MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 1

HARRIS AND FORT BEND COUNTIES, TEXAS

FINANCIAL REPORT

March 31, 2026

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McGRATH & CO., PLLC
Certified Public Accountants
2950 North Loop West, Suite 810
Houston, Texas 77092

Independent Auditor's Report

Board of Directors
Mission Bend Municipal Utility District No. 1
Harris and Fort Bend Counties, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Mission Bend Municipal Utility District No. 1 (the "District"), as of and for the year ended March 31, 2026, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Mission Bend Municipal Utility District No. 1, as of March 31, 2026, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Texas Supplementary Information schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Texas Supplementary Information schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

McGrath & Co, PLLC

Houston, Texas
July 20, 2026

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Management's Discussion and Analysis

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Using this Annual Report

Within this section of the financial report of Mission Bend Municipal Utility District No. 1 (the "District"), the District's Board of Directors provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended March 31, 2026. This analysis should be read in conjunction with the independent auditor's report and the basic financial statements that follow this section.

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

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

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

The fund financial statements include the *Governmental Funds Balance Sheet* and the *Governmental Funds Revenues, Expenditures and Changes in Fund Balances*. The focus of fund financial statements is on specific activities of the District rather than the District as a whole, reported using modified accrual accounting. These statements report on the District's use of available financial resources and the balances of available financial resources at the end of the year. Except for the General Fund, a specific fund is established to satisfy managerial control over resources or to satisfy finance-related legal requirements established by external parties, governmental statutes or regulations.

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

Financial Analysis of the District as a Whole

The District's net position at March 31, 2026, was $5,755,794. A comparative summary of the District's overall financial position, as of March 31, 2026 and 2025, is as follows:

	2026	2025
Current and other assets	$ 5,661,574	$ 6,724,373
Capital assets	5,333,222	4,989,045
Total assets	10,994,796	11,713,418
Current liabilities	534,002	645,822
Long-term liabilities	4,705,000	4,900,000
Total liabilities	5,239,002	5,545,822
Net position		
Net investment in capital assets	953,006	970,491
Restricted	645,800	700,829
Unrestricted	4,156,988	4,496,276
Total net position	$ 5,755,794	$ 6,167,596

The total net position of the District decreased during the current fiscal year by $411,802. A comparative summary of the District's *Statement of Activities* for the past two fiscal years is as follows:

	2026	2025
Revenues		
Water and sewer service	$ 675,151	$ 664,822
Property taxes, penalties and interest	1,373,624	1,435,762
Other	1,255,568	1,345,240
Total revenues	3,304,343	3,445,824
Expenses		
Current service operations	3,294,512	2,502,993
Debt interest and fees	179,888	184,686
Depreciation	241,745	241,745
Total expenses	3,716,145	2,929,424
Change in net position	(411,802)	516,400
Net position, beginning of year	6,167,596	5,651,196
Net position, end of year	$ 5,755,794	$ 6,167,596

Financial Analysis of the District's Funds

The District's combined fund balances, as of March 31, 2026, were $5,051,429, which consists of $3,984,242 in the General Fund, $547,403 in the Debt Service Fund and $519,784 in the Capital Projects Fund.

General Fund

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

	2026	2025
Total assets	$ 4,415,171	$ 4,723,584
Total liabilities	$ 258,183	$ 227,308
Total deferred inflows	172,746	129,460
Total fund balance	3,984,242	4,366,816
Total liabilities, deferred inflows and fund balance	$ 4,415,171	$ 4,723,584

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

	2026	2025
Total revenues	$ 2,849,279	$ 2,887,632
Total expenditures	(3,231,853)	(2,681,410)
Revenues over/(under) expenditures	$ (382,574)	$ 206,222

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

- Property tax revenues are dependent upon assessed values in the District and the maintenance tax rate set by the District. Property tax revenues in the District have remained fairly consistent from year to year.
- Water, sewer and groundwater pumpage fee revenues are dependent upon customer usage, which fluctuates from year to year as a result of factors beyond the District's control.
- Sales tax rebates received from the City of Houston under a Strategic Partnership Agreement are dependent on consumer spending at retail stores located within the District's boundaries and will fluctuate from year to year.

Debt Service Fund

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

	2026	2025
Total assets	$ 694,808	$ 722,648
Total liabilities	$ 34,441	$ 6,715
Total deferred inflows	112,964	103,156
Total fund balance	547,403	612,777
Total liabilities, deferred inflows and fund balance	$ 694,808	$ 722,648

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

	2026	2025
Total revenues	$ 366,412	$ 408,939
Total expenditures	(431,786)	(431,993)
Revenues under expenditures	$ (65,374)	$ (23,054)

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

Capital Projects Fund

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

	2026	2025
Total assets	$ 579,381	$ 1,278,141
Total liabilities	$ 59,597	$ 206,695
Total fund balance	519,784	1,071,446
Total liabilities and fund balance	$ 579,381	$ 1,278,141

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

	2026	2025
Total revenues	$ 35,558	$ 102,393
Total expenditures	(587,220)	(1,323,705)
Revenues under expenditures	$ (551,662)	$ (1,221,312)

The District's capital asset activity in the last two fiscal years has been for improvements to existing facilities.

General Fund Budgetary Highlights

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

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was $221,581 less than budgeted. The *Budgetary Comparison Schedule* on page 36 of this report provides variance information per financial statement line item.

Capital Assets

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

	2026	2025
Capital assets not being depreciated		
Land and easements	$ 138,490	$ 138,490
Construction in progress	1,462,446	876,524
	1,600,936	1,015,014
Capital assets being depreciated		
Infrastructure	13,300,207	13,300,207
Parks and recreational facilities	48,165	48,165
	13,348,372	13,348,372
Less accumulated depreciation		
Infrastructure	(9,572,921)	(9,333,176)
Parks and recreational facilities	(43,165)	(41,165)
	(9,616,086)	(9,374,341)
Depreciable capital assets, net	3,732,286	3,974,031
Capital assets, net	$ 5,333,222	$ 4,989,045

The District's construction in progress is for the construction of Water plants no. 1 and 2 electrical upgrades and chloramine conversion.

