipal Utility District to the south and Mason Creek Utility District to the east. The District is accessible via Mason Road to Interstate Highway 10 (Katy Freeway) and to the Westpark Tollway, and it is located within the Katy Independent School District.

The District contains flat, coastal plain, with elevations ranging from 109 to 125 feet above main sea level. According to the District's Engineer, none of the acreage in the District lies in the 100-year flood plain, based on maps used by the U.S. Department of Housing and Urban Development and the Federal Insurance Administration.

Management of the District

The District is governed by a board of five (5) directors which has control and management supervision over all affairs of the District. The members of the board of directors are elected to their offices. All five members either own taxable property or reside within the boundaries of the District.

All directors serve four-year staggered terms and all elections are held in even-numbered years. The present members and officers of the Board are listed below:

Name	Title	Term Expires May
Patrick Cathcart	President	2030
Bruce Cox	Vice President	2030
Michael Olsen	Secretary	2028
Donna Brown	Assistant Secretary	2030
George Goff	Treasurer	2028

Investment Policy

The District has adopted an Investment Policy (the "Policy") as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code (the "Act"). The District's goal is to preserve principal and maintain liquidity in a diversified portfolio while securing a competitive yield on its portfolio. Funds of the District are to be invested only in accordance with the Policy. The Policy states that the funds of the District may be invested

in short term obligations of the U.S. or its agencies or instrumentalities, in certificates of deposits insured by the Federal Deposit Insurance Corporation ("FDIC") and secured by collateral authorized by the Act, and in TexPool and Texas Class, which are public funds investment pools rated in the highest rating category by a nationally recognized rating service. The District does not currently own, nor does it anticipate, the inclusion of long term securities or derivative products in the portfolio.

Management and Contract Services

The District contracts for management and administrative services, tax collecting, bookkeeping, facilities repair and maintenance, legal, financial advisory, auditing and other professional services as follows:

Bookkeeper: The District has engaged McLennan & Associates, LP as the District's Bookkeeper.

Tax Assessor/Collector: The District has engaged Wheeler & Associates, Inc., Houston, Texas ("Tax Assessor/Collector") as the District's Tax Assessor/Collector. The Tax Assessor/Collector applies the District's tax levy to tax rolls prepared by the Appraisal District and bills and collects such levy.

District Operators: The District's current Utility System operator is Municipal District Services, LLC. The District's current operator for the Cinco Regional Sewage Treatment Plant is Si Environmental.

Engineer: The District has employed the firm of BGE, Inc., Houston, Texas, (the "District's Engineer") as the District's consulting engineer.

Auditing: The financial statements of the District as of December 31, 2025, and for the year then ended, included in this offering document, have been audited by Forvis Mazars, LLP, independent auditors, as stated in their report appearing herein. See "APPENDIX A."

Financial Advisor: The District has engaged Cedar Creek Municipal Advisors, LLC, as financial advisor (the "Financial Advisor") to the District. The fees to be paid to the Financial Advisor for services rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued and sold. Therefore, the payment of such fees is contingent upon the sale and delivery of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement.

Legal Counsel: Allen Boone Humphries Robinson LLP, Houston, Texas, serves as Bond Counsel to the District and also represents the District on certain other matters of a general legal nature. The fees for Bond Counsel for bond-related services are contingent on the issuance, sale and delivery of the Bonds.

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

Strategic Partnership Agreement

On December 2, 2002, the District entered into a Strategic Partnership Agreement ("SPA") with the City. Under the SPA, the City annexed certain commercial areas of the District for limited purposes of applying certain City planning, zoning, health and safety ordinances in the area annexed for limited purposes. The City imposes its one percent (1%) sales tax (but no property tax) in the areas annexed for limited purposes. In the SPA, the City has agreed to rebate to the District one-half (1/2) of all sales tax revenues collected by the City in the area annexed for limited purposes. In addition, the City has agreed that it will not annex the District for full purposes for thirty years from the effective date of the SPA.

CURRENT STATUS OF DEVELOPMENT IN THE DISTRICT

Status of Development

The District is comprised of the single-family residential subdivisions of Memorial Parkway, Sections 1-9, 11, 13, and portions of Sections 10 and 14; Cimarron, Sections 1-6; and Silverstone, Section 1. As of April 23, 2026, development within the District consisted of 2,993 occupied homes, 38 unoccupied homes, two (2) apartment complexes containing 588 units, the District Administration Building, and approximately 80 acres of retail centers and commercial establishments. There is no remaining undeveloped but developable land remaining in the District.

DISTRICT DEBT

Debt Service Requirement Schedule

The following schedule sets forth the annual debt service requirements of the Outstanding Bonds as well as the principal and estimated interest requirements of the Bonds, assuming an interest rate of 5.00%.

Year Ending 12/31	Outstanding Debt Service	Plus: The Bonds			Total Debt Service
		Principal	Interest	Debt Service	
2026	\$583,409	-	-	-	\$583,409
2027	723,119	\$15,000	\$738,992	\$753,992	1,477,110
2028	718,806	135,000	623,750	758,750	1,477,556
2029	724,181	135,000	617,000	752,000	1,476,181
2030	728,944	140,000	610,250	750,250	1,479,194
2031	727,869	145,000	603,250	748,250	1,476,119
2032	731,344	150,000	596,000	746,000	1,477,344
2033	729,219	160,000	588,500	748,500	1,477,719
2034	731,369	165,000	580,500	745,500	1,476,869
2035	727,919	175,000	572,250	747,250	1,475,169
2036	733,769	180,000	563,500	743,500	1,477,269
2037	528,869	395,000	554,500	949,500	1,478,369
2038	534,969	410,000	534,750	944,750	1,479,719
2039	540,769	425,000	514,250	939,250	1,480,019
2040	545,675	440,000	493,000	933,000	1,478,675
2041	550,263	455,000	471,000	926,000	1,476,263
2042	559,531	470,000	448,250	918,250	1,477,781
2043	563,375	490,000	424,750	914,750	1,478,125
2044	571,900	505,000	400,250	905,250	1,477,150
2045		1,105,000	375,000	1,480,000	1,480,000
2046		1,160,000	319,750	1,479,750	1,479,750
2047		1,215,000	261,750	1,476,750	1,476,750
2048		1,275,000	201,000	1,476,000	1,476,000
2049		1,340,000	137,250	1,477,250	1,477,250
2050	-	1,405,000	70,250	1,475,250	1,477,344
	<u>\$12,255,297</u>	<u>\$12,490,000</u>	<u>\$11,299,742</u>	<u>\$23,789,742</u>	<u>\$36,045,039</u>

Average Annual Debt Service Requirement (2026-2050)\$ 1,477,568
Maximum Annual Debt Service Requirement (2039).....\$ 1,480,019

Bonded Indebtedness

2025 Taxable Assessed Valuation.....	\$ 884,425,887	(a)
2026 Preliminary Assessed Valuation as of January 1, 2026	\$ 940,390,563	(b)
Direct Debt		
The Outstanding Bonds.....	\$ 9,905,000	
The Bonds	<u>\$ 12,490,000</u>	
Total.....	\$ 22,395,000	
Estimated Overlapping Debt.....	<u>\$ 44,215,293</u>	(c)
Total Direct and Estimated Overlapping Debt	\$ 66,610,293	
Debt Service Fund Balance (as of April 23, 2026)	\$ 1,774,113	(d)
General Fund Balance (as of April 23, 2026)	\$ 8,188,324	
Capital Projects Fund (as of April 23, 2026)	\$ 12,502	
2025 tax rate per \$100 of Taxable Assessed Valuation		
Debt Service	\$ 0.070	
Maintenance.....	<u>\$ 0.180</u>	
Total.....	\$ 0.250	
Direct Debt Ratio:		
As a percentage of 2025 Taxable Assessed Valuation.....	2.53	%
As a percentage of Preliminary Assessed Valuation as of January 1, 2026	2.38	%
Direct and Estimated Overlapping Debt Ratio:		
As a percentage of 2025 Taxable Assessed Valuation.....	7.53	%
As a percentage of Preliminary Assessed Valuation as of January 1, 2026	7.08	%
Average Annual Debt Service Requirement (2026-2050)	\$ 1,477,568	(e)
Maximum Annual Debt Service Requirement (2039).....	\$ 1,480,019	(e)
Tax Rate per \$100 of Taxable Assessed Valuation Required to Pay Average Annual Debt Service Requirement (2026–2050) at 95% Tax Collections		
Based Upon 2025 Taxable Assessed Valuation.....	\$ 0.18	
Based Upon Preliminary Assessed Valuation as of January 1, 2026.....	\$ 0.17	
Tax Rate per \$100 of Taxable Assessed Valuation Required to Pay Maximum Annual Debt Service Requirement (2039) at 95% Tax Collections		
Based Upon 2025 Taxable Assessed Valuation.....	\$ 0.18	
Based Upon Preliminary Assessed Valuation as of January 1, 2026.....	\$ 0.17	

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- (a) As certified by the Harris Central Appraisal District (the "Appraisal District" or "HCAD"). See "TAX DATA" and "TAXING PROCEDURES."
- (b) Provided by the Appraisal District as the Preliminary 2026 Assessed Value. This value represents the preliminary determination of the taxable value in the District as of January 1, 2026. No taxes will be levied on this preliminary value, which is subject to protest by the landowners. The value will be certified by the Appraisal Review Board and taxes will be levied on the certified value. See "TAXING PROCEDURES"
- (c) See "DISTRICT DEBT – Estimated Direct and Overlapping Debt Statement."
- (d) Neither Texas law nor the Bond Resolution (defined herein) requires that the District maintain any particular sum in the Debt Service Fund (referenced herein).
- (e) Requirement of debt service on the Outstanding Bonds and the Bonds. Debt service on the Bonds is an estimate based on 5.00% interest rate.

Estimated Direct and Overlapping Debt Statement

Other governmental entities whose boundaries overlap the District have outstanding bonds payable from ad valorem taxes. The following statement of direct and estimated overlapping ad valorem tax debt was developed from information contained in "Texas Municipal Reports," published by the Municipal Advisory Council of Texas, or other available information. Except for the amount relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person is entitled to rely upon such information as being accurate or complete. Furthermore, certain of the entities listed below may have issued additional bonds since the dates stated in this table, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot presently be determined. Political subdivisions overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for operation, maintenance and/or general revenue purposes in addition to taxes for payment of their debt, and some are presently levying and collecting such taxes.

Taxing Jurisdiction	Outstanding Debt March 31, 2026	Overlapping	
		Percent	Amount
Harris County	\$ 2,473,177,553	0.13 %	\$ 3,178,247
Harris County Department of Education	28,960,000	0.13	37,201
Harris County Flood Control District	937,165,000	0.13	1,229,905
Harris County Hospital District	861,580,000	0.13	1,130,541
Katy Independent School District	2,514,530,000	1.52	38,132,629
Port of Houston Authority	386,074,397	0.13	<u>506,771</u>
Total Estimated Overlapping Debt			\$ 44,215,293
The District (a).....			<u>\$ 22,395,000</u>
Total Direct & Estimated Overlapping Debt (a).....			\$ 66,610,293

(a) Includes the Bonds.

Debt Ratios

Direct Debt Ratio:

As a percentage of the 2025 Taxable Assessed Valuation.....	2.53 %
As a percentage of the Preliminary Assessed Valuation as of January 1, 2026	2.38 %

Direct and Estimated Overlapping Debt Ratio:

As a percentage of the 2025 Taxable Assessed Valuation.....	7.53 %
As a percentage of the Preliminary Assessed Valuation as of January 1, 2026	7.08 %

TAXING PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in sufficient amount to pay the principal of and interest on the Bonds and any additional bonds payable from taxes which the District may hereafter issue (see "INVESTMENT CONSIDERATIONS – Future Debt"), and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Resolution to levy such a tax from year to year as described more fully above under "THE BONDS – Source of Payment." Under Texas law, the Board may also levy and collect annual ad valorem taxes for the operation and maintenance of the District and the System (as defined herein) and for the payment of certain contractual obligations. See "TAX DATA – Maintenance Tax."

Property Tax Code and County-Wide Appraisal Districts

Title I of the Texas Tax Code (the "Property Tax Code") specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Property Tax Code are complex and are not fully summarized here. The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal

district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district. The Harris Central Appraisal District (the "Appraisal District" or "HCAD") has the responsibility of appraising property for all taxing units within Harris County, including the District. Such appraisal values will be subject to review and change by the Harris County Appraisal Review Board (the "Appraisal Review Board").

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. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions, if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies and personal effects; certain goods, wares, and merchandise in transit; certain farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually-owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years or older and certain disabled persons, to the extent deemed advisable by the Board. The District may be required to offer such exemptions if a majority of voters approve same at an election. The District would be required to call an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces, if requested, but only to the maximum extent of between \$5,000 and \$12,000 depending upon the disability rating of the veteran claiming the exemption. A veteran who receives a disability rating of 100% is entitled to an exemption for the full value of the veteran's residence homestead. Furthermore, qualifying surviving spouses of persons 65 years of age and older are entitled to receive a resident homestead exemption equal to the exemption received by the deceased spouse. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. This exemption will also apply to a residence homestead that was donated by a charitable organization at some cost to such veterans. Also, the surviving spouse of a member of the armed forces who was killed in action 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 service member's death and said property was the service member's residence homestead at the time of death. Such exemption may 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. For the 2026 tax year, the District has granted a \$10,000 homestead exemption for persons age 65 or older and disabled persons.

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.

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State to exempt up to twenty percent (20%) of the appraised market value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of

the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted by before July 1. See "TAX DATA." For the 2026 tax year, the District has granted a 20% general residential homestead exemption.

Freeport Goods and Goods-in-Transit Exemption: A "Freeport Exemption" applies to goods, wares, ores, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit" Exemption is applicable to the same categories of tangible personal property which are covered by the Freeport Exemption, if, for tax year 2013 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2012 and subsequent years, such Goods-in-Transit Exemption includes tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. The District has taken official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years.

Tax Abatement

Harris County or the City of Houston may designate all or part of the area within the District as a reinvestment zone. Thereafter, Harris County or the City of Houston and the District, at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement, which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions. Currently, no part of the District has been designated as a reinvestment zone.

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Tax Code. Nevertheless, certain land may be appraised at less than market value, as such is defined in the Property Tax Code. The Texas Constitution limits increases in the appraised value of residence homesteads to 10 percent annually regardless of the market value of the property.

The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its fair market value. The Property Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price all of such property would bring if sold as a unit to a purchaser who would continue the business. Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use, open space or

timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by one political subdivision while claiming it for another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three years for agricultural use, for open space land, and timberland.

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

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

District and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units, 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.

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. For those taxes billed at a later date and that become delinquent on

or after June 1, they will also incur an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, may be rejected. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties and interest, if the person requests an installment agreement in writing and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in equal monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) sixty-five (65) years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continues to accrue during the period of deferral.

