

**AUDUBON MUNICIPAL UTILITY
DISTRICT NO. 1
(Montgomery County, Texas)**

**PRELIMINARY OFFICIAL STATEMENT
DATED: SEPTEMBER 24, 2025**

**\$7,000,000
UNLIMITED TAX ROAD BONDS
SERIES 2025A**

**BIDS DUE: 9:30 A.M., HOUSTON TIME
BONDS AWARDED: 11:00 A.M., HOUSTON TIME
WEDNESDAY, OCTOBER 22, 2025**



PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 24, 2025

IN THE OPINION OF BOND COUNSEL, THE BONDS ARE VALID OBLIGATIONS OF AUDUBON MUNICIPAL UTILITY DISTRICT NO. 1, AND INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR PURPOSES OF FEDERAL INCOME TAXATION UNDER STATUTES, REGULATIONS, PUBLISHED RULINGS AND COURT DECISIONS EXISTING ON THE DATE OF SUCH OPINION SUBJECT TO THE MATTERS DESCRIBED UNDER “LEGAL MATTERS” HEREIN, INCLUDING THE ALTERNATIVE MINIMUM TAX ON CERTAIN CORPORATIONS. SEE “LEGAL MATTERS” HEREIN FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.

The District has not designated the Bonds as “qualified tax-exempt obligations” for financial institutions. See “LEGAL MATTERS – Not Qualified Tax-Exempt Obligations.”

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**

\$7,000,000

**AUDUBON MUNICIPAL UTILITY DISTRICT NO. 1
(A Political Subdivision of the State of Texas located within Montgomery County, Texas)
UNLIMITED TAX ROAD BONDS, SERIES 2025A**

Dated: November 1, 2025

**Due: September 1, as shown on
the inside cover**

Interest Accrual Date: Date of Delivery

Principal of the above bonds (the “Bonds”) is payable by the paying agent/registrar, initially, The Bank of New York Mellon Trust Company, N. A., currently in Houston, Texas, or any successor paying agent/registrar (the “Paying Agent,” “Registrar” or “Paying Agent/Registrar”). Interest on the Bonds accrues from the initial date of delivery (expected November 25, 2025) (the “Date of Delivery”), and is payable on September 1, 2026, 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 maturing on and after September 1, 2031, are subject to redemption prior to maturity at the option of Audubon Municipal Utility District No. 1 (the “District”), as a whole or in part, on September 1, 2030, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption. If fewer than all of the Bonds are redeemed at any time, the particular maturities and amounts of the Bonds to be redeemed shall be selected by the District in integral multiples of \$5,000 within any one maturity. If fewer than all of the Bonds of any given maturity are to be redeemed at any time, the particular Bonds to be redeemed shall be selected by such method of random selection as determined by the Registrar (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form). The Registered Owner (as defined herein under “THE BONDS”) 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 “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 under “THE BONDS”) 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 “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 “BOOK-ENTRY-ONLY SYSTEM.”

See Maturity Schedule on the inside cover

The Bonds are the second series of bonds issued by the District for the construction of roads to serve the District. The District has also issued two series of bonds for the acquisition or construction of water, wastewater and drainage facilities to serve the District. The Bonds, when issued, will constitute valid and legally binding obligations of the District, 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. See “THE BONDS – Source of Payment.” The Bonds are obligations solely of the District and are not obligations of the State of Texas, Montgomery County, the City of Magnolia or any entity other than the District. INVESTMENT IN THE BONDS IS SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS DESCRIBED HEREIN. See “INVESTMENT CONSIDERATIONS.”

The Bonds are offered when, as and if issued by the District, subject among other things to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Schwartz, Page & Harding, L.L.P., Houston, Texas, Bond Counsel. Delivery of the Bonds in book-entry form through DTC is expected on or about November 25, 2025.

MATURITY SCHEDULE

CUSIP Prefix (a): 050888

<u>Principal Amount</u>	<u>Maturity (Due September 1)</u>	<u>Interest Rate</u>	<u>Initial Reoffering Yield (b)</u>	<u>CUSIP Suffix (a)</u>
2027	\$120,000			
2028	125,000			
2029	130,000			
2030	140,000			
2031 ^(c)	145,000			
2032 ^(c)	155,000			
2033 ^(c)	160,000			
2034 ^(c)	170,000			
2035 ^(c)	175,000			
2036 ^(c)	185,000			
2037 ^(c)	195,000			
2038 ^(c)	205,000			
2039 ^(c)	215,000			
2040 ^(c)	225,000			
2041 ^(c)	235,000			
2042 ^(c)	250,000			
2043 ^(c)	260,000			
2044 ^(c)	275,000			
2045 ^(c)	290,000			
2046 ^(c)	305,000			
2047 ^(c)	320,000			
2048 ^(c)	335,000			
2049 ^(c)	350,000			
2050 ^(c)	370,000			
2051 ^(c)	385,000			
2052 ^(c)	405,000			
2053 ^(c)	425,000			
2054 ^(c)	450,000			

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

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

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

This Official Statement contains, in part, estimates, assumptions and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates, assumptions, or matters of opinion, or that they will be realized. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein since the date hereof. However, the District has agreed to keep this Official Statement current by amendment or sticker to reflect material changes in the affairs of the District and, to the extent that information actually comes to its attention, the other matters described in the Official Statement until delivery of the Bonds to the Underwriters (as defined herein), and thereafter only as described under "OFFICIAL STATEMENT - 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 Inc. ("AG") 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 ("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 "Baa3" 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 "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.

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 BONDS

The Issuer	Audubon Municipal Utility District No. 1 (the “District”) is a political subdivision of the State of Texas located within Montgomery County, Texas. See “THE DISTRICT - General.”
The Issue	Audubon Municipal Utility District No. 1 Unlimited Tax Road Bonds, Series 2025A, in the aggregate principal amount of \$7,000,000, are dated November 1, 2025. Interest accrues from the Date of Delivery, and is payable on September 1, 2026, and on each March 1 and September 1 thereafter until maturity or prior redemption. The Bonds mature on September 1 in each of the years and in the amounts shown on the inside cover page of this Official Statement. The Bonds scheduled to mature on and after September 1, 2031, are subject to redemption, in whole or in part, prior to their scheduled maturities, on September 1, 2030, or on any date thereafter at the option of the District. Upon redemption, the Bonds will be payable at a price equal to the principal amount of the Bonds, or portions thereof, so called for redemption, plus accrued interest to the date of redemption. The Bonds will be issued pursuant to a Bond Order (the “Bond Order”) adopted by the Board of Directors of the District and under the authority of Article III, Section 52 of the Texas Constitution; and Chapters 49 and 54 of the Texas Water Code, as amended.
Book-Entry-Only System	The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC (defined herein), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar (hereinafter defined) to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see “Book-Entry-Only System”).
Source of Payment	Principal of and interest on the Bonds are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. See “INVESTMENT CONSIDERATIONS - Maximum Impact on District Tax Rates,” “THE BONDS - Source and Security for Payment,” and “TAX DATA - Tax Rate Calculations.” The Bonds are obligations solely of the District, and are not obligations of the State of Texas, Montgomery County, Texas, the City of Magnolia, Texas, or any entity other than the District.

Use of Bond Proceeds.....	Proceeds of the sale of the Bonds will be used by the District to (1) make payment to Audubon Magnolia Development, LLC (the “Developer”), the developer of land located within the District for land acquisition costs for the road system that serve Audubon Creekside North, Sections 1 through 5, and Audubon Park, Sections 1 through 5 and 7, Audubon Parkway and Audubon Trace, Audubon Tract Phase II and Audubon Crest Way, Mill Run Drive, S.H. 249 and FM 1488 Fee Strip; and (2) pay for bond issuance costs, legal fees, fiscal agent’s fees, fees to 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 Bonds constitute the second series of unlimited tax bonds issued by the District for the purpose of constructing and acquiring roads located within the District. The District has issued Unlimited Tax Bonds, Series 2023 (the “Series 2023 Bonds”) and Unlimited Tax Bonds, Series 2025 (the “Series 2025 Bonds”) for constructing and acquiring components of the System (defined herein) to serve the District and has also issued Unlimited Tax Road Bonds, Series 2022 (the “Series 2022 Road Bonds”) for the purpose of constructing and acquiring roads located within the District (together, the “Prior Bonds”). The District has timely paid all of the interest on the Prior Bonds when due. Prior to the issuance of the Bonds, the principal amount of the Prior Bonds that has not been previously retired by the District is \$29,220,000 (the “Outstanding Bonds”). After the issuance of the Bonds, the total of the District’s direct bonded indebtedness, including the Bonds, will be \$36,220,000.
<u>Not</u> Qualified Tax-Exempt Obligations	The District has <u>not</u> designated the Bonds as “qualified tax-exempt obligations” pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended.
Authorized But Unissued Bonds.....	\$496,670,000 for road facilities (after issuance of the Bonds), \$650,000,000 for waterworks, wastewater and drainage capacities and facilities, \$147,000,000 for recreational facilities, and a total of \$1,330,000,000 for refunding purposes will remain authorized but unissued after issuance of the Bonds. In addition to the components of the System and the road system that the District has financed with the proceeds of the Prior Bonds and the components of the road system that the District is financing with proceeds of the Bonds, the District expects to finance the acquisition or construction of components of the System, additional roads and recreational facilities with the proceeds of bonds, if any, to be issued by the District in the future. See “INVESTMENT CONSIDERATIONS - Future Debt,” “THE BONDS - Authority for Issuance” and - “Issuance of Additional Debt,” and “THE SYSTEM.”
Municipal Bond Insurance and Ratings.....	Applications have been made to Assured Guaranty Inc. (“AG”) 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 (“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 “Baa3” 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 “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.

Bond Counsel.....	Schwartz, Page & Harding, L.L.P., Houston, Texas, Bond Counsel. See “THE DISTRICT - Management of the District” and “LEGAL MATTERS.”
Disclosure Counsel	McCall, Parkhurst & Horton L.L.P. Houston, Texas.

THE DISTRICT

Description.....	The District, formerly known as Montgomery County Municipal Utility District No. 131, is a political subdivision of the State of Texas, created by Order of the TCEQ on June 19, 2013. The District contains approximately 798.6 acres of land. The District is located entirely within Montgomery County, Texas, and entirely within the extraterritorial jurisdiction of the City of Magnolia, Texas (the “City”). The District is located entirely within the Magnolia Independent School District. The District is located approximately 40 miles northwest of the central business district of the City of Houston. The District lies both southeast and southwest of the intersection of State Highway 249 and F.M. 1488. The entire District is located within the boundaries of Audubon Water Control and Improvement District (formerly Montgomery County Water Control and Improvement District No. 4) (“AWCID”), an overlapping water control and improvement district which provides major outfall drainage and drainage facilities for
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approximately 2,979.98 acres of land, and thus all of the land located within the District is subject to taxation by AWCID. See “District Tax Levy and Overlapping District Taxes and Functions” below, “THE DISTRICT - General” and - “Description,” and “APPENDIX A - LOCATION MAP.”

