FOREST HILLS
MUNICIPAL UTILITY DISTRICT
(Harris County, Texas)

PRELIMINARY OFFICIAL STATEMENT
DATED: OCTOBER 1, 2026

$4,200,000
UNLIMITED TAX BONDS
SERIES 2026

BIDS DUE: 12:00 NOON, HOUSTON TIME
BONDS AWARDED: 7:00 P.M., HOUSTON TIME
THURSDAY, NOVEMBER 5, 2026
HOUSTON, TEXAS

RATHMANN & ASSOCIATES
Financial Advisor to the District

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER 1, 2026

This Preliminary Official Statement is subject to completion and amendment and is intended solely for the solicitation of initial bids to purchase the Bonds. Upon the sale of the Bonds, the Official Statement will be completed and delivered to the Underwriter.

IN THE OPINION OF BOND COUNSEL, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER EXISTING LAW AND INTEREST ON THE BONDS IS NOT SUBJECT TO THE ALTERNATIVE MINIMUM TAX ON INDIVIDUALS; HOWEVER, SUCH INTEREST IS TAKEN INTO ACCOUNT IN DETERMINING THE ANNUAL ADJUSTED FINANCIAL STATEMENT INCOME OF APPLICABLE CORPORATIONS FOR THE PURPOSE OF DETERMINING THE ALTERNATIVE MINIMUM TAX IMPOSED ON CORPORATIONS. SEE "TAX MATTERS" FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.

The District will designate the Bonds as "qualified tax-exempt obligations" for financial institutions. See "TAX MATTERS - Qualified Tax-Exempt Obligations for Financial Institutions."

NEW ISSUE - Book-Entry Only

Ratings: Moody's investors Service, Inc. (Underlying) … "Baa3"
See "SALE AND DISTRIBUTION OF THE BONDS - Municipal Bond Insurance and Ratings" herein

$4,200,000
FOREST HILLS MUNICIPAL UTILITY DISTRICT
(A Political Subdivision of the State of Texas, located within Harris County, Texas)
UNLIMITED TAX BONDS, SERIES 2026

Dated: December 1, 2026
Interest Accrual Date: Date of Delivery

Due: September 1, as shown on the inside cover

Principal of the above bonds (the "Bonds") is payable by the paying agent/registrar, initially, The Bank of New York Mellon Trust Company, N. A., currently in Houston, Texas, or any successor paying agent/registrar (the "Paying Agent," "Registrar" or Paying Agent/Registrar"). Interest on the Bonds accrues from the date of initial delivery (expected December 10, 2026) (the "Date of Delivery"), and is payable on September 1, 2027, and on each March 1 and September 1 thereafter until the earlier of maturity or redemption. The Bonds are issued in denominations of $5,000 or any integral multiple thereof in fully registered form only. The Bonds are subject to redemption, in whole or in part, prior to their scheduled maturities on September 1, 2031, or on any date thereafter, at the option of Forest Hills Municipal Utility District (the "District"). Upon redemption, the Bonds will be payable at a price equal to the principal amount of the Bonds or the portions thereof so called for redemption, plus accrued interest to the date of redemption. If fewer than all of the Bonds are redeemed at any time, the particular maturities and amounts of the Bonds to be redeemed shall be selected by the District in integral multiples of $5,000 within any one maturity. If fewer than all of the Bonds of any given maturity are to be redeemed at any time, the particular Bonds to be redeemed shall be selected by such method of random selection as determined by the Registrar or by DTC (defined below) in accordance with its procedures while the Bonds are in book-entry-only form. The Registered Owner of any Bond, all or a portion of which has been called for redemption, shall be required to present same to the Registrar for payment of the redemption price on the portion of the Bond so called for redemption and issuance of a new Bond in the principal amount equal to the portion of such Bond not redeemed.

The Bonds will be registered and delivered only in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York, ("DTC"), which will act as securities depository for the Bonds. Beneficial Owners (as defined herein under "THE BONDS - Book-Entry-Only System") of the Bonds will not receive physical certificates representing the Bonds, but will receive a credit balance on the books of the DTC participants. So long as Cede & Co. is the registered owner of the Bonds, the principal of and interest on the Bonds will be paid by the Paying Agent/Registrar (as defined herein) directly to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the Beneficial Owners. In reading this Official Statement, it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to Registered Owners should be read to include the person for which the Direct or Indirect Participant (as defined under "THE BONDS - Book-Entry-Only System") acquires an interest in the Bonds, but (i) all rights or ownership must be exercised through DTC and the Book-Entry Only System, and, (ii) except as described herein, notices that are to be given to Registered Owners under the Bond Order (defined herein) will be given only to DTC. See "THE BONDS - Book-Entry-Only System."

The Bonds constitute the tenth series of bonds issued by the District for the purpose of acquiring and constructing a waterworks, sanitary sewer and storm drainage system (the "System") to serve the District and refunding bonds previously issued for such purpose. THE BONDS ARE SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS DESCRIBED HEREIN. SEE "INVESTMENT CONSIDERATIONS." At an election held on November 5, 2013, District voters authorized a total of $42,900,000 principal amount of bonds for the purpose of acquiring and constructing the System and for refunding such bonds. Following the issuance of the Bonds, $32,915,000 principal amount of unlimited tax bonds for the System and for refunding such bonds will remain authorized but unissued. See "THE BONDS - Legal Ability to Issue Additional Debt."

The Bonds, when issued, constitute valid and binding obligations of the District, and are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. Neither the State of Texas, the City of Houston, Texas, Harris County, Texas, nor any political subdivision other than the District shall be obligated to pay the principal of and interest on the Bonds. Neither the faith and credit nor the taxing power of the State of Texas, the City of Houston, Texas, or Harris County, Texas, is pledged to the payment of the principal of and interest on the Bonds.

The Bonds are offered when, as and if issued by the District, subject among other things to the approval of the Attorney General of Texas and of Coats Rose, P.C., Houston, Texas, Bond Counsel. Certain legal matters will be passed upon for the District by McCall, Parkhurst & Horton L.L.P., Houston, Texas, as Disclosure Counsel. Delivery of the Bonds in book-entry form through DTC is expected to be on or about December 10, 2026.

MATURITY SCHEDULE

CUSIP Prefix (a): 345757

Principal Amount	Maturity (Due September 1)	Interest Rate	Initial Reoffering Yield (b)	CUSIP Suffix (a)
$60,000	2038(c)			
55,000	2039(c)			
45,000	2040(c)			
75,000	2041(c)			
85,000	2042(c)			
85,000	2043(c)			
85,000	2044(c)			
85,000	2045(c)			
95,000	2046(c)			
95,000	2047(c)			
100,000	2048(c)			
110,000	2049(c)			
105,000	2050(c)			
105,000	2051(c)			
105,000	2052(c)			
670,000	2053(c)			
710,000	2054(c)			
745,000	2055(c)			
785,000	2056(c)			

(a) CUSIP is a registered trademark of the American Bankers Association. CUSIP data is provided by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association. CUSIP numbers have been assigned to this issue by the CUSIP Service Bureau and are included solely for the convenience of the owners of the Bonds. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. Neither the District, the Financial Advisor (as defined herein), nor the Underwriter (as defined herein) take any responsibility for the accuracy of CUSIP numbers.

(b) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Underwriter. Initial reoffering yields represent the initial offering price to the public which has been established by the Underwriter for public offerings, and which subsequently may be changed.

(c) Subject to optional redemption as described on the front cover.

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

This Official Statement does not constitute, and is not authorized by the District for use in connection with, an offer to sell or the solicitation of any offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

All of the summaries of the statutes, resolutions, orders, contracts, audited financial statements, engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from the District upon payment of the costs for duplication thereof.

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

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

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

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the bid resulting in the lowest net effective interest rate, which was tendered by _____ (the "Underwriter"), to purchase the Bonds bearing the interest rates shown under "MATURITY SCHEDULE" on the inside cover page hereof at a price of _____% of the principal amount thereof, which resulted in a net effective interest rate of _____%, as calculated pursuant to Chapter 1204, Texas Government Code, as amended.

Prices and Marketability

The District has no control over the trading of the Bonds in the secondary market. Moreover, there is no guarantee that a secondary market will be made in the Bonds. In such a secondary market, the difference between the bid and asked price of 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.

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

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

Securities Laws

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

Municipal Bond Insurance and Ratings

Applications have been made to Assured Guaranty Municipal Corp. ("AGM") and Build America Mutual Assurance Company ("BAM") to issue a commitment for municipal bond guaranty insurance on the Bonds. The purchase of such insurance, if available, and payment of all associated costs, including the premium charged by the insurer, and fees charged by any rating companies other than Moody's Investors Service, Inc. ("Moody's"), will be at the option and expense of the Underwriter. The Underwriter understands, by submission of its bid, that the Underwriter is solely responsible for the selection of any insurer and for all negotiations with (i) the insurer as to the premium to be paid, and (ii) the insurer and any and all rating companies as to selection of such rating companies, the ratings to be assigned the Bonds as a consequence of the issuance of the municipal bond insurance policy, and the payment of fees in connection with such ratings except the Moody's rating fees as described below. Moody's has assigned an underlying rating of "Baa1" to the Bonds. If the Underwriter chooses to purchase municipal bond insurance on the Bonds, separate rating(s), including a rating by Moody's, may at the election of the Underwriter be assigned the Bonds based upon the understanding that upon delivery of the Bonds an insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by the insurer. The District will pay the cost of both the underlying rating of Moody's and the Moody's rating associated with the insurance policy issued relating to the Bonds, if the latter is elected to be used by the

Underwriter. As is stated in this Preliminary Official Statement under the caption "LEGAL MATTERS - No Material Adverse Change," if the Underwriter elects to purchase municipal bond guaranty insurance on the Bonds, the rating of the insurer's creditworthiness by any rating agency does not and will not in any manner affect the District's financial condition, and thus any change to such rating, including a downgrade thereof, at any time, does not and will not constitute a change, material or otherwise, in the District's financial condition, and therefore cannot be a basis for termination by the Underwriter of its obligations to take up and pay for the Bonds.

BOND INSURANCE RISK FACTORS

As is stated above under the caption "Municipal Bond Insurance and Ratings," applications have been made to insurers to issue a commitment for municipal bond guaranty insurance on the Bonds. If the Underwriter purchases such municipal bond guaranty insurance on the Bonds as set forth under such caption, in the event of default of the payment of principal of or interest on the Bonds when all or some become due, any owner of the Bonds shall have a claim under the municipal bond guaranty insurance policy (the "Policy") for such payments.

In the event that an insurer is unable to make payment of principal and interest on the Bonds as such payments become due under the Policy, the Bonds are payable solely from the moneys received pursuant to the applicable bond documents. In the event that an insurer becomes obligated to make payments with respect to the Bonds, no assurance is given that such event would 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 any such insurer and its claims paying ability. An 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 an insurer and the ratings on bonds insured by any such insurer, including the Bonds, would not be subject to downgrade. Such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds.

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

Neither the District, nor to the knowledge of the District the Underwriter, has made independent investigation into the claims paying ability of any potential insurer of the Bonds and no assurance or representation regarding the financial strength or projected financial strength of any potential insurer is made by either the District or the Underwriter. Therefore, when making an investment decision, potential investors should carefully consider the ability of the District to pay the principal of and interest on the Bonds and the claims paying ability of any potential insurer, particularly over the life of the investment. See "SALE AND DISTRIBUTION OF THE BONDS - Municipal Bond Insurance and Ratings" above for further information regarding the District's application for municipal bond guaranty insurance on the Bonds.

OFFICIAL STATEMENT SUMMARY

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

THE BONDS

The Issuer	Forest Hills Municipal Utility District (the "District"), is a political subdivision of the State of Texas located in Harris County, Texas. See "THE DISTRICT."
Description.....	$4,200,000 Unlimited Tax Bonds, Series 2026 (the "Bonds"), are dated December 1, 2026, and mature on September 1 in the years and principal amounts shown on the inside cover page of this Official Statement under the heading "MATURITY SCHEDULE." Interest on the Bonds accrues from the date of initial delivery to the Underwriter (the "Date of Delivery"), at the rates shown on the inside cover hereof, and is payable on September 1, 2024, and on each March 1 and September 1 thereafter (each, an "Interest Payment Date") until maturity or prior redemption. The Bonds are issued in fully registered form and will be issued in denominations of $5,000 of principal amount or integral multiples thereof. The Bonds are subject to redemption, in whole or in part, prior to their scheduled maturities, on September 1, 2031, or on any date thereafter at the option of the District. Upon redemption, the Bonds will be payable at a price equal to the principal amount of the Bonds, or portions thereof, so called for redemption, plus accrued interest to the date fixed for redemption. The Bonds will be issued pursuant to a bond order (the "Bond Order") adopted by the Board of Directors of the District. The Bonds are being issued under the authority of Chapters 49 and 54 of the Texas Water Code, as amended and an Order of the TCEQ (hereinafter defined). See "THE BONDS."
Book-Entry-Only System.....	The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC (defined herein), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the Beneficial Owners (as defined herein) thereof. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar (hereinafter defined) to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the Beneficial Owners of the Bonds (see "THE BONDS - Book-Entry-Only System").
Source of Payment.....	Principal of and interest on the Bonds are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property located within the District. The Bonds are obligations of the District and are not obligations of Harris County, Texas, the City of Houston, Texas, the State of Texas or any political subdivision other than the District. See "THE BONDS - Source of Payment," "TAX DATA - Tax Rate Calculations," and "INVESTMENT CONSIDERATIONS - Maximum Impact on District Tax Rates."

Use of Proceeds	Proceeds of the sale of the Bonds will be used by the District to (i) finance construction of water, sewer and drainage facilities and a detention pond to serve to serve Forestwood, Section 9; mass grading to serve Forestwood mitigation, and land acquisition costs for the detention pond; (ii) pay certain engineering costs related to the aforementioned facilities and projects; (iii) pay interest on advances made to or on behalf of the District; and (iv) pay for administrative and issuance costs, legal fees, fiscal agent fees, fees to the TCEQ and the Attorney General of Texas, and certain financing costs related to the issuance of the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."
Payment Record.....	The District has never defaulted in the timely payment of the principal of and interest on its outstanding bonds. The District has previously issued Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 1978 (the "Series 1978 Bonds"), Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2001 (the "Series 2001 Bonds"), Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2005 (the "Series 2005 Bonds"), Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2006 (the "Series 2006 Bonds"), Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2010 (the "Series 2010 Bonds"), Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2016 (the "Series 2016 Bonds"), Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2017 (the "Series 2017 Bonds"), Unlimited Tax Bonds, Series 2022 (the "Series 2022 Bonds") and Unlimited Tax Bonds, Series 2023 (the "Series 2023 Bonds") for the purpose of acquiring or constructing water supply and distribution, wastewater collection and treatment and storm drainage facilities (the "System"), and Unlimited Tax Refunding Bonds, Series 2013 (the "Series 2013 Refunding Bonds") and Unlimited Tax Refunding Bonds, Series 2020 (the "Series 2020 Refunding Bonds") for the purpose of refunding certain outstanding bonds of the District (collectively, the "Prior Bonds"). After issuance of the Bonds, the total of the District's direct bonded indebtedness, including the Bonds, will be $14,545,000 (the "Outstanding Bonds"). See "THE BONDS - Legal Ability to Issue Additional Debt" and "INVESTMENT CONSIDERATIONS - Future Debt."
Authorized But Unissued Bonds.....	$32,915,000 bonds for waterworks, sanitary sewer, and drainage facilities and for refunding such bonds will remain authorized but unissued after issuance of the Bonds. See "THE BONDS - Legal Ability to Issue Additional Debt."
Municipal Bond Insurance and Rating	Applications have been made to Assured Guaranty Municipal Corp. ("AGM") and Build America Mutual Assurance Company ("BAM") to issue a commitment for municipal bond guaranty insurance on the Bonds. The purchase of such insurance, if available, and payment of all associated costs, including the premium charged by the insurer, and fees charged by any rating companies other than Moody's Investors Service, Inc. ("Moody's"), will be at the option and expense of the Underwriter. The Underwriter understands, by submission of its

bid, that the Underwriter is solely responsible for the selection of any insurer and for all negotiations with (i) the insurer as to the premium to be paid, and (ii) the insurer and any and all rating companies as to selection of such rating companies, the ratings to be assigned the Bonds as a consequence of the issuance of the municipal bond insurance policy, and the payment of fees in connection with such ratings except the Moody's rating fees as described below. Moody's has assigned an underlying rating of "Baa1" to the Bonds. If the Underwriter chooses to purchase municipal bond insurance on the Bonds, separate rating(s), including a rating by Moody's, may at the election of the Underwriter be assigned the Bonds based upon the understanding that upon delivery of the Bonds an insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by the insurer. The District will pay the cost of both the underlying rating of Moody's and the Moody's rating associated with the insurance policy issued relating to the Bonds, if the latter is elected to be used by the Underwriter. As is stated in this Official Statement under the caption "LEGAL MATTERS - No Material Adverse Change," if the Underwriter elects to purchase municipal guaranty insurance on the Bonds, the rating of the insurer's creditworthiness by any rating agency does not and will not in any manner affect the District's financial condition, and thus any change to such rating, including a downgrade thereof, at any time, does not and will not constitute a change, material or otherwise, in the District's financial condition, and therefore cannot be a basis for termination by the Underwriter of its obligations to take up and pay for the Bonds

Qualified Tax-Exempt Obligations ..... The District will designate the Bonds as "qualified tax-exempt obligations" pursuant to Section 265 (b) of the Internal Revenue Code of 1986, as amended. See "TAX MATTERS - Qualified Tax-Exempt Obligations for Financial Institutions."

Bond Counsel..... Coats Rose, P.C., Houston, Texas, Bond Counsel. See "LEGAL MATTERS" and "TAX MATTERS."

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

Financial Advisor..... Rathmann & Associates, L.P., Houston, Texas.

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

Consulting Engineer ..... Baxter & Woodman, Inc., Houston, Texas; Engineer for the District.

THE DISTRICT

Description..... Forest Hills Municipal Utility District (the "District") a political subdivision of the State of Texas, was created by the Texas Water Rights Commission, a predecessor of the Texas Commission on Environmental Quality (the "TCEQ") on October 2, 1974. The District contains approximately 496.5 acres of land. The District is located approximately 12 miles north of the central business district of Houston, Texas. The District is located in north Harris County, approximately 2 miles south of Beltway 8, and approximately 2 miles west of Interstate Highway 45. The District is bounded on the east by Veterans Memorial Drive. The District is located entirely within the exclusive extraterritorial

jurisdiction of the City of Houston, Texas. The District is located within Harris County, Texas, and the Aldine Independent School District. See "THE DISTRICT - Description" and "APPENDIX A - LOCATION MAP."

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

Development of the District..... Development activity which has been conducted to date within the District includes the completion of the development of an aggregate of approximately 221.7 acres of land which includes 1,072 fully developed single-family residential lots. As of October 15, 2026, single-family homes have been constructed on 969 of such lots. Approximately 50.7 acres within the District have been developed for commercial development on which an RV park, Valero service station/convenience store, one strip shopping center and two auto repair shops have been constructed. A fire station has been built on approximately 7.4 acres within the District.

The residential development completed to date within the District includes the construction of underground water distribution, wastewater collection, and storm sewer facilities and street paving to serve (i) Forestwood, Section 1, which consists of approximately 57.8 acres subdivided into 232 single-family residential lots; (ii) Forestwood, Section 2, which consists of approximately 51.8 acres subdivided into 240 single-family residential lots, (iii) Forestwood, Section 3, which consists of approximately 29.6 acres subdivided into 149 single-family residential lots, (iv) Forestwood, Section 4, which consists of approximately 26.9 acres subdivided into 131 single-family residential lots, (v) Forestwood, Section 5, which consists of approximately 4.9 acres subdivided into 28 single-family residential lots, (vi) Forestwood, Section 6, which consists of approximately 8.3 acres subdivided into 46 single-family residential lots, (vii) , Forestwood, Section 7, which consists of approximately 8.0 acres subdivided into 38 single-family residential lots, (viii) Forestwood, Section 8, which consists of approximately 11.0 acres subdivided into 55 single-family residential lots, (ix) Forestwood, Section 9, which consists of approximately 15.2 acres subdivided into 103 single-family residential lots, and (x) Forestwood Enclave, which consists of approximately 10.2 acres which have been subdivided into 50 single-family residential lots. The Forestwood, Sections 1 through 8 and Forestwood Enclave lots were developed by Arete Real Estate and Development Company, Inc., a Texas corporation, whose president is Joe Fogarty. Such lots were then conveyed to D.R. Horton Homes for home building purposes. Homes that have been built by D.R. Horton Homes in Forestwood range in size from approximately 1,500 to 1,800 square feet of building area and in sales price from approximately $190,000 to $250,000. See "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments" and "TAX DATA - Principal 2026 Taxpayers."

The owner of Forestwood, Section 9 and future Forestwood, Section 11 (30 single-family residential lots, 7.5 acres) is Harris Manor Associates, L.P. Tejas Engineering Management, LLC ("TEM") has been retained by Harris Manor Associates, L.P. to manage the development of Forestwood, Sections 9 and 11 on behalf of Harris Manor Associates, L.P. for a fee. According to TEM, the development of Forestwood, Section 9 has been completed, including street paving, and such 103 lots are currently being marketed for sale to home building companies for single-family home building purposes. There is no current definitive plan for the commencement of the development of future Forestwood, Section 11, and the District cannot represent the development of future Forestwood, Section 11 will occur as it has been reported to the District and described above, or at all, or that home construction will occur on the Forestwood, Section 9 or future Section 11 lots.

Approximately 58 additional acres located within the District are currently undeveloped and available for future development. Such approximately 58 acres are owned by multiple parties, none of which has reported any definitive development plan to the District covering any of such acres. Moreover, since no owner of any of the currently undeveloped land located within the District or any other party has any obligation to the District to undertake the development of any portion thereof, the District cannot represent whether, or when, the development of any of such undeveloped acres might be undertaken, or the ultimate usage of such property. Approximately 1.1 of such approximately 58 undeveloped acres are owned by Westchase Madison, Inc., a related entity of Harris Manor Associates, LP. Approximately 3.1 of such approximately 58 undeveloped acres are owned by Burleson Ventures, LLC. Approximately 44.6 of such approximately 58 undeveloped acres are owned by VFO LLC. Such acreage owned by VFO LLC is classified as "qualified agricultural land," the consequence of which is that such land is taxed at a small fraction of its fair market value. See "TAXING PROCEDURES - Agricultural, Open Space, and Timberland and Inventory Deferment." The balance of the land located within the District consists of parks, recreation sites and open spaces, drainage easements, a detention pond site, District facilities sites and certain natural gas pipeline easements, or is otherwise not available for development. See "FUTURE DEVELOPMENT" and "TAX DATA - Principal 2026 Taxpayers."