Rollback of Operation and Maintenance Tax Rate

Chapter 49 of the Texas Water Code classifies municipal utility districts differently based on the current operation and maintenance tax rate or on the percentage of projected 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 herein as "Special Taxing Units." Districts that have financed, completed, and issued bonds to pay for all land, improvements and facilities necessary to serve at least 95% of the projected build-out of the district are classified as "Developed Districts." Districts that do not meet either of the classifications previously discussed can be classified herein as "Developing Districts." The impact each classification has on the ability of a district to increase its maintenance and operations tax rate is described for each classification below. Debt service and contract tax rates cannot be reduced by 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 in the district, subject to certain homestead exemptions, may be required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Special Taxing Unit is the current year's debt service and contract tax rate plus the operation and maintenance tax rate that would impose 1.08 times the amount of operation and maintenance tax imposed by the District in the preceding tax year on a residence homestead appraised at the average appraised value of a resident homestead in the District in that year, subject to certain homestead exemptions.

Developed Districts

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

Developing Districts

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

The District

For the 2026 tax year, the District has determined its status as a Developed District. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new 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 parity with the tax liens of other such taxing units. 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 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 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 Bonds (see "TAXING PROCEDURES"). The Board of Directors of the District has in its Bond Resolution covenanted 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 of and interest on the Bonds (see "THE BONDS" and "INVESTMENT CONSIDERATIONS"). The District levied a debt service tax of \$0.07 per \$100 of assessed valuation and a maintenance tax of \$0.18 per \$100 of assessed valuation for the 2025 tax year.

Exemptions

As discussed in the section entitled "TAXING PROCEDURES" herein, certain property in the District may be exempt from taxation by the District. For the 2026 tax year, the District has granted a 20% general residential homestead exemption and a \$10,000 homestead exemption for persons age 65 or older and disabled persons.

Tax Rate Limitation

Debt Service: Unlimited (no legal limit as to rate or amount).
Maintenance: \$0.50 per \$100 Assessed Taxable Valuation.

Maintenance Tax

The Board of the District has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's facilities if such maintenance tax is authorized by vote of the District's electors. The District's voters have authorized the levy of such a maintenance tax not to exceed \$0.50 per \$100 of assessed valuation. For the 2025 fiscal year, the District levied a maintenance tax of \$0.18 per \$100 of assessed valuation.

Additional Penalties

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

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of taxable assessed valuation which would be required to meet certain debt service requirements on the Outstanding Bonds and the Bonds if no growth in the District's tax base occurs beyond the 2025 Taxable Assessed Valuation (\$884,425,887) or the Preliminary Assessed Valuation as of January 1, 2026 (940,390,563). The calculations assume collection of 95% of taxes levied.

Average Annual Debt Service Requirement (2026-2050)	\$ 1,477,568
Tax Rate of \$0.18 on the 2025 Taxable Assessed Valuation produces.....	\$ 1,512,368
Tax Rate of \$0.17 on the Preliminary Assessed Valuation as of January 1, 2026 produces	\$ 1,518,731
Maximum Annual Debt Service Requirement (2039)	\$ 1,480,019
Tax Rate of \$0.18 on the 2025 Taxable Assessed Valuation produces.....	\$ 1,512,368
Tax Rate of \$0.17 on the Preliminary Assessed Valuation as of January 1, 2026 produces	\$ 1,518,731

Estimated Overlapping Taxes

Property within the District is subject to taxation by several taxing authorities in addition to the District. Under Texas law, if ad valorem taxes levied by a taxing authority become delinquent, a lien is created upon the property which has been taxed. A tax lien on property in favor of the District is on 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 (see "DISTRICT DEBT – Estimated Direct and Overlapping Debt Statement"), 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.

Set forth below is an estimation of all taxes per \$100 of assessed valuation levied by such jurisdictions. No recognition is given to local assessments for civic association dues, emergency medical service contributions, fire department contributions or any other charges made by entities other than political subdivisions. The following chart includes the 2025 taxes per \$100 of assessed valuation levied by all such taxing jurisdictions. No prediction can be made of the tax rates that will be levied in future years by the respective taxing jurisdictions.

Taxing Jurisdiction	Harris County 2025 tax rates
The District	\$0.250000
Harris County	0.380960
Harris County Flood Control District	0.049660
Port of Houston Authority	0.005900
Harris County Hospital District	0.187610
Harris County Department of Education	0.004798
Harris County Emergency Services District No. 48	0.099995
Katy Independent School District	<u>1.117100</u>
Total	\$2.096023

Historical Tax Collections

Tax Year	Assessed Valuation	Tax Rate (a)	Adjusted Levy	Collections Current Year	Current Year Ended 9/30	Collections 03/31/2026
2021	\$676,395,662	\$0.295	\$1,995,367	98.30%	2022	99.60%
2022	770,463,629	0.275	2,118,775	98.51%	2023	99.46%
2023	861,492,281	0.265	2,282,955	97.99%	2024	99.11%
2024	889,806,711	0.250	2,224,517	97.57%	2025	98.27%
2025	884,425,887	0.250	2,211,065	93.85%	2026	93.85%

(a) See "Tax Rate Distribution" below

Tax Rate Distribution

	2025	2024	2023	2022	2021
Debt Service	\$0.0700	\$0.0500	\$0.1750	\$0.1625	\$0.1050
Maintenance and Operations	<u>\$0.1800</u>	<u>\$0.2000</u>	<u>\$0.0900</u>	<u>\$0.1125</u>	<u>\$0.1900</u>
Total	\$0.2500	\$0.2500	\$0.2650	\$0.2750	\$0.2950

Assessed Taxable Valuation Summary

The following represents the type of property comprising the 2021–2025 tax rolls as certified by the Appraisal Districts.

Type of Property	2025 Taxable Assessed Valuation	2024 Taxable Assessed Valuation	2023 Taxable Assessed Valuation	2022 Taxable Assessed Valuation	2021 Taxable Assessed Valuation
Land	\$296,923,097	\$274,677,771	\$267,826,338	\$253,413,375	\$185,149,040
Improvements	701,922,159	727,696,700	694,388,400	608,331,741	572,620,860
Personal Property	30,187,015	28,694,277	25,515,334	24,434,859	22,425,615
Exemptions (a)	<u>(144,606,384)</u>	<u>(141,262,037)</u>	<u>(126,237,791)</u>	<u>(115,716,346)</u>	<u>(103,799,853)</u>
Total	<u>\$884,425,887</u>	<u>\$889,806,711</u>	<u>\$861,492,281</u>	<u>\$770,463,629</u>	<u>\$676,395,662</u>

(a) Includes a 20% residential homestead exemption.

Principal Taxpayers

The following are the principal taxpayers in the District as shown on the certified appraisal rolls for the 2025 tax year.

Taxpayer	Types of Property	Taxable Value 2025 Tax Roll
MDM at Katy DE LLC	Land & Improvements	\$ 28,929,868
Metro West Development LLC	Land & Improvements	17,360,642
Wenzhou Highland Investments LP	Land & Improvements	13,536,750
Mason Complex LLC	Land & Improvements	11,023,119
Mason Creek Shopping CTR	Land & Improvements	8,599,940
Private Trust	Land & Improvements	7,030,100
Palapas Development LLC	Land & Improvements	6,337,794
Centerpoint Energy Houston Electric	Land & Improvements	6,022,020
PS LPT Properties Investors	Land & Improvements	5,331,348
803 S Mason LLC	Land & Improvements	4,462,100
Total		\$ 115,436,791
Percentage of District Value		13.05%

THE SYSTEM

Regulation

According to the District's Engineer, the water distribution and wastewater collection lines constructed by the District (the "System") were designed in accordance with accepted engineering practices and the requirements of all governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities including, among others, the TCEQ, the City, Harris County, and the Harris County Flood Control District. According to the District's Engineer, the design of all such facilities was approved by all required governmental agencies and inspected by the TCEQ. As such facilities were completed, they were conveyed to the District, which is responsible for the operation and maintenance of all water and wastewater facilities constructed by the District serving the areas within its boundaries.

Operation of the District's water supply and sewage treatment facilities is subject to regulation by, among others, the Environmental Protection Agency and the TCEQ. In many cases, regulations promulgated by these agencies have become effective only recently and are subject to further development and revisions.

Description

Water Supply

The District owns and operates (a) four water plants which all together include 4 water wells with total capacity of 4,700 gallons per minute ("gpm"); 1-420,000 barrel ground storage tanks; a 429,000 barrel ground storage tank; a 435,000 gallon barrel ground storage tank; a 500,000 gallon elevated storage tank; 2-600 gpm, 1-200 gpm and 6-750 gpm booster pumps; 1-15,000 and 2-20,000 gallon hydropneumatic tanks; 1-450 kilowatt ("kW"), 1-650 kW, and 2-500 kW auxiliary power generators; gas chlorinators; and control buildings; and (b) water interconnects (for emergency purposes) with adjacent districts. Such facilities are adequate to serve the District at full development.

Sewage Treatment

The District's sewage treatment capacity in two regional sewage treatment plants is described below:

- (a) 1,255,000 gallons per day ("GPD") capacity in a regional sewage treatment plant operated by and located within West Memorial Municipal Utility District; and
- (b) 560,000 GPD capacity in a regional sewage treatment plant owned by Memorial Municipal Utility District and operated by the District for the plant participants (the "Cinco Regional Sewage Treatment Plant").

The District's aggregate sewage treatment capacity of 1,815,000 GPD described herein is projected to be adequate to serve the District at full development.

Subsidence and Conversion to Surface Water Supply

The District is within the boundaries of the Harris Galveston Subsidence District (the "Subsidence District") which regulates groundwater withdrawal. The Subsidence District has adopted regulations requiring reduction of groundwater withdrawals through conversion to alternate source water (e.g., surface water) in certain areas within the Subsidence District's jurisdiction, including the area within the District. In 2001, the Texas legislature created the West Harris County Regional Water Authority ("Authority") to, among other things, reduce groundwater usage in, and to provide surface water to, the western portion of Harris County and a small portion of Fort Bend County. The District is located within the boundaries of the Authority. The Authority has entered into a Water Supply Contract with the City of Houston, Texas ("Houston") to obtain treated surface water from Houston. The Authority has developed a groundwater reduction plan ("GRP") and obtained Subsidence District approval of its GRP. The Authority's GRP sets forth the Authority's plan to comply with Subsidence District regulations, construct surface water facilities, and convert users from groundwater to alternate source water (e.g., surface water). The District's groundwater well(s) are included within the Authority's GRP.

The District's authority to pump groundwater is subject to an annual permit issued by the Subsidence District to the Authority, which permit includes all groundwater wells that are included in the Authority's GRP. The Authority, among other powers, has the power to: (i) issue debt supported by the revenues pledged for the payment of its obligations; (ii) establish fees (including fees to be paid by the District for groundwater pumped by the District or for surface water received by the District from the Authority), user fees, rates, charges and special assessments as necessary to accomplish its purposes; and (iii) mandate water users, including the District, to convert from groundwater to surface water. The Authority currently charges the District, and other major groundwater users, a fee per 1,000 gallons based on the amount of groundwater pumped by the District and the amount of surface water, if any, received by the District from the Authority. The Authority has issued revenue bonds to fund, among other things, Authority surface water project costs. It is expected that the Authority will continue to issue a substantial amount of bonds by the year 2035 to finance the Authority's project costs, and it is expected that the fees charged by the Authority will increase substantially over such period.

Under the Subsidence District regulations and the GRP, the Authority is required: (i) through the year 2024, to limit groundwater withdrawals to no more than 70% of the total annual water demand of the water users within the Authority's GRP; (ii) beginning in the year 2025, to limit groundwater withdrawals to no more than 40% of the total annual water demand of the water users within the Authority's GRP; and (iii) beginning in the year 2035, and continuing thereafter, to limit groundwater withdrawals to no more than 20% of the total annual water demand of the water users within the Authority's GRP. If the Authority fails to comply with the above Subsidence District regulations or its GRP, the Authority is subject to a disincentive fee penalty per 1,000 gallons ("Disincentive Fees") imposed by the Subsidence District for any groundwater withdrawn in excess of 20% of the total water demand in the Authority's GRP. In the event of such Authority failure to comply, the Subsidence District may also seek to collect Disincentive Fees from the District. If the District failed to comply with surface water conversion requirements mandated by the Authority, the Authority would likely impose monetary or other penalties against the District.

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

100-Year Flood Plain

“Flood Insurance Rate Map” or “FIRM” means an official map of a community on which the Federal Emergency Management Agency (FEMA) has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100-year flood plain, is depicted on these maps. The “100-year flood plain” (or 1% chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rain storm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes must be built above the 100-year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. An engineering or regulatory determination that an area is above the 100-year flood plain is not an assurance that homes built in such area will not be flooded, and a number of neighborhoods in the greater Houston area that are above the 100-year flood plain have flooded multiple times in the last several years. According to the Engineer, no land in the District is located within the 100-year flood plain.

In 2018, the National Weather Service completed a rainfall study known as NOAA Atlas 14, Volume 11 Participation-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 the application of more stringent floodplain regulations applying to a larger area and potentially leaving less developable property within the District. The application of 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.

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Operating History

The following is a summary of the District's Operating Fund for the last 4 years. The information was obtained from the District's audited financial statements, reference to which is hereby made. The District is required by statute to have a certified public accountant audit its financial statements annually, which audited financial statements are required to be filed with the TCEQ.

