

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

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

NEW ISSUE—BOOK-ENTRY ONLY
CUSIP No. 41428V

RATINGS: Underlying "Baa2" Moody's
See "MUNICIPAL BOND RATING" herein

\$4,650,000
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 542
(A political subdivision of the State of Texas, located in Harris County, Texas)
UNLIMITED TAX BONDS
SERIES 2026

Dated: August 1, 2026

Due: April 1 (as shown below)

Interest on the Bonds (the "Bonds" or the "Series 2026 Bonds") will accrue from August 1, 2026, and will be payable on April 1 and October 1 of each year, commencing April 1, 2027. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC"), pursuant to the Book-Entry-Only System described herein. 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 owners thereof.** Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" herein. The initial Paying Agent/Registrar is BOKF, N.A., Dallas, Texas. See "THE BONDS – Paying Agent/Registrar."

MATURITIES, AMOUNTS, INTEREST RATES AND PRICES

<u>Principal Amount</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Yield (a)</u>	<u>Principal Amount</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Yield (a)</u>
\$75,000	2028	%	%	\$155,000	2043 (b)	%	%
\$75,000	2029	%	%	\$160,000	2044 (b)	%	%
\$80,000	2030	%	%	\$170,000	2045 (b)	%	%
\$85,000	2031	%	%	\$180,000	2046 (b)	%	%
\$90,000	2032 (b)	%	%	\$190,000	2047 (b)	%	%
\$95,000	2033 (b)	%	%	\$200,000	2048 (b)	%	%
\$100,000	2034 (b)	%	%	\$210,000	2049 (b)	%	%
\$105,000	2035 (b)	%	%	\$220,000	2050 (b)	%	%
\$110,000	2036 (b)	%	%	\$230,000	2051 (b)	%	%
\$115,000	2037 (b)	%	%	\$240,000	2052 (b)	%	%
\$120,000	2038 (b)	%	%	\$255,000	2053 (b)	%	%
\$125,000	2039 (b)	%	%	\$270,000	2054 (b)	%	%
\$135,000	2040 (b)	%	%	\$280,000	2055 (b)	%	%
\$140,000	2041 (b)	%	%	\$295,000	2056 (b)	%	%
\$145,000	2042 (b)	%	%				

- (a) The initial reoffering yields are established by and are the sole responsibility of the Underwriter (hereinafter defined) and may be subsequently changed.
- (b) The Bonds maturing on or after April 1, 2032, are subject to redemption in whole or from time to time in part, at the option of the District, on April 1, 2031, or on any date thereafter, at a price equal to the par value thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption. See "THE BONDS – Optional Redemption."

The proceeds of the Bonds will be used by Harris County Municipal Utility District No. 542 (the "District") to: (1) fund certain water, sewer, and drainage facilities, including engineering and storm water costs; (2) fund six months of capitalized interest; (3) pay certain developer interest costs; and (4) pay bond issuance expenses. See "USE OF BOND PROCEEDS." The Bonds, when issued, will constitute valid and binding obligations of the District and will be payable from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. See "THE BONDS – Source of and Security for Payment." 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. Neither the faith and credit nor the taxing power of the State of Texas, Harris County, or the City of Houston is pledged to the payment of the principal of, or interest on, the Bonds. The Bonds are subject to certain investment considerations described under the caption "RISK FACTORS."

The Bonds are offered when, as, and if issued by the District, subject to approval by the Attorney General of Texas and the approval of certain legal matters by Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel. The District will be advised on certain legal matters concerning disclosure by Sanford Kuhl Hagan Kugle Parker Kahn LLP, Houston, Texas, Disclosure Counsel. Delivery of the Bonds is expected through the facilities of DTC on or about August 26, 2026.

Bids Due: Wednesday, July 22, 2026 at 9:00 A.M. Houston Time

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

This Official Statement is not to be used in connection with an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not registered or 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, resolutions, contracts, audited financial statements, engineering, and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027, upon payment of duplication costs.

This Official Statement contains, in part, estimates, assumptions, and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates, assumptions, or matters of opinion, or as to the likelihood that they will be realized. Any information and expressions of opinion herein contained are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the 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 this Official Statement until delivery of the Bonds to the Underwriter.

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

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the bid producing the lowest net interest cost to the District, which was tendered by _____ (the "Underwriter"), to purchase the Bonds bearing the rates shown on the cover page of this Official Statement at a price of _____% of par plus accrued interest to the date of delivery, which resulted in a net effective interest rate of _____%, as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended.

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

The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities 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.

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 number 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. Otherwise, the District has no understanding with the Underwriter regarding the reoffering yields or prices of the Bonds and has no control over trading of the Bonds after their initial sale by the District. Information concerning reoffering yields or prices is the responsibility of the Underwriter.

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

The District has no control over trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made in the Bonds. In such a secondary market, the difference between the bid and asked price of utility district bonds may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional municipal entities, as bonds of such entities are more generally bought, sold, or traded in the secondary market.

Securities Laws

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

CONTINUING DISCLOSURE OF INFORMATION - SEC RULE 15c2-12

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

Annual Reports

The District will provide certain updated financial information and operating data to EMMA annually. The information to be updated with respect to the District includes the quantitative financial information and operating data of the general type included in "DISTRICT DEBT" (except for "Estimated Overlapping Debt"), "DISTRICT TAX DATA," and "APPENDIX A" (Audited Financial Statements of the District) of this Official Statement. The District will update and provide this information within six months after the end of each of its fiscal years ending in or after 2027. The District will provide the updated information to EMMA.

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, the District shall provide unaudited financial statements for the applicable fiscal year to each EMMA 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 current fiscal year end is January 31. Accordingly, it must provide updated information by July 31 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify EMMA of the change.

Event Notices

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

Limitations and Amendments

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

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

Compliance with Prior Undertakings

During the past five years, the District has complied in all material respects with the terms of its prior continuing disclosure agreements in accordance with the Rule.

MUNICIPAL BOND RATING

In connection with the sale of the Bonds the District has made application to Moody's Investors Service, Inc. ("Moody's") which has assigned a rating of "Baa2" on the Bonds based upon the District's underlying credit without bond insurance. An explanation of the significance of such rating may be obtained from Moody's. The rating reflects only the view of Moody's and the District makes no representation as to the appropriateness of such rating. The District can make no assurance that the Moody's rating will continue for any period of time or that such rating will not be revised downward or withdrawn entirely by Moody's if in the judgment of Moody's circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

BOND INSURANCE

The District has applied to Assured Guaranty Inc. ("AG") and Build America Mutual Assurance Company ("BAM") for qualification of the Bonds for bond insurance. The Underwriter (as defined herein) may bid for the Bonds with or without bond insurance. If the Underwriter bids for the Bonds with bond insurance, the cost of the bond insurance premium must be paid for by the Underwriter. The District will pay for the cost of the Moody's rating. The Underwriter must pay for the cost of any rating other than the Moody's rating. If the Underwriter purchases the Bonds with bond insurance and subsequent to the sale date and prior to the closing date, the bond insurer's credit rating is downgraded the Underwriter is still obligated to accept delivery of the Bonds. Information relative to the cost of the insurance premium will be available from the bond insurance companies on the day of the sale.

OFFICIAL STATEMENT SUMMARY

The following material is a summary of certain information contained herein and is qualified in its entirety by the detailed information appearing elsewhere in this Official Statement. The reader should refer particularly to sections that are indicated for more complete information.

THE BONDS

Description:	The \$4,650,000 Unlimited Tax Bonds, Series 2026, are dated August 1, 2026. The Bonds represent the eighth series of bonds to be issued by Harris County Municipal Utility District No. 542 (the "District"). The Bonds mature on April 1 in the years shown in the table of the cover page of this Official Statement. See "THE BONDS."
Source of Payment:	The Bonds are payable from a continuing direct annual ad valorem tax upon all taxable property within the District which, under Texas law, is not limited as to rate or amount. The Bonds are obligations of the District and are not obligations of the State of Texas, Harris County, the City of Houston, or any other political subdivision or agency. See "THE BONDS."
Redemption Provisions:	The Bonds maturing on or after April 1, 2032, are subject to early redemption, in whole or in part, on April 1, 2031, or on any date thereafter at the option of the District at a price of par plus accrued interest from the most recent interest payment date to the date of redemption. See "THE BONDS – Optional Redemption."
Book-Entry-Only System:	The Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC, pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds 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 to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM."
Use of Proceeds:	Proceeds from the sale of the Bonds will be used to: (1) fund certain water, sewer, and drainage facilities, including engineering and storm water costs; (2) fund six months of capitalized interest; (3) pay certain developer interest costs; and (4) pay bond issuance expenses. See "USE OF BOND PROCEEDS."
Legal Opinion:	Allen Boone Humphries Robinson LLP, Bond Counsel, Houston, Texas. See "LEGAL MATTERS" and "TAX MATTERS."
Paying Agent/Registrar:	BOKF, N.A., Dallas, Texas.
Payment Record:	This is the District's eighth bond issue. The District has never defaulted in the payment of principal or interest on any bonds or outstanding obligations.
Risk Factors:	The Bonds are subject to certain investment considerations as set forth in this Official Statement. Prospective purchasers should carefully examine this Official Statement with respect to the investment security of the Bonds, particularly the sections captioned "RISK FACTORS" and "LEGAL MATTERS."
Qualified Tax Exempt Obligations:	The Bonds will be designated "qualified tax-exempt obligations" for financial institutions. See "TAX MATTERS – Qualified Tax-Exempt Obligations."
Municipal Bond Rating:	In connection with the sale of the Bonds the District has made application to Moody's which has assigned a rating of "Baa2" on the Bonds based upon the District's underlying credit without bond insurance. An explanation of the significance of such rating may be obtained from Moody's. The rating reflects only the view of Moody's and the District makes no representation as to the appropriateness of such rating. See "MUNICIPAL BOND RATING."
Bond Insurance:	The District has applied for qualification of the Bonds for bond insurance. The Underwriter may bid for the Bonds with or without bond insurance. If the Underwriter bids for the Bonds with bond insurance, the cost of the bond insurance premium must be paid for by the Underwriter. Information relative to the cost of the insurance premium will be available from the bond insurance companies on the day of the sale. See "BOND INSURANCE."

THE DISTRICT

Description:

The District, as it was originally created, included approximately 325 acres. Since its creation, the District has not excluded any tracts of land but has annexed an approximate 10-acre tract of land, an approximate 16-acre tract of land and an approximate 2-acre tract of land. The District currently includes approximately 353 acres. The District is located within the extraterritorial jurisdiction of the City of Houston. The District is located approximately 30 miles northwest of the City of Houston's central business district in northwest Harris County. The District is located south of Farm to Market Road 2920, which forms the northern boundary of the District; west of Cypress Rosehill Road; east of Mueschke Road; and is just north of the Grand Parkway. According to the District's engineer, none of the developed land or developable land within the District would be subject to flooding during a hypothetical 100-year flood. See "THE DISTRICT."

Status of Land Development:

A summary of the approximate land use in the District appears in the following table:

<u>Type of Land Use</u>	<u>Approximate Acres</u>	
Developed Acres	270	(a)
Under Development	0	
Remaining Developable Acreage	16	(b)
Undevelopable Acreage	<u>67</u>	(c)
TOTAL	353	

(a) Represents the developed acres located in Rosehill Reserve, Sections 1 - 6 (110 acres – 378 platted lots) Rose Meadow Farms, Section 1 - 2 (41 acres – 138 platted lots), Rose Meadow Farms, Section 4 (10 acres – 52 platted lots), and Amira, Sections 19 - 24 (107 acres – 418 platted lots).

(b) Represents acreage for future commercial development.

(c) Includes street rights-of-way, detention ponds, drainage easements, parks and recreation areas, open spaces, and District plant sites.

Homebuilding Development:

As of June 1, 2026, there were 945 completed homes, 17 homes under construction and 24 vacant developed lots. As of June 1, 2026, approximately 438 homes in the District were occupied. Homes have been constructed in subdivisions known as Rosehill Reserve (Sections 1 – 6), Rose Meadow Farms (Sections 1 – 2, and 4), and Amira (Sections 19 – 24). Homebuilders in the District presently include Castlerock Homes, Perry Homes, Beazer Homes, and Rausch Coleman. Homes in the District have been marketed in the \$275,000 - \$476,417 price range.

The Developers:

The original developer in the District was Rosehill Reserve, Ltd., a Texas limited partnership managed and owned by Thomas L. Hargrove, Jr. and Brian McGown. On February 3, 2020, Rosehill Reserve, Ltd transferred its assets (including all of its land and existing and potential District reimbursement rights) to UDF V Capital Solutions 1, LP ("UDF V CS1"), a wholly owned subsidiary of United Development Funding Income Fund V, a Maryland real estate investment trust ("UDF V"). At such time, UDF V CS1 became a developer in the District. Simultaneously with the closing of the UDF V CS1 transaction with Rosehill Reserve, Ltd., UDF V CS1 sold approximately 112 acres to GP 344 Ltd, a Texas limited partnership ("GP 344") and Beazer Homes Texas, LP, a Texas limited partnership ("Beazer Homes") who have entered into a joint development agreement for the purpose of acquiring such acreage and developing such land. PSWA, LLC, a Texas corporation, is the sole General Partner of GP 344 and the limited partner of GP 344 is Perry Homes, LLC, a Texas limited liability company. The General Partner of Beazer Homes is Beazer Homes Texas Holdings, Inc., a Delaware corporation, the stock of which is owned by Beazer Homes, USA, which is traded on the New York Stock Exchange under the ticker "BZH." GP 344 and Beazer Homes have engaged Johnson Development Services, an affiliate company of Johnson Development Corp., to manage future development in the District by GP 344 and Beazer Homes. The 112 acres mentioned above has been developed as an area in the District known as Amira, Sections 19-24. See "THE DEVELOPERS IN THE DISTRICT."

Rausch Coleman Homes was the developer and home builder in the Rose Meadow Farms Subdivision. The 138 lots in Sections 1 & 2 of the subdivision are completely built out. The approximately 10 acres – 52 lots in Section 4 have been developed and home building is completed. According to Rausch Coleman Homes, homes have been marketed for sale from the \$275,000 and up price range. See "THE DEVELOPERS IN THE DISTRICT."

The System:

In accordance with the Agreement, the District operates the wastewater treatment that is jointly owned by the District and MUD 558. The capacity owned by each District is specified in the Agreement which may be modified from time to time.

The District's water supply plant is currently capable of serving 2,500 equivalent single-family connections ("ESFC's"). The District's share of this capacity per the Agreement is 1,250 ESFC's.

The District's wastewater treatment plant is currently capable of serving 2,000 ESFC's. The District's share of this capacity per the Agreement is 1,000 ESFCs based on TCEQ regulatory standards; the District's Engineer estimates that the plant is currently operating at approximately 75% of capacity. See "THE SYSTEM."

The District is currently expanding the wastewater treatment plant. Such expansion, when completed, will increase the wastewater treatment plant capacity to 600,000 gpd. Upon completion of the wastewater treatment plant expansion, the District's wastewater treatment plant will be capable of serving 2,400 ESFC's. The District's share of such capacity per the Agreement will be 1,200 ESFC's.

100-Year Flood Plain:

The District is entirely outside the 100-year flood plain, as depicted on Federal Emergency Management Agency Flood Insurance Rate Map for Harris County, Panel No. 48201C0205L H dated June 18, 2007. The District reported no flooding of homes during Hurricane Harvey. See "RISK FACTORS – Hurricane Harvey" and "THE SYSTEM."

SELECTED FINANCIAL INFORMATION
(Unaudited)

6/1/2026 Estimated Taxable Value	\$380,407,723	(a)
1/1/2025 Certified Taxable Value	\$364,032,849	(b)
Direct Debt:		
Outstanding Bonds (as of June 1, 2026)	\$36,475,000	
The Bonds	<u>\$4,650,000</u>	
Total Direct Debt	\$41,125,000	
See "DISTRICT DEBT"		
Estimated Overlapping Debt	<u>\$23,621,463</u>	
Direct and Estimated Overlapping Debt	\$64,746,463	
Percentage of Direct Debt to:		
6/1/2026 Estimated Taxable Value	10.81%	
1/1/2025 Certified Taxable Value	11.30%	
See "DISTRICT DEBT"		
Percentage of Direct and Estimated Overlapping Debt to:		
6/1/2026 Estimated Taxable Value	17.02%	
1/1/2025 Certified Taxable Value	17.79%	
See "DISTRICT DEBT"		
2025 Tax Rate Per \$100 of Assessed Value		
Debt Service Tax	\$0.35	
Road Debt Service Tax	\$0.09	
Maintenance Tax	<u>\$0.63</u>	
Total 2025 Tax Rate	\$1.07	
Cash and Temporary Investment Balances as of June 24, 2026		
General Fund	\$4,581,302	
Road Debt Service Fund	\$450,334	(c)
Debt Service Fund (Pro-Forma)	\$1,182,858	(c)(d)

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- (a) Reflects data supplied by the Harris Central Appraisal District ("HCAD.") The Estimated Taxable Value as of June 1, 2026 was prepared by HCAD and provided to the District. Such values are not binding on HCAD and are provided for informational purposes only. The District is authorized by law to levy taxes only against certified values. See "DISTRICT TAX DATA."
- (b) Reflects the January 1, 2025 Certified Taxable Value according to data supplied to the District by HCAD. The District is authorized by law to levy taxes only against certified values. See "DISTRICT TAX DATA" and "TAXING PROCEDURES."
- (c) Neither Texas law nor the District's Bond Resolution requires that the District maintain any particular balance in either the Debt Service Fund or the Road Debt Service Fund. The cash and investment balances in the Road Debt Service Fund are not available to make debt service payments on the Bonds. See "DISTRICT TAX DATA – Tax Adequacy of Tax Revenue."
- (d) The Debt Service Fund figure above includes six months of capitalized interest (\$116,250) to deposit into the Debt Service Fund on or about the day of closing of the Bonds. Neither Texas law nor the District's Bond Resolution requires that the District maintain any particular balance in either the Debt Service Fund or the Debt Service Fund. The cash and investment balances in the Debt Service Fund are not available to make debt service payments on any of the District's Bonds sold for road facilities. See "DISTRICT TAX DATA – Tax Adequacy of Tax Revenue."

DEBT SERVICE REQUIREMENTS

The following sets forth the debt service on the District's outstanding bonds and the debt service requirements for the Bonds.

<u>Year</u>	<u>Outstanding Debt Service</u>	<u>Plus: Debt Service on the 2026 Bonds</u>		<u>Total Debt Service Requirements*</u>
		<u>Principal</u>	<u>Interest*</u>	
2026	\$1,894,677	-	-	\$1,894,677
2027	\$2,014,311	-	\$271,250	\$2,285,561
2028	\$2,306,011	\$75,000	\$230,625	\$2,611,636
2029	\$2,306,197	\$75,000	\$226,875	\$2,608,072
2030	\$2,285,435	\$80,000	\$223,000	\$2,588,435
2031	\$2,320,111	\$85,000	\$218,875	\$2,623,986
2032	\$2,292,973	\$90,000	\$214,500	\$2,597,473
2033	\$2,289,373	\$95,000	\$209,875	\$2,594,248
2034	\$2,315,573	\$100,000	\$205,000	\$2,620,573
2035	\$2,315,908	\$105,000	\$199,875	\$2,620,783
2036	\$2,316,051	\$110,000	\$194,500	\$2,620,551
2037	\$2,344,936	\$115,000	\$188,875	\$2,648,811
2038	\$2,365,630	\$120,000	\$183,000	\$2,668,630
2039	\$2,363,264	\$125,000	\$176,875	\$2,665,139
2040	\$2,412,870	\$135,000	\$170,375	\$2,718,245
2041	\$2,374,782	\$140,000	\$163,500	\$2,678,282
2042	\$2,413,904	\$145,000	\$156,375	\$2,715,279
2043	\$2,380,367	\$155,000	\$148,875	\$2,684,242
2044	\$2,424,082	\$160,000	\$141,000	\$2,725,082
2045	\$2,433,740	\$170,000	\$132,750	\$2,736,490
2046	\$2,474,161	\$180,000	\$124,000	\$2,778,161
2047	\$2,205,277	\$190,000	\$114,750	\$2,510,027
2048	\$2,246,921	\$200,000	\$105,000	\$2,551,921
2049	\$1,913,518	\$210,000	\$94,750	\$2,218,268
2050	\$1,365,661	\$220,000	\$84,000	\$1,669,661
2051	\$972,406	\$230,000	\$72,750	\$1,275,156
2052	\$539,000	\$240,000	\$61,000	\$840,000
2053	\$543,250	\$255,000	\$48,625	\$846,875
2054	-	\$270,000	\$35,500	\$305,500
2055	-	\$280,000	\$21,750	\$301,750
2056	-	<u>\$295,000</u>	<u>\$7,375</u>	<u>\$302,375</u>
TOTALS	\$58,430,383	\$4,650,000	\$4,425,500	\$67,505,883

Maximum Annual Debt Service Requirements (2046) \$2,778,161*

\$0.77 tax rate on the 6/1/2026 Estimated Taxable Value of \$380,407,723

@ 95% collections produces\$2,782,682*

\$0.81 tax rate on the 1/1/2025 Taxable Value of \$364,032,849

@ 95% collections produces\$2,801,233*

See "DISTRICT TAX DATA – Tax Adequacy of Tax Revenue."

* Preliminary, subject to change

OFFICIAL STATEMENT

relating to

\$4,650,000

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT No. 542
(A political subdivision of the State of Texas located within Harris County, Texas)

UNLIMITED TAX BONDS SERIES 2026

INTRODUCTION

This Official Statement provides certain information in connection with the issuance of the \$4,650,000 Harris County Municipal Utility District No. 542 Unlimited Tax Bonds, Series 2026 (the "Bonds").

The Bonds are issued pursuant to Article XVI, Section 59 of the Constitution and general laws of the State of Texas, specifically, Chapters 49 and 54 of the Texas Water Code, as amended, a resolution (the "Bond Resolution") adopted by the Board of Directors of Harris County Municipal Utility District No. 542 (the "District"), an election held within the District, and an Order of the Texas Commission on Environmental Quality ("TCEQ").

This Official Statement includes descriptions of the Bonds, the Bond Resolution, certain information about the District and its financial condition, and the Developer in the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from Bond Counsel upon payment of duplication costs thereof.

RISK FACTORS

General

The Bonds are obligations of the District and are not obligations of the State of Texas, Harris County, the City of Houston, or any other political subdivision. The Bonds are payable from a continuing, direct, annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District. See "THE BONDS – Source of and Security for Payment." The investment quality of the Bonds depends on the ability of the District to collect all taxes levied against the taxable property within the District and, in the event of foreclosure of the District's tax lien, on the marketability of the property and the ability of the District to sell the property at a price sufficient to pay taxes levied by the District and by other overlapping taxing authorities. The District cannot and does not make any representations that over the life of the Bonds the taxable property within the District will accumulate or maintain taxable values sufficient to generate property taxes to pay debt service at current levels.