The District financed the acquisition or construction of underground water, sewer, and drainage facilities (the "System") that serve Forestwood, Sections 1 through 8, Forestwood Enclave, Fallbrook Commercial Center, Fallbrook RV Park, Water Well No. 2, Forestwood detention pond, Forestwood detention pond clearing, stormwater improvements and other facilities, with proceeds of the sale of the Prior Bonds. The District is financing the acquisition or construction of components of the System that serve Forestwood, Section 9, and Forestwood detention pond and other facilities with proceeds of the sale of the Bonds. The District expects to finance additional components of the System with the proceeds of the sale of bonds, if any, to be issued by the District in the future. See "THE BONDS - Legal Ability to Issue Additional Debt," "INVESTMENT CONSIDERATIONS - Future Debt" and "THE SYSTEM."

INVESTMENT CONSIDERATIONS

THE BONDS ARE SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS AS SET FORTH IN THIS OFFICIAL STATEMENT. PROSPECTIVE PURCHASERS SHOULD CAREFULLY REVIEW THE ENTIRE OFFICIAL STATEMENT BEFORE MAKING THEIR INVESTMENT DECISIONS, ESPECIALLY THE PORTION OF THE OFFICIAL STATEMENT ENTITLED "INVESTMENT CONSIDERATIONS."

SELECTED FINANCIAL INFORMATION
(Unaudited)

2026 Assessed Valuation (As of January 1, 2026) See "TAX DATA" and "TAXING PROCEDURES"	$	258,655,464	(a)
Direct Debt:			
Outstanding Bonds	$	10,345,000	
The Bonds		4,200,000	
Total	$	14,545,000	(b)
Estimated Overlapping Debt	$	13,522,751	
Total Direct and Estimated Overlapping Debt	$	28,067,751	
Direct Debt Ratio : as a percentage of 2026 Assessed Valuation		5.62	%
Direct and Overlapping Debt Ratio : as a percentage of 2026 Assessed Valuation		10.85	%
Debt Service Fund Balance as of October 1, 2026	$	1,338,060	(c)
General Fund Balance as of October 1, 2026	$	4,588,770	
2026 Tax Rate per $100 of Assessed Valuation			
Debt Service Tax	$	0.34	
Maintenance Tax		0.52	
Total	$	0.86	(d)
Average Percentage of Total Tax Collections (2015-2024) as of September 30, 2026		99.72	%
Percentage of Tax Collections 2025 Levy as of September 30, 2026		97.25	%
Average Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2027-2056)	$	865,758	
Maximum Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2031)	$	1,046,738	
Tax Rate per $100 of Assessed Valuation Required to Pay Average Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2027-2056) at 95% Tax Collections Based Upon 2026 Assessed Valuation	$	0.36	(d)
Tax Rate per $100 of Assessed Valuation Required to Pay Maximum Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2031) at 95% Tax Collections Based Upon 2026 Assessed Valuation	$	0.43	(e)

Number of Single Family Residences as of October 1, 2026	969

(a) As of January 1, 2026, and comprises the District's 2026 tax roll. All property located in the District is valued on the tax rolls by the Harris Central Appraisal District (the "Appraisal District") at 100% of assessed valuation as of January 1 of each year. The District's tax roll is certified by the Harris County Appraisal Review Board (the "Appraisal Review Board"). Such sum includes an uncertified component of $24,254,682, which is included in the amount of $258,655,464. The District's ultimate 2026 Assessed Valuation will not be determined until such uncertified values are certified by the Appraisal Review Board, and thus may vary from such sum of $258,655,464. See "INVESTMENT CONSIDERATIONS - Common Factors Affecting Taxable Values and Tax Payments" and "TAXING PROCEDURES."

(b) See "DISTRICT DEBT." The District has timely paid all interest on the Prior Bonds when due. The District financed portions of the cost of acquiring or constructing components of the System that are described in this Official Statement under the caption "THE SYSTEM" with portions of the proceeds of the sale of the Prior Bonds. The District is financing portions of the cost of acquiring or constructing components of the System that are described in this Official Statement under the caption "USE AND DISTRIBUTION OF BOND PROCEEDS," and other items, with portions of the proceeds of the sale of the Bonds. The District anticipates financing its cost of acquiring or constructing additional components of its System with the proceeds of the sale of bonds, if any, to be issued by the District in the future. See "THE BONDS - Legal Ability to Issue Additional Debt" and "INVESTMENT CONSIDERATIONS - Future Debt."

(c) Neither Texas law nor the Bond Order requires the District to maintain any particular sum in the Debt Service Fund. Such fund balance gives effect to the payment by the District of the entirety of its debt service requirements on the Outstanding Bonds that were due in 2026. The District's initial debt service requirement on the Bonds, consisting of an interest payment thereon, is due on September 1, 2027.

(d) The District levied a total tax rate of $0.86 per $100 of Assessed Valuation for 2026, consisting of debt service and maintenance taxes of $0.34 and $0.52 per $100 of Assessed Valuation, respectively. As is enumerated in this Official Statement under the caption "TAX DATA - Estimated Overlapping Taxes," the total of the 2026 tax levies of all overlapping taxing units which levy taxes upon property located in the District, plus the District's 2026 total rate of $0.86 per $100 of Assessed Valuation, is $2.680600 per $100 of Assessed Valuation. Such aggregate levy is higher than the aggregate tax levies of some municipal utility districts in the Houston metropolitan area, including the area of the District, but is within the range of the aggregate levies of many municipal utility districts in the Houston metropolitan area and the area of the District which are in stages of development comparable with the District. See "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments" and "TAXING PROCEDURES."

FOREST HILLS MUNICIPAL UTILITY DISTRICT
UNLIMITED TAX BONDS
SERIES 2026

INTRODUCTION

This Official Statement provides certain information with respect to the issuance by Forest Hills Municipal Utility District, a political subdivision located in Harris County, Texas (the "District") of its Unlimited Tax Bonds, Series 2026 (the "Bonds").

There follow in this Official Statement descriptions of the Bonds, the District's plan of financing, and certain information about the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the District upon request and payment of the costs of duplication therefor. Certain capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Bond Order (hereinafter defined), except as otherwise indicated herein.

THE BONDS

General

The following is a description of certain terms and conditions of the Bonds, which description is qualified in its entirety by reference to the order of the Board of Directors of the District (the "Board") authorizing the issuance of the Bonds (the "Bond Order"). A copy of the Bond Order may be obtained from the District via Bond Counsel upon request and payment of the costs of duplication thereof. The Bond Order authorizes the issuance and sale of the Bonds and prescribes the terms, conditions and provisions for the payment of the principal of and interest on the Bonds by the District.

The Bonds are dated December 1, 2026, and will mature on September 1 in the years and in the principal amounts indicated on the inside cover page hereof. The Bonds will accrue interest from the date of initial delivery (the "Date of Delivery") (or the most recent interest payment date to which interest has been paid or duly provided for) at the stated interest rates indicated on the inside cover page of this Official Statement. Interest on the Bonds is payable on September 1, 2024, and on each March 1 and September 1 thereafter until maturity or prior redemption. The Bonds will be issued as fully registered bonds in the denomination of $5,000 or any integral multiple thereof. Principal of the Bonds will be payable by the paying agent/registrar, initially The Bank of New York Mellon Trust Company, N.A., or any successor paying agent/registrar (the "Registrar," the "Paying Agent" or "Paying Agent/Registrar') in Houston, Texas.

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

Book-Entry-Only System

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

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

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

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

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

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

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

Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Registrar and request that copies of notices be provided directly to them.

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

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

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

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

Use of Certain Terms in Other Sections of this Official Statement

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

Funds

The Bond Order confirms the establishment of the District's Construction Fund and the District's Bond Fund (the "Bond Fund") created and established pursuant to the order(s) of the Board of Directors of the District authorizing the issuance of the Outstanding Bonds. All remaining proceeds of the Bonds will be deposited into the Construction Fund. The Bond Fund, which constitutes a trust fund for the benefit of the owners of the Bonds, the Outstanding Bonds and any additional tax bonds issued by the District, is to be kept separate from all other funds of the District, and is to be used for payment of debt service on the Bonds, the Outstanding Bonds and any of the District's duly authorized additional bonds payable in whole or part from taxes. Amounts on deposit in the Bond Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar, to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Bonds, the Outstanding Bonds, and any additional bonds payable in whole or in part from taxes, and to pay any tax anticipation notes issued, together with interest thereon, as such tax anticipation notes become due.

Record Date

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

Assignments, Transfers and Exchanges

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

Authorization of the Bonds

The Bonds are issued pursuant to the authority of the Bond Order; Article XVI, Section 59 of the Texas Constitution; Chapters 49 and 54 of the Texas Water Code, as amended; an election held within and for the District on November 5, 2013; and an order of the Texas Commission on Environmental Quality (the "TCEQ"). See "Legal Ability to Issue Additional Debt" below.

Source of Payment

The Bonds, when issued, will constitute valid and binding obligations of the District, and the principal thereof and the interest thereon, together with the principal and interest on such additional tax bonds of the District as may hereafter be issued by the District, if any, are payable from and secured by the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. See "TAXING PROCEDURES" and "TAX DATA - Tax Rate Calculations" for tax adequacy, manner of assessing and collecting taxes, and the remedy to the District in the event of tax delinquencies; and "Registered Owners' Remedies" below for the remedies available to Bondholders in the event of default in the performance of any of the covenants set forth in the Bond Order or in the event of default in the payment of principal of or interest on the Bonds.

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

The District has the authority to levy an annual ad valorem tax without legal limit as to rate or amount on all taxable property within the District for each year the Bonds are outstanding. In the Bond Order, the District has covenanted to establish a rate of taxation each year ample and sufficient to provide funds to pay the interest on the Bonds and to pay the principal when due, full allowance being made for delinquencies and costs of collection.

Redemption Provisions

The Bonds shall be subject to redemption and payment prior to their scheduled maturities at the option of the District, in whole or from time to time in part, on September 1, 2031, or on any date thereafter, at a redemption price equal to the principal amount thereof, plus accrued interest to the date of redemption. Notice of redemption is required to be mailed at least thirty (30) days prior to the redemption date to each of the Registered Owners of the Bonds to be redeemed in whole or in part at the address shown on the bond register.

If fewer than all of the Bonds are redeemed at any time, the particular maturities and amounts of Bonds to be redeemed shall be selected by the District in denominations of $5,000 or any integral multiple thereof within any one maturity and if fewer than all of the Bonds within a certain maturity are to be redeemed, the Paying Agent/Registrar shall designate the Bonds within such maturity to be redeemed by method of random selection (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form). The registered owner of any Bond, all or a portion of which has been called for redemption, shall be required to present same to the Paying Agent/Registrar for payment of the redemption price on the portion of the Bond so called for redemption and issuance of a new Bond in the principal amount equal to the portion of such Bond not redeemed.

Defeasance

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

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

There is no assurance that the current law will not be changed in the future in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Bond Order does not contractually limit such investments, Registered Owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality of those currently permitted under Texas law.

Amendments to Bond Order

The Bond Order provides that the District may, without the consent of or notice to any Registered Owners of the Bonds, amend, change or modify the Bond Order as may be required (a) by the provisions thereof, (b) for the purpose of curing any ambiguity, inconsistency, or formal defect or omission therein, or (c) in connection with any other change which is not to the prejudice of the Registered Owners of the Bonds. Except for such amendments, changes, or modifications, the District shall not amend, change or modify the Bond Order in any manner without the consent of the Registered Owners of the Bonds.

Annexation and Consolidation

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

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

Strategic Partnership

Pursuant to Texas Local Government Code, Section 43.071, the City of Houston (the "City") and the District entered into a Strategic Partnership Agreement (the "SPA") effective as of December 14, 2009. The SPA provides for the limited purpose annexation of certain developed commercial tracts within the District by the City. The properties made subject to the SPA may not be taxed for ad valorem purposes by the City, and the City provides only limited services (primarily police). Additional properties may become subject to the SPA by amending the SPA upon consent of the City and the District. The City imposes a Sales and Use Tax on the properties subject to the SPA and pays the District an amount equal to 50 percent of the sales tax revenue generated from the properties. Unless amended by agreement of the City and the District, the term of the SPA is 30 years. During the term of the SPA, the City has agreed that, without the consent of the District, it will not annex all or part of the District or commence any action to annex all or part of the District for full purposes. None of the revenues payable to the District from the City's Sales and Use Tax is pledged to the payment of the Bonds.

Legal Ability to Issue Additional Debt

The District has reserved the right in the Bond Order to issue additional bonds. Following the issuance of the Bonds, the District will have the right to issue $32,915,000 in bonds for waterworks, sanitary sewer, and drainage facilities, all of which may also be used for refunding purposes, as approved by District voters at the election held on November 5, 2013.

The District has the right to issue the aforementioned bonds without the necessity of further voter authorization. Except for refunding bonds, before issuing any additional bonds for waterworks, sanitary sewer, and drainage facilities, the District would have to obtain approval of the TCEQ for the issuance of such bonds and the projects to be financed

thereby. In addition to the above mentioned bonds, the District has the right to issue such additional tax bonds, revenue bonds, or combination tax and revenue bonds as may be hereafter approved by the voters of the District. The District also has the right to issue revenue notes, bond anticipation notes and tax anticipation notes without the necessity of voter approval. In addition, the District has the right to enter into contracts and to pledge its taxing power to secure any payments the District is required to make under such a contract, provided the provisions of the contract are approved by the voters of the District. The District further has the right to issue refunding bonds, in addition to the refunding bonds described above, with additional voter approval. The Bond Order places no limitation on the amount of additional bonds which may be issued by the District. The District will finance the acquisition or construction of components of the System and other facilities with portions of the proceeds of the sale of the Bonds as is enumerated in this Official Statement under the caption "USE AND DISTRIBUTION OF BOND PROCEEDS." The District expects to finance the acquisition or construction of additional components of the System with portions of the proceeds of the sale of bonds, if any, in the future. See "INVESTMENT CONSIDERATIONS - Future Debt" and "THE SYSTEM."

The District's Engineer estimates that the $32,915,000 authorized bonds which remain unissued after the issuance of the Bonds will be adequate to finance the construction of all water, sewer and drainage facilities to provide service to all of the currently undeveloped portions of the District. If additional bonds are issued in the future and property values have not increased proportionately, such issuance might increase gross debt/property valuation ratios and thereby adversely affect the investment quality or security of the Bonds and the Outstanding Bonds. See "INVESTMENT CONSIDERATIONS - Future Debt."

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) amendments to existing city ordinances specifying the purposes for which the District may issue bonds; (b) preparation of a detailed park plan; (c) authorization of park bonds by the qualified voters in the District; (d) approval of the park project and bonds by the TCEQ; and (e) approval of the bonds by the Attorney General of Texas. If the District does issue park bonds, the outstanding principal amount of such bonds may not exceed an amount equal to one percent of the value of the taxable property in the District at the time of issuance of the bonds, or, in the event the District meets certain conditions, three percent of the value of the taxable property in the District at the time of issuance of the bonds, but in no event in an amount greater than the estimated cost in the plan. The Board has not considered authorizing the preparation of a park plan or calling a park bond election at this time.

The District also is authorized by statute to engage in fire-fighting activities, including the issuing of bonds payable from taxes for such purposes. Before the District could issue such bonds, the following actions would be required: (a) amendments to existing city ordinances specifying the purposes for which the District may issue bonds; (b) authorization of a detailed master plan and bonds for such purpose by the qualified voters in the District; (c) approval of the master plan and bonds by the TCEQ; and (d) approval of bonds by the Attorney General of Texas. The Board has not considered calling an election at this time for such purposes. If additional debt obligations are issued in the future by the District, such issuance may increase gross debt/property ratios and might adversely affect the investment security of the Bonds. See "INVESTMENT CONSIDERATIONS - Future Debt."

Registered Owners' Remedies

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

Except for the remedy of mandamus, the Bond Order does not specifically provide for remedies to a Registered Owner in the event of a District default, nor does it provide for the appointment of a trustee to protect and enforce the interests of the Registered Owners. In addition, any legal action taken to seek any such remedies may be limited by the doctrine of sovereign immunity. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Even if the Registered Owners could obtain a

judgment against the District, such judgment cannot be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on the property of the District or sell property within the District in order to pay the principal of or interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may be further limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. For example, a Chapter 9 bankruptcy proceeding by the District could delay or eliminate payment of principal or interest to the Registered Owners. See "Bankruptcy Limitation to Registered Owners' Rights" below.

Bankruptcy Limitation to Registered Owners' Rights

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

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

The District may not be placed into bankruptcy involuntarily.

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

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

USE AND DISTRIBUTION OF BOND PROCEEDS

Proceeds of the sale of the Bonds will be used by the District to (i) finance construction of water, sewer and drainage facilities and a detention pond to serve to serve Forestwood, Section 9; mass grading to serve Forestwood mitigation, and land acquisition costs for the detention pond; (ii) pay certain engineering costs related to the aforementioned facilities and projects; (iii) pay interest on advances made to or on behalf of the District; and (iv) pay for administrative and issuance costs, legal fees, fiscal agent fees, fees to the TCEQ and the Attorney General of Texas, and certain financing costs related to the issuance of the Bonds.

			District's Share
I.	**Construction Costs**		
	A.	Developer Contribution Items [(a)]	
		1. Forestwood, Section 9	$1,524,457
		2. Engineering	425,887
		3. Storm Water Pollution Prevention Plan	53,356
		Total Developer Contribution Items	$2,003,700
	B.	District Items - None	
		1. Forestwood Mass Grading and Mitigation	$431,128
		2. Land Acquisition Costs	1,046,94z
		Total District Items	$1,478,072
		TOTAL CONSTRUCTION COSTS	**$3,481,772**
II.	**Non-Construction Costs**		
	A.	Legal Fees	$110,000
	B.	Fiscal Agent Fees	84,000
	C.	Developer Interest [(b)]	251,154
	D.	Bond Discount	126,000
	E.	Bond Issuance Expenses	52,374
	F.	Bond Application Report Costs	80,000
	G.	Attorney General Fee	4,200
	H.	TCEQ Bond Issuance Fee	10,500
	I.	Contingencies [(c)]	0
		TOTAL NON-CONSTRUCTION COSTS	$718,228
		TOTAL BOND ISSUE REQUIREMENTS	**$4,200,000**

(a) In general, developers are required to pay up to thirty percent (30%) of the cost of emplacing certain of the water, wastewater and drainage facilities in the utility district pursuant to the rules of the TCEQ. The District requested an

exemption from such developer participation requirement with respect to certain facilities being financed with portions of the proceeds of the sale of the Bonds on the basis of one of the criteria under TCEQ rules for such exemption. The TCEQ granted the request for such exemption in its Order authorizing the District to issue the Bonds.

(b) Represents interest owed on advances that have been made on the District's behalf. The actual amount of interest owed will be calculated at the lesser of (i) the net effective interest rate borne by the Bonds or (ii) the interest rate at which the party making such advances has borrowed funds.

(c) Represents funds which may be used by the District only in accordance with the rules of the TCEQ as further discussed below.

THE DISTRICT

Authority

The District is a political subdivision of the State of Texas, and is a municipal utility district created by the Texas Water Rights Commission, a predecessor of the TCEQ on October 2, 1974. The District was created pursuant to the authority of Chapter 54, Texas Water Code, and Article XVI, Section 59 of the Texas Constitution. 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, particularly Chapters 49 and 54, Texas Water Code, as amended. The principal functions of the District are to finance, construct, own, and operate waterworks, wastewater, and drainage facilities and to provide such facilities and services to the customers of the District. The District, if approved by the voters within the District, the TCEQ, and other governmental entities having jurisdiction, may establish, operate, and maintain a fire department, independently or with one or more other conservation and reclamation districts, and provide such facilities and services to the customers of the District. In addition, if approved by the voters in the District and the TCEQ, the District is authorized to provide parks and recreation facilities and issue bonds for such purposes. See "THE BONDS - Issuance of Additional Debt." The District is subject to the continuing supervision of the TCEQ in certain matters.

Description

The District contains approximately 496.5 acres of land. The District is located approximately 12 miles north of the central business district of Houston, Texas. The District is located in north Harris County, approximately 2 miles south of Beltway 8, and approximately 2 miles west of Interstate Highway 45. The District is bounded on the east by Veterans Memorial Drive. The District is located entirely within the exclusive extraterritorial jurisdiction of the City of Houston, Texas. The District is located within Harris County, Texas, and the Aldine Independent School District. See "APPENDIX A - LOCATION MAP."

Management of the District

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

Name	Position	Term Expires in May
David Valentine	President	2030
Sal Ortiz	Vice President	2028
Charles Cates	Secretary	2028
Giovanny Portillo	Director	2030
Asuncion Reyna	Director	2030

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

Bookkeeper - The District's bookkeeper is Myrtle Cruz, Inc.

Tax Assessor/Collector - The District has engaged Bob Leared Interests, Houston, Texas, as the District's Tax Assessor/Collector.

Consulting Engineers - The District has engaged the firm of Baxter & Woodman, Inc., Houston, Texas, as Consulting Engineer on a contract basis to provide engineering services to the District.

Auditor - As required by the Texas Water Code, the District retains an independent auditor to audit the District's financial statements annually, which financial statements are filed with the TCEQ. The financial statements of the District as of February 28, 2026, and for the year then ended, included in this offering document, have been audited by Mark Eyring, C.P.A., independent auditors, as stated in their report appearing herein. See "APPENDIX B."

Counsel - The District has engaged Coats Rose, P.C., Houston, Texas, as general counsel and as Bond Counsel in connection with the issuance of the Bonds. The fees paid to Bond Counsel by the District for services rendered in connection with the issuance of the Bonds are contingent on the issuance, sale and delivery of the Bonds. See "LEGAL MATTERS" and "TAX MATTERS."

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

District Operator - Water District Management Co. Inc. is the general operator of the District's System.