	2025	2024	2023	2022
Revenues				
Property Taxes	\$ 1,753,747	\$ 779,858	\$ 872,043	\$ 1,272,676
Sales Tax Rebates	273,192	264,298	279,678	274,499
Water Service	917,412	884,069	923,912	919,619
Sewer Service	1,677,077	1,631,579	1,595,709	1,535,050
Regional Eater Fee	1,333,138	1,275,338	1,371,665	1,263,107
Bulk Water Sales	-	-	-	391,901
Penalty and Interest	65,400	72,375	69,622	60,885
Tap Connection and Inspection Fee	24,192	2,745	-	21,464
Investment Income	343,713	443,157	434,156	128,463
Other Income	<u>42,300</u>	<u>59,305</u>	<u>32,311</u>	<u>33,802</u>
Total Revenues	\$ 6,430,171	\$ 5,412,724	\$ 5,579,096	\$ 5,901,466
Expenditures				
Service Operations				
Purchased Services	\$ 862,924	\$ 801,321	\$ 713,726	\$ 561,175
Regional Water Fees	1,361,340	1,388,930	1,460,464	1,571,464
Professional Fees	264,302	207,024	197,138	204,088
Contracted Services	295,197	279,883	258,116	255,285
Solid Waste	882,544	841,737	789,921	728,414
Utilities	151,368	163,390	157,290	151,389
Repairs and Maintenance	1,362,199	1,192,359	940,849	989,607
Other Expenditures	430,065	436,346	462,173	416,942
Tap Connections	16,032	-	-	9,240
Debt Issuance Costs	16,197	-	-	-
Capital outlay	<u>2,087,882</u>	<u>624,947</u>	<u>461,476</u>	<u>7,299</u>
Total Expenditures	\$ 7,730,050	\$ 5,935,937	\$ 5,441,153	\$ 4,894,903
Other Financing Sources	92,565	-	-	\$ 53,196
Fund Balance, Beginning of Year	\$ 8,586,568	\$ 9,109,781	\$ 8,971,838	\$ 7,912,079
Fund Balance, End of Year	\$ 7,379,254	\$ 8,586,568	\$ 9,109,781	\$ 8,971,838

INVESTMENT CONSIDERATIONS

General

The Bonds, which are obligations of the District and not of the State of Texas, Harris County, Texas, the City, or any political subdivision other than the District, will be secured by a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. Therefore, the ultimate security for payment of the principal of and interest on the Bonds depends upon the ability of the District to collect from the property owners within the District taxes levied against all taxable property located within the District, or, in the event taxes are not collected and foreclosure proceedings are instituted by the District, upon the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The District makes no representations that over the life of the Bonds the property within the District will maintain a value sufficient to justify continued payment of taxes by the property owners. The potential increase in taxable valuation of property in the District is directly related to the economics of the residential housing industry, not only due to general economic conditions, but also due to the particular factors discussed below. See "CURRENT STATUS OF DEVELOPMENT IN THE DISTRICT," "TAX DATA," and "TAXING PROCEDURES."

Potential Effects of Oil Price Volatility on the Houston Area

The economy of the Houston area has, in the past, been particularly affected by adverse conditions in the oil and gas industry, and such conditions and their spillover effects into other industries could result in declines in the demand for residential and commercial property in the Houston area and could reduce or negatively affect property values within the District. The District cannot predict the impact that negative conditions in the oil industry could have on property values in the District.

Factors Affecting Taxable Values and Tax Payments

Location and Access: The District is located in an outlying area of the Houston metropolitan area, approximately 24 miles west from the central business district of the City of Houston, adjacent to Interstate Highway 10. The mixed use developments with whom the District competes may be in a more convenient location or have better access. As a result, particularly during times of increased competition, the developments within the District may be at a competitive disadvantage to the developments in other mixed-use projects located closer to major urban centers. See "THE DISTRICT."

Maximum Impact on District Tax Rates: Assuming no further development or construction of taxable improvements, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of property owners within the District to pay their taxes. The 2025 Assessed Valuation of the District is \$884,425,887 (see "TAX DATA"). After issuance of the Bonds, the maximum annual debt service requirement on the Outstanding Bonds and the Bonds is estimated to be \$1,480,019 (2039) and the average annual debt service requirement on the Outstanding Bonds and the Bonds is estimated to be \$1,477,568 (2026-2050).

Based on the 2025 Assessed Valuation and no use of funds on hand, a tax rate of \$0.18 per \$100 assessed valuation, at a 95% collection rate would be necessary to pay the estimated maximum annual debt service requirement of \$1,480,019 and a tax rate of \$0.18 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the estimated average annual debt service requirement of \$1,477,568. Based on the 2026 Preliminary Assessed Valuation and no use of funds on hand, a tax rate of \$0.17 per \$100 assessed valuation, at a 95% collection rate would be necessary to pay the estimated maximum annual debt service requirement of \$1,518,731 and a tax rate of \$0.17 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the estimated average annual debt service requirement of \$1,518,731. For 2025, the District levied a debt service tax rate of \$0.070 per \$100 assessed valuation. See "DISTRICT DEBT – Debt Service Requirement Schedule" and "TAX DATA – Tax Rate Calculations."

Potential Impact of Natural Disaster

The District is located along the Texas Gulf Coast and, as it has in the past, the areas in and around the District could be impacted by high winds, heavy rains, and flooding caused by hurricane, tornado, tropical storm, or other adverse weather event. In the event that a natural disaster should damage or destroy improvements and personal property in the District, the assessed value of such taxable properties could be substantially reduced, resulting in a decrease in the taxable assessed value of the District or an increase in the District's tax rates. See "TAXING PROCEDURES – Valuation of Property for Taxation."

There can be no assurance that a casualty will be covered by insurance (certain casualties, including flood, are usually excepted unless specific insurance is purchased), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild, repair, or replace any taxable properties in the District that were damaged. Even if insurance proceeds are available and damaged properties are rebuilt, there could be a lengthy period in which assessed values in the District would be adversely affected. There can be no assurance the District will not sustain damage from weather-related events.

Hurricane Harvey

On August 26, 2017, Hurricane Harvey made landfall on the Texas Gulf Coast and severely impacted numerous localities in the region. The District and its facilities did not sustain any significant damage due to Hurricane Harvey. The Gulf Coast region where the District is located is subject to occasional destructive weather events, and there is no assurance that the District will not suffer damages from such destructive weather events in the future. See "INVESTMENT CONSIDERATIONS – Potential Impact of Natural Disaster."

Specific Flood Type Risks

The District may be subject to the following flood risks:

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

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

Certain Tax Exemptions Provided for Affordable Housing

Certain multi-family housing may be exempt from ad valorem taxation by the District pursuant to Chapter 303 of the Texas Local Government Code (the "PFC Act"), Chapter 392 of the Texas Local Government Code (the "Housing Authority Act"), or Chapter 394 of the Texas Local Government Code (the "HFC Act"), if certain conditions are met.

The PFC Act authorizes cities, counties, school districts, housing authorities and special districts (a "Sponsor") to create a sponsored Public Facility Corporation ("PFC") to acquire, construct, rehabilitate, renovate, repair, equip, furnish and place in service public facilities. These activities may be financed through certain obligations of either the Sponsor or the PFC. Under the PFC Act, a "public facility" includes any real, personal, or mixed property, or an interest in property devoted or to be devoted to public use, and authorized to be financed under the PFC Act. A public facility, including a leasehold estate in a public facility, that is owned by a PFC is exempt from taxation by the State or a municipality or other political subdivision of the State, including the District. This exemption applies to both ad valorem and sales taxes levied by such taxing authorities. Subject to certain restrictions, a leasehold or other possessory interest granted by the PFC to the user of a PFC-owned multifamily

residential development entitles that user to this same exemption. A PFC project approved on or after June 18, 2023, does not qualify for an exemption with respect to taxes imposed by a conservation and reclamation district providing water, sewer, or drainage services to the development, unless an agreement is entered into with the district concerning payments in lieu of taxation. Projects for which PFC or Sponsor approval was received prior to the effective date of H.B. 2071 are governed by the prior law and are not subject to the same requirements. The District is not aware of any public facilities located within the boundaries of the District that are either owned or leased by a PFC.

The HFC Act provides for the formation of housing finance corporations ("HFCs") by municipalities and counties for the purpose of providing decent, safe, and sanitary housing at affordable prices to residents of local governments. Public property owned by an HFC, including property for which an HFC holds an equitable interest, is exempt from taxes imposed by the state or any political subdivision of the state, including conservation and reclamation districts such as the District, provided certain conditions are met under the HFC Act. This exemption applies to both ad valorem and sales taxes levied by taxing authorities where the qualified project is located. Section 394.904(d) (as added by H.B. 21, 89th Texas Legislature, Regular Session) provides in part that, for property acquired by an HFC after May 28, 2025, such ad valorem tax exemptions do not apply to taxes levied by a conservation or reclamation district created under Section 52, Article III, or Section 59, Article XVI, Texas Constitution, that provides water, sewer, or drainage service to the multifamily residential development owned by the HFC, unless the applicable HFC has entered into a written agreement with the district to make a payment to the district in lieu of taxation, in the amount specified in the agreement. Further, property acquired by an HFC prior to May 28, 2025, may become subject to taxation by a conservation and reclamation district in future tax years unless certain additional requirements are met under the HFC Act. The District is not aware of any public property located within the boundaries of the District that is owned by an HFC.

The Housing Authority Act authorizes cities and counties to create housing authorities to provide safe and sanitary housing for persons of low income within the area of operation of the housing authority. Multi-family property owned by a housing authority, including property for which a housing authority holds an equitable interest, is exempt from all taxes and special assessments of a city, county, the state, or another political subdivision, including conservation and reclamation districts such as the District, if certain conditions are met under the Housing Authority Act. The District is not aware of any public property located within the boundaries of the District that is owned by a housing authority.

Tax Collections and Foreclosure Remedies

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 parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedures against a taxpayer, (c) market conditions limiting the proceeds from a foreclosure sale of taxable property, or (d) the taxpayer's right to redeem the property within two years for residential and agricultural property and six months for commercial property and all other property after the purchaser's deed issued at the foreclosure sale is filed in the county records. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. Attorney's fees and other costs of collecting any such taxpayer's delinquencies could substantially reduce the net proceeds to the District from a tax foreclosure sale. Finally, 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. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two other ways: first, a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid.

Registered Owners' Remedies

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners have a right to seek a writ of mandamus requiring the District to levy adequate taxes each year to make such payments. Except for mandamus, the Bond Resolution does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no provision for 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 a direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District in order to pay the principal of and interest on the Bonds. Since there is no trust indenture or trustee, the Registered Owners would have to initiate and finance the legal process to enforce their remedies.

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.

Future Debt

The District's voters have authorized the issuance of (i) \$14,950,000 waterworks and sewer system combination unlimited tax and revenue bonds from the 1974 Election, (ii) \$10,000,000 unlimited tax and refunding bonds from the 1999 Election, (iii) \$14,000,000 unlimited tax and refunding bonds for System purposes from the 2013 Election and (iv) \$8,500,000 unlimited tax bonds for System purposes from the 2021 Election. Following the issuance of the Bonds, \$4,245,000 in bonds will remain authorized and unissued from the 2013 Election. No bonds remain authorized but unissued from the 1974 Election, the 1999 Election, nor the 2021 Election.

In addition, the District has the right to issue obligations, other than the Bonds, including revenue notes, tax anticipation notes and bond anticipation notes, and to borrow money for any valid public purpose. The issuance of additional obligations may increase the District's tax rate and adversely affect the security for and the investment quality and value of the Bonds. The District does not employ any formula with respect to assessed valuations, tax collections or other factors to limit the amount of parity bonds which it may issue.

Environmental Regulations

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

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

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

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

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

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

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

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

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

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

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

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

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

In 2023, the Supreme Court of the United States issued its decision in *Sackett v. EPA*, which clarified the definition of “waters of the United States” and significantly restricted the reach of federal jurisdiction under the CWA. Under the *Sackett* decision, “waters of the United States” includes only geographical features that are described in ordinary parlance as “streams, oceans, rivers, and lakes” and to adjacent wetlands that are indistinguishable from such bodies of water due to a continuous surface connection. Subsequently, the EPA and USACE issued a final rule amending the definition of “waters of the United States” under the CWA to conform with the Supreme Court’s decision.

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

Marketability

The District has no understanding (other than the initial reoffering yields) with the winning bidder of the Bonds (the "Initial Purchaser") 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 bid and asked spread of other bonds generally bought, sold, or traded in the secondary market. See "SALE AND DISTRIBUTION OF THE BONDS."

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 of 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. See "TAX MATTERS."

Changes in Tax Legislation

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

Cybersecurity

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

Approval of the Bonds

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

Bond Insurance Risk Factors

The District has applied for a bond insurance policy to guarantee the scheduled payment of principal and interest on the Bonds. The District has yet to determine whether an insurance policy will be purchased with the Bonds. If an insurance policy is purchased, the following are risk factors relating to bond insurance.

In the event of default of the payment of principal or interest with respect to the Bonds when all or some becomes due, any owner of the Bonds shall have a claim under the applicable Bond Insurance Policy (the "Policy") for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by the District which is recovered by the District from the bond owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy, however, such payments will be made by the Bond Insurer at such time and in such amounts as would have been due absence such prepayment by the District unless the Bond Insurer chooses to pay such amounts at an earlier date.

Under most circumstances, default of payment of principal and interest does not obligate acceleration of the obligations of the Bond Insurer without appropriate consent. The Bond Insurer may direct and must consent to any remedies and the Bond Insurer's consent may be required in connection with amendments to any applicable bond documents.

In the event the Bond Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Bonds are payable solely from the moneys received pursuant to the applicable bond documents. In the event the Bond Insurer becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds.

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

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

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

LEGAL MATTERS

Legal Opinions

Delivery of the Bonds will be accompanied by the approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the District under the Constitution and laws of the State of Texas, payable from the proceeds of an annual ad valorem tax levied, without legal limitation as to rate or amount, upon all taxable property within the District, and, based upon their examination of a transcript of certified proceedings relating to the issuance and sale of the Bonds, the approving legal opinion of Bond Counsel to a like effect and to the effect that, under existing law, interest on the Bonds (i) is excludable from gross income for federal income tax purposes under section 103 of the Code (as defined herein), and (ii) is not an item of tax preference for purposes of the alternative minimum tax on individuals.

Bond Counsel has reviewed the information appearing in this Official Statement under "THE BONDS (except for information under the subheading "- Book-Entry-Only System"), "THE DISTRICT - Authority," "TAXING PROCEDURES," "LEGAL MATTERS," "TAX MATTERS," and "CONTINUING DISCLOSURE OF INFORMATION" solely to determine whether such information, insofar as it relates to matters of law, is true and correct and whether such information fairly summarizes matters of law and 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 information contained herein.

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

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

No-Litigation Certificate

The District will furnish the Initial Purchaser a certificate, executed by the President and Secretary of the Board, and dated as of the date of delivery of the Bonds, that to their knowledge, no litigation is pending or threatened affecting the validity of the Bonds, or the levy and/or collection of taxes for the payment thereof, or the organization or boundaries of the District, or the title of the officers thereof to their respective offices.

No Material Adverse Change

The obligations of the Initial Purchaser to take and pay for the Bonds, and of the District to deliver the Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the condition (financial or otherwise) of the District 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.

TAX MATTERS

The following discussion of certain federal income tax considerations is for general information only and is not tax advice. Each prospective purchaser of the Bonds should consult its own tax advisor as to the tax consequences of the acquisition, ownership and disposition of the Bonds.

Tax Exemption

In the opinion of Allen Boone Humphries Robinson LLP, Bond Counsel, under existing law, interest on the Bonds (i) is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) is not an item of tax preference for purposes of the alternative minimum tax on individuals.

The Code imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of bond proceeds and the source of repayment of bonds, limitations on the investment of bond proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of bond proceeds be paid periodically to the United States and a requirement that the issuer file an information report with the Internal Revenue Service (the "Service"). The District has covenanted in the Bond Resolution that it will comply with these requirements.