Audubon Management District.....

The Audubon Management District, formerly known as Montgomery County Management District No. 1 (the “Management District”), was created by an act of the Texas Legislature in 2019 as a special district under Section 59, Article XVI of the Texas Constitution to provide economic development projects and services to the areas of Audubon planned primarily, among other purposes, for commercial development. The Management District encompasses approximately 2,690.4 acres, of which approximately 644 acres are within the boundaries of the District. On May 2, 2020, voters authorized the Management District to levy a sales and use tax not to exceed one percent (1%) to finance its projects and services. The Management District has not considered calling an election to authorize the levy, assessment and collection of ad valorem taxes or the issuance of bonds payable in whole or in part from ad valorem taxes.

In addition, the Management District, on behalf of itself and as the managing district for the District, Audubon Municipal Utility District No. 2 (formerly Montgomery County Municipal Utility District No. 130) (“AMUD2”), Audubon Municipal Utility District No. 3 (formerly Montgomery County Municipal Utility District No. 154A) (“AMUD3”) and Audubon Municipal Utility District No. 4 (formerly Montgomery County Municipal Utility District No. 154B) (“AMUD4,” and collectively, the “MUDs”) and AWCID, has entered into an Agreement for the Financing and Construction of Road Improvements (the “Agreement”) with Montgomery County (the “County”). The parties to the Agreement agree to establish a program for the County to finance over time from tax increment revenues and the Management District to develop certain road improvements and improvements in aid thereof to promote economic development in the County, the City, and the area of the Management District.

Authority.....

The rights, powers, privileges, authority and functions of the District are established by Article XVI, Section 59 and Article III, Section 52 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, and Chapter 7967 Special District Local Laws Code. See “THE DISTRICT - General.”

Audubon Development.....

Audubon is an approximately 2,900 acre mixed-use, master planned development located within the extraterritorial jurisdiction of the City. At full buildout, it is estimated that Audubon will contain approximately 4,200 single-family homes, approximately 2,600 multi-family apartment units and approximately 550 acres developed for mixed-use purposes, including, but not limited to retail, office, schools and churches. Audubon’s planned amenities will include greenspace, trails, and additional amenities commensurate with other master planned communities in the area. The District is one of four

municipal utility districts that serve the Audubon development, including the District, AMUD2, AMUD3 and AMUD4. Development is currently underway in the District and AMUD2. In addition to the MUDs, AWCID provides major outfall drainage and drainage facilities for the entire Audubon development, and the Audubon Management District provides economic development projects and services to the areas of Audubon planned primarily, among other purposes, for commercial development. See “INVESTMENT CONSIDERATIONS - District Tax Levy and Overlapping District Taxes and Functions,” “THE DISTRICT” and “APPENDIX A - LOCATION MAP.”

Development of the District.....

As of July 1, 2025, the District contained 683 single-family homes, including 10 homes under construction. According to the District’s Engineer, the Developer has completed the development of a total of 799 single-family residential lots (approximately 191.93 total acres) within the District, consisting of the subdivisions platted as Audubon Creekside North, Sections 1 through 5 (marketed as “Creekside North”), Audubon Park, Sections 1 through 7, and Audubon Creekside South, Sections 1 through 4 (marketed as “Creekside South”), which are complete with the provision of water distribution, wastewater collection and storm drainage facilities (the “System”) and street paving. See “Developer” below. Century Land Holdings of Texas, LLC, SDH Houston, LLC, EHT of Texas LP, Weekly Homes LLC, Newmark Homes Houston LLC, Ravenna Homes LLC, Sitterle Homes-Houston, LLC, Drees Custom Homes, L.P. and Perry Homes, LLC (collectively, the “Builders”) are currently constructing homes in the District as described below under the caption entitled “Builders.”

In addition to the total 191.93 acres within the District that have been developed to date, approximately 225.05 acres of land located in the District that are available for future development have not been developed. It is anticipated that such 225.05 acres will be developed for mixed-use purposes. However, the owner of such land that is currently available for future development, which owner is described below under the caption “Developer,” is under no legal obligation to the District to develop any of such acreage available for future development according to any specific plan, timetable, or at all. Therefore, the District cannot predict when, or whether, any of such currently undeveloped acreage located within the District might be developed. XAG Group Audubon LLC owns approximately 12.25 acres located within the District on which it is constructing an approximately 326-unit apartment complex and approximately 7.89 acres located within the District expected to be used for mixed use retail. In addition, Magnolia Independent School District owns approximately 14.04 acres located within the District on which it has constructed the Audubon Elementary School, and DPEG Development, LLC owns approximately 11.6 acres located within the District on which it is expected to construct an apartment complex. The balance of the land that is located within the District is contained within easements, rights-of-way, or is otherwise not available for future development. See “INVESTMENT CONSIDERATIONS - Factors Affecting

Taxable Values and Tax Payments,” “TAX DATA - Principal 2025 Taxpayers,” “DEVELOPER,” and “FUTURE DEVELOPMENT.”

The District financed its cost of acquiring or constructing roads that serve Audubon Creekside North, Sections 1 through 5 and Audubon Park, Sections 1 through 3, and components of the System that serve Audubon Creekside South, Sections 1 through 4, and Audubon Park, Sections 2 through 7, and other items with the proceeds of the sale of the Prior Bonds. The District is financing its cost of land acquisition costs for the road system that serve Audubon Creekside North, Sections 1 through 5, and Audubon Park, Sections 1 through 5 and 7, Audubon Parkway and Audubon Trace, Audubon Tract Phase II and Audubon Crest Way, Mill Run Drive, S.H. 249 and FM 1488 Fee Strip, and other items with a portion of the proceeds of the sale of the Bonds. See “USE AND DISTRIBUTION OF BOND PROCEEDS.” In addition to the components of the System and the road system that the District has financed with the proceeds of the Prior Bonds and the components of the road system that the District is financing with proceeds of the Bonds, the District expects to finance the acquisition or construction of components of the System, additional roads and recreational facilities with the proceeds of bonds, if any, to be issued by the District in the future. See “INVESTMENT CONSIDERATIONS - Future Debt,” “THE BONDS - Issuance of Additional Debt,” and “THE SYSTEM.”

Developer.....

The developer of the 799 fully developed single-family residential lots located within the District that have been developed as Audubon Creekside North, Sections 1 through 5 (marketed as “Creekside North”), Audubon Park, Sections 1 through 7, and Audubon Creekside South, Sections 1 through 4 (marketed as “Creekside South”) is Audubon Magnolia Development, LLC, a Texas limited liability company whose manager is JGI Resources, Inc., a Texas corporation (“AMD” or the “Developer”). AMD is a single-purpose entity created for the purpose of owning and developing the land in Audubon. AMD’s assets consist primarily of the land located in Audubon, including the District, and receivables due from the District for eligible public infrastructure costs. SY Audubon Management, Ltd. is managing the development of Audubon on behalf of AMD. SY Audubon Management, Ltd.’s General Partner is SY ADM, LLC whose sole member and manager is Sam Yager Incorporated. Sam Yager Incorporated is a Houston-based, mixed-use land development company specializing primarily in single-family residential development. In addition to Audubon, Sam Yager Incorporated has recently managed the development of several other residential development projects including Fulshear Lakes, Harper’s Preserve, City Park, Kings Mill, Summer Lakes, and Lakecrest Forest. AMD owns approximately 225.05 acres of land located in the District that are available for future development that have not been developed. It is anticipated that such 225.05 acres will be developed for mixed-use purposes. However, AMD is under no legal obligation to the District to develop any of such acreage available for future development according to any specific plan, timetable, or at all. Therefore, the District cannot predict when,

or whether, any of such currently undeveloped acreage located within the District might be developed. XAG Group Audubon LLC owns approximately 12.25 acres located within the District on which it is constructing an approximately 326-unit apartment complex and approximately 7.89 acres located within the District expected to be used for mixed use retail. In addition, Magnolia Independent School District owns approximately 14.04 acres located within the District on which it has constructed the Audubon Elementary School, and DPEG Development, LLC owns approximately 11.6 acres located within the District on which it is expected to construct an apartment complex.

Builders.....

Century Land Holdings of Texas, LLC, SDH Houston, LLC, EHT of Texas LP, Weekly Homes LLC, Newmark Homes Houston LLC, Ravenna Homes LLC, Sitterle Homes-Houston, LLC, Drees Custom Homes, L.P. and Perry Homes, LLC (collectively, the “Builders”) are currently constructing homes in the District which range from approximately 1,464 to 4,639 square feet in size of living area and in sales price from approximately \$269,990 to \$950,000. The Builders may change the size(s) and the type(s) of homes which they elect to build, and the sales prices thereof, or may suspend building activity altogether, at their sole discretion.

District Tax Levy and Overlapping
District Taxes and Functions

As is stated above, the entirety of the District is located within AWCID. AWCID, which covers 2,979.98 acres of land, expects to issue bonds to finance the acquisition or construction of drainage improvements to provide major outfall drainage and drainage facilities to areas which lie within AWCID. The principal of and interest on AWCID bonds will be 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 AWCID. See “THE SYSTEM – Audubon Water Control and Improvement District.” AWCID levies a tax on the land located within the District, which tax is in addition to the tax levied by the District. The District has levied a debt service tax for utilities in the amount of \$0.52 per \$100 of Assessed Valuation, a debt service tax for roads in the amount of \$0.12 per \$100 of Assessed Valuation and a maintenance tax of \$0.51 per \$100 of Assessed Valuation in 2025. Therefore, the District’s combined total tax for 2025 is \$1.15 per \$100 of Assessed Valuation. AWCID levied a tax of \$0.30 per \$100 of Assessed Valuation in 2025, consisting of debt service and maintenance tax components of \$0.15 and \$0.15, respectively. As stated in this Official Statement under the captions “INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments” and “ - District Tax Levy and Overlapping District Taxes and Functions,” the District’s 2025 tax rate of \$1.15 per \$100 of assessed valuation plus the AWCID 2025 tax rate of \$0.30 per \$100 of assessed valuation totals \$1.45 per \$100 of assessed valuation, and, as is described in this Official Statement under the caption “TAX DATA - Estimated Overlapping Taxes,” the aggregate of the tax levies of all units of government which levy taxes against the property located within the District plus the District’s 2025 tax levy is \$3.0331 per \$100 of Assessed Valuation. Such

aggregate levy is higher than the aggregate of the tax levies of some municipal utility districts located in the greater Houston metropolitan area, but is within the range of the aggregate tax levies of municipal utility districts in the Houston metropolitan area which are in stages of development comparable with the District. One must consider the total tax burden of all overlapping jurisdictions imposed upon property located within the District as contrasted with property located in comparable real estate developments to gauge the relative tax burden on property within the District. The tax rate necessary to service the debt issued or to be issued by the District and AWCID, and the tax rates levied by other overlapping jurisdictions, are subject to numerous uncertainties and variables, and thus the District can give no assurance that the composite tax rates imposed by overlapping jurisdictions, plus the District's tax rate, will be competitive with the tax rates of competing projects. To the extent that the District's composite tax rates are not competitive with competing developments, the investment quality or security of the Bonds could be adversely affected.