Financial Advisor - The District has engaged Rathmann & Associates, L.P., as financial advisor (the "Financial Advisor") to the District. The fees paid the Financial Advisor for services rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued and sold. Therefore, the payment of such fees is contingent upon the sale and delivery of the Bonds. Rathmann & Associates, L.P. is an independent municipal advisor registered with the United States Securities and Exchange Commission (the "SEC") and the Municipal Securities Rulemaking Board (the "MSRB"). Rathmann & Associates, L.P.'s SEC registration number is 867-00217 and its MSRB registration number is K0161. Rathmann & Associates, L.P.'s SEC registration Forms MA and MA-1's, which constitute Rathmann & Associates, L.P.'s registration filings, may be accessed through http://www.sec.gov/edgar/searchedgar/company search.html.

DEVELOPMENT OF THE DISTRICT

Development activity which has been conducted to date within the District includes the completion of the development of an aggregate of approximately 221.7 acres of land which includes 1,072 fully developed single-family residential lots. As of October 15, 2026, single-family homes have been constructed on 969 of such lots. Approximately 50.7 acres within the District have been developed for commercial development on which an RV park, Valero service station/convenience store, one strip shopping center and two auto repair shops have been constructed. A fire station has been built on approximately 7.4 acres within the District.

The residential development completed to date within the District includes the construction of underground water distribution, wastewater collection, and storm sewer facilities and street paving to serve (i) Forestwood, Section 1, which consists of approximately 57.8 acres subdivided into 232 single-family residential lots; (ii) Forestwood, Section 2, which consists of approximately 51.8 acres subdivided into 240 single-family residential lots, (iii) Forestwood, Section 3, which consists of approximately 29.6 acres subdivided into 149 single-family residential lots, (iv) Forestwood, Section 4, which consists of approximately 26.9 acres subdivided into 131 single-family residential lots, (v) Forestwood, Section 5, which consists of approximately 4.9 acres subdivided into 28 single-family residential lots, (vi) Forestwood, Section 6, which consists of approximately 8.3 acres subdivided into 46 single-family residential lots, (vii) , Forestwood, Section 7, which consists of approximately 8.0 acres subdivided into 38 single-family residential lots, (viii) Forestwood, Section 8, which consists of approximately 11.0 acres subdivided into 55 single-family

residential lots, (ix) Forestwood, Section 9, which consists of approximately 15.2 acres subdivided into 103 single-family residential lots, and (x) Forestwood Enclave, which consists of approximately 10.2 acres which have been subdivided into 50 single-family residential lots. The Forestwood, Sections 1 through 8 and Forestwood Enclave lots were developed by Arete Real Estate and Development Company, Inc., a Texas corporation, whose president is Joe Fogarty. Such lots were then conveyed to D.R. Horton Homes for home building purposes. Homes that have been built by D.R. Horton Homes in Forestwood range in size from approximately 1,500 to 1,800 square feet of building area and in sales price from approximately $190,000 to $250,000. See "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments" and "TAX DATA - Principal 2026 Taxpayers."

The owner of Forestwood, Section 9 and future Forestwood, Section 11 (30 single-family residential lots, 7.5 acres) is Harris Manor Associates, L.P. Tejas Engineering Management, LLC ("TEM") has been retained by Harris Manor Associates, L.P. to manage the development of Forestwood, Sections 9 and 11 on behalf of Harris Manor Associates, L.P. for a fee. According to TEM, the development of Forestwood, Section 9 has been completed, including street paving, and such 103 lots are currently being marketed for sale to home building companies for single-family home building purposes. There is no current definitive plan for the commencement of the development of future Forestwood, Section 11, and the District cannot represent the development of future Forestwood, Section 11 will occur as it has been reported to the District and described above, or at all, or that home construction will occur on the Forestwood, Section 9 or future Section 11 lots.

Approximately 58 additional acres located within the District are currently undeveloped and available for future development. Such approximately 58 acres are owned by multiple parties, none of which has reported any definitive development plan to the District covering any of such acres. Moreover, since no owner of any of the currently undeveloped land located within the District or any other party has any obligation to the District to undertake the development of any portion thereof, the District cannot represent whether, or when, the development of any of such undeveloped acres might be undertaken, or the ultimate usage of such property. Approximately 1.1 of such approximately 58 undeveloped acres are owned by Westchase Madison, Inc., a related entity of Harris Manor Associates, LP. Approximately 3.1 of such approximately 58 undeveloped acres are owned by Burleson Ventures, LLC. Approximately 44.6 of such approximately 58 undeveloped acres are owned by VFO LLC. Such acreage owned by VFO LLC is classified as "qualified agricultural land," the consequence of which is that such land is taxed at a small fraction of its fair market value. See "TAXING PROCEDURES - Agricultural, Open Space, and Timberland and Inventory Deferment." The balance of the land located within the District consists of parks, recreation sites and open spaces, drainage easements, a detention pond site, District facilities sites and certain natural gas pipeline easements, or is otherwise not available for development. See "FUTURE DEVELOPMENT" and "TAX DATA - Principal 2026 Taxpayers."

The District financed the acquisition or construction of underground water, sewer, and drainage facilities (the "System") that serve Forestwood, Sections 1 through 8, Forestwood Enclave, Fallbrook Commercial Center, Fallbrook RV Park, Water Well No. 2, Forestwood detention pond, Forestwood detention pond clearing, stormwater improvements and other facilities, with proceeds of the sale of the Prior Bonds. The District is financing the acquisition or construction of components of the System that serve Forestwood, Section 9, and Forestwood detention pond and other facilities with proceeds of the sale of the Bonds. The District expects to finance additional components of the System with the proceeds of the sale of bonds, if any, to be issued by the District in the future. See "THE BONDS - Legal Ability to Issue Additional Debt," "INVESTMENT CONSIDERATIONS - Future Debt" and "THE SYSTEM."

As of October 15, 2026, the status of home construction in the District was as follows:

	Lots				Homes				
			Under		Under Construction		Completed		
Subdivision	Developed	Acres	Development	Acres	Sold	Unsold	Sold	Unsold	Totals
Forestwood									
Section 1	232	57.8			0	0	232	0	232
Section 2	240	51.8			0	0	240	0	240
Section 3	149	29.6			0	0	149	0	149
Section 4	131	26.9			0	0	131	0	131
Section 5	28	4.9			0	0	28	0	28
Section 6	46	8.3			0	0	46	0	46
Section 7	38	8.0			0	0	38	0	38
Section 8	55	11.0			0	0	55	0	55
Section 9	103	13.2			0	0	0	0	0
Forestwood Enclave	50	10.2			0	0	50	0	50
Totals	1,072	221.7	38	8.0	0	0	969	0	969

FUTURE DEVELOPMENT

The owner of Forestwood, Section 9 and future Forestwood, Section 11 (30 single/family residential lots, 7.5 acres) is Harris Manor Associates, L.P. Tejas Engineering Management, LLC ("TEM") has been retained by Harris Manor Associates, L.P. to manage the development of Forestwood, Sections 9 and 11 on behalf of Harris Manor Associates, L.P. for a fee. According to TEM, the development of Forestwood, Section 9 has been completed, including street paving, and such 103 lots are currently being marketed for sale to home building companies for single-family home building purposes. There is no current definitive plan for the commencement of the development of future Forestwood, Section 11, and the District cannot represent the development of future Forestwood, Section 11 will occur as it has been reported to the District and described above, or at all, or that home construction will occur on the Forestwood, Section 9 or future Section 11 lots.

Approximately 58 acres of land located within the District are currently undeveloped and available for future development. Such approximately 58 acres are owned by multiple parties, none of which has reported any definitive development plan to the District covering any of such acres. Moreover, since no owner of any of the currently undeveloped land located within the District or any other party has any obligation to the District to undertake the development of any portion thereof, the District cannot represent whether, or when, the development of any of such undeveloped acres might be undertaken, or the ultimate usage of such property. Approximately 1.1 of such approximately 58 undeveloped acres are owned by Westchase Madison, Inc., a related entity of Harris Manor Associates, LP. Approximately 3.1 of such approximately 58 undeveloped acres are owned by Burleson Ventures, LLC. Approximately 44.6 of such approximately 58 undeveloped acres are owned by VFO LLC. Such acreage owned by VFO LLC is classified as "qualified agricultural land," the consequence of which is that such land is taxed at a small fraction of its fair market value. See "TAXING PROCEDURES - Agricultural, Open Space, and Timberland and Inventory Deferment." The balance of the land located within the District consists of parks, recreation sites and open spaces, drainage easements, a detention pond site, District facilities sites and certain natural gas pipeline easements, or is otherwise not available for development.

The initiation of any new development beyond that described in this Official Statement will be dependent on several factors including, to a great extent, the general and other economic conditions which would affect any party's ability to develop and sell lots and/or other property and of any home builder to sell completed homes as is described in this Official Statement under the caption "INVESTMENT CONSIDERATIONS." If the undeveloped portion of the District is eventually developed, additions to the District's water, sanitary sewer, and drainage System required to service such undeveloped acreage may be financed by future issues (if any) of the District's bonds and developer contributions as required by the TCEQ. The District's Engineer estimates that the $32,915,000 authorized bonds which

remain unissued after the sale of the Bonds will be adequate to finance the construction of all of the components of the System necessary to provide service to all of the undeveloped portions of the District. See "THE BONDS - Legal Ability to Issue Additional Debt," "INVESTMENT CONSIDERATIONS - Future Debt" and "THE SYSTEM." As is stated above, no owner of any land located within the District is under any obligation to the District to initiate the development of any of such acreage, or to complete any development, if begun, and any such party may modify or discontinue its development plans at its sole discretion. Accordingly, the District makes no representation that future development will occur. See "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Value and Tax Payments."

THE SYSTEM

Regulation

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

Operation of the System is subject to regulation by, among others, the United States Environmental Protection Agency and the TCEQ. In many cases, regulations promulgated by these agencies have become effective only recently and are subject to further development and revision. The total number of equivalent single-family connections ("esfc") currently estimated for the District upon full development of its approximate 496.5 acres is 1,894 with a total estimated population of 6,800 people. The following descriptions are based upon information supplied by the District's Engineer.

Description

The District financed the acquisition or construction of underground water, sewer, and drainage facilities (the "System") that serve Forestwood, Sections 1 through 8, Forestwood Enclave, Fallbrook Commercial Center, Fallbrook RV Park, Water Well No. 2, Forestwood detention pond, Forestwood detention pond clearing, stormwater improvements and other facilities, with proceeds of the sale of the Prior Bonds. The District is financing the acquisition or construction of components of the System that serve Forestwood, Section 9, and Forestwood detention pond and other facilities with proceeds of the sale of the Bonds. The District expects to finance additional components of the System with the proceeds of the sale of bonds, if any, to be issued by the District in the future.

- Wastewater Treatment -

The District financed the cost of a 400,000 gallons-per-day ("gpd") wastewater treatment facility and improvements to such facility with portions of the proceeds of the sale of the Prior Bonds. According to the District's Engineer, the 400,000 gpd facility is adequate to provide capacity to serve a total of 1,333 esfc developed in the District.

- Water Supply -

The District financed the cost of permanent water supply facilities with proceeds of the sale of the Prior Bonds. Such facilities include water wells totaling 2,252 gallons-per-minute ("g.p.m."), ground storage tank totaling 500,000 gallons, two hydropneumatic tanks the capacity of which totals 30,000 gallons, booster pumps aggregating 3,000 g.p.m., and a control building and electrical controls. A portion of the proceeds of the sale of the Prior Bonds were used to finance the construction of the 1,000 g.p.m. Water Well No. 2.

The District has also financed with a portion of the proceeds of the sale of the Prior Bonds, its share of the cost of an emergency water interconnection line which connects the District's water supply and distribution system with the water supply and distribution of Harris County Municipal Utility District No. 11 and Mount Houston Road Municipal Utility District ("Mount Houston"), to provide all districts a second source of water in the event of an emergency.

The District has entered into an agreement with Mount Houston to sell Mount Houston 500 connections of water service from the additional service to be provided by the new well and facilities. According to the District's Engineer, such facilities are sufficient to provide capacity to serve a total of 2,394 esfc.

- Storm Drainage and 100-Year Flood Plain -

"Flood Insurance Rate Map" or "FIRM" means an official map of a community on which FEMA has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100-year flood plain, is depicted on these maps. The "100 year flood plain" (or 1% chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rain storm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes must be built above the 100 year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. An engineering or regulatory determination that an area is above the 100 year flood plain is not an assurance that homes built in such area will not be flooded, and a number of neighborhoods in the greater Houston area that are above the 100-year flood plain have flooded multiple times in the last several years.

The current FIRM maps for Harris County indicate most of Forestwood, Section 1 and portions of Forestwood, Section 2, 3, 4 and 6 are in the 100-year flood plain. Channel work constructed in Sections 1 and 2 intercepts water from Greens Bayou; however, these sections remain in Zone AO (defined as flood depths of 1 to 3 feet, usually sheet flow on sloping terrain). The lots in Sections 3, 4, and 6 have been filled such that all Finished Floor Elevations (slabs) are currently above the 100-year flood plain elevation, and a storm water lift station was added in Section 1 that removes water from streets during significant events. The District has not sustained any material damage to homes or facilities in the four storm events that have occurred since 2015, including Hurricane Harvey. See "INVESTMENT CONSIDERATIONS - Tropical Weather Events."

In 2018, the National Weather Service completed a rainfall study known as NOAA Atlas 14, Volume 11 Precipitation-Frequency Atlas of the United States ("Atlas 14"). Floodplain boundaries within the District may be redrawn based on the Atlas 14 study which is based on a higher statistical rainfall amount, resulting in interim floodplain regulations applying to a larger number of properties and consequently leaving less developable property within the District. Such regulations could additionally result in higher insurance rates, increased development fees, and stricter building codes for any property located within the expanded boundaries of the floodplain.

Subsidence and Conversion to Surface Water Supply

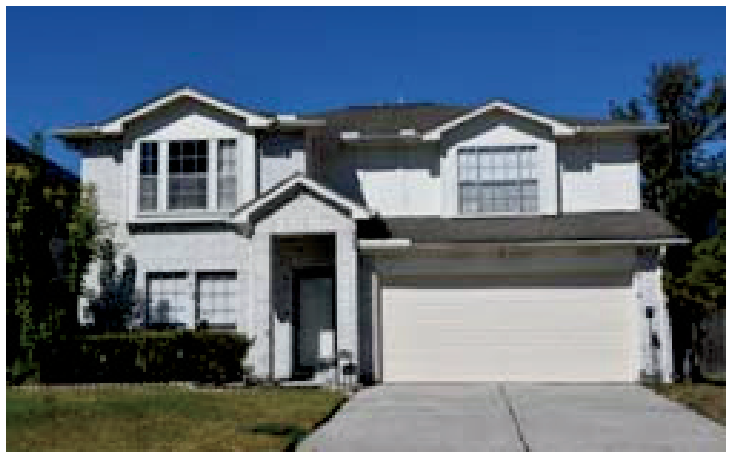
The District is within the boundaries of the Harris Galveston Subsidence District (the "Subsidence District") which regulates groundwater withdrawal. The District's authority to pump groundwater from its well is subject to annual permits issued by the Subsidence District. On April 14, 1999, the Subsidence District adopted a District Regulatory Plan (the "1999 Plan") to reduce groundwater withdrawal through conversion to surface water in areas within the Subsidence District's jurisdiction. Under the 1999 Plan, the District was required to submit to the Subsidence District by January, 2003, a groundwater reduction plan and begin construction of surface water conversion infrastructure by January, 2005, or pay a disincentive fee for any groundwater withdrawn in excess of 20% of the District's total water demand. Additional disincentive fees would be imposed under the 1999 Plan if the District's groundwater withdrawal exceeds 40% of the District's total water demand beginning January, 2025, and exceeds 20% of the District's total water demand beginning January, 2035. On July 11, 2003, the District executed a contract with the City of Houston that is entitled "City of Houston Water Supply and Groundwater Reduction Plan Wholesale Agreement for Regulatory Area 3 of the Harris-Galveston Coastal Subsidence District" (the "Agreement') to participate in a regional surface water conversion effort sponsored by the City of Houston for future water supplies and for inclusion in a master groundwater reduction plan. The Agreement continues until noon on December 31, 2040. Under the terms of the Agreement, the City of Houston is the manager of the Groundwater Reduction Plan (the "GRP") that includes the District as a participant. In order to achieve overall compliance with the Subsidence District regulation for reduction of groundwater use in Regulatory Area 3, treated surface water will be supplied by the City to some of the participants in the GRP area in sufficient quantities to meet the requirements. Under the terms of the Agreement, the District will pay to the City a monthly pumpage charge based on the District's water pumpage.

AERIAL PHOTOGRAPH OF THE DISTRICT
(taken October 2026)

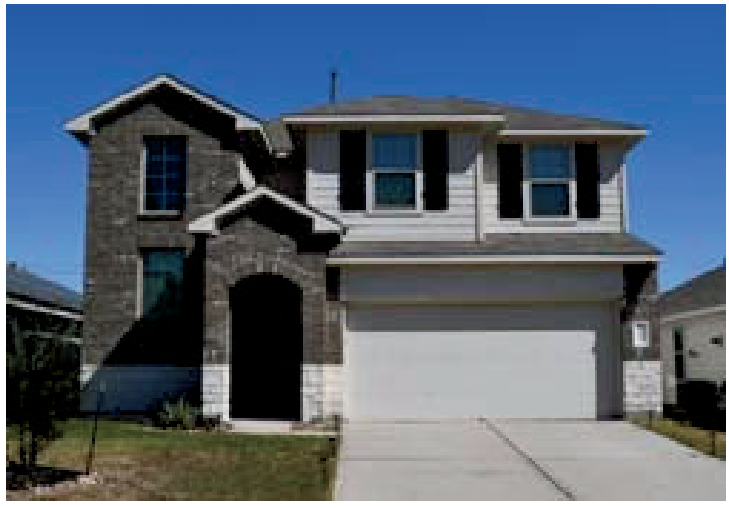


PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(taken October 2026)

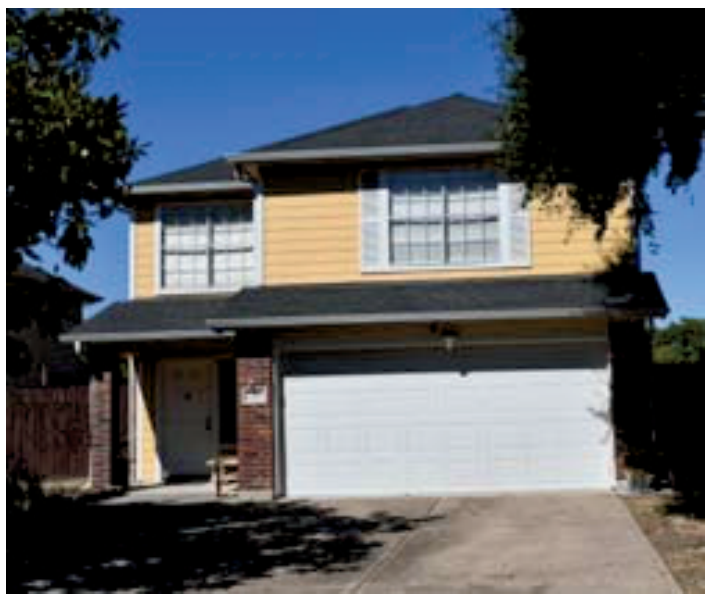












PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(taken October 2026)













DISTRICT DEBT

General

The following tables and calculations relate to the Outstanding Bonds and the Bonds. The District is empowered to incur debt to be paid from revenues raised by taxation against all taxable property located within the District, and various other political subdivisions of government which overlap all or a portion of the District are empowered to incur debt to be paid from revenues raised or to be raised by taxation against all or a portion of property within the District.

Bonded Indebtedness

2026 Assessed Valuation (As of January 1, 2026) See "TAX DATA" and "TAXING PROCEDURES"	$	258,655,464	(a)
District Debt			
Outstanding Bonds	$	10,345,000	
The Bonds		4,200,000	
Total	$	14,545,000	(b)
Estimated Overlapping Debt	$	13,522,751	
Total Direct and Estimated Overlapping Debt	$	28,067,751	
Direct Debt Ratio			
: as a percentage of 2026 Assessed Valuation		5.62 %	
Direct and Overlapping Debt Ratio			
: as a percentage of 2026 Assessed Valuation		10.85 %	
Debt Service Fund Balance as of October 1, 2026	$	1,338,060	(c)
General Fund Balance as of October 1, 2026	$	4,588,770	
2026 Tax Rate per $100 of Assessed Valuation			
Debt Service Tax	$	0.34	
Maintenance Tax		0.52	
Total	$	0.86	(d)
Average Percentage of Total Tax Collections (2013-2022) as of September 30, 2026		99.72 %	

(a) As of January 1, 2026, and comprises the District's 2026 tax roll. All property located in the District is valued on the tax rolls by the Harris Central Appraisal District (the "Appraisal District") at 100% of assessed valuation as of January 1 of each year. The District's tax roll is certified by the Harris County Appraisal Review Board (the "Appraisal Review Board"). Such sum includes an uncertified component of $24,254,682, which is included in the amount of $258,655,464. The District's ultimate 2026 Assessed Valuation will not be determined until such uncertified values are certified by the Appraisal Review Board, and thus may vary from such sum of $258,655,464. See "INVESTMENT CONSIDERATIONS - Common Factors Affecting Taxable Values and Tax Payments" and "TAXING PROCEDURES."

(b) The District has timely paid all interest on the Prior Bonds when due. The District financed portions of the cost of acquiring or constructing components of the System that are described in this Official Statement under the caption "THE SYSTEM" with portions of the proceeds of the sale of the Prior Bonds. The District is financing portions of the cost of acquiring or constructing components of the System that are described in this Official Statement under the caption "USE AND DISTRIBUTION OF BOND PROCEEDS," and other items, with portions of the proceeds of the sale of the Bonds. The District anticipates financing its cost of acquiring or constructing additional

components of its System with the proceeds of the sale of bonds, if any, to be issued by the District in the future. See "THE BONDS - Legal Ability to Issue Additional Debt" and "INVESTMENT CONSIDERATIONS - Future Debt."