Marketability

The District has no understanding (other than the initial reoffering yields) with the Underwriter regarding the reoffering yields or prices of the Bonds and has no control over trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made in the Bonds. If there is a secondary market, the difference between the bid and asked price of the Bonds may be greater than the spread between the bid and asked price of more traditional issuers as such bonds are generally bought, sold, or traded in the secondary market.

Tax Collections

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedures against a taxpayer, (c) market conditions limiting the proceeds from a foreclosure sale of taxable property or (d) the taxpayer's right to redeem the property within six (6) months for commercial property and two (2) years for residential and all other property after the purchaser's deed issued at the foreclosure sale is filed in the county records. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. Attorney's fees and other costs of collecting any such taxpayer's delinquencies could substantially reduce the net proceeds to the District from a tax foreclosure sale. Finally, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two (2) other ways: first, a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six (6) years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid.

Registered Owners' Remedies

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

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. Specifically, the District may voluntarily file a petition for protection from creditors under the federal bankruptcy laws. During the pendency of the bankruptcy proceedings, the remedy of mandamus would not be available to the Registered Owners unless authorized by a federal bankruptcy judge.

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

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

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

Approval of the Bonds

As required by law, 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 safety of the Bonds as an investment or the adequacy or accuracy of the information contained in this Official Statement.

Economic Factors

The continued growth and maintenance of taxable values in the District is directly related to the housing/homebuilding industry. Historically, the housing and homebuilding industry has been a cyclical industry, affected by both short-term and long-term interest rates, availability of mortgage and development funds, labor conditions, and general economic conditions including the relative price of oil and natural gas. Any future commercial building in the District (if any) could also be adversely affected by such economic developments.

Interest rates and the availability of mortgage and development funds have a direct impact on construction activity, particularly the short-term interest rates, at which developers and builders are able to obtain financing for development or building costs. Interest rate levels may affect the developers' or builders' ability to complete development or building plans. Long-term interest

rates can affect home purchasers' ability to qualify for and afford the total financing costs of a new home. The continuation of long-term interest rates at higher levels may negatively affect home sales and the rate of growth of taxable values in the District.

The economy of the Houston, Texas metropolitan area and the southeast Texas regional area is largely dependent on the petrochemical industry. Recent fluctuations in the price of oil and related products have the potential to negatively affect the economy of the Houston, Texas metropolitan area and the southeast Texas region and likewise negatively affect housing prices, assessed valuations and continued development in the District. The District can make no prediction on what effect current or future oil prices may have on housing prices, assessed valuations and continued development in the District.

The Houston metropolitan area has, in the past, experienced increased unemployment, business failures, and slow absorption of office space. These factors, if they recur, could affect the demand for new residential home construction and commercial development and hence the growth of property values in the District. An oversupply of homes, along with a decreased demand in new housing because of general economic conditions or relatively high interest rates, may have an adverse impact on sale prices for homes and, consequently, may materially adversely affect property values or, in some instances, cause builders to abandon homebuilding plans altogether.

The housing industry in the Houston area is competitive and the District can give no assurance that current building programs will be completed. The competitive position of the Developer in the sale of its developed lots or, respectively, that of present and prospective builders in the construction of single-family residential houses, is affected by most of the factors discussed herein. Such a competitive position is directly related to tax revenues to be received by the District and the growth and maintenance of taxable values in the District.

Alternative sites are available for the construction of single-family residential improvements and within the market area in which the District is located. Such sites could pose competition to the continued homebuilding development and commercial development on comparable sites within the District.

Landowners/Developers under No Obligation to the District

Neither the Developers nor any other landowner within the District have any commitments or obligations to proceed at any particular rate or according to any specified plan with the development of land or the construction of homes in the District. Currently, there is no restriction on any landowner's right (including the Developers) to sell its land. Failure to construct taxable improvements on developed lots (anticipated to be created by the Developers) and failure of landowners to develop their land would restrict the rate of growth of taxable value in the District. See "DISTRICT TAX DATA – Principal Taxpayers."

Dependence on Principal Taxpayers

Based upon the 2025 certified tax rolls, the top ten taxpayers are responsible for approximately 4.01% of the District's 2025 taxes. The ability of the principal taxpayers to make full and timely payments of taxes levied against its property by the District and similar taxing authorities will directly affect the District's ability to meet its debt service obligations. If, for any reason, the principal taxpayers do not pay taxes due or do not pay in a timely manner, the District may need to use other funds available for debt service purposes to the extent available. The District has no understanding with any of the principal taxpayers regarding their future level of operations in the District. The District has not covenanted in the Bond Resolution, nor is it required by Texas law, to maintain any particular balance in its Debt Service Fund or any other funds. Therefore, failure by the principal taxpayers to pay their taxes on a timely basis in amounts in excess of the District's available funds could have a material adverse effect upon the District's ability to pay debt service on the Bonds on a current basis. See "THE DEVELOPERS IN THE DISTRICT" and "DISTRICT TAX DATA – Principal Taxpayers."

Dependence on Future Development and Potential Impact on District Tax Rates

The District's 2025 tax rate of \$1.07 per \$100 of assessed valuation is slightly higher than the tax rate that is common among many other similar utility districts providing water, sanitary sewer, and storm drainage services in Harris County. An increase in the District's tax rate substantially above such a level could have an adverse impact on future development in the District and on the District's ability to collect such tax.

Assuming no further residential building development within the District other than that which has been constructed, the value of such land and improvements currently located and under construction within the District could be a major determinant of the ability of the District to collect, and the willingness of property owners to pay, ad valorem taxes levied by the District. After issuance of the Bonds, the Maximum Annual Debt Service Requirement will be \$2,778,161 (2046). The District's 6/1/2026 Estimated Taxable Value is \$380,407,723. Assuming no increase or decrease from the 6/1/2026 Estimated Taxable Value and no use of other District funds, a tax rate of \$0.77 per \$100 of Assessed Valuation at 95% collection rate would be necessary to pay the Maximum Annual Debt Service Requirements. The District's 1/1/2025 Certified Taxable Value is \$364,032,849. Assuming no increase or decrease from the 1/1/2025 Certified Taxable Value and no use of other District funds, a tax rate of \$0.81 per \$100 of Assessed Valuation at 95% collection rate would be necessary to pay the Maximum Annual Debt Service Requirements. See "DISTRICT TAX DATA – Tax Adequacy of Tax Revenue."

Future Debt

The District's voters have authorized the issuance of unlimited tax bonds for various purposes as reflected in the table below:

<u>Amount</u>	<u>Purpose</u>
\$175,000,000	For certain water, sanitary sewer, and storm water facilities and for refunding
\$30,000,000	For certain road facilities and for refunding
\$20,000,000	For certain parks and recreational facilities and for refunding

After the issuance of the Bonds, the District will have \$143,730,000 of unlimited tax water, sanitary sewer, and storm water facilities bonds (and for refunding such bonds previously issued) that remain authorized but unissued, \$19,045,000 of unlimited tax road facilities bonds (and for refunding such bonds previously issued) that will remain authorized but unissued, and \$20,000,000 of unlimited tax parks and recreational facilities bonds (and for refunding such bonds previously issued) that remain authorized but unissued.

The District has the right to issue additional bonds as may hereafter be approved by both the Board and the voters of the District. Such additional bonds would be issued on a parity with the Bonds. Any future new money bonds (except for new money road bonds) to be issued by the District must also be approved by the TCEQ.

The District is also authorized by statute to engage in fire-fighting activities, including the issuance of bonds payable from taxes for such purpose. Before the District could issue bonds payable from taxes for said purpose, 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) amendment of the existing City of Houston ordinance specifying the purposes for which the District may issue bonds; (c) approval of the master plan and issuance of bonds by the TCEQ; and (d) approval of bonds by the Attorney General of Texas. The Board is not considering issuing any fire-fighting unlimited tax bonds at this time. The District has no information concerning any determination by the City of Houston to modify its consent ordinance. Issuance of bonds for fire-fighting activities could dilute the investment security for the Bonds.

Financing Parks and Recreational Facilities

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. Before the District could issue park bonds payable from taxes, the following actions would be required: (a) 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 (1%) 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 (1%) but not more than three percent (3%) of the value of the taxable property in the District. The District held a bond election on May 7, 2016, that authorized \$20,000,000 of park bonds.

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

Continuing Compliance with Certain Covenants

Failure of the District to comply with certain covenants contained in the Bond Resolution on a continuing basis prior to the maturity of the Bonds could result in interest on the Bonds becoming taxable retroactively to the date of original issuance. See "TAX MATTERS."

Environmental Regulations

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

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

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

in regulations occur frequently, and any changes that result in more stringent and costly requirements could materially impact the District.

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

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

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

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

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

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

Pursuant to the federal Safe Drinking Water Act (“SDWA”) and the EPA’s National Primary Drinking Water Regulations (“NPDWRs”), which are implemented by the TCEQ’s Water Supply Division, a municipal utility district’s provision of water for human consumption is subject to extensive regulation as a public water system.

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

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

The District’s stormwater discharges currently maintain permit coverage through the Municipal Separate Storm System Permit (the “Current Permit”) issued to the Storm Water Management Joint Task Force consisting of Harris County, Harris County Flood Control District, the City of Houston, and the Texas Department of Transportation. In the event that at any time in the future the District is not included in the Current Permit, it may be required to seek independent coverage under the TCEQ’s General Permit for

Phase II (Small) Municipal Separate Storm Sewer Systems (the “MS4 Permit”), which authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. If the District’s inclusion in the MS4 Permit were required at a future date, the District could incur substantial costs to develop, implement, and maintain the necessary plans as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff in order to comply with the MS4 Permit.

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

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

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

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.

Bond Insurance Risk Factors

The District has applied for a bond insurance policy to guarantee the scheduled payment of principal and interest on the Bonds. If a bond insurance policy is issued, then investors should be aware of the following 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 applicable bond insurance policy (the “Policy”) for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by an issuer which is recovered by the issuer from the bond owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy, however, such payments will be made by the policy insurer (the “Bond Insurer”) at such time and in such amounts as would have been due absent such prepayment by the District unless the Bond Insurer chooses to pay such amounts at an earlier date.

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

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

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

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

Neither the District nor the Underwriters have made independent investigation into the claims paying ability of the Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Bond Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the Issuer to pay principal and interest on the Bonds and the claims paying ability of the Bond Insurer, particularly over the life of the investment. See “BOND

INSURANCE" herein for further information provided by the Bond Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Bond Insurer.

Hurricane Harvey

The Houston area, including the area in and around the District, sustained widespread wind and rain damage and flooding as a result of Hurricane Harvey's landfall along the Texas gulf coast on August 25, 2017, and historic levels of rainfall during the succeeding four days. According to representatives of the District's Engineer, the water, sewer, and drainage facilities serving the land within the District did not sustain any significant damage and there was no interruption of water and sewer service. According to representatives of the Operator and the Engineer, no homes within the District experienced flooding.

The greater Houston area, including the District, is subject to occasional severe weather events, including tropical storms and hurricanes. The greater Houston area, including the District, has experienced three storms exceeding a 0.2% probability (i.e., "500-year flood" events) since 2015. 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.

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 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.

Inclement Weather

The District is located approximately 90 miles from the Texas Gulf Coast. Land located in this area is susceptible to high winds, heavy rain and flooding caused by hurricanes, tropical storms, and other tropical disturbances. If a hurricane (or any other natural disaster) significantly damaged all or part of the improvements within the District, the assessed value of property within the District could be substantially reduced, with a corresponding decrease in tax revenues or necessity to increase 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 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 would be adversely affected.

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

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

Temporary Tax Exemptions for Property Damaged by Disaster

The Property Tax Code (hereinafter defined) 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.

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 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.

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.

Harris County and City of Houston Floodplain Regulations

As a direct result of Hurricane Harvey, Harris County and the City of Houston adopted new rules and amended existing regulations relating to minimizing the potential impact of new development on drainage and mitigating flooding risks. The new and amended Harris County regulations took effect on January 1, 2018, and the new and amended City of Houston regulations took effect on September 1, 2018.

The Harris County floodplain regulations govern construction projects in unincorporated Harris County and include regulations governing the elevation of structures in the 100-year and 500-year floodplains. Additionally, the Harris County regulations govern the minimum finished floor elevations as well as specific foundation construction requirements and windstorm construction requirements for properties located both above and below the 100-year flood elevation.

The City of Houston floodplain regulations govern construction projects in the corporate jurisdiction of the City of Houston and include regulations governing the elevation of structures in the 100-year and 500-year floodplains and the elevation of residential additions greater than one-third the footprint of the existing structure and non-residential additions. Additionally, the City of Houston regulations require an improved structure whose new market value exceeds 50% of the market value of the structure prior to the start of improvements meet the new and amended City of Houston regulations.

The new and amended Harris County and City of Houston regulations may have a negative impact on new development in those subdivisions in the District that are within Harris County or in the City of Houston's extraterritorial jurisdiction.

Atlas 14

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

Cybersecurity

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

Increase In Costs of Building Materials and Labor Shortages

As a result of low supply and high demand, shipping constraints, and ongoing trade disputes (including tariffs and retaliatory tariffs), there have been substantial increases in the cost of lumber and other materials, causing many homebuilders and general contractors to experience budget overruns. Further, the federal administration's unpredictable tariff policy (including the threatened impositions of tariffs) may impact the ability of the developer or homebuilder[s] in the District to estimate costs. The federal administration's immigration policies may additionally impact the State's workforce, particularly in construction. Mass deportations or immigration policies that make it challenging for foreign workers to work in the United States may result in labor shortages that impact the developer's ability to construct utility and road facilities and a homebuilder's ability to construct homes within the District. Decreased levels of construction activity would tend to restrict the growth of property values in the District or could adversely impact existing values. The District makes no representations regarding the probability of development or homebuilding continuing in a timely manner or the effects that current or future economic or governmental circumstances may have on any plans of the developer or any home builder.

USE OF BOND PROCEEDS

Proceeds from the sale of the Bonds will be used to: (1) fund certain water, sewer, and drainage facilities, including engineering and storm water costs; (2) fund six months of capitalized interest; (3) pay certain developer interest costs; and (4) pay bond issuance expenses.

The Engineer has advised the District that the proceeds listed below should be sufficient for the acquisition of such facilities. The District's present estimate of the use of proceeds of the Bonds is as follows:

	<u>Total Amount</u> (a)
CONSTRUCTION COSTS	
<i>Developer Contribution Items</i>	
Amira, Section 22 – W, WW, & D	\$267,217
Amira, Section 23 – W, WW, & D	\$106,478
Amira, Section 24 – W, WW, & D	\$240,235
Cypress Heights Dr. and Holderrieth Rd. – Street Dedication Section 3	\$1,304,025
Engineering	\$297,717
Storm Water Pollution Prevention Plan	<u>\$223,224</u>
Total Developer Contribution Items	\$2,438,896
<i>District Items</i>	
Holderrieth Rd. Street Dedication within Rosehill Reserve WWTP Subdivision	\$299,113
Wastewater Plant Phase 4	\$660,012
Contingencies	\$48,900
Engineering	<u>\$216,630</u>
Total District Items	\$1,224,655
TOTAL CONSTRUCTION COSTS	\$3,663,551
NON-CONSTRUCTION COSTS	
Legal Fees	\$131,250
Financial Agent Fees	\$93,000
Developer Interest	\$355,370
Capitalized Interest	\$116,250
Bond Discount	\$139,500
TCEQ Bond Issuance Fee	\$11,625
Bond Issuance Costs	\$89,804
Engineering Report Costs	\$45,000
Attorney General Fee	\$4,650
Contingency	<u>\$0</u> (b)
TOTAL NON-CONSTRUCTION COSTS	\$986,449
TOTAL BOND ISSUE REQUIREMENT	<u>\$4,650,000</u>

-
- (a) TCEQ rules require, with certain exceptions that developers contribute to the District's construction program, a minimum of 30% of the construction costs of certain system facilities. The District was granted a waiver of such TCEQ rules because of the underlying investment grade rating on the District's bonds.
- (b) Additionally, the TCEQ Order requires the District to designate any surplus bond proceeds resulting from the sale of the Bonds at a lower interest rate than the rate initially projected in the District's Bond Application to the TCEQ as a contingency line item in the Official Statement. Such funds may be used by the District only upon approval by the TCEQ

THE DISTRICT

Authority

The District is a municipal utility district created by an Order of the TCEQ effective January 8, 2016. The District was created pursuant to the authority of Article XVI, Section 59 of the Texas Constitution and operates pursuant to Chapters 49 and 54, Texas Water Code, as amended. The rights, powers, privileges, authority, and functions of the District are established by the general laws of the State of Texas pertaining to municipal utility districts, including particularly Chapters 49 and 54, Texas Water Code, as amended. The District is subject to the continuing supervision of the TCEQ. The District is empowered to purchase, construct, operate, and maintain all works, improvements, facilities, and plants necessary for the supply of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water. Additionally, the District was created with certain road powers.

Under certain limited circumstances, the District is authorized to construct, develop, and maintain park and recreational facilities, and to construct roads. In addition, the District is authorized to establish, operate, and maintain a fire department, independently or with one or more other conservation and reclamation districts, and to provide such facilities and services to the customers of the District.

In order to obtain the consent of the City of Houston (the "City"), within whose extraterritorial jurisdiction the District lies, to the District's creation, the District has agreed to observe certain City requirements. These requirements limit the purposes for which the District may sell bonds for the acquisition and improvement of waterworks, wastewater, and drainage facilities, road facilities, and park and recreational facilities; limit the net effective interest rate on such bonds and other terms of such bonds; and require the City's approval of certain of the District's construction plans and specifications.

Description and Location

The District, as it was originally created, included approximately 325 acres. Since its creation, the District has not excluded any tracts of land but has annexed an approximate 10-acre tract of land, an approximate 16-acre tract of land and an approximate 2-acre tract of land. The District currently includes approximately 353 acres. The District is located within the extraterritorial jurisdiction of the City of Houston. The District is located approximately 30 miles northwest of the City of Houston's central business district in northwest Harris County. The District is located south of Farm to Market Road 2920, which forms the northern boundary of the District; west of Cypress Rosehill Road; east of Mueschke Road; and is just north of the Grand Parkway. According to the District's engineer, none of the developed land or developable land within the District is inside the mapped flood plain depicted on Federal Emergency Management Agency Flood Insurance Rate Map (Panel 48201C0205L) dated June 18, 2007.

Status of Land Development/Land Uses in the District

A summary of the approximate land use in the District appears in the following table:

<u>Type of Land Use</u>	<u>Approximate Acres</u>	
Developed Acres	270	(a)
Under Development	0	
Remaining Developable Acreage	16	(b)
Undevelopable Acreage	<u>67</u>	(c)
TOTAL	353	

- (a) Represents the developed acres located in Rosehill Reserve, Sections 1 - 6 (110 acres – 378 platted lots), Rose Meadow Farms, Section 1 - 2 (41 acres – 138 platted lots), Rose Meadow Farms, Section 4 (10 acres – 52 platted lots), and Amira, Sections 19 - 24 (107 acres – 418 platted lots).
- (b) Represents acreage that may be improved for commercial purposes in the future.
- (c) Includes street rights-of-way, detention ponds, drainage easements, parks and recreation areas, open spaces, and District plant sites.