Bond Counsel's opinion will assume continuing compliance with the covenants of the Bond Resolution pertaining to those sections of the Code that affect the excludability of interest on the Bonds from gross income for federal income tax purposes and, in addition, will rely on representations by the District and other parties involved with the issuance of the Bonds with respect to matters solely within the knowledge of the District and such parties, which Bond Counsel has not independently verified. If the District fails to comply with the covenants in the Bond Resolution or if the foregoing representations are determined to be inaccurate or incomplete, interest on the Bonds could become includable in gross income from the date of delivery of the Bonds, regardless of the date on which the event causing such inclusion occurs.

Bond Counsel will express no opinion as to the amount or timing of interest on the Bonds or, except as stated above, any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or acquisition, ownership or disposition of, the Bonds. Certain actions may be taken or omitted subject to the terms and conditions set forth in the Bond Resolution upon the advice or with the approving opinion of Bond Counsel. Bond Counsel will express no opinion with respect to Bond Counsel's ability to render an opinion that such actions, if taken or omitted, will not adversely affect the excludability of interest of the Bonds from gross income for federal income tax purposes.

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel's knowledge of facts as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent Bond Counsel's legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given as to whether the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the District as the taxpayer, and the Owners of the Bonds may not have a right to participate in such audit. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds, regardless of the ultimate outcome of the audit.

Not Qualified Tax-Exempt Obligations

The Bonds will not be designated "not-qualified tax-exempt obligations" for financial institutions.

Additional Federal Income Tax Considerations

Collateral Tax Consequences

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences, including but not limited to those noted below. Therefore, prospective purchasers of the Bonds should consult their own tax advisors as to the tax consequences of the acquisition, ownership and disposition of the Bonds.

An "applicable corporation" (as defined in section 59(k) of the Code) may be subject to a 15 percent alternative minimum tax imposed under section 55 of the Code on its "adjusted financial statement income" (as defined in section 56A of the Code) for such taxable year. Because interest on tax-exempt obligations, such as the Bonds, is included in a corporation's "adjusted financial statement income," ownership of the Bonds could subject certain corporations to alternative minimum tax consequences.

Ownership of tax-exempt obligations also may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, low and middle income taxpayers otherwise qualifying for the health insurance premium assistance credit and individuals otherwise qualifying for the earned income tax credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively connected earnings and profits, including tax-exempt interest such as interest on the Bonds.

Prospective purchasers of the Bonds should also be aware that, under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on the Bonds, received or accrued during the year.

Tax Accounting Treatment of Original Issue Premium

If the issue price of any maturity of the Bonds exceeds the stated redemption price payable at maturity of such Bonds, such Bonds (the "Premium Bonds") are considered for federal income tax purposes to have "bond premium" equal to the amount of such excess. The basis of a Premium Bond in the hands of an initial owner is reduced by the amount of such excess that is amortized during the period such initial owner holds such Premium Bond in determining gain or loss for federal income tax purposes. This reduction in basis will increase the amount of any gain or decrease the amount of any loss recognized for federal income tax purposes on the sale or other taxable disposition of a Premium Bond by the initial owner. No corresponding deduction is allowed for federal income tax purposes for the reduction in basis resulting from amortizable bond premium. The amount of bond premium on a Premium Bond that is amortizable each year (or shorter period in the event of a sale or disposition of a Premium Bond) is determined using the yield to maturity on the Premium Bond based on the initial offering price of such Premium Bond.

The federal income tax consequences of the purchase, ownership and redemption, sale or other disposition of Premium Bonds that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above. All owners of Premium Bonds should consult their own tax advisors with respect to the determination for federal, state, and local income tax purposes of amortized bond premium upon the redemption, sale or other disposition of a Premium Bond and with respect to the federal, state, local, and foreign tax consequences of the purchase, ownership, and sale, redemption or other disposition of such Premium Bonds.

Tax Accounting Treatment of Original Issue Discount

If the issue price of any maturity of the Bonds is less than the stated redemption price payable at maturity of such Bonds (the "OID Bonds"), the difference between (i) the amount payable at the maturity of each OID Bond, and (ii) the initial offering price to the public of such OID Bond constitutes original issue discount with respect to such OID Bond in the hands of any owner who has purchased such OID Bond in the initial public offering of the Bonds. Generally, such initial owner is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such OID Bond equal to that portion of the amount of such original issue discount allocable to the period that such OID Bond continues to be owned by such owner. Because original issue discount is treated as interest for federal income tax purposes, the discussions regarding interest on the Bonds under the captions "TAX MATTERS – Tax Exemption" and "TAX MATTERS – Additional Federal Income Tax Considerations – Collateral Tax Consequences" and "—Tax Legislative Changes" generally apply and should be considered in connection with the discussion in this portion of the Official Statement.

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

The foregoing discussion assumes that (i) the Initial Purchaser has purchased the Bonds for contemporaneous sale to the public and (ii) all of the OID Bonds have been initially offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm's-length transactions for a price (and with no other consideration being included) not more than the initial offering prices thereof stated on the inside cover page of this Official Statement. Neither the District nor Bond Counsel has made any investigation or offers any assurance that the OID Bonds will be offered and sold in accordance with such assumptions.

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

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

Tax Legislative Changes

Current law may change so as to directly or indirectly reduce or eliminate the benefit of the excludability of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, could 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 recently enacted, proposed, pending or future legislation.

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Resolution, the District has 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 the Municipal Securities Rulemaking Board ("MSRB"). The MSRB has established the Electronic Municipal Market Access ("EMMA") system which is available at www.emma.msrb.org.

Annual Reports

The District will provide certain updated financial information and operating data to EMMA annually.

The information to be updated with respect to the District includes all quantitative financial information and operating data of the general type included in this Official Statement under the headings "DISTRICT DEBT" (except under the subheading "Estimated Direct and Overlapping Debt Statement"), "TAX DATA," and "APPENDIX A." The District will update and provide this information within six months after the end of each of its fiscal years ending in or after 2026. The District will provide the updated information to EMMA.

Any information so provided shall be prepared in accordance with generally accepted accounting principles or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to EMMA within such six month period, and audited financial statements when the audit report becomes available.

The District's current fiscal year end is December 31. Accordingly, it must provide updated information by June 30 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify EMMA 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-exempt status of the Bonds, or other material events affecting the tax-exempt status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person or the sale of all or substantially all of the assets of the District or other obligated person, 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, 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, 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, any of which reflect financial difficulties. The terms "obligated person" and "financial obligation" when used in this paragraph shall have the meanings ascribed to them under SEC Rule 15c2-12 (the "Rule"). 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.”

Availability of Information from EMMA

The District has agreed to provide the information only to the MSRB. The MSRB has prescribed that such information must be filed via EMMA. The MSRB makes the information available to the public without charge and investors will be able to access continuing disclosure information filed with the MSRB at www.emma.msrb.org.

Limitations and Amendments

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

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

Compliance with Prior Undertakings

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

OFFICIAL STATEMENT

General

The information contained in this Official Statement has been obtained primarily from the District’s records, the Engineer, the Tax Assessor/Collector and other sources believed to be reliable; however, no representation is made as to the accuracy or completeness of the information contained herein, except as described below. The summaries of the statutes, resolutions and engineering and other related reports set forth herein are included 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.

The financial statements of the District as of December 31, 2025, and for the year then ended, included in this offering document, have been audited by Forvis Mazars, LLP, as stated in their report appearing herein. See “APPENDIX A” for a copy of the District’s December 31, 2025, audited financial statements.

Experts

The information contained in the Official Statement relating to engineering and to the description of the System, and, in particular, that engineering information included in the sections entitled “THE DISTRICT – Description”

and "THE SYSTEM" has been provided by BGE, Inc. and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

The information contained in the Official Statement relating to assessed valuations of property generally and, in particular, that information concerning collection rates and valuations contained in the sections captioned "TAX DATA" and "DISTRICT DEBT" was provided by Wheeler & Associates, Inc and the Appraisal District. Such information has been included herein in reliance upon Wheeler & Associates' authority as an expert in the field of tax collection and the Appraisal District's authority as an expert in the field of tax assessing.

Certification as to Official Statement

The District, acting by and through its Board of Directors in its official capacity and in reliance upon the experts listed above, hereby certifies, as of the date hereof, that to the best of its knowledge and belief, the information, statements and descriptions pertaining to the District and its affairs herein 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 were made, not misleading. The information, descriptions and statements concerning entities other than the District, including particularly other governmental entities, have been obtained from sources believed to be reliable, but the District has made no independent investigation or verification of such matters and makes no representation as to the accuracy or completeness thereof.

Updating of Official Statement

If, subsequent to the date of the Official Statement, the District learns, through the ordinary course of business and without undertaking any investigation or examination for such purposes, or is notified by the Initial Purchaser, of any adverse event which causes the Official Statement to be materially misleading, and unless the Initial Purchaser elects to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Initial Purchaser an appropriate amendment or supplement to the Official Statement satisfactory to the Initial Purchaser; provided, however, that the obligation of the District to so amend or supplement the Official Statement will terminate when the District delivers the Bonds to the Initial Purchaser, unless the Initial Purchaser notifies the District in writing 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) until all of the Bonds have been sold to ultimate customers.

CONCLUDING STATEMENT

The information set forth herein has been obtained from the District's records, audited financial statements and other sources which are considered to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will ever be realized. All of the summaries of the statutes, documents and resolutions contained in this Official Statement are made subject to all of the provisions of the provisions of such statutes, documents and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such summarized documents for further information. Reference is made to official documents in all respects.

This Official Statement was approved by the Board of Directors of Harris County Municipal Utility District No. 81 as of the date shown on the first page hereof.

/s/ _____
President, Board of Directors
Harris County Municipal Utility District No. 81

ATTEST:

/s/ _____
Secretary, Board of Directors
Harris County Municipal Utility District No. 81

APPENDIX A

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS OF THE DISTRICT



Harris County Municipal Utility District No. 81

Harris County, Texas

**Independent Auditor's Report, Financial Statements,
and Supplementary Information**

December 31, 2025



Harris County Municipal Utility District No. 81
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December 31, 2025

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Independent Auditor's Report

Board of Directors
Harris County Municipal Utility District No. 81
Harris County, Texas

Opinions

We have audited the financial statements of the governmental activities and each major fund of Harris County Municipal Utility District No. 81 (District), as of and for the year ended December 31, 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 accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of December 31, 2025, and the respective changes in financial position thereof 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 (GAAS). 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 these 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 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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 accompanying schedules required by the Texas Commission on Environmental Quality listed in the table of contents are presented for purposes of additional analysis and are 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. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Forvis Mazars, LLP

Houston, Texas
May 13, 2026

Harris County Municipal Utility District No. 81
Management's Discussion and Analysis
Year Ended December 31, 2025

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. This report also contains supplementary information required by the Governmental Accounting Standards Board and by the District's state oversight agency, the Texas Commission on Environmental Quality (Commission).

In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities that engage in a single governmental program, such as the provision of water, sanitary sewer, and drainage services. Other activities, such as the provision of recreation facilities and solid waste collection, are minor activities and are not budgeted or accounted for as separate programs. The financial statements of special-purpose governments combine two types of financial statements into one statement. These two types of financial statements are the government-wide financial statements and the fund financial statements. The fund financial statements are presented on the left side of the statements, a column for adjustments is to the right of the fund financial statements, and the government-wide financial statements are presented to the right side of the adjustments column. The following sections describe the measurement focus of the two types of statements and the significant differences in the information they provide.

Government-Wide Financial Statements

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

The difference between the District's assets, liabilities, and deferred inflows and outflows of resources is labeled as net position, and this difference is similar to the total stockholders' equity presented by a commercial enterprise.

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

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

Fund Financial Statements

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

**Harris County Municipal Utility District No. 81
Management's Discussion and Analysis
Year Ended December 31, 2025**

Governmental Funds

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

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

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

Notes to Financial Statements

The notes to financial statements provide additional information that is essential to a full understanding of the data found in the government-wide and fund financial statements.

Financial Analysis of the District as a Whole

The District's overall financial position and activities for the past two years are summarized as follows, based on the information included in the government-wide financial statements:

Summary of Net Position

	<u>2025</u>	<u>2024</u>
Current and other assets	\$ 12,882,433	\$ 13,889,698
Capital assets	<u>11,593,265</u>	<u>10,514,001</u>
Total assets	<u>24,475,698</u>	<u>24,403,699</u>
Deferred outflows of resources	<u>90,733</u>	<u>97,482</u>
Total assets and deferred outflows of resources	<u><u>\$ 24,566,431</u></u>	<u><u>\$ 24,501,181</u></u>
Long-term liabilities	\$ 9,833,695	\$ 10,271,556
Other liabilities	<u>1,857,684</u>	<u>1,375,797</u>
Total liabilities	<u>11,691,379</u>	<u>11,647,353</u>
Deferred inflows of resources	<u>2,214,566</u>	<u>2,242,235</u>

Harris County Municipal Utility District No. 81
Management's Discussion and Analysis
Year Ended December 31, 2025

Summary of Net Position (Continued)

	<u>2025</u>	<u>2024</u>
Net position		
Net investment in capital assets	\$ 1,555,930	\$ 339,927
Restricted	1,324,373	1,600,580
Unrestricted	<u>7,780,183</u>	<u>8,671,086</u>
Total net position	<u><u>\$ 10,660,486</u></u>	<u><u>\$ 10,611,593</u></u>

The total net position of the District increased by \$48,893, or less than 1%. The majority of the increase in net position is related to tax revenues intended to pay principal on the District's bonded indebtedness, which is shown as long-term liabilities in the government-wide financial statements. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Summary of Changes in Net Position

	<u>2025</u>	<u>2024</u>
Revenues		
Property taxes	\$ 2,217,685	\$ 2,286,207
City of Houston rebates	271,064	267,396
Charges for services	4,869,230	4,690,770
Other revenues	<u>754,027</u>	<u>816,838</u>
Total revenues	<u>8,112,006</u>	<u>8,061,211</u>
Expenses		
Services	6,880,638	6,441,095
Depreciation	880,246	849,721
Debt service	<u>302,229</u>	<u>317,769</u>
Total expenses	<u>8,063,113</u>	<u>7,608,585</u>
Change in net position	48,893	452,626
Net position, beginning of year	<u>10,611,593</u>	<u>10,158,967</u>
Net position, end of year	<u><u>\$ 10,660,486</u></u>	<u><u>\$ 10,611,593</u></u>

Financial Analysis of the District's Funds

The District's combined fund balances as of the end of the fiscal year ended December 31, 2025 were \$8,663,362, a decrease of \$1,492,822 from the prior year.

The general fund's fund balance decreased by \$1,207,314 due to service operations and capital outlay expenditures exceeding property taxes, sales tax rebates, and services revenues and investment income.

The special revenue fund's fund balance remained the same as all expenditures were billed to participants.

The debt service fund's fund balance decreased by \$285,649 due to bond principal and interest requirements being greater than property taxes revenues.