Voters within the Management District, which includes 644 acres within the boundaries of the District, have approved the levy of a sales and use tax not to exceed one percent (1%). The Management District has not considered calling an election to authorize the levy, assessment and collection of ad valorem taxes or the issuance of bonds payable in whole or in part from ad valorem taxes. See "THE DISTRICT – Audubon Management District."

INVESTMENT CONSIDERATIONS

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

**SELECTED FINANCIAL INFORMATION
(UNAUDITED)**

2025 Assessed Valuation..... (As of January 1, 2025) See "TAX DATA" and "TAX PROCEDURES"	\$ 268,049,913 (a)
Estimated Valuation at June 1, 2025 See "TAX DATA" and "TAX PROCEDURES"	\$ 300,805,563 (b)
Direct Debt:	
Outstanding Bonds.....	\$ 29,220,000
The Bonds	<u>7,000,000</u>
Total	\$ 36,220,000 (c)
Estimated Overlapping Debt	\$ <u>5,362,122</u>
Total Direct and Estimated Overlapping Debt	\$ 51,490,023
Direct Debt Ratio	
: as a percentage of 2025 Assessed Valuation.....	13.51 %
: as a percentage of Estimated Valuation at June 1, 2025	12.04 %
Direct and Overlapping Debt Ratio	
: as a percentage of 2025 Assessed Valuation.....	19.21 %
: as a percentage of Estimated Valuation at June 1, 2025	17.12 %
Bond Fund Balance as of August 27, 2025	\$ 956,119 (d)
General Fund Balance as of August 27, 2025	\$ 1,252,132
2025 Tax Rate per \$100 of Assessed Valuation	
Debt Service Tax - Utilities.....	\$ 0.52
Debt Service Tax - Roads.....	0.12
Maintenance Tax.....	<u>0.51</u>
Total	\$ 1.15 (e)
2025 Combined District and AWCID Tax Rate per \$100 of Assessed Valuation	
District Tax	\$ 1.15
AWCID Tax	<u>0.30</u>
Total	\$ 1.45 (e)
Average Percentage of Total Tax Collections (2020-2023) as of July 31, 2025	99.48 %
Percentage of Total Tax Collections (2024 Levy) as of July 31, 2025	98.36 %
Average Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2027-2054)	\$ 2,398,090
Maximum Annual Debt Service Requirement on the Bonds and the Outstanding Bonds (2034).....	\$ 2,430,750

Tax Rate per \$100 of Assessed Valuation Required to Pay Average Annual
Debt Service Requirements on the Bonds and the Outstanding Bonds
(2027-2054) at 95% Tax Collections

Based Upon 2025 Assessed Valuation.....	\$	0.95
Based Upon Estimated Valuation at June 1, 2025	\$	0.84

Tax Rate per \$100 of Assessed Valuation Required to Pay Maximum Annual
Debt Service Requirements on the Bonds and the Outstanding Bonds
(2054) at 95% Tax Collections

Based Upon 2025 Assessed Valuation.....	\$	0.96
Based Upon Estimated Valuation at June 1, 2025	\$	0.86

Number of Single Family Homes as of July 1, 2025 (including 10 homes under
construction)..... 683

- (a) As of January 1, 2025, and comprises the District's 2025 tax roll. Such sum includes an uncertified component, 90% of which, \$14,185,646, is included in the amount of \$268,049,913. The District's ultimate 2025 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 \$268,049,913. See "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments" and "TAX PROCEDURES."
- (b) Provided by the Appraisal District for informational purposes only, this amount is an estimate of the value of all taxable property located within the District as of June 1, 2025, and includes an estimate of values resulting from the construction of taxable improvements from January 1, 2024, through May 31, 2025. The ultimate Assessed Valuation of any land and improvements added from January 1, 2024, through December 31, 2024, which will be placed on the District's 2025 tax roll, may vary significantly from such estimate once the Appraisal Review Board certifies the value thereof in 2025. Moreover, the ultimate Assessed Valuation of any land and improvements added from January 1, 2025, through May 31, 2025, which will be placed on the District's 2026 tax roll, may vary significantly from such estimate once the Appraisal Review Board certifies the value thereof in 2026.
- (c) In addition to the components of the System and the road system that the District has financed with the proceeds of the sale of the Prior Bonds and the components of the road system that the District is financing with proceeds of the Bonds, the District expects to finance the acquisition or construction of components of the System, additional roads and recreational facilities with the proceeds of bonds, if any, to be issued by the District in the future. See "INVESTMENT CONSIDERATIONS - Future Debt," "THE BONDS - Issuance of Additional Debt," "USE AND DISTRIBUTION OF BOND PROCEEDS," "FUTURE DEVELOPMENT" and "THE SYSTEM,"
- (d) Neither Texas law nor the Bond Order requires the District to maintain any particular sum in the Bond 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 for 2025. The District's initial debt service requirement on the Bonds, consisting of an interest payment thereon, is due on September 1, 2026.
- (e) The District has levied a debt service tax for utilities in the amount of \$0.52 per \$100 of Assessed Valuation, a debt service tax for roads in the amount of \$0.12 per \$100 of Assessed Valuation and a maintenance tax of \$0.51 per \$100 of Assessed Valuation in 2025. Therefore, the District's combined total tax for 2025 is \$1.15 per \$100 of Assessed Valuation. As is described in this Official Statement under the caption "TAX DATA - Estimated Overlapping Taxes," the aggregate of the 2024 tax levies of all units of government which levy taxes against the property located within the District, including the District's 2025 tax rate of \$1.15 per \$100 of Assessed Valuation, is \$3.0331 per \$100 of Assessed Valuation. Such aggregate levy is higher than the aggregate of the tax levies of some municipal utility districts located in the greater Houston metropolitan area, but is within the range of the aggregate tax levies of municipal utility districts in the Houston metropolitan area which are in stages of development comparable with the District. See "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments."

\$7,000,000
AUDUBON MUNICIPAL UTILITY DISTRICT NO. 1
UNLIMITED TAX ROAD BONDS
SERIES 2025A

INTRODUCTION

This Official Statement provides certain information with respect to the issuance by Audubon Municipal Utility District No. 1 (the “District”) of its Unlimited Tax Road Bonds, Series 2025A (the “Bonds”).

There follow in this Official Statement descriptions of the Bonds, and certain information about the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the District upon request and payment of the costs of duplication therefor.

INVESTMENT CONSIDERATIONS

General

The Bonds, which are obligations solely of the District and not of the State of Texas, Montgomery County, Texas, the City of Magnolia, Texas, or any political subdivision or agency other than the District, are secured by the proceeds an annual ad valorem tax, levied without legal limit as to rate or amount, upon all taxable property within the District. The ultimate security for payment of the principal of and interest on the Bonds depends upon the District’s ability 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 potential increase in taxable valuation of District property is directly related to the economics of the residential housing industry, not only due to general economic conditions, but also due to the particular factors discussed below. Further, 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, “THE BONDS - Source and Security for Payment” and - “Remedies in Event of Default,” and “THE SYSTEM – Water Supply” and - “Wastewater Treatment.”

Factors Affecting Taxable Values and Tax Payments

Economic Factors: The maintenance of or the potential increase in taxable valuation of the District are directly related to the vitality of the single-family residential housing industry, and can be significantly affected by factors such as interest rates, construction costs, and consumer demand. A substantial proportion of the assessed valuation of the property located within the District is attributable to the current market value of the single-family lots and residences that have been constructed within the District. The market value of such residences is related to general economic conditions affecting the demand for residences. Demand for lots and residences of this type and the construction of residential dwellings can be significantly affected by factors such as interest rates, credit availability, construction costs, energy costs and availability and the prosperity and demographic characteristics of the urban center toward which the marketing of homes and commercial enterprises is directed. Decreased levels of home construction activity, among other factors, would restrict the growth of property values in the District. Recent changes in federal tax law limiting deductions for ad valorem taxes may adversely affect the demand for housing and the prices thereof. Fluctuations in the price of oil could adversely affect job stability, wages and salaries, thereby negatively affecting the demand for housing (see “Potential Effects of Oil Price Volatility on the Houston Area” below). Were the District to experience a significant number of residential foreclosures, the value of all homes within the District could be adversely affected. Although development in the District has occurred as is described in this Official Statement under the captions “DEVELOPMENT OF THE DISTRICT,” “DEVELOPER” and “BUILDERS,” the District cannot predict the pace or magnitude of any future development or home construction in the District other than that 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 as described in this Official Statement under the caption “DEVELOPMENT OF THE DISTRICT,” “DEVELOPER” and “BUILDERS,” the District cannot predict the pace or magnitude of any future development or home construction in the District other than that which has occurred 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, homebuilding and the construction of commercial buildings, particularly short-term interest rates at which developers are able to obtain financing for development costs, at which homebuilders are able to finance the construction of new homes for sale and at which the construction of commercial buildings might be undertaken. Interest rate levels may affect the ability of a developer with undeveloped property to undertake and complete development activities within the District, the ability of homebuilders to initiate the construction of new homes for sale, or the construction of future commercial buildings. Because of the numerous and changing factors affecting the availability of funds, particularly liquidity in the national credit markets, the District is unable to assess the future availability of such funds for continued development and/or construction of future commercial buildings within the District. In addition, since the District is located approximately 40 miles northwest 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.

Increase in Cost 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 Developer 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 Developer or homebuilders.