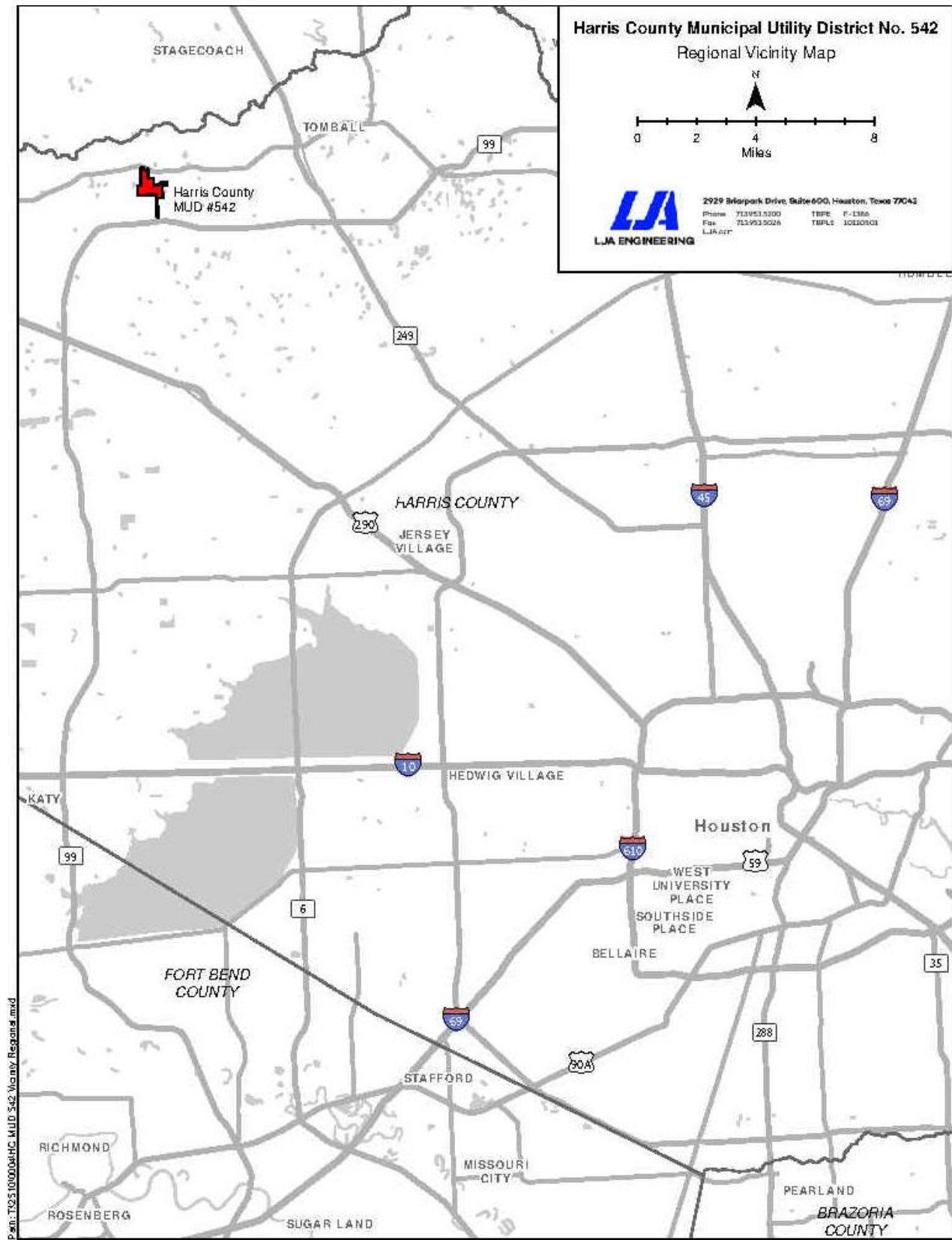
Homebuilding Development

A tabulation of the single-family residences within the District as of June 1, 2026, is approximately as follows:

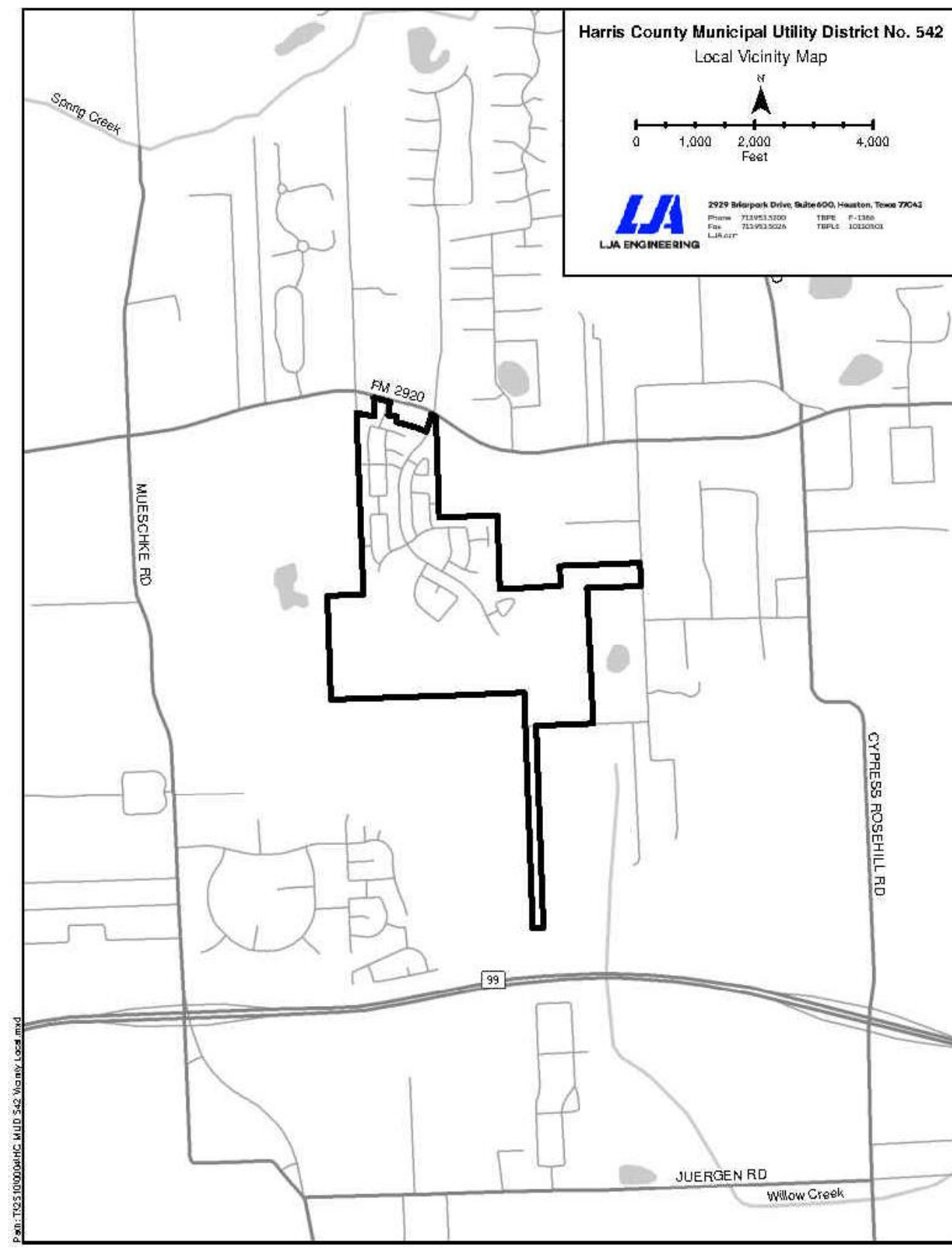
<u>Section</u>	<u>Acreage</u>	<u>Total Lots</u>	<u>Completed Homes</u>	<u>Homes Under Construction</u>	<u>Vacant Developed Lots</u>
Rosehill Reserve, Sections 1 - 3	71	235	235	0	0
Rosehill Reserve, Sections 4 - 6 (a)	39	143	143	0	0
Rose Meadow Farms, Sections 1 - 2 (b)	41	138	138	0	0
Rose Meadow Farms, Section 4 (b)	10	52	52	0	0
Amira, Sections 19 - 24 (c)	<u>107</u>	<u>418</u>	<u>377</u>	<u>17</u>	<u>24</u>
TOTAL	268	986	945 (d)	17	24

- (a) The homes in Rosehill Reserve, Sections 4 - 6 were constructed by Castlerock Homes; the homes in these sections were marketed in the \$449,000 - \$476,417 price range.
- (b) The lot development in Rose Meadow Farms, Sections 1 and 2 has been completed and homes have been constructed on all of such lots. According to Rausch Coleman Homes (the land developer/homebuilder in this section) homes were marketed in the \$275,000 and up price range.
- (c) The homes in these sections are being constructed by Beazer Homes and Perry Homes and are being marketed in the \$350,000 - \$720,000 price range.
- (d) As of June 1, 2026, there were 438 occupied homes in the District.

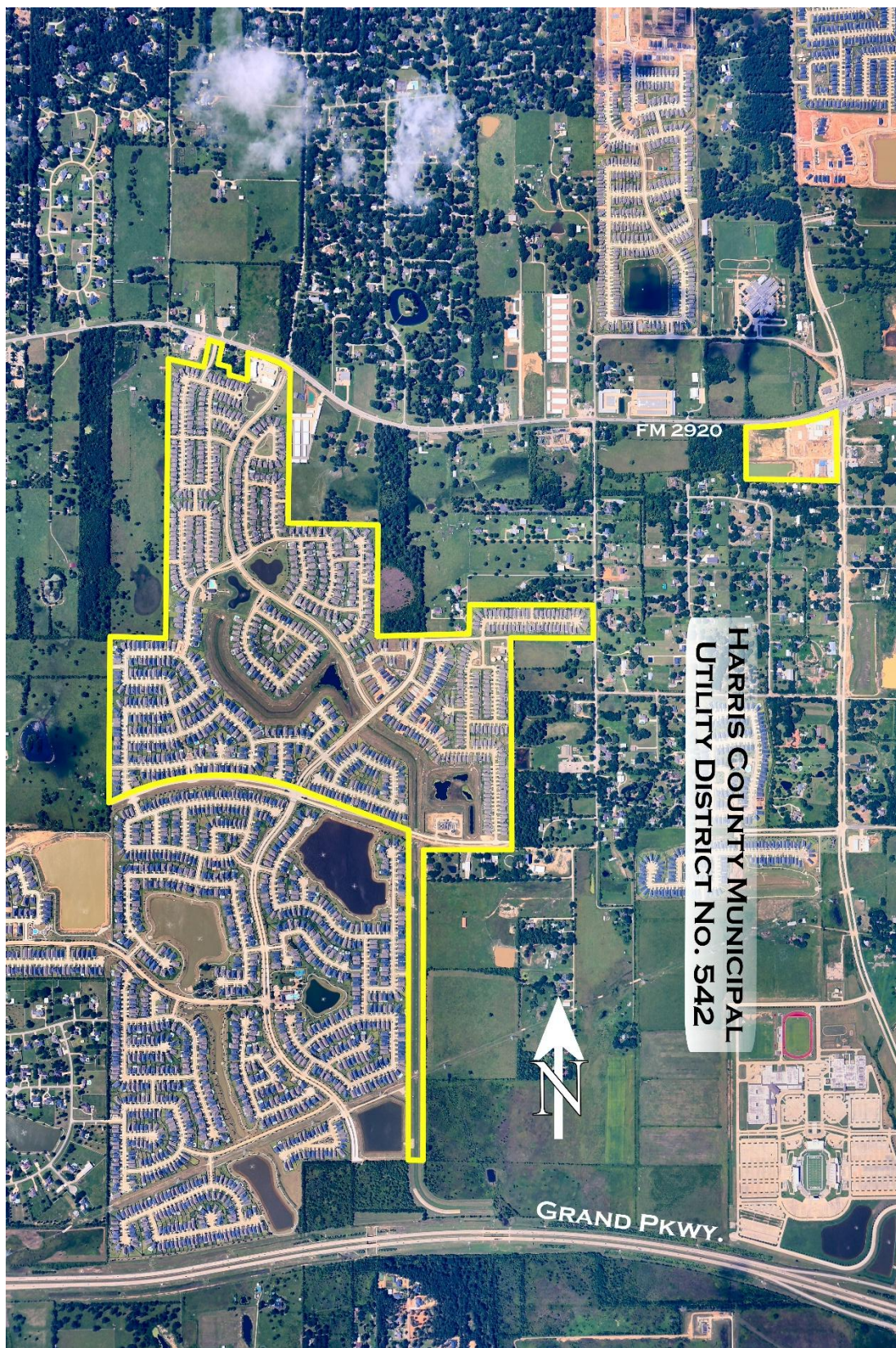
LOCATION MAP



MAP OF THE DISTRICT



AERIAL PHOTOGRAPH



THE DEVELOPERS IN THE DISTRICT

Role of a Developer

In general, the activities of a developer in a municipal utility district, such as the District, include purchasing the land within a district, designing the streets in the subdivision, designing any community facilities to be built, defining a marketing program and building schedule, securing necessary governmental approvals and permits for development, arranging for the construction of roads and the installation of utilities, and selling improved lots and commercial reserves to builders, other developers, or other third parties. In most instances, a developer will be required to pay up to 30% of the cost of financing certain water, wastewater, and drainage facilities in the utility district exclusive of water and sewage treatment plants unless a waiver from this requirement is requested and obtained from the TCEQ by the District, pursuant to the rules of the TCEQ. In addition, a developer is ordinarily the major taxpayer within a utility district during the property development phase and the developer's inability to pay the taxes assessed on its property within a district would have a materially adverse effect on the revenues of the district. The relative success or failure of a developer to perform development activities within a utility district may have a profound effect on the ability of the district to generate sufficient tax revenues to service and retire all tax bonds issued by the district. While a developer generally commits to pave streets and pay its allocable portion of the costs of utilities to be financed by the utility district through a specific bond issue, a developer is generally under no obligation to a district to undertake development activities with respect to other property that it owns within a district. Furthermore, there is no restriction on a developer's right to sell any or all of the land that the developer owns within a district.

The Developers

The original developer in the District was Rosehill Reserve, Ltd., a Texas limited partnership managed and owned by Thomas L. Hargrove, Jr. and Brian McGown. On February 3, 2020, Rosehill Reserve, Ltd transferred its assets (including all of its land and potential District reimbursement rights) to UDF V Capital Solutions 1, LP ("UDF V CS1"), a wholly owned subsidiary of United Development Funding Income Fund V, a Maryland real estate investment trust ("UDF V"). At such time UDF V CS1 became a developer in the District.

Simultaneously with the closing of the UDF V CS1 transaction with Rosehill Reserve, Ltd., UDF V CS1 sold approximately 112 acres to GP 344 Ltd, a Texas limited partnership ("GP 344") and Beazer Homes Texas, LP, a Texas limited partnership ("Beazer Homes") who have entered into a joint development agreement for the purpose of acquiring such acreage and developing such land. PSWA, LLC, a Texas corporation, is the sole General Partner of GP 344 and the limited partner of GP 344 is Perry Homes, LLC, a Texas limited liability company. The General Partner of Beazer Homes is Beazer Homes Texas Holdings, Inc., a Delaware corporation, the stock of which is owned by Beazer Homes, USA, which is traded on the New York Stock Exchange under the ticker "BZH." GP 344 and Beazer Homes have engaged Johnson Development Services, an affiliate company of Johnson Development Corp., to manage future development in the District by GP 344 and Beazer Homes. The 112 acres mentioned above has been developed as an area in the District known as Amira, Sections 19-24; the parties mentioned above in this paragraph are collectively referred to herein as the "Amira Developers."

Rausch Coleman Homes was the developer and home builder in the Rose Meadow Farms Subdivision. The lots in Sections 1-2 & 4 of the subdivision are built out. According to Rausch Coleman Homes, homes have been marketed for sale from the \$275,000 and up price range.

UTILITY AGREEMENT

In accordance with the Utility Agreement between the District, Rosehill Reserve, Ltd., Beazer Homes LP and GP 344 on behalf of Harris County MUD No. 558 ("MUD 558") dated August 1, 2018, (the "Agreement") the District operates water supply, wastewater treatment, and drainage facilities jointly owned by both districts. Capacity owned by each district is specified in the Agreement.

THE ROADS

The District has financed certain of its costs of construction or acquisition of components of the road system (the "Roads"), which serves the property in the District, including the projects funded with the proceeds of certain Outstanding Bonds issued to finance the Roads, serves the residents of the District by providing access to major thoroughfares and collector roads within the District and the surrounding area. The internal subdivision streets and collector roads convey the residents of the District to Mueschke Road. The Roads have been designed and constructed in accordance with standards, rules, and regulations of Harris County and the City.

THE SYSTEM

Description of the System

The water, wastewater and storm drainage facilities of the District and the accompanying rights of use therein are described below based upon information obtained from the District's records.

- Water Supply -

The District operates one groundwater plant, including one 1,000 gallons per minute ("gpm") water well, one 188,000-gallon ground storage tank, one 250,000-gallon ground storage tank one 350,000-gallon ground storage tank, two 15,000-gallon hydropneumatic tanks, and six booster pumps with a total capacity of 5,100 gpm. The District also operates a 1,000 gpm remote water well. The District also has an emergency interconnect with H-M-W SUD. The District's water supply plant is currently capable of serving 2,500 equivalent single-family connections ("ESFCs"). The District's share of this capacity per the Agreement is 1,250 ESFCs.

- Wastewater Treatment Facilities –

In accordance with the Agreement, the District operates the wastewater treatment that is jointly owned by the District and MUD 558. The capacity owned by each District is specified in the Agreement which may be modified from time to time.

The District operates a 500,000 gallons per day wastewater treatment plant. The District's wastewater treatment plant is currently capable of serving 2,000 ESFCs. The District's share of this capacity per the Agreement is currently 1,000 ESFCs according to TCEQ regulatory standards; the District's Engineer currently estimates that the plant is running at approximately 75% of capacity.

The District is currently expanding the wastewater treatment plant. Such expansion, when completed, will increase the wastewater treatment plant capacity to 600,000 gpd. Upon completion of the wastewater treatment plant expansion, the District's wastewater treatment plant capacity will be capable of serving 2,400 ESFC's. The District's share of such capacity per the Agreement will be 1,200 ESFC's. It is currently anticipated that such plant expansion will be completed by December 2026.

100-Year Flood Plain

The entire developable area in the District is entirely outside the 100-year flood plain; a small portion of the southern part of the District is comprised of a drainage channel which is in the 100-year flood plain. That area in the drainage channel is depicted on Federal Emergency Management Agency Flood Insurance Rate Map for Harris County, Panel No. 48201C0205L H, dated June 18, 2007. The District reported no flooding of homes during Hurricane Harvey.

General Fund Operating History

The Bonds are payable from the levy of an ad valorem tax, without legal limitation as to rate or amount, upon all taxable property in the District. The information included in the table below relating to the District's operations is provided for information purposes only.

	Fiscal Year Ended January 31 (a)				
	<u>2026</u>	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>
REVENUES					
Water Service	\$253,444	\$209,857	\$210,055	\$158,487	\$113,263
Sewer Service	\$334,914	\$315,705	\$271,473	\$203,029	\$179,185
Property taxes	\$2,075,607	\$1,728,496	\$1,372,110	\$1,342,323	\$778,481
Penalty and interest	\$12,765	\$17,416	\$15,359	\$12,392	\$7,597
Tap connection and inspection	\$184,699	\$159,924	\$402,574	\$210,543	\$75,076
Surface water fees	\$305,079	\$339,497	\$265,940	\$364,671	\$256,627
Miscellaneous	\$0	\$0	\$2,199	\$2,041	\$287
Investment earnings	\$122,573	\$165,420	\$116,466	\$29,544	\$2,713
TOTAL REVENUES	\$3,289,081	\$2,936,315	\$2,656,176	\$2,323,030	\$1,413,229
EXPENDITURES					
Current service operations:					
Purchased services	\$858,798	\$873,692	\$715,805	\$830,939	\$455,343
Professional fees	\$264,087	\$208,734	\$180,187	\$167,364	\$213,965
Contracted services	\$596,896	\$553,874	\$556,975	\$432,932	\$298,123
Repairs and maintenance	\$311,293	\$268,826	\$262,517	\$232,913	\$110,139
Utilities	\$3,187	\$3,240	\$2,814	\$2,246	\$2,603
Administrative	\$60,958	\$45,352	\$43,369	\$37,274	\$36,804
Other	\$69,054	\$42,243	\$25,769	\$22,259	\$18,180
Capital outlay	\$437,437	\$1,117,368	\$37,520	\$17,646	\$8,608
TOTAL EXPENDITURES	\$2,601,710	\$3,113,329	\$1,824,956	\$1,743,573	\$1,143,765
Revenues Over/(Under)					
Expenditures (b)	\$687,371	(\$177,014)	\$831,220	\$579,457	\$269,464
Other Financing Sources					
Internal Transfers	\$8,558	-	-	-	-
Net Change in Fund Balance	\$695,929	(\$177,014)	\$831,220	\$579,457	\$269,464
Fund Balance, Beginning of Year	\$2,066,016	\$2,243,030	\$1,411,810	\$832,353	\$562,889
Fund Balance, End of Year	\$2,761,945	\$2,066,016	\$2,243,030	\$1,411,810	\$832,353

(a) Per data provided in the District's audited financial statements. See "APPENDIX A" for the District's audited financial statements for the fiscal year ended January 31, 2026.

(b) As of June 24, 2026, the District's General Fund had an unaudited cash and investment balance of approximately \$4,581,302. For the fiscal year ending January 31, 2027, the District's General Fund is currently budgeting revenues of approximately \$3,431,195 and operating expenditures of approximately \$2,180,000. Additionally, the District is currently budgeting \$109,996 of capital outlay to be paid from the General Fund in fiscal year 2027.

MANAGEMENT OF THE DISTRICT

The District is governed by a board of directors (the "Board"), which has control over and management supervision of all affairs of the District. All of the directors reside in the District. A directors' election is held within the District in May in even-numbered years. Directors are elected to serve four-year staggered terms. The current members and officers of the Board, along with their titles on the Board, are listed below.

<u>Name</u>	<u>Title</u>	<u>Expires May</u>
Claudine Pacioni	President	2028
Daniel Kinchen	Vice President	2028
Nathan Utt	Secretary	2030
Mark Shaffer	Assistant Secretary	2030
Melvin Wachsmann	Assistant Vice President	2028

The District does not employ a general manager or any other full-time employees. The District has contracted for bookkeeping, tax assessing and collecting services, and annual auditing of its financial statements as follows:

Tax Assessor/Collector – The District's Tax Assessor/Collector is Assessments of the Southwest, Inc., who is employed under an annual contract and represents approximately 175 other utility districts.

Bookkeeper – The District's Bookkeeper is Municipal Accounts & Consulting, L.P., which acts as bookkeeper for approximately 150 other utility districts.

Auditor – The District's annual financial statements as of and for the year ended January 31, 2026, have been audited by McGrath & Co., PLLC, Certified Public Accountants. See "APPENDIX A" for a copy of the District's January 31, 2026, audited financial statements.

Utility System Operator – The System's operator is Municipal District Services, LLC (the "Operator") who serves as the Operator for approximately 70 other special districts.

Engineer – The consulting engineer for the District is LJA Engineering, Inc. (the "Engineer").

Financial Advisor – The GMS Group, L.L.C., ("GMS") serves as Financial Advisor to the District, and is paid an hourly fee for certain work performed for the District and a contingent fee to be computed on each separate issuance of the bonds if and when such bonds are delivered.

Bond Counsel – Allen Boone Humphries Robinson LLP serves as Bond Counsel to the District and as counsel for the District on matters other than the issuance of bonds. Fees paid for the Bond Counsel services will be paid from proceeds of the Bonds; such fees are contingent upon the sale and delivery of such Bonds.

Disclosure Counsel – Sanford Kuhl Hagan Kugle Parker Kahn LLP, Houston, Texas, has been engaged by the District to serve as Disclosure Counsel on certain matters related to the sale and delivery of the Bonds, but such advice should not be relied upon by the purchasers as a due diligence undertaking on their behalf. Fees of the Disclosure Counsel will be paid from proceeds of the Bonds however such fees are not contingent upon the sale and delivery of such Bonds.

DISTRICT INVESTMENT POLICY

The District has adopted an Investment Policy as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended. The District's goal is to preserve principal and maintain liquidity while securing a competitive yield in its portfolio. Funds of the District are invested in short-term U.S. Treasuries, certificates of deposit insured by the Federal Deposit Insurance Corporation ("FDIC") or secured by collateral, evidenced by perfected safekeeping receipts held by a third party bank, and public funds investment pools rated in the highest rating category by a nationally recognized rating service. The District does not currently own, nor does it anticipate the inclusion of long-term securities or derivative products in the District portfolio.

DISTRICT DEBT

6/1/2026 Estimated Taxable Value	\$380,407,723	(a)
1/1/2025 Certified Taxable Value	\$364,032,849	(b)

Direct Debt:

Outstanding Bonds (as of June 1, 2026)	\$36,475,000
The Bonds	<u>\$4,650,000</u>
Total Direct Debt	\$41,125,000
See "DISTRICT DEBT"	

Estimated Overlapping Debt	<u>\$23,621,463</u>
Direct and Estimated Overlapping Debt	\$64,746,463

Percentage of Direct Debt to:

6/1/2026 Estimated Taxable Value	10.81%
1/1/2025 Certified Taxable Value	11.30%
See "DISTRICT DEBT"	

Percentage of Direct and Estimated Overlapping Debt to:

6/1/2026 Estimated Taxable Value	17.02%
1/1/2025 Certified Taxable Value	17.79%
See "DISTRICT DEBT"	

2025 Tax Rate Per \$100 of Assessed Value

Debt Service Tax	\$0.35
Road Debt Service Tax	\$0.09
Maintenance Tax	<u>\$0.63</u>
Total 2025 Tax Rate	\$1.07

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- (a) Reflects data supplied by HCAD. The Estimated Taxable Value as of June 1, 2026 was prepared by HCAD and provided to the District. Such values are not binding on HCAD and are provided for informational purposes only. The District is authorized by law to levy taxes only against certified values. See "DISTRICT TAX DATA."
- (b) Reflects the January 1, 2025 Certified Taxable Value according to data supplied to the District by HCAD. The District is authorized by law to levy taxes only against certified values. See "DISTRICT TAX DATA" and "TAXING PROCEDURES."