Long-Term Debt

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

Series	2026	2025
2021 Refunding	$ 1,570,000	$ 1,685,000
2022	3,330,000	3,405,000
	$ 4,900,000	$ 5,090,000

At March 31, 2026, the District had $16,070,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District and the refunding of such bonds.

Property Taxes

The District's property tax base increased approximately $31,135,000 for the 2026 tax year from $612,565,180 to $643,699,865, based on preliminary values.

Next Year's Budget

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

	2026 Actual	2027 Budget
Total revenues	$ 2,849,279	$ 2,974,830
Total expenditures	(3,231,853)	(4,068,954)
Revenues under expenditures	(382,574)	(1,094,124)
Beginning fund balance	4,366,816	3,984,242
Ending fund balance	$ 3,984,242	$ 2,890,118

The fiscal year 2027 budget includes a significant increase in capital outlay expenditures, which the District expects to fund using existing General Fund surplus.

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Basic Financial Statements

Mission Bend Municipal Utility District No. 1
Statement of Net Position and Governmental Funds Balance Sheet
March 31, 2026

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash	$ 206,400	$ 149,361	$ 275	$ 356,036	$ -	$ 356,036
Investments	3,526,568	426,311	579,106	4,531,985		4,531,985
Taxes receivable, net	153,285	112,964		266,249		266,249
Customer service receivables	135,157			135,157		135,157
Interfund receivables	27,786			27,786	(27,786)	
Due from other governments	49,829			49,829		49,829
Other receivables	30,020	6,172		36,192		36,192
Operating reserve	286,126			286,126		286,126
Capital assets not being depreciated					1,600,936	1,600,936
Capital assets, net					3,732,286	3,732,286
Total Assets	$ 4,415,171	$ 694,808	$ 579,381	$ 5,689,360	5,305,436	10,994,796
Liabilities						
Accounts payable	$ 220,013	$ -	$ -	$ 220,013		220,013
Retainage payable			59,597	59,597		59,597
Other payables	1,270	6,655		7,925		7,925
Interfund payables		27,786		27,786	(27,786)	
Customer deposits	36,900			36,900		36,900
Accrued interest payable					14,567	14,567
Long-term debt						
Due within one year					195,000	195,000
Due after one year					4,705,000	4,705,000
Total Liabilities	258,183	34,441	59,597	352,221	4,886,781	5,239,002
Deferred Inflows of Resources						
Deferred property taxes	153,285	112,964		266,249	(266,249)	
Deferred City of Houston sales tax	19,461			19,461	(19,461)	
	172,746	112,964		285,710	(285,710)	
Fund Balances/Net Position						
Fund Balances						
Nonspendable	286,126			286,126	(286,126)	
Restricted		547,403	519,784	1,067,187	(1,067,187)	
Unassigned	3,698,116			3,698,116	(3,698,116)	
Total Fund Balances	3,984,242	547,403	519,784	5,051,429	(5,051,429)	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 4,415,171	$ 694,808	$ 579,381	$ 5,689,360		
Net Position						
Net investment in capital assets					953,006	953,006
Restricted for debt service					645,800	645,800
Unrestricted					4,156,988	4,156,988
Total Net Position					$ 5,755,794	$ 5,755,794

See notes to basic financial statements.

Mission Bend Municipal Utility District No. 1
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances
For the Year Ended March 31, 2026

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues						
Water service	$ 267,859	$ -	$ -	$ 267,859	$ -	$ 267,859
Sewer service	407,292			407,292		407,292
Property taxes	932,430	332,107		1,264,537	56,944	1,321,481
Penalties and interest	42,708	14,349		57,057	(4,914)	52,143
Groundwater pumpage fees	774,620			774,620		774,620
Tap connection and inspection	48,600			48,600		48,600
Strategic partnership agreement	210,570			210,570	1,064	211,634
Miscellaneous	17,702	2,564		20,266		20,266
Investment earnings	147,498	17,392	35,558	200,448		200,448
Total Revenues	2,849,279	366,412	35,558	3,251,249	53,094	3,304,343
Expenditures/Expenses						
Current service operations						
Purchased services	1,622,823			1,622,823		1,622,823
Professional fees	170,857		300	171,157		171,157
Contracted services	284,447	54,601	738	339,786		339,786
Repairs and maintenance	918,162			918,162		918,162
Utilities	4,408			4,408		4,408
Parks and recreation	50,000			50,000		50,000
Administrative	113,877	5,404	260	119,541		119,541
Other	67,279	1,356		68,635		68,635
Capital outlay			585,922	585,922	(585,922)	
Debt service						
Principal		190,000		190,000	(190,000)	
Interest and fees		180,425		180,425	(537)	179,888
Depreciation					241,745	241,745
Total Expenditures/Expenses	3,231,853	431,786	587,220	4,250,859	(534,714)	3,716,145
Revenues Under Expenditures	(382,574)	(65,374)	(551,662)	(999,610)	999,610	
Change in Net Position					(411,802)	(411,802)
Fund Balance/Net Position						
Beginning of the year	4,366,816	612,777	1,071,446	6,051,039	116,557	6,167,596
End of the year	$ 3,984,242	$ 547,403	$ 519,784	$ 5,051,429	$ 704,365	$ 5,755,794

See notes to basic financial statements.

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Note 1 – Summary of Significant Accounting Policies

The accounting policies of Mission Bend Municipal Utility District No. 1 (the "District") conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board ("GASB"). The following is a summary of the most significant policies:

Creation

The District was organized, created, and established pursuant to an order of the Texas Water Commission, statutory predecessor to the Texas Commission on Environmental Quality, dated December 7, 1977, and operates in accordance with the Texas Water Code, Chapters 49 and 54. The Board of Directors held its first meeting on February 21, 1978, and the first bonds were issued on June 20, 1979.

The District's primary activities include construction, maintenance and operation of water, sewer and drainage facilities. The District has contracted with various consultants to provide services to operate and administer the affairs of the District. The District has no employees, related payroll or pension costs.