(c) Neither Texas law nor the Bond Order requires the District to maintain any particular sum in the Debt Service Fund. Such fund balance gives effect to the payment by the District of the entirety of its debt service requirements on the Outstanding Bonds that were due in 2026. The District's initial debt service requirement on the Bonds, consisting of an interest payment thereon, is due on September 1, 2027.

(d) The District levied a total tax rate of $0.86 per $100 of Assessed Valuation for 2026, consisting of debt service and maintenance taxes of $0.34 and $0.52 per $100 of Assessed Valuation, respectively. As is enumerated in this Official Statement under the caption "TAX DATA - Estimated Overlapping Taxes," the total of the 2026 tax levies of all overlapping taxing units which levy taxes upon property located in the District, plus the District's 2026 total rate of $0.86 per $100 of Assessed Valuation, is $2.680600 per $100 of Assessed Valuation. Such aggregate levy is higher than the aggregate tax levies of some municipal utility districts in the Houston metropolitan area, including the area of the District, but is within the range of the aggregate levies of many municipal utility districts in the Houston metropolitan area and the area of the District which are in stages of development comparable with the District. See "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments" and "TAXING PROCEDURES."

Estimated Direct and Overlapping Debt Statement

The following statement indicates the direct and estimated overlapping debt of the District. The table includes the estimated amount of indebtedness of governmental entities overlapping the District, defined as outstanding bonds payable from ad valorem taxes, and the estimated percentages and amounts of such indebtedness attributable to property located within the District. This information is based upon data secured from the individual jurisdictions and/or the Texas Municipal Reports published by the Municipal Advisory Council of Texas. The calculations by which the statement was derived were made in part by comparing the reported assessed valuation of the property in the overlapping taxing jurisdictions with the Assessed Valuation of property within the District. No effect has been given to the tax burden levied by any applicable taxing jurisdiction for maintenance and operational or other purposes.

Taxing Jurisdiction	Debt as of October 1, 2026	Estimated Overlapping Percent	Estimated Overlapping Amount
Harris County [(i)]	$2,952,415,112	0.03720%	$1,098,405
Harris County Department of Education	28,960,000	0.03720%	10,774
Harris County Flood Control District	1,001,580,000	0.03720%	372,624
Harris County Hospital District	1,644,825,000	0.03720%	611,934
Port of Houston Authority	386,074,397	0.03720%	143,634
Lone Star College System	336,455,000	0.06854%	230,604
Aldine Independent School District	1,431,000,000	0.77252%	11,054,776
Total Estimated Overlapping Debt			$13,522,751
Total Direct Debt (the Bonds and the Outstanding Bonds) [(ii)]			14,545,000
Total Direct and Estimated Overlapping Debt			$28,067,751

(i) Harris County Toll Road Bonds are considered to be self-supporting, and are not included in this schedule.
(ii) See "Bonded Indebtedness" above.

Debt Ratios

	% of 2026 Assessed Valuation
Direct Debt	5.62%
Direct and Estimated Overlapping Debt	10.85%

Under Texas law ad valorem taxes levied by each taxing authority other than the District create a lien which is on a parity with the lien in favor of the District on all taxable property within the District. In addition to the ad valorem taxes required to retire the foregoing direct and overlapping debt, the various taxing authorities mentioned above also are authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administration and/or general revenue purposes. Certain of the jurisdictions have in the past levied such taxes. The District has the power to assess, levy and collect ad valorem taxes for operation and maintenance purposes in an amount not to exceed $1.25 per $100 of Assessed Valuation, and such taxes have been authorized and levied by the duly qualified voters of the District. The District has levied a maintenance tax of $0.52 per $100 of Assessed Valuation in 2026. See "TAX DATA - Maintenance Tax."

Debt Service Requirement Schedule

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

Year Ending December 31	Current Total Debt Service	Plus: The Bonds		New Total Debt Service
		Principal	Interest*	
2026	$808,301			$808,301
2027	816,001		$165,375	981,376
2028	813,069		220,500	1,033,569
2029	819,707		220,500	1,040,207
2030	820,713		220,500	1,041,213
2031	826,238		220,500	1,046,738
2032	621,163		220,500	841,663
2033	610,194		220,500	830,694
2034	648,882		220,500	869,382
2035	635,632		220,500	856,132
2036	647,382		220,500	867,882
2037	657,788		220,500	878,288
2038	542,226	$60,000	220,500	822,726
2039	555,226	55,000	217,350	827,576
2040	566,413	45,000	214,463	825,875
2041	536,538	75,000	212,100	823,638
2042	534,619	85,000	208,163	827,781
2043	537,400	85,000	203,700	826,100
2044	540,450	85,000	199,238	824,688
2045	542,844	85,000	194,775	822,619
2046	539,738	95,000	190,313	825,050
2047	546,369	95,000	185,325	826,694
2048	547,156	100,000	180,338	827,494
2049	542,444	110,000	175,088	827,531
2050	550,750	105,000	169,313	825,063
2051	557,000	105,000	163,800	825,800
2052	561,750	105,000	158,288	825,038
2053		670,000	152,775	822,775
2054		710,000	117,600	827,600
2055		745,000	80,325	825,325
2056		785,000	41,213	826,213
	$16,925,993	$4,200,000	$5,655,042	$26,781,031

Average Annual Requirements: (2027-2056)	$865,758
Maximum Annual Requirement: (2031)	$1,046,738

* Interest is estimated at 5.25% per annum for purposes of illustration.

TAX DATA

Debt Service Tax

All taxable property within the District is subject to the assessment, levy and collection by the District of an annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Outstanding Bonds, the Bonds and any future tax-supported bonds which may be issued from time to time as authorized. The Board covenants in the Bond Order to assess and levy, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds when due. The actual rate of such tax will be determined from year to year as a function of the District's tax base, its debt service requirements and available funds. The District levied a debt service tax of $0.34 per $100 of Assessed Valuation for 2026. See "Tax Rate Distribution" below.

Maintenance Tax

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements, if such maintenance tax is authorized by a vote of the District's electorate. The District voters have authorized the levy of such a maintenance tax in an amount not to exceed $1.35 per $100 of Assessed Valuation. Such tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds, the Outstanding Bonds and any tax supported bonds which may be issued in the future. The District levied a maintenance tax of $0.52 per $100 of Assessed Valuation for 2026. See "Tax Rate Distribution" below.

Historical Values and Tax Collection History

The following statement of tax collections sets forth in condensed form the historical Assessed Valuation and tax collections of the District. Such summary has been prepared for inclusion herein based upon information obtained from District records. Reference is made to such records, including the District's annual audited financial statements, for more complete information.

				% Collections	
Tax Year	Assessed Valuation	Tax Rate[(a)]	Adjusted Levy	Current & Prior Years[(b)]	Year Ended 09/30
2015	$79,563,383	$1.20	$954,761	99.92%	2016
2016	88,437,526	1.10	972,703	99.92	2017
2017	96,158,436	1.07	1,028,232	99.88	2018
2018	103,028,232	1.04	1,070,418	99.83	2019
2019	119,806,697	1.00	1,198,067	99.75	2020
2020	130,841,172	0.95	1,242,992	99.76	2021
2021	154,655,516	0.94	1,453,762	99.61	2022
2022	175,495,205	0.94	1,649,655	99.32	2023
2023	221,323,658	0.88	1,947,648	99.30	2024
2024	223,713,813	0.88	1,968,682	98.62	2025
2025	234,041,338	0.88	2,059,564	97.25(c)	2026
2026	258,655,464(d)	0.86(e)	2,276,168(e)	(e)	2027

(a) Per $100 of Assessed Valuation.

(b) Such percentages reflect cumulative total collections for each year from the time each respective annual tax was levied through September 30, 2026.

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

(d) Such sum includes an uncertified component of $24,254,682, which is included in the amount of $258,655,464. The District's ultimate 2026 Assessed Valuation will not be determined until such uncertified values are certified by the Appraisal Review Board, and thus may vary from such sum of $258,655,464. See "INVESTMENT CONSIDERATIONS - Common Factors Affecting Taxable Values and Tax Payments" and "TAXING PROCEDURES."

(e) The District has levied a 2026 total tax rate of $0.86 per $100 of Assessed Valuation, consisting of debt service and maintenance taxes of $0.34 and $0.52 per $100 of Assessed Valuation, respectively.

Tax Rate Distribution

	2026	2025	2024	2023	2022
Debt Service	$0.34	$0.34	$0.34	$0.34	$0.44
Maintenance and Operation	0.52	0.54	0.54	0.54	0.50
Total	$0.86	$0.88	$0.88	$0.88	$0.94

Analysis of Tax Base

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

	2026 Assessed Value	%	2025 Assessed Value	%	2024 Assessed Value	%
Type of Property						
Land	$76,690,877	30.00%	$75,834,547	32.40%	$64,694,356	28.91%
Improvements	187,868,148	73.48%	189,332,744	80.90%	191,663,060	85.66%
Personal Property	3,925,773	1.54%	5,604,664	2.39%	4,234,785	1.89%
Uncertified	24,254,682	9.49%	0	0.00%	0	0.00%
Exemptions	-37,084,016	-14.51%	-36,730,617	-15.69%	-36,838,388	16.46%
Total	$258,655,464 *	100.00%	$234,041,338	100.00%	223,753,813	100.00%

	2023 Assessed Value	%	2022 Assessed Value	%
Type of Property				
Land	$64,091,930	28.96%	$55,090,544	31.39%
Improvements	206,636,718	93.36%	155,411,675	88.56%
Personal Property	3,850,022	1.74%	2,825,547	1.61%
Exemptions	-53,255,012	-24.06%	-37,832,561	-21.56%
Total	$221,323,658	100.00%	$175,495,205	100.00%

* Such sum includes an uncertified component of $24,254,682, which is included in the amount of $258,655,464. The District's ultimate 2026 Assessed Valuation will not be determined until such uncertified values are certified by the Appraisal Review Board, and thus may vary from such sum of $258,655,464. See "INVESTMENT CONSIDERATIONS - Common Factors Affecting Taxable Values and Tax Payments" and "TAXING PROCEDURES."

Principal 2026 Taxpayers

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

Property Owner	Property Description	2026 Property Value	% of 2026 Assessed Valuation
QRV Fallbrook LLC	Land & Improvements	$6,713,763	2.60%
Camillo ML 2022 TRM SFR LTD*	Land & Improvements	3,698,987	1.43%
Camillo B Houses No 1 LLC*	Land & Improvements	3,689,579	1.43%
SQA Holdings LLC	Land & Improvements	2,840,892	1.10%
Camillo Properties LTD*	Land & Improvements	2,245,452	0.87%
Martinez Jose A	Land & Improvements	2,105,809	0.81%
Tidwell Shopping Plaza	Land & Improvements	1,834,180	0.71%
ZAK Real Estate LLC	Land & Improvements	1,760,832	0.68%
Harris Manor Associates	Land & Improvements	1,719,090	0.66%
O'Reilly Auto Enterprises	Land & Improvements	2,643,414	1.02%
		$29,251,998	11.31%

* Related Entities. Camillo Properties has constructed homes within the District for the purpose of leasing such homes to tenants. Camillo B Houses No. 2 LLC owns land and improvements the 2026 Assessed Valuation of which is $1,451,490 (0.57% of the District's 2026 tax roll).

Tax Rate Calculations

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

Average Annual Debt Service Requirements (2027-2056)	$865,758
Tax Rate of $0.36 on the 2026 Assessed Valuation ($258,655,464) produces	$884,602
Maximum Annual Debt Service Requirement (2031)	$1,046,738
Tax Rate of $0.43 on the 2026 Assessed Valuation ($258,655,464) produces	$1,056,608

The District levied a tax rate of $0.86 per $100 of Assessed Valuation for 2026, consisting of debt service and maintenance taxes of $0.34 and $0.52 per $100 of Assessed Valuation, respectively. As the above table indicates, the 2026 debt service tax rate of $0.34 per $100 of Assessed Valuation will not be sufficient to pay the Average Annual or the Maximum Annual Debt Service Requirements on the Outstanding Bonds and the Bonds, assuming taxable values in the District at the level of the 2026 Assessed Valuation, assuming a tax collection rate of 95%, no use of funds on hand, and the issuance of no additional bonds by the District other than the Bonds and the Prior Bonds. However, as is stated above under the caption "Historical Values and Tax Collection History," the District had collected an average of 99.72% of its tax levies for the period 2015 through 2024, and its 2025 tax levy was 97.25% collected as of September 30, 2026. Moreover, the District's Debt Service Fund balance was $1,338,060 as of October 1, 2026. Therefore, the District anticipates that it will be able to meet the debt service requirements of the Bonds and the Outstanding Bonds without increasing the tax rate for debt service above the debt service rate which the District has levied for 2026 - $0.34 per $100 of Assessed Valuation. However, the District can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the aforementioned tax rate or to justify continued payment of taxes by property owners. See "INVESTMENT CONSIDERATIONS - Common Factors Affecting Taxable Values and Tax Payments" and "TAXING PROCEDURES."

Estimated Overlapping Taxes

Property located within the District is subject to taxation by several taxing authorities in addition to the District. Set forth below is a compilation of all 2026 taxes levied upon property located within the District plus the District's 2026 tax rate. Under Texas law, ad valorem taxes levied by each taxing authority other than the District entitled to levy taxes against property located within the District create a lien which is on a parity with the tax lien of the District. In addition to the ad valorem taxes required to make the debt service payments on bonded debt of the District and of such other jurisdictions (see "DISTRICT DEBT- Estimated Direct and Overlapping Debt Statement"), certain taxing jurisdictions are authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

Taxing Jurisdiction	2026 Tax Rate Per $100 of A.V.
The District*	$0.860000
Harris County	0.417500
Harris County Department of Education	0.004798
Harris County Flood Control District	0.052660
Harris County Hospital District	0.019528
Port of Houston Authority	0.005900
Lone Star College System	0.106000
Aldine Independent School District	1.014400
Harris County Emergency Services District No. 1	0.100000
Harris County Emergency Services District No. 20	0.099814
Total Tax Rate	$2.680600

* The District levied a total tax of $0.86 per $100 of Assessed Valuation for 2026, consisting of debt service and maintenance taxes of $0.34 and $0.52 per $100 of Assessed Valuation, respectively.

TAXING PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate and amount, on all taxable property within the District in sufficient amount to pay the principal of and interest on the Outstanding Bonds, the Bonds and any additional bonds payable from taxes which the District may hereafter issue, and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Order to levy such a tax from year to year as described more fully under the caption "THE BONDS - Source of Payment." The Board is also authorized to levy and collect annual ad valorem taxes for the administration and maintenance of the District and the System and for the payment of certain contractual obligations if such taxes are authorized by vote of the District's electors at an election. The District's electors have authorized the levy of such a maintenance tax in the maximum amount of $1.35 per $100 of assessed valuation. The District levied a tax rate of $0.86 per $100 of Assessed Valuation for 2026, consisting of debt service and maintenance taxes of $0.34 and $0.52 per $100 of Assessed Valuation, respectively. See "TAX DATA - Maintenance Tax" and - "Historical Values and Tax Collection History."

Property Tax Code and County-Wide Appraisal District

The Texas Property 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 an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with responsibility for reviewing and equalizing values established by the appraisal district. The Harris Central Appraisal District (the "Appraisal District") has the responsibility of appraising property for all taxing units within Harris County, including the District. Such appraisal values

will be subject to review and change by the Harris County Appraisal Review Board (the "Appraisal Review Board"). The appraisal roll, as approved by the Appraisal Review Board, will be used by the District in establishing its tax rolls and tax rate.

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property and tangible personal property in the District is subject to taxation by the District; however, it is expected that no effort will be made by the District to collect taxes on personal property other than on personal property rendered for taxation, business inventories and the property of privately owned utilities. Principal categories of exempt property include: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; farm products owned by the producer; all oil, gas and mineral interests owned by an institution of higher education; certain property owned by exclusively charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; solar and wind-powered energy devices; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years or older or under a disability for purposes of payment of disability insurance benefits under the Federal Old-Age Survivors and Disability Insurance Act to the extent deemed advisable by the Board. The District would be required to call an election on such residential homestead exemption upon petition by at least twenty percent (20%) of the number of qualified voters who voted in the District's preceding election and would be required to offer such an exemption if a majority of voters approve it at such election. For the 2026 tax year, the District has granted an exemption in the amount of $20,000 of assessed valuation for persons 65 years of age and older and individuals who are under disability for purpose of payment of disability insurance benefits under the Federal Old-Age Survivors and Disability Insurance Act. Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between $5,000 and $12,000 of assessed valuation depending upon the disability rating of the veteran, if such rating is less than 100%. A veteran who receives a disability rating of 100% is entitled to an exemption for the full value of the veteran's residence homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if (i) the residence homestead was donated by a charitable organization at no cost to the disabled veteran or (ii) the residence was donated by a charitable organization at some cost to the disabled veteran if such cost is less than or equal to fifty percent (50%) of the total good faith estimate of the market value of the residence as of the date the donation is made. Also, the surviving spouse of (i) a member of the armed forces or (ii) a first responder (as defined under Texas law) who was (i) killed in action, or (ii) fatally injured in the line of duty, is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the appraised market value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted by May 1. For 2026, the District has not granted a general residential homestead exemption.

Freeport Goods Exemption: A "Freeport Exemption" applies to goods, wares, merchandise, other tangible personal property and ores, other than oil, natural gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining oil or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit" Exemption is applicable to certain tangible personal property, as defined by the Property Tax Code, acquired in or imported into Texas for storage purposes and which is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not

in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. The exemption excludes oil, natural gas, petroleum products, aircraft and certain special inventory including dealer's motor vehicles, dealer's vessel and outboard motor vehicle, dealer's heavy equipment and retail manufactured housing inventory. The exemption applies to covered property if it is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit personal property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. However, taxing units who took official action as allowed by prior law before October 1, 2011, to tax goods-in-transit property, and who pledged such taxes for the payment of debt, may continue to impose taxes against the goods-in-transit property until the debt is discharged without further action, if cessation of the imposition would impair the obligations of the contract by which the debt was created. The District has taken official action to allow taxation of all such goods-in-transit personal property, but may choose to exempt same in the future by further official action.

Assessment and Levy

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Assessments under the Property Tax Code are to be based upon one hundred percent (100%) of market value. The appraised value of residential homestead property may be limited to the lesser of the market value of the property, or the sum of the appraised value of the property for the last year in which it was appraised, plus ten percent (10%) of such appraised value multiplied by the number of years since the last appraisal, plus the market value of all new improvements to the property. Once an appraisal roll is prepared and approved by the Appraisal Review Board, it is used by the District in establishing its tax rate. The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraised values. The plan must provide for appraisal of all real property by the Appraisal District at least once every three (3) years. It is not known what frequency of reappraisal will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county-wide basis.

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

The chief appraiser must give written notice on May 15, or as soon thereafter as practicable to each owner if the appraised value of his property is greater than it was in the preceding year, if the appraised value of the property is greater than the value rendered by the property owner, or if the property was not on the appraisal roll in the preceding year. In addition, the chief appraiser must give written notice to each property owner whose property was reappraised in the current year or if ownership of the property changed during the preceding year. The appraisal review board has the ultimate responsibility for determining the value of all taxable property within the District; however, any owner who has timely filed notice with the appraisal review board may appeal the final determination by the appraisal review board by filing suit in Texas district court. Prior to such appeal and prior to the delinquency date, however, the owner must pay the tax due on the amount of value of the property involved that is not in dispute or the amount of tax paid in the prior year, whichever is greater, or the amount of tax due under the order from which the appeal is taken. In the event of such suit, the value of the property is determined by the court, or a jury if requested by any party. Additionally, the District is entitled to challenge certain matters before the appraisal review board, including the level of appraisals of a certain category of property, the exclusion of property from the appraisal records, or the grant in whole or in part of a partial exemption. The District may not, however, protest a valuation of individual property.

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

Tax Abatement

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

District and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units, including the District, may appeal orders of the Appraisal Review Board by filing a petition for review in Texas state district court within forty-five (45) days after notice is received that a final order has been entered. In such event, the property value in question may be determined by the court, or by a jury, if requested by any party. Additionally, taxing units may bring suit against the Appraisal District to compel compliance with the Property Tax Code. The District may challenge the exclusion of property from the appraisal rolls or the grant, in whole or in part, of an exemption.

The Property Tax Code 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.

Texas law provides for notice and hearing procedures prior to the adoption of an ad valorem tax rate by the District. Additionally, under certain circumstances, an election would be required to determine whether to approve the adopted total tax rate. See “Rollback of Operation and Maintenance Tax Rate” below. 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.

Collection

The District is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. The District adopts its tax rate each year after it receives a tax roll certified by the Appraisal District. Taxes are due upon receipt of a bill therefor, and become delinquent after January 31 of the following year or 30 days after the date billed, whichever is later, or, if billed after January 10, they are delinquent on the first day of the month next following the 21st day after such taxes are billed. A delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month the tax remains unpaid beginning the first calendar month it is delinquent. A delinquent tax also incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent plus a one percent (1%) penalty for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. However, a tax delinquent on July 1 incurs a total penalty of twelve percent (12%) of the amount of the delinquent tax without regard to the number of months the tax has been delinquent, which penalty remains at such rate without further increase. If the tax is not paid by July 1, an additional penalty of up to the amount of the compensation specified in the District’s contract with its delinquent tax collection attorney, but not to exceed twenty percent (20%) of the total tax, penalty and interest, may, under certain circumstances, be imposed by the District. With respect to personal property taxes that become delinquent on or after February 1 of a year and that remain delinquent sixty (60) days after the date on which they become delinquent, as an alternative to the penalty described in the foregoing sentence, an additional penalty on personal property of up to the amount specified in the District’s contract with its delinquent tax attorney, but not to exceed twenty percent (20%) of the total tax, penalty and interest, may, under certain circumstances, be imposed by the District prior to July 1. The District’s contract with its delinquent tax collection attorney currently specifies a twenty percent (20%) additional penalty. The District may waive penalties and interest on delinquent taxes only for the items

specified in the Texas Property Tax Code. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency of taxes under certain circumstances. The owner of a residential homestead property who is (i) a person sixty-five (65) years of age or older, (ii) under a disability for purpose of payment of disability insurance benefits under the Federal Old Age Survivors and Disability Insurance Act, or (iii) qualifies as a disabled veteran under Texas law, is entitled by law to pay current taxes on a residential homestead in installments or to defer the payment of taxes without penalty during the time of ownership. Additionally, a person who is delinquent on taxes for a residential homestead is entitled to an agreement with the District to pay such taxes in installments over a period of between 12 and 36 months (as determined by the District) when such person has not entered into another installment agreement with respect to delinquent taxes with the District in the preceding 24 months.

