

OFFICIAL STATEMENT DATED JUNE 11, 2026

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 have **not** been designated "qualified tax-exempt obligations" for financial institutions.

NEW ISSUE - Book-Entry Only

Ratings: S&P Global Ratings (BAM Insured)... "AA" (stable outlook)
Moody's Investors Service (Underlying)... "A3"
See "BOND INSURANCE" and "RATINGS" herein

\$10,475,000

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 278
(A Political Subdivision of the State of Texas, located within Harris County, Texas)
UNLIMITED TAX BONDS, SERIES 2026

Dated: July 1, 2026

Due: September 1, as shown on the

Interest Accrual Date: Date of Delivery

inside cover

Principal of the above bonds (the "Bonds") is payable by the paying agent/registrar, initially, The Bank of New York Mellon Trust Company, N. A., currently in Houston, Texas, or any successor paying agent/registrar (the "Paying Agent," "Registrar" or "Paying Agent/Registrar"). Interest on the Bonds accrues from the initial date of delivery (expected July 14, 2026) (the "date of delivery"), and is payable on March 1, 2027, and on each September 1 and March 1 thereafter until the earlier of maturity or redemption. The Bonds are issued in denominations of \$5,000 or any integral multiple thereof in fully registered form only.

The Bonds are subject to redemption prior to maturity at the option of Harris County Municipal Utility District No. 278 (the "District"), as a whole or from time to time in part, on September 1, 2031, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption. If fewer than all of the Bonds are redeemed at any time, the particular maturities and amounts of the Bonds to be redeemed shall be selected by the District in integral multiples of \$5,000 within any one maturity. If fewer than all of the Bonds of any given maturity are to be redeemed at any time, the particular Bonds to be redeemed shall be selected by such method of random selection as determined by the Registrar (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form). The Registered Owner of any Bond, all or a portion of which has been called for redemption, shall be required to present same to the Registrar for payment of the redemption price on the portion of the Bond so called for redemption and issuance of a new Bond in the principal amount equal to the portion of such Bond not redeemed.

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 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."

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by Build America Mutual Assurance Company ("BAM" or the "Insurer").



See Maturity Schedule on the inside cover

The Bonds constitute the twelfth series of unlimited tax bonds issued by the District for the purpose of acquiring and constructing a waterworks, sanitary sewer and storm drainage system (the "System") to serve the District. THE BONDS ARE SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS DESCRIBED HEREIN. SEE "INVESTMENT CONSIDERATIONS." Voters in the District authorized a total of \$80,400,000 principal amount of bonds for the purpose of acquiring and constructing the System and \$80,400,000 principal amount of bonds for refunding purposes. Following the issuance of the Bonds, \$3,085,000 principal amount of bonds for the purpose of acquiring and constructing the System and \$77,816,132.65 principal amount of bonds for refunding purposes, authorized by the District's voters will remain authorized but unissued. See "THE BONDS - Issuance of Additional Debt."

The Bonds, when issued, will constitute valid and legally binding obligations of the District, and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. The Bonds are obligations solely of the District and are not obligations of the State of Texas, Harris County, the City of Houston, or any entity other than the District.

The Bonds are offered when, as and if issued by the District, subject among other things to the approval of the Attorney General of Texas and of Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel. Delivery of the Bonds in book-entry form through DTC is expected on or about July 14, 2026.

MATURITY SCHEDULE

CUSIP Prefix(a): 413946

<u>Principal Amount</u>	<u>Maturity (Due September 1)</u>	<u>Interest Rate</u>	<u>Initial Reoffering Yield (b)</u>	<u>CUSIP Suffix (a)</u>
\$1,080,000	2048(c)	5.000%	4.430%	QR8
1,135,000	2049(c)	4.375	4.550	QS6
1,200,000	2050(c)	4.500	4.577	QT4
1,265,000	2051(c)	4.500	4.584	QU1
1,335,000	2052(c)	4.500	4.591	QV9
1,410,000	2053(c)	4.500	4.597	QW7
1,485,000	2054(c)	4.500	4.603	QX5
1,565,000	2055(c)	4.500	4.609	QY3

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- (a) CUSIP is a registered trademark of the American Bankers Association. CUSIP data is provided by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association. CUSIP numbers have been assigned to this issue by the CUSIP Service Bureau and are included solely for the convenience of the owners of the Bonds. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. Neither the District, the Financial Advisor (as defined herein), nor the Underwriter (as defined herein) take any responsibility for the accuracy of CUSIP numbers.
- (b) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Underwriter. Initial reoffering yields represent the initial offering price to the public which has been established by the Underwriter for public offerings, and which subsequently may be changed.
- (c) Subject to optional redemption as described on the front cover.

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

This Official Statement does not 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, resolutions, contracts, audited financial statements, and engineering and other related reports set forth in the Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from the Financial Advisor.

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 that they will be realized. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein since the date hereof. However, the District has agreed to keep this Official Statement current by amendment or sticker to reflect material changes in the affairs of the District and, to the extent that information actually comes to its attention, the other matters described in the Official Statement until delivery of the Bonds to the Underwriter (as hereinafter defined), and thereafter only as described under "OFFICIAL STATEMENT - Updating of Official Statement."

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

Neither the District nor the Underwriter makes any representations as to the accuracy, completeness, or adequacy of the information supplied by The Depository Trust Company for use in this Official Statement.

This Official Statement contains "forward-looking" statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, which generally can be identified with words or phrases such as "anticipates," "believes," "could," "estimates," "expects," "foresees," "may," "predict," "should," "will" or other words or phrases of similar import. All statements included in this Official Statement that any person expects or anticipates will, should or may occur in the future are forward-looking statements. These statements are based on assumptions and analyses made in light of experience and perceptions of historical trends, current conditions and expected future developments as well as other factors the District believes are appropriate in the circumstances. However, whether actual results and developments conform with expectations and predictions is subject to a number of risks and uncertainties, including, without limitation, the information discussed under "INVESTMENT CONSIDERATIONS" in this Official Statement, as well as additional factors beyond the District's control. The important investment considerations and assumptions described under that caption and elsewhere herein could cause actual results to differ materially from those expressed in any forward-looking statement. All of the forward-looking statements made in this Official Statement are qualified by these cautionary statements.

Build America Mutual Assurance Company ("BAM" or the "Insurer") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM supplied by BAM and presented under the heading "BOND INSURANCE" and "APPENDIX C - SPECIMEN OF MUNICIPAL BOND INSURANCE POLICY."

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the bid resulting in the lowest net interest cost to the District, which was tendered by SAMCO Capital Markets, Inc. (referred to herein as the “Underwriter” or the “Initial Purchaser”) to purchase the Bonds bearing the interest rates shown under “MATURITY SCHEDULE” at a price of 97.003326% of the principal amount thereof, which resulted in a net effective interest rate of 4.647600%, as calculated pursuant to Chapter 1204, Texas Government Code, as amended.

Prices and Marketability

The delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Underwriter on or before the date of delivery of the Bonds stating the prices at which a substantial amount of the Bonds of each maturity have 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. The District has no control over trading of the Bonds after a bona fide offering of the Bonds is made by the Underwriter at the yields specified on the cover page. Information concerning reoffering yields or prices is the responsibility of the Underwriter.

The District has no control over the reoffering yields or prices of the Bonds or 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 prices 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.

The prices and other terms respecting the offering and sale of the Bonds may be changed from time to time by the Underwriter after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering price, including sales to dealers who may sell the Bonds into investment accounts.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Securities Laws

No registration statement relating to 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 or qualification 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.

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company (“BAM” or the “Insurer”) will issue its Municipal Bond Insurance Policy for the Bonds (the “Policy”). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

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

Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products to issuers in the U.S. public finance markets. BAM will only insure municipal bonds, as defined in Section 6901 of the New York Insurance Law, which are most often issued by states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 28 Liberty Street, 59th Floor, New York, New York 10005, its telephone number is: 212-235-2500, and its website is located at: www.bambonds.com.

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM's financial strength is rated "AA/Stable" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at <https://www.spglobal.com/en/>. The rating of BAM should be evaluated independently. The rating reflects S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of March 31, 2026 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$493.3 million, \$277.6 million and \$215.7 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at www.bambonds.com, is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

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

Additional Information Available from BAM

Credit Insights Videos. For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at www.bambonds.com/insights/#videos. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Credit Profiles. Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at www.bambonds.com/credit-profiles. BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Disclaimers. The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Bonds, whether at the initial offering or otherwise.

BOND INSURANCE RISK FACTORS

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 Policy for such payments.

In the event the Insurer is unable to make payment of principal and interest on the Bonds 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 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 Insurer and its claim paying ability. The Insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the Insurer and of the ratings on the Bonds insured by the Insurer will not be subject to downgrade and such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds. See "BOND INSURANCE" and "RATINGS" herein. As is stated in this Official Statement under the caption "NO MATERIAL ADVERSE CHANGE," the rating of the Insurer's creditworthiness by any rating agency does not in any manner affect the District's financial condition, and thus any change to such rating, including a downgrade thereof, at any time, does not constitute a change, material or otherwise, in the District's financial condition, and therefore cannot be a basis for termination by the Underwriter of its obligation to take up and pay for the Bonds.

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

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

RATINGS

The Bonds are expected to receive an insured rating of “AA” (stable outlook) from S&P Global Ratings (“S&P”), a business unit of Standard & Poor’s Financial Services LLC, based upon the issuance and delivery of the Policy by the Insurer at the time of delivery of the Bonds. The underlying credit rating of the Bonds assigned by Moody’s is “A3.”

An explanation of the significance of the foregoing ratings may only be obtained from S&P and Moody’s. The foregoing ratings express only the view of S&P and Moody’s at the time the ratings are given. Furthermore, a security rating is not a recommendation to buy, sell or hold securities. There is no assurance that the ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by S&P and Moody’s, if, in its judgment, circumstances so warrant. Any such downward change in or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

The District is not aware of any ratings assigned the Bonds other than the ratings of S&P and Moody’s. See “BOND INSURANCE” and “BOND INSURANCE RISK FACTORS.”

OFFICIAL STATEMENT SUMMARY

The following material is a summary of certain information contained herein and is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Official Statement.

THE BONDS

The Issuer Harris County Municipal Utility District No. 278 (the “District”), a political subdivision of the State of Texas, is located in Harris County, Texas. See “THE DISTRICT.”

The Issue..... Harris County Municipal Utility District No. 278 Unlimited Tax Bonds, Series 2026, in the aggregate principal amount of \$10,475,000 are dated July 1, 2026. Interest accrues from the date of delivery, and is payable on March 1, 2027, and on each September 1 and March 1 thereafter until maturity or prior redemption. The Bonds mature on September 1 in each of the years and in the amounts shown on the inside cover page of this Official Statement. The Bonds are issued in fully registered form, without coupons, in the denomination of \$5,000 each, or any integral multiple thereof. The Bonds are subject to redemption, in whole or in part, prior to their scheduled maturities, on September 1, 2031, or on any date thereafter at the option of the District. Upon redemption, the Bonds will be payable at a price equal to the principal amount of the Bonds, or portions thereof, so called for redemption, plus accrued interest to the date of redemption. See “THE BONDS.”

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

Source of Payment..... Principal of and interest on the Bonds are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. See “THE BONDS - Source of Payment,” “TAX DATA - Tax Rate Calculations,” and “INVESTMENT CONSIDERATIONS - Maximum Impact on District Tax Rates.” The Bonds are obligations of the District, and are not obligations of the State of Texas, Harris County, Texas, the City of Houston, Texas, or any entity other than the District.

Use of Proceeds..... Proceeds of the sale of the Bonds will be used by the District to pay the cost of (i) acquisition or construction for wastewater treatment plant phase 2 expansion; water

treatment plant ground storage tank addition, booster pump addition, variable frequency drive additions and coatings rehabilitations; and natural gas generators at lift stations nos. 1 through 5 (ii) engineering and testing fees, and a stormwater pollution prevention plan associated with the foregoing projects, and (iii) administrative and issuance costs, legal fees, fiscal agent's fees, fees to the TCEQ and the Attorney General of Texas, engineering fees, and certain financing costs related to the issuance of Bonds. See "THE BONDS - Use and Distribution of Bond Proceeds."

Payment Record.....

The District has previously issued Unlimited Tax Bonds, Series 1994 (the "Series 1994 Bonds"), Unlimited Tax Bonds, Series 1996 (the "Series 1996 Bonds"), Unlimited Tax Bonds, Series 1998 (the "Series 1998 Bonds"), Unlimited Tax Bonds, Series 2003 (the "Series 2003 Bonds"), Unlimited Tax Bonds, Series 2007 (the "Series 2007 Bonds"), Unlimited Tax Bonds, Series 2009 (the "Series 2009 Bonds"), Unlimited Tax Bonds, Series 2010 (the "Series 2010 Bonds"), Unlimited Tax Bonds, Series 2014 (the "Series 2014 Bonds"), Unlimited Tax Bonds, Series 2016 (the "Series 2016 Bonds") Unlimited Tax Bonds, Series 2019 (the "Series 2019 Bonds") and Unlimited Tax Bonds, Series 2021A (the "Series 2021A Bonds"). The District has also issued Unlimited Tax Refunding Bonds, Series 2004 (the "Series 2004 Refunding Bonds"), Unlimited Tax Refunding Bonds, Series 2013 (the "Series 2013 Refunding Bonds"), Unlimited Tax Refunding Bonds, Series 2014 (the "Series 2014 Refunding Bonds"), Unlimited Tax Refunding Bonds, Series 2015 (the "Series 2015 Refunding Bonds"), Unlimited Tax Refunding Bonds, Series 2018 (the "Series 2018 Refunding Bonds"), Unlimited Tax Refunding Bonds, Series 2020 (the "Series 2020 Refunding Bonds") and Unlimited Tax Refunding Bonds, Series 2021 (the "Series 2021 Refunding Bonds") to refund certain outstanding bonds of the District. Collective reference is made in this Official Statement to all of such bonds previously issued by the District as the "Prior Bonds." The District has never defaulted in the timely payment of principal of or interest on the Prior Bonds. Before issuance of the Bonds, the aggregate principal amount of the District's Outstanding Bonds not heretofore paid by the District was \$48,435,000 (the "Outstanding Bonds") and following the issuance of the Bonds, the aggregate principal amount of the District's bonded indebtedness, including the Bonds, will be \$58,910,000. In addition to the components of the System that the District has financed with the proceeds of the Prior Bonds and is financing with portions of the proceeds of the sale of the Bonds, the District expects to finance its share of the cost of acquisition or construction of additional components of the System with portions of the proceeds of the sale of bonds, if any, to be issued by the District in the future. See "THE BONDS - Authority for Issuance," and - "Issuance of Additional Debt," "THE SYSTEM," and "INVESTMENT CONSIDERATIONS - Future Debt."

<u>NOT</u> Qualified Tax-Exempt Obligations.....	The Bonds have not been designated “qualified tax-exempt obligations” for financial institutions.
Authorized But Unissued Bonds.....	\$3,085,000 bonds for waterworks, wastewater and drainage facilities and \$77,816,132.65 for refunding purposes will remain authorized but unissued after issuance of the Bonds. See “THE BONDS - Authority for Issuance” and - “Issuance of Additional Debt,” “THE SYSTEM” and “INVESTMENT CONSIDERATIONS -Future Debt.”
Municipal Bond Insurance	Build America Mutual Assurance Company (“BAM” or the “Insurer”). See “BOND INSURANCE” and “BOND INSURANCE RISK FACTORS.”
Municipal Bond Ratings.....	S&P Global Ratings (BAM Insured) “AA” (stable outlook). Moody’s Investors Services, Inc. (Underlying) “A3.” See “BOND INSURANCE,” “BOND INSURANCE RISK FACTORS” and “RATINGS.”
Legal Opinion	Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel. See “LEGAL MATTERS.”
Bond Counsel	Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel. See “LEGAL MATTERS.”
Disclosure Counsel.....	McCall, Parkhurst & Horton L.L.P., Houston, Texas.

THE DISTRICT

Description	The District is a political subdivision of the State of Texas, created by Order of the Texas Water Commission, the predecessor of the Texas Commission on Environmental Quality (the “TCEQ”) on March 27, 1985. The District contains approximately 1,236.1963 acres of land. The District is located entirely within Harris County, Texas, and entirely within the extraterritorial jurisdiction of the City of Houston, Texas (the “City”), except for approximately 59.77 acres that lie within the corporate boundaries of the City of Humble, Texas. The District is located approximately twenty miles northeast of the central business district of the City, approximately five miles east of U.S. Highway 59. The District is composed of multiple tracts of land, with the eastern portion of the District generally bounded on the south by Will Clayton Parkway, on the north by Atascocita Road, and on the east by Timber Forest Drive. Five tracts of land that are located within the District are generally bounded to the north by Will Clayton Parkway, on the west by Wilson Road and on the south by Atascocita Road. Two other tracts of land that are located within the District are generally bounded to the north by Atascocita Road, on the west by Rehab Road and on the east by Woodland Hills Drive. Two additional tracts of land that are located within the District are generally bounded to the south by Will Clayton Parkway, on the west by Wilson Road and on the east by Woodland Hills Drive. See “APPENDIX A - LOCATION MAP.”
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Authority

The rights, powers, privileges, authority and functions of the District are established by Article XVI, Section 59 of the Constitution of the State of Texas and the general laws of the State of Texas pertaining to municipal utility districts, particularly Chapters 49 and 54 of the Texas Water Code, as amended. See “THE DISTRICT - General.”

Development and Home Construction.....

Development and home construction accomplished in the District to date include the completion of the development of 3,249 single family residential lots, on all of such lots homes have been constructed and conveyed to home purchasers.

According to the District's Engineer, underground water, sewer and drainage facilities and street paving have been constructed to serve the aforementioned total of 3,249 single family residential lots on approximately 711.92 acres platted as Timber Forest, Sections 1 and 4 through 7, Clayton’s Corner, Sections 1 through 4, Woodland Pines, Sections 1 through 10, Laurel Place, Sections 1 through 3, Atascocita Trace, Sections 1 through 6, Blackstone Creek, Sections 1 through 4, and Villages at Tour 18, Sections 1 through 3.

The District also contains unrestricted reserves aggregating (i) approximately 73.89 acres that have been developed for commercial usage platted as Timber Forest, Sections 1 through 3, consisting of (a) a day care center, office buildings, warehouses, three medical treatment and care facilities, and other retail and commercial enterprises, including gas stations, restaurants, auto parts and repair shops, a strip center, a bank, convenience stores, a hardware store and two car washes aggregating approximately 440,085 square feet of building area that have been constructed on approximately 57.3 acres of which, and (b) 16.59 acres of street rights of way located in such sections; (ii) approximately 63.19 total acres that are located along Hunters Terrace Drive, on approximately 9.02 acres of which the 241-unit Tour 18 Apartments have been constructed (which are exempt from taxation by the District, see “INVESTMENT CONSIDERATIONS - Certain Tax Exemptions Provided for Affordable Housing”), on approximately 10.68 acres of which the 270-unit Creekstone Apartments are currently under construction (with completion anticipated by approximately September 2026), approximately 13.60 acres of which are expected to be developed for future commercial usage and the remaining approximately 30.0 acres of which are contained within storm water detention facilities and pipeline or electrical easements, and (iii) approximately 33.14 additional acres of land used for storm water detention facilities. In addition, the 280-unit Prose Atascocita Apartments are currently under construction on approximately 10.1 acres located within the District (with completion anticipated by approximately March 2027), and Waste Management, Inc. (“WM”) owns approximately 64.13 acres of land located within the District on which it has constructed an office, maintenance shop, container shop, and truck washing complex. According to the

District's Engineer, underground water, sewer and drainage facilities and street paving to serve all of such unrestricted reserves have been constructed to (or are in close proximity to) the perimeters of the tracts which they serve. See "FUTURE DEVELOPMENT."

Approximately 211.6 acres of land located in the District, exclusive of certain easements, rights-of-way, and other land not available for development, are currently undeveloped. Humble Independent School District owns 59.77 acres of land located within the District which property is exempt from taxation by the District and on which it has constructed two schools. As is reflected on the District's 2026 tax roll, approximately 153.76 of such acres that are available for future development are owned by Louis A. Tsakiris Family Partnership, Ltd. ("LATFP"). The remaining acres that are available for future development are owned by multiple other parties, none of which has reported any definitive development plan to the District covering any of such acres. Since no party, including LATFP, has any obligation to the District to develop any of such currently undeveloped acres at any particular pace or at all, the District cannot represent that any development will be undertaken in the District in addition to the development undertaken therein to date, nor can the District represent the ultimate utilization of such currently undeveloped land. The District is unaware of any specific development or construction of above ground improvements planned for any of the reserves located in Timber Forest, Sections 1 through 3 or the acres that are located along Hunters Terrace Drive described above in addition to the development that has been undertaken and the improvements that have been constructed or are under construction therein to date. The balance of the land within the District is located within street and drainage rights-of-way, District plant sites, or is otherwise not available for residential or commercial development. See "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments," "FUTURE DEVELOPMENT" and "TAX DATA - Principal 2026 Taxpayers."

The District financed the underground water distribution, wastewater collection and storm drainage facilities to serve Timber Forest, Sections 1 and 4 through 7, Clayton's Corner, Sections 1 through 4, Laurel Place, Sections 1 through 3, Woodland Pines, Sections 1 through 10, Atascocita Trace, Sections 1 through 6, Blackstone Creek, Section 1 through 4, Villages at Tour 18, Sections 1 and 2, Phases 1 and 1A, off-site water distribution to serve Woodland Pines; a wastewater treatment plant expansion; wastewater collection and detention facilities to serve Villages at Tour 18; clearing and grubbing of Villages at Tour 18, Section 1; water supply and storage facilities, a wastewater treatment plant and lift station, clearing and grubbing serving Villages at Tour 18, Section 2; stormwater pollution prevention plans for Atascocita Trace, Sections 4 through 6, Blackstone Creek, Sections 2 through 4, Villages at Tour 18, Section 2, and Woodland Pines, Sections 9 and

10; the remaining costs of a 12-inch water line along Will Clayton Parkway, Phases 1, 1-A and 2; a 16-inch water line along Atascocita Road, Phases 1 and 2; land acquisition costs for the detention basin for Villages at Tour 18 and Phase 1 Water Line/Joint Use Easements, wastewater treatment plant expansion and other facilities that are described in this Official Statement under the caption "THE SYSTEM" with the proceeds of the sale of the Prior Bonds. The District will finance wastewater treatment plant phase 2 expansion; water treatment plant ground storage tank addition, booster pump addition, variable frequency drive additions and coatings rehabilitations; and natural gas generators at lift stations nos. 1 through 5 with a portion of the proceeds of the sale of the Bonds. In addition to the components of the System that the District has financed with the proceeds of the sale of the Prior Bonds and is financing with portions of the proceeds of the sale of the Bonds, the District expects to finance its share of the cost of acquisition or construction of additional components of the System with portions of the proceeds of the sale of bonds, if any, to be issued by the District in the future. See "THE BONDS - Issuance of Additional Debt" and - "Use and Distribution of Bond Proceeds," "INVESTMENT CONSIDERATIONS - Future Debt" and "THE SYSTEM."