Estimated Overlapping Debt

Other governmental entities whose boundaries overlap the District have outstanding bonds payable from ad valorem taxes. The following statement of direct and estimated overlapping ad valorem tax debt was developed from information contained in the "Texas Municipal Reports," published by the Municipal Advisory Council of Texas and from information obtained directly from certain jurisdictions. Except for the amounts 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, the amount of which has not been reported. 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.

<u>Taxing Jurisdiction</u>	<u>Outstanding Debt</u>	<u>Overlapping Debt</u>	
		<u>Overlapping %</u>	<u>Amount</u>
Tomball Independent School District	\$1,056,965,000	1.97%	\$20,835,633
Harris County	\$2,257,734,736	0.05%	\$1,194,220
Harris County Flood Control District	\$937,165,000	0.05%	\$506,233
Port of Houston Authority	\$386,074,397	0.05%	\$208,589
Harris County Department of Education	\$28,960,000	0.05%	\$15,312
Harris County Hospital District	\$861,580,000	0.06%	\$500,510
Lone Star College System	\$342,055,000	0.11%	\$360,966
Total Estimated Overlapping Debt			\$23,621,463
The District (a)			<u>\$41,125,000</u>
Total Direct and Estimated Overlapping Debt			\$64,746,463

(a) Includes the Bonds.

DISTRICT TAX DATA

Tax Rate and Collections

The following table sets forth the historical tax information collection experience of the District for the years 2021 through 2025. Such table has also been prepared based upon information from District records. Reference is made to such records for further and complete information.

<u>Year</u>	<u>Taxable Valuation</u>		<u>Tax Rate (a)</u>	<u>Tax Levy</u>	<u>Cumulative Tax Collections (b)</u>	<u>Tax Year Ended September 30</u>
2025	\$364,032,849	(c)	\$1.07	\$3,895,151	99%	2026
2024	\$313,141,040		\$1.11	\$3,475,866	100%	2025
2023	\$258,887,479		\$1.15	\$2,977,206	100%	2024
2022	\$169,634,694		\$1.21	\$2,052,580	100%	2023
2021	\$130,712,760		\$1.29	\$1,686,195	100%	2022

(a) See "Tax Rate Distribution" herein.

(b) Represents tax collections as of May 31, 2026.

(c) Reflects the 2025 Certified Taxable Value according to data supplied by HCAD.

Maintenance Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for maintenance and operation of the District and its facilities. Such tax is in addition to taxes that the District is authorized to levy for paying principal of and interest on the Bonds, and any tax bonds that may be issued in the future. The District's voters authorized a maintenance tax of up to \$1.50 per \$100.00 of assessed valuation at an election held on May 7, 2016. The District's voters authorized a road maintenance tax of up to \$0.25 per \$100.00 of assessed valuation at an election held on May 7, 2016. See "Tax Rate Distribution" herein.

Tax Rate Distribution

The following table sets forth the tax rate distribution of the District for the years 2021 through 2025.

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Road Debt Service	\$0.09	\$0.05	\$0.07	\$0.05	\$0.09
Debt Service	\$0.35	\$0.39	\$0.41	\$0.35	\$0.17
Maintenance/Operations	<u>\$0.63</u>	<u>\$0.67</u>	<u>\$0.67</u>	<u>\$0.81</u>	<u>\$1.03</u>
Total	\$1.07	\$1.11	\$1.15	\$1.21	\$1.29

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.

Principal Taxpayers

The list of principal taxpayers for 2025 and the other information provided by this table were provided by HCAD to the District's Tax Assessor/Collector based on certified tax rolls net of any exemptions from taxation. This table does not reflect any corrections pursuant to subsequent action of HCAD.

<u>Property Owner</u>	<u>Property Description</u>	<u>Property Value</u>	<u>% of Total</u>
Beazer Homes Texas LLC (a)	Inventory/Vacant	\$4,870,617	1.34%
WSS-10 2920 at Cypress Rosehill LLC	Commercial	\$2,200,000	0.60%
ARG VI LLC	Single-Family	\$1,163,270	0.37%
CenterPoint Energy Hou Ele	Utilities	\$932,830	0.29%
Homeowner	Single-Family	\$862,783	0.27%
Homeowner	Single-Family	\$818,286	0.25%
Hudson SFR Property Holdings II LLC	Single-Family	\$800,433	0.25%
Homeowner	Single-Family/Inventory	\$730,781	0.23%
Homeowner	Single-Family	\$716,161	0.23%
Homeowner	Single-Family	\$705,395	0.19%
TOTAL TOP 10 VALUE		\$13,800,556	4.01%

(a) See "THE DEVELOPERS IN THE DISTRICT."

Analysis of Tax Base

Based on information provided to the District by HCAD and its Tax Assessor/Collector, the following represents the composition of property comprising the gross tax roll valuations and the deferments for 2021 through 2025.

<u>Year</u>	<u>Land</u>	<u>Improvements</u>	<u>Personal Property</u>	<u>Gross Valuations</u>	<u>Exemptions</u>	<u>Taxable Valuations</u>	
2025	\$76,155,893	\$313,645,133	\$4,373,588	\$394,174,614	\$30,141,765	\$364,032,849	(a)
2024	\$73,929,452	\$260,926,939	\$2,877,490	\$337,733,881	\$24,592,841	\$313,141,040	
2023	\$71,576,493	\$214,399,905	\$1,622,386	\$287,598,784	\$28,711,305	\$258,887,479	
2022	\$38,176,099	\$153,876,366	\$796,385	\$192,848,850	\$23,214,156	\$169,634,694	
2021	\$31,878,268	\$103,964,279	\$836,342	\$136,678,889	\$5,966,129	\$130,712,760	

(a) Reflects only the portion of the January 1, 2025, Certified Taxable Value that is presently certified on the District's tax roll. The District is authorized by law to levy taxes only against certified values. See "TAXING PROCEDURES."

Estimated Overlapping Taxes

The following table sets forth all 2025 taxes levied by overlapping taxing jurisdictions for substantially all of the completed homes and homes under construction that are located within the District. No recognition is given to local assessments for civic association dues, fire department contributions, solid waste disposal charges, or any other levy by entities other than political subdivisions.

<u>Taxing Jurisdictions</u>	<u>2025 Tax Rate</u>
Tomball Independent School District	\$1.062900
Harris County (a)	\$0.628928
Lone Star College District	\$0.106000
Harris County Emergency Service District No. 3	\$0.100000
Harris County Emergency Service District No. 21	<u>\$0.100000</u>
Overlapping Taxes	\$1.997828
The District	<u>\$1.070000</u>
Total Direct & Overlapping Taxes	\$3.067828

- (a) Includes Harris County, Harris County Flood Control District, Port of Houston Authority, Harris County Hospital District, and Harris County Education Department.

Tax Adequacy of Tax Revenue

The calculations shown below are solely for the purpose of illustration, reflect no net revenues of the System, no transfers of surplus funds from the District's Operating Fund to the Debt Service Fund, and no increase or decrease in assessed valuation over the 6/1/2026 Estimated Taxable Value and the 1/1/2025 Certified Taxable Value. The calculations utilize a tax rate adequate to service the District's total debt service requirements after issuance of the Bonds.

Maximum Annual Debt Service Requirements (2046).....	\$2,778,161 (a)
Requires a \$0.77 debt service tax rate on the 6/1/2026 Estimated Taxable Value at 95% collections	\$2,782,682 (a)
Requires a \$0.81 debt service tax rate on the 1/1/2025 Taxable Value at 95% collections	\$2,801,233 (a) (b)

- (a) Preliminary, subject to change.
- (b) Reflects the January 1, 2025 Certified Taxable Value according to data supplied to the District by HCAD. The District is authorized by law to levy taxes only against certified values. See "TAXING PROCEDURES."

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 and interest on the Bonds and any additional bonds payable from taxes that the District may hereafter issue and to pay the expenses of assessing and collecting such taxes. See "RISK FACTORS – Future Debt." The District agrees in the Bond Resolution to levy such a tax from year to year as described more fully in this Official Statement under the caption "THE BONDS – Source of and Security for Payment." Under Texas law, the Board may also levy and collect an annual ad valorem tax for the operation and maintenance of the District and its water and wastewater system and for the payment of certain contractual obligations if authorized by the voters in the District. See "DISTRICT TAX DATA – Maintenance Tax."

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 in a county and an appraisal review board with responsibility for reviewing and equalizing the values established by HCAD. HCAD have the responsibility for appraising property for all taxing units within their respective county. Such appraisal values are subject to review and change by the Harris Central Appraisal Review Board (the "Appraisal Review Board"). The Texas Comptroller of Public Accounts may provide for the administration and enforcement of uniform standards and procedures for appraisal of 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 of certain disabled persons, and travel trailers, to the extent deemed advisable by the Board. The District granted a \$15,000 exemption for the elderly and disabled for the 2026 tax year. 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 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 \$5,000 to \$12,000 of assessed valuation depending upon the disability rating of the veteran, if such rating is less than 100%. A veteran who receives a disability rating of 100% is entitled to the exemption for the full amount of the residential homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran is entitled to an exemption for the full value of the veteran's residence homestead to which the disabled veterans' exemption applied including the surviving spouse of a disabled veteran who would have qualified for such exemption if it had been in effect on the date the disabled veteran died. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homesteads in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. The surviving spouse of a first responder who 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 may 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 20% of the appraised value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the assessor and collector 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. The District has never adopted an order granting a general residential homestead exemption.

Freeport Goods Exemptions: A "Freeport Exemption" applies to goods, wares, 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 that are destined to be forwarded outside of Texas and that are detained in Texas for assembling, storing, manufacturing, processing, or fabricating for fewer 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 that 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 property for all prior and subsequent years.

Tax Abatement

Either 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, Harris County, or the District at the option and discretion of each entity, may enter into tax abatement agreements with property owners within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement agreements, which each entity will follow in granting tax abatement agreements to owners of property. The tax abatement agreements may exempt property from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to 10 years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. Each taxing jurisdiction, including the District, 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 HCAD 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 100% of market value, as such is defined in the Property Tax Code. A residence homestead is required to be appraised solely on the basis of its value as a residence homestead regardless of whether residential use is considered to be the highest and best use 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 are valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of the agricultural use, open space, or timberland designation or residential real property inventory designation must apply for the designation, and the chief 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 years for agricultural use, open space land and timberland.

The Property Tax Code requires HCAD to implement a plan for periodic reappraisal of property to update appraisal values. The plan must provide for appraisal of all real property in HCAD at least once every three years. It is not known what frequency of reappraisal will be utilized by HCAD 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 HCAD 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 HCAD 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 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 HCAD to compel compliance with the Property Tax Code.

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

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes, and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of 6% of the amount of the tax for the first calendar month it is delinquent, plus 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 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 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) 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.

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 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.

Additionally, the Texas Tax Code authorizes a taxing jurisdiction such as the District, solely at the jurisdictions 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.

Rollback of Operation and Maintenance Tax Rate

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

Special Taxing Units. Special Taxing Units that adopt a total tax rate that would impose more than 1.08 times the amount of the total tax imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, 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 is made by the Board of Directors on an annual basis. It was determined that the District was a Developing District for the 2026 tax year. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property 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 state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State of Texas and each local taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of other such taxing units (see

"DISTRICT TAX DATA – Estimated Overlapping Taxes"). A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien whether or not the debt or lien existed before the attachment of the tax lien; 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 and land designated for agricultural use and six months for all other 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 months for commercial property, within two years for residence homesteads and land designated for agricultural use, and six months for all other property after the purchaser's deed issued at the foreclosure sale is filed in the county records), or by bankruptcy proceedings that restrict the collection of taxpayer debts. See "RISK FACTORS – Tax Collections."

ANNEXATION, STRATEGIC PARTNERSHIP AGREEMENT, AND CONSOLIDATION

Annexation by the City of Houston

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston, the District must conform to a City of Houston consent ordinance. Generally, the District may be annexed by the City of Houston without the District's consent, and the City cannot annex territory within the District unless it annexes the entire District. However, under legislation effective December 1, 2017, the City may not annex the District unless (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed, and (ii) if the registered voters in the area to be annexed do not own more than 50 percent of the land in the area, a petition has been signed by more than 50 percent of the landowners consenting to the annexation. Notwithstanding the preceding sentence, the described election and petition process does not apply during the term of a strategic partnership agreement between the City and the District specifying the procedures for full purpose annexation of all or a portion of the District.

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

Strategic Partnership Agreement

The District is authorized to enter into a strategic partnership agreement with the City of Houston to provide the terms and conditions under which services would be provided and funded by the parties and under which the District would continue to exist for an extended period if the land within the District were to be annexed for full or limited purposes by the City. The terms of any such agreement would be determined by the City and the District and could provide for the conversion of a limited purpose annexation to a general purpose annexation or the payment of a fee by the District based on the costs of providing municipal services to the District. The agreement could also provide for the collection of the City's sales and use taxes within the District. Although the City has negotiated and entered into such an agreement with many other districts in its extraterritorial jurisdiction, none is currently contemplated with respect to the District although no representation can be made regarding the future likelihood of an agreement or the terms thereof.

Consolidation

The District has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its assets (such as cash and the utility system) and liabilities (such as the Bonds) with the assets and liabilities of districts with which it is consolidating. Although no consolidation is presently contemplated by the District, no representation is made concerning the likelihood of consolidation in the future.

THE BONDS

General

The Bond Resolution authorizes the issuance and sale of the Bonds and prescribes terms, conditions, and provisions for the payment of the principal of, and interest, on the Bonds by the District. Set forth below is a summary of certain provisions of the Bond Resolution. Capitalized terms in such summary are used as defined in the Bond Resolution. Such summary is not a complete description of the entire Bond Resolution and is qualified in its entirety by reference to the Bond Resolution, a copy of which is available from the District's Bond Counsel upon request.

The Bonds will be dated and will bear interest from August 1, 2026, at the per annum rates shown on the cover page hereof. The Bonds are fully registered, serial bonds maturing on April 1 in the years and in the principal amounts set forth on the cover page hereof. Interest on the Bonds is payable April 1, 2027, and each October 1 and April 1 thereafter until the earlier of maturity or redemption. The Record Date on the Bonds is the 15th day of the calendar month next preceding the interest payment date.

The Bonds will be issued only in fully registered form in any integral multiple of \$5,000 of the principal amount for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of the Depository Trust Company ("DTC"), pursuant to the Book-Entry-Only System described herein. No physical delivery of the Bonds will be made to the owners thereof. Principal of, premium, if any, and interest on the Bonds, will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" herein.

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

Optional Redemption

The Bonds maturing on or after April 1, 2032, are subject to redemption prior to scheduled maturity at the option of the District, in whole or from time to time in part, on April 1, 2031 and on any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest from the most recent interest payment date to the redemption date. In the event the Bonds are to be redeemed in part, the maturities and principal amounts to be redeemed shall be selected by the District. In the event of redemption of fewer than all of the Bonds of a particular maturity, the Paying Agent/Registrar, on behalf of the District, will select the Bonds of such maturity to be redeemed by lot or by such other customary method as the Paying Agent/Registrar deems fair and appropriate or while the Bonds are in Book-Entry-Only form the portions to be redeemed shall be selected by DTC in accordance with its procedures.

Source of and Security for Payment

The Bonds are secured by, and payable from, the levy of a continuing, direct, annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property in 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, Registrar fees, and Appraisal District' 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.

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 tax 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 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, 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 or 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 that 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 that would permit investments other than those described above to be made with amounts deposited to defease the Bonds.

Funds

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

Six (6) months of capitalized interest and accrued interest on the Bonds shall be deposited into the Debt Service Fund upon receipt. The remaining proceeds from the sale of the Bonds shall be deposited into the Capital Projects Fund to be used for the purpose of funding water, sewer, and drainage facilities, including engineering and storm water prevention costs, and for paying the costs of issuance of the Bonds. Any monies remaining in the Capital Projects Fund will be used as described in the Bond Resolution in accordance with the Bond Resolution or ultimately transferred to the Debt Service Fund.

No Arbitrage

The District will certify as of the date the Bonds are delivered and paid for that, based upon all facts and estimates then 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 in the Bond Resolution 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 that the Bonds shall not become "arbitrage bonds" under the Code and the regulations prescribed from time to time thereunder.

Paying Agent/Registrar

Pursuant to the Bond Resolution, the initial paying agent and initial registrar with respect to the Bonds is BOKF, N.A., Dallas, Texas. The District will maintain at least one Registrar, where the Bonds may be surrendered for transfer and/or for exchange or replacement for other Bonds, any outstanding bonds, and for the purpose of maintaining the Bond Register on behalf of the District. The Registrar is required at all times to be a duly qualified banking corporation or association organized and doing business under the laws of the United States of America, or of any state thereof, and subject to supervision or examination by federal or state banking authorities.

The District reserves the right and authority to change any paying agent/registrar and, upon any such change, the District covenants and agrees in the Bond Resolution to promptly cause written notice thereof, specifying the name and address of such successor paying agent/registrar, to be sent to each Registered Owner of the Bonds by United States mail, first class, postage prepaid.

Registration and Transfer

In the event the Book-Entry-Only System should be discontinued, the Bonds will be transferable only on the Bond Register kept by the Registrar upon surrender and reissuance. The Bonds are exchangeable for an equal principal amount of Bonds of the same maturity and of any authorized denomination upon surrender of the Bonds to be exchanged at the operations office of the Registrar in Houston, Texas. See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be utilized initially in regard to the ownership and transferability of the Bonds. Every Bond presented or surrendered for transfer is required to be duly endorsed, or be accompanied by a written instrument of transfer, in a form satisfactory to the Registrar. Neither the Registrar nor the District is required (1) to transfer or exchange any Bond during the period beginning at the opening of business on a Record Date (defined herein) 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 30 calendar days of the redemption date. No service charge will be made for any transfer or exchange, but the District or the Registrar may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith.

Lost, Stolen, or Destroyed Bonds

In the event the Book-Entry-Only System is discontinued, the District has agreed to replace mutilated, destroyed, lost, or stolen Bonds upon surrender of the mutilated Bonds, or receipt of satisfactory evidence of such destruction, loss, or theft and receipt by the District and the Registrar of security or indemnity as may be required by either of them to keep them harmless. The District will require payment of taxes, governmental charges, and expenses in connection with any such replacement.

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 authorities, 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 authorities, public agencies, and bodies politic, to the extent of the market value of the bonds, notes, and other obligations when accompanied by any un-matured 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.

Issuance of Additional Debt

The District’s voters have authorized the issuance of unlimited tax bonds for various purposes as reflected in the table below:

<u>Amount</u>	<u>Purpose</u>
\$175,000,000	For certain water, sanitary sewer, and storm water facilities and for refunding
\$30,000,000	For certain road facilities and for refunding
\$20,000,000	For certain parks and recreational facilities and for refunding

After the issuance of the Bonds, the District will have \$143,730,000 of unlimited tax water, sanitary sewer, and storm water facilities bonds (and for refunding such bonds previously issued) that remain authorized but unissued, \$19,045,000 of unlimited tax road facilities bonds (and for refunding such bonds previously issued) that will remain authorized but unissued, and \$20,000,000 of unlimited tax parks and recreational facilities bonds (and for refunding such bonds previously issued) that remain authorized but unissued.

The District has the right to issue additional bonds, as may hereafter be approved by both the Board and the voters of the District. Such additional bonds would be issued on a parity with the Bonds. Any future new money bonds (except new money road bonds) to be issued by the District must also be approved by the TCEQ. Further, the principal amount of parks and recreational facilities bonds issued by the District may not exceed one percent of the District’s certified taxable assessed valuation, 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 three percent of the value of the taxable property in the District.

The District is also authorized by statute to engage in fire-fighting activities, including the issuance of bonds payable from taxes for such purpose. Before the District could issue bonds payable from taxes for said purpose, 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) amendment of the existing City of Houston ordinance specifying the purposes for which the District may issue bonds; (c) approval of the master plan and issuance of bonds by the TCEQ; and (d) approval of bonds by the Attorney General of Texas. The Board is not considering issuing any fire-fighting unlimited tax bonds at this time. The District has no information concerning any determination by the City of Houston to modify its consent ordinance. Issuance of bonds for fire-fighting activities could dilute the investment security for the Bonds.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Bonds (which are referred to as “Securities” solely in this section of the Official Statement) is to be transferred and how the principal of, premium, if any, Maturity Value, and interest on the Securities are to be paid to and credited by DTC while the Securities 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, the Financial Advisor, and the Underwriter believe the source of such information to be reliable but take no responsibility for the accuracy or completeness thereof.

The District and the Underwriter cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Securities, 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 Securities), 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 United States Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Securities. The Securities 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 Securities, each in the aggregate principal amount or Maturity Value, as the case may be, 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. 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 Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Securities under the DTC system must be made by or through Direct Participants, who will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Certificate ("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 Securities 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 securities representing their ownership interests in Securities except in the event that use of the book-entry system for the Securities is discontinued.

To facilitate subsequent transfers, all Securities 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 Securities 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 Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities 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 Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Certificate documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities 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 fewer than all of the Securities within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

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

All payments on the Securities 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. All payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are 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 Securities 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, securities are required to be printed and delivered.

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

The information in this section concerning DTC and DTC's book-entry-only system has been obtained from sources that the District believes to be reliable, but none of the District, the Financial Advisor or the Underwriter takes any responsibility for the accuracy thereof. Termination by the District of the DTC Book-Entry-Only System may require consent of DTC Participants under DTC Operational Arrangements.

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.

Legal Review

In its capacity as Bond Counsel, Allen Boone Humphries Robinson LLP has reviewed the information appearing in this Official Statement under the captions "CONTINUING DISCLOSURE OF INFORMATION – SEC RULE 15c2-12," "THE DISTRICT – Authority," "TAXING PROCEDURES," "ANNEXATION, STRATEGIC PARTNERSHIP AGREEMENT, AND CONSOLIDATION," "THE BONDS," "LEGAL MATTERS – Legal Opinions" (to the extent such section relates to the opinion of Bond Counsel) and " – Legal Review," "TAX MATTERS," and "REGISTRATION AND QUALIFICATION UNDER SECURITIES LAWS" solely to determine whether such information fairly summarizes the documents and legal matters referred to therein. Bond Counsel has not, however, independently verified any of the other 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 any of the other information contained herein. 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 issuance of the Bonds are based on a percentage of the Bonds actually issued, sold, and delivered and, therefore, such fees are contingent upon the sale and delivery of the Bonds.