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property against which the tax is levied. In addition, on January 1, of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of other such taxing units (see "DISTRICT DEBT - Estimated Direct and Overlapping Debt Statement"). A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien. Further, personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalties, and interest.

Except with respect to (i) owners of residential homestead property who are sixty-five (65) years of age or older or under a disability as described above and who have filed an affidavit as required by law, and (ii) owners of residential homesteads who have entered into an installment agreement with the District for payment of delinquent taxes as described above and who are not in default under said agreement, at any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, or by taxpayer redemption rights (a taxpayer may redeem property that is a residence homestead or was designated for agricultural use within two (2) years after the deed issued at foreclosure is filed of record and may redeem all other property within six (6) months after the deed issued at foreclosure is filed of record) or by bankruptcy proceedings which restrict the collection of taxpayer debt. The District's ability to foreclose its tax lien or collect penalties and interest may be limited on property owned by a financial institution which is under receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act 12 U.S.C. 1825, as amended. Generally, the District's tax lien and a federal tax lien are on par with the ultimate priority being determined by applicable federal law. See "INVESTMENT CONSIDERATIONS - Tax Collection Limitations."

Agricultural, Open Space, Timberland and Inventory Deferment

The Property Tax Code permits land designated for agricultural use (including wildlife management), open space, or timberland to be appraised at its value based on the land's capacity to produce agriculture or timber products rather than at its fair market value. The Property Tax Code permits, under certain circumstances, that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of any of such designations must apply for the designation, and the Appraisal District 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 and not as to others. If a claimant receives the 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 for the three (3) years prior to the loss of the designation for agricultural, timberland or open space land.

Rollback of Operation and Maintenance Tax Rate

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

Special Taxing Units

Special Taxing Units that adopt a total tax rate that would impose more than 1.08 times the amount of the total tax imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a 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, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Developed District is the current year's debt service and contract tax rate plus 1.035 times the previous year's operation and maintenance tax rate plus any unused increment rates. In addition, if any part of a Developed District lies within an area declared for disaster by the Governor of Texas or President of the United States, alternative procedures and rate limitations may apply for a temporary period. If a district qualifies as both a Special Taxing Unit and a Developed District, the district will be subject to the operation and maintenance tax threshold applicable to Special Taxing Units.

Developing Districts

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

The District

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

INVESTMENT CONSIDERATIONS

General

The Bonds, which are obligations of the District and not of the State of Texas, Harris County, Texas, the City of Houston, Texas, or any political subdivision other than the District, are secured by an annual ad valorem tax, without legal limitation as to rate or amount, levied on all taxable property located within the District. The ultimate security for payment of the principal of and interest on the Bonds depends upon the ability of the District to collect from the property owners within the District taxes levied against all taxable property located within the District, or, in the event taxes are not collected and foreclosure proceedings are instituted by the District, upon the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The District makes no representation that over the life of the Bonds the taxable property within the District will maintain a value sufficient to justify continued payment of taxes by property owners or that there will be a market for any property if the District forecloses on property to enforce its tax lien. The collection of delinquent taxes owed the District, and the enforcement by a Registered Owner of the District's obligation to collect sufficient taxes may be costly and lengthy processes. See "Tax Collection Limitations" and "Registered Owners' Remedies and Bankruptcy" below and "THE BONDS - Source of Payment."

Common Factors Affecting Taxable Values and Tax Payments

A substantial proportion of the assessed valuation of the property located within the District is attributable to the current market value of single-family residences that have been constructed within the District. The market value of such homes is related to general economic conditions affecting the demand for residences. The market value of residential dwellings can be significantly affected by factors such as interest rates, construction costs, credit availability, energy availability and cost, and consumer demand. Further fluctuations in the price of oil could adversely affect job stability, wages and salaries, thereby negatively affecting the demand for new commercial improvements and the value of existing improvements (see "Potential Effects of Oil Price Volatility on the Houston Area" below). Although development of the District has occurred to date as described in this Official Statement under the caption "DEVELOPMENT OF THE DISTRICT," the District cannot predict the pace or magnitude of any future residential or commercial development or home construction in the District other thanthat which has occurred to date.

National Economy: The housing and building industry has historically been a cyclical industry, affected by both short-term and long-term interest rates, availability of mortgage and development funds, employment levels and general economic conditions. Although development of the District has occurred to date as described in this Official Statement under the caption "DEVELOPMENT OF THE DISTRICT," the District cannot predict the pace or magnitude of any future development or home construction in the District other than that which has been undertaken to date. The District cannot predict what impact, if any, a downturn in the local housing markets or in the national housing and financial markets may have on the Houston market generally and the District specifically.

Credit Markets and Liquidity in the Financial Markets: Interest rates and the availability of mortgage and development funding have a direct impact on development and homebuilding activity, particularly short-term interest rates at which developers are able to obtain financing for development costs and at which homebuilders are able to finance the construction of new homes for sale. Interest rate levels may affect the ability of a developer with undeveloped property to undertake and complete development activities within the District and of homebuilders to initiate the construction of new homes for sale or rental. Because of the numerous and changing factors affecting the availability of funds, particularly liquidity in the national credit markets, the District is unable to assess the future availability of such funds for continued development and/or home construction within the District. In addition, since the District is located approximately 12 miles north of the central downtown business district of the City of Houston, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the Houston metropolitan and regional economies and national credit and financial markets. A downturn in the economic conditions of Houston and in real estate and financial markets in the United States could adversely affect development and homebuilding plans or the construction of future commercial buildings in the District and restrain the growth of the District's property tax base.

Principal Land Owners' Obligations to the District: The ability of any principal land owner to make full and timely payments of taxes levied against its property by the District and similar taxing authorities might directly affect the District's ability to meet its debt service obligations. The largest taxpayer delineated on the District's 2026 tax roll is Camillo Properties, Ltd. and related entities, which own land and improvements located within the District the 2026 Assessed Valuation of which totals $9,634,018, comprising approximately 3.72% of the District's total 2026 tax roll. Camillo Properties has constructed homes within the District for the purpose of leasing such homes to tenants. See "TAX DATA - Principal 2026 Taxpayers." The second largest taxpayer delineated on the District's 2026 tax roll is QRV Fallbrook LLC, who owns land and improvements located within the District the 2026 Assessed Valuation of which totals $6,713,763, comprising approximately 2.60% of the District's total 2026 tax roll. No other party owns property located in the District the 2026 Assessed Valuation of which exceeds 1.43% of the District's total 2026 Assessed Valuation. The District cannot predict the pace or magnitude of any future residential or commercial development or home construction in the District other than that which has occurred to date. There is no commitment by or legal requirement of any party to the District to proceed at any particular rate or according to any specified plan with the construction of homes in the District; there is no commitment on the part of any owner of any of the approximately 58 acres of currently undeveloped land located in the District to develop any of such land (see "FUTURE DEVELOPMENT"); and there is no restriction on any landowner's right to sell its land. Therefore, the District can make no representation about the probability of future development, if any, or the rate of home construction activity in the District, nor can the District predict the level of occupancy of any homes that Camillo Properties has constructed for rental purposes within the District, or of any of the single-family homes that have been constructed within the District and sold to home purchasers. See "DEVELOPMENT OF THE DISTRICT."

Maximum Impact on District Tax Rates

Assuming no further construction of other taxable improvements within the District other than those which have heretofore been constructed, and no additional development in the District other than the development which has occurred to date, the value of the land and improvements currently located within the District will be a major determinant of the ability of the District to collect, and the willingness of District property owners to pay, ad valorem taxes levied by the District. After issuance of the Bonds, the Maximum Annual Debt Service Requirement of the Outstanding Bonds and the Bonds will be $1,046,738 (2031) and the Average Annual Debt Service Requirements will be $865,758 (2027 through 2056 inclusive). The 2026 Assessed Valuation of property within the District is $258,655,464. Assuming no increase to or decrease from the 2026 Assessed Valuation, the issuance of no additional bonds by the District, and no use of other legally available District funds, tax rates of $0.43 and $0.36 per $100 of Assessed Valuation at a 95% collection rate would be necessary to pay the Maximum Annual Debt Service Requirement and the Average Annual Debt Service Requirements, respectively. See "TAX DATA - Tax Rate Calculations."

The District levied a tax rate of $0.86 per $100 of Assessed Valuation for 2026, consisting of debt service and maintenance taxes of $0.34 and $0.52 per $100 of Assessed Valuation, respectively. As the above calculations indicate, the 2026 debt service tax rate of $0.34 per $100 of Assessed Valuation will not be sufficient to pay the Average Annual but not the Maximum Annual Debt Service Requirements on the Outstanding Bonds and the Bonds, assuming taxable values in the District at the level of the 2026 Assessed Valuation, assuming a tax collection rate of 95%, no use of funds on hand, and the issuance of no additional bonds by the District other than the Bonds and the Prior Bonds. However, as is illustrated under the caption "TAX DATA - Historical Values and Tax Collection History," the District had collected an average of 99.72% of its tax levies for the period 2015 through 2024, and its 2025 tax levy was 97.25% collected as of September 30, 2026. Moreover, the District's Debt Service Fund balance was $1,338,060 as of October 1, 2026. Therefore, the District anticipates that it will be able to meet the debt service requirements of the Bonds and the Outstanding Bonds without increasing the tax rate for debt service above the debt service rate which the District has levied for 2026 - $0.34 per $100 of Assessed Valuation. However, the District can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the aforementioned tax rate or to justify continued payment of taxes by property owners. See "THE BONDS - Registered Owners' Remedies," "TAXING PROCEDURES," and "TAX DATA - Estimated Overlapping Taxes."

Tax Collection Limitations

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other taxing authorities on the property against which taxes are levied, and such lien may be enforced by judicial

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 affecting the marketability of taxable property within the District and limitation of the proceeds from a foreclosure sale of such property, (d) adverse effects on the proceeds of a foreclosure sale resulting from a taxpayer's limited right to redeem its foreclosed property as set forth below, or (e) insufficient foreclosure bids to satisfy the tax liens of all taxing authorities which have parity liens on the property. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. Moreover, the value of the property to be sold for delinquent taxes and thereby the potential sales proceeds available to pay debt service on the Bonds, may be limited by among other factors, the existence of other tax liens on the property, by the current aggregate tax rate being levied against the property, or by the taxpayers' right to redeem residential or agricultural use property within two (2) years of foreclosure and all other property within six (6) months of foreclosure. See "TAXING PROCEDURES."

Registered Owners' Remedies and Bankruptcy

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners have a right to seek a writ of mandamus requiring the District to levy adequate taxes each year to make such payments. Except for mandamus, the Bond Orders do not provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages, so that in the absence of other waivers of such immunity by the Texas legislature, a default by the District in its covenants in the Bond Orders may not be reduced to a judgement for money damages. Even if Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by a direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District in order to pay the principal of and interest on the Bonds. Since there is no trust indenture or trustee, the Registered Owners would have to initiate and finance the legal process to enforce their remedies.

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

The District may not be placed into bankruptcy involuntarily.

Future Debt

The District has reserved in the Bond Order the right to issue the remaining $32,915,000 in bonds authorized but unissued for waterworks, sanitary sewer and drainage facilities, all of which may also be used for refunding purposes, and such additional bonds as may hereafter be approved by both the Board of Directors and voters of the District. The District also has reserved the right to issue certain other additional bonds, special project bonds, and other obligations described in the Bond Order. All of the remaining bonds authorized for waterworks, sanitary sewer and drainage facilities which have heretofore been authorized by voters of the District may be issued by the District from time to time as needed. The issuance of such $32,915,000 in bonds for waterworks, sanitary sewer and drainage facilities is also subject to TCEQ authorization. If additional bonds are issued in the future and property values have not increased proportionately, such issuance may increase gross debt/property valuation ratios and thereby adversely affect the investment quality or security of the Bonds. The District will finance the acquisition or construction of components of the System and other facilities with portions of the proceeds of the sale of the Bonds as is enumerated in this Official Statement under the caption "USE AND DISTRIBUTION OF BOND PROCEEDS." The District expects to finance the acquisition or construction of additional components of the System with portions of the proceeds of the sale of bonds, if any, in the future. See "THE BONDS - Legal Ability to Issue Additional Debt" and "THE SYSTEM."

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 the trading of the Bonds in the secondary market. There is no assurance that a secondary market will be made for the Bonds. If there is a secondary market, the difference between the bid and asked price of the Bonds may be greater than the bid and asked spread of other bonds generally bought, sold or traded in the secondary market. See "SALE AND DISTRIBUTION OF THE BONDS."

Continuing Compliance with Certain Covenants

The Bond Order contains covenants by the District intended to preserve the exclusion from gross income of interest on the Bonds. Failure of the District to comply with such covenants on a continuous basis prior to maturity of the Bonds could result in interest on the Bonds becoming taxable retroactively to the date of original issuance. See "TAX MATTERS."

Environmental Regulations

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

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

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

Air Quality Issues. Air quality control measures required by the United States Environmental Protection Agency (the "EPA") and the Texas Commission on Environmental Quality (the "TCEQ") may impact new industrial, commercial and residential development in the Houston area. Under the Clean Air Act ("CAA") Amendments of 1990, the eight-county Houston-Galveston-Brazoria area ("HGB Area")—Harris, Galveston, Brazoria, Chambers, Fort Bend, Waller, Montgomery and Liberty Counties—has been designated a nonattainment area under three separate federal ozone standards: the one-hour (124 parts per billion ("ppb")) and eight-hour (84 ppb) standards promulgated by the EPA in 1997 (the "1997 Ozone Standards"); the tighter, 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.

While the EPA has revoked the 1997 Ozone Standards, the EPA historically has not formally redesignated nonattainment areas for a revoked standard. As a result, the HGB Area remained subject to continuing severe nonattainment area "anti-backsliding" requirements, despite the fact that HGB Area air quality has been attaining the 1997 Ozone Standards since 2014. In late 2015, the EPA approved the TCEQ's "redesignation substitute" for the HGB Area under the revoked 1997 Ozone Standards, leaving the HGB Area subject only to the nonattainment area requirements under the 2008 Ozone Standard (and later, the 2015 Ozone Standard).

In February 2018, the U.S. Court of Appeals for the District of Columbia Circuit issued an opinion in South Coast Air Quality Management District v. EPA, 882 F.3d 1138 (D.C. Cir. 2018) vacating the EPA redesignation substitute rule that provided the basis for the EPA's decision to eliminate the anti-backsliding requirements that had applied in the HGB Area under the 1997 Ozone Standard. The court has not responded to the EPA's April 2018 request for rehearing of the case.

To address the uncertainty created by the South Coast court's ruling, the TCEQ developed a formal request that the HGB Area be redesignated to attainment under the 1997 Ozone Standards. The TCEQ Commissioners adopted the request and maintenance plan for the 1997 one-hour and eight-hour standards on December 12, 2018. On May 16, 2019, the EPA proposed a determination that the HGB Area has met the redesignation criteria and continues to attain the 1997 one-hour and eight-hour standards, the termination of the anti-backsliding obligations, and approval of the proposed maintenance plan.

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 "moderate" nonattainment area under the 2015 Ozone Standard, with an attainment deadline of August 3, 2024. For purposes of the 2015 Ozone Standard, the HGB Area consists of only six counties: Brazoria, Chambers, Fort Bend, Galveston, Harris, and Montgomery Counties.

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

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

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

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

Texas Pollutant Discharge Elimination System ("TPDES") permits set limits on the type and quantity of discharge, in accordance with state and federal laws and regulations. The TCEQ reissued the TPDES Construction General Permit (TXR150000), with an effective date of March 5, 2018, 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. It 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 is subject to the TCEQ's General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the "MS4 Permit"), which was issued by the TCEQ on January 24, 2019. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. In order to maintain MS4 Permit compliance, the District is partnering with the city of Pearland (the "City"), to participate in the City's program to develop, implement, and maintain the required plan (the "MS4 Permit Plan") as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff. While the District does not have its own independent MS4 Permit Plan, the District has taken all necessary steps required by the City to be included in the City's MS4 Permit Plan in order to obtain MS4 Permit compliance with the TCEQ. If at any time in the future the District were required to maintain independent coverage under the MS4 Permit, it is anticipated that the District could incur substantial additional costs to develop and implement its own program necessary to comply with the MS4 Permit.

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

On May 25, 2023, the Supreme Court of the United States issued its decision in Sackett v. EPA, which clarified the definition of "waters of the United States" and significantly restricted the reach of federal jurisdiction under the CWA. Under the Sackett decision, "waters of the United States" includes only geographical features that are described in ordinary parlance as "streams, oceans, rivers, and lakes" and to adjacent wetlands that are indistinguishable from such bodies of water due to a continuous surface connection.

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

Tax 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 Property 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.

Extreme Weather Events

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

The greater Houston area, including the District, has experienced multiple storms exceeding a 0.2% probability (i.e., "500 year flood" events) since 2015, including Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 26, 2017, and brought historic levels of rainfall during the successive four days. However, according to the District's

Operator and Engineer, the District's System did not sustain any material damage from Hurricane Harvey and there was no interruption of water or sewer service as a result of the storm. No homes or commercial properties within the District experienced structural flooding or other significant damage as a result of Hurricane Harvey.

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

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

Potential Effects of Oil Price Volatility on the Houston Area

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

Changes in Tax Legislation

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

Approval of the Bonds

The Attorney General of Texas must approve the issuance of the Bonds prior to their delivery. The Attorney General of Texas does not pass upon or guarantee the security of the Bonds as an investment, or the adequacy or accuracy of the information contained in this Official Statement.

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

As a result of supply issues, shipping constraints, and ongoing trade disputes (including tariffs), there have been recent substantial increases in the cost of lumber and other building materials, causing many homebuilders and general contractors to experience budget overruns. Further, the unpredictable nature of current trade policy (including the threatened imposition of tariffs) may impact the ability of the Developers or homebuilders in the District to estimate costs. Additionally, immigration policies may affect the State's workforce, and any labor shortages that could occur may impact the rate of construction within the District. Uncertainty surrounding availability and cost of materials may

result in decreased levels of construction activity, and may restrict the growth of property values in the District. The District makes no representations regarding the probability of development or homebuilding continuing in a timely manner or the effects that current or future economic or governmental circumstances may have on any plans of the Developers or homebuilders.

LEGAL MATTERS

Legal Opinions

The District will furnish the Underwriter a transcript of certain certified proceedings incident to the authorization and issuance of the Bonds. Such transcript will include a certified copy of the approving opinions of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Bonds are valid and binding obligations of the District. The District will also furnish the approving legal opinions of Bond Counsel to the effect that, based upon an examination of such transcript, the Bonds are valid and binding obligations of the District under the Constitution and laws of the State of Texas. The legal opinions of Bond Counsel will further state that the Bonds, including principal of and interest thereon, are payable from the levy of ad valorem taxes, without legal limitation as to rate or amount, upon all taxable property located within the District. Bond Counsel's opinions will also address the matters described below under the caption "TAX MATTERS." Bond Counsel's fees for services rendered with respect to the sale of the Bonds are contingent upon the issuance and delivery of the Bonds. Bond Counsel acts as counsel for the District on matters other than the issuance of bonds.

In its capacity as Bond Counsel, Coats Rose, P.C., has reviewed the information appearing in this Official Statement under "THE BONDS (except the for the information under the subheading "Book-Entry-Only System")," "TAXING PROCEDURES," "THE DISTRICT - Authority" and - "Management of the District - Counsel," "LEGAL MATTERS - Legal Opinions," "TAX MATTERS" and "CONTINUING DISCLOSURE OF INFORMATION (except the for the information under the subheading "Compliance With Prior Undertakings")" solely to determine whether such information fairly summarizes the procedures, law and documents referred to therein and conforms to the requirements of applicable laws and ordinances of the City of Houston, Texas, with regard to the sale of the Bonds. Bond Counsel has not, however, independently verified any of the other factual information contained in this Official Statement, nor has Bond Counsel conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of the information contained in this Official Statement. No person is entitled to rely upon Bond Counsel's limited participation as an assumption of responsibility for, or an expression of opinions of any kind with regard to, the accuracy or completeness of any of the other factual information contained herein.

No Arbitrage

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

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 financial condition of the District subsequent to the date of sale from that set forth in the Preliminary Official Statement, as it may have been supplemented or amended, through the date of sale. The rating of the insurer's creditworthiness by any rating agency does not and will not in any manner affect the District's financial condition, and

thus any change to such rating, including a downgrade thereof, at any time, does not and will not constitute a change, material or otherwise, in the District's financial condition, and therefore cannot be a basis for termination by the Underwriter of its obligations to take up and pay for the Bonds.

No-Litigation Certificate

The District will furnish to the Underwriter a certificate, dated as of the date of delivery of the Bonds, executed by both the President and Secretary of the Board, to the effect that no litigation of any nature has been filed or is then pending or threatened, of which the District has notice, either in state or federal courts, contesting or attacking the Bonds; to restrain or enjoin the issuance, execution or delivery of the Bonds; which would affect the provisions made for the payment of or security for the Bonds; which would in any manner question the authority or proceedings for the issuance, execution, or delivery of the Bonds; or which would affect the validity of the Bonds.

TAX MATTERS

Opinion

On the date of initial delivery of the Bonds, Coats Rose, P.C., Bond Counsel, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law") (1) interest on the Bonds will be excludable from the gross income, as defined in section 61 of the Code, of the owners thereof for federal income tax purposes; and (2) the Bonds will not be treated as "specified private activity bonds" the interest on which would be included in the alternative minimum taxable income of individuals under section 57(a)(5) of the Code or, except as described below, corporations. Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds.

In rendering its opinion, Bond Counsel will rely upon (a) the District's federal tax certificate, and (b) covenants of the District with respect to arbitrage, the application of the proceeds to be received from the issuance and sale of the Bonds and certain other matter. Failure by the District to observe the aforementioned representations or covenants, could cause the interest on the Bonds to become taxable retroactively to the date of issuance.

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

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

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

Federal Income Tax Accounting Treatment of Original Issue Discount

The initial public offering price to be paid for the Bonds, as stated on the cover of the Official Statement, may be less than the principal amount thereof (the "Original Issue Discount Bonds"). As such, the difference between (i) the amount payable at the maturity of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue

Discount Bond constitutes original issue discount with respect to such Original Issue Discount Bond in the hands of any owner who has purchased such Original Issue Discount Bond in the initial public offering of the Bonds.