Principal Land Owners' Obligations to the District: The District’s five largest taxpayers owned property in the District that in 2025 comprised approximately 8.65% of the District’s 2025 tax roll. The District cannot represent that its tax roll will not continue to be concentrated to such a degree in a small number of taxpayers. See “DEVELOPMENT OF THE DISTRICT,” “DEVELOPER,” “BUILDERS,” and “TAX DATA - Principal 2025 Taxpayers.” The ability of Sitterle Homes Houston LLC, Perry Homes LLC, AMD, Drees Custom Homes LP and RPM Ventures LP, or any other principal taxpayer within the District to make full and timely payments of taxes levied against their property by the District and similar taxing authorities will directly affect the District's ability to meet its debt service obligations. AMD owns approximately 225.05 acres of land located in the District that are available for future development. It is anticipated that such 225.05 acres will be developed for mixed-use purposes. AMD is under no obligation to the District to undertake the development of any of such acres for any particular type of development, according to any timetable, or at all and no home building company, including any of the Builders, has any obligation to the District to construct homes within the District. Moreover, AMD may sell the land that it owns at its sole discretion. Therefore, the District can make no representation whether, or when, any development might occur (nor what type of development might occur) on any of the currently undeveloped land located within the District. See “FUTURE DEVELOPMENT.”

Economic Dependency Upon the Developer: The District has received operating advances from AMD, the developer of land located within the District (see “DEVELOPER”) that have been deposited into the District’s General Fund and have been utilized, together with other sources of General Fund Revenues, to pay General Fund Expenditures of the District. See “APPENDIX B – INDEPENDENT AUDITOR’S REPORT AND FINANCIAL STATEMENTS.” The District levied its initial maintenance tax of \$1.15 per \$100 of Assessed Valuation in 2020, and levied the same maintenance tax for 2021. In 2024, the District levied a debt service tax of \$0.43 and a maintenance tax of \$0.72 per \$100 of Assessed Valuation, for a total of 2024 tax rate of \$1.15 per \$100 of Assessed Valuation. The District’s maintenance tax is deposited into the General Fund. See “TAX DATA - Maintenance Tax.” Other sources of General Fund Revenues include, among others, Customer Service Revenue, Connection Fees, Sewer Customer Fees, and Inspection Fees (collectively “General Fund Revenues”). As is delineated in “APPENDIX B – INDEPENDENT AUDITOR’S REPORT AND FINANCIAL STATEMENTS,” the District’s annual General Fund Expenditures in 2020 through 2022 have been in excess of its General Fund Revenues. Although the District’s General Fund Revenues in 2023 and 2024 exceeded its General Fund Expenditures without the necessity of any operating advance from the Developer, the District cannot represent that it will not continue to be dependent upon receiving future operating advances from AMD and any future developer of land within the District, if any, to pay operating costs of the District, until there are sufficient General Fund Revenues to pay such operating expenses. Although AMD is contractually obligated to advance funds to the District to cover the District’s operating costs, the District can make no representation about the probability of receiving future advances, or the amount of such advances, if any, from AMD or any other party.

Maximum Impact on District Tax Rates

The value of the land and improvements currently located within the District will be a major determinant of the ability of the District to collect, and the willingness of District property owners to pay, ad valorem taxes levied by the District. After issuance of the Bonds, the Maximum Annual Debt Service Requirement on the Bonds and the Outstanding Bonds will be \$2,430,750 (2054) and the Average Annual Debt Service Requirements will be \$2,398,090 (2027 through 2054, inclusive). The District’s 2025 Assessed Valuation is \$268,049,913. Assuming no increase to nor decrease from the 2025 Assessed Valuation, no use of funds on hand, and the issuance of no additional bonds by the District, tax rates of \$0.96 and \$0.95 per \$100 of Assessed Valuation at a 95% tax collection rate would be necessary to pay the Maximum Annual Debt Service Requirement and the Average Annual Debt Service Requirements, respectively. The District’s Estimated Valuation at June 1, 2025, is \$300,805,563. Assuming no increase to nor decrease from the Estimated Valuation at June 1, 2025, no use of funds on hand, and the issuance of no additional bonds by the District, tax rates of \$0.86 and \$0.84 per \$100 of Assessed Valuation at a 95% tax collection rate would be necessary to pay the Maximum Annual Debt Service Requirement and the Average Annual Debt Service Requirements, respectively.

The District has levied a debt service tax for utilities in the amount of \$0.52 per \$100 of Assessed Valuation, a debt service tax for roads in the amount of \$0.12 per \$100 of Assessed Valuation and a maintenance tax of \$0.51 per \$100 of Assessed Valuation in 2025. Therefore, the District’s combined total tax for 2025 is \$1.15 per \$100 of Assessed Valuation. As indicated above, a combined debt service tax rate of \$0.64 per \$100 of Assessed Valuation will not be sufficient to pay the average annual debt service requirements and the maximum annual debt service requirement, respectively, on the Bonds and the Outstanding Bonds given taxable values in the District at the level of the Estimated Valuation at June 1, 2025, assuming a tax collection rate of 95%, no use of other available funds, including earnings from the investment of funds held in the District’s Bond Fund, and the issuance of no additional bonds by the District. However, as is stated above under the caption “TAX DATA - Historical Values and Tax Collection History,” the District had collected an average of 99.48% of its tax levy for 2020 through 2023 as of July 31, 2025, and its 2024 levy is 98.36% collected as of such date. Moreover, the District’s Bond Fund balance was \$956,119 as of August 27, 2025. Therefore, given these factors plus the debt service revenue that is anticipated to be generated from the imposition of the District’s debt service tax on homes that are anticipated to be constructed on lots that have been developed within the District (see “DEVELOPMENT OF THE DISTRICT” and “BUILDERS”), the District anticipates being able to pay the maximum and average annual debt service requirements of the Bonds and the Outstanding Bonds without increasing its debt service levy above the level of the 2025 combined debt service levy of \$0.64 per \$100 of Assessed Valuation. However, the District can make no representation that the taxable property values in the District will maintain a value sufficient to support the aforementioned tax rate or to justify continued payment of taxes by property owners. See “TAX PROCEDURES.” Increases in the District’s tax rate to higher levels than the total \$1.15 per \$100 of Assessed Valuation rate which the District has levied in 2025 may have an adverse impact upon future development of the District, and the

ability of the District to collect, and the willingness of owners of property located within the District to pay, ad valorem taxes levied by the District.

As is enumerated in this Official Statement under the caption “TAX DATA - Estimated Overlapping Taxes,” the aggregate of the 2024 tax levies of all units of government which levy taxes against the property located within the District, plus the 2025 tax of the District, is \$3.0331 per \$100 of Assessed Valuation. Such aggregate levies are higher than the aggregate tax levies of some municipal utility districts in the Houston metropolitan area, including the area of the District, but are within the range of the aggregate levies of municipal utility districts in the Houston metropolitan area and the area of the District which are in stages of development comparable with the District.

District Tax Levy and Overlapping District Taxes and Functions

The entirety of the District is located within AWCID. AWCID, which covers 2,979.98 acres of land, expects to issue bonds to finance the acquisition or construction of drainage improvements to provide major outfall drainage and drainage facilities to areas which lie within AWCID. The principal of and interest on AWCID bonds will be 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 AWCID. See “THE SYSTEM – Audubon Water Control and Improvement District.” AWCID levies a tax on the land located within the District, which tax is in addition to the tax levied by the District. The District has levied a debt service tax for utilities in the amount of \$0.52 per \$100 of Assessed Valuation, a debt service tax for roads in the amount of \$0.12 per \$100 of Assessed Valuation and a maintenance tax of \$0.51 per \$100 of Assessed Valuation in 2025. Therefore, the District's combined total tax for 2025 is \$1.15 per \$100 of Assessed Valuation. AWCID levied a tax of \$0.30 per \$100 of Assessed Valuation in 2025, consisting of debt service and maintenance tax components of \$0.15 and \$0.15, respectively. As stated in this Official Statement under the captions “INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments” and “ - District Tax Levy and Overlapping District Taxes and Functions,” the District's 2025 tax rate of \$1.15 per \$100 of assessed valuation plus the AWCID 2025 tax rate of \$0.30 per \$100 of assessed valuation totals \$1.45 per \$100 of assessed valuation, and, as is described in this Official Statement under the caption “TAX DATA - Estimated Overlapping Taxes,” the aggregate of the tax levies of all units of government which levy taxes against the property located within the District plus the District's 2025 tax levy is \$3.0331 per \$100 of Assessed Valuation. Such aggregate levy is higher than the aggregate of the tax levies of some municipal utility districts located in the greater Houston metropolitan area, but is within the range of the aggregate tax levies of municipal utility districts in the Houston metropolitan area which are in stages of development comparable with the District. One must consider the total tax burden of all overlapping jurisdictions imposed upon property located within the District as contrasted with property located in comparable real estate developments to gauge the relative tax burden on property within the District. The tax rate necessary to service the debt issued or to be issued by the District and AWCID, and the tax rates levied by other overlapping jurisdictions, are subject to numerous uncertainties and variables, and thus the District can give no assurance that the composite tax rates imposed by overlapping jurisdictions, plus the District's tax rate, will be competitive with the tax rates of competing projects. To the extent that the District's composite tax rates are not competitive with competing developments, the investment quality or security of the Bonds could be adversely affected.

Voters within the Management District, which includes 644 acres within the boundaries of the District, have approved the levy of a sales and use tax not to exceed one percent (1%). At an election held on May 2, 2020, the Management District authorized the levy, assessment and collection of a maintenance tax not to exceed \$1.50 per \$100 of Assessed Valuation. The Management District has not considered calling an election to authorize the issuance of bonds payable in whole or in part from ad valorem taxes. See “THE DISTRICT – Audubon Management District.”

Tax Collection Limitations

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by 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 state and local 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 "TAX 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 Order does not provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages, so that in the absence of other waivers of such immunity by the Texas legislature, a default by the District in its covenants in the Bond Order 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 - Remedies in Event of Default."

The District may not be placed into bankruptcy involuntarily.

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

Future Debt

The District will reserve in the Bond Order the right to issue the remaining \$650,000,000 unlimited tax bonds authorized but unissued for waterworks, wastewater and drainage facilities, \$496,670,000 unlimited tax bonds for roads, \$1,330,000,000 for refunding purposes, and \$147,000,000 unlimited tax bonds for recreational facilities and such additional bonds as may hereafter be approved by the voters of the District. The District will also reserve the right to issue certain other additional bonds, special project bonds, and other obligations described in the Bond Order. All of the remaining bonds described above for waterworks, wastewater and drainage facilities, roads and recreational facilities which have heretofore been authorized by the voters of the District may be issued by the District from time to time as needed. The issuance of such \$650,000,000 in bonds for waterworks, wastewater and drainage facilities and \$147,000,000 in bonds for recreational facilities is also subject to TCEQ authorization.