**Harris County Municipal Utility District No. 81
Management's Discussion and Analysis
Year Ended December 31, 2025**

The capital projects fund's fund balance increased by \$141 due to investment income exceeding other expenditures.

General Fund Budgetary Highlights

There were several differences between the final budgetary amounts and actual amounts. The major differences between budget and actual were due to property taxes and water service revenues, investment income, and purchased services, regional water authority, repairs and maintenance, and capital outlay expenditures being greater than anticipated. In addition, proceeds from insurance were not included in the budget. The fund balance as of December 31, 2025 was expected to be \$9,271,614, and the actual end-of-year fund balance was \$7,379,254.

Capital Assets and Related Debt

Capital Assets

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

Capital Assets (Net of Accumulated Depreciation)

	<u>2025</u>	<u>2024</u>
Construction in progress	\$ 551,261	\$ 449,396
Water facilities	7,034,330	7,715,139
Wastewater facilities	<u>4,007,674</u>	<u>2,349,466</u>
Total capital assets	<u><u>\$ 11,593,265</u></u>	<u><u>\$ 10,514,001</u></u>

During the current year, additions to capital assets were as follows:

Construction in progress including manhole rehabilitation, Phases 1, 2, 3, 5, and 7; water plant No. 3 elevated storage tank rehabilitation; force main replacement; sanitary sewer rehabilitation for Kenlake Drive; sanitary sewer rehabilitation for Memorial Parkway, Sections 6–8, and Cimarron, Sections 1–3; electrical improvements and generator replacement; bridge wingwall replacement; and water line improvements	\$ 491,407
Booster pump No. 2 at the water plant	5,416
Sanitary sewer rehabilitation, Phases 5 and 7	29,293
Generator at lift station	85,068
Sanitary sewer rehabilitation for Memorial Parkway, Sections 3, 4, and 5	<u>1,348,326</u>
Total additions to capital assets	<u><u>\$ 1,959,510</u></u>

Debt

The changes in the debt position of the District during the fiscal year ended December 31, 2025 are summarized as follows.

Harris County Municipal Utility District No. 81
Management’s Discussion and Analysis
Year Ended December 31, 2025

Long-term debt payable, beginning of year	\$ 10,271,556
Decreases in long-term debt	<u>(437,861)</u>
Long-term debt payable, end of year	<u>\$ 9,833,695</u>

At December 31, 2025, the District had \$16,735,000 of unlimited tax bonds authorized, but unissued, for the purpose of acquiring, constructing, and improving the water, sanitary sewer, and drainage systems within the District.

The District’s bonds carry an underlying rating of “A+” from Standard & Poor’s (S&P). The Series 2014 and 2020 bonds carry a “AA” rating from S&P by virtue of bond insurance issued by Build America Mutual Assurance Company. The Refunding Series 2019 bonds carry a “AA” rating from S&P by virtue of bond insurance issued by Assured Guaranty Inc.

Other Relevant Factors

Relationship to the City of Houston (City)

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City, the District must conform to the City ordinance consenting to the creation of the District. In addition, the District may be annexed by the City without the District’s consent, except as set forth below.

Effective December 2, 2002, the District entered into a Strategic Partnership Agreement (Agreement) with the City that annexed certain portions of the District into the City for “limited purposes,” as described therein. Under the terms of the Agreement, the City has agreed it will not annex the District as a whole for full purposes for 30 years, at which time the City has the option to annex the District if it chooses to do so.

Subsequent Event

On April 2, 2026, the Commission approved the District’s request to issue \$12,490,000 in unlimited tax bonds to fund drainage improvement and sanitary sewer rehabilitation projects for the District. The District currently plans to issue these bonds in 2026.

Harris County Municipal Utility District No. 81
Statement of Net Position and Governmental Funds Balance Sheet
December 31, 2025

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets							
Cash	\$ 636,414	\$ 135,227	\$ 682,833	\$ 521	\$ 1,454,995	\$ -	\$ 1,454,995
Short-term investments	7,313,658	226,674	1,345,289	11,962	8,897,583	-	8,897,583
Receivables							
Property taxes	1,191,687	-	484,485	-	1,676,172	-	1,676,172
Service accounts	420,278	-	-	-	420,278	-	420,278
Sales tax rebates	67,380	-	-	-	67,380	24,759	92,139
Accrued penalty and interest	-	-	-	-	-	76,345	76,345
Interfund receivables	545,489	-	-	-	545,489	(545,489)	-
Due from participants	-	189,840	-	-	189,840	(19,818)	170,022
Due from others	1,803	3,400	-	-	5,203	-	5,203
Operating reserve	119,696	-	-	-	119,696	(30,000)	89,696
Capital assets (net of accumulated depreciation)							
Construction in progress	-	-	-	-	-	551,261	551,261
Infrastructure	-	-	-	-	-	11,042,004	11,042,004
Total Assets	10,296,405	555,141	2,512,607	12,483	13,376,636	11,099,062	24,475,698
Deferred Outflows of Resources							
Deferred amount on debt refundings	-	-	-	-	-	90,733	90,733
Total Assets and Deferred Outflows of Resources	\$ 10,296,405	\$ 555,141	\$ 2,512,607	\$ 12,483	\$ 13,376,636	\$ 11,189,795	\$ 24,566,431

Harris County Municipal Utility District No. 81
Statement of Net Position and Governmental Funds Balance Sheet
December 31, 2025

(Continued)

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Liabilities							
Accounts payable	\$ 840,527	\$ 105,595	\$ 22,554	\$ -	\$ 968,676	\$ (19,818)	\$ 948,858
Accrued interest payable	-	-	-	-	-	88,940	88,940
Retainage payable	8,678	-	-	-	8,678	-	8,678
Customer deposits	391,662	-	-	-	391,662	-	391,662
Due to others	-	329,546	-	-	329,546	-	329,546
Due to participants	-	120,000	-	-	120,000	(30,000)	90,000
Interfund payables	-	-	533,147	12,342	545,489	(545,489)	-
Long-term liabilities							
Due within one year	-	-	-	-	-	450,000	450,000
Due after one year	-	-	-	-	-	9,383,695	9,383,695
Total Liabilities	1,240,867	555,141	555,701	12,342	2,364,051	9,327,328	11,691,379
Deferred Inflows of Resources							
Deferred property tax revenues	1,676,284	-	672,939	-	2,349,223	(134,657)	2,214,566
Fund Balances/Net Position							
Fund balances							
Restricted for							
Unlimited tax bonds	-	-	1,283,967	-	1,283,967	(1,283,967)	-
Water, sewer, and drainage	-	-	-	141	141	(141)	-
Assigned, operating reserve	119,696	-	-	-	119,696	(119,696)	-
Unassigned	7,259,558	-	-	-	7,259,558	(7,259,558)	-
Total fund balances	7,379,254	-	1,283,967	141	8,663,362	(8,663,362)	-
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 10,296,405	\$ 555,141	\$ 2,512,607	\$ 12,483	\$ 13,376,636		
Net position							
Net investment in capital assets						1,555,930	1,555,930
Restricted for debt service						1,324,232	1,324,232
Restricted for capital projects						141	141
Unrestricted						7,780,183	7,780,183
Total net position						\$ 10,660,486	\$ 10,660,486

Harris County Municipal Utility District No. 81
Statement of Activities and Governmental Funds Revenues,
Expenditures, and Changes in Fund Balances
Year Ended December 31, 2025

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues							
Property taxes	\$ 1,753,747	\$ -	\$ 446,405	\$ -	\$ 2,200,152	\$ 17,533	\$ 2,217,685
Sales tax rebates	273,192	-	-	-	273,192	(2,128)	271,064
Water service	917,412	-	-	-	917,412	-	917,412
Sewer service	1,677,077	-	-	-	1,677,077	-	1,677,077
Regional water fee	1,333,138	-	-	-	1,333,138	-	1,333,138
Service to other districts	-	1,156,078	-	-	1,156,078	(214,475)	941,603
Penalty and interest	65,400	-	44,687	-	110,087	11,597	121,684
Tap connection and inspection fees	24,192	-	-	-	24,192	-	24,192
Investment income	343,713	11,127	64,853	495	420,188	-	420,188
Other income	42,300	40,800	-	-	83,100	104,863	187,963
Total Revenues	6,430,171	1,208,005	555,945	495	8,194,616	(82,610)	8,112,006
Expenditures/Expenses							
Service operations							
Purchased services	862,924	-	-	-	862,924	(214,475)	648,449
Regional water authority	1,361,340	35	-	-	1,361,375	-	1,361,375
Professional fees	264,302	153,620	300	-	418,222	10,784	429,006
Contracted services	295,197	78,958	67,255	-	441,410	-	441,410
Solid waste	882,544	-	-	-	882,544	-	882,544
Utilities	151,368	141,951	-	-	293,319	-	293,319
Repairs and maintenance	1,362,199	586,741	-	-	1,948,940	117,588	2,066,528
Other expenditures	430,065	258,998	52,558	354	741,975	-	741,975
Tap connections	16,032	-	-	-	16,032	-	16,032
Capital outlay	2,087,882	-	-	-	2,087,882	(2,087,882)	-
Depreciation	-	-	-	-	-	880,246	880,246
Debt service							
Principal retirement	-	-	440,000	-	440,000	(440,000)	-
Interest and fees	-	-	281,481	-	281,481	4,551	286,032
Debt issuance costs	16,197	-	-	-	16,197	-	16,197
Total Expenditures/Expenses	7,730,050	1,220,303	841,594	354	9,792,301	(1,729,188)	8,063,113
Excess (Deficiency) of Revenues Over Expenditures	(1,299,879)	(12,298)	(285,649)	141	(1,597,685)	1,646,578	
Other Financing Sources							
Proceeds from insurance	92,565	12,298	-	-	104,863	(104,863)	
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(1,207,314)	-	(285,649)	141	(1,492,822)	1,492,822	
Change in Net Position						48,893	48,893
Fund Balances/Net Position							
Beginning of year	8,586,568	-	1,569,616	-	10,156,184	-	10,611,593
End of year	\$ 7,379,254	\$ -	\$ 1,283,967	\$ 141	\$ 8,663,362	\$ -	\$ 10,660,486

Note 1. Nature of Operations and Summary of Significant Accounting Policies

Harris County Municipal Utility District No. 81 (District) was created by an order of the Texas Water Commission, now known as the Texas Commission on Environmental Quality (Commission), effective July 16, 1973, in accordance with the Texas Water Code, Chapter 54. The District operates in accordance with Chapters 49 and 54 of the Texas Water Code and is subject to the continuing supervision of the Commission. 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 also provides solid waste disposal service.

The District is governed by a Board of Directors (Board) consisting of five individuals who are residents or owners of taxable property within the District and are elected by voters within the District. The Board sets the policies of the District. The accounting and reporting policies of the District conform to accounting principles generally accepted in the United States of America for state and local governments, as defined by the Governmental Accounting Standards Board. The following is a summary of the significant accounting and reporting policies of the District:

Reporting Entity

The accompanying government-wide financial statements present the financial statements of the District. There are no component units that are legally separate entities for which the District is considered to be financially accountable. Accountability is defined as the District's substantive appointment of the voting majority of the component unit's governing board. Furthermore, to be financially accountable, the District must be able to impose its will upon the component unit or there must be a possibility that the component unit may provide specific financial benefits to, or impose specific financial burdens on, the District.

Government-Wide and Fund Financial Statements

In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities that engage in a single governmental program, such as the provision of water, wastewater, drainage, and other related services. The financial statements of special-purpose governments combine two types of financial statements into one statement. These two types of financial statements are the government-wide financial statements and the fund financial statements. The fund financial statements are presented with a column for adjustments to convert to the government-wide financial statements.

The government-wide financial statements report information on all of the activities of the District. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Governmental activities generally are financed through taxes, charges for services, and intergovernmental revenues. The statement of activities reflects the revenues and expenses of the District.

The fund financial statements provide information about the District's governmental funds. Separate statements for each governmental fund are presented. The emphasis of fund financial statements is directed to specific activities of the District.

The District presents the following major governmental funds:

General Fund – The general fund is the primary operating fund of the District, which accounts for all financial resources not accounted for in another fund. Revenues are derived primarily from property taxes, charges for services, and interest income.

Special Revenue Fund – Accounts for revenues and expenditures involving specific revenue sources that are legally restricted to expenditures for specified purposes. The primary source of revenue is participant fees.

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Debt Service Fund – The debt service fund is used to account for financial resources that are restricted, committed, or assigned to expenditures for principal and interest related costs, as well as the financial resources being accumulated for future debt service.

Capital Projects Fund – The capital projects fund is used to account for financial resources that are restricted, committed, or assigned to expenditures for capital outlays.

Fund Balances – Governmental Funds

The fund balances for the District's governmental funds can be displayed in up to five components:

Nonspendable – Amounts that are not in a spendable form or are required to be maintained intact.

Restricted – Amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally, or through enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers.

Committed – Amounts that can be used only for the specific purposes determined by resolution of the Board. Commitments may be changed or lifted only by issuance of a resolution by the District's Board.

Assigned – Amounts intended to be used by the District for specific purposes as determined by management. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

Unassigned – The residual classification for the general fund and includes all amounts not contained in the other classifications.

The District considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance are available. The District applies committed amounts first, followed by assigned amounts, and then unassigned amounts when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows.

Non-exchange transactions, in which the District receives (or gives) value without directly giving (or receiving) equal value in exchange, include property taxes and donations. Recognition standards are based on the characteristics and classes of nonexchange transactions. Revenues from property taxes are recognized in the period for which the taxes are levied. Donations are recognized as revenues, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met. Amounts received before all eligibility requirements have been met are reported as liabilities. Intergovernmental revenues are recognized as revenues, net of estimated refunds and uncollectible amounts, in the accounting period when an enforceable legal claim to the assets arises and the use of resources is required or is first permitted.

Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and liabilities are generally included on the balance sheet. The statement of activities and governmental funds revenues, expenditures, and

Harris County Municipal Utility District No. 81
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changes in fund balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in spendable resources. General capital asset acquisitions are reported as expenditures, and proceeds of long-term debt are reported as other financing sources. Under the modified accrual basis of accounting, revenues are recognized when both measurable and available. The District considers revenues reported in the governmental funds to be available if they are collectible within 60 days after year-end. Principal revenue sources considered susceptible to accrual include taxes, charges for services, and investment income. Other revenues are considered to be measurable and available only when cash is received by the District. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized as expenditures when payment is due.

Deferred Outflows and Inflows of Resources

A deferred outflow of resources is a consumption of net position that is applicable to a future reporting period, and a deferred inflow of resources is an acquisition of net position that is applicable to a future reporting period.

Interfund Transactions

Transfers from one fund to another fund are reported as interfund receivables and payables if there is intent to repay the amount and if there is the ability to repay the advance on a timely basis. Transfers represent legally authorized transfers from the fund receiving resources to the fund through which the resources are to be expended.