Principal Land Owners

The owner of approximately 63.19 acres of land located within the District that are located along Hunters Terrace Drive that have been provided underground water, sewer and drainage facilities and street paving to the perimeter thereof was Austofield Partners No. I, Ltd., ("Austofield") a Texas limited partnership whose general partner is Austofield No. I, LLC, a Texas limited liability corporation whose president is Yousef Panahpour. ATA Development, LP ("ATA") a Texas limited partnership whose general partner is ATA GP Developers, L.L.C., a Texas limited liability corporation whose president is Yousef Panahpour, developed such land on behalf of Austofield. Austofield has sold approximately 10.68 of such acres to Creekstone Developments, Inc. ("Creekstone") on which the 270-unit Creekstone Apartments are currently under construction (with completion anticipated by approximately September 2026). Austofield has sold approximately 9.02 of such acres being utilized for multi-family development to The Park at Tour 18 LLC ("Tour 18"), on which the 241-unit Tour 18 Apartments have been constructed (which are exempt from taxation by the District, see "INVESTMENT CONSIDERATIONS - Certain Tax Exemptions Provided for Affordable Housing"). Austofield has conveyed approximately 13.60 of such acres expected to be developed for future commercial usage to Atasca Lake Partners No I Ltd. ("ALP"), a Texas limited partnership whose general partner is Atasca Lake No I, L.L.C., a Texas limited liability corporation whose president is Yousef Panahpour. The remaining approximately 30.0 of such acres are contained within storm water detention facilities, pipeline or electrical easements (see "DEVELOPMENT AND HOME CONSTRUCTION" herein). ATA and Austofield do not own any property in the District. Since no party, including ALP, Creekstone or Tour 18, has any obligation to the

District to undertake or complete the construction of any above-ground improvements on any of such land, the District cannot represent that any development will be undertaken on any of such land in addition to the development undertaken thereon to date, and cannot represent that any above-ground multi-family residential, commercial or other above-ground improvements will be constructed or completed on any of such land.

The owner of approximately 64.13 acres of land located within the District (see “DEVELOPMENT AND HOME CONSTRUCTION” herein) is Waste Management, Inc. (“WM”), on which it has constructed an office, maintenance shop, container shop, and truck washing complex.

Approximately 211.6 acres of land located in the District, exclusive of certain easements, rights-of-way, and other land not available for development, are currently undeveloped. Humble Independent School District owns 59.77 acres of land located within the District which property is exempt from taxation by the District and on which it has constructed two schools. As is reflected on the District’s 2026 tax roll, approximately 153.76 of such acres that are available for future development are owned by Louis A. Tsakiris Family Partnership, Ltd. (“LATFP”). The remaining acres that are available for future development are owned by multiple other parties, none of which has reported any definitive development plan to the District covering any of such acres. Since no party, including LATFP, has any obligation to the District to develop any of such currently undeveloped acres at any particular pace or at all, the District cannot represent that any development will be undertaken in the District in addition to the development undertaken therein to date, nor can the District represent the ultimate utilization of such currently undeveloped land. The District is unaware of any specific development or construction of above ground improvements planned for any of the reserves located in Timber Forest, Sections 1 through 3 or the acres that are located along Hunters Terrace Drive described above in addition to the development that has been undertaken and the improvements that have been constructed or are under construction therein to date. The balance of the land within the District is located within street and drainage rights-of-way, District plant sites, or is otherwise not available for residential or commercial development.

INVESTMENT CONSIDERATIONS

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

**SELECTED FINANCIAL INFORMATION
(UNAUDITED)**

2025 Assessed Valuation	\$ 836,774,346 (a)
(As of January 1, 2025)	
See "TAX DATA" and "TAXING PROCEDURES"	
2026 Preliminary Valuation.....	\$ 859,533,020 (b)
(As of January 1, 2026)	
See "TAX DATA" and "TAXING PROCEDURES"	
Direct Debt:	
Outstanding Bonds.....	\$ 48,435,000
The Bonds	<u>10,475,000</u>
Total	\$ 58,910,000 (c)
Estimated Overlapping Debt	\$ <u>59,948,940</u>
Total Direct and Estimated Overlapping Debt	\$ 118,858,940
Direct Debt Ratio	
: as a percentage of 2025 Assessed Valuation.....	7.04 %
: as a percentage of 2026 Preliminary Valuation.....	6.85 %
Direct and Overlapping Debt Ratio	
: as a percentage of 2025 Assessed Valuation.....	14.20 %
: as a percentage of 2026 Preliminary Valuation.....	13.82 %
Debt Service Fund Balance as of April 9, 2026	\$ 6,061,060 (d)
General Fund Balance as of April 9, 2026.....	\$ 20,205,678
2025 Tax Rate per \$100 of Assessed Valuation	
Debt Service Tax.....	\$ 0.42
Maintenance Tax.....	<u>0.26</u>
Total	\$ 0.68 (e)
Average Percentage of Total Tax Collections (2015-2024) as of April 30, 2026	99.90 %
Percentage of Tax Collections of 2025 Levy as of April 30, 2026 (In process of collection).....	97.97 %
Average Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2027-2037).....	\$ 3,929,897
Maximum Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2037)	\$ 4,009,075
Tax Rate per \$100 of Assessed Valuation Required to Pay Average Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2027-2037) at 95% Tax Collections	
Based Upon 2025 Assessed Valuation.....	\$ 0.50
Based Upon 2026 Preliminary Valuation.....	\$ 0.49

Tax Rate per \$100 of Assessed Valuation Required to Pay Maximum Annual
Debt Service Requirements on the Bonds and the Outstanding Bonds
(2037) at 95% Tax Collections

Based Upon 2025 Assessed Valuation.....	\$	0.51
Based Upon 2026 Preliminary Valuation.....	\$	0.50

Number of Single Family Residences 3,249

Completed Commercial Improvements - Approximately 371,460 Square Feet of Building Area
(See "DEVELOPMENT AND HOME CONSTRUCTION.")

Multi-Family Residential Improvements Currently Under Construction –
270-Unit Creekstone Apartments
280-Unit Prose Atascosita Apartments
(See "DEVELOPMENT AND HOME CONSTRUCTION.")

-
- (a) As of January 1, 2025, and comprises the District's 2025 tax roll. All property located in the District is valued on the tax rolls by the Harris Central Appraisal District (the "Appraisal District") at 100% of assessed value as of January 1 of each year. The District's tax roll is certified by the Harris County Appraisal Review Board (the "Appraisal Review Board"). See "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments" and "TAXING PROCEDURES."
 - (b) This amount is the sum of the preliminary values of all taxable property located within the District as of January 1, 2026, as reflected on the District's preliminary 2026 tax roll supplied to the District by the Appraisal District, and includes the preliminary 2026 values resulting from the construction of taxable improvements from January 1, 2025, through December 31, 2025. When the Appraisal District supplies a taxing entity with a preliminary tax roll, such preliminary tax roll does not include personal property values. Therefore, this amount includes the 2025 taxable value of personal property located within the District. The taxable value of personal property on the District's 2025 tax roll was \$15,653,760. The District's ultimate 2026 Assessed Valuation may vary significantly from such preliminary tax roll once the Appraisal Review Board certifies the value thereof for 2026. See "TAXING PROCEDURES."
 - (c) See "DISTRICT DEBT." In addition to the water distribution, wastewater collection, storm drainage/detention facilities that the District has financed with the proceeds of the sale of the Prior Bonds and is financing with a portion of the proceeds of the sale of the Bonds, the District expects to finance its share of the cost of acquisition or construction of additional components of the System with portions of the proceeds of the sale of bonds, if any, to be issued by the District in the future. See "THE BONDS - Issuance of Additional Debt," "INVESTMENT CONSIDERATIONS - Future Debt" and "THE SYSTEM."
 - (d) Neither Texas law nor the Bond Resolution requires the District to maintain any particular sum in the Debt Service Fund. Such sum gives effect to the payment by the District of its debt service requirements on the Outstanding Bonds that were due on March 1, 2026. The District's initial debt service payment on the Bonds, consisting of an interest payment due thereon, is due on March 1, 2027.
 - (e) The District levied a debt service tax in the amount of 0.42 per \$100 of Assessed Valuation and a maintenance tax of \$0.26 per \$100 of Assessed Valuation for 2025. As is enumerated in this Official Statement under the caption "TAX DATA - Estimated Overlapping Taxes," the aggregate of the 2025 tax levies of all overlapping taxing units which levy taxes upon property located in the District, plus the District's 2025 rate, is \$2.620128. Such aggregate levies are higher than the aggregate tax levies of many municipal utility districts in the Houston metropolitan area, including the area of the District, but are within the range of the aggregate levies of municipal utility districts in the Houston metropolitan area and the area of the District which are in stages of development comparable with the District. See "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments."

\$10,475,000
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 278
UNLIMITED TAX BONDS
SERIES 2026

INTRODUCTION

This Official Statement provides certain information with respect to the issuance by Harris County Municipal Utility District No. 278 (the “District”) of its Unlimited Tax Bonds, Series 2026 (the “Bonds”).

There follow in this Official Statement descriptions of the Bonds, 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 the District upon request and payment of the costs of duplication thereof.

THE BONDS

General

The following is a description of some of the terms and conditions of the Bonds, which description is qualified in its entirety by reference to the resolution (the “Bond Resolution”) of the Board of Directors of the District (the “Board”) authorizing the issuance of the Bonds. A copy of the Bond Resolution may be obtained from the District upon written request made to the District's Bond Counsel, Allen Boone Humphries Robinson LLP, Phoenix Tower, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027.

The Bonds are dated July 1, 2026. Interest accrues from the date of delivery, at the rates shown on the inside cover page hereof, and is payable on March 1, 2027, and on 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 in each of the years and in the amounts shown under “MATURITY SCHEDULE” on the inside cover page of this Official Statement. Principal of the Bonds will be payable by the paying agent/registrars, initially, The Bank of New York Mellon Trust Company, N.A., currently in Houston, Texas, or any successor paying agent/registrars (the “Paying Agent,” “Registrar” or “Paying Agent/Registrar”).

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 (as defined herein) 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 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 below under “Book-Entry-Only System.”

Book-Entry-Only System

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

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

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

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a S&P Global rating of “AA+.” The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

Redemption notices shall be sent to DTC. If less than all of the Bonds within 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.

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

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

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

Use of Certain Terms in Other Sections of this Official Statement

In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to Registered Owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and, (ii) except as described above, notices that are to be given to Registered Owners under the Bond Resolution will be given only to DTC.

Record Date

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

Assignments, Transfers and Exchanges

In the event the Book-Entry-Only System is discontinued, the Bonds may be transferred, registered and assigned only on the registration books of the Registrar, and such registration and transfer shall be without expense or service charge to the Registered Owner, except for any tax or other governmental charges required to be paid with respect to such registration 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 Registrar. Any Bond may be transferred or exchanged upon its presentment and surrender at the office of the Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the Registered Owner. 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 owner in not more than three business days after the receipt of the request in proper form to transfer or exchange the Bonds. New Bonds registered and delivered in an exchange or transfer shall be in denominations of \$5,000 or any integral multiple thereof for any one maturity and for a like aggregate principal amount or maturity amount as the Bond or Bonds surrendered for exchange or transfer. Neither the District nor the Registrar is required (1) to transfer or exchange any Bond during a period beginning at the opening of business on a Record Date and ending at the close of business on the next succeeding interest payment date, or (2) to transfer or exchange any Bond selected for redemption in whole or in part within thirty (30) calendar days of the redemption date. The District has agreed to replace mutilated, destroyed, lost or stolen Bonds upon surrender of the mutilated Bonds, or receipt of satisfactory evidence of such destruction, loss or theft and receipt by the District and the Registrar of security or indemnity to keep them harmless. The District will require payment of taxes, governmental charges and other expenses in connection with any such replacement.

Redemption Provisions

The Bonds 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 a price equal to the principal amount 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 fewer than all of the Bonds are redeemed at any time, the particular maturity or maturities and amounts to be redeemed shall be selected by the District. If fewer than all of the Bonds within a maturity are to be redeemed, the Registrar shall designate by method of random selection the Bonds within such maturity to be redeemed (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form). The Registered Owner of any Bond, all or a portion of which has been called for redemption, shall be required to present same to the 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.

Replacement of Registrar

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

Authority for Issuance

At elections held within the District on August 10, 1985, May 1, 1993, February 2, 2002, May 4, 2002, and May 3, 2003, voters of the District authorized a total of \$80,400,000 in bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities and \$80,400,000 unlimited tax refunding bonds for the purpose of refunding outstanding bonds of the District. The Bonds constitute the twelfth issuance of bonds from such authorization for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities. Following the issuance of the Bonds, a total of \$3,085,000 in principal amount of unlimited tax bonds for water, sanitary sewer and drainage facilities and \$77,816,132.65 in principal amount of bonds for refunding purposes will remain authorized but unissued. The Bonds are issued pursuant to the Bond Resolution, Chapters 49 and 54 of the Texas Water Code (the "Water Code"), and Article XVI, Section 59 of the Texas Constitution. Issuance of the Bonds has been further authorized by an Order of the Texas Commission on Environmental Quality (the "TCEQ").

Source of Payment

The Bonds (together with the Outstanding Bonds, as defined herein, and such additional tax bonds as may hereafter be issued by the District) are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property 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, and Registrar 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, on such additional bonds payable from taxes which may be issued, and Registrar fees.

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

Issuance of Additional Debt

The District may issue additional bonds, with the approval of the Texas Commission on Environmental Quality (the "TCEQ" or "Commission"), 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 a total of \$80,400,000 unlimited tax bonds for construction of water distribution, wastewater collection and storm drainage facilities, and could authorize additional amounts. Following the issuance of the Bonds, \$3,085,000 unlimited tax bonds for construction of water distribution, wastewater collection and storm drainage facilities will remain authorized but unissued for such purpose. The District's voters also have authorized a total of \$80,400,000 unlimited tax bonds for refunding purposes, \$77,816,132.65 of which remain unissued. The Bond Resolution imposes no limitation on the amount of additional parity bonds which may be issued by the District (if authorized by the District's voters and approved by the Board and the TCEQ.) In the opinion of the District's consulting engineer, BGE, Inc. (the "Engineer"), the remaining \$3,085,000 authorized bonds which remain unissued after the sale of the Bonds, plus available surplus funds, may not be adequate to finance the acquisition or construction of all water, wastewater and drainage facilities necessary to provide service to all of the developable, undeveloped portions of the District. In order for the District to issue bonds in an amount greater than the \$3,085,000 that is currently authorized, the District would be required to obtain voter authorization to issue additional bonds at an election held for such purpose. The District cannot predict the outcome of such election if it is called. The District makes no representation that any future development will be undertaken in the District. In addition to the components of the System that the District has financed with portions of the proceeds of the sale of the Prior Bonds and is financing with portions of the proceeds of the sale of the Bonds, the District expects to finance its share of the cost of acquisition or construction of additional components of the System with portions of the proceeds of the sale of bonds, if any, to be issued by the District in the future. See "THE BONDS - Authority for Issuance" and -"Issuance of Additional Debt," "THE SYSTEM," and "INVESTMENT CONSIDERATIONS - Future Debt."

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

Financing Road Facilities

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

Financing Recreational Facilities

The District is authorized to develop and finance with property taxes certain recreational facilities after a District election has been successfully held to approve the issuance of bonds payable from taxes and/or a maintenance tax to support recreational facilities.

The District is authorized 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) approval of the park project and bonds by the TCEQ; and (b) 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 unless the District meets certain financial feasibility requirements under the TCEQ rules, in which case the outstanding principal amount of such bonds issued by the District may exceed an amount equal to one percent but not greater than three percent of the

value of the taxable property in the District. The Board has not considered authorizing the preparation of a park plan or calling a park bond election at this time.

Issuance of bonds for recreational facilities could dilute the investment security for the Bonds.

No Arbitrage

The District certifies that based upon all facts and estimates now known or reasonably expected to be in existence on the date the Bonds are delivered and paid for, 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 the Internal Revenue Code of 1986, as amended (the “Code”), and the regulations prescribed 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 are authorized to certify to the facts and 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 covenants that it shall make such use of the proceeds of the Bonds, regulate investment of proceeds of the Bonds and take such other and further actions and follow such procedures, including, without limitation, calculating the yield on the Bonds, as may be required so that the Bonds shall not become “arbitrage bonds” under the Code and the regulations prescribed from time to time thereunder.

Annexation

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston (except for the 59.77 acres that lie within the corporate boundaries of the City of Humble), the District must conform to a City of Houston consent ordinance. Generally, the District may be annexed by the City of Houston without the District's consent, and the City cannot annex territory within the District unless it annexes the entire District; however, the City may not annex the District unless (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed, and (ii) if the registered voters in the area to be annexed do not own more than 50 percent of the land in the area, a petition has been signed by more than 50 percent of the landowners consenting to the annexation. Notwithstanding the preceding sentence, the described election and petition process does not apply during the term of a strategic partnership agreement between the City and the District specifying the procedures for full purpose annexation of all or a portion of the District. See "Strategic Partnership Agreement," below, for a description of the terms of the Strategic Partnership Agreement between the City and the District.

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

Strategic Partnership Agreement

The District and the City of Houston (the “City”) have entered into a Strategic Partnership Agreement dated effective December 12, 2008 (the “SPA”), amended and restated on December 5, 2017, and further amended on December 11, 2019, pursuant to Chapter 43 of the Texas Local Government Code. The SPA provides for a “limited purpose annexation” for that portion of the District which is developed for retail and commercial purposes in order to apply certain City health, safety, planning and zoning ordinances within the District. Areas of residential development within the District are not subject to the limited purpose annexation. The SPA, as amended on December 11, 2019, also provides that the City will not annex the District for “full purposes” for at least thirty (30) years from the effective date of the SPA and then only if the District’s Board of Directors requests such annexation. Also, as a condition to full purpose annexation, any unpaid reimbursement obligations due to a developer by the District for water, wastewater and drainage facilities must be assumed by the City to the maximum extent permitted by TCEQ rules.

As of the effective date of the SPA, the City is authorized to impose the one percent (1%) City sales and use tax within the portion of the District included in the limited purpose annexation. Such portion includes primarily the approximately 39.51 acres of retail and commercial development within the District. The City pays to the District an amount equal to one half (½) of all sales and use tax revenue generated within such area of the District and received by the City from the Comptroller of Public Accounts of the State of Texas (the “Sales Tax Revenue”). Pursuant to State law, the District is authorized to use Sales Tax Revenue generated under the SPA for any lawful purpose. None of the anticipated Sales Tax Revenue is pledged toward the payment of principal and interest on the Bonds or the Outstanding Bonds.

Consolidation

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

Registered Owners' Remedies

Pursuant to Texas law, the Bond Resolution provides that, in the event the District defaults in the payment of the principal of or interest on any of the Bonds when due, fails to make payments required by the Bond Resolution into the Debt Service Fund, or defaults in the observance or performance of any of the other covenants, conditions or obligations set forth in the Bond Resolution, any Registered Owner shall be entitled to seek a writ of mandamus from a court of competent jurisdiction compelling and requiring the District to make such payments or to observe and perform such covenants, obligations or conditions. Such right is in addition to other rights the Registered Owners may be provided by the laws of the State of Texas.

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners may seek a writ of mandamus requiring the District to observe and perform its covenants and obligations to levy adequate taxes to make such payments. Except for the remedy of mandamus, the Bond Resolution does not specifically provide for remedies to a Registered Owner in the event of a District default, nor does it provide for the appointment of a trustee to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Even if the Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on the property of the District or sell property within the District in order to pay the principal of or interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may be further limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. For example, a Chapter 9 bankruptcy proceeding by the District could delay or eliminate payment of principal or interest to the Registered Owners. See “Bankruptcy Limitation to Registered Owners' Rights” below. Certain traditional legal remedies also may not be available.

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. 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 debts; and (4) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to

negotiate with its creditors because negotiation is impracticable. Under Texas law, a municipal utility district such as the District must obtain the 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.

The District may not be placed into bankruptcy involuntarily.

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

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

Defeasance

The Bond 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) of the Bonds or other obligations of the District payable from revenues or from ad valorem taxes or both or with a commercial bank or trust company designated in the proceedings authorizing such discharge, amounts sufficient to provide for the payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested only in (a) direct noncallable obligations of the

United States of America, (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, 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. Because the Bond Resolution does not contractually limit such investments, Registered Owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality of those currently permitted under Texas law.

Use and Distribution of Bond Proceeds

Proceeds of the sale of the Bonds will be used by the District to pay the cost of (i) acquisition or construction for wastewater treatment plant phase 2 expansion; water treatment plant ground storage tank addition, booster pump addition, variable frequency drive additions and coatings rehabilitations; and natural gas generators at lift stations nos. 1 through 5 (ii) engineering and testing fees, and a stormwater pollution prevention plan associated with the foregoing projects, and (iii) administrative and issuance costs, legal fees, fiscal agent's fees, fees to the TCEQ and the Attorney General of Texas, engineering fees, and certain financing costs related to the issuance of Bonds.

I. Construction Costs

District's Share

A. Developer Contribution Items

None

B. District Items

1. Water Plant 2- Ground Storage Tank Addition	\$1,338,900
2. Water Plant 2- Booster Pump & Variable Frequency Drive Additions	460,000
3. Water Plant 2- Coatings Rehabilitation	670,300
4. Wastewater Treatment Plant - Phase 2 Expansion	6,500,000
5. Lift Station 1 – Natural Gas Generator	320,000
6. Lift Station 2 – Natural Gas Generator	171,000
7. Lift Station 3 – Natural Gas Generator	171,000
8. Lift Station 4 – Natural Gas Generator	171,000
9. Lift Station 5 – Natural Gas Generator	200,000
10. Contingencies & Inflation	1,516,033
11. Storm Water Pollution Prevention Plan	85,431
12. Engineering & Testing	<u>1,650,100</u>
SUBTOTAL CONSTRUCTION COSTS	\$13,253,764
Less Use of Surplus Funds	<u>(3,697,849)</u>

TOTAL CONSTRUCTION COSTS

\$9,555,915

II. Non-Construction Costs

1. Legal Fees	\$249,500
2. Fiscal Agent Fees	209,500
3. Bond Discount	313,902
4. Bond Issuance Expenses	50,147
5. Bond Application Report Costs	60,000
6. TCEQ Bond Issuance Fee	26,188
7. Attorney General Fee	9,500
8. Contingency*	<u>348</u>

TOTAL NON-CONSTRUCTION COSTS

\$919,085

TOTAL BOND ISSUE REQUIREMENT

\$10,475,000

* Contingency represents the difference in the estimated and actual amount of Bond Discount. The TCEQ directed that any surplus funds resulting from the sale of bonds at a lower interest rate than proposed shall be shown as a contingency line item. The use of these funds is subject to approval by the TCEQ.