The District's Engineer currently estimates that the aforementioned \$650,000,000 authorized bonds which remain unissued will be adequate to finance the construction of all water, wastewater, and drainage facilities to provide service to all of the currently undeveloped portions of the District. In addition to the components of the System and the road

system that the District has financed with proceeds of the Prior Bonds, the components of the road system the District is financing with proceeds of the Bonds, the District expects to finance the acquisition or construction of components of the System, additional roads and recreational facilities with the proceeds of bonds, if any, to be issued by the District in the future. See “THE BONDS - Issuance of Additional Debt” and “USE AND DISTRIBUTION OF BOND PROCEEDS,” “FUTURE DEVELOPMENT,” and “THE SYSTEM.” If additional bonds are issued in the future and property values have not increased proportionately, such issuance might increase gross debt/property valuation ratios and thereby adversely affect the investment quality or security of the Bonds. See “THE BONDS - Issuance of Additional Debt.”

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 “LEGAL MATTERS.”

Approval of the Bonds

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

Competitive Nature of Houston Housing and Commercial Building Markets

The single-family development and housing and commercial development and building industries in the Houston area are very competitive, and the District can give no assurance that the building programs that are planned by the Builders or any future home builder(s) will be completed, that commercial buildings will be constructed within the District, or that any development projects other than those that have been heretofore undertaken in the District will be initiated or completed.

The likelihood of the construction of future homes or commercial buildings or the initiation of any new residential or commercial development projects in the District is affected by most of the factors discussed in this section, and such likelihood is directly related to tax revenues received by the District and the growth and maintenance of taxable values in the District.

Environmental Regulations

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Extreme Weather Events

The greater Houston area, including the District, is subject to occasional severe weather events, including tropical storms and hurricanes. If the District were to sustain damage to its facilities requiring substantial repair or replacement, or if substantial damage were to occur to taxable property within the District as a result of such a weather event, the investment security of the Bonds could be adversely affected. 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. No development activity had been undertaken within the District at the time of the occurrence 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.

Specific Flood Type Risks

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

Potential Effects of Oil Price Volatility on the Houston Area

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

Changes in Tax Legislation

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

THE BONDS

General

The following is a description of some of the terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Bond Order, a copy of which is available from Bond Counsel upon payment of the costs of duplication therefor. 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.

Description

The Bonds will be dated November 1, 2025, with interest payable on September 1, 2026, and on each March 1 and September 1 thereafter (each an "Interest Payment Date") until the earlier of maturity or redemption. Interest on the Bonds initially accrues from the date of delivery of the Bonds to the Underwriter thereof, and thereafter, from the most recent Interest Payment Date. The Bonds mature on September 1 of the years and in the amounts shown under "MATURITY SCHEDULE" on the inside cover page hereof. The Bonds are issued in fully registered form only in denominations of \$5,000 or any integral multiple of \$5,000 for any one maturity. The Bonds will be registered and delivered only to The Depository Trust Company, New York, New York ("DTC"), in its nominee name of Cede & Co., pursuant to the book-entry system described herein ("Registered Owners"). No physical delivery of the Bonds will be made to the purchasers thereof. See "BOOK-ENTRY-ONLY SYSTEM." Interest calculations are based upon a three hundred sixty (360) day year comprised of twelve (12) thirty (30) day months.

Authority for Issuance

At the election held within the District on May 7, 2016, voters in the District authorized a total of \$509,000,000 in unlimited tax bonds for the purpose of acquiring or constructing road facilities. The Bonds constitute the second issuance of bonds from such authorization. The Bonds are issued by the District pursuant to the terms and provisions of the Bond Order; Article III, Section 52 of the Texas Constitution; Chapter 7967, Special District Local Laws Code; and Chapters

49 and 54 of the Texas Water Code, as amended. At an election held within the District on May 7, 2016, voters in the District also authorized a total of \$674,000,000 in unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities, and \$147,000,000 in unlimited tax bonds for the purpose of acquiring or constructing recreational facilities. After the issuance of the Bonds, a total of \$650,000,000 in unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities, \$496,670,000 in principal amount of unlimited tax bonds for road facilities and all \$147,000,000 in unlimited tax bonds for the purpose of acquiring or constructing recreational facilities will remain authorized but unissued. See "Issuance of Additional Debt" and "Financing Recreational Facilities" below.

Source and Security for Payment

The Bonds, together with the Outstanding Bonds and any additional bonds payable from ad valorem taxes, are secured by and 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 (see "TAX PROCEDURES"). Investment in the Bonds involves certain elements of risk, and all prospective purchasers are urged to examine carefully this Official Statement with respect to the investment security of the Bonds. See "INVESTMENT CONSIDERATIONS." The Bonds are obligations solely of the District and are not obligations of the City of Magnolia, Montgomery County, the State of Texas, or any political subdivision or entity other than the District.

Funds

The Bond Order confirms the prior creation of the District's Debt Service Fund, including the sub-accounts which are used to separate funds received to pay debt service on bonds issued to finance water, wastewater and storm drainage ("WSD Bonds") from funds received to pay debt service on bonds issued to finance road facilities ("Road Bonds"). The Bond Order also confirms the District's Construction Fund, including the sub-accounts which are used to separate proceeds from WSD Bonds and Road Bonds. All remaining proceeds of the Bonds will be deposited in the sub-account of the Construction Fund created in respect of Road Bonds.

The proceeds from all taxes levied, appraised and collected for and on account of the Bonds authorized by the Bond Order shall be deposited, as collected, into the sub-account of the Debt Service Fund created in respect of Road Bonds. The Debt Service Fund, which constitutes a trust fund for the benefit of the owners of the Outstanding Bonds, the Bonds and any additional tax bonds issued by the District, is to be kept separate from all other funds of the District, and funds in the sub-accounts created in respect of Road Bonds are to be used for payment of debt service on the Bonds and any of the District's duly authorized Road Bonds, whether heretofore, hereunder, or hereafter issued, payable in whole or part from taxes. Amounts on deposit in the sub-accounts of the Debt Service Fund created in respect of Road Bonds 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 and any of the Districts duly authorized Road Bonds, whether heretofore, hereunder, or hereafter issued, payable in whole or in part from taxes, and to pay any tax anticipation notes issued in respect of debt service due to or become due on Road Bonds, together with interest thereon, as such tax anticipation notes become due. Funds otherwise on deposit in the Debt Service Fund, including funds in a sub-account created in respect of WSD Bonds, will not be allocated to the payment of the Bonds.

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.

Redemption Provisions

The District reserves the right, at its option, to redeem the Bonds maturing on and after September 1, 2031, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of \$5,000, on September 1, 2030, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. If fewer than all of the Bonds are to be redeemed, the particular maturity or maturities and the amounts thereof to be redeemed shall be determined by the District. If fewer than all of the Bonds of the same maturity are to be

redeemed, the particular Bonds shall be selected by DTC in accordance with its procedures. See “BOOK-ENTRY-ONLY SYSTEM.” Notice of each exercise of the reserved right of optional redemption shall be given by the Paying Agent/Registrar at least thirty (30) calendar days prior to the redemption date, in the manner specified in the Bond Order.

By the redemption date, due provision shall be made with the Paying Agent/Registrar for payment of the principal of the Bonds or portions thereof to be redeemed, plus accrued interest to the redemption date. When Bonds have been called for redemption in whole or in part and due provision has been made to redeem the same as herein provided, the Bonds or portions thereof so redeemed shall no longer be regarded as outstanding except for the purpose of receiving payment solely from the funds so provided for redemption, and the rights of the Registered Owners to collect interest which would otherwise accrue after the redemption date on any Bond or portion thereof called for redemption shall terminate on the date fixed for redemption.

Method of Payment of Principal and Interest

The Board has appointed The Bank of New York Mellon Trust Company, N.A., having its principal corporate trust office and its principal payment office in Houston, Texas, as the initial Paying Agent/Registrar (the “Paying/Agent Registrar”) for the Bonds. The principal of and interest on the Bonds shall be paid to DTC, which will make distribution of the amounts so paid. See “BOOK-ENTRY-ONLY SYSTEM.”

Registration

Section 149(a) of the Internal Revenue Code of 1986, as amended, requires that all tax-exempt obligations (with certain exceptions that do not include the Bonds) be in registered form in order for the interest payable on such obligations to be excludable from a Beneficial Owner’s (hereinafter defined) income for federal income tax purposes. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. pursuant to the Book-Entry-Only System described herein. One fully-registered Bond will be issued for each maturity of the Bonds and will be deposited with DTC. See “BOOK-ENTRY-ONLY SYSTEM.” So long as any Bonds remain outstanding, the District will maintain at least one paying agent/registrar in the State of Texas for the purpose of maintaining the Register on behalf of the District.

Replacement of Paying Agent/Registrar

Provision is made in the Bond Order for replacement of the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the District, the new paying agent/registrar shall be required to accept the previous Paying Agent / Registrar’s records and act in the same capacity as the previous Paying Agent/Registrar. Any paying agent/registrar selected by the District shall be a duly qualified and competent trust or banking corporation or organization organized and doing business under the laws of the United States of America or of any State thereof, with a combined capital and surplus of at least \$25,000,000, which is subject to supervision of or examination by federal or state banking authorities, and which is a transfer agent duly registered with the United States Securities and Exchange Commission.

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.

Issuance of Additional Debt

The District's voters have also authorized a total of \$509,000,000 unlimited tax bonds for the purpose of acquiring or constructing road facilities and could authorize additional amounts. Following the issuance of the Bonds, the District will have \$496,670,000 authorized but unissued for said improvements and facilities. The District's voters have also authorized a total of \$674,000,000 unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities, \$147,000,000 unlimited tax bonds for the purpose of acquiring or constructing recreational facilities, \$821,000,000 unlimited tax bonds for the purpose of refunding outstanding bonds of the District issued for water, sanitary sewer and drainage and recreational facilities and \$509,000,000 unlimited tax refunding bonds for the purpose of refunding outstanding bonds of the District issued for road facilities and could authorize additional amounts. All of such bonds authorized for recreational facilities and refunding purposes remain authorized but unissued, and \$650,000,000 in principal amount of unlimited tax bonds for water, sanitary sewer and drainage facilities remain authorized but unissued. See "Financing Recreational Facilities" below. In addition to the components of the System and the road system that the District has financed with proceeds of the Prior Bonds and the components of the road system that the District is financing with proceeds of the Bonds, the District expects to finance the acquisition or construction of components of the System, additional roads and recreational facilities with the proceeds of bonds, if any, to be issued by the District in the future. See "INVESTMENT CONSIDERATIONS - Future Debt," "USE AND DISTRIBUTION OF BOND PROCEEDS," "FUTURE DEVELOPMENT," "THE SYSTEM."