Pension Costs

The District does not participate in a pension plan and, therefore, has no pension costs.

Use of 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 amounts of assets, liabilities, and deferred inflows and outflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

Investments and Investment Income

Investments in certificates of deposit, U.S. Government and agency securities, and certain pooled funds, which have a remaining maturity of one year or less at the date of purchase, are recorded at amortized cost. All other investments are carried at fair value. Fair value is determined using quoted market values.

Investment income includes dividends and interest income and the net change for the year in the fair value of investments carried at fair value. Investment income is credited to the fund in which the investment is recorded.

Property Taxes

An appraisal district annually prepares appraisal records listing all property within the District and the appraised value of each parcel or item as of January 1. Additionally, on January 1, a tax lien attaches to property to secure the payment of all taxes and penalty and interest ultimately imposed for the year on the property. After the District receives its certified appraisal roll from the appraisal district, the rate of taxation is set by the Board of the District based upon the aggregate appraisal value. Taxes are due and payable October 1 or when billed, whichever is later, and become delinquent after January 31 of the following year.

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In the governmental funds, property taxes are initially recorded as receivables and deferred inflows of resources at the time the tax levy is billed. Any collections on the current year tax levy are deferred and recognized in the subsequent fiscal year. Current year revenues recognized are those taxes collected during the fiscal year for prior years' tax levies, plus any collections received during fiscal year 2024 on the 2024 levy.

In the government-wide statement of net position, property taxes are considered earned in the budget year for which they are levied. For the District's fiscal year ended December 31, 2025, the tax levied in October 2025 is recorded as receivable and deferred inflows of resources and will be considered earned during the fiscal year ending December 31, 2026. In addition to property taxes levied, any delinquent taxes are recorded net of amounts considered uncollectible.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an individual cost of \$5,000 or more and an estimated useful life of two years or more. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset lives is not capitalized.

Capital assets are depreciated using the straight-line method over their estimated useful lives as follows:

Water production and distribution facilities	10–45 years
Wastewater collection and treatment facilities	10–45 years

Deferred Amount on Debt Refundings

In the government-wide financial statements, the difference between the reacquisition price and the net carrying amount of the old debt in a debt refunding is deferred and amortized to interest expense using the effective interest rate method over the remaining life of the old debt or the life of the new debt, whichever is shorter. Such amounts are classified as deferred outflows or inflows of resources.

Debt Issuance Costs

Debt issuance costs, other than prepaid insurance, do not meet the definition of an asset or deferred outflows of resources since the costs are not applicable to a future period and, therefore, are recognized as an expense/expenditure in the period incurred.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Premiums and discounts on bonds are recognized as a component of long-term liabilities and amortized over the life of the related debt using the effective interest rate method. Bonds payable are reported net of the applicable bond premium or discount.

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

Harris County Municipal Utility District No. 81
Notes to Financial Statements
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Net Position/Fund Balances

Fund balances and net position are reported as restricted when constraints placed on them are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or are imposed by law through constitutional provisions or enabling legislation.

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

Reconciliation of Government-Wide and Fund Financial Statements

Amounts reported for net position of governmental activities in the statement of net position and fund balances in the governmental funds balance sheet are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds.	\$ 11,593,265
Sales tax rebates receivable from the City of Houston (City) are not available in the current period and are not reported in the funds.	24,759
Property tax revenue recognition and the related reduction of deferred inflows of resources are subject to availability of funds in the fund financial statements.	134,657
Penalty and interest on delinquent taxes is not receivable in the current period and is not reported in the funds.	76,345
Deferred amount on debt refundings for governmental activities is not considered financial resources and is not reported in the funds.	90,733
Accrued interest on long-term liabilities is not payable with current financial resources and is not reported in the funds.	(88,940)
Long-term debt obligations are not due and payable in the current period and are not reported in the funds.	<u>(9,833,695)</u>
Adjustment to fund balances to arrive at net position.	<u>\$ 1,997,124</u>

Amounts reported for change in net position of governmental activities in the statement of activities are different from change in fund balances in the governmental funds statement of revenues, expenditures, and changes in fund balances because:

Change in fund balances.	\$ (1,492,822)
Governmental funds report capital outlays as expenditures. However, for government-wide financial statements, the cost of capitalized assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay expenditures exceeded depreciation expense and noncapitalized costs in the current period.	1,079,264

Harris County Municipal Utility District No. 81
Notes to Financial Statements
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Governmental funds report principal payments on debt as expenditures. For the statement of activities, these transactions do not have any effect on net position.	\$ 440,000
Revenues that do not provide current financial resources are not reported as revenues for the funds but are reported as revenues in the statement of activities.	27,002
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	<u>(4,551)</u>
Change in net position of governmental activities.	<u>\$ 48,893</u>

Note 2. Deposits, Investments, and Investment Income

Deposits

Custodial credit risk is the risk that, in the event of a bank failure, a government’s deposits may not be returned to it. The District’s deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance; a surety bond; bonds and other obligations of the U.S. Treasury, U.S. agencies, or instrumentalities of the State of Texas; or certain collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States.

At December 31, 2025, none of the District’s bank balances were exposed to custodial credit risk.

Investments

The District may legally invest in obligations of the United States or its agencies and instrumentalities, direct obligations of Texas or its agencies or instrumentalities, collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States, other obligations guaranteed as to principal and interest by the State of Texas or the United States or their agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, obligations of states, agencies, and counties and other political subdivisions with an investment rating not less than “A,” insured or collateralized certificates of deposit, and certain bankers’ acceptances, repurchase agreements, mutual funds, commercial paper, guaranteed investment contracts, and investment pools.

The District’s investment policy may be more restrictive than the Public Funds Investment Act.

The District invests in TexPool, an external investment pool that is not registered with the Securities and Exchange Commission. The State Comptroller of Public Accounts of the State of Texas has oversight of TexPool. The District’s investments in TexPool are reported at amortized cost.

At December 31, 2025, the District had the following investments and maturities.

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Type	Maturities in Years				
	Amortized Cost	Less Than 1	1–5	6–10	More Than 10
TexPool	\$ 8,897,583	\$ 8,897,583	\$ -	\$ -	\$ -

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy does not allow investments in certain mortgage-backed securities, collateralized mortgage obligations with a final maturity date in excess of 10 years, and interest rate indexed collateralized mortgage obligations. The investments in the external investment pool are presented as investments with a maturity of less than one year because they are redeemable in full immediately.

Credit Risk. Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At December 31, 2025, the District's investments in TexPool were rated "AAAm" by Standard & Poor's.

Summary of Carrying Values

The carrying values of deposits and investments shown previously are included in the balance sheet and statement of net position at December 31, 2025 as follows:

Carrying value	
Deposits	\$ 1,454,995
Investments	8,897,583
Total	<u>\$ 10,352,578</u>

Investment Income

Investment income of \$420,188 for the year ended December 31, 2025 consisted of interest income.

Note 3. Capital Assets

A summary of changes in capital assets for the year ended December 31, 2025 is presented below:

Governmental Activities	Balances, Beginning of Year	Additions	Reclassifications	Balances, End of Year
Capital assets, non-depreciable				
Construction in progress	\$ 449,396	\$ 491,407	\$ (389,542)	\$ 551,261
Capital assets, depreciable				
Water production and distribution facilities	18,980,614	5,416	-	18,986,030
Wastewater collection and treatment facilities	9,020,817	1,462,687	389,542	10,873,046
Total capital assets, depreciable	28,001,431	1,468,103	389,542	29,859,076

Harris County Municipal Utility District No. 81
Notes to Financial Statements
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Governmental Activities (Continued)	Balances, Beginning of Year	Additions	Reclassifi- cations	Balances, End of Year
Less accumulated depreciation				
Water production and distribution facilities	\$ (11,265,475)	\$ (686,225)	\$ -	\$ (11,951,700)
Wastewater collection and treatment facilities	(6,671,351)	(194,021)	-	(6,865,372)
Total accumulated depreciation	(17,936,826)	(880,246)	-	(18,817,072)
Total governmental activities, net	<u>\$ 10,514,001</u>	<u>\$ 1,079,264</u>	<u>\$ -</u>	<u>\$ 11,593,265</u>

Note 4. Long-Term Liabilities

Changes in long-term liabilities for the year ended December 31, 2025 were as follows:

Governmental Activities	Balances, Beginning of Year	Decreases	Balances, End of Year	Amounts Due in One Year
Bonds payable				
General obligation bonds	\$ 10,345,000	\$ 440,000	\$ 9,905,000	\$ 450,000
Less discounts on bonds	118,605	5,266	113,339	-
Add premium on bonds	45,161	3,127	42,034	-
Total governmental activities long-term liabilities	<u>\$ 10,271,556</u>	<u>\$ 437,861</u>	<u>\$ 9,833,695</u>	<u>\$ 450,000</u>

General Obligation Bonds

	Series 2014	Refunding Series 2019
Amounts outstanding, December 31, 2025	\$1,035,000	\$4,870,000
Interest rates	2.50% to 4.00%	3.00%
Maturity dates, serially beginning/ending	September 1, 2026/2036	September 1, 2026/2036
Interest payment dates	March 1/September 1	March 1/September 1
Callable dates*	September 1, 2021	September 1, 2024

*Or any date thereafter; callable at par plus accrued interest to the date of redemption

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December 31, 2025

	Series 2020
Amount outstanding, December 31, 2025	\$4,000,000
Interest rates	2.000% to 2.125%
Maturity dates, serially beginning/ending	September 1, 2037/2044
Interest payment dates	March 1/September 1
Callable date*	September 1, 2025

*Or any date thereafter; callable at par plus accrued interest to the date of redemption

Annual Debt Service Requirements

The following schedule shows the annual debt service requirements to pay principal and interest on general obligation bonds outstanding at December 31, 2025:

Year	Principal	Interest	Total
2026	\$ 450,000	\$ 266,819	\$ 716,819
2027	470,000	253,118	723,118
2028	480,000	238,806	718,806
2029	500,000	224,182	724,182
2030	520,000	208,943	728,943
2031–2035	2,855,000	792,719	3,647,719
2036–2040	2,500,000	384,051	2,884,051
2041–2044	2,130,000	115,068	2,245,068
Total	<u>\$ 9,905,000</u>	<u>\$ 2,483,706</u>	<u>\$ 12,388,706</u>

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

Bonds voted	\$ 47,450,000
Bonds sold	30,715,000

Note 5. Significant Bond Resolution and Commission Requirements

The Bond Resolutions require that the District levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due. During the year ended December 31, 2025, the District levied an ad valorem debt service tax at the rate of \$0.0700 per \$100 of assessed valuation, which resulted in a tax levy of \$620,078 on the taxable valuation of \$885,831,703 for the 2025 tax year. The interest and principal requirements to be paid from the tax revenues and available resources are \$716,819.

Note 6. Maintenance Taxes

At an election held January 21, 1995, voters authorized a maintenance tax not to exceed \$0.50 per \$100 of assessed valuation on all property within the District subject to taxation. During the year ended December 31, 2025, the District levied an ad valorem maintenance tax at the rate of \$0.1800 per \$100 of assessed valuation, which resulted in a tax levy of \$1,594,488 on the taxable valuation of \$885,831,703 for the 2025 tax year. The maintenance tax is being used by the general fund to pay expenditures of operating the District.

Note 7. Strategic Partnership Agreement

Effective December 2, 2002, the District and the City entered into a Strategic Partnership Agreement (Agreement), under which the City annexed a tract of land (tract) within the boundaries of the District for limited purposes of applying certain of the City's Planning, Zoning, Health, and Safety Ordinances. Under the Agreement, the City provides health inspection services and enforcement of Chapters 20 and 21 of the City's Code of Ordinances. The District continues to exercise all powers and functions of a municipal utility district, as provided by law. As consideration for the District providing services as detailed in the Agreement, the City agrees to remit one-half of all sales and use tax revenues generated within the boundaries of the tract. As consideration for the sales tax payments and the services provided by the City, the District agrees to continue to provide and develop water, sewer, and drainage services within the District in lieu of full-purpose annexation. The City agrees it will not annex the District for full purposes or commence any action to annex the District during the term of the Agreement, which is 30 years. During the current year, the District recorded \$271,064 in revenues related to the Agreement.

Note 8. Regional Water Authority

The District is within the boundaries of the West Harris County Regional Water Authority (Authority), which was created by the Texas Legislature. The Authority was created to provide a regional entity to acquire surface water and build the necessary facilities to convert from groundwater to surface water in order to meet conversion requirements mandated by the Harris-Galveston Subsidence District, which regulates groundwater withdrawal. As of December 31, 2025, the Authority was billing the District \$3.95 per 1,000 gallons of water pumped from its wells. This amount is subject to future adjustments.

Note 9. Financing and Operating of Regional Facilities

West Memorial Regional Sewage Treatment Plant

On August 30, 1983, the District entered into a 40-year agreement with Cimarron Municipal Utility District, West Memorial Municipal Utility District (West Memorial), Interstate Municipal Utility District, and Mason Creek Utility District (Mason Creek), whereby West Memorial agreed to provide or cause to be provided, the expansion of the regional wastewater treatment and disposal facilities necessary to serve the participants. West Memorial has oversight responsibilities and holds title for the benefit of the participating districts. On August 30, 2023, the District entered into the First Amendment to Waste Treatment Agreement to extend the term. Upon expiration of the initial term, which was August 30, 2023, the contract will continue for an additional period of one year, the initial term extension. Following the initial term extension, the contract will continue for successive one-year terms unless a party to the agreement gives at least 60 days written notice that the agreement is to terminate at the end of the initial term extension or at the end of any successive one-year term.

Harris County Municipal Utility District No. 81
Notes to Financial Statements
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Construction costs were shared based on the pro rata share of capacity acquired by the districts. The District has contributed approximately \$860,000 for its share of construction costs. Each participant's gallons per day (gpd) capacity and percentage of ownership are as shown below:

Participants	Gallons-Per-Day Capacity	Percentage
Cimarron Municipal Utility District	2,471,000	38.16
West Memorial	599,000	9.25
Interstate Municipal Utility District	1,350,000	20.85
Mason Creek	800,000	12.36
The District	1,255,000	19.38
Totals	<u>6,475,000</u>	<u>100.00</u>

West Memorial operates the West Memorial Regional Wastewater Treatment Plant. The District has paid \$89,696 for its pro rata share of an operating and maintenance reserve, which is equivalent to three months of average budgeted operating and maintenance expenses. Participants are billed monthly at a rate of \$11.25 per residential connection for operating costs based on a contractual formula. During the current year, the District incurred \$639,260 for its share of operating costs.