Under Existing Law, such an owner is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the period for which such Original Issue Discount Bond continues to be owned by such owner. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

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

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

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

Collateral Federal Income Tax Consequences

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

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

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

Under Section 6012 of the Code, holders of tax-exempt obligations, such as the Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Bonds, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount bonds"

to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

State, Local and Foreign Taxes

Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the Bonds under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

Information Reporting and Backup Withholding

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

Qualified Tax-Exempt Obligations for Financial Institutions

Section 265(a) of the Code provides, in pertinent part, that interest paid or incurred by a taxpayer, including a "financial institution," on indebtedness incurred or continued to purchase or carry tax exempt obligations is not deductible by such taxpayer in determining taxable income. Section 265(b) of the Code provides an exception to the disallowance of such deduction for any interest expense paid or incurred on indebtedness of a taxpayer which is a "financial institution" allocable to tax exempt obligations, other than "specified private activity bonds," which are designated by a "qualified small issuer" as "qualified tax exempt obligations." A "qualified small issuer" is any governmental issuer (together with any subordinate issuers) who issues no more than $10,000,000 of tax exempt obligations during the calendar year. Section 265(b)(5) of the Code defines the term "financial institution" as referring to any corporation described in section 585(a)(2) of the Code, or any person accepting deposits from the public in the ordinary course of such person's trade or business which is subject to federal or state supervision as a financial institution. Notwithstanding the exception to the disallowance of the deduction of interest on indebtedness related to "qualified tax-exempt obligations" provided by Section 265(b) of the Code, Section 291 of the Code provides that the allowable deduction to a "bank" as defined in Section 585(a)(2) of the Code, for interest on indebtedness incurred or continued to purchase "qualified tax-exempt obligations" shall be reduced by twenty-percent (20%) as a "financial institution preference item."

The District expects to designate the Bonds as "qualified tax exempt obligations" within the meaning of section 265(b) of the Code. In furtherance of that designation, the District will covenant to take such action which would assure, or to refrain from such action which would adversely affect, the treatment of the Bonds as "qualified tax exempt obligations." Potential purchasers should be aware that if the issue price to the public exceeds $10,000,000, there is a reasonable basis to conclude that the payment of a de minimis amount of premium in excess of $10,000,000 is disregarded, however, the Internal Revenue Service could take a contrary view. Were the Internal Revenue Service to conclude that the amount of such premium is not disregarded, then such obligations might fail to satisfy the $10,000,000 limitation and the obligations would not be "qualified tax exempt obligations."

SOURCES OF INFORMATION

General

The information contained in this Official Statement has been obtained primarily from the District's records, the Harris Central Appraisal District and other sources believed to be reliable; however, no representation is made as to the accuracy or completeness of the information contained herein, except as described below under the caption "Certification of Official Statement." The summaries of the statutes, resolutions and engineering and other related reports set forth herein are included subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information.

The financial statements of the District as of February 28, 2026, and for the year then ended, included in this offering document, have been audited by Mark Eyring, C.P.A., independent auditors, as stated in their report appearing herein. See "APPENDIX B."

Experts

The information contained in this Official Statement relating to engineering, to the description of the System generally and, in particular, the engineering information included in the section captioned "THE SYSTEM" has been provided by Baxter & Woodman, Inc., Houston, Texas. Such information has been included herein in reliance upon the authority of said firm as an expert in the field of civil engineering.

The information contained in this Official Statement relating to the assessed valuations of property generally and, in particular, that information concerning principal taxpayers, tax collection rates and valuations contained in the sections captioned "TAX DATA" and "DISTRICT DEBT" has been provided by the Harris Central Appraisal District and Bob Leared Interests. The District has included certain information herein in reliance upon Bob Leared Interests's authority as an expert in the field of tax assessing and real property appraisal.

Updating of Official Statement

If, subsequent to the date of the Official Statement, the District learns, through the ordinary course of business and without undertaking any investigation or examination for such purposes, or is notified by the Underwriter, of any adverse event which causes the Official Statement to be materially misleading, and unless the Underwriter elects to terminate their obligation to purchase the Bonds, the District will promptly prepare and supply to the Underwriter an appropriate amendment or supplement to the Official Statement satisfactory to the Underwriter; provided, however, that the obligation of the District to so amend or supplement the Official Statement will terminate when the District delivers the Bonds to the Underwriter, unless the Underwriter notifies the District on or before such date that less than all of the Bonds have been sold to ultimate customers, in which case the District's obligations hereunder will extend for an additional period of time (but not more than 90 days after the date the District delivers the Bonds) until all of the Bonds have been sold to ultimate customers.

Certification as to Official Statement

At the time of payment for and delivery of the Bonds, the District will furnish the Underwriter a certificate, executed by the President and Secretary of the Board, acting in their official capacities, to the effect that to the best of their knowledge and belief: (a) the information, descriptions and statements of or pertaining to the District contained in this Official Statement, on the date thereof and on the date of delivery were and are true and correct in all material respects; (b) insofar as the District and its affairs, including its financial affairs, are concerned, this Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated herein or necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading; and (c) insofar as the descriptions and statements, including financial data contained in this Official Statement, of or pertaining to entities other than the District and their activities are concerned, such statements and data have been obtained from sources which the District believes to be reliable and that the District has no reason to believe that they are untrue in any material respect or 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; however, the District has made no independent investigation as to the accuracy or completeness of the information derived from sources other than the District.

Official Statement "Deemed Final"

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission (the "SEC"), this document, as the same may be supplemented or corrected by the District from time to time, may be treated as an Official Statement with respect to the Bonds described herein "deemed final" by the District as of the date hereof (or of any such supplement or correction) except for the omission of certain information referred to in the succeeding paragraph.

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

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

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

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12. The updated information will include audited financial statements, if the District's audit is completed by the required time. If audited financial statements are not available by the required time, the District will provide unaudited financial statements within the required time, and audited financial statements when the audit report 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 the last day of February. Accordingly, it must provide updated information by August 31 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify any MSRB of the change.

Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determination of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other events affecting the tax status of the Bonds; (7) modifications to rights of Beneficial Owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person or the sale of all or substantially all of the assets of the District or other obligated person other than in the ordinary course of business, the entry into a definitive agreement to undertake

such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person, any of which reflect financial difficulties. The terms "obligated person" and "financial obligation" when used in this paragraph shall have the meanings ascribed to them under SEC Rule 15c2-12 (the "Rule"). The term "material" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Order makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information

The District has agreed to provide the foregoing information only to the MSRB. Investors will be able to access, without charge from the MSRB, continuing disclosure information filed with the MSRB at www.emma.msrb.org.

Limitations and Amendments

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

The District may amend its continuing disclosure agreement only if (1) the amendment is made in connection with a change in circumstances that arise from a change in legal requirements, change in law, or change in the identity, nature, or status of the District; (2) the agreement, as amended, would have complied with the Rule at the date of sale of the Bonds, taking into account any amendments or interpretations of the Rule as well as any change in circumstances; and (3) the District receives an opinion of nationally recognized bond counsel to the effect that the amendment does not materially impair the interests of the holders and beneficial owners of the Bonds. If any such amendment is made, the District will include in its next annual update an explanation in narrative form of the reasons for the change and its impact on the type of operating data or financial information being provided.

Compliance With Prior Undertakings

During the last five years, the District has complied in all material respects with its continuing disclosure agreements made in connection with the Prior Bonds in accordance with the Rule.

This Official Statement was approved by the Board of Directors of Forest Hills Municipal Utility District as of the date shown on the first page hereof.

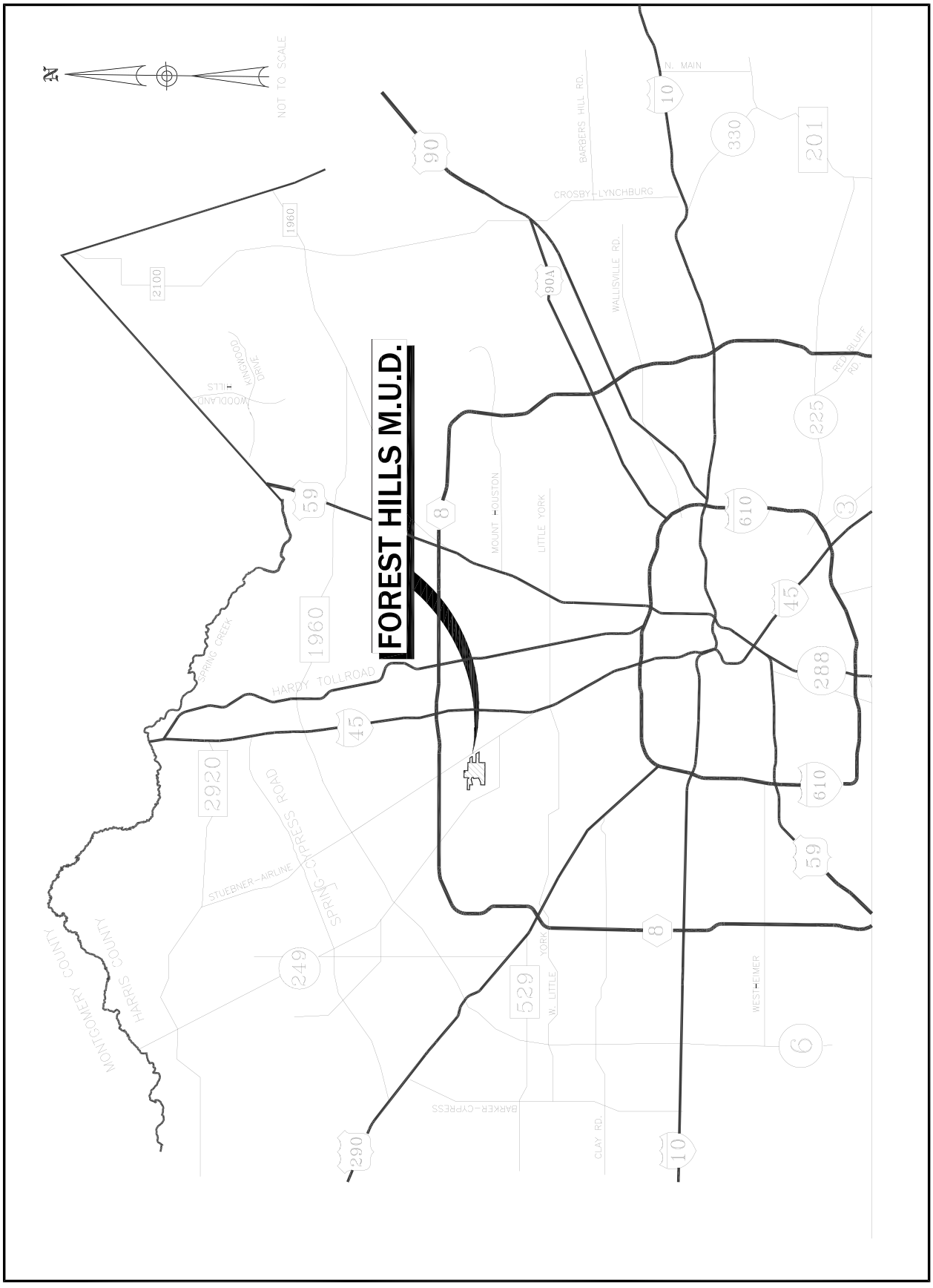
President, Board of Directors
Forest Hills Municipal Utility District

ATTEST:

Secretary, Board of Directors
Forest Hills Municipal Utility District

APPENDIX A

LOCATION MAP



APPENDIX B

FOREST HILLS MUNICIPAL UTILITY DISTRICT

HARRIS COUNTY, TEXAS

ANNUAL AUDIT REPORT

FEBRUARY 28, 2026

FOREST HILLS MUNICIPAL UTILITY DISTRICT

HARRIS COUNTY, TEXAS

ANNUAL AUDIT REPORT

FEBRUARY 28, 2026

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July 9, 2026

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Forest Hills Municipal
Utility District
Harris County, Texas

Opinions

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Forest Hills Municipal Utility District as of and for the year ended February 28, 2026, and the related notes to the financial statements, which collectively comprise Forest Hills Municipal Utility District's basic financial statements as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Forest Hills Municipal Utility District, as of February 28, 2026, and the respective changes in financial position and, where applicable, cash flows there of for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, I: exercise professional judgment and maintain professional skepticism throughout the audit.; identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.; obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Forest Hills Municipal Utility District's internal control. Accordingly, no such opinion is expressed.; evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements; conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Forest Hills Municipal Utility District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Forest Hills Municipal Utility District's basic financial statements. The supplementary information on Pages 23 to 43 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Except for the portion marked "unaudited," the information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The supplementary information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it. The accompanying supplementary information includes financial data excerpted from prior year financial statements which were audited by my firm.



Management's Discussion and Analysis

Using this Annual Report

Within this section of the Forest Hills Municipal Utility District (the "District") annual report, the District's Board of Directors provides narrative discussion and analysis of the financial activities of the District for the fiscal year ended February 28, 2026.

The annual report consists of a series of financial statements plus additional supplemental information to the financial statements as required by its state oversight agency, the Texas Commission on Environmental Quality. In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities which engage in a single governmental program. In the District's case, the single governmental program is provision of water and sewer services. Other activities, such as garbage collection, are minor activities and are not budgeted or accounted for as separate programs. The financial statements of special-purpose governments combine two types of financial statements into one statement. These two types of financial statements are the government-wide financial statements and the fund financial statements. The fund financial statements are presented on the left side of the statements, a column for adjustments is to the right of the fund financial statements, and the government-wide financial statements are presented to the right side of the adjustments column. The following sections describe the measurement focus of the two types of statements and the significant differences in the information they provide.

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

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

Financial Analysis of the District as a Whole

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

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

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

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

Summary of Net Position

	2026	2025	Change
Current and other assets	$ 9,332,165	$ 8,375,891	$ 956,274
Capital assets	11,939,878	10,889,200	1,050,678
Total assets	21,272,043	19,265,091	2,006,952
Long-term liabilities	13,731,902	13,068,340	663,562
Other liabilities	888,701	663,793	224,908
Total liabilities	14,620,603	13,732,133	888,470
Net position:			
Invested in capital assets, net of related debt	(2,199,190)	(2,519,866)	320,676
Restricted	3,542,882	3,694,306	(151,424)
Unrestricted	5,307,748	4,358,518	949,230
Total net position	$ 6,651,440	$ 5,532,958	$ 1,118,482

Summary of Changes in Net Position

	2026	2025	Change
Revenues:			
Property taxes, including related penalty and interest	$ 2,081,992	$ 2,002,188	$ 79,804
Charges for services	1,470,444	1,172,024	298,420
Other revenues	312,590	335,565	(22,975)
Total revenues	3,865,026	3,509,777	355,249
Expenses:			
Service operations	2,303,682	1,949,802	353,880
Debt service	442,862	481,912	(39,050)
Total expenses	2,746,544	2,431,714	314,830
Change in net position	1,118,482	1,078,063	40,419
Net position, beginning of year	5,532,958	4,454,895	1,078,063
Net position, end of year	$ 6,651,440	$ 5,532,958	$ 1,118,482

Financial Analysis of the District's Funds

The District's combined fund balances as of the end of the fiscal year ended February 28, 2026, were $8,602,314, an increase of $751,577 from the prior year.

The General Fund balance increased by $926,020, in accordance with the District's financial plan.

The Debt Service Fund balance increased by $42,853, in accordance with the District's financial plan.

The Capital Projects Fund balance decreased by $217,296, as authorized expenditures exceeded interest earnings on deposits and investments.

General Fund Budgetary Highlights

The Board of Directors did not amend the budget during the fiscal year. The District's budget is primarily a planning tool. Accordingly, actual results varied from the budgeted amounts. A comparison of actual to budgeted amounts is presented on Page 22 of this report. The budgetary fund balance as of February 28, 2026, was expected to be $4,735,603 and the actual end of year fund balance was $5,184,917.

Capital Asset and Debt Administration

Capital Assets

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

	Capital Assets (Net of Accumulated Depreciation)		
	2026	2025	Change
Land and improvements	$ 604,207	$ 604,207	$ 0
Detention ponds	1,086,347	1,086,347	0
Construction in progress	3,487,213	2,416,485	1,070,728
Water facilities	3,536,230	3,429,754	106,476
Sewer facilities	2,871,532	2,975,792	(104,260)
Drainage facilities	354,349	376,615	(22,266)
Totals	$ 11,939,878	$ 10,889,200	$ 1,050,678

Changes to capital assets during the fiscal year ended February 28, 2026, are summarized as follows:

Additions:	
Water system improvements	$ 299,449
Utilities constructed by developer	1,070,728
Total additions to capital assets	1,370,177
Decreases:	
Depreciation	(319,499)
Net change to capital assets	$ 1,050,678

Debt

Changes in the bonded debt position of the District during the fiscal year ended February 28, 2026, are summarized as follows:

Bonds payable, beginning of year	$ 11,120,000
Bonds paid	(370,000)
Bonds payable, end of year	$ 10,750,000

At February 28, 2026, the District had $37,115,000 of bonds authorized but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage system within the District.

The District's Series 2020, 2022 and Series 2023 bonds have an underlying rating of Baa3 by Moody's. The Series 2020, 2022 and 2023 bonds are insured by Build America Mutual Assurance Company. Because of the insurance, the Series 2020, 2022 and 2023 bonds are rated AA by Standard & Poor's. The District's other bonds are not rated or insured.

As further described in Note 5 of the notes to the financial statements, developers within the District are constructing water, sewer and drainage facilities on behalf of the District under the terms of contracts with the District. The District has agreed to reimburse the developers for these construction and related engineering costs plus interest not to exceed the interest rate of the applicable District bond issue. These amounts are to be reimbursed from the proceeds of a future bond issue to the extent approved by the Texas Commission on Environmental Quality. The District's engineer stated that cost of the construction in progress at February 28, 2026, was estimated to be $3,487,213. This amount has been recorded in the government-wide financial statements.

RELEVANT FACTORS AND WATER SUPPLY ISSUES

Property Tax Base

The District's tax base increased approximately $9,940,000 for the 2025 tax year (approximately 4%), due to the increase of the average assessed valuations on existing property.

Relationship to the City of Houston

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

Utilizing a provision of Texas law, the City of Houston ("City") and the District entered into a Strategic Partnership Agreement ("SPA") effective as of December 14, 2009. The SPA provides for the limited purpose annexation of certain developed commercial tracts within the District by the City. The properties made subject to the SPA may not be taxed for ad valorem purposes by the City, and the City provides only limited services (primarily police). Additional properties may become subject to the SPA by amending the SPA upon the consent of the City and the District. The SPA provides that the City shall pay to the District one half of all Sales and Use Tax revenues generated within the boundaries of the SPA and received by the City from the Comptroller of Public Accounts of the State of Texas. The term of the SPA is 30 years. During the term of the SPA, the City has agreed not to annex all or part of the District or commence any action to annex all or part of the District for full purposes.

Water Supply Issues

The Harris-Galveston Subsidence District (the "Subsidence District") was created by the Texas Legislature to reduce subsidence by regulating the withdrawal of groundwater within Harris and Galveston Counties. In 1999, the Subsidence District adopted its District Regulatory Plan ("Regulatory Plan") to control ground water withdrawals. The Regulatory Plan divides the Subsidence District's jurisdiction into regulatory areas. The Subsidence District's Regulatory Area 3 ("Area 3") generally encompasses northwest and western Harris County, including the District. Pursuant to the Regulatory Plan, specific major water users, including those in Area 3, must reduce groundwater withdrawals to no more than 70% of water use by January 2010, to no more than 40% by January 2025 and to no more than 20% by January 2035. As further described in Note 10 of the notes to the financial statements, the District has entered into a Water Supply and Groundwater Reduction Plan Wholesale Agreement with the City of Houston (the "City") in order to meet regulatory compliance requirements of the Harris Galveston Coastal Subsidence District. The District is included in the Groundwater Reduction Plan ("GRP") prepared by the City. As a participant in the City's GRP, the District has complied with all Subsidence District requirements in regard to the conversion to surface water, but is obligated to pay to the City a groundwater withdrawal fee for all groundwater produced and used by the District and a water purchase fee for any water actually purchased from the City by the District in the future. The issuance of additional bonds by the District in an undetermined amount may be necessary at some time in the future in order to develop surface water conversion infrastructure should the City require the District to convert to surface water and connect to the City's water supply system.