Reporting Entity

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

Government-Wide and Fund Financial Statements

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

Fund financial statements display information at the individual fund level. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for a specific purpose. Each fund is considered to be a separate accounting entity. Most governments typically have many funds; however, governmental financial statements focus on the most important or "major" funds with non-major funds aggregated in a single column. The District has three governmental funds, which are all considered major funds.

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

- The General Fund is used to account for the operations of the District's water and sewer system and all other financial transactions not reported in other funds. The principal sources of revenue are property taxes, water and sewer service fees and City of Houston sales tax rebates. Expenditures include costs associated with the daily operations of the District.
- The Debt Service Fund is used to account for the payment of interest and principal on the District's general long-term debt. The primary source of revenue for debt service is property taxes. Expenditures include costs incurred in assessing and collecting these taxes.
- The Capital Projects Fund is used to account for the expenditures of bond proceeds for the construction of the District's water, sewer and drainage facilities.

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

Measurement Focus and Basis of Accounting

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

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

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

Use of Restricted Resources

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

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset, unless a legal right of offset exists. At March 31, 2026, an allowance of $15,177 was provided for possible uncollectible property taxes. An allowance for uncollectible water/sewer accounts was not considered necessary.

Unbilled Service Revenues

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

Interfund Activity

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

Capital Assets

Capital assets do not provide financial resources at the fund level, and, therefore, are reported only in the government-wide statements. The District defines capital assets as assets with an initial cost that exceeds the capitalization threshold for the asset class and an estimated useful life in excess of one year. Capital assets that individually are below the capitalization threshold but, in the aggregate, are above the threshold are capitalized. Subsequent replacements of these assets that do not exceed the threshold are not capitalized. The District's capitalization threshold for infrastructure assets is $50,000. The threshold for subscription-based information technology arrangements (SBITAs) is $250,000.

Capital assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at acquisition value, which is the price that would be paid to acquire the asset on the acquisition date. The District has not capitalized interest incurred during the construction of its capital assets. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Depreciable capital assets, which primarily consist of water, wastewater and drainage facilities, are depreciated using the straight-line method as follows:

Assets	Useful Life
Infrastructure	15-45 years
Park and recreational facilities	15-20 years

Deferred Inflows and Outflows of Financial Resources

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

At the fund level, property taxes and City of Houston sales tax rebates receivable that are not collected within 60 days of fiscal year end do not meet the availability criteria required for revenue recognition and are recorded as deferred inflows of financial resources.

Net Position – Governmental Activities

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

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

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

Unrestricted – resources not included in the other components.

Fund Balances – Governmental Funds

Governmental accounting standards establish the following fund balance classifications:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District's nonspendable fund balance consists of operating reserves paid to Chelford City Municipal Utility District for the joint regional wastewater treatment plant and the integrated water system.

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

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

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

Unassigned - all other spendable amounts in the General Fund.

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

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses/expenditures during the period reported. These estimates include, among others, the collectability of receivables; the value of unbilled utility revenues and receivables and the useful lives and impairment of capital assets. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from the estimates.

Note 2 – Adjustment from Governmental to Government-wide Basis

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

Total fund balance, governmental funds		$ 5,051,429
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
Historical cost	$ 14,949,308	
Less accumulated depreciation	(9,616,086)	
		5,333,222
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. The difference consists of:		
Accrued interest payable	(14,567)	
Bonds payable	(4,900,000)	
		(4,914,567)
Deferred inflows in the fund statements consist of receivables that are not available to pay current period expenditures. These amounts are included in revenues in the government-wide statements.		
Property taxes and penalties and interest	266,249	
City of Houston sales taxes rebates	19,461	
		285,710
Total net position - governmental activities		$ 5,755,794

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

Net change in fund balances - total governmental funds		$ (999,610)
Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the *Statement of Activities* when earned. The difference is for the following:		
Property taxes and penalties and interest	$ 52,030	
City of Houston sales tax rebates	1,064	
		53,094
Financial reporting for capital assets varies significantly between the fund statements and the government-wide statements. Reporting at the fund level focuses on the impact of transactions on financial resources (i.e., cash), while reporting at the government-wide level seeks to allocate the cost of the acquisition of capital assets over their useful lives. Differences during the current fiscal year are for the following:		
Capital outlays	585,922	
Depreciation expense	(241,745)	
		344,177
Financial reporting for certain obligations varies between the fund statements and the government-wide statements. At the fund level, the focus is on increases and decreases of financial resources as debt is issued and repaid. At the government-wide level, the focus is on measuring and reporting on changes in the District's obligation to repay liabilities in the future. Differences during the current fiscal year are for the following:		
Principal payments	190,000	
Interest expense accrual	537	
		190,537
Change in net position of governmental activities		$ (411,802)

Note 3 – Deposits and Investments

Deposit Custodial Credit Risk

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

Investments

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

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

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

Type	Fund	Carrying Value	Percentage of Total	Rating	Weighted Average Maturity
Certificates of deposit	General	$ 1,890,000			
	Debt Service	235,000			
		2,125,000	47%	N/A	N/A
Texas CLASS	General	1,636,568			
	Debt Service	191,311			
	Capital Projects	579,106			
		2,406,985	53%	AAAm	49 days
Total		$ 4,531,985	100%		

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

Texas CLASS

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

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

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

Investment Credit and Interest Rate Risk

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

Note 4 – Interfund Balances and Transactions

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

Receivable Fund	Payable Fund	Amounts	Purpose
General Fund	Debt Service Fund	$ 27,786	Maintenance tax collections not remitted as of year end

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

Note 5 – Capital Assets

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

	Beginning Balances	Additions/ Adjustments	Ending Balances
Capital assets not being depreciated			
Land and easements	$ 138,490	$ -	$ 138,490
Construction in progress	876,524	585,922	1,462,446
	1,015,014	585,922	1,600,936
Capital assets being depreciated			
Infrastructure	13,300,207		13,300,207
Parks and recreational facilities	48,165		48,165
	13,348,372		13,348,372
Less accumulated depreciation			
Infrastructure	(9,333,176)	(239,745)	(9,572,921)
Parks and recreational facilities	(41,165)	(2,000)	(43,165)
	(9,374,341)	(241,745)	(9,616,086)
Subtotal depreciable capital assets, net	3,974,031	(241,745)	3,732,286
Capital assets, net	$ 4,989,045	$ 344,177	$ 5,333,222

Depreciation expense for the current fiscal year was $241,745.