The Bond Order imposes no limitation on the amount of additional parity bonds which may be authorized for issuance by the District's voters or the amount ultimately issued by the District.

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

Financing Road Facilities

Pursuant to the provisions of the Texas Constitution and Chapter 54 Texas Water Code, as amended, conservation and reclamation districts created pursuant to said Chapter 54 are authorized to develop and finance with property taxes certain road facilities following the granting of road powers by the TCEQ or the Texas Legislature and a successful District election to approve the issuance of road bonds payable from taxes. Road powers were granted to the District by an Act of the 86th Legislature, codified as Chapter 7967 Texas Special District Local Laws Code, and at an election held within the District on May 7, 2016, voters of the District authorized a total of \$509,000,000 unlimited tax bonds for financing and constructing road facilities. The Bonds will be the second issuance from such authorization. The District has previously issued \$5,330,000 in road bonds from said authorization and could issue additional amounts. See "Issuance of Additional Debt" above and "INVESTMENT CONSIDERATIONS- Future Debt."

Issuance of additional bonds for road facilities may dilute the security for the Bonds.

Financing Recreational Facilities

Conservation and reclamation districts in certain counties are authorized to develop and finance with property taxes certain recreational facilities after a district election has been successfully held to approve the issuance of bonds payable from taxes and/or a maintenance tax to support recreational facilities.

The District is authorized to issue bonds payable from an ad valorem tax to pay for the development and maintenance of recreational facilities if (i) the District duly adopts a plan for the facilities; (ii) the bonds are authorized at an election; (iii) the bonds payable from any source do not exceed 1% 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, 3% 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; (iv) the District obtains any necessary governmental consents allowing the issuance of such bonds; (v) the issuance of the bonds is approved by the TCEQ in accordance with its rules with respect to same; and (vi) the bonds are approved by the Attorney General of Texas. The District may issue bonds for such purposes payable solely from net operating revenues without an election. In addition, the District is authorized to levy an operation and maintenance tax to support recreational facilities at a rate not to exceed 10 cents per \$100 of assessed valuation of taxable property in the District, after such tax is approved at an election. Said maintenance tax is in addition to any other maintenance tax authorized to be levied by the District.

At an election held within the District on May 7, 2016, voters of the District authorized a total of \$147,000,000 unlimited tax bonds for the purpose of acquiring or constructing recreational facilities and could authorize additional amounts.

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

Annexation

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Magnolia (the “City”), the District may be annexed for full purposes by the City, subject to compliance by the City with various requirements of Chapter 43 of the Texas Local Government Code, as amended. Such requirements may include the requirement that the City hold an election in the District whereby the qualified voters of the District approve the proposed annexation.

If the District is annexed, the City must assume the District’s assets and obligations (including the Bonds and the Outstanding Bonds) and abolish the District within ninety (90) days of the date of annexation. Annexation of territory by the City is a policy-making matter within the discretion of the Mayor and City Council of the City, and, therefore, the District makes no representation that the City will ever attempt to annex the District for full purposes and assume its debt. Moreover, no representation is made concerning the ability of the City to make debt service payments should annexation occur.

Strategic Partnership Agreement

The District is authorized to enter into a strategic partnership agreement with the City to provide the terms and conditions under which services would be provided and funded by the parties and under which the District would continue to exist for an extended period if the land within the District, or any portion thereof, were to be annexed for full or limited purposes by the City. The terms of any such agreement would be determined by the City and the District, and could provide for limitations on the timing of annexation of the District by the City, the continuation of the District as a limited district following general purpose annexation by the City, the conversion of a limited purpose annexation to a general purpose annexation, or the payment of a fee in lieu of annexation to be derived from residential property within the District based on the costs of providing municipal services to the District. Although the District and the City have discussed a possible strategic partnership agreement between them, no representation can be made regarding the future likelihood of an agreement or the terms thereof.

Consolidation

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

Remedies in Event of Default

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Order, or defaults in the observance or performance of any other covenants, conditions, or obligations set forth in the Bond Order, the Registered Owners have the right to seek a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Order. Except for mandamus, the Bond Order does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners. Certain traditional legal remedies may also not be available. See "INVESTMENT CONSIDERATIONS - Registered Owners' Remedies and Bankruptcy."

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) for obligations of the District payable from revenues or from ad valorem taxes or both, or 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, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent; and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The foregoing obligations may be in book entry form, and shall 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. If any of such Bonds are to be redeemed prior to their respective dates of maturity, provision must have been made for giving notice of redemption as provided in the Bond Order.

Upon such deposit as described above, such Bonds shall no longer be regarded to be 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 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 as those currently permitted under Texas law.

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.

BOOK-ENTRY-ONLY SYSTEM

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

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

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

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

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

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

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

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

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

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

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

USE AND DISTRIBUTION OF BOND PROCEEDS

Proceeds of the sale of the Bonds will be used by the District to (1) make payment to Audubon Magnolia Development, LLC (the "Developer"), the developer of land located within the District for land acquisition costs for the road system that serve Audubon Creekside North, Sections 1 through 5, and Audubon Park, Sections 1 through 5 and 7, Audubon

Parkway and Audubon Trace, Audubon Tract Phase II and Audubon Crest Way, Mill Run Drive, S.H. 249 and FM 1488 Fee Strip; and (2) pay for bond issuance costs, legal fees, fiscal agent's fees, fees to the Attorney General of Texas, and certain financing costs related to the issuance of the Bonds.

Construction Costs

District Share

1. Right-of-Way Land Acquisition Costs	
a. Creekside North Section 1	\$ 162,149
b. Creekside North Section 2A	201,278
c. Creekside North Section 2B	123,107
d. Creekside North Section 3A	118,083
e. Creekside North Section 3B	192,157
f. Creekside North Section 4	125,212
g. Creekside North Section 5	155,340
h. Audubon Park Section 1	139,676
i. Audubon Park Section 2	324,417
j. Audubon Park Section 3	209,406
k. Audubon Park Section 4	298,408
l. Audubon Park Section 5	124,083
m. Audubon Park Section 7	96,323
n. Audubon Parkway and Audubon Trace	514,246
o. Audubon Tract Phase II and Audubon Crest Way	236,727
p. Mill Run Drive	119,763
q. S.H. 249	3,055,000
r. FM 1488 Fee Strip	<u>210,000</u>
Subtotal	\$ 6,405,376
TOTAL CONSTRUCTION COSTS	\$ 6,405,376

Non-Construction Costs

1. Legal Fees	\$ 185,000
2. Financial Advisor Fees	140,000
3. Bond Discount	210,000
4. Bond Issuance Expenses	52,624
5. Attorney General Fee	7,000
6. Contingencies (a)	<u>0</u>
TOTAL NON-CONSTRUCTION COSTS	<u>\$ 594,624</u>
TOTAL BOND ISSUE REQUIREMENT	<u>\$7,000,000</u>

-
- (a) The TCEQ directed that any surplus funds resulting from the sale of bonds at an amount lower than proposed be shown as a contingency line item.

THE DISTRICT

General

The District is a municipal utility district created by an order of the TCEQ, dated June 19, 2013, under Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution, and operates under the provisions of Chapter 49 and Chapter 54 of the Texas Water Code, as amended, Texas Special District Local Laws Code Chapter 7967, and other general statutes of Texas applicable to municipal utility districts. The District, which lies wholly within the extraterritorial jurisdiction of the City, is subject to the continuing supervisory jurisdiction of the TCEQ.

The District is empowered, among other things, to finance, purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation and treatment of wastewater; and the control and diversion of storm water. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District may also provide solid waste disposal and collection services. The District is also empowered to establish, operate, and maintain fire-fighting facilities, separately or jointly with one or more conservation and reclamation districts, municipalities or other political subdivisions after approval by the TCEQ and the voters of the District. Additionally, the District may, subject to certain limitations, develop and finance recreational facilities and may also, subject to certain limitations, develop and finance roads. See “THE BONDS - Issuance of Additional Debt,” and “ - Financing Recreational Facilities.”

The District is required to observe certain requirements of the City of Magnolia which limit the purposes for which the District may sell bonds to finance the acquisition, construction, and improvement of waterworks, wastewater, drainage, recreational, road and fire-fighting facilities and the refunding of outstanding debt obligations; limit the net effective interest rate on such bonds and other terms of such bonds; require approval by the City of Magnolia of District construction plans; and permit connections only to lots and reserves described in a plat that has been approved by the City of Magnolia and filed in the real property records of Montgomery County. The District is also required to obtain certain TCEQ approvals prior to acquiring, constructing and financing road and fire-fighting facilities, as well as voter approval of the issuance of bonds for said purposes and/or for the purposes of financing recreational facilities. Construction and operation of the District’s drainage system is subject to the regulatory jurisdiction of additional State of Texas and local agencies. See “THE SYSTEM.”

Description

The District contains approximately 798.6 acres of land. The District is located entirely within Montgomery County, Texas, and entirely within the extraterritorial jurisdiction of the City of Magnolia, Texas. The District is located entirely within the Magnolia Independent School District. The District is located approximately 40 miles northwest of the central business district of the City of Houston. The District lies both southeast and southwest of the intersection of State Highway 249 and F.M. 1488. The entire District is located within the boundaries of Audubon Water Control and Improvement District, formerly known as Montgomery County Water Control and Improvement District No. 4 (“AWCID”), an overlapping water control and improvement district which provides major outfall drainage and drainage facilities for approximately 2,979.98 acres of land, and thus all of the land located within the District is subject to taxation by AWCID. See “INVESTMENT CONSIDERATIONS - District Tax Levy and Overlapping District Taxes and Functions” and “APPENDIX A - LOCATION MAP.”

Audubon Management District

The Audubon Management District, formerly known as Montgomery County Management District No. 1 (the “Management District”), was created by an act of the Texas Legislature in 2019 as a special district under Section 59, Article XVI of the Texas Constitution to provide economic development projects and services to the areas of Audubon planned primarily, among other purposes, for commercial development. The Management District encompasses approximately 2,690.4 acres, of which approximately 644 acres are within the boundaries of the District. On May 2, 2020, voters authorized the Management District to levy a sales and use tax not to exceed one percent (1%) to finance its projects and services. At such election held on May 2, 2020, the Management District authorized the levy, assessment and collection of a maintenance tax not to exceed \$1.50 per \$100 of Assessed Valuation. The Management District has not considered calling an election to authorize the issuance of bonds payable in whole or in part from ad valorem taxes.