The statement shown below represents condensed financial information of the plant operations as of and for the year ended June 30, 2025, which was audited by another certified public accounting firm who issued an unqualified opinion thereon. The most recent audited information available is as follows:

	West Memorial Plant General Fund
Total assets	<u>\$ 815,965</u>
Total liabilities	\$ 241,366
Total fund balance	<u>574,599</u>
Total liabilities and fund balance	<u>\$ 815,965</u>
Total revenues	\$ 3,347,918
Total expenditures	<u>3,347,918</u>
Excess revenues	-
Other financing sources	
Increase in operating reserve	<u>26,173</u>
Net increase in fund balance	<u>\$ 26,173</u>

Cinco Regional Sewage Treatment Plant

On May 15, 1978, the District, Cornerstones Municipal Utility District, Memorial Municipal Utility District, and Mason Creek entered into a 40-year agreement to construct and operate the Cinco Regional Sewage Treatment Plant (Cinco Regional Plant) and trunk sewer lines. This agreement has been amended on August 25, 1978, June 14, 1979, June 27, 1979, September 13, 1982, July 31, 1987, August 18, 1987, and February 21, 1992.

Harris County Municipal Utility District No. 81
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December 31, 2025

Cinco Municipal Utility District No. 1 (Cinco No. 1) was added by amendment for the purpose of sharing the costs of trunk lines to the physical plant and having the opportunity to expand the Plant, if necessary. The agreement was amended on October 1, 2004 so that Cinco No. 1 is no longer a party to the agreement. Construction and related costs were shared based on a pro rata share of capacity acquired by each participant. The District's share of construction and related costs was \$683,454.

On December 11, 1997, the participants in the Cinco Regional Plant entered into a restated agreement, as amended by the First Amendment to the Restated Cinco Regional Sewage Treatment Plant Agreement dated May 1, 2005. The restated agreement amends the manner in which monthly operating costs are shared. The restatement also redefines the participants' responsibility for the maintenance of joint conveyance lines where costs will be shared based on capacity in the lines owned by the participants. Each district made a \$30,000 contribution for an operating reserve. Operations under the new contract began January 1, 1998. During the current year, the District incurred \$214,475 for its share of operating costs.

Each participant's gpd capacity and percentage of ownership is as follows:

Participants	Gallons-Per-Day Capacity	Percentage
Cornerstones Municipal Utility District	1,000,000	33.33
Memorial Municipal Utility District	940,000	31.33
Mason Creek	500,000	16.67
The District	560,000	18.67
Totals	3,000,000	100.00

Reclaimed Water Agreement

On May 11, 2016, as amended on March 20, 2017, December 9, 2020, and October 20, 2022, the Cinco Regional Plant participants entered into a Reclaimed Water Agreement with Cinco No. 1, effective for a period of 30 years. The agreement grants an easement to Cinco No. 1, under the terms and conditions specified in the agreement, for the purposes of constructing, maintaining, and operating a wastewater treatment plant effluent reuse facility and wastewater effluent line on the site where the Cinco Regional Plant is located. The agreement allows Cinco No. 1 to purchase up to 100% of the wastewater effluent from the Cinco Regional Plant for the purpose of providing irrigation to its service area and is responsible for the sole cost and expense of the design and construction of the effluent reuse facility. The District has been designated as the representative district to act as the Operating District on behalf of the participants for the purposes of this agreement. Upon completion of the construction of the wastewater effluent line, Cinco No. 1 will convey ownership of the line to Memorial Municipal Utility District and maintenance responsibility will be accepted by the Cinco Regional Plant. During the terms of the agreement, Cinco No. 1 will hold legal title to the wastewater treatment plant effluent reuse facility.

Under the agreement Cinco No. 1 was required to pay an initial rate of \$0.25 per 1,000 gallons of wastewater effluent purchased, with an automatic increase of 10% of the dollar amount of any increase in the groundwater pumpage fees charged by the North Fort Bend Water Authority. At December 31, 2025, the rate charged to Cinco No. 1 was \$0.43 per 1,000 gallons of wastewater effluent purchased.

The participants also entered into a letter agreement dated April 14, 2016, supplemented on December 15, 2016, December 9, 2020, and October 20, 2022, that sets forth the procedures for the Cinco Plant Operating Committee to provide representation to the Operating District from each of the Cinco Regional Plant participants. All operational and financial matters arising under the Reclaimed Water Agreement shall be brought to the Cinco Plant Operating Committee for review and recommendation. In addition, all payments from Cinco No. 1 under the agreement shall be deposited into the Plant operating account, to be allocated among the Plant participants upon the basis of their percentage of ownership.

Note 10. 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. The District has not significantly reduced insurance coverage or had settlements that exceeded coverage amounts in the past three fiscal years.

Note 11. Subsequent Event

On April 2, 2026, the Commission approved the District's request to issue \$12,490,000 in unlimited tax bonds to fund drainage improvement and sanitary sewer rehabilitation projects for the District. The District currently plans to issue these bonds in 2026.

Required Supplementary Information

Harris County Municipal Utility District No. 81
Budgetary Comparison Schedule – General Fund
Year Ended December 31, 2025

	Original Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property taxes	\$ 1,600,000	\$ 1,753,747	\$ 153,747
Sales tax rebates	234,000	273,192	39,192
Water service	850,000	917,412	67,412
Sewer service	1,640,000	1,677,077	37,077
Regional water fee	1,300,000	1,333,138	33,138
Penalty and interest	61,200	65,400	4,200
Tap connection and inspection fees	-	24,192	24,192
Investment income	60,000	343,713	283,713
Other income	36,000	42,300	6,300
Total Revenues	5,781,200	6,430,171	648,971
Expenditures			
Service operations			
Purchased services	626,172	862,924	(236,752)
Regional water authority	1,300,000	1,361,340	(61,340)
Professional fees	257,000	264,302	(7,302)
Contracted services	268,000	295,197	(27,197)
Solid waste	888,000	882,544	5,456
Utilities	177,600	151,368	26,232
Repairs and maintenance	1,101,000	1,362,199	(261,199)
Other expenditures	468,382	430,065	38,317
Tap connections	-	16,032	(16,032)
Capital outlay	10,000	2,087,882	(2,077,882)
Debt issuance costs	-	16,197	(16,197)
Total Expenditures	5,096,154	7,730,050	(2,633,896)
Excess (Deficiency) of Revenues Over Expenditures	685,046	(1,299,879)	(1,984,925)
Other Financing Sources			
Proceeds from insurance	-	92,565	92,565
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	685,046	(1,207,314)	(1,892,360)
Fund Balance, Beginning of Year	8,586,568	8,586,568	-
Fund Balance, End of Year	\$ 9,271,614	\$ 7,379,254	\$ (1,892,360)

Harris County Municipal Utility District No. 81
Budgetary Comparison Schedule – Special Revenue Fund
Year Ended December 31, 2025

	Original Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Service to other districts	\$ 1,172,280	\$ 1,156,078	\$ (16,202)
Investment income	30,000	11,127	(18,873)
Other income	40,800	40,800	-
Total Revenues	1,243,080	1,208,005	(35,075)
Expenditures			
Service operations			
Regional water authority	120	35	85
Professional fees	118,500	153,620	(35,120)
Contracted services	72,400	78,958	(6,558)
Utilities	150,000	141,951	8,049
Repairs and maintenance	653,200	586,741	66,459
Other expenditures	248,860	258,998	(10,138)
Total Expenditures	1,243,080	1,220,303	22,777
Deficiency of Revenues Over Expenditures	-	(12,298)	(12,298)
Other Financing Sources			
Proceeds from insurance	-	12,298	12,298
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	-	-	-
Fund Balance, Beginning of Year	-	-	-
Fund Balance, End of Year	\$ -	\$ -	\$ -

Budgets and Budgetary Accounting

Annual operating budgets are prepared for the general and special revenue funds by the District's consultants. The budgets reflect resources expected to be received during the year and expenditures expected to be incurred. The Board is required to adopt the budgets prior to the start of its fiscal year. The budgets are not a spending limitation (a legally restricted appropriation). The original budgets of the general fund and the special revenue fund were not amended during 2025.

The District prepares its annual operating budgets on a basis consistent with accounting principles generally accepted in the United States of America. The Budgetary Comparison Schedules – General Fund and Special Revenue Fund present the original and revised budget amounts, if revised, compared to the actual amounts of revenues and expenditures for the current year.

Supplementary Information

Harris County Municipal Utility District No. 81
Other Schedules Included Within This Report
December 31, 2025

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

- [X] Notes Required by the Water District Accounting Manual
See "Notes to Financial Statements," Pages 11–23
- [X] Schedule of Services and Rates
- [X] Schedule of General Fund Expenditures
- [X] Schedule of Temporary Investments
- [X] Analysis of Taxes Levied and Receivable
- [X] Schedules of Long-Term Debt Service Requirements by Years
- [X] Changes in Long-Term Bonded Debt
- [X] Comparative Schedules of Revenues and Expenditures – General Fund and Debt Service Fund –
Five Years
- [X] Board Members, Key Personnel, and Consultants

Harris County Municipal Utility District No. 81
Schedule of Services and Rates
Year Ended December 31, 2025

1. Services provided by the District

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

2. Retail service providers

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

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate Per 1,000 Gallons Over Minimum</u>	<u>Usage Levels</u>
Water:	<u>\$ 12.00</u>	<u>5,000</u>	<u>N</u>	<u>\$ 1.50</u> <u>\$ 2.50</u> <u>\$ 3.50</u>	<u>5,001 to 15,000</u> <u>15,001 to 30,000</u> <u>30,001 to No Limit</u>

Wastewater: \$ 40.50 - Y

Regional water fee: \$ 3.95 1 N \$ 3.95 1 to No Limit

Does the District employ winter averaging for wastewater usage? Yes ☐ No ☒

Total charges per 10,000 gallons usage (including fees): Water \$ 59.00 Wastewater \$ 40.50

b. Water and wastewater retail connections:

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFC*</u>
Unmetered	<u>-</u>	<u>-</u>	x1.0	<u>-</u>
≤ 3/4"	<u>3,094</u>	<u>3,054</u>	x1.0	<u>3,054</u>
1"	<u>66</u>	<u>57</u>	x2.5	<u>143</u>
1 1/2"	<u>23</u>	<u>20</u>	x5.0	<u>100</u>
2"	<u>38</u>	<u>37</u>	x8.0	<u>296</u>
3"	<u>-</u>	<u>-</u>	x15.0	<u>-</u>
4"	<u>3</u>	<u>3</u>	x25.0	<u>75</u>
6"	<u>-</u>	<u>-</u>	x50.0	<u>-</u>
8"	<u>1</u>	<u>1</u>	x80.0	<u>80</u>
10"	<u>-</u>	<u>-</u>	x115.0	<u>-</u>
Total water	<u>3,225</u>	<u>3,172</u>		<u>3,748</u>
Total wastewater	<u>3,178</u>	<u>3,129</u>	x1.0	<u>3,129</u>

3. Total water consumption (in thousands) during the fiscal year

Gallons pumped into the system:	<u>379,603</u>
Gallons billed to customers:	<u>341,441</u>
Water accountability ratio (gallons billed/gallons pumped):	<u>89.95%</u>

***ESFC" means equivalent single-family connections

Harris County Municipal Utility District No. 81
Schedule of General Fund Expenditures
Year Ended December 31, 2025

Personnel (including benefits)		\$ -
Professional Fees		
Auditing	\$ 24,600	
Legal	173,210	
Engineering	66,492	
Financial advisor	-	264,302
Purchased Services for Resale		
Bulk water and wastewater service purchases		862,924
Regional Water Authority		1,361,340
Contracted Services		
Bookkeeping	31,312	
General manager	-	
Appraisal district	-	
Tax collector	-	
Security	-	
Other contracted services	263,885	295,197
Utilities		151,368
Repairs and Maintenance		1,362,199
Administrative Expenditures		
Directors' fees	31,638	
Office supplies	57,781	
Insurance	71,883	
Other administrative expenditures	259,360	420,662
Capital Outlay		
Capitalized assets	1,959,510	
Expenditures not capitalized	128,372	2,087,882
Tap Connection Expenditures		16,032
Solid Waste Disposal		882,544
Debt Issuance Costs		16,197
Parks and Recreation		-
Other Expenditures		9,403
Total Expenditures		<u><u>\$ 7,730,050</u></u>

Harris County Municipal Utility District No. 81
Schedule of Temporary Investments
December 31, 2025

	Interest Rate	Maturity Date	Face Amount	Accrued Interest Receivable
General Fund				
TexPool	3.82%	Demand	\$ 7,313,658	\$ -
Special Revenue Fund				
TexPool	3.82%	Demand	226,674	-
Debt Service Fund				
TexPool	3.82%	Demand	1,345,289	-
Capital Projects Fund				
TexPool	3.82%	Demand	<u>11,962</u>	<u>-</u>
Totals			<u><u>\$ 8,897,583</u></u>	<u><u>\$ -</u></u>

Harris County Municipal Utility District No. 81
Analysis of Taxes Levied and Receivable
Year Ended December 31, 2025

	Maintenance Taxes	Debt Service Taxes
Receivable, Beginning of Year	\$ 753,643	\$ 233,496
Additions and corrections to prior years' taxes	(15,876)	(8,674)
Adjusted Receivable, Beginning of Year	<u>737,767</u>	<u>224,822</u>
2025 Original Tax Levy	1,489,051	579,075
Additions and corrections	105,437	41,003
Adjusted tax levy	<u>1,594,488</u>	<u>620,078</u>
Total to Be Accounted For	2,332,255	844,900
Tax collections: Current year	(484,597)	(188,454)
Prior years	(655,971)	(171,961)
Receivable, End of Year	<u>\$ 1,191,687</u>	<u>\$ 484,485</u>
Receivable, by Years		
2025	\$ 1,109,891	\$ 431,624
2024	34,903	8,726
2023	7,107	13,819
2022	5,181	7,483
2021	5,965	3,296
2020	11,490	6,652
2019	3,198	2,799
2018	4,385	2,770
2017	2,110	1,371
2016	2,079	1,532
2015	1,656	1,076
2014	1,319	1,121
2013	922	873
2012 and prior	<u>1,481</u>	<u>1,343</u>
Receivable, End of Year	<u>\$ 1,191,687</u>	<u>\$ 484,485</u>

Harris County Municipal Utility District No. 81
Analysis of Taxes Levied and Receivable
Year Ended December 31, 2025

(Continued)

	2025	2024	2023	2022
Property Valuations				
Land	\$ 296,923,097	\$ 274,518,304	\$ 266,974,842	\$ 251,971,972
Improvements	702,897,184	734,120,442	706,869,037	613,985,575
Personal property	30,034,336	27,120,426	24,706,324	23,499,632
Exemptions	(144,022,914)	(138,859,817)	(121,075,456)	(110,032,880)
Total Property Valuations	\$ 885,831,703	\$ 896,899,355	\$ 877,474,747	\$ 779,424,299
Tax Rates per \$100 Valuation				
Debt service tax rates	\$ 0.0700	\$ 0.0500	\$ 0.1750	\$ 0.1625
Maintenance tax rates*	0.1800	0.2000	0.0900	0.1125
Total Tax Rates per \$100 Valuation	\$ 0.2500	\$ 0.2500	\$ 0.2650	\$ 0.2750
Tax Levy	\$ 2,214,566	\$ 2,242,235	\$ 2,325,292	\$ 2,143,402
Percent of Taxes Collected to Taxes Levied**	30% ***	98%	99%	99%

*Maximum tax rate approved by voters: \$0.50 on January 21, 1995

**Calculated as taxes collected for a tax year divided by taxes levied for that tax year

***In process of collection. Not due until January 31, 2026. Taxes were over 90% collected as of the date of the audit report.