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

No-Litigation Certificate

On the date of delivery of the Bonds, the District will execute and deliver a certificate to the effect that there is not pending, and to the knowledge of the District, there is not threatened any litigation affecting the validity of the Bonds, the levy and/or collection of taxes for the payment thereof, the organization or boundaries of the District, or the title of the officers thereof to their respective offices.

No Material Adverse Change

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

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.

Qualified Tax-Exempt Obligations

The Code requires a pro rata reduction in the interest expense deduction of a financial institution to reflect such financial institution's investment in tax-exempt obligations acquired after August 7, 1986. An exception to the foregoing provision is provided in the Code for "qualified tax-exempt obligations," which include tax-exempt obligations, such as the Bonds, (a) designated by the issuer as "qualified tax-exempt obligations" and (b) issued by or on behalf of a political subdivision for which the aggregate amount of tax-exempt obligations (not including private activity bonds other than qualified 501(c)(3) bonds) to be issued during the calendar year is not expected to exceed \$10,000,000.

The District will designate the Bonds as "qualified tax-exempt obligations" and has represented that the aggregate amount of tax-exempt bonds (including the Bonds) issued by the District and entities aggregated with the District under the Code during calendar year 2026 is not expected to exceed \$10,000,000 and that the District and entities aggregated with the District under the Code have not designated more than \$10,000,000 in "qualified tax-exempt obligations" (including the Bonds) during calendar year 2026.

Notwithstanding these exceptions, financial institutions acquiring the Bonds will be subject to a 20 percent disallowance of allocable interest expense.

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 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.

REGISTRATION AND QUALIFICATION UNDER SECURITIES LAWS

The offer and sale of the Bonds have not been registered or qualified under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of

Texas in reliance upon various exemptions contained therein, and the Bonds have not been registered or qualified under the securities laws of any other jurisdiction. The District assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated, or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

OFFICIAL STATEMENT

Sources of Information

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 that are believed to be reliable, but no representation is made as to the accuracy or completeness of the information derived from such other sources. The summaries of the statutes, orders, resolutions, engineering, and other related reports set forth in the Official Statement are included herein subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information.

Consultants

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

Engineer - The information contained in this Official Statement relating to engineering matters generally and to the description of the System and in particular that information included in the sections entitled "THE ROADS," "THE SYSTEM," "USE OF BOND PROCEEDS," and certain engineering matters included in "THE DISTRICT – Description and Location," and "THE DISTRICT – Status of Land Development/Land Uses in the District" has been provided by LJA Engineering, Inc., and has been included in reliance upon the authority of such firm as an expert in the field of civil engineering.

Tax Assessor/Collector - The information contained in this Official Statement relating to the estimated assessed valuation of property and, in particular, such information contained in the section captioned "DISTRICT TAX DATA," has been provided by HCAD and by Assessments of the Southwest, Inc., in reliance upon their authority as experts in the field of tax assessing and appraising.

Auditor - The District's annual financial statements as of and for the year ended January 31, 2026, have been audited by McGrath & Co., PLLC, Certified Public Accountants. See "APPENDIX A" for a copy of the District's January 31, 2026, audited financial statements.

Continuing Availability of Financial Information

Pursuant to Texas law, the District has its financial statements prepared in accordance with generally accepted accounting principles and has its financial statements audited by a certified public accountant in accordance with generally accepted auditing standards within 120 days after the close of its fiscal year. The District's audit report is required to be filed with the TCEQ within 135 days after the close of its fiscal year.

The District's financial records and audited financial statements are available for public inspection during regular business hours at the office of the District and copies will be provided on written request, to the extent permitted by law, upon payment of copying charges. Requests for copies should be addressed to the District in care of Allen Boone Humphries Robinson LLP, Phoenix Tower, 3200 Southwest Freeway, Suite 2600, Houston, TX 77027.

Forward-Looking Statements

The statements contained in this Official Statement and in any other information provided by the District that are not purely historical are forward-looking statements, including statements regarding the District's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the District on the date hereof, and the District assumes no obligation to update any such forward looking statements. The forward-looking statements herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates, possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions, and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement would prove to be accurate.

Certification as to Official Statement

The Board of Directors of the District, acting in its official capacity and in reliance upon the consultants listed above and certain certificates of representation to be provided to the Board, 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 the 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 of such matters and makes no representation as to the accuracy or completeness thereof.

The District will keep the Official Statement current by amendment or sticker to reflect material changes in the affairs of the District and, to the extent that information comes to its attention, in the other matters described in the Official Statement, until the delivery of the Bonds. All information with respect to the resale of the Bonds shall be the responsibility of the Underwriters.

MISCELLANEOUS

All estimates, statements, and assumptions in this Official Statement and the Appendices hereto have been made on the basis of the best information available and are believed to be reliable and accurate. Any statement in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated is intended as such and not a representation of fact and no representation is made that any such statement will be realized.

This Official Statement was approved by the Board of Directors of Harris County Municipal Utility District No. 542 as of the date shown on the cover page.

APPENDIX A

AUDITOR'S REPORT AND FINANCIAL STATEMENTS OF THE DISTRICT

FOR THE FISCAL YEAR ENDED JANUARY 31, 2026

**HARRIS COUNTY MUNICIPAL
UTILITY DISTRICT NO. 542**

HARRIS COUNTY, TEXAS

FINANCIAL REPORT

January 31, 2026

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McGRATH & CO., PLLC

Certified Public Accountants

2950 North Loop West, Suite 810

Houston, Texas 77092

Independent Auditor's Report

Board of Directors
Harris County Municipal Utility District No. 542
Harris County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Harris County Municipal Utility District No. 542 (the "District"), as of and for the year ended January 31, 2026, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Harris County Municipal Utility District No. 542, as of January 31, 2026, 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied

***Board of Directors
Harris County Municipal Utility District No. 542
Harris County, Texas***

certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 Texas Supplementary Information schedules 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. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Texas Supplementary Information schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

A handwritten signature in black ink that reads "McGlothlin & Co, P.C." The signature is written in a cursive, flowing style.

Houston, Texas
April 22, 2026

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Management's Discussion and Analysis

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***Harris County Municipal Utility District No. 542
Management's Discussion and Analysis
January 31, 2026***

Using this Annual Report

This section of the financial report of Harris County Municipal Utility District No. 542 (the "District") provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended January 31, 2026. This analysis should be read in conjunction with the independent auditor's report and the basic financial statements that follow this section.

In addition to this discussion and analysis, this annual report consists of:

- The District's basic financial statements;
- Notes to the basic financial statements, which provide additional information essential to a full understanding of the data provided in the financial statements;
- Supplementary information required by the Governmental Accounting Standards Board (GASB) concerning the District's budget; and
- Other Texas supplementary information required by the District's state oversight agency, the Texas Commission on Environmental Quality (TCEQ).

Overview of the Financial Statements

The District prepares its basic financial statements using a format that combines fund financial statements and government-wide statements onto one financial statement. The combined statements are the *Statement of Net Position and Governmental Funds Balance Sheet* and the *Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances*. Each statement contains an adjustments column which quantifies the differences between the government-wide and fund level statements. Additional details of the adjustments are provided in Note 2 to the basic financial statements.

Government-Wide Financial Statements

The focus of government-wide financial statements is on the overall financial position and activities of the District, both long-term and short-term. The District's government-wide financial statements consist of the *Statement of Net Position* and the *Statement of Activities*, which are prepared using the accrual basis of accounting. The *Statement of Net Position* includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the residual reported as net position. Over time, changes in net position may provide a useful indicator of whether the financial position of the District as a whole is improving or deteriorating.

Accounting standards establish three components of net position. The net investment in capital assets component represents the District's investments in capital assets, less any outstanding debt or other borrowings used to acquire those assets. Resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The restricted component of net position consists of financial resources that are restricted for a specific purpose by enabling legislation or external parties. The unrestricted component of net position represents resources not included in the other components.

Harris County Municipal Utility District No. 542
Management's Discussion and Analysis
January 31, 2026

The *Statement of Activities* reports how the District's net position has changed during the fiscal year. All revenues and expenses are included on this statement, regardless of whether cash has been received or paid.

Fund Financial Statements

The fund financial statements include the *Governmental Funds Balance Sheet* and the *Governmental Funds Revenues, Expenditures and Changes in Fund Balances*. The focus of fund financial statements is on specific activities of the District rather than the District as a whole, reported using modified accrual accounting. These statements report on the District's use of available financial resources and the balances of available financial resources at the end of the year. 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, governmental statutes, or regulations.

For further discussion on the government-wide and fund financial statements, please refer to Note 1 in the financial statements.

Financial Analysis of the District as a Whole

The District's net position at January 31, 2026, was negative \$18,087,427. The District's net position is negative because the District incurs debt to construct public roads which it conveys to Harris County. A comparative summary of the District's overall financial position, as of January 31, 2026 and 2025, is as follows:

	2026	2025
Current and other assets	\$ 10,948,557	\$ 9,377,377
Capital assets	29,795,298	29,275,247
Total assets	40,743,855	38,652,624
Current liabilities	2,701,939	2,339,002
Long-term liabilities	52,245,171	46,308,663
Total liabilities	54,947,110	48,647,665
Total deferred inflows of resources	3,884,172	3,417,345
Net position		
Net investment in capital assets	(4,088,045)	(4,089,691)
Restricted	690,698	455,491
Unrestricted	(14,690,080)	(9,778,186)
Total net position	\$ (18,087,427)	\$ (13,412,386)

Harris County Municipal Utility District No. 542
Management's Discussion and Analysis
January 31, 2026

The total net position of the District decreased during the current fiscal year by \$4,675,041. A comparative summary of the District's *Statement of Activities* for the past two fiscal years is as follows:

	<u>2026</u>	<u>2025</u>
Revenues		
Property taxes, penalties, and interest	\$ 3,473,303	\$ 3,016,528
Water and sewer service	588,358	525,562
Participant billings	2,252,352	2,073,031
Other	801,528	771,351
Total revenues	<u>7,115,541</u>	<u>6,386,472</u>
Expenses		
Current service operations	4,180,310	3,757,322
Debt interest and fees	1,277,340	924,875
Developer interest	1,067,811	754,673
Debt issuance costs	622,264	1,082,423
Depreciation and amortization	1,035,573	979,208
Total expenses	<u>8,183,298</u>	<u>7,498,501</u>
Change in net position before other items	(1,067,757)	(1,112,029)
Other items		
Insurance recovery	81,609	
Transfers to other governments	<u>(3,688,893)</u>	<u>(490,191)</u>
Change in net position	(4,675,041)	(1,602,220)
Net position, beginning of year	<u>(13,412,386)</u>	<u>(11,810,166)</u>
Net position, end of year	<u><u>\$ (18,087,427)</u></u>	<u><u>\$ (13,412,386)</u></u>

Financial Analysis of the District's Funds

The District's combined fund balances, as of January 31, 2026, were \$5,635,604, which consists of \$2,761,945 in the General Fund, \$1,172,918 in the Debt Service Fund and \$1,700,741 in the Capital Projects Fund.

***Harris County Municipal Utility District No. 542
Management's Discussion and Analysis
January 31, 2026***

General Fund

A comparative summary of the General Fund's financial position as of January 31, 2026 and 2025 is as follows:

	2026	2025
Total assets	<u>\$ 5,775,754</u>	<u>\$ 4,854,863</u>
Total liabilities	\$ 683,376	\$ 714,343
Total deferred inflows	2,330,433	2,074,504
Total fund balance	<u>2,761,945</u>	<u>2,066,016</u>
Total liabilities, deferred inflows, and fund balance	<u>\$ 5,775,754</u>	<u>\$ 4,854,863</u>

A comparative summary of the General Fund's activities for the current and prior fiscal year is as follows:

	2026	2025
Total revenues	\$ 3,289,081	\$ 2,936,315
Total expenditures	<u>(2,601,710)</u>	<u>(3,113,329)</u>
Revenues over/(under) expenditures	687,371	(177,014)
Other changes in fund balance	8,558	
Net change in fund balance	<u>\$ 695,929</u>	<u>\$ (177,014)</u>

The District manages its activities with the objectives of ensuring that expenditures will be adequately covered by revenues each year and that an adequate fund balance is maintained. The District's primary financial resources in the General Fund are from a property tax levy, the provision of water and sewer services to customers within the District and tap connection fees charged to homebuilders in the District. Financial resources are influenced by a variety of factors each year:

- Property tax revenues are dependent upon assessed values in the District and the maintenance tax rate set by the District. The 2024 levy was recognized as revenues in the 2026 fiscal year, while the 2023 levy was recognized in the 2025 fiscal year (to the extent that these amounts were collected). Property tax revenues increased from prior year because assessed values increased from prior year.
- Water, sewer, and surface water revenues are dependent upon customer usage, which fluctuates from year to year as a result of factors beyond the District's control.
- Tap connection fees fluctuate with homebuilding activity within the District.

***Harris County Municipal Utility District No. 542
Management's Discussion and Analysis
January 31, 2026***

Debt Service Fund

A comparative summary of the Debt Service Fund's financial position as of January 31, 2026 and 2025 is as follows:

	2026	2025
Total assets	<u>\$ 4,521,431</u>	<u>\$ 2,175,167</u>
Total liabilities	\$ 1,736,645	\$ 36,699
Total deferred inflows	1,611,868	1,367,919
Total fund balance	<u>1,172,918</u>	<u>770,549</u>
Total liabilities, deferred inflows, and fund balance	<u>\$ 4,521,431</u>	<u>\$ 2,175,167</u>

A comparative summary of the Debt Service Fund's activities for the current and prior fiscal year is as follows:

	2026	2025
Total revenues	\$ 1,459,160	\$ 1,316,721
Total expenditures	<u>(1,433,172)</u>	<u>(1,080,775)</u>
Revenues over expenditures	25,988	235,946
Other changes in fund balance	<u>376,381</u>	<u>302,350</u>
Net change in fund balance	<u>\$ 402,369</u>	<u>\$ 538,296</u>

The District's financial resources in the Debt Service Fund in both the current and prior fiscal year are from property tax revenues and capitalized interest from the sale of bonds. The difference between these financial resources and debt service requirements resulted in an increase in fund balance each year. It is important to note that the District sets its annual debt service tax rate as recommended by its financial advisor, who monitors projected cash flows in the Debt Service Fund to ensure that the District will be able to meet its future debt service requirements.

Capital Projects Fund

A comparative summary of the Capital Projects Fund's financial position as of January 31, 2026 and 2025 is as follows:

	2026	2025
Total assets	<u>\$ 1,729,700</u>	<u>\$ 1,802,630</u>
Total liabilities	\$ 28,959	\$ 1,375
Total fund balance	<u>1,700,741</u>	<u>1,801,255</u>
Total liabilities and fund balance	<u>\$ 1,729,700</u>	<u>\$ 1,802,630</u>

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A comparative summary of activities in the Capital Projects Fund for the current and prior fiscal year is as follows:

	2026	2025
Total revenues	\$ 81,154	\$ 48,245
Total expenditures	(7,596,729)	(10,105,516)
Revenues under expenditures	(7,515,575)	(10,057,271)
Other changes in fund balance	7,415,061	11,787,650
Net change in fund balance	<u>\$ (100,514)</u>	<u>\$ 1,730,379</u>

The District has had considerable capital asset activity in the last two years, which was financed with proceeds from the issuance of its Series 2025 Unlimited Tax Road Bonds in the current fiscal year and issuance of its Series 2024 and Series 2024A Unlimited Tax Bonds in the prior year.

Joint Wastewater Treatment Plant Fund

The Joint Wastewater Treatment Plant Fund is used to account for the operating and maintenance costs of a joint wastewater treatment plant in accordance with the District's contract with Harris County Municipal District No. 558 (see Note 12).

A comparative summary of the Joint Wastewater Treatment Plant Fund's financial position as of January 31, 2026 and 2025 is as follows:

	2026	2025
Total assets	<u>\$ 368,841</u>	<u>\$ 250,109</u>
Total liabilities	<u>\$ 368,841</u>	<u>\$ 250,109</u>

A comparative summary of activities for the Joint Wastewater Treatment Plant Fund's current and prior fiscal year is as follows:

	2026	2025
Total revenues	\$ 965,299	\$ 903,717
Total expenditures	(965,299)	(903,717)
Revenues over/(under) expenditures	<u>\$ -</u>	<u>\$ -</u>

Revenues in the Joint Wastewater Treatment Plant Fund primarily consist of charges to participants. The amount the District charges is based upon the actual cost of providing services. Consequently, revenues will equal expenditures each year.

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Joint Water Plant Fund

The Joint Water Plant Fund is used to account for the operating and maintenance costs of a joint water plant in accordance with the District's contract with Harris County Municipal District No. 558 (see Note 12).

A comparative summary of the Joint Water Plant Fund's financial position as of January 31, 2026 and 2025 is as follows:

	2026	2025
Total assets	<u>\$ 326,981</u>	<u>\$ 294,608</u>
Total liabilities	<u>\$ 326,981</u>	<u>\$ 294,608</u>

A comparative summary of activities for the Joint Water Plant Fund's current and prior fiscal year is as follows:

	2026	2025
Total revenues	\$ 1,287,796	\$ 1,169,440
Total expenditures	<u>(1,369,405)</u>	<u>(1,169,440)</u>
Revenues under expenditures	(81,609)	-
Other changes in fund balance	81,609	
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>

Revenues in the Joint Water Plant Fund primarily consist of charges to participants. The amount the District charges is based upon the actual cost of providing services and each participating District's pro-rata share. Consequently, revenues will equal expenditures each year. In the current year, the District received an insurance payment which offset participant billings.

General Fund Budgetary Highlights

The Board of Directors adopts an annual unappropriated budget for the General Fund prior to the beginning of each fiscal year. The Board did not amend the budget during the fiscal year.

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$255,939 less than budgeted. The *Budgetary Comparison Schedule* on page 42 of this report provides variance information per financial statement line item.

Capital Assets

The District has entered into financing agreements with its developers for the financing of the construction of capital assets within the District. Developers will be reimbursed from proceeds of future bond issues or other lawfully available funds. These developer funded capital assets are recorded on the District's financial statements upon completion of construction.

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Capital assets held by the District at January 31, 2026 and 2025 are summarized as follows:

	2026	2025
Capital assets not being depreciated		
Land and improvements	\$ 5,312,933	\$ 5,312,933
Construction in progress	985,635	482,392
	<u>6,298,568</u>	<u>5,795,325</u>
Capital assets being depreciated/amortized		
Infrastructure	24,904,195	23,851,814
Capacity charges	122,690	122,690
Landscaping improvements	822,585	822,585
Right-to-use leased asset - wastewater treatment plant	1,987,165	1,987,165
	<u>27,836,635</u>	<u>26,784,254</u>
Less accumulated depreciation/amortization		
Infrastructure	(3,026,836)	(2,432,279)
Capacity charges	(26,060)	(23,606)
Landscaping improvements	(283,551)	(242,422)
Right-to-use leased asset - wastewater treatment plant	(1,003,458)	(606,025)
	<u>(4,339,905)</u>	<u>(3,304,332)</u>
Depreciable capital assets, net	<u>23,496,730</u>	<u>23,479,922</u>
Capital assets, net	<u>\$ 29,795,298</u>	<u>\$ 29,275,247</u>

Capital asset additions during the current fiscal year include the following:

- Wastewater Treatment Plant, Phase 3
- Water Plant No. 1, Phase 3 booster pump addition
- Water meters

The District's construction in progress is for the construction of Wastewater Treatment Plant, Phase 4 and Holderrieth Road within Rosehill Reserve – WWTP.

Additionally, Harris County assumes responsibility (after a one-year maintenance period) for road facilities constructed within the boundaries of the County. Accordingly, these facilities are not considered assets of the District. The estimated value of these assets is recorded as transfers to other governments upon completion of construction. This estimated cost is trued-up when the developer is reimbursed. For the year ended January 31, 2026, capital assets in the amount of \$3,688,893 have been recorded as transfers to other governments in the government-wide statements.

Lease Obligations

The District has entered into various equipment lease obligations for interim wastewater treatment plants. The District recognized right-to-use leased assets and lease obligations in the amount of \$1,987,195 for these leases. The balance due for the leases as of January 31, 2026, was \$1,104,484.

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Long-Term Debt and Related Liabilities

As of January 31, 2026, the District owes approximately \$15,075,115 to developers for completed projects and operating advances. The initial cost of the completed project and related liability is estimated based on actual construction costs plus 10-15% for engineering and other fees and is recorded on the District's financial statements upon completion of construction. As discussed in Note 6, the District has an additional commitment in the amount of \$2,970,000 for projects under construction by the developers. As noted, the District will owe its developers for these projects upon completion of construction. The District intends to reimburse the developers from proceeds of future bond issues or other lawfully available funds. The estimated cost of amounts owed to the developers are trued up when the developers are reimbursed.

At January 31, 2026 and 2025, the District had total bonded debt outstanding as shown below:

Series	2026	2025
2019 Road	\$ 2,980,000	\$ 3,055,000
2020	5,650,000	5,800,000
2021	3,780,000	3,880,000
2022	4,600,000	4,600,000
2024	5,600,000	5,600,000
2024A	6,490,000	6,490,000
2025 Road	7,800,000	
	<u>\$ 36,900,000</u>	<u>\$ 29,425,000</u>

During the current fiscal year, the District issued \$7,800,000 in unlimited tax road bonds. At January 31, 2026, the District had \$148,380,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District and the refunding of such bonds; \$20,000,000 for parks and recreational facilities and the refunding of such bonds and \$19,045,000 for road improvements and the refunding of such bonds.