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

THE DISTRICT

General

The District is a municipal utility district created by an order of the Texas Water Commission, a predecessor to the TCEQ, dated March 27, 1985, under Article XVI, Section 59 of the Texas Constitution, and operates under the provisions of Chapter 49 and Chapter 54 of the Texas Water Code, as amended, and other general statutes of Texas applicable to municipal utility districts. The District, which lies wholly within the extraterritorial jurisdiction of the City of Houston, is subject to the continuing supervisory jurisdiction of the TCEQ.

The District is empowered, among other things, to finance, purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation and treatment of wastewater; and the control and diversion of storm water. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District may also provide solid waste disposal and collection services. The District is also empowered to establish, operate and maintain fire-fighting facilities, independently or with one or more conservation and reclamation districts, after approval by the TCEQ and the voters of the District.

The District is required to observe certain requirements of the City of Houston, which limit the purposes for which the District may sell bonds to the acquisition, construction, and improvement of waterworks, wastewater, and drainage facilities and the refunding of outstanding debt obligations; limit the net effective interest rate on such bonds and other terms of such bonds; require approval by the City of Houston of District construction plans; and permit connections only to lots and reserves described in a plat that has been approved by the City of Houston, and filed in the real property records of Harris County. Construction and operation of the District's drainage system is subject to the regulatory jurisdiction of additional State of Texas and local agencies. See "THE SYSTEM."

Description

The District contains approximately 1,236.1963 acres of land. The District is located entirely within Harris County, Texas, and entirely within the extraterritorial jurisdiction of the City of Houston, Texas (the “City”), except for approximately 59.77 acres that lie within the corporate boundaries of the City of Humble, Texas. The District is located approximately twenty miles northeast of the central business district of the City, approximately five miles east of U.S. Highway 59. The District is composed of multiple tracts of land, with the eastern portion of the District generally bounded on the south by Will Clayton Parkway, on the north by Atascocita Road, and on the east by Timber Forest Drive. Five tracts of land that are located within the District are generally bounded to the north by Will Clayton Parkway, on the west by Wilson Road and on the south by Atascocita Road. Two other tracts of land that are located within the District are generally bounded to the north by Atascocita Road, on the west by Rehab Road and on the east by Woodland Hills Drive. Two additional tracts of land that are located within the District are generally bounded to the south by Will Clayton Parkway, on the west by Wilson Road and on the east by Woodland Hills Drive. See “APPENDIX A - LOCATION MAP.”

Management of the District

The District is governed by the Board of Directors, consisting of five directors. The Board of Directors has control over and management supervision of all affairs of the District. Directors serve four-year staggered terms, and elections are held within the District in May in even numbered years. The current members and officers of the Board, along with their respective terms of office, are listed below.

<u>Name</u>	<u>Position</u>	<u>Term Expires in May</u>
Eugene Newsom	President	2030
Tommie Ruth Allen	Vice President	2028
Gwen Thornburg	Secretary	2030
Shantai Magee*	Assistant Vice President	2026
	Director	2028

* Term expired on May 2, 2026. Pursuant to Article XVI, Section 17 of the Texas Constitution, a director continues to perform the duties of their office until their successor is duly qualified.

The District does not have a general manager or any other employee, but has contracted for services, as follows:

Tax Assessor/Collector - The District has engaged Assessments of the Southwest, Inc. Friendswood, Texas, as the District's Tax Assessor/Collector. The Tax Assessor/Collector applies the District's tax levy to tax rolls prepared by the Harris Central Appraisal District and bills and collects such levy.

Utility System Operator - Si Environmental, LLC is employed by the District as the general operator of the District's System.

Consulting Engineers - The District has employed the firm of BGE, Inc., Houston, Texas, as Consulting Engineer in connection with the overall planning activities and the design of the System.

Bookkeeper - The District has engaged Municipal Accounts & Consulting, L.P. as the District's Bookkeeper.

Auditor - As required by the Texas Water Code, the District retains an independent auditor to audit the District's financial statements annually, which annual audited financial statements are filed with the TCEQ. The financial statements of the District as of August 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 B.”

Disclosure Counsel - McCall, Parkhurst & Horton L.L.P., Houston, Texas, serves as Disclosure Counsel to the District. The fee to be paid Disclosure Counsel for services rendered in connection with the issuance of the Bonds is contingent on the issuance, sale and delivery of the Bonds.

Bond Counsel and General Counsel - Allen Boone Humphries Robinson LLP, Houston, Texas (“Bond Counsel”) serves as Bond Counsel to the District. The fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds. In addition, Allen Boone Humphries Robinson LLP serves as general counsel to the District on matters other than the issuance of bonds.

Financial Advisor - The District has engaged Rathmann & Associates, L.P., as financial advisor (the “Financial Advisor”) to the District. The fees paid 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. Rathmann & Associates, L.P. is an independent municipal advisor registered with the United States Securities and Exchange Commission (the “SEC”) and the Municipal Securities Rulemaking Board (the “MSRB”). Rathmann & Associates, L.P.’s SEC registration number is 867-00217 and its MSRB registration number is K0161. Rathmann & Associates, L.P.’s SEC registration Forms MA and MA-1's, which constitute Rathmann & Associates, L.P.’s registration filings, may be accessed through http://www.sec.gov/edgar/searchedgar/company_search.html.

DEVELOPMENT AND HOME CONSTRUCTION

Development and home construction accomplished in the District to date include the completion of the development of 3,249 single family residential lots, on all of such lots homes have been constructed and conveyed to home purchasers.

According to the District's Engineer, underground water, sewer and drainage facilities and street paving have been constructed to serve the aforementioned total of 3,249 single family residential lots on approximately 711.92 acres platted as Timber Forest, Sections 1 and 4 through 7, Clayton’s Corner, Sections 1 through 4, Woodland Pines, Sections 1 through 10, Laurel Place, Sections 1 through 3, Atascocita Trace, Sections 1 through 6, Blackstone Creek, Sections 1 through 4, and Villages at Tour 18, Sections 1 through 3.

The District also contains unrestricted reserves aggregating (i) approximately 73.89 acres that have been developed for commercial usage platted as Timber Forest, Sections 1 through 3, consisting of (a) a day care center, office buildings, warehouses, three medical treatment and care facilities, and other retail and commercial enterprises, including gas stations, restaurants, auto parts and repair shops, a strip center, a bank, convenience stores, a hardware store and two car washes aggregating approximately 440,085 square feet of building area that have been constructed on approximately 57.3 acres of which, and (b) 16.59 acres of street rights of way located in such sections; (ii) approximately 63.19 total acres that are located along Hunters Terrace Drive, on approximately 9.02 acres of which the 241-unit Tour 18 Apartments have been constructed (which are exempt from taxation by the District, see “INVESTMENT CONSIDERATIONS - Certain Tax Exemptions Provided for Affordable Housing”), on approximately 10.68 acres of which the 270-unit Creekstone Apartments are currently under construction (with completion anticipated by approximately September 2026), approximately 13.60 acres of which are expected to be developed for future commercial usage and the remaining approximately 30.0 acres of which are contained within storm water detention facilities and pipeline or electrical easements, and (iii) approximately 33.14 additional acres of land used for storm water detention facilities. In addition, the 280-unit Prose Atascocita Apartments are currently under construction on approximately 10.1 acres located within the District (with completion anticipated by approximately March 2027), and Waste Management, Inc. (“WM”) owns approximately 64.13 acres of land located within the District on which it has constructed an office, maintenance shop, container shop, and truck washing complex. According to the District's Engineer, underground water, sewer and drainage facilities and street paving to serve all of such unrestricted reserves have been constructed to (or are in close proximity to) the perimeters of the tracts which they serve. See “FUTURE DEVELOPMENT.”

Approximately 211.6 acres of land located in the District, exclusive of certain easements, rights-of-way, and other land not available for development, are currently undeveloped. Humble Independent School District owns 59.77 acres of land located within the District which property is exempt from taxation by the District and on which it has constructed two schools. As is reflected on the District's 2026 tax roll, approximately 153.76 of such acres that are available for future development are owned by Louis A. Tsakiris Family Partnership, Ltd. ("LATFP"). The remaining acres that are available for future development are owned by multiple other parties, none of which has reported any definitive development plan to the District covering any of such acres. Since no party, including LATFP, has any obligation to the District to develop any of such currently undeveloped acres at any particular pace or at all, the District cannot represent that any development will be undertaken in the District in addition to the development undertaken therein to date, nor can the District represent the ultimate utilization of such currently undeveloped land. The District is unaware of any specific development or construction of above ground improvements planned for any of the reserves located in Timber Forest, Sections 1 through 3 or the acres that are located along Hunters Terrace Drive described above in addition to the development that has been undertaken and the improvements that have been constructed or are under construction therein to date. The balance of the land within the District is located within street and drainage rights-of-way, District plant sites, or is otherwise not available for residential or commercial development. See "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments," "FUTURE DEVELOPMENT" and "TAX DATA - Principal 2026 Taxpayers."

The District financed the underground water distribution, wastewater collection and storm drainage facilities to serve Timber Forest, Sections 1 and 4 through 7, Clayton's Corner, Sections 1 through 4, Laurel Place, Sections 1 through 3, Woodland Pines, Sections 1 through 10, Atascocita Trace, Sections 1 through 6, Blackstone Creek, Section 1 through 4, Villages at Tour 18, Sections 1 and 2, Phases 1 and 1A, off-site water distribution to serve Woodland Pines; a wastewater treatment plant expansion; wastewater collection and detention facilities to serve Villages at Tour 18; clearing and grubbing of Villages at Tour 18, Section 1; water supply and storage facilities, a wastewater treatment plant and lift station, clearing and grubbing serving Villages at Tour 18, Section 2; stormwater pollution prevention plans for Atascocita Trace, Sections 4 through 6, Blackstone Creek, Sections 2 through 4, Villages at Tour 18, Section 2, and Woodland Pines, Sections 9 and 10; the remaining costs of a 12-inch water line along Will Clayton Parkway, Phases 1, 1-A and 2; a 16-inch water line along Atascocita Road, Phases 1 and 2; land acquisition costs for the detention basin for Villages at Tour 18 and Phase 1 Water Line/Joint Use Easements, wastewater treatment plant expansion and other facilities that are described in this Official Statement under the caption "THE SYSTEM" with the proceeds of the sale of the Prior Bonds. The District will finance wastewater treatment plant expansion; water treatment plant ground storage tank addition, booster pump addition, variable frequency drive additions and coatings rehabilitations; and natural gas generators at lift stations nos. 1 through 5 with a portion of the proceeds of the sale of the Bonds. In addition to the components of the System that the District has financed with the proceeds of the sale of the Prior Bonds and is financing with portions of the proceeds of the sale of the Bonds, the District expects to finance its share of the cost of acquisition or construction of additional components of the System with portions of the proceeds of the sale of bonds, if any, to be issued by the District in the future. See "THE BONDS - Issuance of Additional Debt" and - "Use and Distribution of Bond Proceeds," "INVESTMENT CONSIDERATIONS - Future Debt" and "THE SYSTEM."

Subdivision	Lots				Homes				Totals
	Fully Developed	Acres	Under Development	Acres	Under Construction		Completed		
					Sold	Unsold	Sold	Unsold	
Timber Forest									
Section 1	80	55.38			0	0	78	0	78
Section 4	121	23.01			0	0	121	0	121
Section 5	77	16.61			0	0	77	0	77
Section 6	96	19.42			0	0	96	0	96
Section 7	102	19.97			0	0	102	0	102
Clayton's Corner									
Section 1	104	25.32			0	0	104	0	104
Section 2	108	17.87			0	0	108	0	108
Section 3	113	18.52			0	0	113	0	113
Section 4	88	14.22			0	0	88	0	88
Woodland Pines									
Section 1	60	29.24			0	0	60	0	60
Section 2	54	12.38			0	0	54	0	54
Section 3	106	19.86			0	0	106	0	106
Section 4	138	23.64			0	0	138	0	138
Section 5	69	12.15			0	0	69	0	69
Section 6	33	4.95			0	0	33	0	33
Section 7	123	18.73			0	0	123	0	123
Section 8	120	25.78			0	0	120	0	120
Section 9	120	23.46			0	0	120	0	120
Section 10	106	19.76			0	0	106	0	106
Laurel Place									
Section 1	120	21.22			0	0	120	0	120
Section 2	100	27.70			0	0	100	0	100
Section 3	69	12.45			0	0	69	0	69
Atascocita Trace									
Section 1	302	69.86			0	0	302	0	302
Section 2	34	4.87			0	0	34	0	34
Section 3	44	6.74			0	0	39	0	39
Section 4	22	3.35			0	0	22	0	22
Section 5	63	8.92			0	0	63	0	63
Section 6	146	21.19			0	0	146	0	146
Blackstone Creek									
Section 1	189	39.83			0	0	189	0	189
Section 2	46	7.83			0	0	46	0	46
Section 3	51	8.15			0	0	51	0	51
Section 4	65	15.43			0	0	65	0	65
Villages at Tour 18									
Section 1	113	36.82			0	0	113	0	113
Section 2	21	6.28			0	0	21	0	21
Section 3	46	21.01			0	0	46	0	46
	3,249	711.92			0	0	3,249	0	3,249

PRINCIPAL LAND OWNERS

The owner of approximately 63.19 acres of land located within the District that are located along Hunters Terrace Drive that have been provided underground water, sewer and drainage facilities and street paving to the perimeter thereof was Austofield Partners No. I, Ltd., ("Austofield") a Texas limited partnership whose general partner is Austofield No. I, LLC, a Texas limited liability corporation whose president is Yousef Panahpour. ATA Development, LP ("ATA") a Texas limited partnership whose general partner is ATA GP Developers, L.L.C., a Texas limited liability corporation whose president is Yousef Panahpour, developed such land on behalf of Austofield. Austofield has sold approximately 10.68 of such acres to Creekstone Developments, Inc. ("Creekstone") on which the 270-unit Creekstone Apartments are currently under construction (with completion anticipated by approximately September 2026). Austofield has sold approximately 9.02 of such acres being utilized for multi-family development to The Park at Tour 18 LLC ("Tour 18"), on which the 241-unit Tour 18 Apartments have been constructed (which are exempt from taxation by the District, see "INVESTMENT CONSIDERATIONS - Certain Tax Exemptions Provided for Affordable Housing"). Austofield has conveyed approximately 13.60 of such acres expected to be developed for future commercial usage to Atasca Lake Partners No I Ltd. ("ALP"), a Texas limited partnership whose general partner is Atasca Lake No I, L.L.C., a Texas limited liability corporation whose president is Yousef Panahpour. The remaining approximately 30.0 of such acres are contained within storm water detention facilities, pipeline or electrical easements (see "DEVELOPMENT AND HOME CONSTRUCTION" above). ATA and Austofield do not own any property in the District. Since no party, including ALP, Creekstone or Tour 18, has any obligation to the District to undertake or complete the construction of any above-ground improvements on any of such land, the District cannot represent that any development will be undertaken on any of such land in addition to the development undertaken thereon to date, and cannot represent that any above-ground multi-family residential, commercial or other above-ground improvements will be constructed or completed on any of such land.

The owner of approximately 64.13 acres of land located within the District (see "DEVELOPMENT AND HOME CONSTRUCTION" above) is Waste Management, Inc. ("WM"), on which it has constructed an office, maintenance shop, container shop, and truck washing complex.

Approximately 211.6 acres of land located in the District, exclusive of certain easements, rights-of-way, and other land not available for development, are currently undeveloped. Humble Independent School District owns 59.77 acres of land located within the District which property is exempt from taxation by the District and on which it has constructed two schools. As is reflected on the District's 2026 tax roll, approximately 153.76 of such acres that are available for future development are owned by Louis A. Tsakiris Family Partnership, Ltd. ("LATFP"). The remaining acres that are available for future development are owned by multiple other parties, none of which has reported any definitive development plan to the District covering any of such acres. Since no party, including LATFP, has any obligation to the District to develop any of such currently undeveloped acres at any particular pace or at all, the District cannot represent that any development will be undertaken in the District in addition to the development undertaken therein to date, nor can the District represent the ultimate utilization of such currently undeveloped land. The District is unaware of any specific development or construction of above ground improvements planned for any of the reserves located in Timber Forest, Sections 1 through 3 or the acres that are located along Hunters Terrace Drive described above in addition to the development that has been undertaken and the improvements that have been constructed or are under construction therein to date. The balance of the land within the District is located within street and drainage rights-of-way, District plant sites, or is otherwise not available for residential or commercial development.

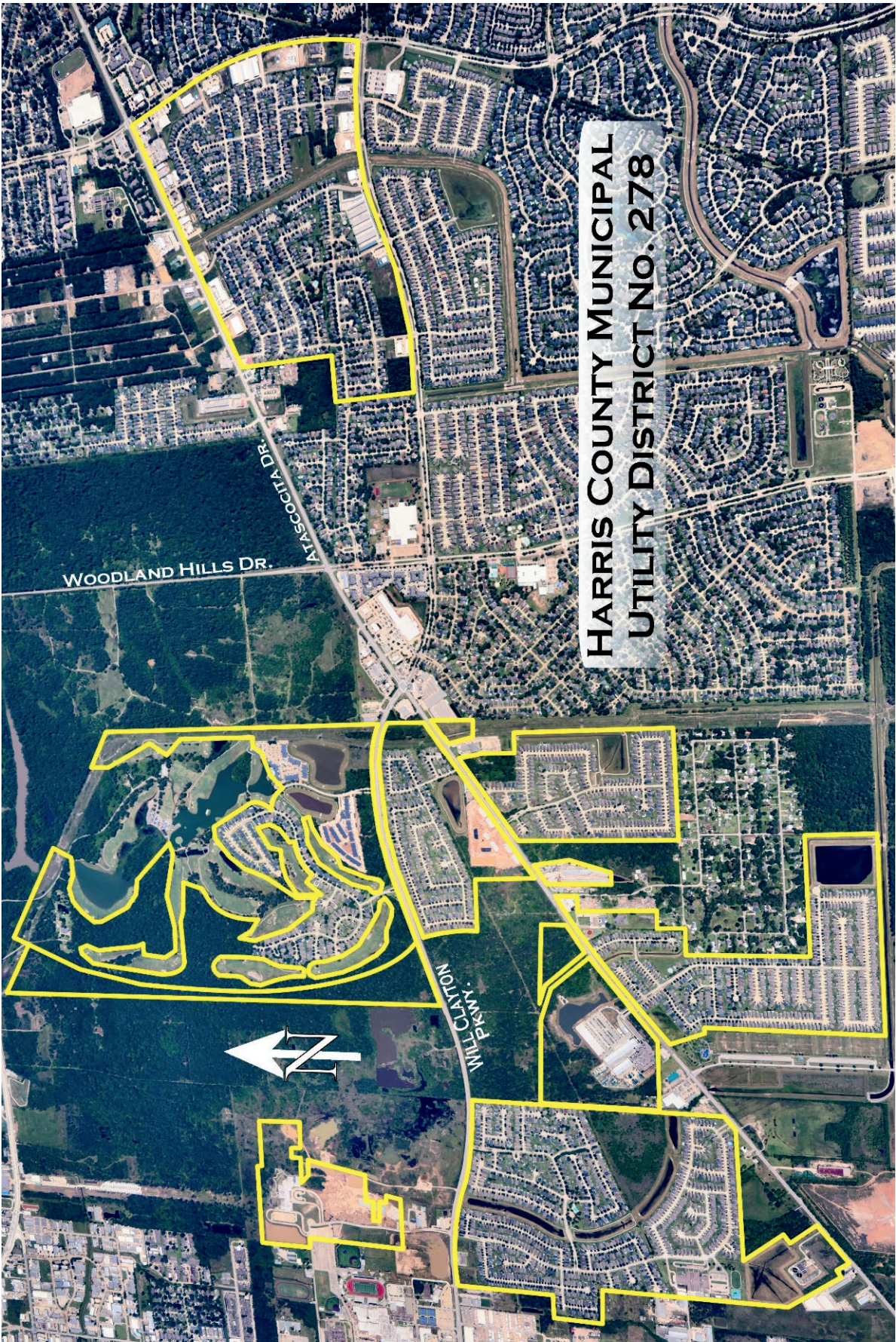
FUTURE DEVELOPMENT

As is described above under the caption "DEVELOPMENT AND HOME CONSTRUCTION," the development of Timber Forest, Sections 1 and 4 through 7, Clayton's Corner, Sections 1 through 4, Woodland Pines, Sections 1 through 10, Laurel Place, Sections 1 through 3, Atascocita Trace, Sections 1 through 6, Blackstone Creek, Sections 1 through 4, and Villages at Tour 18, Sections 1 through 3, totaling 3,249 single-family residential lots on a total of approximately 711.92 acres within the District, is complete. The District also contains unrestricted reserves aggregating (i) approximately 73.89 acres that have been developed for commercial usage platted as Timber Forest, Sections 1 through 3, consisting of (a) a day care center, office buildings, warehouses, three medical treatment and care facilities, and other retail and commercial enterprises, including gas stations, restaurants, auto parts and repair

shops, a strip center, a bank, convenience stores, a hardware store and two car washes aggregating approximately 440,085 square feet of building area that have been constructed on approximately 57.3 acres of which, and (b) 16.59 acres of street rights of way located in such sections; (ii) approximately 63.19 total acres that are located along Hunters Terrace Drive, on approximately 9.02 acres of which the 241-unit Tour 18 Apartments have been constructed (which are exempt from taxation by the District, see “INVESTMENT CONSIDERATIONS - Certain Tax Exemptions Provided for Affordable Housing”), on approximately 10.68 acres of which the 270-unit Creekstone Apartments are currently under construction (with completion anticipated by approximately September 2026), approximately 13.60 acres of which are expected to be developed for future commercial usage and the remaining approximately 30.0 acres of which are contained within storm water detention facilities and pipeline or electrical easements, and (iii) approximately 33.14 additional acres of land used for storm water detention facilities. In addition, the 280-unit Prose Atascosita Apartments are currently under construction on approximately 10.1 acres located within the District (with completion anticipated by approximately March 2027), and Waste Management, Inc. (“WM”) owns approximately 64.13 acres of land located within the District on which it has constructed an office, maintenance shop, container shop, and truck washing complex. According to the District's Engineer, underground water, sewer and drainage facilities and street paving to serve all of such unrestricted reserves have been constructed to (or are in close proximity to) the perimeters of the tracts which they serve. The District is unaware of any specific development or construction of above ground improvements planned for any of the reserves located in Timber Forest, Sections 1 through 3 or the acres that are located along Hunters Terrace Drive described above in addition to the development that has been undertaken and the improvements that have been constructed or are under construction therein to date. Approximately 211.6 acres of land located in the District, exclusive of certain easements, rights-of-way, and other land not available for development, are currently undeveloped. Humble Independent School District owns 59.77 acres of land located within the District which property is exempt from taxation by the District and on which it has constructed two schools. As is reflected on the District's 2026 tax roll, approximately 153.76 of such acres that are available for future development are owned by Louis A. Tsakiris Family Partnership, Ltd. (“LATFP”). The remaining acres that are available for future development are owned by multiple other parties, none of which has reported any definitive development plan to the District covering any of such acres. Since no party, including LATFP, has any obligation to the District to develop any of such currently undeveloped acres at any particular pace or at all, the District cannot represent that any development will be undertaken in the District in addition to the development undertaken therein to date, nor can the District represent the ultimate utilization of such currently undeveloped land. The District is unaware of any specific development or construction of above ground improvements planned for any of the reserves located in Timber Forest, Sections 1 through 3 or the acres that are located along Hunters Terrace Drive described above in addition to the development that has been undertaken and the improvements that have been constructed or are under construction therein to date. The balance of the land within the District is located within street and drainage rights-of-way, District plant sites, or is otherwise not available for residential or commercial development. See “INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments” and “TAX DATA - Principal 2026 Taxpayers.”