Harris County Municipal Utility District No. 81
Schedule of Long-Term Debt Service Requirements by Years
December 31, 2025

Due During Fiscal Years Ending December 31	Series 2014		Total
	Principal Due September 1	Interest Due March 1, September 1	
2026	\$ 80,000	\$ 36,850	\$ 116,850
2027	85,000	34,250	119,250
2028	90,000	31,487	121,487
2029	95,000	28,563	123,563
2030	95,000	25,475	120,475
2031	95,000	22,150	117,150
2032	95,000	18,825	113,825
2033	100,000	15,500	115,500
2034	100,000	11,750	111,750
2035	100,000	8,000	108,000
2036	100,000	4,000	104,000
Totals	<u>\$ 1,035,000</u>	<u>\$ 236,850</u>	<u>\$ 1,271,850</u>

Harris County Municipal Utility District No. 81
Schedule of Long-Term Debt Service Requirements by Years
December 31, 2025

(Continued)

Due During Fiscal Years Ending December 31	Refunding Series 2019		
	Principal Due September 1	Interest Due March 1, September 1	Total
2026	\$ 370,000	\$ 146,100	\$ 516,100
2027	385,000	135,000	520,000
2028	390,000	123,450	513,450
2029	405,000	111,750	516,750
2030	425,000	99,600	524,600
2031	440,000	86,850	526,850
2032	460,000	73,650	533,650
2033	470,000	59,850	529,850
2034	490,000	45,750	535,750
2035	505,000	31,050	536,050
2036	530,000	15,900	545,900
Totals	<u>\$ 4,870,000</u>	<u>\$ 928,950</u>	<u>\$ 5,798,950</u>

Harris County Municipal Utility District No. 81
Schedule of Long-Term Debt Service Requirements by Years
December 31, 2025

(Continued)

Due During Fiscal Years Ending December 31	Series 2020		Total
	Principal Due September 1	Interest Due March 1, September 1	
2026	\$ -	\$ 83,869	\$ 83,869
2027	-	83,868	83,868
2028	-	83,869	83,869
2029	-	83,869	83,869
2030	-	83,868	83,868
2031	-	83,869	83,869
2032	-	83,869	83,869
2033	-	83,868	83,868
2034	-	83,869	83,869
2035	-	83,869	83,869
2036	-	83,869	83,869
2037	445,000	83,869	528,869
2038	460,000	74,969	534,969
2039	475,000	65,769	540,769
2040	490,000	55,675	545,675
2041	505,000	45,262	550,262
2042	525,000	34,531	559,531
2043	540,000	23,375	563,375
2044	560,000	11,900	571,900
Totals	<u>\$ 4,000,000</u>	<u>\$ 1,317,906</u>	<u>\$ 5,317,906</u>

Harris County Municipal Utility District No. 81
Schedule of Long-Term Debt Service Requirements by Years
December 31, 2025

(Continued)

Due During Fiscal Years Ending December 31	Annual Requirements For All Series		
	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2026	\$ 450,000	\$ 266,819	\$ 716,819
2027	470,000	253,118	723,118
2028	480,000	238,806	718,806
2029	500,000	224,182	724,182
2030	520,000	208,943	728,943
2031	535,000	192,869	727,869
2032	555,000	176,344	731,344
2033	570,000	159,218	729,218
2034	590,000	141,369	731,369
2035	605,000	122,919	727,919
2036	630,000	103,769	733,769
2037	445,000	83,869	528,869
2038	460,000	74,969	534,969
2039	475,000	65,769	540,769
2040	490,000	55,675	545,675
2041	505,000	45,262	550,262
2042	525,000	34,531	559,531
2043	540,000	23,375	563,375
2044	560,000	11,900	571,900
Totals	<u>\$ 9,905,000</u>	<u>\$ 2,483,706</u>	<u>\$ 12,388,706</u>

Harris County Municipal Utility District No. 81
Changes in Long-Term Bonded Debt
Year Ended December 31, 2025

	Bond Issues			
	Series 2014	Refunding Series 2019	Series 2020	Totals
Interest rates	2.50% to 4.00%	3.00%	2.000% to 2.125%	
Dates interest payable	March 1/ September 1	March 1/ September 1	March 1/ September 1	
Maturity dates	September 1, 2026/2036	September 1, 2026/2036	September 1, 2037/2044	
Bonds outstanding, beginning of current year	\$ 1,110,000	\$ 5,235,000	\$ 4,000,000	\$ 10,345,000
Retirements, principal	75,000	365,000	-	440,000
Bonds outstanding, end of current year	<u>\$ 1,035,000</u>	<u>\$ 4,870,000</u>	<u>\$ 4,000,000</u>	<u>\$ 9,905,000</u>
Interest paid during current year	<u>\$ 38,913</u>	<u>\$ 157,050</u>	<u>\$ 83,869</u>	<u>\$ 279,832</u>
Paying agent's name and address				
	Series 2014 – The Bank of New York Mellon Trust Company, N.A., Houston, Texas			
	Series 2019 – The Bank of New York Mellon Trust Company, N.A., Houston, Texas			
	Series 2020 – The Bank of New York Mellon Trust Company, N.A., Houston, Texas			
Bond authority				
	Tax Bonds	Other Bonds	Refunding Bonds	
Amount authorized by voters	\$ 47,450,000	\$ -	\$ -	
Amount issued	\$ 30,715,000	\$ -	\$ -	
Remaining to be issued	<u>\$ 16,735,000</u>	<u>\$ -</u>	<u>\$ -</u>	
Debt service fund cash and temporary investment balances as of December 31, 2025:				<u>\$ 2,028,122</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:				\$ 652,037

Harris County Municipal Utility District No. 81
Comparative Schedule of Revenues and Expenditures – General Fund
Five Years Ended December 31,

	Amounts				
	2025	2024	2023	2022	2021
General Fund					
Revenues					
Property taxes	\$ 1,753,747	\$ 779,858	\$ 872,043	\$ 1,272,676	\$ 1,228,534
Sales tax rebates	273,192	264,298	279,678	274,499	277,839
Water service	917,412	884,069	923,912	919,619	817,538
Sewer service	1,677,077	1,631,579	1,595,709	1,535,050	1,421,392
Regional water fee	1,333,138	1,275,338	1,371,665	1,263,107	1,017,018
Bulk water sales	-	-	-	391,901	452,275
Penalty and interest	65,400	72,375	69,622	60,885	36,591
Tap connection and inspection fees	24,192	2,745	-	21,464	-
Investment income	343,713	443,157	434,156	128,463	2,383
Other income	42,300	59,305	32,311	33,802	29,282
Total Revenues	6,430,171	5,412,724	5,579,096	5,901,466	5,282,852
Expenditures					
Service operations					
Purchased services	862,924	801,321	713,726	561,175	648,933
Regional water authority	1,361,340	1,388,930	1,460,464	1,571,464	1,719,359
Professional fees	264,302	207,024	197,138	204,088	302,760
Contracted services	295,197	279,883	258,116	255,285	220,826
Solid waste	882,544	841,737	789,921	728,414	677,674
Utilities	151,368	163,390	157,290	151,389	167,202
Repairs and maintenance	1,362,199	1,192,359	940,849	989,607	989,140
Other expenditures	430,065	436,346	462,173	416,942	385,817
Tap connections	16,032	-	-	9,240	-
Capital outlay	2,087,882	624,947	461,476	7,299	1,800
Debt service, debt issuance costs	16,197	-	-	-	-
Total Expenditures	7,730,050	5,935,937	5,441,153	4,894,903	5,113,511
Excess (Deficiency) of Revenues Over Expenditures	(1,299,879)	(523,213)	137,943	1,006,563	169,341
Other Financing Sources					
Proceeds from insurance	92,565	-	-	53,196	-
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(1,207,314)	(523,213)	137,943	1,059,759	169,341
Fund Balance, Beginning of Year	8,586,568	9,109,781	8,971,838	7,912,079	7,742,738
Fund Balance, End of Year	\$ 7,379,254	\$ 8,586,568	\$ 9,109,781	\$ 8,971,838	\$ 7,912,079
Total Active Retail Water Connections	3,172	3,174	3,172	3,184	3,190
Total Active Retail Wastewater Connections	3,129	3,131	3,172	3,144	3,109

Percent of Fund Total Revenues				
2025	2024	2023	2022	2021
27.3 %	14.4 %	15.6 %	21.6 %	23.2 %
4.2	4.9	5.0	4.6	5.3
14.3	16.3	16.6	15.6	15.5
26.1	30.1	28.6	26.0	26.9
20.7	23.6	24.6	21.4	19.2
-	-	-	6.6	8.6
1.0	1.3	1.2	1.0	0.7
0.4	0.1	-	0.4	-
5.3	8.2	7.8	2.2	0.1
0.7	1.1	0.6	0.6	0.5
100.0	100.0	100.0	100.0	100.0
13.4	14.8	12.8	9.5	12.3
21.2	25.7	26.2	26.6	32.6
4.1	3.8	3.5	3.4	5.7
4.6	5.2	4.6	4.3	4.2
13.7	15.6	14.2	12.3	12.8
2.4	3.0	2.8	2.6	3.2
21.2	22.0	16.8	16.8	18.7
6.7	8.1	8.3	7.1	7.3
0.2	-	-	0.2	-
32.5	11.5	8.3	0.1	0.0
0.2	-	-	-	-
120.2	109.7	97.5	82.9	96.8
(20.2) %	(9.7) %	2.5 %	17.1 %	3.2 %

Harris County Municipal Utility District No. 81
Comparative Schedule of Revenues and Expenditures – Debt Service Fund
Five Years Ended December 31,

	Amounts				
	2025	2024	2023	2022	2021
Debt Service Fund					
Revenues					
Property taxes	\$ 446,405	\$ 1,499,477	\$ 1,248,345	\$ 704,624	\$ 713,733
Penalty and interest	44,687	42,670	43,808	23,431	37,892
Investment income	64,853	82,598	45,051	6,862	176
Other income	-	-	-	20	10
Total Revenues	<u>555,945</u>	<u>1,624,745</u>	<u>1,337,204</u>	<u>734,937</u>	<u>751,811</u>
Expenditures					
Current					
Professional fees	300	19,856	13,518	13,055	9,684
Contracted services	67,255	62,053	62,484	61,208	62,621
Other expenditures	52,558	34,325	33,616	34,029	34,864
Debt service					
Principal retirement	440,000	415,000	405,000	395,000	380,000
Interest and fees	281,481	292,012	301,183	310,355	327,258
Total Expenditures	<u>841,594</u>	<u>823,246</u>	<u>815,801</u>	<u>813,647</u>	<u>814,427</u>
Excess (Deficiency) of Revenues Over Expenditures	(285,649)	801,499	521,403	(78,710)	(62,616)
Fund Balance, Beginning of Year	<u>1,569,616</u>	<u>768,117</u>	<u>246,714</u>	<u>325,424</u>	<u>388,040</u>
Fund Balance, End of Year	<u>\$ 1,283,967</u>	<u>\$ 1,569,616</u>	<u>\$ 768,117</u>	<u>\$ 246,714</u>	<u>\$ 325,424</u>

Percent of Fund Total Revenues				
2025	2024	2023	2022	2021
80.3 %	92.3 %	93.3 %	95.9 %	95.0 %
8.0	2.6	3.3	3.2	5.0
11.7	5.1	3.4	0.9	0.0
-	-	-	0.0	0.0
100.0	100.0	100.0	100.0	100.0
0.1	1.2	1.0	1.8	1.3
12.1	3.8	4.7	8.3	8.3
9.5	2.1	2.5	4.6	4.7
79.1	25.6	30.3	53.8	50.5
50.6	18.0	22.5	42.2	43.5
151.4	50.7	61.0	110.7	108.3
(51.4) %	49.3 %	39.0 %	(10.7) %	(8.3) %

Harris County Municipal Utility District No. 81
Board Members, Key Personnel, and Consultants
Year Ended December 31, 2025

Complete District mailing address:	Harris County Municipal Utility District No. 81 c/o Allen Boone Humphries Robinson LLP 3200 Southwest Freeway, Suite 2600 Houston, TX 77027
District business telephone number:	713.860.6400
Submission date of the most recent District Registration Form (TWC Sections 36.054 and 49.054):	May 23, 2024
Limit on fees of office that a director may receive during a fiscal year:	\$ 7,200

Board Members	Term of Office Elected & Expires	Fees*	Expense Reimbursements	Title at Year-End
Patrick W. Cathcart	Elected 05/22– 05/26	\$ 7,200	\$ -	President
Bruce Cox	Elected 05/22– 05/26	7,200	-	Vice President
Michael Olsen	Elected 05/24– 05/28	5,746	-	Secretary
George Goff	Elected 05/24– 05/28	6,409	-	Treasurer
Donna Brown	Elected 05/22– 05/26	5,083	-	Assistant Secretary

*Fees are the amounts actually paid to a director during the District's fiscal year.

**Harris County Municipal Utility District No. 81
Board Members, Key Personnel, and Consultants
Year Ended December 31, 2025**

(Continued)

Consultants	Date Hired	Fees and Expense Reimbursements	Title
Allen Boone Humphries Robinson LLP	07/24/03	\$ 287,187	General Counsel
BGE, Inc.	12/18/03	638,520	Engineer
Forvis Mazars, LLP	10/18/84	35,100	Auditor
Harris Central Appraisal District	Legislative Action	20,263	Appraiser
Stacy Lightsey	02/20/23	23,749	District Employee
McLennan & Associates, LP	03/08/04	73,391	Bookkeeper
Municipal District Services, LLC	04/01/12	1,725,372	District Operator
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	03/28/96	860	Delinquent Tax Attorney
Robert W. Baird & Co. Incorporated	03/26/15	-	Financial Advisor
Si Environmental, LLC	07/12/12	429,260	Cinco Regional Plant Operator
Doris Vogt	06/05/25	1,729	District Employee
Wheeler & Associates, Inc.	08/10/76	81,547	Tax Assessor/ Collector
Investment Officer			
Michael Olsen	07/28/22	N/A	Director