Next Year's Budget

In establishing the budget for the next fiscal year, the Board considered various economic factors that may affect the District, most notably projected revenues from property taxes and water/sewer services and the projected cost of operating the District and providing services to customers. A comparison of next fiscal year's budget to current fiscal year actual amounts for the General Fund is as follows:

	2026 Actual	2027 Budget
Total revenues	\$ 3,289,081	\$ 3,431,195
Total expenditures	(2,601,710)	(2,290,163)
Revenues over expenditures	687,371	1,141,032
Other changes in fund balance	8,558	
Net change in fund balance	695,929	1,141,032
Beginning fund balance	2,066,016	2,761,945
Ending fund balance	<u>\$ 2,761,945</u>	<u>\$ 3,902,977</u>

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Basic Financial Statements

Harris County Municipal Utility District No. 542
Statement of Net Position and Governmental Funds Balance Sheet
January 31, 2026

	General Fund	Debt Service Fund	Capital Projects Fund	Joint Wastewater Treatment Plant Fund	Joint Water Plant Fund
Assets					
Cash	\$ 150,122	\$ 3,002,239	\$ 380	\$ 100,801	\$ 93,046
Investments	3,038,981	1,297,268	1,729,320		
Taxes receivable	290,512	208,885			
Customer service receivables	109,786				
Due from other governments	82,269			151,397	184,610
Internal receivables	1,711,904			32,468	29,778
Prepaid items	17,095			84,175	19,547
Other receivables	137,433	13,039			
Operating reserves	237,652				
Capital assets not being depreciated					
Capital assets, net					
Total Assets	<u>\$ 5,775,754</u>	<u>\$ 4,521,431</u>	<u>\$ 1,729,700</u>	<u>\$ 368,841</u>	<u>\$ 326,981</u>
Liabilities					
Accounts payable	\$ 158,415	\$ -	\$ -	\$ 50,728	\$ 80,197
Retainage payable	67,708		20,144		
Other payables	217	9,509			
Internal payables	62,246	1,703,089	8,815		
Customer deposits	267,440				
Unearned revenue	15,055				
Due to others	112,295				
Operating reserves				318,113	246,784
Accrued interest payable		24,047			
Due to developers					
Lease obligations					
Due within one year					
Due after one year					
Long-term debt					
Due within one year					
Due after one year					
Total Liabilities	<u>683,376</u>	<u>1,736,645</u>	<u>28,959</u>	<u>368,841</u>	<u>326,981</u>
Deferred Inflows of Resources					
Deferred property taxes	2,299,327	1,611,868			
Deferred investment income	31,106				
Fund Balances/Net Position					
Fund Balances					
Nonspendable	254,747				
Restricted		1,172,918	1,700,741		
Unassigned	2,507,198				
Total Fund Balances	<u>2,761,945</u>	<u>1,172,918</u>	<u>1,700,741</u>		
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 5,775,754</u>	<u>\$ 4,521,431</u>	<u>\$ 1,729,700</u>	<u>\$ 368,841</u>	<u>\$ 326,981</u>
Net Position					
Net investment in capital assets					
Restricted for debt service					
Unrestricted					
Total Net Position					

See notes to basic financial statements.

Total	Adjustments	Statement of Net Position
\$ 3,346,588	\$ -	\$ 3,346,588
6,065,569		6,065,569
499,397		499,397
109,786		109,786
418,276		418,276
1,774,150	(1,774,150)	
120,817		120,817
150,472		150,472
237,652		237,652
	6,298,568	6,298,568
	23,496,730	23,496,730
<u>\$ 12,722,707</u>	<u>28,021,148</u>	<u>40,743,855</u>
\$ 289,340		289,340
87,852		87,852
9,726		9,726
1,774,150	(1,774,150)	
267,440		267,440
15,055		15,055
112,295		112,295
564,897		564,897
24,047	496,859	520,906
	15,075,115	15,075,115
	409,428	409,428
	695,056	695,056
	425,000	425,000
	36,475,000	36,475,000
<u>3,144,802</u>	<u>51,802,308</u>	<u>54,947,110</u>
3,911,195	(27,023)	3,884,172
31,106	(31,106)	
254,747	(254,747)	
2,873,659	(2,873,659)	
2,507,198	(2,507,198)	
<u>5,635,604</u>	<u>(5,635,604)</u>	
<u>\$ 12,722,707</u>		
	(4,088,045)	(4,088,045)
	690,698	690,698
	(14,690,080)	(14,690,080)
	<u>\$ (18,087,427)</u>	<u>\$ (18,087,427)</u>

Harris County Municipal Utility District No. 542

**Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances
For the Year Ended January 31, 2026**

	General Fund	Debt Service Fund	Capital Projects Fund	Joint Wastewater Treatment Plant Fund	Joint Water Plant Fund
Revenues					
Water service	\$ 253,444	\$ -	\$ -	\$ -	\$ -
Sewer service	334,914				
Property taxes	2,075,607	1,363,428			
Penalties and interest	12,765	19,558			
Surface water fees	305,079				
Participant billings				964,687	1,287,665
Tap connection and inspection	184,699				
Miscellaneous		20,124		612	131
Investment earnings	122,573	56,050	81,154		
Total Revenues	<u>3,289,081</u>	<u>1,459,160</u>	<u>81,154</u>	<u>965,299</u>	<u>1,287,796</u>
Expenditures/Expenses					
Current service operations					
Purchased services	858,798				
Professional fees	264,087		70,350	6,646	11,562
Contracted services	596,896	53,793		240,747	138,368
Repairs and maintenance	311,293			197,082	259,355
Utilities	3,187			62,972	118,707
Surface water					811,593
Administrative	60,958	9,130		5,577	19,234
Other	69,054		160	175	10,586
Capital outlay	437,437		5,836,144		
Debt service					
Principal		325,000			
Interest and fees		1,045,249			
Developer interest			1,067,811		
Debt issuance costs			622,264		
Lease - principal				388,515	
Lease - interest				63,585	
Depreciation and amortization					
Total Expenditures/Expenses	<u>2,601,710</u>	<u>1,433,172</u>	<u>7,596,729</u>	<u>965,299</u>	<u>1,369,405</u>
Revenues Over/(Under)					
Expenditures/Expenses	687,371	25,988	(7,515,575)		(81,609)
Other Financing Sources/(Uses)					
Proceeds from sale of bonds		376,381	7,423,619		
Internal transfers	8,558		(8,558)		
Other Items					
Insurance recovery					81,609
Transfers to other governments					
Net Change in Fund Balances	695,929	402,369	(100,514)		
Change in Net Position					
Fund Balance/Net Position					
Beginning of the year	2,066,016	770,549	1,801,255		
End of the year	<u>\$ 2,761,945</u>	<u>\$ 1,172,918</u>	<u>\$ 1,700,741</u>	<u>\$ -</u>	<u>\$ -</u>

See notes to basic financial statements.

Total	Adjustments	Statement of Activities
\$ 253,444	\$ -	\$ 253,444
334,914		334,914
3,439,035	629	3,439,664
32,323	1,316	33,639
305,079		305,079
2,252,352		2,252,352
184,699		184,699
20,867		20,867
259,777	31,106	290,883
<u>7,082,490</u>	<u>33,051</u>	<u>7,115,541</u>

858,798		858,798
352,645		352,645
1,029,804		1,029,804
767,730		767,730
184,866		184,866
811,593		811,593
94,899		94,899
79,975		79,975
6,273,581	(6,273,581)	
325,000	(325,000)	
1,045,249	168,506	1,213,755
1,067,811		1,067,811
622,264		622,264
388,515	(388,515)	
63,585		63,585
	1,035,573	1,035,573
<u>13,966,315</u>	<u>(5,783,017)</u>	<u>8,183,298</u>

(6,883,825)	5,816,068	(1,067,757)
7,800,000	(7,800,000)	
81,609		81,609
	(3,688,893)	(3,688,893)
997,784	(997,784)	
	(4,675,041)	(4,675,041)
<u>4,637,820</u>	<u>(18,050,206)</u>	<u>(13,412,386)</u>
<u>\$ 5,635,604</u>	<u>\$ (23,723,031)</u>	<u>\$ (18,087,427)</u>

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Note 1 – Summary of Significant Accounting Policies

The accounting policies of Harris County Municipal Utility District No. 542 (the “District”) conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”). The following is a summary of the most significant policies:

Creation

The District was organized, created and established pursuant to an order of the Texas Commission on Environmental Quality, dated January 8, 2016, and operates in accordance with the Texas Water Code, Chapters 49 and 54. The Board of Directors held its first meeting on February 2, 2016, and the first bonds were issued on November 7, 2019.

The District’s primary activities include construction, maintenance and operation of water, sewer, and drainage facilities. The District also has the authority to construct parks and recreational facilities and road improvements within the boundaries of the District. The District has contracted with various consultants to provide services to operate and administer the affairs of the District. The District has no employees, related payroll, or pension costs.

Reporting Entity

The District is a political subdivision of the State of Texas governed by an elected five-member board. GASB has established the criteria for determining the reporting entity for financial statement reporting purposes. To qualify as a primary government, a government must have a separately elected governing body, be legally separate, and be fiscally independent of other state and local governments, while a component unit is a legally separate government for which the elected officials of a primary government are financially accountable. Fiscal independence implies that the government has the authority to adopt a budget, levy taxes, set rates, and/or issue bonds without approval from other governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District’s financial statements as component units.

Government-Wide and Fund Financial Statements

Government-wide financial statements display information about the District as a whole. These statements focus on the sustainability of the District as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. Interfund activity, if any, has been removed from these statements. These aggregated statements consist of the *Statement of Net Position* and the *Statement of Activities*.

Fund financial statements display information at the individual fund level. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for a specific purpose. Each fund is considered to be a separate accounting entity. Most governments typically have many funds; however, governmental financial statements focus on the most important or “major”

Harris County Municipal Utility District No. 542
Notes to Financial Statements
January 31, 2026

funds with non-major funds aggregated in a single column. The District has five governmental funds, which are all considered major funds.

The following is a description of the various funds used by the District:

- The General Fund is used to account for the operations of the District's water and sewer system and all other financial transactions not reported in other funds. The principal sources of revenue are property taxes and water and sewer service fees. Expenditures include costs associated with the daily operations of the District.
- The Debt Service Fund is used to account for the payment of interest and principal on the District's general long-term debt. The primary source of revenue for debt service is property taxes. During the current fiscal year, financial resources also included capitalized interest from the sale of bonds. Expenditures include costs incurred in assessing and collecting these taxes.
- The Capital Projects Fund is used to account for the expenditures of bond proceeds for the construction of the District's water, sewer, drainage, and road facilities.
- The Joint Wastewater Treatment Plant Fund is used to account for the operation and maintenance of a joint wastewater treatment plant jointly owned by the District and Harris County Municipal Utility District No. 558. See Note 12 for additional information.
- The Joint Water Plant Fund is used to account for the operation and maintenance of a joint water plant jointly owned by the District and Harris County Municipal Utility District No. 558. See Note 12 for additional information.

As a special-purpose government engaged in a single governmental program, the District has opted to combine its government-wide and fund financial statements in a columnar format showing an adjustments column for reconciling items between the two.

Measurement Focus and Basis of Accounting

The government-wide financial statements use the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied.

The fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized in the accounting period in which it becomes both available and measurable to finance expenditures of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Revenues susceptible to accrual include property taxes, interest earned on investments and income from District operations. Property taxes receivable at the end of the fiscal year are treated as deferred inflows because they are not considered available to pay liabilities of the current period. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for unmatured interest on long-term debt, which is recognized when due.

Harris County Municipal Utility District No. 542
Notes to Financial Statements
January 31, 2026

Note 2 further details the adjustments from the governmental fund presentation to the government-wide presentation.

Use of Restricted Resources

When both restricted and unrestricted resources are available for use, the District uses restricted resources first, then unrestricted resources as they are needed.

Prepaid Items

Certain payments made by the District reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset unless a legal right of offset exists. At January 31, 2026, an allowance for uncollectible accounts was not considered necessary.

Unbilled Service Revenues

Utility revenue is recorded when earned. Customers are billed monthly. The estimated value of services provided but unbilled at year-end has been included in the accompanying financial statements.

Interfund Activity

During the course of operations, transactions occur between individual funds. This can include internal transfers, payables, and receivables. This activity is eliminated in the government-wide financial statement presentation.

Capital Assets

Capital assets do not provide financial resources at the fund level, and, therefore, are reported only in the government-wide statements. The District defines capital assets as assets with an initial cost that exceeds the capitalization threshold for the asset class and an estimated useful life in excess of one year. Capital assets that individually are below the capitalization threshold but, in the aggregate, are above the threshold are capitalized. Subsequent replacements of these assets that do not exceed the threshold are not capitalized. The District's capitalization threshold for infrastructure assets is \$50,000. The threshold for subscription-based information technology arrangements (SBITAs) is \$100,000.

Capital assets are recorded at historical cost or estimated historical cost. Right-to-use leased assets are valued at the present value of future lease payments. Donated capital assets are recorded at acquisition value, which is the price that would be paid to acquire the asset on the acquisition date. The District has not capitalized interest incurred during the construction of its capital assets. The costs of normal

Harris County Municipal Utility District No. 542
Notes to Financial Statements
January 31, 2026

maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Depreciable capital assets, which primarily consist of water, wastewater and drainage facilities, are depreciated (or amortized in the case of intangible assets) using the straight-line method as follows:

Assets	Useful Life
Infrastructure	10-45 years
Capacity charges	50 years (max)
Landscaping improvements	20 years
Right-to-use leased assets	5 years

The District's detention facilities and drainage channels are considered improvements to land and are non-depreciable.

Deferred Inflows and Outflows of Financial Resources

A deferred inflow of financial resources is the acquisition of resources in one period that is applicable to a future period, while a deferred outflow of financial resources is the consumption of financial resources in one period that is applicable to a future period. A deferred inflow results from the acquisition of an asset without a corresponding revenue or assumption of a liability. A deferred outflow results from the use of an asset without a corresponding expenditure or reduction of a liability.

At the fund level, property taxes receivable and investment income receivable that are not collected within 60 days of fiscal year end do not meet the availability criteria required for revenue recognition and are recorded as deferred inflows of financial resources. Additionally, collections of the 2025 property tax levy are not considered current year revenues and, consequently, are also reported as deferred property taxes.

Deferred inflows of financial resources at the government-wide level consist of the 2025 property tax levy, which was levied to finance the 2027 fiscal year.

Net Position – Governmental Activities

Governmental accounting standards establish the following three components of net position:

Net investment in capital assets – represents the District's investments in capital assets, less any outstanding debt or other borrowings used to acquire those assets.

Restricted – consists of financial resources that are restricted for a specific purpose by enabling legislation or external parties.

Unrestricted – resources not included in the other components.

Fund Balances – Governmental Funds

Governmental accounting standards establish the following fund balance classifications:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District's nonspendable fund balance consists of prepaid items and operating reserves for the Joint Wastewater Treatment Plant Fund and the Joint Water Plant Fund for the operation of the joint facilities.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. The District's restricted fund balances consist of unspent bond proceeds in the Capital Projects Fund and property taxes levied for debt service and capitalized interest from the sale of bonds in the Debt Service Fund.

Committed - amounts that can be used only for specific purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. The District does not have any committed fund balances.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The District has not adopted a formal policy regarding the assignment of fund balances and does not have any assigned fund balances.

Unassigned - all other spendable amounts in the General Fund.

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

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses/expenditures during the period reported. These estimates include, among others, the collectability of receivables; the value of unbilled utility revenues and receivables; the useful lives and impairment of capital assets; the value of amounts due to developer; the value of capital assets transferred to Harris County and the value of capital assets for which the developers have not been fully reimbursed. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from the estimates.

Harris County Municipal Utility District No. 542
Notes to Financial Statements
January 31, 2026

Note 2 – Adjustment from Governmental to Government-wide Basis

Reconciliation of the *Governmental Funds Balance Sheet* to the *Statement of Net Position*

Total fund balance, governmental funds		\$ 5,635,604
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

Historical cost	\$ 34,135,203	
Less accumulated depreciation/amortization	<u>(4,339,905)</u>	
		29,795,298

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. The difference consists of:

Accrued interest payable	(496,859)	
Lease obligations	(1,104,484)	
Due to developers	(15,075,115)	
Bonds payable	<u>(36,900,000)</u>	
		(53,576,458)

Deferred inflows in the fund statements consist of the unavailable portion of property taxes, as well as collections of the District's 2025 property tax levy and deferred investment income. In the *Statement of Net Position*, deferred inflows consist of the entire 2025 property tax levy.

Fund level deferred property taxes	3,911,195	
Government-wide level deferred property taxes	(3,884,172)	
Deferred investment income	<u>31,106</u>	
		58,129

Total net position - governmental activities		<u><u>\$ (18,087,427)</u></u>
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Harris County Municipal Utility District No. 542
Notes to Financial Statements
January 31, 2026

Reconciliation of the *Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances* to the *Statement of Activities*

Net change in fund balances - total governmental funds \$ 997,784

Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the *Statement of Activities* when earned. Differences during the current fiscal year are for the following:

Property taxes and related penalties and interest	\$ 1,945	
Deferred investment income	31,106	
		33,051

Financial reporting for capital assets varies significantly between the fund statements and the government-wide statements. Reporting at the fund level focuses on the impact of transactions on financial resources (i.e., cash), while reporting at the government-wide level seeks to allocate the cost of the acquisition of capital assets over their useful lives and to measure the economic impact of developer financing of capital assets used by the District or conveyed to other governmental entities.

Differences during the current fiscal year are for the following:

Capital outlays	6,273,581	
Transfers to other governments	(3,688,893)	
Depreciation/amortization expense	(1,035,573)	
		1,549,115

Financial reporting for certain obligations varies between the fund statements and the government-wide statements. At the fund level, the focus is on increases and decreases of financial resources as debt is issued and repaid. At the government-wide level, the focus is on measuring and reporting on changes in the District's obligation to repay liabilities in the future. Differences during the current fiscal year are for the following:

Issuance of long-term debt	(7,800,000)	
Principal payments - leases	388,515	
Principal payments - bonds	325,000	
Interest expense accrual	(168,506)	
		(7,254,991)

Change in net position of governmental activities	<u>\$ (4,675,041)</u>
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Note 3 – Deposits and Investments

Deposit Custodial Credit Risk

Custodial credit risk as it applies to deposits (i.e. cash and certificates of deposit) is the risk that, in the event of the failure of the depository institution, a government will not be able to recover its deposits or will not be able to recover collateral securities. The *Public Funds Collateral Act* (Chapter 2257, Texas Government Code) requires that all of the District's deposits with financial institutions be covered by federal depository insurance and, if necessary, pledged collateral held by a third-party custodian. The act further specifies the types of securities that can be used as collateral. The District's written investment policy establishes additional requirements for collateralization of deposits.

Investments

The District is authorized by the *Public Funds Investment Act* (Chapter 2256, Texas Government Code) to invest in the following: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including Federal Home Loan Banks, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) certain collateralized mortgage obligations, (4) other obligations, which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies or 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, (5) certain A rated or higher obligations of states and political subdivisions of any state, (6) bonds issued, assumed or guaranteed by the State of Israel, (7) certain insured or collateralized certificates of deposit and share certificates, (8) certain fully collateralized repurchase agreements, (9) bankers' acceptances with limitations, (10) commercial paper rated A-1 or P-1 or higher and a maturity of 270 days or less, (11) no-load money market mutual funds and no-load mutual funds, with limitations, (12) certain guaranteed investment contracts, (13) certain qualified governmental investment pools and (14) a qualified securities lending program.

The District has adopted a written investment policy to establish the principles by which the District's investment program should be managed. This policy further restricts the types of investments in which the District may invest.

Harris County Municipal Utility District No. 542
Notes to Financial Statements
January 31, 2026

As of January 31, 2026, the District's investments consist of the following:

Type	Fund	Carrying Value	Percentage of Total	Rating	Weighted Average Maturity
Certificates of deposit	General	\$ 1,980,000			
	Debt Service	470,000			
		<u>2,450,000</u>	40%	N/A	N/A
Texas CLASS	General	1,058,981			
	Debt Service	827,268			
	Capital Projects	1,729,320			
		<u>3,615,569</u>	60%	AAAm	48 days
Total		<u>\$ 6,065,569</u>	<u>100%</u>		

The District's investments in certificates of deposit are reported at cost.

Texas CLASS

The District participates in Texas Cooperative Liquid Assets Securities System ("Texas CLASS"). Texas CLASS is managed by an elected Board of Trustees consisting of members of the pool. Additionally, the Board of Trustees has established an advisory board, the function of which is to provide guidance on investment policies and strategies. The Board of Trustees has selected Public Trust Advisors, LLC as the program administrator and UMB Bank N.A., as the custodian.

The District's investment in Texas CLASS is reported at fair value because Texas CLASS uses fair value to report investments (other than repurchase agreements which are valued at amortized cost). Governmental accounting standards establish the following hierarchy of inputs used to measure fair value: Level 1 inputs are based on quoted prices in active markets, Level 2 inputs are based on significant other observable inputs, and Level 3 inputs are based on significant unobservable inputs. The District's investment in Texas CLASS is measured using published fair value per share (level 1 inputs).

Investments in Texas CLASS may be withdrawn via wire transfer on a same day basis, as long as the transaction is executed by 4 p.m. ACH withdrawals made by 4 p.m. will settle on the next business day.

Investment Credit and Interest Rate Risk

Investment credit risk is the risk that the investor may not recover the value of an investment from the issuer, while interest rate risk is the risk that the value of an investment will be adversely affected by changes in interest rates. The District's investment policies do not address investment credit and interest rate risk beyond the rating and maturity restrictions established by state statutes.

Harris County Municipal Utility District No. 542
Notes to Financial Statements
January 31, 2026

Note 4 – Interfund Balances and Transactions

Amounts due to/from other funds at January 31, 2026, consist of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amounts</u>	<u>Purpose</u>
General Fund	Debt Service Fund	\$ 1,703,089	Maintenance tax collections not remitted as of year end
General Fund	Capital Projects Fund	8,815	Debt issuance costs paid by the General Fund
Joint Wastewater Treatment Plant Fund	General Fund	32,468	Participant billings
Joint Water Plant Fund	General Fund	29,778	Participant billings

Amounts reported as internal balances between funds are considered temporary balances and will be paid during the following fiscal year.

During the current year, the District transferred \$8,558 from the Capital Projects Fund to the General Fund to reimburse bond application fees paid in the previous fiscal year.

Harris County Municipal Utility District No. 542
Notes to Financial Statements
January 31, 2026

Note 5 – Capital Assets

A summary of changes in capital assets, for the year ended January 31, 2026, is as follows:

	Beginning Balances	Additions/ Adjustments	Ending Balances
Capital assets not being depreciated			
Land and improvements	\$ 5,312,933	\$ -	\$ 5,312,933
Construction in progress	482,392	503,243	985,635
	<u>5,795,325</u>	<u>503,243</u>	<u>6,298,568</u>
Capital assets being depreciated/amortized			
Infrastructure	23,851,814	1,052,381	24,904,195
Capacity charges	122,690		122,690
Landscaping improvements	822,585		822,585
Right-to-use leased asset - wastewater treatment plant	1,987,165		1,987,165
	<u>26,784,254</u>	<u>1,052,381</u>	<u>27,836,635</u>
Less accumulated depreciation/amortization			
Infrastructure	(2,432,279)	(594,557)	(3,026,836)
Capacity charges	(23,606)	(2,454)	(26,060)
Landscaping improvements	(242,422)	(41,129)	(283,551)
Right-to-use leased asset - wastewater treatment plant	(606,025)	(397,433)	(1,003,458)
	<u>(3,304,332)</u>	<u>(1,035,573)</u>	<u>(4,339,905)</u>
Subtotal depreciable capital assets, net	<u>23,479,922</u>	<u>16,808</u>	<u>23,496,730</u>
Capital assets, net	<u>\$ 29,275,247</u>	<u>\$ 520,051</u>	<u>\$ 29,795,298</u>

Depreciation/amortization expense for the current fiscal year was \$1,035,573.