FOREST HILLS MUNICIPAL UTILITY DISTRICT

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET

FEBRUARY 28, 2026

	General	Debt Service	Capital Projects	Total	Adjustments (Note 3)	Statement of Net Position
ASSETS						
Cash, including interest-bearing accounts, Note 7	$ 168,045	$ 152,219	$ 74,879	$ 395,143	$	$ 395,143
Certificates of deposit, at cost, Note 7	1,019,737			1,019,737		1,019,737
Temporary investments, at cost, Note 7	4,076,709	1,839,582	1,423,404	7,339,695		7,339,695
Receivables:						
Property taxes	122,831	84,962		207,793		207,793
Accrued penalty and interest on property taxes				0	40,523	40,523
Service accounts	281,325			281,325		281,325
Accrued interest	7,865			7,865		7,865
Other	32,825			32,825		32,825
Due from other fund	5,575			5,575	(5,575)	0
Maintenance taxes collected not yet transferred from other fund	60,084			60,084	(60,084)	0
Prepaid expenditures	7,259			7,259		7,259
Capital assets, net of accumulated depreciation, Note 4:						
Capital assets not being depreciated				0	5,177,767	5,177,767
Depreciable capital assets				0	6,762,111	6,762,111
Total assets	$5,782,255	$2,076,763	$1,498,283	$ 9,357,301	11,914,742	21,272,043
LIABILITIES						
Accounts payable	$ 376,612	$ 7,028	$	$ 383,640		383,640
Customer and builder deposits	97,895			97,895		97,895
Due from other fund			5,575	5,575	(5,575)	0
Maintenance taxes collected not yet transferred to other fund		60,084		60,084	(60,084)	0
Long-term liabilities, Note 5:						
Due within one year				0	407,166	407,166
Due in more than one year				0	13,731,902	13,731,902
Total liabilities	474,507	67,112	5,575	547,194	14,073,409	14,620,603
DEFERRED INFLOWS OF RESOURCES						
Property tax revenues	122,831	84,962	0	207,793	(207,793)	0
FUND BALANCES / NET POSITION						
Fund balances:						
Assigned to:						
Debt service		1,924,689		1,924,689	(1,924,689)	0
Capital projects			1,492,708	1,492,708	(1,492,708)	0
Unassigned	5,184,917			5,184,917	(5,184,917)	0
Total fund balances	5,184,917	1,924,689	1,492,708	8,602,314	(8,602,314)	0
Total liabilities, deferred inflows, and fund balances	$5,782,255	$2,076,763	$1,498,283	$ 9,357,301		
Net position:						
Invested in capital assets, net of related debt, Note 4					(2,199,190)	(2,199,190)
Restricted for debt service					2,050,174	2,050,174
Restricted for capital projects					1,492,708	1,492,708
Unrestricted					5,307,748	5,307,748
Total net position					$ 6,651,440	$ 6,651,440

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

FOREST HILLS MUNICIPAL UTILITY DISTRICT

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

FOR THE YEAR ENDED FEBRUARY 28, 2026

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments (Note 3)	Statement of Activities
REVENUES						
Property taxes	$ 1,235,504	$ 777,961	$	$ 2,013,465	$ 37,759	$ 2,051,224
Water service	407,938			407,938		407,938
Sewer service	547,071			547,071		547,071
Surface water fees, Note 10	338,224			338,224		338,224
Penalty and interest	69,412	22,298		91,710	8,470	100,180
Tap connection and inspection fees	92,124			92,124		92,124
Sales and Use Taxes, Note 11	14,240			14,240		14,240
Interest on deposits	167,399	68,228	62,723	298,350		298,350
Other revenues	15,675			15,675		15,675
Total revenues	2,887,587	868,487	62,723	3,818,797	46,229	3,865,026
EXPENDITURES / EXPENSES						
Service operations:						
Professional fees	221,765	4,341		226,106		226,106
Contracted services	142,343	30,797		173,140		173,140
Utilities	110,804			110,804		110,804
Surface water pumpage fees, Note 10	353,724			353,724		353,724
Repairs, maintenance and other operating expenditures	432,982			432,982		432,982
Security service	87,994			87,994		87,994
Garbage disposal	260,203			260,203		260,203
Administrative expenditures	115,450	6,908	1,000	123,358		123,358
Depreciation				0	319,499	319,499
Capital outlay / non-capital outlay	236,302		279,019	515,321	(299,449)	215,872
Debt service:						
Principal retirement		370,000		370,000	(370,000)	0
Interest and fees		413,588		413,588	29,274	442,862
Total expenditures / expenses	1,961,567	825,634	280,019	3,067,220	(320,676)	2,746,544
Excess (deficiency) of revenues over expenditures	926,020	42,853	(217,296)	751,577	366,905	1,118,482
Net change in fund balances / net position	926,020	42,853	(217,296)	751,577	366,905	1,118,482
Beginning of year	4,258,897	1,881,836	1,710,004	7,850,737	(2,317,779)	5,532,958
End of year	$ 5,184,917	$ 1,924,689	$ 1,492,708	$ 8,602,314	$ (1,950,874)	$ 6,651,440

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

FOREST HILLS MUNICIPAL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FEBRUARY 28, 2026

NOTE 1: REPORTING ENTITY

Forest Hills Municipal Utility District (the "District") was created by an order of the Texas Water Rights Commission (now the Texas Commission on Environmental Quality), effective October 2, 1974, and operates in accordance with Texas Water Code Chapters 49 and 54. The District is a political subdivision of the State of Texas, governed by an elected five member Board of Directors. The Board of Directors held its first meeting on October 29, 1974, and the first bonds were sold on December 19, 1977. The District is subject to the continuing supervision of the Texas Commission on Environmental Quality.

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply of water; the collection, transportation and treatment of wastewater; and the control and diversion of storm water. The District may provide garbage disposal and collection services. In addition, the District is empowered, if approved by the electorate, the Texas Water Commission and other governmental entities having jurisdiction, to establish, operate and maintain a fire department, either independently or jointly with certain other districts.

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

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

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

Basic Financial Statements

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

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

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

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

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

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

Basis of Accounting

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

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

Interfund Activity

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

Receivables

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

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

Capital Assets

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

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

Plant and equipment	10-45 years
Underground lines	45 years

Long-term Liabilities

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

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

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

Reconciliation of year end fund balances to net position:

Total fund balances, end of year		$ 8,602,314
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Total capital assets, net		11,939,878
Some long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:		
Bonds payable	$(10,750,000)	
Deferred charge on refunding (to be amortized as interest expense)	30,876	
Net issuance discount (to be amortized as interest expense)	67,269	
Due to developers	(3,487,213)	(14,139,068)
Some receivables that do not provide current financial resources are not reported as receivables in the funds:		
Accrued penalty and interest on property taxes receivable	40,523	
Uncollected property taxes	207,793	248,316
Net position, end of year		$ 6,651,440

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

Total net change in fund balances		$ 751,577
The funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:		
Capital outlay	$ 299,449	
Depreciation	(319,499)	(20,050)
The issuance of long-term debt (bonds payable) provides current financial resources to the funds, while the repayment of the principal of long-term debt consumes the current financial resources of the funds. Neither transaction, however, has any effect on net position. The effect of these differences in the treatment of long-term debt:		
Principal reduction		370,000
The funds report the effect of bond premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of these items:		
Refunding charges	(10,420)	
Issuance premiums, net of discounts	(18,854)	(29,274)
Some revenues reported in the statement of activities do not provide current financial resources and therefore are not reported as revenues in the funds:		
Accrued penalty and interest on property taxes receivable	8,470	
Uncollected property taxes	37,759	46,229
Change in net position		$ 1,118,482

NOTE 4: CAPITAL ASSETS

At February 28, 2026, “Invested in capital assets, net of related debt” was $(2,199,190). This amount was negative primarily because not all expenditures from bond proceeds (such as bond issuance costs) were for the acquisition of capital assets. Within Harris County, the county government assumes the maintenance and other incidents of ownership of most storm sewer facilities constructed by the District. Accordingly, these assets are not recorded in the financial statements of the District. In addition, some expenditures from bond proceeds were for the acquisition of capital assets beneath the capitalization threshold of $5,000 (see Note 2) and some authorized expenditures were not for capital assets.

Capital asset activity for the fiscal year ended February 28, 2026, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land and improvements	$ 604,207	$	$	$ 604,207
Detention ponds	1,086,347			1,086,347
Construction in progress	2,416,485	1,070,728		3,487,213
Total capital assets not being depreciated	4,107,039	1,070,728	0	5,177,767
Depreciable capital assets:				
Water system	5,405,156	235,562		5,640,718
Sewer system	5,487,391	63,887		5,551,278
Drainage system	682,843			682,843
Total depreciable capital assets	11,575,390	299,449	0	11,874,839
Less accumulated depreciation for:				
Water system	(1,975,402)	(129,086)		(2,104,488)
Sewer system	(2,511,599)	(168,147)		(2,679,746)
Drainage system	(306,228)	(22,266)		(328,494)
Total accumulated depreciation	(4,793,229)	(319,499)	0	(5,112,728)
Total depreciable capital assets, net	6,782,161	(20,050)	0	6,762,111
Total capital assets, net	$ 10,889,200	$ 1,050,678	$ 0	$ 11,939,878
Changes to capital assets:				
Capital outlay		$ 299,449	$	
Increase in liability to developer for construction		1,070,728		
Depreciation expense for the fiscal year		(319,499)		
Net increases / decreases to capital assets		$ 1,050,678	$ 0	

NOTE 5: LONG-TERM LIABILITIES AND CONTINGENT LIABILITIES

Long-term liability activity for the fiscal year ended February 28, 2026, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds payable	$ 11,120,000	$	$ 370,000	$ 10,750,000	$ 405,000
Less deferred amounts:					
For issuance discounts	(86,123)		(18,854)	(67,269)	11,319
For refunding charges	(41,296)		(10,420)	(30,876)	(9,153)
Total bonds payable	10,992,581	0	340,726	10,651,855	407,166
Due to developers (see below)	2,416,485	1,070,728	0	3,487,213	----------
Total long-term liabilities	$ 13,409,066	$ 1,070,728	$ 340,726	$ 14,139,068	$ 407,166

Developer Construction Commitments or Liabilities

Developers within the District are currently constructing certain underground facilities within the District's boundaries. The District has agreed to reimburse the developers for these construction and related engineering costs plus interest not to exceed the interest rate of the applicable District bond issue. These amounts are to be reimbursed from the proceeds of a future bond issue to the extent approved by the Texas Commission on Environmental Quality. The District's engineer stated that cost of the construction in progress at February 28, 2026, was estimated to be $3,487,213. This amount has been recorded in the government-wide financial statements and in the schedules in Notes 4 and 5.

The District will pay the amount due March 1 within the fiscal year preceding this due date, and the following schedule has been prepared assuming that this practice will be followed in the future. As of February 28, 2026, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2027	$ 405,000	$ 397,152	$ 802,152
2028	425,000	384,533	809,533
2029	435,000	371,388	806,388
2030	455,000	357,710	812,710
2031	470,000	343,475	813,475
2032 - 2036	1,790,000	1,520,176	3,310,176
2037 - 2041	1,750,000	1,183,609	2,933,609
2042 - 2046	1,805,000	855,949	2,660,949
2047 - 2051	2,175,000	507,588	2,682,588
2052 - 2053	1,040,000	52,750	1,092,750
	$ 10,750,000	$ 5,974,330	$ 16,724,330

Bonds voted	$ 54,620,000
Bonds approved for sale and sold	17,505,000
Bonds voted and not issued*	37,115,000

*May also be used for refunding purposes

The bonds are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount. The Series 2016 and 2017 bonds are further payable and secured by a lien on and pledge of the net revenues to be received from the operation of the District's waterworks and sanitary sewer system.

The bond issues payable at February 28, 2026, were as follows:

	Series 2016	Series 2017	Refunding Series 2020
Amounts outstanding, February 28, 2026	$1,975,000	$1,375,000	$2,380,000
Interest rates	3.00% to 3.875%	3.60% to 4.25%	3.00%
Maturity dates, serially beginning/ending	September 1, 2026/2037	September 1, 2026/2040	September 1, 2026/2031
Interest payment dates	September 1/March 1	September 1/March 1	September 1/March 1
Callable dates	September 1, 2023*	September 1, 2024*	September 1, 2025*

	Series 2022	Series 2023
Amounts outstanding, February 28, 2026	$2,000,000	$3,020,000
Interest rates	2.625% to 3.00%	4.625% to 5.00%
Maturity dates, serially beginning/ending	September 1, 2041/2048	September 1, 2041/2052
Interest payment dates	September 1/March 1	September 1/March 1
Callable dates	September 1, 2027*	September 1, 2028*

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

NOTE 6: PROPERTY TAXES

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

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

At an election held May 5, 1990, the voters within the District authorized a maintenance tax not to exceed $1.35 per $100 valuation on all property subject to taxation within the District. This maintenance tax is being used by the General Fund to pay expenditures of operating the District.

On October 30, 2025, the District levied the following ad valorem taxes for the 2025 tax year on the adjusted taxable valuation of $233,735,952:

	Rate	Amount
Debt service	$ 0.3400	$ 794,702
Maintenance	0.5400	1,262,174
	$ 0.8800	$ 2,056,876

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

2025 tax year total property tax levy	$ 2,056,876
Appraisal district adjustments to prior year taxes	(5,652)
Statement of Activities property tax revenues	$ 2,051,224

NOTE 7: DEPOSITS AND TEMPORARY INVESTMENTS

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

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

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

At the balance sheet date the carrying value and market value of the investments in TexSTAR was $1,021,640 and the carrying value and market value of the investments in TexPool was $6,318,055.

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

Debt Service Fund

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

Cash	$ 152,219
Temporary investments	1,839,582
	$ 1,991,801

Capital Projects Fund

For construction of capital assets:

Cash	$ 74,879
Temporary investments	1,423,404
	$ 1,498,283

NOTE 8: RISK MANAGEMENT

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

At February 28, 2026, the District had physical damage and boiler and machinery coverage of $17,579,800, general liability coverage with a per occurrence limit of $1,000,000 and $3,000,000 general aggregate, pollution coverage of $1,000,000, automobile coverage of $1,000,000, worker's compensation coverage of $1,000,000 and a tax assessor-collector bond of $100,000.

NOTE 9: CONTRACT WITH OTHER DISTRICT

On November 1, 2018 (effective September 1, 2017), the District and Mount Houston Road Municipal Utility District ("Mount Houston") entered into a Water Supply and Joint Facilities Agreement (the "Agreement"). The term of the Agreement is 99 years. Under the terms of the Agreement, the District constructed a Joint Water Plant Facilities (the "Facilities") to serve the districts. Upon completion of the construction of the Facilities, ownership of each participating district's operating capacity in the Plant shall tentatively be as follows: the District -- 79%; Mount Houston -- 21%. Construction costs of the are to be funded by the contribution of funds from each participating district. The Facilities issue no debt. Mount Houston received water under the terms of the Agreement from the Facilities during the year ended February 28, 2026.

NOTE 10: SURFACE WATER PUMPAGE FEES

On July 11, 2003, the District entered into a Water Supply and Groundwater Reduction Plan Wholesale Agreement (the "Agreement") with the City of Houston (the "City") in order to meet regulatory compliance requirements of the Harris Galveston Subsidence District (the "Subsidence District"). The Agreement continues until noon on December 31, 2040. Under the terms of the Agreement, the City of Houston is the manager of the Groundwater Reduction Plan (the "GRP") that includes the District as a participant. In order to achieve overall compliance with the Subsidence District regulation for reduction of groundwater use in Regulatory Area 3, treated surface water will be supplied by the City to some of the participants in the GRP area in sufficient quantities to meet the requirements. The District will pay to the City a monthly pumpage charge based on the District's water pumpage. Under the terms of the Agreement, the District will pay to the City a monthly pumpage charge based on the District's water pumpage. The surface water pumpage fees payable by the District to the City for the fiscal year ended February 28, 2026, were $353,724. The District billed its customers $338,224 for surface water fees during the fiscal year ended February 28, 2026.

NOTE 11: STRATEGIC PARTNERSHIP AGREEMENT

On December 14, 2009, the District and the City of Houston (the "City") entered into a 30 year Strategic Partnership Agreement (the "Agreement"). Under the terms of the Agreement, the City annexed a portion of the District (the "Partial District") for the limited purposes of applying the City's Planning, Zoning, Health, and Safety Ordinances within the Partial District. The Agreement states that the District and all taxable property within the District shall not be liable for any present or future debts of the City and current and future taxes levied by the City shall not be levied on taxable property with the District. During the term of the SPA, the City has agreed not to annex all or part of the District or commence any action to annex all or part of the District for full purposes.

The City imposed a Sales and Use Tax within the boundaries of the Partial District at the time of the limited-purpose annexation of the Partial District. The Agreement provides that the City shall pay to the District one half of all Sales and Use Tax revenues generated within the boundaries of the Partial District and received by the City from the Comptroller of Public Accounts of the State of Texas. The District accrued Sales and Use Tax revenues of $14,240 from the City for the fiscal year ended February 28, 2026.

FOREST HILLS MUNICIPAL UTILITY DISTRICT

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

FOR THE YEAR ENDED FEBRUARY 28, 2026

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Property taxes	$ 1,176,306	$ 1,176,306	$ 1,235,504	$ 59,198
Water service	350,000	350,000	407,938	57,938
Sewer service	440,000	440,000	547,071	107,071
Surface water fees	220,000	220,000	338,224	118,224
Penalty	17,000	17,000	69,412	52,412
Tap connection and inspection fees	10,000	10,000	92,124	82,124
Sales and Use Taxes	16,000	16,000	14,240	(1,760)
Interest on deposits	100,000	100,000	167,399	67,399
Other revenues	0	0	15,675	15,675
TOTAL REVENUES	2,329,306	2,329,306	2,887,587	558,281
EXPENDITURES				
Service operations:				
Professional fees	200,000	200,000	221,765	21,765
Contracted services	152,000	152,000	142,343	(9,657)
Utilities	132,000	132,000	110,804	(21,196)
Surface water pumpage fees	230,000	230,000	353,724	123,724
Repairs, maintenance and other operating expenditures	518,000	518,000	432,982	(85,018)
Security service	87,600	87,600	87,994	394
Garbage disposal	235,000	235,000	260,203	25,203
Administrative expenditures	173,000	173,000	115,450	(57,550)
Capital outlay	125,000	125,000	236,302	111,302
TOTAL EXPENDITURES	1,852,600	1,852,600	1,961,567	108,967
EXCESS REVENUES (EXPENDITURES)	476,706	476,706	926,020	449,314
FUND BALANCE, BEGINNING OF YEAR	4,258,897	4,258,897	4,258,897	0
FUND BALANCE, END OF YEAR	$ 4,735,603	$ 4,735,603	$ 5,184,917	$ 449,314

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

FOREST HILLS MUNICIPAL UTILITY DISTRICT

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

FEBRUARY 28, 2026

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

[X] TSI-1. Services and Rates

[X] TSI-2. General Fund Expenditures

[X] TSI-3. Temporary Investments

[X] TSI-4. Taxes Levied and Receivable

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

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

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

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

FOREST HILLS MUNICIPAL UTILITY DISTRICT

SCHEDULE OF SERVICES AND RATES

FEBRUARY 28, 2026

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

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

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

__ Other

2. Retail Service Providers

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

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1000 Gallons Over Minimum	Usage Levels
WATER:	$20.00	7,000	N	$1.00	7,001 to 12,000
				1.50	12,001 to 17,000
				2.00	17,001 to 22,000
				2.50	Over 22,000
WASTEWATER:	$40.93*	50,000	N	$1.00	Over 50,000

SURCHARGE: $2.81 per 1,000 gallons of water used – surface water fees.

*$19.50 plus the prevailing garbage collection charge and $0.25 administrative fee.

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

Total charges per 10,000 gallons usage: Water: $23.00 Wastewater: $40.93 Surcharge: $28.10

FOREST HILLS MUNICIPAL UTILITY DISTRICT

SCHEDULE OF SERVICES AND RATES (Continued)

FEBRUARY 28, 2026

b. Water and Wastewater Retail Connections (unaudited):

Meter Size	Total Connections	Active Connections	ESFC* Factor	Active ESFCs
Unmetered	1	1	1.0	1
< or = 3/4"	1,072	1,056	1.0	1,056
1"	3	3	2.5	8
1-1/2"	0	0	5.0	0
2"	14	13	8.0	104
3"	0	0	15.0	0
4"	0	0	25.0	0
6"	1	1	50.0	50
8"	0	0	80.0	0
10"	1	1	115.0	115
Total Water	1,092	1,075		1,334
Total Wastewater	1,081	1,064	1.0	1,064

*Single family equivalents

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

Gallons pumped into system (unaudited): 130,913
Gallons billed to customers (unaudited): 127,106

Water Accountability Ratio
(Gallons billed/ gallons pumped): 97%

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

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

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

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

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

FOREST HILLS MUNICIPAL UTILITY DISTRICT

EXPENDITURES

FOR THE YEAR ENDED FEBRUARY 28, 2026

	General Fund	Debt Service Fund	Capital Projects Fund	Totals (Memorandum Only)
CURRENT				
Professional fees:				
Auditing	$ 13,950	$	$	$ 13,950
Legal	120,489	4,341		124,830
Engineering	87,326			87,326
	221,765	4,341	0	226,106
Contracted services:				
Bookkeeping	16,000			16,000
Operation and billing	123,820			123,820
SPA consultant	2,523			2,523
Tax assessor-collector		15,157		15,157
Central appraisal district		15,640		15,640
	142,343	30,797	0	173,140
Utilities	110,804	0	0	110,804
Surface water pumpage fees	353,724	0	0	353,724
Repairs, maintenance and other operating expenditures:				
Repairs and maintenance	345,065			345,065
Sludge hauling	15,575			15,575
Chemicals	49,288			49,288
Laboratory costs	16,617			16,617
Reconnection costs	3,686			3,686
TCEQ regulatory assessment	2,751			2,751
	432,982	0	0	432,982
Security service	87,994	0	0	87,994
Garbage disposal	260,203	0	0	260,203
Administrative expenditures:				
Director's fees	12,976			12,976
Office supplies and postage	45,501			45,501
Insurance	48,026			48,026
Permit fees	4,729			4,729
Other	4,218	6,908	1,000	12,126
	115,450	6,908	1,000	123,358

FOREST HILLS MUNICIPAL UTILITY DISTRICT

EXPENDITURES (Continued)

FOR THE YEAR ENDED FEBRUARY 28, 2026

	General Fund	Debt Service Fund	Capital Projects Fund	Totals (Memorandum Only)
CAPITAL OUTLAY				
Authorized expenditures	$ 171,675	$	$ 279,019	$ 450,694
Tap connection costs	64,627			64,627
	236,302	0	279,019	515,321
DEBT SERVICE				
Principal retirement	0	370,000	0	370,000
Interest and fees:				
Interest		409,613		409,613
Paying agent fees		3,975		3,975
	0	413,588	0	413,588
TOTAL EXPENDITURES	$ 1,961,567	$ 825,634	$ 280,019	$ 3,067,220

FOREST HILLS MUNICIPAL UTILITY DISTRICT

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

FOR THE YEAR ENDED FEBRUARY 28, 2026

	General Fund	Debt Service Fund	Capital Projects Fund	Totals (Memorandum Only)
SOURCES OF DEPOSITS AND TEMPORARY INVESTMENTS				
Cash receipts from revenues excluding maintenance taxes	$ 1,499,422	$ 868,487	$ 62,723	$ 2,430,632
Maintenance tax receipts		1,235,503		1,235,503
Increase in customer and builder deposits	8,460			8,460
Transfer of maintenance taxes	1,216,580			1,216,580
Overpayments from taxpayers		12,129		12,129
TOTAL DEPOSITS AND TEMPORARY INVESTMENTS PROVIDED	2,724,462	2,116,119	62,723	4,903,304
APPLICATIONS OF DEPOSITS AND TEMPORARY INVESTMENTS				
Cash disbursements for:				
Current expenditures	1,573,611	41,798	1,000	1,616,409
Capital outlay	236,302			236,302
Debt service		783,588		783,588
Other fund	5,575			5,575
Transfer of maintenance taxes		1,216,580		1,216,580
Reimbursement to developer			122,199	122,199
Refund of taxpayer overpayments		14,042		14,042
TOTAL DEPOSITS AND TEMPORARY INVESTMENTS APPLIED	1,815,488	2,056,008	123,199	3,994,695
INCREASE (DECREASE) IN DEPOSITS AND TEMPORARY INVESTMENTS	908,974	60,111	(60,476)	908,609
DEPOSITS AND TEMPORARY INVESTMENTS BALANCES, BEGINNING OF YEAR	4,355,517	1,931,690	1,558,759	7,845,966
DEPOSITS AND TEMPORARY INVESTMENTS BALANCES, END OF YEAR	$ 5,264,491	$ 1,991,801	$ 1,498,283	$ 8,754,575

See accompanying independent auditor's report.