In the opinion of the District's consulting engineer, BGE, Inc. (the “Engineer”), the remaining \$3,085,000 authorized bonds which remain unissued after the sale of the Bonds, plus available surplus funds, may not be adequate to finance the acquisition or construction of all water, wastewater and drainage facilities necessary to provide service to all of the developable, undeveloped portions of the District. In order for the District to issue bonds in an amount greater than the \$3,085,000 that is currently authorized, the District would be required to obtain voter authorization to issue additional bonds at an election held for such purpose. The District cannot predict the outcome of such election if it is called. The District makes no representation that any future development will be undertaken in the District. In addition to the components of the System that the District has financed with the proceeds of the sale of the Prior Bonds and is financing with portions of the proceeds of the sale of the Bonds, the District expects to finance its share of the cost of acquisition or construction of additional components of the System with portions of the proceeds of the sale of bonds, if any, to be issued by the District in the future. See “THE BONDS - Issuance of Additional Debt” and - “Use and Distribution of Bond Proceeds,” “INVESTMENT CONSIDERATIONS - Future Debt” and “THE SYSTEM.”

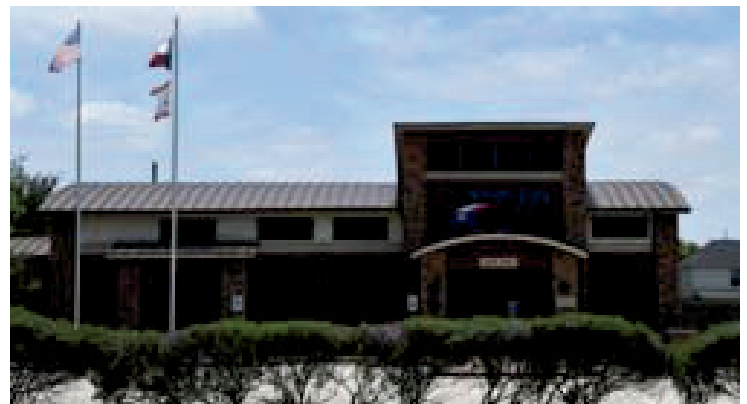
AERIAL PHOTOGRAPH OF THE DISTRICT
(taken May 2026)



PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(taken May 2026)



PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(taken May 2026)



DISTRICT DEBT

General

The following tables and calculations relate to the Bonds and the Outstanding Bonds. Before issuance of the Bonds, the aggregate principal amount of the District's Outstanding Bonds not heretofore paid by the District was \$48,435,000 (the "Outstanding Bonds") and following the issuance of the Bonds, the aggregate principal amount of the District's bonded indebtedness, including the Bonds, will be \$58,910,000. The District is empowered to incur debt to be paid from revenues raised by taxation against all taxable property located within the District, and various other political subdivisions of government that overlap all or a portion of the District are empowered to incur debt to be paid from revenues raised or to be raised by taxation against all or a portion of the property within the District.

2025 Assessed Valuation	\$	836,774,346 (a)
(As of January 1, 2025)		
See "TAX DATA" and "TAXING PROCEDURES"		
2026 Preliminary Valuation.....	\$	859,533,020 (b)
(As of January 1, 2026)		
See "TAX DATA" and "TAXING PROCEDURES"		
Direct Debt:		
Outstanding Bonds.....	\$	48,435,000
The Bonds		<u>10,475,000</u>
Total	\$	58,910,000 (c)
Estimated Overlapping Debt	\$	<u>59,948,940</u>
Total Direct and Estimated Overlapping Debt	\$	118,858,940
Direct Debt Ratio		
: as a percentage of 2025 Assessed Valuation.....		7.04 %
: as a percentage of 2026 Preliminary Valuation.....		6.85 %
Direct and Overlapping Debt Ratio		
: as a percentage of 2025 Assessed Valuation.....		14.20 %
: as a percentage of 2026 Preliminary Valuation.....		13.82 %
Debt Service Fund Balance as of April 9, 2026	\$	6,061,060 (d)
General Fund Balance as of April 9, 2026.....	\$	20,205,678
2025 Tax Rate per \$100 of Assessed Valuation		
Debt Service Tax.....	\$	0.42
Maintenance Tax.....		<u>0.26</u>
Total	\$	0.68 (e)

(a) As of January 1, 2025, and comprises the District's 2025 tax roll. All property located in the District is valued on the tax rolls by the Harris Central Appraisal District (the "Appraisal District") at 100% of assessed value as of January 1 of each year. The District's tax roll is certified by the Harris County Appraisal Review Board (the "Appraisal Review Board"). See "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments" and "TAXING PROCEDURES."

(b) This amount is the sum of the preliminary values of all taxable property located within the District as of January 1, 2026, as reflected on the District's preliminary 2026 tax roll supplied to the District by the Appraisal District, and includes the preliminary 2026 values resulting from the construction of taxable improvements from January

1, 2025, through December 31, 2025. When the Appraisal District supplies a taxing entity with a preliminary tax roll, such preliminary tax roll does not include personal property values. Therefore, this amount includes the 2025 taxable value of personal property located within the District. The taxable value of personal property on the District's 2025 tax roll was \$15,653,760. The District's ultimate 2026 Assessed Valuation may vary significantly from such preliminary tax roll once the Appraisal Review Board certifies the value thereof for 2026. See "TAXING PROCEDURES."

- (c) In addition to the water distribution, wastewater collection, storm drainage/detention facilities that the District has financed with the proceeds of the sale of the Prior Bonds and is financing with a portion of the proceeds of the sale of the Bonds, the District expects to finance its share of the cost of acquisition or construction of additional components of the System with portions of the proceeds of the sale of bonds, if any, to be issued by the District in the future. See "THE BONDS - Issuance of Additional Debt," "INVESTMENT CONSIDERATIONS - Future Debt" and "THE SYSTEM."
- (d) Neither Texas law nor the Bond Resolution requires the District to maintain any particular sum in the Debt Service Fund. Such sum gives effect to the payment by the District of its debt service requirements on the Outstanding Bonds that were due on March 1, 2026. The District's initial debt service payment on the Bonds, consisting of an interest payment due thereon, is due on March 1, 2027.
- (e) The District levied a debt service tax in the amount of 0.42 per \$100 of Assessed Valuation and a maintenance tax of \$0.26 per \$100 of Assessed Valuation for 2025. As is enumerated in this Official Statement under the caption "TAX DATA - Estimated Overlapping Taxes," the aggregate of the 2025 tax levies of all overlapping taxing units which levy taxes upon property located in the District, plus the District's 2025 rate, is \$2.620128. Such aggregate levies are higher than the aggregate tax levies of many municipal utility districts in the Houston metropolitan area, including the area of the District, but are within the range of the aggregate levies of municipal utility districts in the Houston metropolitan area and the area of the District which are in stages of development comparable with the District. See "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments."

Estimated Direct and Overlapping Debt Statement

Other governmental entities whose boundaries overlap the District have 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	<u>Debt as of May 1, 2026</u>	<u>Estimated Overlapping Percent</u>	<u>Amount</u>
Harris County	\$2,473,177,553	0.12158%	\$3,007,008
Harris County Department of Education	28,960,000	0.12158%	35,211
Harris County Flood Control District	937,165,000	0.12158%	1,139,450
Port of Houston Authority	386,074,397	0.12158%	469,408
Harris County Hospital District	861,580,000	0.12158%	1,047,550
Humble Independent School District	1,385,510,000	3.85566%	53,420,588
Lone Star College System District	342,055,000	0.24257%	829,725
Total Estimated Overlapping Debt			\$59,948,940
The District (the Bonds and the Outstanding Bonds)			<u>58,910,000</u>
Total Direct & Estimated Overlapping Debt			\$118,858,940

Debt Ratios

	<u>% of 2025 Assessed Valuation</u>	<u>% of 2026 Preliminary Valuation</u>
Direct Debt	7.04%	6.85%
Direct and Estimated Overlapping Debt	14.20%	13.82%

Under Texas law, ad valorem taxes levied by each taxing authority other than the District create a lien that is on a parity with the lien in favor of the District on all taxable property within the District. In addition to the ad valorem taxes required to retire the foregoing direct and overlapping debt, the various taxing authorities mentioned above are also authorized by Texas law to assess, levy, and collect ad valorem taxes for operation, maintenance, administration, and/or general revenue purposes. Certain of the jurisdictions have in the past levied such taxes. The District has the power to assess, levy, and collect ad valorem taxes for operations and maintenance purposes, and such taxes have been authorized by the duly qualified voters of the District. The District levied a maintenance tax of \$0.26 per \$100 of Assessed Valuation for 2025. See “TAX DATA - Maintenance Tax.”

Debt Service Requirement Schedule

The following schedule sets forth the debt service requirements for the Outstanding Bonds plus the principal and interest requirements of the Bonds.

Year Ending December 31	Current Total Debt Service	Plus: The Bonds		New Total Debt Service
		Principal	Interest	
2026	\$3,412,263			\$3,412,263
2027	3,410,950		\$537,417	3,948,367
2028	3,411,150		475,356	3,886,506
2029	3,398,206		475,356	3,873,562
2030	3,392,306		475,356	3,867,662
2031	3,389,519		475,356	3,864,875
2032	3,496,544		475,356	3,971,900
2033	3,491,069		475,356	3,966,425
2034	3,487,394		475,356	3,962,750
2035	3,480,944		475,356	3,956,300
2036	3,446,094		475,356	3,921,450
2037	3,533,719		475,356	4,009,075
2038	2,716,744		475,356	3,192,100
2039	2,766,706		475,356	3,242,062
2040	2,768,706		475,356	3,244,062
2041	2,766,831		475,356	3,242,187
2042	2,771,519		475,356	3,246,875
2043	2,772,081		475,356	3,247,437
2044	2,773,269		475,356	3,248,625
2045	2,782,644		475,356	3,258,000
2046	2,791,451		475,356	3,266,807
2047	2,791,400		475,356	3,266,756
2048		\$1,080,000	475,356	1,555,356
2049		1,135,000	421,356	1,556,356
2050		1,200,000	371,700	1,571,700
2051		1,265,000	317,700	1,582,700
2052		1,335,000	260,775	1,595,775
2053		1,410,000	200,700	1,610,700
2054		1,485,000	137,250	1,622,250
2055		1,565,000	70,425	1,635,425
	\$69,051,509	\$10,475,000	\$12,299,799	\$91,826,308
Average Annual Requirements: (2027-2037)				\$3,929,897
Maximum Annual Requirement: (2037)				\$4,009,075

TAX DATA

Debt Service Tax

All taxable property within the District is subject to the assessment, levy and collection by the District of an annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Outstanding Bonds and 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 tax for debt service at a rate of \$0.42 per \$100 of Assessed Valuation for 2025.

Tax Rate Limitation

Debt Service: Unlimited (no legal limit as to rate or amount).
Maintenance: \$1.00 per \$100 Assessed Valuation.

Maintenance Tax

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements, if such maintenance tax is authorized by a vote of the District's electorate. On May 1, 1993, the District voters authorized the levy of such a maintenance tax in the maximum amount of \$1.00 per each \$100 of Assessed Valuation. Such tax is levied in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds, the Outstanding Bonds and any parity bonds which may be issued in the future. The District levied a maintenance tax of \$0.26 per \$100 of Assessed Valuation for 2025.

Reappraisal of Property after Disaster

The Property Tax Code provides that the governing body of a taxing unit located within an area declared to be a disaster area by the governor of the State of Texas may authorize reappraisal of all property damaged in the disaster at its market value immediately after the disaster. Neither the District nor Harris County adopted an order to reappraise the property in the District. See “TAXING PROCEDURES - Reappraisal of Property after Disaster.”

Tax Exemption

The District adopted an exemption of \$70,000 for persons 65 years or older or disabled and a 10% general residential homestead exemption for the 2026 tax year. See “TAXING PROCEDURES.” The Tour 18 Apartments, located on approximately 9.3 acres in the District, are exempt from taxation by the District. See “INVESTMENT CONSIDERATIONS – Certain Tax Exemptions Provided for Affordable Housing.”

Historical Values and Tax Collection History

<u>Tax Year</u>	<u>Assessed Valuation</u>	<u>Tax Rate(a)</u>	<u>Total Levy</u>	<u>Cumulative % Collections</u>	
				<u>Current & Prior Years(b)</u>	<u>Year Ended 9/30</u>
2015	\$355,423,946	\$1.050	\$3,731,951	99.96%	2016
2016	401,518,594	1.030	4,135,642	99.94	2017
2017	455,842,612	0.980	4,467,258	99.90	2018
2018	495,922,634	0.930	4,612,081	99.96	2019
2019	558,980,742	0.890	4,974,929	99.95	2020
2020	624,149,880	0.840	5,255,411	99.90	2021
2021	666,429,656	0.800	5,342,854	99.89	2022
2022	772,791,983	0.760	5,883,555	99.87	2023
2023	852,385,095	0.710	6,051,934	99.89	2024
2024	846,631,090	0.680	5,757,091	99.77	2025
2025	836,774,346	0.680	5,690,066	97.97(c)	2026

(a) Per \$100 of Assessed Valuation.

(b) Such percentages reflect cumulative total collections for each year from the time each respective annual tax was levied through April 30, 2026. The amount of tax collected for each levy on a current basis (by September 30 of the year following each respective annual levy) is not reflected in this statement.

(c) As of April 30, 2026. In process of collection.

Tax Rate Distribution

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Debt Service	\$0.42	\$0.39	\$0.39	\$0.42	\$0.45
Maintenance	<u>0.26</u>	<u>0.29</u>	<u>0.32</u>	<u>0.34</u>	<u>0.35</u>
Total	\$0.68	\$0.68	\$0.71	\$0.76	\$0.80

Analysis of Tax Base

The following table illustrates the composition of property located within the District during the past five years.

<u>Type of Property</u>	2025		2024		2023	
	<u>Assessed Value</u>	<u>%</u>	<u>Assessed Value</u>	<u>%</u>	<u>Assessed Value</u>	<u>%</u>
Land	234,835,288	28.06%	233,490,162	27.58%	123,950,312	14.54%
Improvements	755,950,084	90.34%	752,643,515	88.90%	885,805,975	103.92%
Personal Property	20,157,259	2.41%	18,809,882	2.22%	15,770,558	1.85%
Exemptions	<u>(174,168,285)</u>	<u>-20.81%</u>	<u>(158,312,469)</u>	<u>-18.70%</u>	<u>(173,141,750)</u>	<u>-20.31%</u>
Total	836,774,346	100.00%	846,631,090	100.00%	852,385,095	100.00%

<u>Type of Property</u>	2022		2021	
	<u>Assessed Value</u>	<u>%</u>	<u>Assessed Value</u>	<u>%</u>
Land	117,733,517	15.23%	111,597,959	16.75%
Improvements	763,819,166	98.84%	598,985,953	89.88%
Personal Property	14,206,626	1.84%	12,312,664	1.85%
Exemptions	<u>(122,967,326)</u>	<u>-15.91%</u>	<u>(56,466,921)</u>	<u>-8.47%</u>
Total	772,791,983	100.00%	666,429,655	100.00%

Principal 2026 Taxpayers

Based upon information supplied by the District's Tax Assessor/Collector, the following table lists principal District taxpayers, type of property owned by such taxpayers, and the Assessed Valuation of such property as of January 1, 2026. The information reflects the composition of the Appraisal District's record of property ownership as of January 1, 2026.

<u>Property Owner</u>	<u>Property Description</u>	<u>2026 Taxable Value</u>	<u>% of 2026 Tax Roll</u>
TXU4823SG LP	Land and Improvements	\$7,568,096	0.90%
Centerpoint Energy Houston	Utilities	6,041,830	0.72%
Atascocita Eagles Nest LLC	Land and Improvements	5,779,401	0.69%
Progress Residential Borrower 5 LLC	Land and Improvements	4,981,704	0.60%
Atascocita Plaza Investment LLC	Land and Improvements	4,329,922	0.52%
SRP Sub LLC	Land and Improvements	4,191,688	0.50%
CIA Services INC	Land and Improvements	3,950,000	0.47%
18401 Timber Forest Drive LLC	Land and Improvements	3,400,862	0.41%
Louis A Tsakiris Family Partnership Ltd.	Land	3,021,415	0.36%
Eagle Hardware LLC	Land and Improvements	<u>2,727,905</u>	<u>0.33%</u>
Total		\$45,992,823	5.50%

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of Assessed Valuation which would be required to meet certain debt service requirements if no growth in the District's tax base occurs beyond the 2025 Assessed Valuation or the 2026 Preliminary Valuation. The calculations assume collection of 95% of taxes levied, no use of funds on hand, and the sale of no bonds by the District other than the Prior Bonds and the Bonds.

Average Annual Debt Service Requirements (2027-2037)	\$3,929,897
Tax Rate of \$0.50 on the 2025 Assessed Valuation (\$836,774,346) produces	\$3,974,678
Tax Rate of \$0.49 on the 2026 Preliminary Valuation (\$859,533,020) produces	\$4,001,126
Maximum Annual Debt Service Requirement (2037)	\$4,009,075
Tax Rate of \$0.51 on the 2025 Assessed Valuation (\$836,774,346) produces	\$4,054,172
Tax Rate of \$0.50 on the 2026 Preliminary Valuation (\$859,533,020) produces	\$4,082,782

The District levied a debt service tax of \$0.42 per \$100 of Assessed Valuation and a maintenance tax of \$0.26 per \$100 of Assessed Valuation for 2025. As the above table indicates, the 2025 debt service rate is not sufficient to pay the Average Annual and Maximum Annual Debt Service on the Bonds and the Outstanding Bonds, assuming taxable values in the District at the level of the 2025 Assessed Valuation or the 2026 Preliminary Valuation, assuming a tax collection rate of 95%, no use of funds on hand, and the issuance of no additional bonds by the District. However, the District's Debt Service Fund balance was \$6,061,060 as of April 9, 2026. Although neither Texas law nor the Bond Resolution requires that any specific amount be retained in the Debt Service Fund at any time, the District expects to apply earnings from the investment of monies held in the Debt Service Fund to meet the debt service requirements of the Bonds and the Outstanding Bonds. The District has in the past applied earnings from the investment of monies held in the Debt Service Fund to meet the debt service requirements of the Prior Bonds as is delineated in "APPENDIX B - INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS" that is appended to this Official Statement. In addition, as is illustrated above under the caption "Historical Values and Tax Collection History," as of April 30, 2026, the District had collected an average annual percentage of its property taxes of 99.90% for the period 2015 through 2024,

and its 2025 tax levy, which was in the process of collection, was 97.97% collected as of such date. Therefore, the District anticipates that it will be able to meet its debt service requirements on the Bonds and the Outstanding Bonds without increasing the District’s debt service tax rate above the rate which it has levied for 2025 –\$0.42 per \$100 of Assessed Valuation. However, the District can make no representation that the taxable property values in the District will maintain a value sufficient to support the aforementioned tax rate or to justify continued payment of taxes by property owners. See “INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments” and “TAX PROCEDURES.” In addition to the components of the System the acquisition or construction of which the District has financed with portions of the proceeds of the Prior Bonds and is financing with portions of the proceeds of the sale of the Bonds, the District expects to finance its share of the cost of acquisition or construction of additional components of the System with portions of the proceeds of the sale of bonds, if any, to be issued by the District in the future. See “THE BONDS - Issuance of Additional Debt,” “INVESTMENT CONSIDERATIONS - Future Debt,” and “THE SYSTEM.”

Estimated Overlapping Taxes

Property located within the District is subject to taxation by several taxing authorities in addition to the District. Set forth below is a compilation of all 2025 taxes levied upon property located within the District and the District’s 2025 tax rate. Under Texas law, ad valorem taxes levied by each taxing authority other than the District entitled to levy taxes against property located within the District create a lien which is on a parity with the tax lien of the District. In addition to the ad valorem taxes required to make the debt service payments on bonded indebtedness 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.

<u>Taxing Jurisdiction</u>	<u>2025 Tax Rate/\$100</u>
The District	\$0.680000
Harris County	0.380960
Harris County Department of Education	0.004798
Harris County Flood Control District	0.049660
Harris County Hospital District	0.005900
Port of Houston Authority	0.187610
Humble Independent School District	1.105200
Lone Star College System District	0.106000
Harris County Emergency Services District #46	<u>0.100000</u>
Total Tax Rate	<u>\$2.620128</u>

* The District levied a total tax of \$0.68 per \$100 of Assessed Valuation for 2025, consisting of a debt service tax of \$0.42 per \$100 of Assessed Valuation and a maintenance tax of \$0.26 per \$100 of Assessed Valuation.

TAXING PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in an amount sufficient to pay the principal of and interest on the Bonds, the Outstanding Bonds and any additional bonds payable from taxes which the District may hereafter issue (see “INVESTMENT CONSIDERATIONS - Future Debt”) and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond 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 and for the payment of certain contractual obligations. See “TAX DATA - Maintenance Tax” and - “Tax Rate Distribution.”