The District has contractual commitments for construction projects as follows:

	Contract Amount	Paid To Date	Remaining Amount *
Water plants no. 1 and 2 electrical upgrades	$ 1,185,964	$ 1,107,491	$ 78,473

* Includes retainage

Note 6 – Long-Term Debt

Long-term debt is comprised of the following:

Bonds payable	$ 4,900,000
Due within one year	$ 195,000

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

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2021 Refunding	$ 1,570,000	$ 2,005,000	2.00% - 3.00%	September 1, 2022/2037	September 1, March 1	September 1, 2026
2022	3,330,000	3,480,000	4.00% - 4.50%	September 1, 2024/2049	September 1, March 1	September 1, 2028
	$ 4,900,000					

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

At March 31, 2026, the District had authorized but unissued bonds in the amount of $16,070,000 for water, sewer and drainage facilities and the refunding of such bonds.

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

Bonds payable, beginning of year	$ 5,090,000
Bonds retired	(190,000)
Bonds payable, end of year	$ 4,900,000

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

Year	Principal	Interest	Totals
2027	$ 195,000	$ 171,500	$ 366,500
2028	200,000	164,825	364,825
2029	200,000	158,700	358,700
2030	205,000	153,150	358,150
2031	200,000	147,600	347,600
2032	205,000	142,050	347,050
2033	210,000	136,350	346,350
2034	215,000	130,500	345,500
2035	215,000	124,600	339,600
2036	215,000	118,700	333,700
2037	220,000	112,750	332,750
2038	220,000	106,750	326,750
2039	200,000	99,625	299,625
2040	200,000	91,375	291,375
2041	200,000	83,125	283,125
2042	200,000	74,750	274,750
2043	200,000	66,250	266,250
2044	200,000	57,750	257,750
2045	200,000	49,125	249,125
2046	200,000	40,375	240,375
2047	200,000	31,500	231,500
2048	200,000	22,500	222,500
2049	200,000	13,500	213,500
2050	200,000	4,500	204,500
	$ 4,900,000	$ 2,301,850	$ 7,201,850

Note 7 – Property Taxes

On August 12, 1978, the voters of the District authorized the District's Board of Directors to levy taxes annually for use in financing general operations limited to $0.25 per $100 of assessed value. The District's bond resolutions require that property taxes be levied for use in paying interest and principal on long-term debt and for use in paying the cost of assessing and collecting taxes. Taxes levied to finance debt service requirements on long-term debt are without limitation as to rate or amount.

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

Property taxes are collected based on rates adopted in the year of the levy. The District's 2026 fiscal year was financed through the 2025 tax levy, pursuant to which the District levied property taxes of $0.217 per $100 of assessed value, of which $0.16 was allocated to maintenance and operations and

$0.057 was allocated to debt service. The resulting tax levy was $1,329,266 on the adjusted taxable value of $612,565,180.
Net property taxes receivable, at March 31, 2026, consisted of the following:

Current year taxes receivable	$	121,934
Prior years taxes receivable		101,126
Less allowance for uncollectible accounts		(15,177)
		207,883
Penalty and interest receivable		58,366
Net property taxes receivable	$	266,249

Note 8 – Financing and Operation Regional Facilities

On May 9, 1978, the District entered into a 40-year agreement, subsequently amended August 2, 1999, with Chelford City Municipal Utility District ("Chelford City"). Chelford City entered into a series of individual 40-year contracts whereby Chelford City agrees to provide or cause to be provided the regional wastewater treatment and disposal facilities necessary to serve the participating districts. The contract was subsequently amended on September 11, 2006, to update each participant's percentage of ownership and to make the contract automatically renew for successive 40-year terms until all of the parties are annexed and dissolved by the City of Houston.

The agreements are as follows:

Participants	Date of Agreement
Chelford One Municipal Utility District	May 9, 1978
City of Houston (formerly Harris County Municipal Utility District No. 98)	May 9, 1978
Harris County Municipal Utility District No. 120	May 9, 1978
Harris County Municipal Utility District No. 147	May 9, 1978
Mission Bend Municipal Utility District No. 1	May 9, 1978
Mission Bend Municipal Utility District No. 2	June 19, 1979
City of Houston (formerly West Houston Municipal Utility District)	August 12, 1981
Alief Church of the Nazarene (formerly Houston First Savings Association)	May 9, 1978

The following are each participant's capacity and percentage ownership:

Participants	Capacity (gpd)	Percent
Chelford City Municipal Utility District	966,600	8.79%
Chelford One Municipal Utility District	533,500	4.85%
City of Houston (formerly Harris County Municipal Utility District No. 98)	1,086,800	9.88%
Harris County Municipal Utility District No. 120	2,959,700	26.91%
Harris County Municipal Utility District No. 147	489,500	4.45%
Mission Bend Municipal Utility District No. 1	1,041,700	9.47%
Mission Bend Municipal Utility District No. 2	2,441,600	22.20%
City of Houston (formerly West Houston Municipal Utility District)	1,472,900	13.39%
Alief Church of the Nazarene (formerly Houston First Savings Association)	7,700	0.07%

Chelford City operates the regional facility and holds title for the benefit of the participants. Participants are billed monthly based on $1.50 per 1,000 gallons-per-day capacity acquired in the treatment facilities, plus a pro rata share of budgeted costs in excess of this amount based on the number of connections. The District recorded $527,734 in expenditures for the current fiscal year. In addition, each participant has paid for its pro rata share of an operating and maintenance reserve equivalent to three month's share average budgeted expenditures for the next fiscal year. The District's share of the operating reserve is $112,578.

The following represents condensed audit financial information of the Plant, as of and for the year September 30, 2025. Complete financial statements for the plant may be obtained from Coats, Rose, Yale, Ryman & Lee, P.C., 9 Greenway Plaza, Suite 1000, Houston, Texas 77046.