FOREST HILLS MUNICIPAL UTILITY DISTRICT

SCHEDULE OF CERTIFICATES OF DEPOSIT AND TEMPORARY INVESTMENTS

FEBRUARY 28, 2026

	Interest Rate	Maturity Date	Year End Balance	Accrued Interest Receivable
GENERAL FUND				
Certificates of Deposit				
No. 1032374553	3.55%	6/11/26	$ 1,019,737	$ 7,865
TexPool				
No. 4497945300001	Market	On demand	$ 3,055,069	$ 0
TexSTAR				
No. 2560922220	Market	On demand	1,021,640	0
			$ 4,076,709	$ 0
DEBT SERVICE FUND				
TexPool				
No. 4497945300003	Market	On demand	$ 1,839,582	$ 0
CAPITAL PROJECTS FUND				
TexPool				
No. 4497945300002	Market	On demand	$ 1,423,404	$ 0
Total – All Funds			$ 8,359,432	$ 7,865

FOREST HILLS MUNICIPAL UTILITY DISTRICT

TAXES LEVIED AND RECEIVABLE

FOR THE YEAR ENDED FEBRUARY 28, 2026

	Maintenance Taxes	Debt Service Taxes
RECEIVABLE, BEGINNING OF YEAR	$ 99,621	$ 70,413
Additions and corrections to prior year taxes	(3,461)	(2,192)
Adjusted receivable, beginning of year	96,160	68,221
2025 ADJUSTED TAX ROLL	1,262,174	794,702
Total to be accounted for	1,358,334	862,923
Tax collections: Current tax year	(1,182,603)	(744,602)
Prior tax years	(52,900)	(33,359)
RECEIVABLE, END OF YEAR	$ 122,831	$ 84,962
RECEIVABLE, BY TAX YEAR		
2015 and prior	$ 2,103	$ 2,945
2016	277	486
2017	429	748
2018	666	1,110
2019	1,154	1,805
2020	1,411	1,567
2021	2,766	3,012
2022	5,974	5,257
2023	9,750	6,139
2024	18,730	11,793
2025	79,571	50,100
RECEIVABLE, END OF YEAR	$ 122,831	$ 84,962

FOREST HILLS MUNICIPAL UTILITY DISTRICT

TAXES LEVIED AND RECEIVABLE (Continued)

FOR THE YEAR ENDED FEBRUARY 28, 2026

ADJUSTED PROPERTY VALUATIONS AS OF JANUARY 1 OF TAX YEAR	2025	2024	2023	2022
Land	$ 75,892,769	$ 64,694,356	$ 64,091,930	$ 55,090,544
Improvements	189,018,309	191,663,060	206,656,508	155,411,675
Personal property	5,600,851	4,234,785	3,850,022	2,825,547
Less exemptions	(36,775,977)	(36,793,388)	(53,250,012)	(37,827,561)
TOTAL PROPERTY VALUATIONS	$ 233,735,952	$ 223,798,813	$ 221,348,448	$ 175,500,205
TAX RATES PER $100 VALUATION				
Debt service tax rates	$ 0.34000	$ 0.34000	$ 0.34000	$ 0.44000
Maintenance tax rates*	0.54000	0.54000	0.54000	0.50000
TOTAL TAX RATES PER $100 VALUATION	$ 0.88000	$ 0.88000	$ 0.88000	$ 0.94000
TAX ROLLS	$ 2,056,876	$ 1,969,430	$ 1,947,866	$ 1,649,702
PERCENT OF TAXES COLLECTED TO TAXES LEVIED	93.7 %	98.5 %	99.2 %	99.3 %

*Maximum tax rate approved by voters on May 5, 1990: $1.35

FOREST HILLS MUNICIPAL UTILITY DISTRICT

LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS

FEBRUARY 28, 2026

The District will pay the amount due March 1 within the fiscal year preceding this due date, and the following schedule has been prepared assuming that this practice will be followed in the future.

	Series 2016		
Due During Fiscal Years Ending February 28	Principal Due September 1	Interest Due September 1, March 1	Total
2027	$ 25,000	$ 73,500	$ 98,500
2028	25,000	72,734	97,734
2029	25,000	71,938	96,938
2030	25,000	71,110	96,110
2031	25,000	70,250	95,250
2032	25,000	69,375	94,375
2033	275,000	63,953	338,953
2034	275,000	53,812	328,812
2035	300,000	43,031	343,031
2036	300,000	31,781	331,781
2037	325,000	19,859	344,859
2038	350,000	6,781	356,781
TOTALS	$ 1,975,000	$ 648,124	$ 2,623,124

FOREST HILLS MUNICIPAL UTILITY DISTRICT

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

FEBRUARY 28, 2026

The District will pay the amount due March 1 within the fiscal year preceding this due date, and the following schedule has been prepared assuming that this practice will be followed in the future.

	Series 2017		
Due During Fiscal Years Ending February 28	Principal Due September 1	Interest Due September 1, March 1	Total
2027	$ 25,000	$ 56,039	$ 81,039
2028	25,000	55,137	80,137
2029	25,000	54,187	79,187
2030	25,000	53,188	78,188
2031	25,000	52,187	77,187
2032	25,000	51,188	76,188
2033	25,000	50,188	75,188
2034	25,000	49,187	74,187
2035	50,000	47,687	97,687
2036	50,000	45,687	95,687
2037	50,000	43,688	93,688
2038	50,000	41,687	91,687
2039	300,000	34,687	334,687
2040	325,000	21,781	346,781
2041	350,000	7,438	357,438
TOTALS	$ 1,375,000	$ 663,956	$ 2,038,956

FOREST HILLS MUNICIPAL UTILITY DISTRICT

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

FEBRUARY 28, 2026

The District will pay the amount due March 1 within the fiscal year preceding this due date, and the following schedule has been prepared assuming that this practice will be followed in the future.

	Series 2020 Refunding		
Due During Fiscal Years Ending February 28	Principal Due September 1	Interest Due September 1, March 1	Total
2027	$ 355,000	$ 66,075	$ 421,075
2028	375,000	55,125	430,125
2029	385,000	43,725	428,725
2030	405,000	31,875	436,875
2031	420,000	19,500	439,500
2032	440,000	6,600	446,600
TOTALS	$ 2,380,000	$ 222,900	$ 2,602,900

FOREST HILLS MUNICIPAL UTILITY DISTRICT

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

FEBRUARY 28, 2026

The District will pay the amount due March 1 within the fiscal year preceding this due date, and the following schedule has been prepared assuming that this practice will be followed in the future.

	Series 2022		
Due During Fiscal Years Ending February 28	Principal Due September 1	Interest Due September 1, March 1	Total
2027	$	$ 54,188	$ 54,188
2028		54,187	54,187
2029		54,188	54,188
2030		54,187	54,187
2031		54,188	54,188
2032		54,187	54,187
2033		54,188	54,188
2034		54,187	54,187
2035		54,188	54,188
2036		54,187	54,187
2037		54,188	54,188
2038		54,187	54,187
2039		54,188	54,188
2040		54,187	54,187
2041		54,188	54,188
2042	220,000	50,887	270,887
2043	230,000	44,138	274,138
2044	235,000	37,603	272,603
2045	245,000	31,303	276,303
2046	255,000	24,741	279,741
2047	265,000	17,916	282,916
2048	270,000	10,893	280,893
2049	280,000	3,675	283,675
TOTALS	$ 2,000,000	$ 1,033,969	$ 3,033,969

FOREST HILLS MUNICIPAL UTILITY DISTRICT

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

FEBRUARY 28, 2026

The District will pay the amount due March 1 within the fiscal year preceding this due date, and the following schedule has been prepared assuming that this practice will be followed in the future.

	Series 2023		
Due During Fiscal Years Ending February 28	Principal Due September 1	Interest Due September 1, March 1	Total
2027	$	$ 147,350	$ 147,350
2028		147,350	147,350
2029		147,350	147,350
2030		147,350	147,350
2031		147,350	147,350
2032		147,350	147,350
2033		147,350	147,350
2034		147,350	147,350
2035		147,350	147,350
2036		147,350	147,350
2037		147,350	147,350
2038		147,350	147,350
2039		147,350	147,350
2040		147,350	147,350
2041		147,350	147,350
2042	115,000	144,691	259,691
2043	115,000	139,371	254,371
2044	125,000	133,822	258,822
2045	130,000	127,843	257,843
2046	135,000	121,550	256,550
2047	135,000	115,138	250,138
2048	150,000	108,369	258,369
2049	155,000	101,125	256,125
2050	445,000	86,597	531,597
2051	475,000	63,875	538,875
2052	505,000	39,375	544,375
2053	535,000	13,375	548,375
TOTALS	$ 3,020,000	$ 3,405,381	$ 6,425,381

FOREST HILLS MUNICIPAL UTILITY DISTRICT

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

FEBRUARY 28, 2026

The District will pay the amount due March 1 within the fiscal year preceding this due date, and the following schedule has been prepared assuming that this practice will be followed in the future.

Due During Fiscal Years Ending February 28	Annual Requirements for All Series		
	Total Principal Due	Total Interest Due	Total
2027	$ 405,000	$ 397,152	$ 802,152
2028	425,000	384,533	809,533
2029	435,000	371,388	806,388
2030	455,000	357,710	812,710
2031	470,000	343,475	813,475
2032	490,000	328,700	818,700
2033	300,000	315,679	615,679
2034	300,000	304,536	604,536
2035	350,000	292,256	642,256
2036	350,000	279,005	629,005
2037	375,000	265,085	640,085
2038	400,000	250,005	650,005
2039	300,000	236,225	536,225
2040	325,000	223,318	548,318
2041	350,000	208,976	558,976
2042	335,000	195,578	530,578
2043	345,000	183,509	528,509
2044	360,000	171,425	531,425
2045	375,000	159,146	534,146
2046	390,000	146,291	536,291
2047	400,000	133,054	533,054
2048	420,000	119,262	539,262
2049	435,000	104,800	539,800
2050	445,000	86,597	531,597
2051	475,000	63,875	538,875
2052	505,000	39,375	544,375
2053	535,000	13,375	548,375
TOTALS	$ 10,750,000	$ 5,974,330	$ 16,724,330

FOREST HILLS MUNICIPAL UTILITY DISTRICT

ANALYSIS OF CHANGES IN GENERAL LONG-TERM BONDED DEBT

FOR THE YEAR ENDED FEBRUARY 28, 2026

	(1)	(2)	(3)	(4)
Bond Series:	2013	2016	2017	2020
Interest Rate:	Not Applicable	3.00% to 3.875%	3.60% to 4.25%	3.00%
Dates Interest Payable:	Not Applicable	September 1/ March 1	September 1/ March 1	September 1/ March 1
Maturity Dates:	Not Applicable	September 1, 2026/2037	September 1, 2026/2040	September 1, 2026/2031
Bonds Outstanding at Beginning of Current Year	$ 305,000	$ 2,000,000	$ 1,400,000	$ 2,395,000
Less Retirements	(305,000)	(25,000)	(25,000)	(15,000)
Bonds Outstanding at End of Current Year	$ 0	$ 1,975,000	$ 1,375,000	$ 2,380,000
Current Year Interest Paid:	$ 5,337	$ 74,250	$ 56,938	$ 71,550

Bond Descriptions and Original Amount of Issue

(1) Forest Hills Municipal Utility District Unlimited Tax Refunding Bonds, Series 2013 ($3,295,000)

(2) Forest Hills Municipal Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2016 ($2,170,000)

(3) Forest Hills Municipal Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2017 ($1,540,000)

(4) Forest Hills Municipal Utility District Unlimited Tax Refunding Bonds, Series 2020 ($2,475,000)

Paying Agent/Registrar

(1) (2) (3) (4) The Bank of New York Mellon Trust Company, N.A., Dallas, Texas

FOREST HILLS MUNICIPAL UTILITY DISTRICT

ANALYSIS OF CHANGES IN GENERAL LONG-TERM BONDED DEBT (Continued)

FOR THE YEAR ENDED FEBRUARY 28, 2026

	(5)	(6)	Totals
Bond Series:	2022	2023	
Interest Rate:	2.625% to 3.00%	4.625% to 5.00%	
Dates Interest Payable:	September 1/ March 1	September 1/ March 1	
Maturity Dates:	September 1, 2041/2048	September 1, 2041/2052	
Bonds Outstanding at Beginning of Current Year	$ 2,000,000	$ 3,020,000	$ 11,120,000
Less Retirements	0	0	(370,000)
Bonds Outstanding at End of Current Year	$ 2,000,000	$ 3,020,000	$ 10,750,000
Current Year Interest Paid:	$ 54,188	$ 147,350	$ 409,613

Bond Descriptions and Original Amount of Issue

(5) Forest Hills Municipal Utility District Unlimited Tax Bonds, Series 2022 ($2,000,000)

(6) Forest Hills Municipal Utility District Unlimited Tax Bonds, Series 2023 ($3,020,000)

Paying Agent/Registrar

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

Bond Authority	Tax Bonds	Other Bonds	Refunding Bonds
Amount Authorized by Voters:	$ 54,620,000	$ 0	$ 0
Amount Issued:	17,505,000		
Remaining to be Issued:	37,115,000‘*		

*May also be used for refunding purposes

Net Debt Service Fund deposits balances as of February 28, 2026:	$1,924,689
Average annual debt service payment for remaining term of all debt:	619,420

FOREST HILLS MUNICIPAL UTILITY DISTRICT

COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES, GENERAL FUND

FOR YEARS ENDED FEBRUARY 28

	AMOUNT					PERCENT OF TOTAL REVENUES				
	2026	2025	2024	2023	2022	2026	2025	2024	2023	2022
REVENUES										
Property taxes	$ 1,235,504	$ 1,209,339	$ 1,148,149	$ 863,573	$ 701,715	42.9 %	47.2 %	49.0 %	46.0 %	46.2 %
Water service	407,938	276,393	296,189	301,888	257,392	14.1	10.8	12.7	16.1	17.0
Sewer service	547,071	470,916	449,211	441,351	395,942	18.9	18.4	19.2	23.5	26.1
Surface water fees	338,224	236,071	237,571	112,446	79,544	11.7	9.2	10.2	6.0	5.2
Penalty	69,412	46,014	46,696	30,531	25,269	2.4	1.8	2.0	1.6	1.7
Tap connection and inspection fees	92,124	119,189	0	50,330	38,500	3.2	4.7	0.0	2.7	2.5
Sales and Use Taxes	14,240	14,578	17,363	9,212	8,377	0.5	0.6	0.7	0.5	0.6
Interest on deposits	167,399	162,669	121,139	42,810	1,341	5.8	6.4	5.2	2.3	0.1
Other revenues	15,675	23,441	22,259	24,432	8,481	0.5	0.9	1.0	1.3	0.6
TOTAL REVENUES	2,887,587	2,558,610	2,338,577	1,876,573	1,516,561	100.0	100.0	100.0	100.0	100.0
EXPENDITURES										
Current:										
Professional fees	221,765	187,158	188,215	190,202	234,515	7.7	7.3	8.0	10.1	15.5
Contracted services	142,343	149,194	108,754	105,925	78,493	4.9	5.8	4.7	5.6	5.2
Utilities	110,804	105,064	120,078	94,614	77,774	3.8	4.1	5.1	5.0	5.1
Surface water pumpage fees	353,724	249,587	305,330	92,858	68,039	12.3	9.8	13.1	4.9	4.5
Repairs, maintenance and other operating expenditures	432,982	416,827	446,850	425,290	276,662	15.0	16.3	19.1	22.8	18.2
Security service	87,994	83,276	78,896	75,442	74,670	3.0	3.3	3.4	4.0	4.9
Garbage disposal	260,203	231,262	216,152	193,913	177,733	9.0	9.0	9.2	10.4	11.7
Administrative expenditures	115,450	107,161	91,745	82,505	77,265	4.0	4.2	3.9	4.4	5.1
Capital outlay	236,302	65,970	9,153	32,054	69,785	8.2	2.6	0.4	1.7	4.6
TOTAL EXPENDITURES	1,961,567	1,595,499	1,565,173	1,292,803	1,134,936	67.9	62.4	66.9	68.9	74.8
EXCESS REVENUES (EXPENDITURES)	$ 926,020	$ 963,111	$ 773,404	$ 583,770	$ 381,625	32.1 %	37.6 %	33.1 %	31.1 %	25.2 %
ENDING FUND BALANCE	$ 5,184,917	$ 4,258,897	$ 3,295,786	$ 2,522,382	$ 1,938,612					
TOTAL ACTIVE RETAIL WATER CONNECTIONS	1,075	1,047	980	980	935					
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	1,064	1,030	970	970	926					

See accompanying independent auditor's report.

FOREST HILLS MUNICIPAL UTILITY DISTRICT

COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES,
DEBT SERVICE FUND

FOR YEARS ENDED FEBRUARY 28

	AMOUNT					PERCENT OF TOTAL REVENUES				
	2026	2025	2024	2023	2022	2026	2025	2024	2023	2022
REVENUES										
Property taxes	$ 777,961	$ 765,103	$ 729,764	$ 765,142	$ 764,926	89.5 %	85.9 %	88.0 %	93.9 %	98.2 %
Penalty and interest	22,298	43,343	22,257	20,369	13,735	2.6	4.9	2.7	2.5	1.8
Interest on deposits	68,228	82,327	77,485	29,026	177	7.9	9.2	9.3	3.6	0.0
TOTAL REVENUES	868,487	890,773	829,506	814,537	778,838	100.0	100.0	100.0	100.0	100.0
EXPENDITURES										
Current:										
Professional fees	4,341	13,687	8,568	6,983	8,810	0.5	1.5	1.0	0.9	1.1
Contracted services	30,797	30,671	29,347	25,161	23,790	3.5	3.4	3.5	3.1	3.1
Other expenditures	6,908	7,658	7,585	5,929	5,653	0.8	0.9	0.9	0.7	0.7
Debt service:										
Principal retirement	370,000	350,000	340,000	325,000	315,000	42.6	39.4	41.1	39.9	40.4
Interest and fees	413,588	455,479	289,075	301,586	253,706	47.7	51.1	34.8	37.0	32.6
TOTAL EXPENDITURES	825,634	857,495	674,575	664,659	606,959	95.1	96.3	81.3	81.6	77.9
EXCESS REVENUES (EXPENDITURES)	$ 42,853	$ 33,278	$ 154,931	$ 149,878	$ 171,879	4.9 %	3.7 %	18.7 %	18.4 %	22.1 %

See accompanying independent auditor's report.

FOREST HILLS MUNICIPAL UTILITY DISTRICT

BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS

FEBRUARY 28, 2026

Complete District Mailing Address: Forest Hills Municipal Utility District
c/o Coats Rose, P.C.
9 Greenway Plaza, Suite 1000
Houston, Texas 77046

District Business Telephone No.: 713-651-0111

Submission date of the most recent District Registration Form: March 23, 2025

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

BOARD MEMBERS

Name and Address	Term of Office (Elected/ Appointed)	Fees of Office Paid	Expense Reimb.	Title at Year End
David Valentine 3807 Trappers Forest Drive Houston, Texas 77088	Elected 5/07/22- 5/02/26	$ 2,431	$ 0	President
Sal Ortiz 12602 Brookvale Drive Houston, Texas 77038	Elected 5/04/24- 5/06/28	2,210	0	Vice President
Charles Cates 12606 Brookvale Drive Houston, Texas 77038	Elected 5/04/24- 5/06/28	3,252	0	Secretary
Giovanny Portillo 12611 Brookvale Drive Houston, Texas 77038	Elected 5/07/22- 5/02/26	2,652	0	Assistant Secretary
Asuncion Reyna 10234 Cascade Hills Drive Houston, Texas 77064	Appointed 9/08/22- 5/02/26	2,431	0	Director

FOREST HILLS MUNICIPAL UTILITY DISTRICT

BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS (Continued)

FEBRUARY 28, 2026

CONSULTANTS

Name and Address	Date Hired	Fees and Expense Reimbursements	Title at Year End
Coats Rose, P.C. 9 Greenway Plaza, Suite 1100 Houston, Texas 77046	12/05/24	$ 120,489	Attorney
Perdue, Brandon, Fielder, Collins & Mott, L.L.P. 1235 N. Loop West, Suite 600 Houston, Texas 77008	2/05/15	4,341	Delinquent Tax Attorney
Myrtle Cruz, Inc. 3401 Louisiana, Suite 400 Houston, Texas 77002	5/01/84	21,732	Bookkeeper
Mary Jarmon 3401 Louisiana, Suite 400 Houston, Texas 77002	5/20/03	0	Investment Officer
Water District Management Co. P.O. Box 579 Spring, Texas 77383	1/20/82	752,265	Operator
Baxter & Woodman Consulting Engineers 11450 Compaq Center West Drive Suite 660 Houston, Texas 77070	8/23/88	106,576	Engineer
Bob Leared 11111 Katy Freeway, Suite 725 Houston, Texas 77079	7/02/15	24,023	Tax Assessor-Collector
Harris Central Appraisal District P.O. Box 900275 Houston, Texas 77292	Legislative Action	15,640	Central Appraisal District
Rathmann & Associates, L.P. 8584 Katy Freeway, Suite 250 Houston, Texas 77024	5/20/03	0	Financial Advisor
Mark C. Eyring, CPA, PLLC 12702 Century Drive, Suite C2 Stafford, Texas 77477	1/28/92	13,950	Independent Auditor


RATHMANN
&
ASSOCIATES
Financial Advisor to the District