Property Tax Code and County-wide Appraisal District

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 the responsibility for reviewing and equalizing the values established by the appraisal district. The Harris Central Appraisal District (the “Appraisal District”) 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”).

The Property Tax Code provides that the governing body of a taxing unit located within an area declared to be a disaster area by the governor of the State of Texas may authorize reappraisal of all property damaged in the disaster at its market value immediately after the disaster. For reappraised property, the taxes are pro rated for the year in which the disaster occurred. The taxing unit assesses taxes prior to the date the disaster occurred based upon market value as of January 1 of that year. Beginning on the date of the disaster and for the remainder of the year, the taxing unit assesses taxes on the reappraised market value of the property.

Reappraisal of Property After Disaster

The Property Tax Code provides that the governing body of a taxing unit located within an area declared to be a disaster area by the governor of the State of Texas may authorize reappraisal of all property damaged in the disaster at its market value immediately after the disaster. For reappraised property, the taxes are pro-rated for the year in which the disaster occurred. The taxing unit assesses taxes prior to the date the disaster occurred based upon market value as of January 1 of that year. Beginning on the date of the disaster and for the remainder of the year, the taxing unit assesses taxes on the reappraised market value of the property.

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; 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 an exemption if a majority of voters approve it at an election. The District would be required to call such an election upon petition by 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 certain surviving dependents of disabled veterans, if requested, but only to the maximum extent of between \$5,000 and \$12,000 of taxable valuation depending on the disability rating of the veteran. A veteran who receives a disability rating of 100%, and, under certain circumstances, the surviving spouse of such veteran, is entitled to the exemption for the full amount of the residential homestead. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. The surviving spouse of a first responder who was killed or fatally injured in the line of duty is, subject to certain

conditions, also entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and, subject to certain conditions, an exemption up to the same amount to be transferred to a subsequent residence homestead of the surviving spouse.

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to 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 before July 1. See "TAX DATA - Exemptions."

Freeport Goods 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 2011 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2012 and subsequent years, such Goods-in-Transit Exemption includes tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit personal property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. The District has taken official action to allow taxation of all such goods-in-transit personal 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, the City of Houston (after annexation of the District), Harris County, or 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 District has adopted guidelines and criteria for establishing a tax abatement. 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 agreement. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions.

Valuation of Property for Taxation

Generally, 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. In determining market value, either the replacement cost or the income or the market data method of valuation may be used, whichever is appropriate. Nevertheless, certain land may be appraised at less than market value under the Property Tax Code. Increases in the appraised value of

residence homesteads are limited by the Texas Constitution to 10 percent annually regardless of the market value of the property.

The 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 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 some political subdivisions 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 (3) years for agricultural use, 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 real 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% physically damaged by a disaster and located within an area declared to be a disaster area by the governor of the State of Texas. This temporary exemption is automatic if the disaster is declared prior to a taxing unit, such as the District, adopting its tax rate for the tax year. A taxing unit, such as the District, may authorize the exemption at its discretion if the disaster is declared after the taxing unit has adopted its tax rate for the tax year. The amount of the exemption is based on the percentage of damage and is prorated based on the date of the disaster. Upon receipt of an application submitted within the eligible timeframe by a person who qualifies for a temporary exemption under the Property Tax Code, the Appraisal District is required to complete a damage assessment and assign a damage assessment rating to determine the amount of the exemption. The temporary exemption amounts established in the Property Tax Code range from 15% for property less than 30% damaged to 100% for property that is a total loss. Any such temporary exemption granted for disaster-damaged property expires on January 1 of the first year in which the property is reappraised.

District and Taxpayer Remedies

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

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. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. 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, which may be rejected by taxing units. 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 and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) sixty-five (65) years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continue to accrue during the period of deferral.

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

Rollback of Operation and Maintenance Tax Rate

Chapter 49 of the Texas Water Code, as amended, classifies districts differently based on the current operation and maintenance tax rate or on the percentage of build-out that the District has completed. Districts that have adopted an operation and maintenance tax rate for the current year that is 2.5 cents or less per \$100 of taxable value are classified as "Special Taxing Units." Districts that have financed, completed, and issued bonds to pay for all improvements and facilities necessary to serve at least 95% of the projected build-out of the district are classified as "Developed Districts." Districts that do not meet either of the classifications previously discussed 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, 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 1.08 times the previous year's operation and maintenance tax rate.

Developed Districts

Developed Districts that adopt a total tax rate that would impose more than 1.035 times the amount of the total tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions for the preceding tax year, plus any unused increment rates, as calculated and described in Section 26.013 of the 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 1.035 times the previous year's operation and maintenance tax rate plus any unused increment rates. In addition, if any part of a Developed District lies within an area declared for disaster by the Governor of Texas or President of the United States, alternative procedures and rate limitations may apply for a temporary period. If a district qualifies as both a Special Taxing Unit and a Developed District, the district will be subject to the operation and maintenance tax threshold applicable to Special Taxing Units.

Developing Districts

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

The District

A determination as to a district's status as a Special Taxing Unit, Developed District or Developing District will be made by the Board of Directors on an annual basis. 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. For the 2026 tax rate year, a determination has been made by the District's Board of Directors that the District is a Developing District.

Additional Penalties

The District has contracted with a delinquent tax attorney to collect certain delinquent taxes. In connection with that contract, the District can establish 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.

District's Rights in the Event of Tax Delinquencies

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

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

Tax Payment Installments after Disaster

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

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

THE SYSTEM

Regulation

According to the District's Engineer, the System has been designed in conformance with accepted engineering practices and the requirements of certain governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities, including, among others, the TCEQ, the City of Houston, Harris County, and the Harris County Flood Control District.

Operation of the System is subject to regulation by, among others, the United States Environmental Protection Agency and the TCEQ. The total number of equivalent single-family connections ("ESFCs") estimated at this time for the District upon the full development of the approximately 1,236.1963 acres currently contained within the District is 5,182 with a total estimated population of 18,200 people. The following descriptions are based upon information supplied by the District's Engineer.

Description

The System presently serves Timber Forest, Sections 1 and 4 through 7, Clayton's Corner, Sections 1 through 4, Woodland Pines, Sections 1 through 10, Laurel Place, Sections 1 through 3, Atascocita Trace, Sections 1 through 6, Blackstone Creek, Sections 1 through 4 and Villages at Tour 18, Sections 1 through 3. The District acquired the underground water distribution, wastewater collection and storm drainage facilities to serve Timber Forest, Sections 1 and 4 through 7, Clayton's Corner, Sections 1 through 4, Laurel Place, Sections 1 through 3, Woodland Pines, Sections 1 through 10, Atascocita Trace, Sections 1 through 6, Blackstone Creek, Sections 1 through 4, Villages at Tour 18, Sections 1 and 2, Phases 1 and 1A, and other facilities with the proceeds of the sale of the Prior Bonds. The District expects to finance its share of the cost of acquisition or construction of additional components of the System with portions of the proceeds of the sale of bonds, if any, to be issued by the District in the future. See "THE BONDS - Issuance of Additional Debt," "THE SYSTEM" and "INVESTMENT CONSIDERATIONS - Future Debt."

Water Supply

The District's water supply system includes a 1,000 gallons-per-minute ("g.p.m.") water well, 1,026,000 gallons of ground storage tank capacity, 60,000 gallons of pressure tank capacity, 11,025 g.p.m. of booster pump capacity, and appurtenant facilities, all of which facilities were financed by the District with portions of the proceeds of the sale of the Prior Bonds. The District also financed with portions of the proceeds of the Prior Bonds a water re-pressurization plant, and a surface water line and related facilities that the District has constructed pursuant to a contract between the District and the City of Houston to acquire surface water. The District is receiving surface water at the repressurization plant. According to the District's Engineer, the water supply, storage and re-pressurization facilities owned by the District plus the surface water that the District is entitled to take pursuant to the surface water contract with the City of Houston, provide the District with water supply adequate to serve 5,000 ESFCs in the District. The District is financing water treatment plant ground storage tank addition, booster pump addition, variable frequency drive additions and coatings rehabilitations with a portion of the proceeds of the sale of the Bonds.

Wastewater Treatment

The District is provided wastewater treatment capacity by an existing plant with 200,000 gallons-per-day ("g.p.d.") of capacity and an existing 1,200,000 g.p.d. permanent wastewater treatment plant that the District financed with portions of the proceeds of the sale of the Prior Bonds. According to the District's Engineer, the total of such capacity available to the District is adequate to serve 5,000 ESFCs in the District. On December 13, 2012, the District approved and executed a Sanitary Sewage Treatment and Disposal Agreement with Harris County, Texas. The Commissioners Court of Harris County, Texas, approved and executed said agreement on January 8, 2013. Pursuant to the terms of said agreement, the District will treat up to 238,000 g.p.d. (850 ESFC) of wastewater from Harris County facilities located outside the District. Pursuant to the terms of a first amendment (approved and executed December 5, 2017), the District will treat an additional 107,000 g.p.d. (382 ESFC). Accordingly, 3,768 ESFC will remain available in the existing plants to serve land within the District until an expansion is constructed. The design of a 600,000 g.p.d. wastewater treatment plant expansion is underway. When the construction of this expansion is completed, this treatment plant will have a capacity of 1,800,000 g.p.d., and the 200,000 g.p.d. wastewater treatment plant will be decommissioned and removed, providing for a net increase of 400,000 g.p.d. The expanded 1,800,000 g.p.d. wastewater treatment plant will be capable of serving 6,429 ESFCs. With the obligation to provide 1,232 ESFCs capacity of Harris County, there will be 5,196 ESFCs remaining to serve property within the District. At ultimate build-out, there are projected to be 4,873 in-District ESFCs. The District is financing the construction of such expansion phase 2 and natural gas generators at lift stations nos. 1 through 5 with a portion of the proceeds of the Bonds

Outfall Drainage Improvements

Improvements have been made to Williams Gully and certain Harris County Flood Control District channels to accommodate outfall drainage from a portion of the District. The District financed the cost of construction of Harris County Flood Control District Drainage Channels P130-02-00 and P130-02-04, improvements to Williams Gully and detention facilities to serve Clayton's Corner, Section 1 with portions of the proceeds of the sale of the Prior Bonds. Future improvements to Williams Gully and/or detention facilities may be required to accomplish future development of the District.

100-Year Flood Plain

The Federal Emergency Management Agency Flood Hazard Boundary Map currently in effect, which covers the land located in the District, indicates that no portion of the District is located in the 100-year flood plain of any watercourse.

"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. If substantial or frequent flooding of homes were to occur in the area of the District, the marketing of homes and the future growth of property values in the District could be adversely affected. See "INVESTMENT CONSIDERATIONS - Extreme Weather Events."

The National Weather Service completed a rainfall study known as NOAA Atlas 14, Volume 11 Precipitation-Frequency Atlas of the United States ("Atlas 14"). Floodplain boundaries within the District may be redrawn based on the Atlas 14 study based on a higher statistical rainfall amount, resulting in 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.

INVESTMENT CONSIDERATIONS

General

The Bonds, which are obligations of the District and not of the State of Texas, Harris County, Texas, the City of Houston, or any political subdivision other than the District, will be secured by an 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 District property is directly related to the economics of the commercial, multi-family, and mixed use development industries, not only due to general economic conditions, but also due to the particular factors discussed below.

Factors Affecting Taxable Values and Tax Payments

Economic Factors: A substantial percentage of the assessed valuation of the property located within the District is attributable to the current market value of (i) the single-family residences that have been constructed within the District, and (ii) the commercial/retail buildings and apartments that have been constructed within the District. The market value of such homes is related to general economic conditions affecting the demand for residences. Demand for lots of this type and the construction of residential dwellings thereon and the construction of commercial/retail buildings and apartments can be significantly affected by factors such as interest rates, credit availability, construction costs, energy costs and availability and the prosperity and demographic characteristics of the urban center toward which the marketing of homes and commercial enterprises is directed. Recent changes in federal tax law limiting deductions for ad valorem taxes may adversely affect the demand for housing and the prices thereof. Volatility in the price of oil could adversely affect job stability, wages and salaries, thereby negatively affecting the demand for housing as well as the value of existing homes (see “Potential Effects of Oil Price Volatility on the Houston Area” below). Although development of the District has occurred to date as described in this Official Statement under the captions “DEVELOPMENT AND HOME CONSTRUCTION,” and “PRINCIPAL LAND OWNERS,” the District cannot predict the pace or magnitude of any future development in the District other than that which has occurred to date. The District cannot represent that additional single-family or multi-family residential or commercial/retail development will be undertaken on any land located within the District, that additional above-ground commercial/retail buildings or multi-family units will be constructed within the District, or the level of occupancy of any of such improvements.

National Economy: The housing and building industry has historically been a cyclical industry, affected by both short-term and long-term interest rates, availability of mortgage and development funds, employment levels and general economic conditions. Although development of the District has occurred to date as described in this Official Statement under the captions “DEVELOPMENT AND HOME CONSTRUCTION,” and “PRINCIPAL LAND OWNERS,” the District cannot predict the pace or magnitude of any future development in the District other than that which has occurred to date. The District cannot represent that additional multi-family residential or commercial/retail development will be undertaken on any land located within the District, that additional above-ground commercial/retail buildings or any multi-family units will be constructed within the District, or the level of occupancy of any of such improvements. The District cannot predict what impact, if any, a downturn in the local housing market and a downturn in the national housing and financial markets may have on the Houston market generally and the District specifically, or the maintenance of assessed values in the District.

Credit Markets and Liquidity in the Financial Markets: Interest rates and the availability of mortgage and development funding have a direct impact single-family, apartment and commercial development activity and the construction of homes, apartments and commercial buildings, particularly short-term interest rates at which developers are able to obtain financing for development costs and at which developers are able to finance the construction of future apartments or future office, retail or other commercial improvements within

the District. Interest rate levels may affect the ability of a developer with undeveloped property to undertake and complete development activities within the District and of homebuilders to initiate the construction of new homes for sale and of apartment and commercial developers to initiate the construction of new apartments or commercial buildings. Because of the numerous and changing factors affecting the availability of funds, particularly liquidity in the national credit markets, the District is unable to assess the future availability of such funds for continued development and/or home construction or the construction of new apartments or commercial buildings within the District. In addition, since the District is located approximately 20 miles northeast of the central business district of downtown City of Houston, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the Houston metropolitan and regional economies and national credit and financial markets. A downturn in the economic conditions of Houston and decline in real estate and financial markets in the United States could adversely affect development plans and the construction of future homes, apartments or future office, retail or other commercial improvements in the District and restrain the growth of the District's property tax base.

Developer/Builder/Landowner Obligation to the District: The ability of any developer of the District (or any of their partners or co-managers) and any other principal taxpayer (see "TAX DATA – Principal 2026 Taxpayers"), within the District to make full and timely payments of taxes levied against their property by the District and similar taxing authorities will directly affect the District's ability to meet its debt service obligations. There is no commitment to the District by or legal requirement of any party to proceed at any particular rate or according to any specified plan with the development of land in the District, of the Builders or any other home building company to proceed at any particular pace with the construction of homes in the District, or of any party to construct commercial/retail or multi-family improvements within the District in addition to those constructed therein to date, and there is no restriction on any land owner's right to sell its land. Therefore, the District can make no representation about the probability of future development, if any, or the rate of home construction activity in the District. See "DEVELOPMENT AND HOME CONSTRUCTION," "PRINCIPAL LAND OWNERS," and "FUTURE DEVELOPMENT."

Maximum Impact on District Tax Rates

The value of the land and improvements currently located within the District will be a major determinant of the ability of the District to collect, and the willingness of District property owners to pay, ad valorem taxes levied by the District. The District's 2025 Assessed Valuation is \$836,774,346. After issuance of the Bonds, the Maximum Annual Debt Service Requirement on the Bonds and the Outstanding Bonds will be \$4,009,075 (2037) and the Average Annual Debt Service Requirements will be \$3,929,897 (2027 through 2037, inclusive). Assuming no increase to nor decrease from the 2025 Assessed Valuation, no use of funds on hand, and the issuance of no additional bonds by the District, tax rates of \$0.51 and \$0.50 per \$100 of Assessed Valuation at a 95% tax collection rate would be necessary to pay the Maximum Annual Debt Service Requirement and the Average Annual Debt Service Requirements, respectively. The District's 2026 Preliminary Valuation is \$859,533,020. Assuming no increase to nor decrease from the 2026 Preliminary Valuation, no use of funds on hand, and the issuance of no additional bonds by the District, tax rates of \$0.50 and \$0.49 per \$100 of Assessed Valuation at a 95% tax collection rate would be necessary to pay the Maximum Annual Debt Service Requirement and the Average Annual Debt Service Requirements, respectively.

The District levied a debt service tax of \$0.42 per \$100 of Assessed Valuation and a maintenance tax of \$0.26 per \$100 of Assessed Valuation for 2025. As the above table indicates, the 2025 debt service rate is not sufficient to pay the Average Annual and Maximum Annual Debt Service on the Bonds and the Outstanding Bonds, assuming taxable values in the District at the level of the 2025 Assessed Valuation or the 2026 Preliminary Valuation, assuming a tax collection rate of 95%, no use of funds on hand, and the issuance of no additional bonds by the District. However, the District's Debt Service Fund balance was \$6,061,060 as of April 9, 2026. Although neither Texas law nor the Bond Resolution requires that any specific amount be retained in the Debt Service Fund at any time, the District expects to apply earnings from the investment of monies held in the Debt Service Fund to meet the debt service requirements of the Bonds and the Outstanding Bonds. The District has in the past applied earnings from the investment of monies held in the Debt Service Fund to meet the debt service requirements of the Prior Bonds as is delineated in "APPENDIX B - INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS " that is appended to this Official Statement. Moreover, as is illustrated above under the caption "Historical Values and Tax Collection History," as of April 30, 2026, the District had collected an average annual percentage of its property taxes of 99.90% for the period 2015 through 2024, and its 2025 tax levy, which was in the process of collection, was 97.97% collected as of such date.

Therefore, the District anticipates that it will be able to meet its debt service requirements on the Bonds and the Outstanding Bonds without increasing the District's debt service tax rate above the rate which it has levied for 2025 – \$0.42 per \$100 of Assessed Valuation. However, the District can make no representation that the taxable property values in the District will maintain a value sufficient to support the aforementioned tax rate or to justify continued payment of taxes by property owners. See “INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments” and “TAX PROCEDURES.” In addition to the components of the System the acquisition or construction of which the District has financed with portions of the proceeds of the Prior Bonds and is financing with portions of the proceeds of the sale of the Bonds, the District expects to finance its share of the cost of acquisition or construction of additional components of the System with portions of the proceeds of the sale of bonds, if any, to be issued by the District in the future. See “THE BONDS - Authority for Issuance” and - “Issuance of Additional Debt,” “DISTRICT DEBT - Debt Service Requirement Schedule,” “THE SYSTEM” and “Future Debt” below.

As is enumerated in this Official Statement under the caption “TAX DATA - Estimated Overlapping Taxes,” the aggregate of the 2025 tax levies of all overlapping taxing units which levy taxes upon property located in the District, plus the District's 2025 rate, is \$2.620128 per \$100 of Assessed Valuation. Such aggregate levies are higher than the aggregate tax levies of many municipal utility districts in the Houston metropolitan area, including the area of the District, but are within the range of the aggregate levies of municipal utility districts in the Houston metropolitan area and the area of the District which are in stages of development comparable with the District.

Tax Collection Limitations

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (i) cumbersome, time-consuming, and expensive collection procedures, (ii) a bankruptcy court's stay of tax collection procedures against a taxpayer, (iii) market conditions limiting the proceeds from a foreclosure sale of taxable property, or (iv) the taxpayer's right to redeem the property within two years of foreclosure. 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.

Registered Owners' Remedies and Bankruptcy

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 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. Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages, so that in the absence of other waivers of such immunity by the Texas legislature, a default by the District in its covenants in the bond Resolution may not be reduced to a judgement for money damages. Even if 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.

The enforceability of the rights and remedies of the Registered Owners may be further limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. In this regard, should the District file a petition for protection from creditors under federal bankruptcy laws, a suit seeking the remedy of mandamus would be automatically stayed and could not be pursued unless authorized by a federal bankruptcy judge. See “THE BONDS - Registered Owners' Remedies.”

The District may not be placed into bankruptcy involuntarily.

Marketability

The District has no understanding (other than the initial reoffering yields) with the Underwriters 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.”

Future Debt

The District reserved in the Bond Resolution the right to issue the remaining \$3,085,000 unlimited tax bonds authorized but unissued for waterworks, wastewater and drainage facilities, the \$77,816,132.65 for refunding purposes, and such additional bonds as may hereafter be approved by the voters of the District. The District has also reserved the right to issue certain other additional bonds, special project bonds, and other obligations described in the Bond Resolution. All of the remaining \$3,085,000 bonds described above for waterworks, wastewater and drainage facilities which have heretofore been authorized by the voters of the District may be issued by the District from time to time as needed. The issuance of such \$3,085,000 bonds for waterworks, wastewater and drainage facilities is also subject to TCEQ authorization. In addition to the components of the System that the District has financed with portions of the proceeds of the sale of the Prior Bonds and is financing with portions of the proceeds of the sale of the Bonds, the District expects to finance its share of the cost of acquisition or construction of additional components of the System with portions of the proceeds of the sale of bonds, if any, to be issued by the District in the future. If additional bonds are issued in the future and property values have not increased proportionately, such issuance might increase gross debt/property valuation ratios and thereby adversely affect the investment quality or security of the Bonds. See “THE BONDS - Authority for Issuance” and - “Issuance of Additional Debt,” “DISTRICT DEBT - Debt Service Requirement Schedule,” and “THE SYSTEM.”

The District’s Engineer estimates that the aforementioned \$3,085,000 authorized unlimited tax bonds which remain unissued after the sale of the Bonds, plus available surplus funds, may not be adequate to finance the acquisition or construction of all water, wastewater and drainage facilities necessary to provide service to all of the developable, undeveloped portions of the District. In order for the District to issue bonds in an amount greater than the \$3,085,000 that is currently authorized, the District would be required to obtain voter authorization to issue additional bonds at an election held for such purpose. The District cannot predict the outcome of such election if it is called. The District makes no representation that any future development will be undertaken in the District. If additional bonds are issued in the future and property values have not increased proportionately, such issuance may increase gross debt/property valuation ratios and thereby adversely affect the investment quality or security of the Bonds and the Outstanding Bonds. See “THE BONDS - Issuance of Additional Debt,” “THE BONDS - Use And Distribution Of Bond Proceeds” and “THE SYSTEM.”