Total assets	$	1,525,352
Total liabilities	$	420,992
Total fund balance		1,104,360
Total liabilities and fund balance	$	1,525,352
Total revenues	$	3,304,951
Total expenditures		(4,152,961)
Revenues under expenditures		(848,010)
Net position, beginning of year		1,952,370
Net position, end of year	$	1,104,360

Note 9 – Integrated Water System

On May 14, 1981, subsequently amended on April 1, 2018, as the Second Amended and Restated Water Supply and Billing Agreement, the District, Chelford City Municipal Utility District, Chelford One Municipal Utility District, and Mission Bend Municipal Utility District No. 2 (Mission Bend No. 2) entered into a water supply and billing agreement. The interconnections between the districts have been opened and the water supplied through the coordinated operation of the water plants. Costs of operating the water plants are based on the pro rata number of gallons billed by each district. During the current fiscal year, the District's share of this cost was $76,320. A reserve of $173,548 was established which is equal to an estimate of two months of electricity, telephone, and chemical bills and two months of estimated water authority fees.

In addition to the agreement, these same four districts entered into supplemental agreements for the construction, financing, and operation of elevated water storage facilities. The agreements are dated May 30, 1986, July 1, 2001, June 1, 2012, which were also amended by the Second Amended and Restated Water Supply Agreement dated April 1, 2018. Mission Bend No. 2 holds title to the facilities subject to the equitable ownership rights of each of the participants. Mission Bend No. 2 administered the construction of the facilities and operates and maintains the facilities. All construction and related costs and all costs of operating and maintaining the facilities are shared based on the capacity owned by each district.

The capacity and ownership have been allocated as follows:

Participants	Capacity (gpd)	Percent
Chelford City Municipal Utility District	300,000	15.14%
Chelford One Municipal Utility District	250,000	12.62%
Mission Bend Municipal Utility District No. 1	450,000	22.16%
Mission Bend Municipal Utility District No. 2	1,000,000	50.08%

Note 10 – Strategic Partnership Agreement

On April 8, 2003, the District, and the City of Houston (the "City") entered into a Strategic Partnership Agreement under which the City annexed a tract of land within the District for the limited purposes of the City's Planning, Zoning, Health and Safety Ordinances within the District. This agreement was amended on June 30, 2005, for the limited purpose annexation by the City of an additional tract of land within the District for the same purposes and for the purpose of imposing the City's fireworks ban on the original and amended tracts. The District amended the agreement again on December 13, 2010, to include additional annexed land. The District continues to exercise all powers and functions of a municipal utility district as provided by law. As consideration for the District providing services described in the agreement, the City agreed to remit one half of all retail sales tax collected from retailers located in the District's boundaries. The City agrees that it will not annex the District for full purposes during the term of this agreement, which is thirty years. For the year ending March 31, 2026, the District recorded revenues of $210,570 related to the agreement. These revenues may be used for any lawful purpose.

Note 11 – West Harris County Regional Water Authority

The District is located within the boundaries of the West Harris County Regional Water Authority (the "Authority"). The Authority was created under Article 16, Section 59 of the Texas Constitution by House Bill 1842 (the "Act"), passed by the 77th Texas Legislature in 2021. The Act empowers the Authority for purposes including the acquisition and provision of surface water and groundwater for residential, commercial, industrial, agricultural, and other uses, the reduction of groundwaters withdrawals, the conservation, preservation, protection, recharge, and prevention of waste of groundwater, and of groundwater reservoirs or their subdivisions and the control of subsidence caused by the withdrawal of water from those groundwater reservoirs or their subdivisions. The Authority oversees the participants' compliance with subsidence district pumpage requirements. The District is required to convert from groundwater to surface water over a period of time.

A nine-member Board of Directors governs the Authority. The directors serve staggered four-year terms. Each director must qualify to serve as director in the manner provided by Section 49.055 of the Water Code.

The Authority charges a fee, based on the amount of water pumped from a well, to the owner of wells located within the boundaries of the Authority, unless exempted. The Authority also charges a fee for surface water supplied to participants. These fees enable the Authority to fulfill its purpose and regulatory functions. As of March 31, 2026, the groundwater pumpage fee is $3.95 per 1,000 gallons of water pumped from each well and the surface water fee is $4.35 per 1,000 gallons delivered. As a part of the Integrated Water Supply Agreement, the District pays the Authority fees through the responsible District, Chelford City, who bills based on the Districts percentage of total gallons billed by all the participants to the Agreement. The District recorded expenditures of $1,018,769 for fees assessed during the current fiscal year.

Note 12 – Risk Management

The District is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; and personal injuries. The risk of loss is covered by commercial insurance. There have been no significant reductions in insurance coverage from the prior year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

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Required Supplementary Information

Mission Bend Municipal Utility District No. 1
Required Supplementary Information - Budgetary Comparison Schedule - General Fund
For the Year Ended March 31, 2026

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Water service	$ 285,020	$ 267,859	$ (17,161)
Sewer service	398,706	407,292	8,586
Property taxes	975,000	932,430	(42,570)
Penalties and interest	43,412	42,708	(704)
Groundwater pumpage fees	746,271	774,620	28,349
Tap connection and inspection	32,415	48,600	16,185
Strategic partnership agreement	204,257	210,570	6,313
Miscellaneous	17,339	17,702	363
Investment earnings	148,163	147,498	(665)
Total Revenues	2,850,583	2,849,279	(1,304)
Expenditures			
Current service operations			
Purchased services	1,486,354	1,622,823	(136,469)
Professional fees	183,600	170,857	12,743
Contracted services	191,057	284,447	(93,390)
Repairs and maintenance	538,605	918,162	(379,557)
Utilities	4,167	4,408	(241)
Parks and recreation	40,000	50,000	(10,000)
Administrative	120,343	113,877	6,466
Other	55,450	67,279	(11,829)
Capital outlay	392,000		392,000
Total Expenditures	3,011,576	3,231,853	(220,277)
Revenues Under Expenditures	(160,993)	(382,574)	(221,581)
Fund Balance			
Beginning of the year	4,366,816	4,366,816	
End of the year	$ 4,205,823	$ 3,984,242	$ (221,581)

Budgets and Budgetary Accounting

An annual unappropriated budget is adopted for the General Fund by the District's Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. There were no amendments to the budget during the year.