In addition, the Management District, on behalf of itself and as the managing district for the District, Audubon Municipal Utility District No. 2 (formerly Montgomery County Municipal Utility District No. 130) (“AMUD2”), Audubon Municipal Utility District No. 3 (formerly Montgomery County Municipal Utility District No. 154A) (“AMUD3”) and Audubon Municipal Utility District No. 4 (formerly Montgomery County Municipal Utility District No. 154B) (“AMUD4,” and collectively, the “MUDs”) and AWCID, has entered into an Agreement for the Financing and Construction of Road Improvements the (“Agreement”) with Montgomery County (the “County”). The parties to the Agreement agree to establish a program for the County to finance over time from tax increment revenues and the Management District to develop certain road improvements and improvements in aid thereof to promote economic development in the County, the City, and the area of the Management District.

Management of the District

The District is governed by the Board, consisting of five (5) directors. The Board 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. None of the directors reside within the District. All of the directors own property subject to taxation in the District.

<u>Name</u>	<u>Position</u>	<u>Term Expires in May</u>
Kristen McDade	President	2028
Kermit Smith	Vice President	2026
Nelson Gaez	Secretary	2028
Michael Ammel	Assistant Secretary	2028
Angie Hartwell	Assistant Secretary	2026

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

Tax Assessor/Collector - The District has engaged Wheeler & Associates, Inc., Houston, Texas, as the District’s Tax Assessor/Collector. The Tax Assessor/Collector applies the District’s tax rate to appraisal rolls prepared by the Montgomery Central Appraisal District and bills and collects such tax.

Utility System Operator - Municipal Operations & Consulting, Inc. is employed by the District as the general operator of the District’s System.

Consulting Engineers - The District has employed the firm of Elevation Land Solutions (the “Engineer”), The Woodlands, Texas, as Consulting Engineer in connection with the overall planning activities and the design of the System.

Bookkeeper - The District has engaged Municipal Accounts & Consulting, L.P. as the District’s Bookkeeper. According to Municipal Accounts & Consulting, L.P., it currently serves approximately 400 districts as bookkeeper.

Auditor - As required by the Texas Water Code, the District retains an independent auditor to audit the District’s financial statements annually, which annual audited financial statements are filed with the TCEQ. The financial statements of the District as of February 28, 2025, and for the year ended, included in this offering document, have been audited by Forvis Mazars, LLP, independent auditors, as stated in their report appearing herein. See “APPENDIX B.”

Bond Counsel and General Counsel - Schwartz, Page & Harding, L.L.P. (“Bond Counsel”) serves as bond counsel to the District. The fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds. In addition, Schwartz, Page & Harding, L.L.P. serves as general counsel to the District on matters other than the issuance of bonds.

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

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/companysearch.html>.

AUDUBON DEVELOPMENT

Audubon is an approximately 2,900 acre mixed-use, master planned development located within the extraterritorial jurisdiction of the City of Magnolia. At full buildout, it is estimated that Audubon will contain approximately 4,200 single-family homes, approximately 2,600 multi-family apartment units and approximately 550 acres developed for mixed-use purposes, including, but not limited to retail, office, schools and churches. Audubon's planned amenities will include greenspace, trails, and additional amenities commensurate with other master planned communities in the area. The District is one of four municipal utility districts that serve the Audubon development, including the District, AMUD2, AMUD3 and AMUD4. Development is currently underway in the District and AMUD2. In addition to the MUDs, AWCID provides major outfall drainage and drainage facilities for the entire Audubon development, and the Audubon Management District provides economic development projects and services to the areas of Audubon planned primarily, among other purposes, for commercial development. See "INVESTMENT CONSIDERATIONS - District Tax Levy and Overlapping District Taxes and Functions," "THE DISTRICT" and "APPENDIX A - LOCATION MAP."

DEVELOPMENT OF THE DISTRICT

As of July 1, 2025, the District contained 683 single-family homes, including 10 homes under construction. According to the District's Engineer, the Developer has completed the development of a total of 799 single-family residential lots (approximately 191.93 total acres) within the District, consisting of the subdivisions platted as Audubon Creekside North, Sections 1 through 5 (marketed as "Creekside North"), Audubon Park, Sections 1 through 7, and Audubon Creekside South, Sections 1 through 4 (marketed as "Creekside South"), which are complete with the provision of water distribution, wastewater collection and storm drainage facilities (the "System") and street paving. See "DEVELOPER" below. Century Land Holdings of Texas, LLC, SDH Houston, LLC, EHT of Texas LP, Weekly Homes LLC, Newmark Homes Houston LLC, Ravenna Homes LLC, Sitterle Homes-Houston, LLC, Drees Custom Homes, L.P. and Perry Homes, LLC (collectively, the "Builders") are currently constructing homes in the District as described below under the caption entitled "BUILDERS."

In addition to the total 191.93 acres within the District that have been developed to date, approximately 225.05 acres of land located in the District that are available for future development have not been developed. It is anticipated that such 225.05 acres will be developed for mixed-use purposes. However, the owner of such land that is currently available for future development, which owner is described below under the caption "Developer," is under no legal obligation to the District to develop any of such acreage available for future development according to any specific plan, timetable, or at all. Therefore, the District cannot predict when, or whether, any of such currently undeveloped acreage located within the District might be developed. XAG Group Audubon LLC owns approximately 12.25 acres located within the District on which it is constructing an approximately 326-unit apartment complex and approximately 7.89 acres located within the District expected to be used for mixed use retail. In addition, Magnolia Independent School District owns approximately 14.04 acres located within the District on which it has constructed the Audubon Elementary School, and DPEG Development, LLC owns approximately 11.6 acres located within the District on which it is expected to construct an apartment complex. The balance of the land that is located within the District is contained within easements, rights-of-way, or is otherwise not available for future development. See "TAX DATA - Principal 2025 Taxpayers," "DEVELOPER," "FUTURE DEVELOPMENT" and "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments."

The District financed its cost of acquiring or constructing roads that serve Audubon Creekside North, Sections 1 through 5 and Audubon Park, Sections 1 through 3 with the proceeds of the sale of the Prior Bonds. The District is financing its cost of acquiring or constructing components of the System that serve Audubon Creekside South, Sections 1 through 4, and Audubon Park, Sections 2 through 7, and other items with a portion of the proceeds of the sale of the Bonds. See “USE AND DISTRIBUTION OF BOND PROCEEDS.” In addition to the components of the System that the District is financing with proceeds of the Bonds, the District expects to finance the acquisition or construction of components of the System, additional roads and recreational facilities with the proceeds of bonds, if any, to be issued by the District in the future. See “INVESTMENT CONSIDERATIONS - Future Debt,” “THE BONDS - Issuance of Additional Debt,” and “THE SYSTEM.”

As of July 1, 2025, the status of home construction in the District was as follows:

	Lots				Homes		
			Under		Under Construction	Completed	
<u>Subdivision</u>	<u>Developed</u>	<u>Acres</u>	<u>Development</u>	<u>Acres</u>			<u>Totals</u>
Audubon Creekside North							
Section 1	5	3.18			0	4	4
Section 2A	67	17.12			0	67	67
Section 2B	40	6.62			0	37	37
Section 3A	44	8.92			0	44	44
Section 3B	56	11.85			0	56	56
Section 4	48	7.41			0	46	46
Section 5	50	10.70			0	50	50
Audubon Park							
Section 1	12	5.82			3	9	12
Section 2	81	20.01			0	81	81
Section 3	45	12.79			0	45	45
Section 4	66	16.02			0	50	50
Section 5	27	8.68			1	26	27
Section 6	12	2.88			0	12	12
Section 7	14	6.01			0	14	14
Audubon Creekside South							
Section 1	44	19.19			2	26	28
Section 2	59	14.93			0	10	10
Section 3	97	18.66			4	64	68
Section 4	32	6.73			0	32	32
Totals	799	191.93	0	0	10	673	683

DEVELOPER

The developer of the 799 fully developed single-family residential lots located within the District that have been developed as Audubon Creekside North, Sections 1 through 5 (marketed as “Creekside North”), Audubon Park, Sections 1 through 7, and Audubon Creekside South, Sections 1 through 4 (marketed as “Creekside South”) is Audubon Magnolia Development, LLC, a Texas limited liability company whose manager is JGI Resources, Inc., a Texas corporation (“AMD” or the “Developer”). AMD is a single-purpose entity created for the purpose of owning and developing the land in Audubon. AMD’s assets consist primarily of the land located in Audubon, including the District, and receivables due from the District for eligible public infrastructure costs. SY Audubon Management, Ltd. is managing the development of Audubon on behalf of AMD. SY Audubon Management, Ltd.’s General Partner is SY ADM, LLC whose sole member

and manager is Sam Yager Incorporated. Sam Yager Incorporated is a Houston-based, mixed-use land development company specializing primarily in single-family residential development. In addition to Audubon, Sam Yager Incorporated has recently managed the development of several other residential development projects including Fulshear Lakes, Harper's Preserve, City Park, Kings Mill, Summer Lakes, and Lakecrest Forest. AMD owns approximately 225.05 acres of land located in the District that are available for future development that have not been developed. It is anticipated that such 225.05 acres will be developed for mixed-use purposes. However, AMD is under no legal obligation to the District to develop any of such acreage available for future development according to any specific plan, timetable, or at all. Therefore, the District cannot predict when, or whether, any of such currently undeveloped acreage located within the District might be developed. XAG Group Audubon LLC owns approximately 12.25 acres located within the District on which it is constructing an approximately 326-unit apartment complex and approximately 7.89 acres located within the District expected to be used for mixed use retail. In addition, Magnolia Independent School District owns approximately 14.04 acres located within the District on which it has constructed the Audubon Elementary School, and DPEG Development, LLC owns approximately 11.6 acres located within the District on which it is expected to construct an apartment complex.

BUILDERS

Century Land Holdings of Texas, LLC, SDH Houston, LLC, EHT of Texas LP, Weekly Homes LLC, Newmark Homes Houston LLC, Ravenna Homes LLC, Sitterle Homes-Houston, LLC, Drees Custom Homes, L.P. and Perry Homes, LLC (collectively, the "Builders") are currently constructing homes in the District which range from approximately 1,464 to 4,639 square feet in size of living area and in sales price from approximately \$269,990 to \$950,000. The Builders may change the size(s) and the type(s) of homes which they elect to build, and the sales prices thereof, or may suspend building activity altogether, at their sole discretion.