Competitive Nature of Houston Single-Family and Multi-Family Residential and Commercial/Retail Development and Construction Markets

The single-family and multi-family residential and commercial/retail development industries in the Houston area are very competitive, and the District can give no assurance that any single-family residential lot development or homebuilding programs will be initiated in the District in addition to the single-family residential lot development and homebuilding programs that have been undertaken in the District to date, or that any commercial/retail or multi-family residential development or construction of future above-ground commercial/retail or multi-family improvements will be undertaken in the District in addition to the commercial/retail or multi-family development projects and construction of above-ground commercial/retail or multi-family improvements that have been undertaken in the District to date as are described in this Official Statement under the caption “DEVELOPMENT AND HOME CONSTRUCTION.” The respective competitive positions of any developer(s), or home builder(s) which might attempt future single-family residential lot development or homebuilding programs in the District in the sale of developed single-family residential lots or in the construction and sale of single-family homes or of any commercial/retail or multi-family developer which might undertake future commercial/retail or multi-family development projects or the construction of new above-ground commercial/retail or multi-family improvements are affected by most of the factors discussed in this section, and such single-family residential lot development and/or commercial/retail or multi-family development projects and the construction of single-family residential units and/or

commercial/retail or multi-family above-ground improvements are directly related to tax revenues received by the District and the growth and maintenance of taxable values in the District.

Certain Tax Exemptions Provided for Affordable Housing

There are three multifamily apartment complexes located within the District, including the 241-unit Tour 18 Apartments that have been completed and the 270-Unit Creekstone Apartments and 280-Unit Prose Atascosita Apartments which are currently under construction. 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 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 Tour 18 Apartments located within the District are owned by a housing authority and are not subject to taxation by the District. The District has not been given notice that any apartment complex other than the Tour 18 Apartments is exempt from taxation.

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. 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. The District is not aware of any public property located within the boundaries of the District that is owned by an HFC.

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.”

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, or the adequacy or accuracy of the information contained in this Official Statement.

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

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

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

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

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

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

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

Extreme Weather Events

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

The greater Houston area, including the District, has experienced multiple storms exceeding a 0.2% probability (i.e. “500 year flood” events) since 2015, including Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 26, 2017, and brought historic levels of rainfall during the successive four days. According to the District's Operator and Engineer, the District's System did not sustain any material damage from Hurricane Harvey and there was no interruption of water and sewer service. Further, according to the District's Operator, after investigation, although the District experienced street flooding, there was no apparent material wind or water damage to single-family homes or commercial/retail improvements within the District.

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

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.

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

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.

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 subheadings “Book-Entry-Only System” and “Use and Distribution of Bond Proceeds”), “THE DISTRICT - General” and - “Bond Counsel and General Counsel,” “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, the provisions of the documents referred to therein, and conforms to the provisions of the order of the TCEQ approving the Bonds. 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, other than the matters discussed immediately above.

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. McCall, Parkhurst & Horton L.L.P., Houston, Texas, serves as Disclosure Counsel to the District.

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 Underwriter a certificate, executed by the appropriate officers 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.

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 have **not** been designated "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 Underwriter 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.

NO MATERIAL ADVERSE CHANGE

The obligations of the Underwriter to take up 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 financial condition of the District subsequent to the date of sale from that set forth in the Preliminary Official Statement, as it may have been finalized, supplemented, or amended through the date of sale. The rating of the Insurer's creditworthiness by any rating agency does not and will not in any manner affect the District's financial condition, and thus any change to such rating, including a downgrade thereof, at any time, does not and will not constitute a change, material or otherwise, in the District's financial condition, and therefore cannot be a basis for termination by the Underwriter of its obligations to take up and pay for the Bonds.

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 that was obtained from sources other than the District. 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 August 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 B."

Experts

The information contained in this Official Statement relating to engineering, to the description of the System generally and, in particular, the engineering information included in the sections captioned "THE DISTRICT," "DEVELOPMENT AND HOME CONSTRUCTION," and "THE SYSTEM," has been provided by BGE, Inc.,

Houston, Texas. Such information has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

The information contained in this Official Statement relating to assessed valuations of property generally and, in particular, that information concerning valuations contained in the sections captioned “DISTRICT DEBT” and “TAX DATA” has been provided by the Harris Central Appraisal District and Assessments of the Southwest, Inc. The District has included certain information herein in reliance upon Assessment of the Southwest’s authority as an expert in the field of tax assessing and real property appraisal. The District has included certain information herein in reliance upon the Appraisal District’s authority as an expert in the field of tax assessing and real property appraisal.

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, to and including the date the Underwriter is no longer required to provide an Official Statement to customers who request same pursuant to Rule 15c2-12 of the United States Securities and Exchange Commission (the “SEC”), the District learns, or is notified by the Underwriter, of any adverse event which causes the Official Statement to be materially misleading, and unless the Underwriter elects to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Underwriter an appropriate amendment or supplement to the Official Statement satisfactory to the Underwriter; provided, however, that the obligation of the District to so amend or supplement the Official Statement will terminate upon the earlier of (i) 90 days after the “end of the underwriting period” as defined in SEC Rule 15c2-12 or (ii) the date the Official Statement is filed with the MSRB (hereinafter defined), but in no case less than 25 days after the “end of the underwriting period.”

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Resolution, the District has made the following agreement for the benefit of the holders and Beneficial Owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of certain specified events, to the Municipal Securities Rulemaking Board (the “MSRB”) or any successor to its functions as a repository through its Electronic Municipal Market Access (“EMMA”) system.

Annual Reports

The District will provide certain updated financial information and operating data annually to the MSRB. 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,” “TAX DATA,” and in “APPENDIX B.” 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 the MSRB or any successor to its functions as a repository.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12 (the “Rule”). The updated information will include audited financial statements if it commissions an audit and the audit is completed by the required time. If the audit of such financial statements is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to the MSRB within such six-month period, and audited financial statements when the audit report

on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in the Bond Resolution or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

The District's fiscal year end is currently August 31. Accordingly, it must provide updated information by February 28 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determination of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other events affecting the tax status of the Bonds; (7) modifications to rights of Beneficial Owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person; (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 financial information, operating data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information

The District has agreed to provide the foregoing information only to the MSRB. Investors will be able to access, without charge from the MSRB, 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 certain specified events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders or Beneficial Owners of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

The District may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if but only if the agreement, as amended, would have permitted an Underwriter to purchase

or sell Bonds in the offering made hereby in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and either the holders of a majority in aggregate principal amount of the Outstanding Bonds consent to the amendment or any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and Beneficial Owners of the Bonds. The District may amend or repeal the agreement in the Bond Resolution if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction determines that such provisions are invalid or unenforceable, but only to the extent that its right to do so would not prevent the Underwriter from lawfully purchasing the Bonds in the initial offering. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance With Prior Undertakings

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

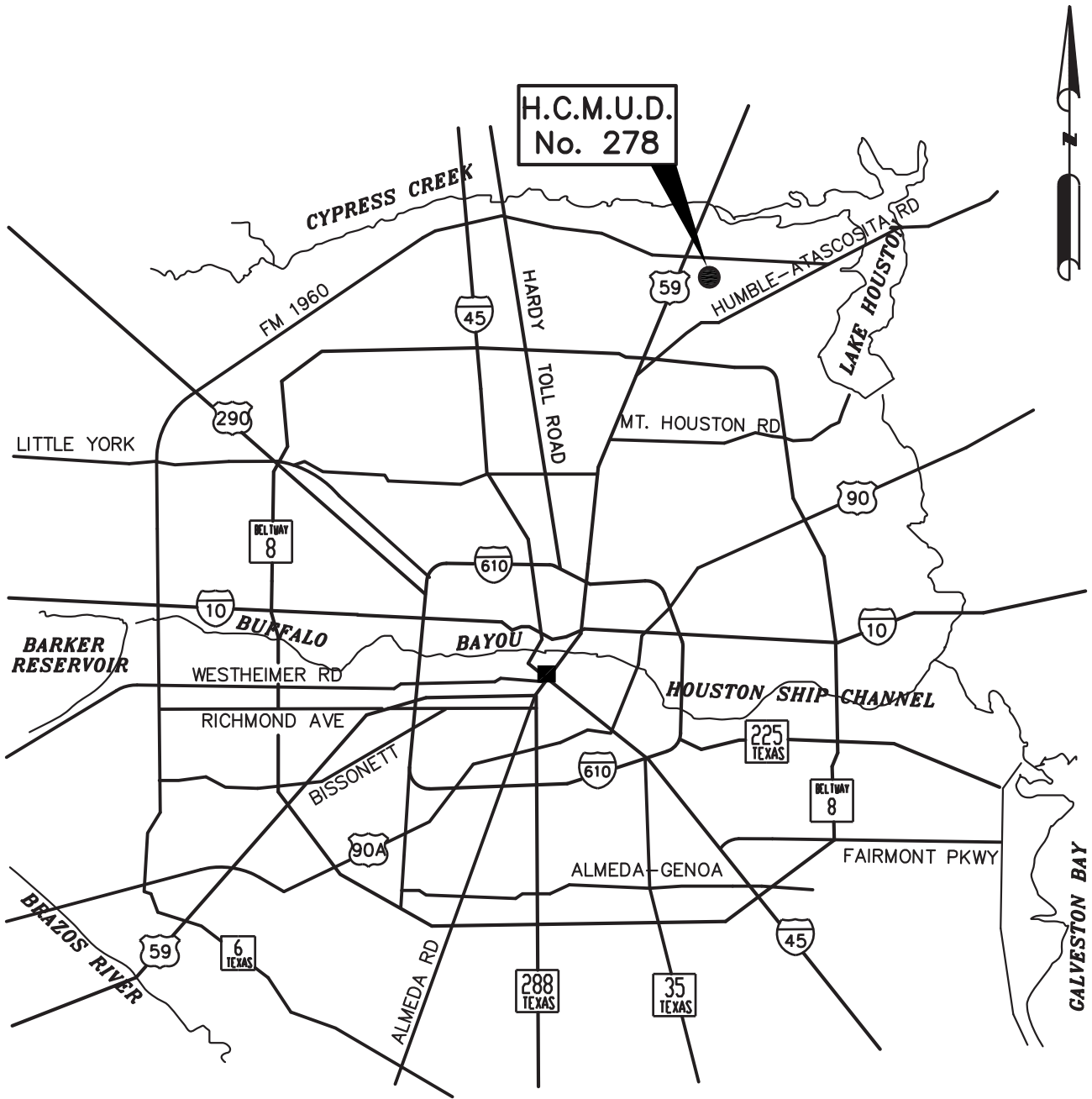
This Official Statement was approved by the Board of Directors of Harris County Municipal Utility District No. 278 as of the date shown on the first page hereof.

/s/ Eugene Newsom
President, Board of Directors
Harris County Municipal Utility District No. 278

ATTEST:

/s/ Gwen Thornburg
Secretary, Board of Directors
Harris County Municipal Utility District No. 278

APPENDIX A
LOCATION MAP



LOCATION MAP
N.T.S.

APPENDIX B

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 278
HARRIS COUNTY, TEXAS
INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS
AUGUST 31, 2025



**Harris County Municipal
Utility District No. 278
Harris County, Texas**

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

August 31, 2025



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August 31, 2025

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Independent Auditor's Report

Board of Directors
Harris County Municipal Utility District No. 278
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. 278 (District), as of and for the year ended August 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 August 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
January 9, 2026

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 which 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 total 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. 278
Management’s Discussion and Analysis
Year Ended August 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	\$ 29,766,409	\$ 30,380,704
Capital assets	<u>36,348,793</u>	<u>32,931,699</u>
Total assets	<u>66,115,202</u>	<u>63,312,403</u>
Deferred outflows of resources	<u>984,916</u>	<u>1,056,891</u>
Total assets and deferred outflows of resources	<u>\$ 67,100,118</u>	<u>\$ 64,369,294</u>
Long-term liabilities	\$ 47,943,564	\$ 50,260,077
Other liabilities	<u>3,002,075</u>	<u>1,882,578</u>
Total liabilities	<u>50,945,639</u>	<u>52,142,655</u>

**Harris County Municipal Utility District No. 278
Management's Discussion and Analysis
Year Ended August 31, 2025**

Summary of Net Position (Continued)

	<u>2025</u>	<u>2024</u>
Net position		
Net investment in capital assets	\$ 2,725,427	\$ 772,479
Restricted	5,438,286	4,507,443
Unrestricted	<u>7,990,766</u>	<u>6,946,717</u>
Total net position	<u>\$ 16,154,479</u>	<u>\$ 12,226,639</u>

The total net position of the District increased by \$3,927,840, or about 32%. 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 included in long-term liabilities in the government-wide financial statements, as well as maintenance tax and charges for services revenues exceeding service operating expenses. 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	\$ 5,782,615	\$ 6,057,602
Charges for services	3,976,250	3,691,342
Sale of capacity	-	36,647
Other revenues	<u>2,068,952</u>	<u>2,073,326</u>
Total revenues	<u>11,827,817</u>	<u>11,858,917</u>
Expenses		
Services	5,104,478	4,846,100
Conveyance of capital assets	-	48,612
Depreciation	906,017	916,710
Debt service	<u>1,889,482</u>	<u>1,912,276</u>
Total expenses	<u>7,899,977</u>	<u>7,723,698</u>
Change in net position	3,927,840	4,135,219
Net position, beginning of year	<u>12,226,639</u>	<u>8,091,420</u>
Net position, end of year	<u>\$ 16,154,479</u>	<u>\$ 12,226,639</u>

Financial Analysis of the District's Funds

The District's combined fund balances as of the end of the fiscal year ended August 31, 2025 were \$26,656,456, a decrease of \$1,737,240 from the prior year.

The general fund's fund balance increased by \$2,017,003 primarily due to property tax and service revenues and investment income exceeding service operations and capital outlay expenditures.

**Harris County Municipal Utility District No. 278
Management’s Discussion and Analysis
Year Ended August 31, 2025**

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

The debt service fund’s fund balance increased by \$42,110 primarily due to property tax revenues and investment income exceeding bond principal and interest requirements and contracted services expenditures.

The capital projects fund’s fund balance decreased by \$3,796,353 primarily due to capital outlay expenditures exceeding investment income.

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 tap connection and inspection fee revenues being greater than anticipated and surface water conversion revenues and purchased services, professional fees, and capital outlay expenditures being less than anticipated. In addition, debt issuance costs incurred were not included in the current year budget. The fund balance as of August 31, 2025 was expected to be \$18,491,184, and the actual end-of-year fund balance was \$19,958,982.

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>
Land and improvements	\$ 12,114,537	\$ 11,890,321
Construction in progress	4,715,012	616,117
Water facilities	7,733,946	8,065,815
Wastewater facilities	<u>11,785,298</u>	<u>12,359,446</u>
Total capital assets	<u>\$ 36,348,793</u>	<u>\$ 32,931,699</u>

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

Construction in progress related to the wastewater treatment plant improvements, Phase I; engineering fees related to water plant No. 2 ground storage tank addition; wastewater treatment plant expansion and improvements, Phases 2 and 3; and lift station generator addition	\$ 4,156,035
Blackstone Creek detention sidewalk	<u>167,076</u>
	<u>\$ 4,323,111</u>

Debt

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

**Harris County Municipal Utility District No. 278
Management’s Discussion and Analysis
Year Ended August 31, 2025**

Long-term debt payable, beginning of year	\$ 50,260,077
Decreases in long-term debt	<u>(2,316,513)</u>
Long-term debt payable, end of year	<u>\$ 47,943,564</u>

At August 31, 2025, the District had \$13,560,000 of unlimited tax bonds authorized, but unissued, for the purposes of acquiring, constructing, and improving the water, sanitary sewer, and drainage systems within the District.

The District’s bonds carry underlying ratings of “A+” from Standard & Poor’s or “A3” from Moody’s Investors Service (Moody’s). The Series 2015 refunding and 2018 refunding bonds carry a “AA” rating from Standard & Poor’s by virtue of bond insurance issued by Assured Guaranty Inc. The Series 2016, 2019 and 2021 refunding bonds carry a “AA” rating from Standard & Poor’s by virtue of bond insurance issued by Build America Mutual Assurance Company. The Series 2020 refunding and 2021A bonds carry a “AA” rating from Standard & Poor’s and an “A1” rating from Moody’s by virtue of bond insurance issued by Assured Guaranty Inc.

Other Relevant Factors

Relationship to the City of Houston

The District is located in the City of Houston’s (City) extraterritorial jurisdiction, with the exception of 57.6562 acres that are located in the City of Humble’s corporate limits. Under existing Texas law, since the District lies primarily 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 12, 2008, the District entered into a Strategic Partnership Agreement (Agreement) with the City, which annexed certain portions of the District 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 a period of 30 years from the date of the Agreement, at which time the City has the option to annex the District if it chooses to do so. On December 5, 2017, the Agreement was amended to annex an additional tract of land in the District. The Agreement was amended again on December 11, 2019 to provide options at the end of the original term for the City to negotiate a new agreement, allow the Agreement to lapse, or commence full-purpose annexation.

Harris County Municipal Utility District No. 278
Statement of Net Position and Governmental Funds Balance Sheet
August 31, 2025

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets							
Cash	\$ 829,969	\$ 90,505	\$ 89,516	\$ 446	\$ 1,010,436	\$ -	\$ 1,010,436
Certificates of deposit	2,115,000	-	940,000	-	3,055,000	-	3,055,000
Short-term investments	18,734,882	-	2,603,884	3,734,290	25,073,056	-	25,073,056
Receivables							
Property taxes	42,254	-	65,624	-	107,878	-	107,878
Service accounts	355,908	-	-	-	355,908	-	355,908
Sales tax rebates	33,737	-	-	-	33,737	-	33,737
Accrued interest receivable	46,181	-	5,866	-	52,047	-	52,047
Interfund receivables	109,035	116,436	-	-	225,471	(225,471)	-
Prepaid expenditures	8,975	-	-	-	8,975	-	8,975
Due from participants	-	62,937	-	-	62,937	-	62,937
Due from others	6,435	-	-	-	6,435	-	6,435
Capital assets (net of accumulated depreciation)							
Land and improvements	-	-	-	-	-	12,114,537	12,114,537
Construction in progress	-	-	-	-	-	4,715,012	4,715,012
Infrastructure	-	-	-	-	-	19,519,244	19,519,244
Total Assets	22,282,376	269,878	3,704,890	3,734,736	29,991,880	36,123,322	66,115,202
Deferred Outflows of Resources							
Deferred amount on debt refundings	-	-	-	-	-	984,916	984,916
Total Assets and Deferred Outflows of Resources	\$ 22,282,376	\$ 269,878	\$ 3,704,890	\$ 3,734,736	\$ 29,991,880	\$ 37,108,238	\$ 67,100,118

Harris County Municipal Utility District No. 278
Statement of Net Position and Governmental Funds Balance Sheet
August 31, 2025

(Continued)

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Liabilities							
Accounts payable	\$ 741,974	\$ 113,498	\$ 17,488	\$ 271,262	\$ 1,144,222	\$ -	\$ 1,144,222
Customer deposits	368,710	-	-	-	368,710	-	368,710
Operating deposits	-	53,417	-	-	53,417	-	53,417
Retainage payable	-	-	-	381,706	381,706	-	381,706
Due to others	1,054,020	-	-	-	1,054,020	-	1,054,020
Interfund payables	116,436	102,963	6,072	-	225,471	(225,471)	-
Long-term liabilities							
Due within one year	-	-	-	-	-	1,705,000	1,705,000
Due after one year	-	-	-	-	-	46,238,564	46,238,564
Total Liabilities	2,281,140	269,878	23,560	652,968	3,227,546	47,718,093	50,945,639
Deferred Inflows of Resources							
Deferred property tax revenues	42,254	-	65,624	-	107,878	(107,878)	-
Fund Balances/Net Position							
Fund balances							
Nonspendable, prepaid expenditures	8,975	-	-	-	8,975	(8,975)	-
Restricted							
Debt service on unlimited tax bonds	-	-	3,615,706	-	3,615,706	(3,615,706)	-
Water, sewer, and drainage	-	-	-	3,081,768	3,081,768	(3,081,768)	-
Unassigned	19,950,007	-	-	-	19,950,007	(19,950,007)	-
Total fund balances	19,958,982	-	3,615,706	3,081,768	26,656,456	(26,656,456)	-
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 22,282,376	\$ 269,878	\$ 3,704,890	\$ 3,734,736	\$ 29,991,880		
Net position							
Net investment in capital assets						2,725,427	2,725,427
Restricted for debt service						3,681,330	3,681,330
Restricted for capital projects						1,756,956	1,756,956
Unrestricted						7,990,766	7,990,766
Total net position						\$ 16,154,479	\$ 16,154,479

Harris County Municipal Utility District No. 278
Statement of Activities and Governmental Funds Revenues,
Expenditures, and Changes in Fund Balances
Year Ended August 31, 2025

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues							
Property taxes	\$ 2,463,898	\$ -	\$ 3,315,269	\$ -	\$ 5,779,167	\$ 3,448	\$ 5,782,615
City of Houston rebates	147,710	-	-	-	147,710	-	147,710
Water service	1,589,719	-	-	-	1,589,719	-	1,589,719
Sewer service	1,501,201	970,562	-	-	2,471,763	(772,885)	1,698,878
Surface water conversion	687,653	-	-	-	687,653	-	687,653
Penalty and interest	221,498	-	51,721	-	273,219	-	273,219
Tap connection and inspection fees	229,474	-	-	-	229,474	-	229,474
Investment income	905,829	-	227,824	266,130	1,399,783	-	1,399,783
Other income	18,698	-	68	-	18,766	-	18,766
Total Revenues	7,765,680	970,562	3,594,882	266,130	12,597,254	(769,437)	11,827,817
Expenditures/Expenses							
Service operations							
Purchased services	1,560,667	-	-	-	1,560,667	(772,885)	787,782
Lease payments	107,700	-	-	-	107,700	-	107,700
Professional fees	246,013	4,300	22,242	-	272,555	6,545	279,100
Contracted services	1,414,870	84,930	87,488	-	1,587,288	845	1,588,133
Utilities	102,838	160,539	-	-	263,377	-	263,377
Repairs and maintenance	915,311	685,869	-	-	1,601,180	-	1,601,180
Other expenditures	362,161	34,924	14,179	359	411,623	-	411,623
Tap connections	65,583	-	-	-	65,583	-	65,583
Capital outlay	936,534	-	-	4,062,124	4,998,658	(4,998,658)	-
Depreciation	-	-	-	-	-	906,017	906,017
Debt service							
Principal retirement	-	-	1,655,000	-	1,655,000	(1,655,000)	-
Interest and fees	-	-	1,773,863	-	1,773,863	78,619	1,852,482
Debt issuance costs	37,000	-	-	-	37,000	-	37,000
Total Expenditures/Expenses	5,748,677	970,562	3,552,772	4,062,483	14,334,494	(6,434,517)	7,899,977
Excess (Deficiency) of Revenues Over Expenditures	2,017,003	-	42,110	(3,796,353)	(1,737,240)	1,737,240	
Change in Net Position						3,927,840	3,927,840
Fund Balances/Net Position							
Beginning of year	17,941,979	-	3,573,596	6,878,121	28,393,696	-	12,226,639
End of year	\$ 19,958,982	\$ -	\$ 3,615,706	\$ 3,081,768	\$ 26,656,456	\$ -	\$ 16,154,479

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

Harris County Municipal Utility District No. 278 (District) was created by an order of the Texas Water Commission, now known as the Texas Commission on Environmental Quality (Commission), effective March 27, 1985, 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 is governed by a Board of Directors (Board) consisting of five individuals who are residents or owners of 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.