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Texas Supplementary Information

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

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

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

[ ] Other (Specify): ______________________

2. Retail Service Providers:

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

	Minimum Charge	Minimum Usage	Flat Rate (Y / N)	Rate per 1,000 Gallons Over Minimum Usage	Usage Levels		
Water:	$ 7.00	5,000	N	$ 0.65	5,001	to	10,000
				$ 1.00	10,001	to	20,000
				$ 1.50	20,001	to	40,000
				$ 2.00	40,001	to	no limit
Wastewater:	$ 14.00		Y			to	
Surcharge:	$ 4.54		N	$ 4.54	1,000	to	no limit

District employs winter averaging for wastewater usage? [ ] Yes [X] No

Total charges per 10,000 gallons usage: Water $ 55.65 Wastewater $ 14.00

b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC'S
Unmetered			x 1.0	
less than 3/4"	2,013	1,994	x 1.0	1,994
1"	32	30	x 2.5	75
1.5"	10	8	x 5.0	40
2"	32	30	x 8.0	240
3"	1	1	x 15.0	15
4"	1	1	x 25.0	25
6"	2	2	x 50.0	100
8"	2	2	x 80.0	160
Total Water	2,093	2,068		2,649
Total Wastewater	2,062	2,041	x 1.0	2,041

See accompanying auditor's report.

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

Gallons purchased from other Districts *	179,399,000	Water Accountability Ratio: (Gallons billed / Gallons purchased)
Gallons billed to customers *	179,399,000	100.00%

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

The District does not have Debt Service standby fees.

The District does not have Operation and Maintenance standby fees.

5. Location of District:

Is the District located entirely within one county?	Yes [ ] No [X]
County(ies) in which the District is located:	Harris and Fort Bend Counties
Is the District located within a city?	Entirely [ ] Partly [ ] Not at all [X]
City(ies) in which the District is located:	
Is the District located within a city's extra territorial jurisdiction (ETJ)?	Entirely [X] Partly [ ] Not at all [ ]
ETJs in which the District is located:	City of Houston
Are Board members appointed by an office outside the district?	Yes [ ] No [X]
If Yes, by whom?	

* Shares with Chelford City Municipal Utility District, Chelford One Municipal Utility District, and Mission Bend Municipal Utility District No. 2.

See accompanying auditor's report.

Mission Bend Municipal Utility District No. 1
TSI-2. General Fund Expenditures
For the Year Ended March 31, 2026

Purchased services	$ 1,622,823
Professional fees	
Legal	103,729
Audit	17,500
Engineering	49,628
	170,857
Contracted services	
Bookkeeping	72,991
Operator	206,206
Landscaping	5,250
	284,447
Repairs and maintenance	918,162
Utilities	4,408
Parks and recreation	50,000
Administrative	
Directors fees	36,000
Printing and office supplies	25,596
Insurance	19,619
Other	32,662
	113,877
Other	67,279
Total expenditures	$ 3,231,853

See accompanying auditor's report.

Mission Bend Municipal Utility District No. 1
TSI-3. Investments
March 31, 2026

Fund	Interest Rate	Maturity Date	Balance at End of Year	Interest Receivable
General				
Texas CLASS	Variable	N/A	$ 1,636,568	$ -
Certificates of deposit	3.50%	09/11/26	235,000	2,389
Certificates of deposit	4.25%	09/15/26	235,000	5,391
Certificates of deposit	4.00%	05/24/26	235,000	8,009
Certificates of deposit	3.60%	08/10/26	240,000	1,160
Certificates of deposit	3.75%	07/15/26	235,000	1,811
Certificates of deposit	4.17%	06/17/26	235,000	7,705
Certificates of deposit	3.65%	03/22/27	240,000	216
Certificates of deposit	3.75%	11/22/26	235,000	3,115
			3,526,568	29,796
Debt Service				
Texas CLASS	Variable	N/A	191,311	
Certificates of deposit	4.15%	08/12/26	235,000	6,172
			426,311	6,172
Capital Projects				
Texas CLASS	Variable	N/A	579,106	
Total - All Funds			$ 4,531,985	$ 35,968

See accompanying auditor's report.

Mission Bend Municipal Utility District No. 1
TSI-4. Taxes Levied and Receivable
March 31, 2026

	Maintenance Taxes	Debt Service Taxes	Totals
Taxes Receivable, Beginning of Year	$ 111,063	$ 39,874	$ 150,937
Adjustments to Prior Year Tax Levy	(5,451)	(2,334)	(7,785)
Adjusted Receivable	105,612	37,540	143,152
2025 Original Tax Levy	960,443	342,158	1,302,601
Adjustments	19,661	7,004	26,665
Adjusted Tax Levy	980,104	349,162	1,329,266
Total to be accounted for	1,085,716	386,702	1,472,418
Tax collections:			
Current year	890,199	317,133	1,207,332
Prior years	42,232	14,971	57,203
Total Collections	932,431	332,104	1,264,535
Taxes Receivable, End of Year	$ 153,285	$ 54,598	$ 207,883
Taxes Receivable, By Years			
2025	$ 89,905	$ 32,029	$ 121,934
2024	18,182	6,477	24,659
2023	9,772	4,754	14,526
2022 and prior	35,426	11,338	46,764
Taxes Receivable, End of Year	$ 153,285	$ 54,598	$ 207,883

	2025	2024	2023	2022
Property Valuations:				
Land	$ 146,201,987	$ 144,309,363	$ 126,889,029	$ 109,022,718
Improvements	511,730,973	527,659,008	524,049,393	485,562,527
Personal Property	29,792,861	32,005,285	28,183,040	26,170,291
Exemptions	(75,160,641)	(79,415,347)	(99,455,479)	(93,284,823)
Total Property Valuations	$ 612,565,180	$ 624,558,309	$ 579,665,983	$ 527,470,713
Tax Rates per $100 Valuation:				
Maintenance tax rates	$ 0.160	$ 0.160	$ 0.148	$ 0.152
Debt service tax rates	0.057	0.057	0.072	0.068
Total Tax Rates per $100 Valuation	$ 0.217	$ 0.217	$ 0.220	$ 0.220
Adjusted Tax Levy:	$ 1,329,266	$ 1,355,292	$ 1,275,265	$ 1,160,436
Percentage of Taxes Collected to Taxes Levied **	90.83%	98.18%	98.86%	99.35%

* Maximum Maintenance Tax Rate Approved by Voters: $0.25 on August 12,1978

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

See accompanying auditor's report.