The District has contractual commitments for construction projects as follows:

	Contract Amount	Paid To Date	Remaining Amount *
Wastewater Treatment Plant, Phase 4	\$ 1,630,012	\$ 181,294	\$ 1,448,718
Holderrieth Road within Rosehill Reserve WWTP	767,718	609,367	158,351
	<u>\$ 2,397,730</u>	<u>\$ 790,661</u>	<u>\$ 1,607,069</u>

* Includes retainage

Note 6 – Due to Developers

The District has entered into financing agreements with its developers for the financing of the construction of water, sewer, drainage, and park and recreational facilities and road improvements. Under the agreements, the developers will construct facilities on behalf of the District. The developers will be reimbursed from proceeds of future bond issues or other lawfully available funds, subject to

Harris County Municipal Utility District No. 542
Notes to Financial Statements
January 31, 2026

approval by TCEQ, as applicable. The District does not record the capital asset and related liability on the government-wide statements until construction of the facilities is complete. The initial cost is estimated based on construction costs plus 10-15% for engineering and other fees. Estimates are trued up when the developer is reimbursed.

One of the District's developers has also advanced funds to the District for operating expenses.

Changes in the estimated amounts due to developers during the fiscal year are as follows:

Due to developers, beginning of year	\$ 16,104,179
Developer reimbursements	(5,194,172)
Developer funded construction and adjustments	<u>4,165,108</u>
Due to developers, end of year	<u><u>\$ 15,075,115</u></u>

In addition, the District will owe the developers approximately \$2,970,000, which is included in the schedule of contractual commitments below. The projects in this schedule are in varying stages of completion and, as previously noted, will be reported in the government-wide financial statements upon completion of construction. The exact amount due to the developer is not known until approved by the TCEQ and verified by the District's auditor.

	Contract Amount *
Lift Station No. 2, Phase 1	\$ 1,150,000
Offsite 12" waterline and 8" sanitary force main	<u>1,820,000</u>
	<u><u>\$ 2,970,000</u></u>

* Rounded to the nearest \$10,000

Note 7 – Lease Obligations

The District has entered into multiple equipment lease agreements for interim wastewater treatment plants. The terms of certain of these leases resulted in the recognition of right-to-use leased assets and lease obligations in the government-wide statements measured at the present value of future lease payments.

The following table summarizes the key terms of the District's lease obligations:

Description	Gallons Per Day	Effective Date	Term	Interest Rate	Annual Payment	Original Liability	Remaining Balance
WWTP, Phase 2	150,000	11/19/2020	5 years	7.50%	\$ 125,400	\$ 521,510	\$ 139,655
WWTP, Phase 3	200,000	4/4/2023	5 years	4.35%	326,700	1,465,685	964,829
					<u>\$ 452,100</u>	<u>\$ 1,987,195</u>	<u>\$ 1,104,484</u>

Harris County Municipal Utility District No. 542
Notes to Financial Statements
January 31, 2026

Annual requirements to amortize long-term lease obligations and related interest are as follows:

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2027	\$ 409,428	\$ 42,672	\$ 452,100
2028	324,071	23,529	347,600
2029	316,829	9,871	326,700
2030	54,156	294	54,450
	<u>\$ 1,104,484</u>	<u>\$ 76,366</u>	<u>\$ 1,180,850</u>
Due within one year	<u>\$ 409,428</u>	<u>\$ 42,672</u>	<u>\$ 452,100</u>

All leases contain standard lease terms that state that the leases shall automatically be extended on a month-to-month basis after the initial term of the lease, unless otherwise terminated.

The District is responsible for all ordinary expenses related to repairing and maintaining the equipment under all leases.

The allocation of lease payments between principal and interest for the current fiscal year is as follows:

<u>Description</u>	<u>Annual Payment</u>	<u>Principal</u>	<u>Interest</u>
WWTP, Phase 2	\$ 125,400	\$ 110,383	\$ 15,017
WWTP, Phase 3	326,700	278,132	48,568
	<u>\$ 452,100</u>	<u>\$ 388,515</u>	<u>\$ 63,585</u>

Note 8 – Long-Term Debt

Long-term debt is comprised of the following:

Bonds payable	<u>\$ 36,900,000</u>
Due within one year	<u>\$ 425,000</u>

Harris County Municipal Utility District No. 542
Notes to Financial Statements
January 31, 2026

The District's bonds payable at January 31, 2026, consists of unlimited tax bonds as follows:

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2019 Road	\$ 2,980,000	\$ 3,155,000	2.00% - 3.25%	April 1, 2023/2046	April 1, October 1	April 1, 2024
2020	5,650,000	5,950,000	2.00% - 4.50%	April 1, 2024/2048	April 1, October 1	April 1, 2025
2021	3,780,000	3,980,000	2.50% - 5.00%	April 1, 2024/2049	April 1, October 1	April 1, 2026
2022	4,600,000	4,600,000	4.00% - 6.50%	April 1, 2026/2049	April 1, October 1	April 1, 2027
2024	5,600,000	5,600,000	4.00% - 6.50%	April 1, 2027/2050	April 1, October 1	April 1, 2028
2024A	6,490,000	6,490,000	4.00% - 6.50%	April 1, 2028/2051	April 1, October 1	April 1, 2029
2025 Road	7,800,000	7,800,000	4.00% - 6.50%	April 1, 2028/2053	April 1, October 1	April 1, 2030
	<u>\$ 36,900,000</u>					

Payments of principal and interest on all series of bonds are to be provided from taxes levied on all properties within the District. Investment income realized by the Debt Service Fund from investment of idle funds will be used to pay outstanding bond principal and interest. The District is in compliance with the terms of its bond resolutions.

At January 31, 2026, the District had authorized but unissued bonds in the amount of \$148,380,000 for water, sewer and drainage facilities and the refunding of such bonds; \$20,000,000 for park and recreational facilities and the refunding of such bonds and \$19,045,000 for road improvements and the refunding of such bonds.

On September 24, 2025, the District issued its \$7,800,000 Series 2025 Unlimited Tax Road Bonds at a net effective interest rate of 4.907345%. Proceeds of the bonds were used to reimburse developers for the cost of capital assets constructed within the District plus interest expense at the net effective interest rate of the bonds and to pay capitalized interest into the Debt Service Fund.

The change in the District's long-term debt during the year is as follows:

Bonds payable, beginning of year	\$ 29,425,000
Bonds issued	7,800,000
Bonds retired	<u>(325,000)</u>
Bonds payable, end of year	<u>\$ 36,900,000</u>

Harris County Municipal Utility District No. 542
Notes to Financial Statements
January 31, 2026

As of January 31, 2026, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2027	\$ 425,000	\$ 1,469,677	\$ 1,894,677
2028	600,000	1,414,313	2,014,313
2029	930,000	1,376,014	2,306,014
2030	980,000	1,326,201	2,306,201
2031	1,010,000	1,275,439	2,285,439
2032	1,095,000	1,225,113	2,320,113
2033	1,115,000	1,177,975	2,292,975
2034	1,155,000	1,134,377	2,289,377
2035	1,225,000	1,090,576	2,315,576
2036	1,270,000	1,045,910	2,315,910
2037	1,315,000	1,001,054	2,316,054
2038	1,390,000	954,939	2,344,939
2039	1,460,000	905,632	2,365,632
2040	1,510,000	853,266	2,363,266
2041	1,615,000	797,873	2,412,873
2042	1,635,000	739,785	2,374,785
2043	1,735,000	678,907	2,413,907
2044	1,765,000	615,369	2,380,369
2045	1,875,000	549,084	2,424,084
2046	1,955,000	478,737	2,433,737
2047	2,070,000	404,155	2,474,155
2048	1,875,000	330,277	2,205,277
2049	1,990,000	256,920	2,246,920
2050	1,730,000	183,518	1,913,518
2051	1,245,000	120,660	1,365,660
2052	900,000	72,405	972,405
2053	500,000	39,000	539,000
2054	530,000	13,250	543,250
	<u>\$ 36,900,000</u>	<u>\$ 21,530,426</u>	<u>\$ 58,430,426</u>

Note 9 – Property Taxes

On May 7, 2016, the voters of the District authorized the District’s Board of Directors to levy taxes annually for use in financing general operations limited to \$1.50 per \$100 of assessed value. In addition, the voters of the District authorized the District’s Board of Directors to levy taxes annually for road maintenance limited to \$0.25 per \$100 of assessed value. The District’s bond resolutions require that property taxes be levied for use in paying interest and principal on long-term debt and for use in paying the cost of assessing and collecting taxes. Taxes levied to finance debt service requirements on long-term debt are without limitation as to rate or amount.

Harris County Municipal Utility District No. 542
Notes to Financial Statements
January 31, 2026

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

Property taxes are collected based on rates adopted in the year of the levy. The District's 2026 fiscal year was financed through the 2024 tax levy, pursuant to which the District levied property taxes of \$1.11 per \$100 of assessed value, of which \$0.67 was allocated to maintenance and operations, \$0.39 was allocated to debt service and \$0.05 was allocated to road debt service. The resulting tax levy was \$3,475,866 on the adjusted taxable value of \$313,141,040.

Property taxes levied each October are intended to finance the next fiscal year and are, therefore, not considered available for the District's use during the current fiscal year. Consequently, 2025 levy collections in the amount of \$3,411,798 have been included with deferred property taxes and are recorded as deferred inflows of resources on the *Governmental Funds Balance Sheet*. On the government-wide *Statement of Net Position*, the full 2025 tax levy of \$3,884,172 is reported as deferred inflows. These amounts will be recognized as revenue in 2027.

Property taxes receivable, at January 31, 2026, consisted of the following:

Current year taxes receivable	\$ 472,374
Prior years taxes receivable	20,855
	493,229
Penalty and interest receivable	6,168
Property taxes receivable	<u>\$ 499,397</u>

Note 10 – Transfers to Other Governments

Harris County assumes responsibility for the maintenance of public roads constructed within the county limits. Accordingly, road facilities are considered to be capital assets of Harris County, not the District. The estimated cost of each project is trued-up when the developer is subsequently reimbursed. For the year ended January 31, 2026, the District recorded transfers to other governments in the amount of \$3,688,893 for road facilities constructed by developers within the District.

Note 11 – Water Service, Interconnect and Utility Site Construction Agreement

On August 29, 2016, the District entered into a Water Service, Interconnect and Utility Site Construction Agreement (the "Agreement") with HMW Special Utility District ("HMW SUD") for purchase of water supply capacity from HMW SUD. The District has agreed to fund the construction of HMW SUD's water plant expansion in consideration for the purchase of capacity sufficient to serve 219 equivalent single-family connections in the District. Under the terms of the agreement, the District is responsible for the design and construction, at its sole cost and expense, of the facilities necessary to connect its water distribution system to the HMW SUD water plant.

Harris County Municipal Utility District No. 542
Notes to Financial Statements
January 31, 2026

Each district is responsible for acquiring, constructing, operating, and maintaining, at their sole cost and expense, a water distribution system appropriate for serving such district. This agreement is for a 50-year term, unless otherwise terminated.

HMW SUD is responsible for the operation and maintenance of the water plant and will sell water to the District at a wholesale rate of \$4.00 per 1,000 gallons.

Note 12 – Utility Agreement with Harris County Municipal District No. 558

Effective August 1, 2018, the District entered into a Utility Agreement (the “Agreement”) to share certain District facilities which include the water plant and the wastewater treatment plant so that such District facilities can serve the Harris County Municipal Utility District No. 558 (“MUD 558”) tract. This agreement is for a 50-year term, unless otherwise terminated. Under this Agreement, the District will design and construct a water plant and wastewater treatment plant to serve the District and MUD 558. Construction costs are allocated based on each district’s proportionate share of capacity for each phase of the water plant and wastewater treatment plant. The District agrees to sell capacity in the water plant and wastewater treatment plant to MUD 558. The District will operate and maintain the water plant and wastewater treatment plant and bill MUD 558 for its pro-rata share of the monthly maintenance costs for both plants.

Joint Wastewater Treatment Plant

The District established a Joint Wastewater Treatment Plant Fund to account for the operating and maintenance costs of the joint wastewater treatment plant. These costs are allocated to each participant based on their pro-rata share of capacity in the plant. During the current year, MUD 558 was billed \$586,880 and the District was billed \$377,807 for their respective share of operation and maintenance costs. Additionally, the District established an operating reserve of two months of budgeted operating expenses to provide liquidity. MUD 558 paid \$184,283 toward the operating reserve and the District paid \$133,830.

Joint Water Plant

The District established a Joint Water Plant Fund to account for the operating and maintenance costs of the joint water plant. These costs are allocated to each participant based on their pro-rata share of capacity in each phase of the plant. During the current year, MUD 558 was billed \$781,759 and the District was billed \$505,905 for their respective share of operation and maintenance costs.

Additionally, the District established an operating reserve of two months of budgeted operating expenses to provide liquidity. MUD 558 paid \$142,962 toward the operating reserve and the District paid \$103,822.

Harris County Municipal Utility District No. 542
Notes to Financial Statements
January 31, 2026

Note 13 – 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 personal injuries. The risk of loss is covered by commercial insurance. There have been no significant reductions in insurance coverage from the prior year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Required Supplementary Information

Harris County Municipal Utility District No. 542
Required Supplementary Information - Budgetary Comparison Schedule - General Fund
For the Year Ended January 31, 2026

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Water service	\$ 252,700	\$ 253,444	\$ 744
Sewer service	344,000	334,914	(9,086)
Property taxes	1,996,064	2,075,607	79,543
Penalties and interest	18,000	12,765	(5,235)
Surface water fees	461,676	305,079	(156,597)
Tap connection and inspection	125,500	184,699	59,199
Investment earnings	116,825	122,573	5,748
Total Revenues	<u>3,314,765</u>	<u>3,289,081</u>	<u>(25,684)</u>
Expenditures			
Current service operations			
Purchased services	1,007,508	858,798	148,710
Professional fees	226,000	264,087	(38,087)
Contracted services	563,400	596,896	(33,496)
Repairs and maintenance	316,119	311,293	4,826
Utilities	3,550	3,187	363
Administrative	50,620	60,958	(10,338)
Other	51,000	69,054	(18,054)
Capital outlay	144,700	437,437	(292,737)
Total Expenditures	<u>2,362,897</u>	<u>2,601,710</u>	<u>(238,813)</u>
Revenues Over Expenditures	951,868	687,371	(264,497)
Other Financing Sources			
Internal transfers		8,558	8,558
Net Change in Fund Balance	951,868	695,929	(255,939)
Fund Balance			
Beginning of the year	<u>2,066,016</u>	<u>2,066,016</u>	
End of the year	<u>\$ 3,017,884</u>	<u>\$ 2,761,945</u>	<u>\$ (255,939)</u>

Harris County Municipal Utility District No. 542
Required Supplementary Information - Budgetary Comparison Schedule - Joint
Wastewater Treatment Plant Fund
For the Year Ended January 31, 2026

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Participant billings	\$ 954,320	\$ 964,687	\$ 10,367
Miscellaneous	20	612	592
Total Revenues	954,340	965,299	10,959
Expenditures			
Current service operations			
Professional fees	25,850	6,646	19,204
Contracted services	182,500	240,747	(58,247)
Repairs and maintenance	251,500	197,082	54,418
Utilities	36,270	62,972	(26,702)
Administrative	6,060	5,577	483
Other	60	175	(115)
Debt service			
Lease principal	452,100	388,515	63,585
Lease interest		63,585	(63,585)
Total Expenditures	954,340	965,299	(10,959)
Revenues Over/(Under) Expenditures	-	-	-
Fund Balance			
Beginning of the year	-	-	-
End of the year	\$ -	\$ -	\$ -

Harris County Municipal Utility District No. 542
Required Supplementary Information - Budgetary Comparison Schedule - Joint Water Plant Facility
For the Year Ended January 31, 2026

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Participant billings	\$ 1,480,550	\$ 1,287,665	\$ (192,885)
Miscellaneous	150	131	(19)
Total Revenues	<u>1,480,700</u>	<u>1,287,796</u>	<u>(192,904)</u>
Expenditures			
Current service operations			
Professional fees	15,750	11,562	4,188
Contracted services	83,000	138,368	(55,368)
Repairs and maintenance	165,000	259,355	(94,355)
Utilities	102,400	118,707	(16,307)
Regional water authority fees	1,097,400	811,593	285,807
Administrative	17,050	19,234	(2,184)
Other	100	10,586	(10,486)
Total Expenditures	<u>1,480,700</u>	<u>1,369,405</u>	<u>111,295</u>
Revenues Under Expenditures	-	(81,609)	(81,609)
Other item			
Insurance recovery		81,609	81,609
Net Change in Fund Balance	-	-	-
Fund Balance			
Beginning of the year	-	-	-
End of the year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Harris County Municipal Utility District No. 542
Notes to Required Supplementary Information
January 31, 2026

Budgets and Budgetary Accounting

An annual unappropriated budget is adopted for the General Fund, the Joint Wastewater Treatment Plant Fund, and the Joint Water Plant Fund by the District's Board of Directors. The budgets are prepared using the same method of accounting as for financial reporting. There were no amendments to the budgets during the year.

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Texas Supplementary Information

Harris County Municipal Utility District No. 542

TSI-1. Services and Rates

January 31, 2026

1. Services provided by the District During the Fiscal Year:

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

2. Retail Service Providers

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

	Minimum Charge	Minimum Usage	Flat Rate (Y / N)	Rate per 1,000 Gallons Over Minimum Usage	Usage Levels	
Water:	\$ 12.00	5,000	N	\$ 1.50	5,001	to 10,000
				\$ 2.25	10,001	to 20,000
				\$ 3.00	20,001	to 30,000
				\$ 3.75	30,001	to no limit
Wastewater:	\$ 30.00	-0-	Y			to
Surface water:	\$ 2.86	1,000	N	\$ 2.86	1,001	to no limit

District employs winter averaging for wastewater usage? ☐ Yes ☐ No

Total charges per 10,000 gallons usage: Water \$ 48.10 Wastewater \$ 30.00

b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC'S
Unmetered			x 1.0	
less than 3/4"	862	860	x 1.0	860
1"	92	92	x 2.5	230
1.5"	1	1	x 5.0	5
2"	7	7	x 8.0	56
3"			x 15.0	
4"			x 25.0	
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water	962	960		1,151
Total Wastewater	951	949	x 1.0	949

See accompanying auditor's report.

Harris County Municipal Utility District No. 542
TSI-1. Services and Rates
January 31, 2026

3. Total Water Consumption during the fiscal year (rounded to the nearest thousand):

Gallons pumped into system:	<u>312,070,000</u>	Water Accountability Ratio:
		(Gallons billed and sold / Gallons pumped)
Gallons billed to customers:	<u>106,654,000</u>	<u>89.10%</u>
Gallons sold to others:	<u>171,401,000</u>	

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

Does the District have Debt Service standby fees? Yes ☐ No ☒

If yes, Date of the most recent commission Order: _____

Does the District have Operation and Maintenance standby fees? Yes ☐ No ☒

If yes, Date of the most recent commission Order: _____

5. Location of District:

Is the District located entirely within one county? Yes ☒ No ☐

County(ies) in which the District is located: Harris County

Is the District located within a city? Entirely ☐ Partly ☐ Not at all ☒

City(ies) in which the District is located: _____

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

Entirely ☒ Partly ☐ Not at all ☐

ETJs in which the District is located: Houston

Are Board members appointed by an office outside the district? Yes ☐ No ☒

If Yes, by whom? _____

See accompanying auditor's report.

Harris County Municipal Utility District No. 542
TSI-2. General Fund Expenditures
For the Year Ended January 31, 2026

Purchased services	<u>\$ 858,798</u>
Professional fees	
Legal	103,926
Audit	17,000
Engineering	<u>143,161</u>
	<u>264,087</u>
Contracted services	
Bookkeeping	71,868
Operator	29,392
Garbage collection	285,481
Tap connection and inspection	106,251
Tax assessment and collection	6,310
Security	<u>97,594</u>
	<u>596,896</u>
Repairs and maintenance	<u>311,293</u>
Utilities	<u>3,187</u>
Administrative	
Directors fees	23,123
Printing and office supplies	10,357
Insurance	6,224
Other	<u>21,254</u>
	<u>60,958</u>
Other	<u>69,054</u>
Capital outlay	<u>437,437</u>
Total expenditures	<u><u>\$ 2,601,710</u></u>

See accompanying auditor's report.

Harris County Municipal Utility District No. 542

TSI-3. Investments

January 31, 2026

<u>Fund</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Interest Receivable</u>
General				
Texas CLASS	Variable	N/A	\$ 946,686	\$ -
Texas CLASS	Variable	N/A	112,295	
Certificates of deposit	3.50%	10/09/26	235,000	428
Certificates of deposit	4.25%	08/26/26	235,000	4,405
Certificates of deposit	4.25%	06/15/26	235,000	6,293
Certificates of deposit	4.00%	04/04/26	235,000	7,778
Certificates of deposit	4.18%	03/01/26	235,000	4,064
Certificates of deposit	3.75%	07/21/26	235,000	241
Certificates of deposit	4.07%	09/02/26	235,000	3,957
Certificates of deposit	3.70%	07/26/26	100,000	41
Certificates of deposit	4.15%	04/08/26	235,000	7,962
			<u>3,038,981</u>	<u>35,169</u>
Debt Service				
Texas CLASS	Variable	N/A	504,145	
Texas CLASS	Variable	N/A	323,123	
Certificates of deposit	4.15%	02/28/26	235,000	9,004
Certificates of deposit	4.15%	09/02/26	235,000	4,035
			<u>1,297,268</u>	<u>13,039</u>
Capital Projects				
Texas CLASS	Variable	N/A	91,939	
Texas CLASS	Variable	N/A	572,206	
Texas CLASS	Variable	N/A	935,126	
Texas CLASS	Variable	N/A	130,049	
			<u>1,729,320</u>	
Total - All Funds			<u>\$ 6,065,569</u>	<u>\$ 48,208</u>

See accompanying auditor's report.