Harris County Municipal Utility District No. 278
Notes to Financial Statements
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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.

Nonexchange 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 governmental funds revenues, expenditures, and 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. Revenues recognized during the fiscal year ended August 31, 2025 include collections during the current period or within 60 days of year-end related to the 2024 and prior years' tax levies.

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 August 31, 2025, the 2024 tax levy is considered earned during the current fiscal year. 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.

Within Harris County, the county government assumes the maintenance and other incidents of ownership of most storm sewer facilities constructed by the District. Accordingly, these assets are not recorded in the financial statements of the District.

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.

Harris County Municipal Utility District No. 278
Notes to Financial Statements
August 31, 2025

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.

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.	\$ 36,348,793
Property tax revenue recognition and the related reduction of deferred inflows of resources are subject to availability of funds in the fund financial statements.	107,878
Deferred amount on debt refundings for governmental activities is not considered financial resources and is not reported in the funds.	984,916
Long-term debt obligations are not due and payable in the current period and are not reported in the funds.	<u>(47,943,564)</u>
Adjustment to fund balances to arrive at net position.	<u><u>\$ (10,501,977)</u></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.	\$ (1,737,240)
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.	4,085,251

Harris County Municipal Utility District No. 278
Notes to Financial Statements
August 31, 2025

Governmental funds report principal payments on debt as expenditures. For the statement of activities, these transactions do not have any effect on net position.	\$ 1,655,000
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.	3,448
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 governmental funds.	<u>(78,619)</u>
Change in net position of governmental activities.	<u>\$ 3,927,840</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 August 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 Texas CLASS, an external investment pool that is not registered with the Securities and Exchange Commission. A Board of Trustees, elected by the participants, has oversight of Texas CLASS. The District's investments may be redeemed at any time. Texas CLASS attempts to minimize its exposure to market and credit risk through the use of various strategies and credit monitoring techniques and limits its investments in any issuer to the top two ratings issued by nationally recognized statistical rating organizations. The District's investments in Texas CLASS are reported at net asset value.

Harris County Municipal Utility District No. 278
Notes to Financial Statements
August 31, 2025

At August 31, 2025, the District had the following investments and maturities:

Type	Maturities in Years				
	Fair Value	Less Than 1	1-5	6-10	More Than 10
Texas CLASS	\$ 25,073,056	\$ 25,073,056	\$ -	\$ -	\$ -

Interest Rate Risk. As a means of limiting exposure to fair value losses arising from rises in 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 external investment pool is presented in an investment with a maturity of less than one year because it is 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 August 31, 2025, the District’s investments in Texas CLASS 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 at August 31, 2025 as follows:

Carrying value	
Deposits	\$ 4,065,436
Investments	<u>25,073,056</u>
Total	<u>\$ 29,138,492</u>

Included in the following statement of net position captions:

Cash	\$ 1,010,436
Certificates of deposit	3,055,000
Short-term investments	<u>25,073,056</u>
Total	<u>\$ 29,138,492</u>

Investment Income

Investment income of \$1,399,783 for the year ended August 31, 2025 consisted of interest income.

Fair Value Measurements

The District has the following recurring fair value measurements as of August 31, 2025:

- Pooled investments of \$25,073,056 are valued at fair value per share of the pool’s underlying portfolio.

Harris County Municipal Utility District No. 278
Notes to Financial Statements
August 31, 2025

Note 3. Capital Assets

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

<u>Governmental Activities</u>	<u>Balances, Beginning of Year</u>	<u>Additions</u>	<u>Reclassi- fications</u>	<u>Balances, End of Year</u>
Capital assets, non-depreciable				
Land and improvements	\$ 11,890,321	\$ 167,076	\$ 57,140	\$ 12,114,537
Construction in progress	616,117	4,156,035	(57,140)	4,715,012
Total capital assets, non-depreciable	<u>12,506,438</u>	<u>4,323,111</u>	<u>-</u>	<u>16,829,549</u>
Capital assets, depreciable				
Water production and distribution facilities	13,332,851	-	-	13,332,851
Wastewater collection and treatment facilities	21,678,413	-	-	21,678,413
Total capital assets, depreciable	<u>35,011,264</u>	<u>-</u>	<u>-</u>	<u>35,011,264</u>
Less accumulated depreciation				
Water production and distribution facilities	(5,267,036)	(331,869)	-	(5,598,905)
Wastewater collection and treatment facilities	(9,318,967)	(574,148)	-	(9,893,115)
Total accumulated depreciation	<u>(14,586,003)</u>	<u>(906,017)</u>	<u>-</u>	<u>(15,492,020)</u>
Total governmental activities, net	<u>\$ 32,931,699</u>	<u>\$ 3,417,094</u>	<u>\$ -</u>	<u>\$ 36,348,793</u>

Note 4. Long-Term Liabilities

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

<u>Governmental Activities</u>	<u>Balances, Beginning of Year</u>	<u>Decreases</u>	<u>Balances, End of Year</u>	<u>Amounts Due in One Year</u>
Bonds payable				
General obligation bonds	\$ 50,090,000	\$ 1,655,000	\$ 48,435,000	\$ 1,705,000
Add premiums on bonds	250,615	24,488	226,127	-
Less discounts on bonds	748,695	31,132	717,563	-
	49,591,920	1,648,356	47,943,564	1,705,000
Due to developer	668,157	668,157	-	-
Total governmental activities long-term liabilities	<u>\$ 50,260,077</u>	<u>\$ 2,316,513</u>	<u>\$ 47,943,564</u>	<u>\$ 1,705,000</u>

Harris County Municipal Utility District No. 278
Notes to Financial Statements
August 31, 2025

General Obligation Bonds

	Refunding Series 2015	Series 2016
Amounts outstanding, August 31, 2025	\$17,640,000	\$11,250,000
Interest rates	2.00% to 4.00%	4.00% to 4.25%
Maturity dates, serially beginning/ending	September 1, 2026/2036	September 1, 2026/2043
Interest payment dates	March 1/September 1	March 1/September 1
Callable dates*	September 1, 2022	September 1, 2023
	Refunding Series 2018	Series 2019
Amounts outstanding, August 31, 2025	\$2,610,000	\$6,025,000
Interest rates	2.25% to 4.00%	3.00% to 5.50%
Maturity dates, serially beginning/ending	September 1, 2026/2037	September 1, 2026/2046
Interest payment dates	March 1/September 1	March 1/September 1
Callable dates*	September 1, 2023	September 1, 2024
	Refunding Series 2020	Refunding Series 2021
Amounts outstanding, August 31, 2025	\$2,950,000	\$2,355,000
Interest rates	2.00% to 4.00%	2.00% to 4.00%
Maturity dates, serially beginning/ending	September 1, 2026/2031	September 1, 2026/2038
Interest payment dates	March 1/September 1	March 1/September 1
Callable dates*	September 1, 2025	September 1, 2026
		Series 2021A
Amount outstanding, August 31, 2025		\$5,605,000
Interest rates		2.500% to 2.625%
Maturity dates, serially beginning/ending		September 1, 2038/2047
Interest payment dates		March 1/September 1
Callable date*		September 1, 2026

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

Harris County Municipal Utility District No. 278
Notes to Financial Statements
August 31, 2025

Annual Debt Service Requirements

The District has been paying the amount due September 1 within the fiscal year preceding this due date, and the following schedule has been prepared assuming that this practice will be followed in future years. The schedule shows the annual debt service requirements to pay principal and interest on general obligation bonds outstanding at August 31, 2025:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 1,705,000	\$ 1,707,263	\$ 3,412,263
2027	1,755,000	1,655,950	3,410,950
2028	1,810,000	1,601,149	3,411,149
2029	1,855,000	1,543,207	3,398,207
2030	1,910,000	1,482,307	3,392,307
2031–2035	11,045,000	6,300,468	17,345,468
2036–2040	11,125,000	4,106,968	15,231,968
2041–2045	11,870,000	1,996,345	13,866,345
2046–2047	5,360,000	222,851	5,582,851
Total	<u>\$ 48,435,000</u>	<u>\$ 20,616,508</u>	<u>\$ 69,051,508</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.

Voter-authorized bonds voted	\$ 80,400,000
Bonds sold	66,840,000
Voter-authorized refunding bonds voted	80,400,000
Refunding bond authorization used	2,583,867*

*The District has issued \$46,790,000 of refunding bonds; however, of such amount, \$2,583,867 has been applied to the voter-authorized bonds and the remaining \$44,206,133 has been issued pursuant to Chapter 1207 of the Texas Government Code.

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 August 31, 2025, the District levied an ad valorem debt service tax at the rate of \$0.3900 per \$100 of assessed valuation, which resulted in a tax levy of \$3,315,331 on the taxable valuation of \$850,084,831 for the 2024 tax year. The interest and principal requirements paid from the tax revenues and available resources were \$3,423,613.

Note 6. Maintenance Taxes

At an election held May 1, 1993, voters authorized a maintenance tax not to exceed \$1.00 per \$100 of assessed valuation on all property within the District subject to taxation. During the year ended August 31, 2025, the District levied an ad valorem maintenance tax at the rate of \$0.2900 per \$100 of assessed valuation, which resulted in a tax levy of \$2,465,246 on the taxable valuation of \$850,084,831 for the 2024 tax year. The maintenance tax is being used by the general fund to pay expenditures of operating the District.

Note 7. Wastewater Treatment Plant Lease

On November 11, 2015, the District entered into a lease of digester basins, chlorine basin, and associated equipment. The initial lease term was for 60 months with monthly payments of \$12,625 upon substantial completion of the installation, which occurred in December 2016. After the initial term, the lease was extended on a month-to-month basis with monthly payments of \$8,975. During the current year, the District incurred fees of \$107,700 related to the lease.

Note 8. Strategic Partnership Agreement

Effective December 12, 2008, the District and the City of Houston (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. 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 City sales and use tax revenues generated within the boundaries of the tract. As consideration for the sales and use tax payments 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. On December 5, 2017, the Agreement was amended to annex an additional tract of land in the District. The Agreement was amended again on December 11, 2019 to provide options at the end of the original term for the City to negotiate a new agreement, allow the Agreement to lapse, or commence full-purpose annexation. During the current year, the District recorded \$147,710 in revenues related to the Agreement.

Note 9. Sanitary Sewage Treatment and Disposal Agreement With Harris County

Effective January 8, 2013, and as amended December 5, 2017, the District entered into a 15-year agreement with Harris County to provide capacity to treat wastewater from Harris County at the District's wastewater treatment plant No. 3. Harris County must pay a monthly service fee. Fixed operating costs are shared based on allocated capacity. Variable operating costs are shared based on total amount of waste delivered to the plant by Harris County as a percentage of total waste delivered. Harris County has paid the District a security deposit of \$53,417 as a plant operating reserve.

For the year ended August 31, 2025, the District billed Harris County and the District \$197,677 and \$772,885, respectively.

Note 10. Water Supply Agreement With the City of Houston

The District has entered into a Groundwater Reduction Plan Wholesale Agreement with the City, whereby the City will sell and deliver treated water to the District at the rate set by ordinance by the City for contract-treated customers. As of August 31, 2025, the rate was \$4.57 per thousand gallons, plus \$1.19 per thousand gallons over the minimum requirement. The District paid \$787,782 for purchased water during the fiscal year ended August 31, 2025.

Note 11. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. The District has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts in the past three fiscal years.

Required Supplementary Information

**Harris County Municipal Utility District No. 278
 Budgetary Comparison Schedule – General Fund
 Year Ended August 31, 2025**

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Property taxes	\$ 2,795,407	\$ 2,425,659	\$ 2,463,898	\$ 38,239
City of Houston rebates	132,600	132,600	147,710	15,110
Water service	1,669,300	1,669,300	1,589,719	(79,581)
Sewer service	1,560,100	1,560,100	1,501,201	(58,899)
Surface water conversion	1,200,000	1,200,000	687,653	(512,347)
Penalty and interest	211,800	211,800	221,498	9,698
Tap connection and inspection fees	95,100	95,100	229,474	134,374
Investment income	826,700	826,700	905,829	79,129
Other income	10,171	10,171	18,698	8,527
Total Revenues	8,501,178	8,131,430	7,765,680	(365,750)
Expenditures				
Service operations				
Purchased services	1,920,161	1,920,161	1,560,667	359,494
Lease payments	107,700	107,700	107,700	-
Professional fees	432,000	432,000	246,013	185,987
Contracted services	1,400,860	1,400,860	1,414,870	(14,010)
Utilities	113,400	113,400	102,838	10,562
Repairs and maintenance	904,047	904,047	915,311	(11,264)
Other expenditures	352,300	352,300	362,161	(9,861)
Tap connections	23,600	23,600	65,583	(41,983)
Capital outlay	1,664,000	2,332,157	936,534	1,395,623
Debt service, debt issuance costs	-	-	37,000	(37,000)
Total Expenditures	6,918,068	7,586,225	5,748,677	1,837,548
Excess of Revenues Over Expenditures	1,583,110	545,205	2,017,003	1,471,798
Other Financing Sources				
Interfund transfers in	-	4,000	-	(4,000)
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	1,583,110	549,205	2,017,003	1,467,798
Fund Balance, Beginning of Year	17,941,979	17,941,979	17,941,979	-
Fund Balance, End of Year	\$ 19,525,089	\$ 18,491,184	\$ 19,958,982	\$ 1,467,798

Harris County Municipal Utility District No. 278
Budgetary Comparison Schedule – Special Revenue Fund
Year Ended August 31, 2025

	<u>Original Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Service fees	\$ 990,355	\$ 970,562	\$ (19,793)
Other income	15	-	(15)
Total Revenues	<u>990,370</u>	<u>970,562</u>	<u>(19,808)</u>
Expenditures			
Service operations			
Professional fees	20,000	4,300	15,700
Contracted services	89,080	84,930	4,150
Utilities	183,400	160,539	22,861
Repairs and maintenance	662,840	685,869	(23,029)
Other expenditures	35,050	34,924	126
Total Expenditures	<u>990,370</u>	<u>970,562</u>	<u>19,808</u>
Excess of Revenues Over Expenditures	-	-	-
Fund Balance, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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 budget for the general fund was amended and the original budget of the special revenue fund was not amended during fiscal 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. 278
Other Schedules Included Within This Report
August 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 11–22
- [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. 278
Schedule of Services and Rates
Year Ended August 31, 2025

1. Services provided by the District

<input checked="" type="checkbox"/> Retail Water	<input type="checkbox"/> Wholesale Water	<input checked="" type="checkbox"/> Drainage
<input checked="" type="checkbox"/> Retail Wastewater	<input type="checkbox"/> Wholesale Wastewater	<input type="checkbox"/> Irrigation
<input checked="" type="checkbox"/> Parks/Recreation	<input type="checkbox"/> Fire Protection	<input type="checkbox"/> Security
<input checked="" type="checkbox"/> Solid Waste/Garbage	<input type="checkbox"/> Flood Control	<input type="checkbox"/> Roads
<input type="checkbox"/> Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)		
<input type="checkbox"/> 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:	\$ 25.70	1,000	N	\$ 1.25	1,001 to 5,000
				\$ 2.25	5,001 to 10,000
				\$ 3.25	10,001 to 20,000
				\$ 4.25	20,001 to No Limit
Wastewater:	\$ 35.85	0	Y		
City of Houston GRP fee:	\$ 3.15	1	N	\$ 3.15	1 to No Limit
Does the District employ winter averaging for wastewater usage?					Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
Total charges per 10,000 gallons usage (including fees):				Water \$ 73.45	Wastewater \$ 35.85

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	-	-	x1.0	-
≤ 3/4"	3,184	3,150	x1.0	3,150
1"	96	96	x2.5	240
1 1/2"	19	14	x5.0	70
2"	31	31	x8.0	248
3"	-	-	x15.0	-
4"	1	1	x25.0	25
6"	2	2	x50.0	100
8"	1	1	x80.0	80
10"	-	-	x115.0	-
Total water	3,334	3,295		3,913
Total wastewater	3,290	3,254	x1.0	3,254

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

Gallons pumped into the system:	295,073
Gallons billed to customers:	272,407
Water accountability ratio (gallons billed/gallons pumped):	92.32%

*"ESFC" means equivalent single-family connections

Harris County Municipal Utility District No. 278
Schedule of General Fund Expenditures
Year Ended August 31, 2025

Personnel (including benefits)		\$ -
Professional Fees		
Auditing	\$ 29,500	
Legal	143,769	
Engineering	72,744	
Financial advisor	<u>-</u>	246,013
Purchased Services for Resale		
Bulk water and wastewater service purchases		1,560,667
Regional Water Fee		-
Contracted Services		
Bookkeeping	84,979	
General manager	-	
Appraisal district	-	
Tax collector	-	
Security	3,360	
Other contracted services	<u>268,345</u>	356,684
Utilities		102,838
Repairs and Maintenance		915,311
Administrative Expenditures		
Directors' fees	27,567	
Office supplies	38,173	
Insurance	59,629	
Other administrative expenditures	<u>236,792</u>	362,161
Capital Outlay		
Capitalized assets	268,377	
Expenditures not capitalized	<u>668,157</u>	936,534
Tap Connection Expenditures		65,583
Solid Waste Disposal		1,058,186
Lease Payments		107,700
Parks and Recreation		-
Other Expenditures		<u>37,000</u>
Total Expenditures		<u><u>\$ 5,748,677</u></u>

Harris County Municipal Utility District No. 278
Schedule of Temporary Investments
August 31, 2025

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Face Amount</u>	<u>Accrued Interest Receivable</u>
General Fund				
Certificates of Deposit				
No. 3031000510	4.00%	12/31/25	\$ 235,000	\$ 3,812
No. 12064	4.25%	07/03/26	235,000	1,614
No. 4205746	4.00%	06/27/26	235,000	1,674
No. 2000000495	4.14%	12/26/25	235,000	4,078
No. 440068466	4.56%	09/14/25	235,000	4,844
No. 108958	4.07%	05/14/26	235,000	2,856
No. 6000072675	4.75%	10/13/25	235,000	9,695
No. 9009006040	4.65%	10/11/25	235,000	9,700
No. 6550147085	4.25%	11/15/25	235,000	7,908
Texas CLASS	4.38%	Demand	16,606,285	-
Texas CLASS	4.38%	Demand	1,599,890	-
Texas CLASS	4.38%	Demand	528,707	-
			<u>20,849,882</u>	<u>46,181</u>
Debt Service Fund				
Certificates of Deposit				
No. 440068465	4.56%	09/14/25	235,000	4,844
No. 6000525634	4.15%	08/18/26	235,000	347
No. 6002400109	4.05%	07/15/26	235,000	313
No. 6550156289	4.32%	02/18/26	235,000	362
Texas CLASS	4.38%	Demand	2,603,884	-
			<u>3,543,884</u>	<u>5,866</u>
Capital Projects Fund				
Texas CLASS	4.38%	Demand	3,734,290	-
Totals			<u>\$ 28,128,056</u>	<u>\$ 52,047</u>

Harris County Municipal Utility District No. 278
Analysis of Taxes Levied and Receivable
Year Ended August 31, 2025

	<u>Maintenance Taxes</u>	<u>Debt Service Taxes</u>
Receivable, Beginning of Year	\$ 41,879	\$ 62,551
Additions and corrections to prior years' taxes	(973)	3,011
Adjusted Receivable, Beginning of Year	<u>40,906</u>	<u>65,562</u>
2024 Original Tax Levy	2,288,426	3,077,538
Additions and corrections	176,820	237,793
Adjusted tax levy	<u>2,465,246</u>	<u>3,315,331</u>
Total to Be Accounted For	2,506,152	3,380,893
Tax collections: Current year	(2,442,815)	(3,285,165)
Prior years	(21,083)	(30,104)
Receivable, End of Year	<u>\$ 42,254</u>	<u>\$ 65,624</u>
Receivable, by Years		
2024	\$ 22,431	\$ 30,166
2023	5,779	7,043
2022	4,270	5,275
2021	3,220	4,141
2020	1,514	3,574
2019	708	1,626
2018	493	1,144
2017	1,388	3,146
2016	771	1,877
2015	335	1,072
2014	229	1,156
2013	197	1,279
2012	179	1,162
2011	194	817
2010	190	777
2009	255	990
2006	101	379
Receivable, End of Year	<u>\$ 42,254</u>	<u>\$ 65,624</u>

**Harris County Municipal Utility District No. 278
 Analysis of Taxes Levied and Receivable
 Year Ended August 31, 2025**

(Continued)

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Property Valuations				
Land	\$ 234,590,317	\$ 124,750,882	\$ 119,890,205	\$ 113,688,412
Improvements	755,671,321	887,740,744	765,327,224	599,054,340
Personal property	18,016,964	14,975,546	15,393,029	11,174,810
Exemptions	<u>(158,193,771)</u>	<u>(170,517,267)</u>	<u>(124,375,151)</u>	<u>(56,390,666)</u>
Total Property Valuations	<u>\$ 850,084,831</u>	<u>\$ 856,949,905</u>	<u>\$ 776,235,307</u>	<u>\$ 667,526,896</u>
Tax Rates per \$100 Valuation				
Debt service tax rates	\$ 0.3900	\$ 0.3900	\$ 0.4200	\$ 0.4500
Maintenance tax rates*	<u>0.2900</u>	<u>0.3200</u>	<u>0.3400</u>	<u>0.3500</u>
Total Tax Rates Per \$100 valuation	<u>\$ 0.6800</u>	<u>\$ 0.7100</u>	<u>\$ 0.7600</u>	<u>\$ 0.8000</u>
Tax Levy	<u>\$ 5,780,577</u>	<u>\$ 6,084,344</u>	<u>\$ 5,899,388</u>	<u>\$ 5,340,215</u>
Percent of Taxes Collected to Taxes Levied**	<u>99%</u>	<u>99%</u>	<u>99%</u>	<u>99%</u>

*Maximum tax rate approved by voters: \$1.00 on May 1, 1993

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

Harris County Municipal Utility District No. 278
Schedule of Long-Term Debt Service Requirements by Years
August 31, 2025

<u>Due During Fiscal Years Ending August 31</u>	<u>Refunding Series 2015</u>		
	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2026	\$ 1,075,000	\$ 681,569	\$ 1,756,569
2027	1,115,000	646,631	1,761,631
2028	1,155,000	607,606	1,762,606
2029	1,190,000	565,738	1,755,738
2030	1,235,000	521,113	1,756,113
2031	1,280,000	474,800	1,754,800
2032	1,955,000	423,600	2,378,600
2033	2,035,000	345,400	2,380,400
2034	2,120,000	264,000	2,384,000
2035	2,210,000	179,200	2,389,200
2036	2,270,000	90,800	2,360,800
Totals	<u>\$ 17,640,000</u>	<u>\$ 4,800,457</u>	<u>\$ 22,440,457</u>

The District pays the amount due September 1 prior to that date. This schedule has been prepared assuming this practice will continue in the future.