Mission Bend Municipal Utility District No. 1
TSI-5. Long-Term Debt Service Requirements
Series 2021 Refunding--by Years
March 31, 2026

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2027	$ 120,000	$ 32,050	$ 152,050
2028	125,000	28,375	153,375
2029	125,000	25,250	150,250
2030	130,000	22,700	152,700
2031	125,000	20,150	145,150
2032	130,000	17,600	147,600
2033	130,000	15,000	145,000
2034	135,000	12,350	147,350
2035	135,000	9,650	144,650
2036	135,000	6,950	141,950
2037	140,000	4,200	144,200
2038	140,000	1,400	141,400
	$ 1,570,000	$ 195,675	$ 1,765,675

See accompanying auditor's report.

Mission Bend Municipal Utility District No. 1
TSI-5. Long-Term Debt Service Requirements
Series 2022--by Years
March 31, 2026

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2027	$ 75,000	$ 139,450	$ 214,450
2028	75,000	136,450	211,450
2029	75,000	133,450	208,450
2030	75,000	130,450	205,450
2031	75,000	127,450	202,450
2032	75,000	124,450	199,450
2033	80,000	121,350	201,350
2034	80,000	118,150	198,150
2035	80,000	114,950	194,950
2036	80,000	111,750	191,750
2037	80,000	108,550	188,550
2038	80,000	105,350	185,350
2039	200,000	99,625	299,625
2040	200,000	91,375	291,375
2041	200,000	83,125	283,125
2042	200,000	74,750	274,750
2043	200,000	66,250	266,250
2044	200,000	57,750	257,750
2045	200,000	49,125	249,125
2046	200,000	40,375	240,375
2047	200,000	31,500	231,500
2048	200,000	22,500	222,500
2049	200,000	13,500	213,500
2050	200,000	4,500	204,500
	$ 3,330,000	$ 2,106,175	$ 5,436,175

See accompanying auditor's report.

Mission Bend Municipal Utility District No. 1
TSI-5. Long-Term Debt Service Requirements
All Bonded Debt Series--by Years
March 31, 2026

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2027	$ 195,000	$ 171,500	$ 366,500
2028	200,000	164,825	364,825
2029	200,000	158,700	358,700
2030	205,000	153,150	358,150
2031	200,000	147,600	347,600
2032	205,000	142,050	347,050
2033	210,000	136,350	346,350
2034	215,000	130,500	345,500
2035	215,000	124,600	339,600
2036	215,000	118,700	333,700
2037	220,000	112,750	332,750
2038	220,000	106,750	326,750
2039	200,000	99,625	299,625
2040	200,000	91,375	291,375
2041	200,000	83,125	283,125
2042	200,000	74,750	274,750
2043	200,000	66,250	266,250
2044	200,000	57,750	257,750
2045	200,000	49,125	249,125
2046	200,000	40,375	240,375
2047	200,000	31,500	231,500
2048	200,000	22,500	222,500
2049	200,000	13,500	213,500
2050	200,000	4,500	204,500
	$ 4,900,000	$ 2,301,850	$ 7,201,850

See accompanying auditor's report.

Mission Bend Municipal Utility District No. 1
TSI-6. Change in Long-Term Bonded Debt
March 31, 2026

	Bond Issue		
	Series 2021 Refunding	Series 2022	Totals
Interest rate	2.00% - 3.00%	4.00% - 4.50%	
Dates interest payable	9/1; 3/1	9/1; 3/1	
Maturity dates	9/1/22 - 9/1/37	9/1/24 - 9/1/49	
Beginning bonds outstanding	$ 1,685,000	$ 3,405,000	$ 5,090,000
Bonds retired	(115,000)	(75,000)	(190,000)
Ending bonds outstanding	$ 1,570,000	$ 3,330,000	$ 4,900,000
Interest paid during fiscal year	$ 35,575	$ 142,450	$ 178,025

Paying agent's name and city
All Series — The Bank of New York Mellon Trust Co., N.A. Houston, Texas

Bond Authority:	Water, Sewer, Drainage and Refunding Bonds
Amount Authorized by Voters	$ 21,570,000
Amount Issued	(5,500,000)
Remaining To Be Issued	$ 16,070,000

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

Debt Service Fund cash and investments balance as of March 31, 2026:	$ 575,672
Average annual debt service payment (principal and interest) for remaining term of all debt:	$ 300,077

See accompanying auditor's report.

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Mission Bend Municipal Utility District No. 1
TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund
For the Last Five Fiscal Years