Harris County Municipal Utility District No. 542
TSI-4. Taxes Levied and Receivable
January 31, 2026

	Maintenance Taxes	Road Debt Service Taxes	Debt Service Taxes	Totals
Taxes Receivable, Beginning of Year	\$ 264,131	\$ 20,065	\$ 154,101	\$ 438,297
Adjustments to Prior Year Tax Levy	23,145	1,715	13,461	38,321
Adjusted Receivable	287,276	21,780	167,562	476,618
2025 Original Tax Levy	2,137,819	305,403	1,187,677	3,630,899
Adjustments	149,123	21,303	82,847	253,273
Adjusted Tax Levy	2,286,942	326,706	1,270,524	3,884,172
Total to be accounted for	2,574,218	348,486	1,438,086	4,360,790
Tax collections:				
Current year	2,008,815	286,974	1,116,009	3,411,798
Prior years	274,892	20,687	160,184	455,763
Total Collections	2,283,707	307,661	1,276,193	3,867,561
Taxes Receivable, End of Year	\$ 290,511	\$ 40,825	\$ 161,893	\$ 493,229
Taxes Receivable, By Years				
2025	\$ 278,127	\$ 39,732	\$ 154,515	\$ 472,374
2024	6,739	503	3,923	11,165
2023	5,645	590	3,455	9,690
Taxes Receivable, End of Year	\$ 290,511	\$ 40,825	\$ 161,893	\$ 493,229
	2025	2024	2023	2022
Property Valuations:				
Land	\$ 76,059,389	\$ 73,929,452	\$ 71,576,493	\$ 38,176,099
Improvements	312,246,458	260,926,939	214,399,905	153,876,366
Personal Property	4,369,699	2,877,569	1,622,386	796,385
Exemptions	(29,668,787)	(24,592,920)	(28,801,691)	(23,214,156)
Total Property Valuations	\$ 363,006,759	\$ 313,141,040	\$ 258,797,093	\$ 169,634,694
Tax Rates per \$100 Valuation:				
Maintenance tax rates	\$ 0.63	\$ 0.67	\$ 0.67	\$ 0.81
Road debt service tax rates	0.09	0.05	0.07	0.05
Debt service tax rates	0.35	0.39	0.41	0.35
Total Tax Rates per \$100 Valuation	\$ 1.07	\$ 1.11	\$ 1.15	\$ 1.21
Adjusted Tax Levy:	\$ 3,884,172	\$ 3,475,866	\$ 2,976,167	\$ 2,052,580
Percentage of Taxes Collected to Taxes Levied **	87.84%	99.68%	99.67%	100.00%

* Maximum Maintenance Tax Rate Approved by Voters: \$1.50 on May 7, 2016

* Maximum Road Maintenance Tax Rate Approved by Voters: \$0.25 on May 7, 2016

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

See accompanying auditor's report.

Harris County Municipal Utility District No. 542
TSI-5. Long-Term Debt Service Requirements
Series 2019 Road--by Years
January 31, 2026

Due During Fiscal Years Ending	Principal Due April 1	Interest Due April 1, October 1	Total
2027	\$ 75,000	\$ 89,975	\$ 164,975
2028	100,000	87,913	187,913
2029	100,000	85,463	185,463
2030	100,000	82,913	182,913
2031	100,000	80,263	180,263
2032	125,000	77,163	202,163
2033	125,000	73,538	198,538
2034	125,000	69,788	194,788
2035	125,000	66,038	191,038
2036	125,000	62,288	187,288
2037	125,000	58,538	183,538
2038	150,000	54,319	204,319
2039	150,000	49,631	199,631
2040	150,000	44,850	194,850
2041	175,000	39,569	214,569
2042	175,000	33,881	208,881
2043	175,000	28,194	203,194
2044	175,000	22,506	197,506
2045	175,000	16,819	191,819
2046	200,000	10,725	210,725
2047	230,000	3,730	233,730
	<u>\$ 2,980,000</u>	<u>\$ 1,138,104</u>	<u>\$ 4,118,104</u>

See accompanying auditor's report.

Harris County Municipal Utility District No. 542
TSI-5. Long-Term Debt Service Requirements
Series 2020--by Years
January 31, 2026

Due During Fiscal Years Ending	Principal Due April 1	Interest Due April 1, October 1	Total
2027	\$ 150,000	\$ 138,594	\$ 288,594
2028	175,000	131,719	306,719
2029	175,000	124,719	299,719
2030	175,000	117,719	292,719
2031	175,000	112,031	287,031
2032	200,000	107,844	307,844
2033	200,000	103,844	303,844
2034	200,000	99,844	299,844
2035	225,000	95,594	320,594
2036	225,000	90,953	315,953
2037	225,000	86,172	311,172
2038	250,000	81,125	331,125
2039	250,000	75,656	325,656
2040	250,000	70,031	320,031
2041	275,000	64,125	339,125
2042	275,000	57,766	332,766
2043	300,000	50,938	350,938
2044	300,000	43,813	343,813
2045	300,000	36,687	336,687
2046	325,000	29,062	354,062
2047	325,000	20,938	345,938
2048	325,000	12,813	337,813
2049	350,000	4,375	354,375
	<u>\$ 5,650,000</u>	<u>\$ 1,756,362</u>	<u>\$ 7,406,362</u>

See accompanying auditor's report.

Harris County Municipal Utility District No. 542
TSI-5. Long-Term Debt Service Requirements
Series 2021--by Years
January 31, 2026

Due During Fiscal Years Ending	Principal Due April 1	Interest Due April 1, October 1	Total
2027	\$ 100,000	\$ 104,856	\$ 204,856
2028	100,000	100,356	200,356
2029	100,000	96,856	196,856
2030	125,000	93,481	218,481
2031	125,000	89,731	214,731
2032	125,000	85,981	210,981
2033	125,000	82,231	207,231
2034	125,000	78,481	203,481
2035	150,000	74,731	224,731
2036	150,000	70,981	220,981
2037	150,000	67,231	217,231
2038	150,000	63,481	213,481
2039	150,000	59,638	209,638
2040	175,000	55,372	230,372
2041	175,000	50,669	225,669
2042	175,000	45,856	220,856
2043	175,000	41,044	216,044
2044	175,000	36,231	211,231
2045	200,000	31,075	231,075
2046	200,000	25,575	225,575
2047	200,000	20,075	220,075
2048	200,000	14,575	214,575
2049	200,000	9,075	209,075
2050	230,000	3,163	233,163
	<u>\$ 3,780,000</u>	<u>\$ 1,400,745</u>	<u>\$ 5,180,745</u>

See accompanying auditor's report.

Harris County Municipal Utility District No. 542
TSI-5. Long-Term Debt Service Requirements
Series 2022--by Years
January 31, 2026

Due During Fiscal Years Ending	Principal Due April 1	Interest Due April 1, October 1	Total
2027	\$ 100,000	\$ 205,125	\$ 305,125
2028	100,000	198,625	298,625
2029	125,000	191,313	316,313
2030	125,000	183,187	308,187
2031	125,000	175,063	300,063
2032	150,000	166,125	316,125
2033	150,000	157,500	307,500
2034	150,000	150,000	300,000
2035	150,000	142,500	292,500
2036	175,000	134,375	309,375
2037	175,000	126,500	301,500
2038	175,000	119,500	294,500
2039	200,000	112,000	312,000
2040	200,000	104,000	304,000
2041	200,000	96,000	296,000
2042	200,000	88,000	288,000
2043	225,000	79,500	304,500
2044	225,000	70,500	295,500
2045	250,000	61,000	311,000
2046	250,000	51,000	301,000
2047	275,000	40,500	315,500
2048	275,000	29,500	304,500
2049	300,000	18,000	318,000
2050	300,000	6,000	306,000
	<u>\$ 4,600,000</u>	<u>\$ 2,705,813</u>	<u>\$ 7,305,813</u>

See accompanying auditor's report.

Harris County Municipal Utility District No. 542
TSI-5. Long-Term Debt Service Requirements
Series 2024--by Years
January 31, 2026

Due During Fiscal Years Ending	Principal Due April 1	Interest Due April 1, October 1	Total
2027	\$ -	\$ 242,031	\$ 242,031
2028	125,000	237,969	362,969
2029	130,000	229,681	359,681
2030	135,000	221,069	356,069
2031	145,000	211,969	356,969
2032	150,000	203,225	353,225
2033	160,000	195,994	355,994
2034	165,000	189,494	354,494
2035	175,000	182,694	357,694
2036	185,000	175,494	360,494
2037	195,000	167,894	362,894
2038	205,000	159,894	364,894
2039	215,000	151,494	366,494
2040	225,000	142,694	367,694
2041	240,000	133,394	373,394
2042	250,000	123,594	373,594
2043	260,000	113,394	373,394
2044	275,000	102,694	377,694
2045	290,000	91,394	381,394
2046	305,000	79,303	384,303
2047	320,000	66,413	386,413
2048	335,000	52,902	387,902
2049	355,000	38,671	393,671
2050	370,000	23,718	393,718
2051	390,000	8,043	398,043
	<u>\$ 5,600,000</u>	<u>\$ 3,545,116</u>	<u>\$ 9,145,116</u>

See accompanying auditor's report.

Harris County Municipal Utility District No. 542
TSI-5. Long-Term Debt Service Requirements
Series 2024A--by Years
January 31, 2026

Due During Fiscal Years Ending	Principal Due April 1	Interest Due April 1, October 1	Total
2027	\$ -	\$ 281,350	\$ 281,350
2028		281,350	281,350
2029	150,000	276,475	426,475
2030	165,000	266,238	431,238
2031	175,000	255,188	430,188
2032	175,000	244,469	419,469
2033	175,000	235,938	410,938
2034	200,000	228,438	428,438
2035	200,000	220,438	420,438
2036	200,000	212,438	412,438
2037	225,000	203,938	428,938
2038	225,000	194,938	419,938
2039	250,000	185,438	435,438
2040	250,000	175,438	425,438
2041	275,000	164,938	439,938
2042	275,000	153,938	428,938
2043	300,000	142,250	442,250
2044	300,000	129,875	429,875
2045	325,000	116,984	441,984
2046	325,000	103,578	428,578
2047	350,000	89,655	439,655
2048	350,000	75,218	425,218
2049	375,000	60,030	435,030
2050	400,000	43,562	443,562
2051	400,000	26,561	426,561
2052	425,000	9,030	434,030
	<u>\$ 6,490,000</u>	<u>\$ 4,377,693</u>	<u>\$ 10,867,693</u>

See accompanying auditor's report.

Harris County Municipal Utility District No. 542
TSI-5. Long-Term Debt Service Requirements
Series 2025 Road--by Years
January 31, 2026

Due During Fiscal Years Ending	Principal Due April 1	Interest Due April 1, October 1	Total
2027	\$ -	\$ 407,746	\$ 407,746
2028		376,381	376,381
2029	150,000	371,507	521,507
2030	155,000	361,594	516,594
2031	165,000	351,194	516,194
2032	170,000	340,306	510,306
2033	180,000	328,930	508,930
2034	190,000	318,332	508,332
2035	200,000	308,581	508,581
2036	210,000	299,381	509,381
2037	220,000	290,781	510,781
2038	235,000	281,682	516,682
2039	245,000	271,775	516,775
2040	260,000	260,881	520,881
2041	275,000	249,178	524,178
2042	285,000	236,750	521,750
2043	300,000	223,587	523,587
2044	315,000	209,750	524,750
2045	335,000	195,125	530,125
2046	350,000	179,494	529,494
2047	370,000	162,844	532,844
2048	390,000	145,269	535,269
2049	410,000	126,769	536,769
2050	430,000	107,075	537,075
2051	455,000	86,056	541,056
2052	475,000	63,375	538,375
2053	500,000	39,000	539,000
2054	530,000	13,250	543,250
	<u>\$ 7,800,000</u>	<u>\$ 6,606,593</u>	<u>\$ 14,406,593</u>

See accompanying auditor's report.

Harris County Municipal Utility District No. 542
TSI-5. Long-Term Debt Service Requirements
All Bonded Debt Series--by Years
January 31, 2026

Due During Fiscal Years Ending	Principal Due April 1	Interest Due April 1, October 1	Total
2027	\$ 425,000	\$ 1,469,677	\$ 1,894,677
2028	600,000	1,414,313	2,014,313
2029	930,000	1,376,014	2,306,014
2030	980,000	1,326,201	2,306,201
2031	1,010,000	1,275,439	2,285,439
2032	1,095,000	1,225,113	2,320,113
2033	1,115,000	1,177,975	2,292,975
2034	1,155,000	1,134,377	2,289,377
2035	1,225,000	1,090,576	2,315,576
2036	1,270,000	1,045,910	2,315,910
2037	1,315,000	1,001,054	2,316,054
2038	1,390,000	954,939	2,344,939
2039	1,460,000	905,632	2,365,632
2040	1,510,000	853,266	2,363,266
2041	1,615,000	797,873	2,412,873
2042	1,635,000	739,785	2,374,785
2043	1,735,000	678,907	2,413,907
2044	1,765,000	615,369	2,380,369
2045	1,875,000	549,084	2,424,084
2046	1,955,000	478,737	2,433,737
2047	2,070,000	404,155	2,474,155
2048	1,875,000	330,277	2,205,277
2049	1,990,000	256,920	2,246,920
2050	1,730,000	183,518	1,913,518
2051	1,245,000	120,660	1,365,660
2052	900,000	72,405	972,405
2053	500,000	39,000	539,000
2054	530,000	13,250	543,250
	<u>\$ 36,900,000</u>	<u>\$ 21,530,426</u>	<u>\$ 58,430,426</u>

See accompanying auditor's report.

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Harris County Municipal Utility District No. 542
TSI-6. Change in Long-Term Bonded Debt
January 31, 2026

	Bond Issue			
	Series 2019	Series 2020	Series 2021	Series 2022
Interest rate	2.00% - 3.25%	2.00% - 4.50%	2.50% - 5.00%	4.00% - 6.50%
Dates interest payable	4/1; 10/1	4/1; 10/1	4/1; 10/1	4/1; 10/1
Maturity dates	4/1/23 - 4/1/46	4/1/24 - 4/1/48	4/1/24 - 4/1/49	4/1/26 - 4/1/49
Beginning bonds outstanding	\$ 3,055,000	\$ 5,800,000	\$ 3,880,000	\$ 4,600,000
Bonds issued				
Bonds retired	(75,000)	(150,000)	(100,000)	
Ending bonds outstanding	<u>\$ 2,980,000</u>	<u>\$ 5,650,000</u>	<u>\$ 3,780,000</u>	<u>\$ 4,600,000</u>
Interest paid during fiscal year	<u>\$ 91,663</u>	<u>\$ 145,344</u>	<u>\$ 109,857</u>	<u>\$ 208,375</u>
Paying agent's name and city				
All Other Series	The Bank of New York Mellon Trust Company, N.A., Dallas, Texas			
Series 2025 Road	BOKE, N.A., Dallas, Texas			
Bond Authority:	Water, Sewer and Drainage Bonds and Refunding	Park and Recreational Facilities Bonds and Refunding	Road Facilities Bonds and Refunding	
Amount Authorized by Voters	\$ 175,000,000	\$ 20,000,000	\$ 30,000,000	
Amount Issued	(26,620,000)		(10,955,000)	
Remaining To Be Issued	<u>\$ 148,380,000</u>	<u>\$ 20,000,000</u>	<u>\$ 19,045,000</u>	

All bonds are secured with tax revenues. Bonds may also be secured with other revenues in combination with taxes.

Debt Service Fund cash and investments balance as of January 31, 2026: \$ 4,299,507

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 2,086,801

See accompanying auditor's report.

Bond Issue			Totals
Series 2024	Series 2024A	Series 2025	
4.00% - 6.50%	4.00% - 6.50%	4.00% - 6.50%	
4/1; 10/1	4/1; 10/1	4/1; 10/1	
4/1/27 - 4/1/50	4/1/28 - 4/1/51	4/1/28 - 4/1/53	
\$ 5,600,000	\$ 6,490,000	\$ -	\$ 29,425,000
		7,800,000	7,800,000
			(325,000)
<u>\$ 5,600,000</u>	<u>\$ 6,490,000</u>	<u>\$ 7,800,000</u>	<u>\$ 36,900,000</u>
<u>\$ 242,031</u>	<u>\$ 257,904</u>	<u>\$ -</u>	<u>\$ 1,055,174</u>

Harris County Municipal Utility District No. 542**TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund
For the Last Five Fiscal Years**

	Amounts				
	2026	2025	2024	2023	2022
Revenues					
Water service	\$ 253,444	\$ 209,857	\$ 210,055	\$ 158,487	\$ 113,263
Sewer service	334,914	315,705	271,473	203,029	179,185
Property taxes	2,075,607	1,728,496	1,372,110	1,342,323	778,481
Penalties and interest	12,765	17,416	15,359	12,392	7,597
Surface water fees	305,079	339,497	402,574	364,671	256,627
Tap connection and inspection	184,699	159,924	265,940	210,543	75,076
Miscellaneous			2,199	2,041	287
Investment earnings	122,573	165,420	116,466	29,544	2,713
Total Revenues	3,289,081	2,936,315	2,656,176	2,323,030	1,413,229
Expenditures					
Current service operations					
Purchased services	858,798	873,692	715,805	830,939	455,343
Professional fees	264,087	208,734	180,187	167,364	213,965
Contracted services	596,896	553,874	556,975	432,932	298,123
Repairs and maintenance	311,293	268,826	262,517	232,913	110,139
Utilities	3,187	3,240	2,814	2,246	2,603
Administrative	60,958	45,352	43,369	37,274	36,804
Other	69,054	42,243	25,769	22,259	18,180
Capital outlay	437,437	1,117,368	37,520	17,646	8,608
Total Expenditures	2,601,710	3,113,329	1,824,956	1,743,573	1,143,765
Revenues Over/(Under) Expenditures	687,371	(177,014)	831,220	579,457	269,464
Other Financing Sources					
Internal transfers	8,558				
Net Change in Fund Balance	695,929	(177,014)	831,220	579,457	269,464
Fund Balance, Beginning of the year	2,066,016	2,243,030	1,411,810	832,353	562,889
End of the year	\$ 2,761,945	\$ 2,066,016	\$ 2,243,030	\$ 1,411,810	\$ 832,353
Total Active Retail Water					
Connections	960	919	827	662	524
Total Active Retail Wastewater					
Connections	949	909	817	652	515

*Percentage is negligible

See accompanying auditor's report.

Percent of Fund Total Revenues				
2026	2025	2024	2023	2022
8%	7%	8%	7%	8%
10%	11%	10%	9%	13%
63%	58%	52%	57%	55%
*	1%	1%	1%	1%
9%	12%	15%	16%	18%
6%	5%	10%	9%	5%
		*	*	*
4%	6%	4%	1%	*
100%	100%	100%	100%	100%
26%	30%	27%	36%	32%
8%	7%	7%	7%	15%
18%	19%	21%	19%	21%
9%	9%	10%	10%	8%
*	*	*	*	*
2%	2%	2%	2%	3%
2%	1%	1%	1%	1%
13%	38%	1%	1%	1%
78%	106%	69%	76%	81%
22%	(6%)	31%	24%	19%

Harris County Municipal Utility District No. 542

TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fund

For the Last Five Fiscal Years

	Amounts				
	2026	2025	2024	2023	2022
Revenues					
Property taxes	\$ 1,363,428	\$ 1,236,164	\$ 677,437	\$ 338,837	\$ 162,773
Penalties and interest	19,558	22,418	4,564	7,630	5,608
Miscellaneous	20,124	9,721	7,245	16,961	12,996
Investment earnings	56,050	48,418	23,849	7,468	503
Total Revenues	1,459,160	1,316,721	713,095	370,896	181,880
Expenditures					
Tax collection services	62,923	61,977	38,619	31,984	19,776
Other					4,736
Debt service					
Principal	325,000	300,000	50,000		
Interest and fees	1,045,249	718,798	584,026	352,661	266,189
Total Expenditures	1,433,172	1,080,775	672,645	384,645	290,701
Revenues Over/(Under) Expenditures	25,988	235,946	40,450	(13,749)	(108,821)
Other Financing Sources					
Proceeds from sale of bonds	376,381	302,350			
Net Change in Fund Balance	402,369	538,296	40,450	(13,749)	(108,821)
Fund Balance, Beginning of the year	770,549	232,253	191,803	205,552	314,373
End of the year	\$ 1,172,918	\$ 770,549	\$ 232,253	\$ 191,803	\$ 205,552

*Percentage is negligible

See accompanying auditor's report.

Percent of Fund Total Revenues				
2026	2025	2024	2023	2022
94%	93%	95%	91%	90%
1%	2%	1%	2%	3%
1%	1%	1%	5%	7%
4%	4%	3%	2%	*
100%	100%	100%	100%	100%
4%	5%	5%	9%	11%
				3%
22%	23%	7%		
72%	55%	82%	95%	146%
98%	83%	94%	104%	160%
2%	17%	6%	(4%)	(60%)

Harris County Municipal Utility District No. 542
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended January 31, 2026

Complete District Mailing Address: 3200 Southwest Freeway, Suite 2600, Houston, Texas 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 22, 2024
Limit on Fees of Office that a Director may receive during a fiscal year: \$ 7,200
(Set by Board Resolution -- TWC Section 49.060)

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimburse- ments	Title at Year End
Board Members				
Claudine Pacioni	5/2024 - 5/2028	\$ 4,420	\$ 2,599	President
Daniel Kinchen	5/2024 - 5/2028	2,431	1,878	Vice President
Nathan Utt	5/2022 - 5/2026	3,536	4,915	Secretary
Mark Shaffer	5/2022 - 5/2026	3,536	1,492	Assistant Secretary
Melvin Wachsmann	5/2024 - 5/2028	3,978	2,574	Assistant Vice President
Consultants				
Allen Boone Humphries Robinson LLP	2016	<u>Amounts Paid</u>		Attorney
<i>General legal fees</i>		\$ 152,401		
<i>Bond counsel</i>		203,871		
Municipal District Services, LLC	2016	894,577		Operator
Municipal Accounts & Consulting, LP	2016	115,424		Bookkeeper
Assessments of the Southwest, Inc.	2016	20,509		Tax Collector
Harris Central Appraisal District	Legislation	28,672		Property Valuation
Perdue, Brandon, Fielder, Collins, & Mott, LLP	2017	9,713		Delinquent Tax Attorney
LJA Engineering, Inc.	2017	342,134		Engineer
McGrath & Co., PLLC	2018	34,000		Auditor
The GMS Group, LLC	2016	121,225		Financial Advisor

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

See accompanying auditor's report.

APPENDIX B

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

(To be included in the Final Official Statement, if applicable)