Harris County Municipal Utility District No. 278
Schedule of Long-Term Debt Service Requirements by Years
August 31, 2025

(Continued)

<u>Due During Fiscal Years Ending August 31</u>	<u>Series 2016</u>		<u>Total</u>
	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	
2026	\$ 50,000	\$ 476,875	\$ 526,875
2027	50,000	474,875	524,875
2028	50,000	472,875	522,875
2029	50,000	470,875	520,875
2030	50,000	468,875	518,875
2031	50,000	466,875	516,875
2032	50,000	464,875	514,875
2033	50,000	462,875	512,875
2034	50,000	460,875	510,875
2035	50,000	458,875	508,875
2036	50,000	456,875	506,875
2037	50,000	454,750	504,750
2038	475,000	452,625	927,625
2039	1,850,000	432,438	2,282,438
2040	1,950,000	353,812	2,303,812
2041	2,025,000	270,938	2,295,938
2042	2,125,000	184,875	2,309,875
2043	2,225,000	94,562	2,319,562
Totals	<u>\$ 11,250,000</u>	<u>\$ 7,379,625</u>	<u>\$ 18,629,625</u>

The District pays the amount due September 1 prior to that date. This schedule has been prepared assuming this practice will continue in the future.

Harris County Municipal Utility District No. 278
Schedule of Long-Term Debt Service Requirements by Years
August 31, 2025

(Continued)

<u>Due During Fiscal Years Ending August 31</u>	<u>Refunding Series 2018</u>		
	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2026	\$ 55,000	\$ 104,400	\$ 159,400
2027	55,000	102,200	157,200
2028	55,000	100,000	155,000
2029	55,000	97,800	152,800
2030	55,000	95,600	150,600
2031	55,000	93,400	148,400
2032	80,000	91,200	171,200
2033	80,000	88,000	168,000
2034	80,000	84,800	164,800
2035	75,000	81,600	156,600
2036	75,000	78,600	153,600
2037	1,890,000	75,600	1,965,600
Totals	<u>\$ 2,610,000</u>	<u>\$ 1,093,200</u>	<u>\$ 3,703,200</u>

The District pays the amount due September 1 prior to that date. This schedule has been prepared assuming this practice will continue in the future.

**Harris County Municipal Utility District No. 278
Schedule of Long-Term Debt Service Requirements by Years
August 31, 2025**

(Continued)

<u>Due During Fiscal Years Ending August 31</u>	<u>Series 2019</u>		<u>Total</u>
	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	
2026	\$ 25,000	\$ 192,469	\$ 217,469
2027	25,000	191,094	216,094
2028	25,000	189,718	214,718
2029	25,000	188,344	213,344
2030	25,000	186,969	211,969
2031	25,000	185,593	210,593
2032	25,000	184,219	209,219
2033	25,000	182,844	207,844
2034	25,000	181,468	206,468
2035	25,000	180,719	205,719
2036	25,000	179,969	204,969
2037	25,000	179,218	204,218
2038	50,000	178,469	228,469
2039	50,000	176,969	226,969
2040	50,000	175,468	225,468
2041	50,000	173,969	223,969
2042	50,000	172,469	222,469
2043	100,000	170,969	270,969
2044	1,400,000	167,969	1,567,969
2045	1,825,000	124,219	1,949,219
2046	2,150,000	67,188	2,217,188
Totals	<u>\$ 6,025,000</u>	<u>\$ 3,630,313</u>	<u>\$ 9,655,313</u>

The District pays the amount due September 1 prior to that date. This schedule has been prepared assuming this practice will continue in the future.

**Harris County Municipal Utility District No. 278
Schedule of Long-Term Debt Service Requirements by Years
August 31, 2025**

(Continued)

Due During Fiscal Years Ending August 31	Refunding Series 2020		
	Principal Due September 1	Interest Due March 1, September 1	Total
2026	\$ 460,000	\$ 59,000	\$ 519,000
2027	470,000	49,800	519,800
2028	485,000	40,400	525,400
2029	500,000	30,700	530,700
2030	510,000	20,700	530,700
2031	525,000	10,500	535,500
Totals	\$ 2,950,000	\$ 211,100	\$ 3,161,100

The District pays the amount due September 1 prior to that date. This schedule has been prepared assuming this practice will continue in the future.

Harris County Municipal Utility District No. 278
Schedule of Long-Term Debt Service Requirements by Years
August 31, 2025

(Continued)

<u>Due During Fiscal Years Ending August 31</u>	<u>Refunding Series 2021</u>		
	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2026	\$ 40,000	\$ 47,900	\$ 87,900
2027	40,000	46,300	86,300
2028	40,000	45,500	85,500
2029	35,000	44,700	79,700
2030	35,000	44,000	79,000
2031	35,000	43,300	78,300
2032	35,000	42,600	77,600
2033	35,000	41,900	76,900
2034	35,000	41,200	76,200
2035	35,000	40,500	75,500
2036	35,000	39,800	74,800
2037	675,000	39,100	714,100
2038	1,280,000	25,600	1,305,600
Totals	<u>\$ 2,355,000</u>	<u>\$ 542,400</u>	<u>\$ 2,897,400</u>

The District pays the amount due September 1 prior to that date. This schedule has been prepared assuming this practice will continue in the future.

Harris County Municipal Utility District No. 278
 Schedule of Long-Term Debt Service Requirements by Years
 August 31, 2025

(Continued)

Due During Fiscal Years Ending August 31	Series 2021A		Total
	Principal Due September 1	Interest Due March 1, September 1	
2026	\$ -	\$ 145,050	\$ 145,050
2027	-	145,050	145,050
2028	-	145,050	145,050
2029	-	145,050	145,050
2030	-	145,050	145,050
2031	-	145,050	145,050
2032	-	145,050	145,050
2033	-	145,050	145,050
2034	-	145,050	145,050
2035	-	145,050	145,050
2036	-	145,050	145,050
2037	-	145,050	145,050
2038	110,000	145,050	255,050
2039	115,000	142,300	257,300
2040	100,000	139,425	239,425
2041	110,000	136,925	246,925
2042	105,000	134,175	239,175
2043	50,000	131,550	181,550
2044	1,075,000	130,300	1,205,300
2045	730,000	103,425	833,425
2046	490,000	84,263	574,263
2047	2,720,000	71,400	2,791,400
Totals	\$ 5,605,000	\$ 2,959,413	\$ 8,564,413

The District pays the amount due September 1 prior to that date. This schedule has been prepared assuming this practice will continue in the future.

Harris County Municipal Utility District No. 278
 Schedule of Long-Term Debt Service Requirements by Years
 August 31, 2025

(Continued)

Due During Fiscal Years Ending August 31	Annual Requirements For All Series		
	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2026	\$ 1,705,000	\$ 1,707,263	\$ 3,412,263
2027	1,755,000	1,655,950	3,410,950
2028	1,810,000	1,601,149	3,411,149
2029	1,855,000	1,543,207	3,398,207
2030	1,910,000	1,482,307	3,392,307
2031	1,970,000	1,419,518	3,389,518
2032	2,145,000	1,351,544	3,496,544
2033	2,225,000	1,266,069	3,491,069
2034	2,310,000	1,177,393	3,487,393
2035	2,395,000	1,085,944	3,480,944
2036	2,455,000	991,094	3,446,094
2037	2,640,000	893,718	3,533,718
2038	1,915,000	801,744	2,716,744
2039	2,015,000	751,707	2,766,707
2040	2,100,000	668,705	2,768,705
2041	2,185,000	581,832	2,766,832
2042	2,280,000	491,519	2,771,519
2043	2,375,000	397,081	2,772,081
2044	2,475,000	298,269	2,773,269
2045	2,555,000	227,644	2,782,644
2046	2,640,000	151,451	2,791,451
2047	2,720,000	71,400	2,791,400
Totals	<u>\$ 48,435,000</u>	<u>\$ 20,616,508</u>	<u>\$ 69,051,508</u>

Harris County Municipal Utility District No. 278
Changes in Long-Term Bonded Debt
Year Ended August 31, 2025

	Bond			
	<u>Refunding Series 2015</u>	<u>Series 2016</u>	<u>Refunding Series 2018</u>	<u>Series 2019</u>
Interest rates	2.00% to 4.00%	4.00% to 4.25%	2.25% to 4.00%	3.00% to 5.50%
Dates interest payable	March 1/ September 1	March 1/ September 1	March 1/ September 1	March 1/ September 1
Maturity dates	September 1, 2026/2036	September 1, 2026/2043	September 1, 2026/2037	September 1, 2026/2046
Bonds outstanding, beginning of current year	\$ 18,685,000	\$ 11,300,000	\$ 2,665,000	\$ 6,050,000
Retirements, principal	<u>1,045,000</u>	<u>50,000</u>	<u>55,000</u>	<u>25,000</u>
Bonds outstanding, end of current year	<u>\$ 17,640,000</u>	<u>\$ 11,250,000</u>	<u>\$ 2,610,000</u>	<u>\$ 6,025,000</u>
Interest paid during current year	<u>\$ 718,144</u>	<u>\$ 478,875</u>	<u>\$ 106,600</u>	<u>\$ 193,844</u>
Paying agent's name and address				
Series 2015R – The Bank of New York Mellon Trust Company, N.A., Houston, Texas				
Series 2016 – The Bank of New York Mellon Trust Company, N.A., Houston, Texas				
Series 2018R – 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 2020R – The Bank of New York Mellon Trust Company, N.A., Houston, Texas				
Series 2021R – The Bank of New York Mellon Trust Company, N.A., Houston, Texas				
Series 2021A – The Bank of New York Mellon Trust Company, N.A., Houston, Texas				
Bond authority				
	<u>Tax Bonds</u>	<u>Other Bonds</u>	<u>Refunding Bonds</u>	
Amount authorized by voters	\$ 80,400,000	\$ -	\$ 80,400,000	
Amount of voter authorized issued bonds	<u>\$ 66,840,000</u>	<u>\$ -</u>	<u>\$ 2,583,867 *</u>	
Voter authorized but unissued bonds	<u>\$ 13,560,000</u>	<u>\$ -</u>	<u>\$ 77,816,133</u>	
Debt service fund cash and temporary investment balances as of August 31, 2025:				<u>\$ 3,633,400</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:				<u>\$ 3,138,705</u>

*The District has issued \$46,790,000 of refunding bonds; however, of such amount, \$2,583,867 has been applied to the voter-authorized bonds and the remaining \$44,206,133 has been issued pursuant to Chapter 1207 of the Texas Government Code.

Issues

<u>Refunding Series 2020</u>	<u>Refunding Series 2021</u>	<u>Series 2021A</u>	<u>Totals</u>
2.00% to 4.00%	2.00% to 4.00%	2.500% to 2.625%	
March 1/ September 1	March 1/ September 1	March 1/ September 1	
September 1, 2026/2031	September 1, 2026/2038	September 1, 2038/2047	
\$ 3,395,000	\$ 2,390,000	\$ 5,605,000	\$ 50,090,000
<u>445,000</u>	<u>35,000</u>	<u>-</u>	<u>1,655,000</u>
<u>\$ 2,950,000</u>	<u>\$ 2,355,000</u>	<u>\$ 5,605,000</u>	<u>\$ 48,435,000</u>
<u>\$ 76,800</u>	<u>\$ 49,300</u>	<u>\$ 145,050</u>	<u>\$ 1,768,613</u>

Harris County Municipal Utility District No. 278
Comparative Schedule of Revenues and Expenditures – General Fund
Five Years Ended August 31,

	Amounts				
	2025	2024	2023	2022	2021
General Fund					
Revenues					
Property taxes	\$ 2,463,898	\$ 2,716,655	\$ 2,635,197	\$ 2,330,290	\$ 1,564,811
City of Houston rebates	147,710	128,480	121,650	118,273	110,426
Water service	1,589,719	1,570,524	1,466,598	1,372,851	1,277,590
Sewer service	1,501,201	1,473,659	1,369,418	1,300,227	1,259,846
Surface water conversion	687,653	462,293	458,098	443,229	408,459
Penalty and interest	221,498	206,814	206,569	192,409	150,296
Tap connection and inspection fees	229,474	90,990	129,850	102,380	165,618
Investment income	905,829	943,828	649,923	66,113	33,698
Other income	18,698	10,188	12,629	4,630	5,380
Sale of capacity	-	36,647	-	-	-
Total Revenues	<u>7,765,680</u>	<u>7,640,078</u>	<u>7,049,932</u>	<u>5,930,402</u>	<u>4,976,124</u>
Expenditures					
Service operations					
Purchased services	1,560,667	1,533,222	1,380,216	917,199	835,178
Lease payments	107,700	107,700	107,700	125,950	151,500
Professional fees	246,013	293,900	324,303	359,289	330,127
Contracted services	1,414,870	1,347,392	1,119,736	910,277	877,305
Utilities	102,838	102,928	94,256	110,868	87,535
Repairs and maintenance	915,311	753,028	698,679	751,176	810,584
Other expenditures	362,161	347,632	343,644	279,136	195,756
Tap connections	65,583	22,485	38,819	38,788	43,393
Capital outlay	936,534	124,909	170,264	244,926	95,432
Debt service, debt issuance costs	37,000	3,000	-	-	20,568
Total Expenditures	<u>5,748,677</u>	<u>4,636,196</u>	<u>4,277,617</u>	<u>3,737,609</u>	<u>3,447,378</u>
Excess of Revenues Over Expenditures	<u>2,017,003</u>	<u>3,003,882</u>	<u>2,772,315</u>	<u>2,192,793</u>	<u>1,528,746</u>
Other Financing Sources (Uses)					
Interfund transfers in (out)	-	(20,836)	-	53,752	-
Proceeds from insurance	-	37,240	-	-	-
Reimbursement from other governmental agency	-	-	-	100,000	-
Total Other Financing Sources	<u>-</u>	<u>16,404</u>	<u>-</u>	<u>153,752</u>	<u>-</u>
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>2,017,003</u>	<u>3,020,286</u>	<u>2,772,315</u>	<u>2,346,545</u>	<u>1,528,746</u>
Fund Balance, Beginning of Year	<u>17,941,979</u>	<u>14,921,693</u>	<u>12,149,378</u>	<u>9,802,833</u>	<u>8,274,087</u>
Fund Balance, End of Year	<u>\$ 19,958,982</u>	<u>\$ 17,941,979</u>	<u>\$ 14,921,693</u>	<u>\$ 12,149,378</u>	<u>\$ 9,802,833</u>
Total Active Retail Water Connections	<u>3,295</u>	<u>3,303</u>	<u>3,303</u>	<u>3,289</u>	<u>3,222</u>
Total Active Retail Wastewater Connections	<u>3,254</u>	<u>3,263</u>	<u>3,264</u>	<u>3,154</u>	<u>3,189</u>

Percent of Fund Total Revenues

<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
31.7 %	35.6 %	37.4 %	39.3 %	31.5 %
1.9	1.7	1.7	2.0	2.2
20.5	20.6	20.8	23.1	25.7
19.3	19.3	19.4	21.9	25.3
8.9	6.0	6.5	7.5	8.2
2.8	2.7	2.9	3.3	3.0
3.0	1.2	1.9	1.7	3.3
11.7	12.3	9.2	1.1	0.7
0.2	0.1	0.2	0.1	0.1
-	0.5	-	-	-
<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
20.1	20.1	19.6	15.5	16.8
1.4	1.4	1.5	2.1	3.1
3.2	3.9	4.6	6.1	6.6
18.2	17.6	15.9	15.3	17.6
1.3	1.3	1.3	1.8	1.8
11.8	9.9	9.9	12.7	16.3
4.6	4.6	4.9	4.7	3.9
0.8	0.3	0.6	0.7	0.9
12.1	1.6	2.4	4.1	1.9
0.5	0.0	-	-	0.4
<u>74.0</u>	<u>60.7</u>	<u>60.7</u>	<u>63.0</u>	<u>69.3</u>
<u>26.0 %</u>	<u>39.3 %</u>	<u>39.3 %</u>	<u>37.0 %</u>	<u>30.7 %</u>

Harris County Municipal Utility District No. 278
Comparative Schedule of Revenues and Expenditures – Debt Service Fund
Five Years Ended August 31,

	Amounts				
	2025	2024	2023	2022	2021
Debt Service Fund					
Revenues					
Property taxes	\$ 3,315,269	\$ 3,311,415	\$ 3,261,342	\$ 3,007,113	\$ 3,692,899
Penalty and interest	51,721	50,949	48,807	42,501	36,403
Investment income	227,824	271,104	227,311	27,589	21,864
Other income	68	-	-	-	-
Total Revenues	<u>3,594,882</u>	<u>3,633,468</u>	<u>3,537,460</u>	<u>3,077,203</u>	<u>3,751,166</u>
Expenditures					
Current					
Professional fees	22,242	11,972	14,288	14,207	13,725
Contracted services	87,488	97,763	79,904	83,742	93,452
Other expenditures	14,179	17,370	17,582	8,168	7,656
Debt service					
Principal retirement	1,655,000	1,600,000	1,525,000	1,455,000	1,435,000
Interest and fees	1,773,863	1,833,913	1,892,288	1,914,074	1,836,099
Debt issuance costs	-	-	-	-	160,157
Debt defeasance	-	-	-	-	2,000
Total Expenditures	<u>3,552,772</u>	<u>3,561,018</u>	<u>3,529,062</u>	<u>3,475,191</u>	<u>3,548,089</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>42,110</u>	<u>72,450</u>	<u>8,398</u>	<u>(397,988)</u>	<u>203,077</u>
Other Financing Sources (Uses)					
General obligation bonds issued	-	-	-	-	3,205,000
Deposit with escrow agent	-	-	-	-	(3,099,559)
Premium on debt issued	-	-	-	-	58,140
Interfund transfers in	-	20,836	-	-	-
Total Other Financing Sources	<u>-</u>	<u>20,836</u>	<u>-</u>	<u>-</u>	<u>163,581</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>42,110</u>	<u>93,286</u>	<u>8,398</u>	<u>(397,988)</u>	<u>366,658</u>
Fund Balance, Beginning of Year	<u>3,573,596</u>	<u>3,480,310</u>	<u>3,471,912</u>	<u>3,869,900</u>	<u>3,503,242</u>
Fund Balance, End of Year	<u>\$ 3,615,706</u>	<u>\$ 3,573,596</u>	<u>\$ 3,480,310</u>	<u>\$ 3,471,912</u>	<u>\$ 3,869,900</u>

Percent of Fund Total Revenues

<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
92.2 %	91.1 %	92.2 %	97.7 %	98.4 %
1.5	1.4	1.4	1.4	1.0
6.3	7.5	6.4	0.9	0.6
<u>0.0</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
0.6	0.3	0.4	0.4	0.4
2.4	2.7	2.3	2.7	2.5
0.4	0.5	0.5	0.3	0.2
46.0	44.0	43.1	47.3	38.2
49.4	50.5	53.5	62.2	48.9
-	-	-	-	4.3
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>0.1</u>
<u>98.8</u>	<u>98.0</u>	<u>99.8</u>	<u>112.9</u>	<u>94.6</u>
<u>1.2 %</u>	<u>2.0 %</u>	<u>0.2 %</u>	<u>(12.9) %</u>	<u>5.4 %</u>

**Harris County Municipal Utility District No. 278
Board Members, Key Personnel, and Consultants
Year Ended August 31, 2025**

Complete District mailing address:	Harris County Municipal Utility District No. 278 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 9, 2024
Limit on fees of office that a director may receive during a fiscal year:	\$ 7,200

<u>Board Members</u>	<u>Term of Office Elected & Expires</u>	<u>Fees*</u>	<u>Expense Reimbursements</u>	<u>Title at Year-End</u>
B. Eugene Newsom	Elected 05/22– 05/26	\$ 7,200	\$ 23,891	President
Tommie Ruth Allen	Elected 05/24– 05/28	5,967	1,722	Vice President
Gwendolyn Thornburg	Elected 05/22– 05/26	7,200	8,891	Secretary
Shantai Magee	Elected 05/22– 05/26	7,200	18,416	Assistant Vice President

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

**Harris County Municipal Utility District No. 278
Board Members, Key Personnel, and Consultants
Year Ended August 31, 2025**

(Continued)

Consultants	Date Hired	Fees and Expense Reimbursements	Title
Allen Boone Humphries Robinson LLP	01/01/17	\$ 187,689	General Counsel
Assessments of the Southwest, Inc.	01/01/86	51,135	Tax Assessor/ Collector
BGE, Inc.	03/08/12	460,502	Engineer
Forvis Mazars, LLP	08/31/93	33,800	Auditor
Harris Central Appraisal District	Legislative Action	42,812	Appraiser
Municipal Accounts & Consulting, L.P.	04/10/03	110,588	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	01/10/97	22,242	Delinquent Tax Attorney
Rathmann & Associates, L.P.	02/01/93	-	Financial Advisor
Si Environmental, LLC	05/10/12	1,159,528	Operator
Investment Officers			
Mark M. Burton and Ghia Lewis	07/08/04	N/A	Bookkeepers

APPENDIX C

SPECIMEN OF MUNICIPAL BOND INSURANCE POLICY



MUNICIPAL BOND
INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

BONDS: \$ _____ in aggregate principal
amount of [NAME OF TRANSACTION]
[and maturing on]

Effective Date: _____

Risk Premium: \$ _____

Member Surplus Contribution: \$ _____

Total Insurance Payment: \$ _____

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

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

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

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

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

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

SPECIMEN

Notices (Unless Otherwise Specified by BAM)

Email:
claims@buildamerica.com
Address:
28 Liberty Street, 59th Floor
New York, New York 10005
Telecopy:
212-962-1524 (attention: Claims)

SPECIMEN