	Amounts				
	2026	2025	2024	2023	2022
Revenues					
Water service	$ 267,859	$ 269,277	$ 280,826	$ 268,153	$ 234,918
Sewer service	407,292	395,545	381,589	403,585	387,088
Property taxes	932,430	964,100	866,828	796,381	832,772
Penalties and interest	42,708	41,264	25,786	28,173	19,203
Groundwater pumpage fees	774,620	714,024	818,808	755,251	673,715
Tap connection and inspection	48,600	111,769	31,984	45,521	31,885
Strategic partnership agreement	210,570	197,689	193,479	170,985	175,612
Miscellaneous	17,702	16,369	13,975	14,099	15,426
Investment earnings	147,498	177,595	176,867	80,932	9,382
Total Revenues	2,849,279	2,887,632	2,790,142	2,563,080	2,380,001
Expenditures					
Current service operations					
Purchased services	1,622,823	1,160,504	1,314,476	1,409,643	1,159,732
Professional fees	170,857	139,107	180,892	161,700	169,195
Contracted services	284,447	228,844	169,132	134,514	123,886
Repairs and maintenance	918,162	702,837	668,990	421,332	430,660
Utilities	4,408	3,966	3,522	3,482	2,984
Parks and recreation	50,000	40,000	40,000	40,000	40,000
Administrative	113,877	111,952	102,784	100,628	89,570
Other	67,279	55,717	39,359	71,720	51,947
Capital outlay		238,483	71,365		
Total Expenditures	3,231,853	2,681,410	2,590,520	2,343,019	2,067,974
Revenues Over/(Under) Expenditures	(382,574)	206,222	199,622	220,061	312,027
Other Financing Sources					
Internal transfers				10,848	
Net Change in Fund Balance	(382,574)	206,222	199,622	230,909	312,027
Fund Balance, Beginning of the year	4,366,816	4,160,594	3,960,972	3,730,063	3,418,036
End of the year	$ 3,984,242	$ 4,366,816	$ 4,160,594	$ 3,960,972	$ 3,730,063
Total Active Retail Water Connections	2,068	2,063	2,053	2,064	2,056
Total Active Retail Wastewater Connections	2,041	2,037	1,981	2,039	2,033

*Percentage is negligible

See accompanying auditor's report.

Percent of Fund Total Revenues				
2026	2025	2024	2023	2022
10%	9%	10%	10%	11%
14%	14%	14%	16%	16%
33%	33%	31%	31%	35%
1%	1%	1%	1%	1%
27%	25%	29%	29%	28%
2%	4%	1%	2%	1%
7%	7%	7%	7%	7%
1%	1%	1%	1%	1%
5%	6%	6%	3%	*
100%	100%	100%	100%	100%
57%	40%	47%	55%	49%
6%	5%	6%	6%	7%
10%	8%	6%	5%	5%
32%	24%	24%	16%	18%
*	*	*	*	*
2%	1%	1%	2%	2%
4%	4%	4%	4%	4%
2%	2%	1%	3%	2%
	8%	3%		
113%	92%	92%	91%	87%
(13%)	8%	8%	9%	13%

Mission Bend Municipal Utility District No. 1
TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fund
For the Last Five Fiscal Years

	Amounts				
	2026	2025	2024	2023	2022
Revenues					
Property taxes	$ 332,107	$ 368,675	$ 418,371	$ 349,037	$ 186,711
Penalties and interest	14,349	14,927	14,591	14,958	10,748
Miscellaneous	2,564	1,506	204	19,949	4,475
Investment earnings	17,392	23,831	22,242	8,619	468
Total Revenues	366,412	408,939	455,408	392,563	202,402
Expenditures					
Tax collection services	60,005	56,688	51,830	52,949	57,866
Other	1,356	80	808	4,773	1,448
Debt service					
Principal	190,000	190,000	105,000	100,000	85,000
Interest and fees	180,425	185,225	190,850	100,032	73,695
Debt issuance costs					45,753
Total Expenditures	431,786	431,993	348,488	257,754	263,762
Revenues Over/(Under) Expenditures	(65,374)	(23,054)	106,920	134,809	(61,360)
Other Financing Sources/(Uses)					
Proceeds from sale of refunding bonds					2,005,000
Payment to refunded bond escrow agent					(1,935,000)
Proceeds from sale of bonds				146,950	
Net Change in Fund Balance	(65,374)	(23,054)	106,920	281,759	8,640
Fund Balance, Beginning of the year	612,777	635,831	528,911	247,152	238,512
End of the year	$ 547,403	$ 612,777	$ 635,831	$ 528,911	$ 247,152

*Percentage is negligible

See accompanying auditor's report.

Percent of Fund Total Revenues				
2026	2025	2024	2023	2022
90%	90%	92%	89%	93%
4%	4%	3%	4%	5%
1%	*	*	5%	2%
5%	6%	5%	2%	*
100%	100%	100%	100%	100%
16%	14%	11%	13%	29%
*	*	*	1%	1%
52%	46%	23%	25%	42%
49%	45%	42%	25%	36%
				23%
117%	105%	76%	64%	131%
(17%)	(5%)	24%	36%	(31%)

Mission Bend Municipal Utility District No. 1
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended March 31, 2026

Complete District Mailing Address:	3200 Southwest Freeway, Suite 2600, Houston, TX 77027
District Business Telephone Number:	713-860-6400
Submission Date of the most recent District Registration Form (TWC Sections 36.054 and 49.054):	May 20, 2024
Limit on Fees of Office that a Director may receive during a fiscal year: (Set by Board Resolution -- TWC Section 49.060)	$ 7,200

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimbursements	Title at Year End
Board Members				
Deborah B. Cupples	05/22 - 05/26	$ 7,200	$ 1,075	President
Kay Haynie	05/22 - 05/26	7,200		Vice President
Carol McDonald	05/24 - 05/28	7,200	1,587	Secretary
Lee Michael Alderfer	05/24 - 05/28	7,200	2,806	Assistant Vice President
Carl S. Roecker	05/24 - 05/28	7,200		Assistant Secretary
Consultants		Amounts Paid		
Allen Boone Humphries Robinson LLP	07/03			Attorney
General legal fees		$ 91,559		
Si Environmental, LLC	06/13	817,209		Operator
Municipal Accounts & Consulting, L.P.	05/18	74,283		Bookkeeper
Assessments of the Southwest, Inc.	05/18	33,747		Tax Collector
Fort Bend Central Appraisal District	Legislation	6,908		Property Valuation
Harris Central Appraisal District	Legislation	4,903		Property Valuation
Perdue, Brandon, Fielder, Collins & Mott, LLP	03/18	8,721		Delinquent Tax Attorney
Vogler & Spencer Engineering, Inc.	2001	226,738		Engineer
McGrath & Co., PLLC	03/13	15,500		Auditor
Masterson Advisors, LLC	05/18			Financial Advisor

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

See accompanying auditor's report.