FUTURE DEVELOPMENT

799 single-family residential lots have been developed on an aggregate of approximately 191.93 acres located within the District to date. AMD owns an aggregate of approximately 225.05 acres of land located in the District that are available for future development that have not been developed. It is anticipated that such 225.05 acres will be developed for mixed-use purposes. See "DEVELOPMENT OF THE DISTRICT." Since there is no legal commitment on the part of the owner of such currently undeveloped acres located within the District that are available for future development to the District to develop such currently undeveloped acres according to any specific plan, timetable, or at all, the District cannot predict when, or whether, any of such currently undeveloped acres located within the District might be developed. XAG Group Audubon LLC owns approximately 12.25 acres located within the District on which it is constructing an approximately 326-unit apartment complex and approximately 7.89 acres located within the District expected to be used for mixed use retail. In addition, Magnolia Independent School District owns approximately 14.04 acres located within the District on which it has constructed the Audubon Elementary School, and DPEG Development, LLC owns approximately 11.6 acres located within the District on which it is expected to construct an apartment complex. The balance of the land that is located within the District is contained within easements, rights-of-way, or is otherwise not available for future development. If any undeveloped portion of the District is eventually developed, additions to the District's water, sanitary sewer and drainage systems and road system required to service such undeveloped acreage may be financed by future issues of the District's bonds. The District's Engineer currently estimates that the \$650,000,000 authorized bonds which are currently unissued (see "INVESTMENT CONSIDERATIONS - Future Debt" and "THE BONDS - Issuance of Additional Debt") are adequate to finance the construction of such facilities to provide service to all of the undeveloped portions of the District and to increase the District's water supply and wastewater treatment facilities as described below under the caption "THE SYSTEM."

THE SYSTEM

Regulation

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

Operation of the System is subject to regulation by, among others, the United States Environmental Protection Agency and the TCEQ. The total number of equivalent single-family connections (“ESFCs”) estimated at this time for the District upon the full development of its approximately 798.6 acres is 1,563 with a total estimated population of 5,471 people. The following descriptions are based upon an estimate of 3.5 people/connection supplied by the District’s Engineer.

Description

The System presently serves the total of 799 single-family residential lots that have been developed within the District that are described above under the caption “DEVELOPMENT OF THE DISTRICT.” In addition to the components of the System and the road system that the District has financed with the proceeds of the sale of the Prior Bonds and the components of the road system that the District is financing with proceeds of the Bonds, the District expects to finance the acquisition or construction of components of the System, additional roads and recreational facilities with the proceeds of bonds, if any, to be issued by the District in the future. See “INVESTMENT CONSIDERATIONS - Future Debt” and “THE BONDS - Issuance of Additional Debt.”

Water Supply and Wastewater Treatment

The District does not own any water supply or sanitary sewer treatment facilities other than as described below. The District receives wholesale water supply and sanitary sewer treatment services from the City. Pursuant to the Wholesale Water Supply and Sanitary Sewer Agreement, as same has been amended and supplemented (the “Service Agreement”) dated January 13, 2015 and amended June 12, 2018, September 19, 2020, and April 12, 2022, among the District, Audubon Municipal Utility District No. 2 (formerly Montgomery County Municipal Utility District No. 130) (“AMUD2”), Audubon Municipal Utility District No. 3 (formerly Montgomery County Municipal Utility District No. 154A) (“AMUD3”) and Audubon Municipal Utility District No. 4 (formerly Montgomery County Municipal Utility District No. 154B) (“AMUD4,” and collectively, the “MUDs”), the Management District, AMD and the City, the City has agreed to provide wholesale water and sanitary sewer services to the MUDs in phases, with the ultimate phase to include water supply and sanitary sewer treatment capacities sufficient to facilitate full development of the property owned by AMD. Pursuant to the terms and conditions of the Service Agreement, the MUDs will, with respect to each of the equivalent single-family connections (ESFCs) beyond the first 200 ESFCs provided to the MUDs, which are provided at no cost to the MUDs, be required to pay wholesale capacity charges to the City: (i) in the amount of \$1,500 and \$3,000 for water and sewer connections, respectively, for the next 400 ESFCs in excess of the first 200 ESFCs requested, and (ii) in the amounts equal to the City’s impact fees as set forth in the City’s Impact Fee Ordinance as of the date of each subsequent request for ESFCs. The City will bill the parties for water and sewer services provided at a rate equal to the City’s water and sanitary sewer rates for each equivalent sized connection inside the corporate limits of the City. However, the parties to the Service Agreement are currently in discussions regarding the development plan for Audubon and the City’s concerns regarding the City’s ability and willingness to timely supply sufficient water and sewer capacity for the development. While the City is presently required to provide Audubon with 4,500 ESFCs of water and sewer capacity (with an additional 750 ESFCs required to be provided as of July 21, 2025), such capacity is not dedicated to any specific MUD, such as the District. Accordingly, the District cannot represent that the City will be able to supply sufficient capacity for the District at full development. The MUDs and the Management District are authorized to construct and operate water and wastewater facilities should the City be unable to supply sufficient capacity; however, the construction and operation of such facilities could result in increased costs and delays in providing service. The District cannot represent whether negotiations with the City will successfully resolve the concerns with the Service Agreement or the timeframe for resolution of any such concerns.

On November 21, 2022, the City notified the District in writing that, as of such date, the City’s commitments for water supply from the City’s water system had exceeded the water supply available from the City’s water system. As a result, effective December 16, 2022, the City of Magnolia adopted Ordinance No. O-2022-031 enacting a temporary moratorium for 120 days on the acceptance, authorization, and approvals necessary for the subdivision, site planning, development, and construction in the city limits and extraterritorial jurisdiction, for new projects. Such temporary moratorium has been extended in 120 day increments, most recently on August 12, 2025 and may be extended further. During such temporary moratorium, the City will not accept applications for permits, plats, verifications, rezonings, site plans, or new or revised certificates of occupancy, without an approved exception or waiver. Information and updates regarding the City’s temporary moratorium can be located here <https://www.cityofmagnolia.com/moratorium>. Neither the information on, nor access through, such website is incorporated by reference herein.

With regard to development in the Districts, the Land Use Planning and Cooperation Agreement by and between the Developer and the City, dated effective as of November 8, 2011, as amended, provides that, while subdivision plats for portions of property within the District must be submitted to the City, the regulatory, platting, planning, land use and construction requirements, standards and criteria applicable to the property within the Districts are the regulations, standards and codes of Montgomery County, Texas, governing the development of land. Further, the Memorandum of Understanding by and between the District and the City, dated effective as of December 8, 2020, provides that the City shall have no role in the approval or execution of any subdivision plats for any portion of property within the District and that the City defers its execution and approval of each such plat to Montgomery County such that the County's approval of each such plat constitutes the City's approval of same.

In order to increase capacity in the City's water system, the City has constructed additional water production and supply facilities.

Further, the Districts and the Developer have completed construction of an estimated five hundred gallon per minute water well and associated water treatment and pressure facilities (the "Audubon Well") which is currently operational and estimated to be capable of serving 833 ESFCs. The Districts, the Developer and the City entered into a Supplement to Wholesale Water Supply and Sanitary Sewer Agreement, dated effective February 14, 2023 (the "Supplement") to provide that the Audubon Well, which will ultimately be owned by the Management District for the benefit of the Districts, will be connected to and supply water to the City's water system during an initial supply period as provided by the terms and conditions of the Supplement. The Supplement provides that wholesale water supply capacity and services in an amount equal to the water supply capacity provided by the Audubon Well, along with wholesale sanitary sewer treatment capacity and services in the corresponding amount, will be reserved for and provided to the Districts by the City in accordance with the terms and conditions of the Service Agreement. The Supplement provides that, after March 31, 2024, 1,483 ESFCs within the Districts will be served by the City's water system without water supplied by the Audubon Well. The Supplement also provides that the Management District has the right to utilize the Audubon Well to provide water supply to the Districts during the pendency of any future temporary building moratorium by the City.

The Audubon Well has subsequently been converted into Audubon Water Plant No. 1 and is now capable of serving 1,166 ESFCs. The Management District has also obtained a wastewater discharge permit up to 4.0 million gallons per day for construction of the Audubon Wastewater Treatment Plant in various phases. Phase I of the Audubon Wastewater Treatment Plant is currently under construction and, upon completion, will be capable of serving 1,000 ESFCs.

100-Year Flood Plain

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

The current acreage within the District is included in FIRM Number 48339C0480G dated August 18, 2014. Approximately 265 acres within the District are located within the 100-year floodplain. Approximately 0.5 acres in Audubon Creekside North were filled. FEMA approved a Letter of Map Revision based on Fill ("LOMR-F") for this area on October 27, 2020, which removed the land from the 100-year flood plain. Approximately 37 acres in Audubon Park and in Creekside were filled. LOMR-Fs were submitted to FEMA for these areas and are awaiting approval.

Audubon Water Control and Improvement District

The entirety of the District lies within AWCID. AWCID provides regional outfall drainage and drainage facilities for the District. AWCID, which covers approximately 2,979.98 acres of land, expects to issue bonds to finance the acquisition or construction of drainage improvements to serve the land which lies within AWCID. The principal of and interest on AWCID bonds will be 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 AWCID. See “INVESTMENT CONSIDERATIONS - District Tax Levy and Overlapping District Taxes and Functions.”

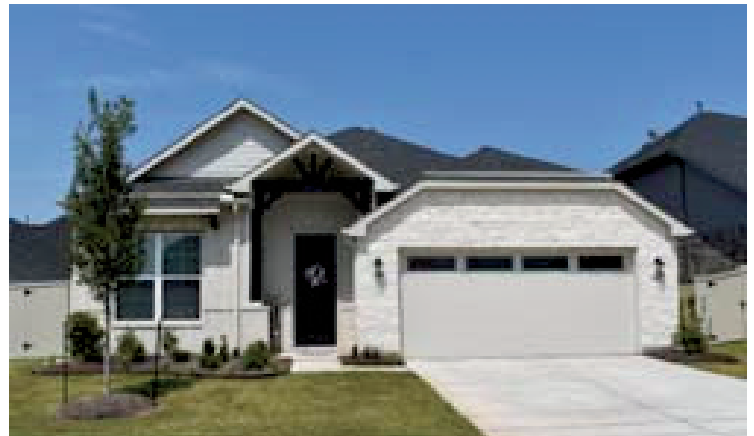
AERIAL PHOTOGRAPH OF THE DISTRICT
(taken August 2023)



PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(taken August 2023)



PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(taken August 2023)



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 that overlap all or a portion of the District are empowered to incur debt to be paid from revenues raised or to be raised by taxation against all or a portion of the property within the District.

2025 Assessed Valuation..... (As of January 1, 2025) See "TAX DATA" and "TAX PROCEDURES"	\$ 268,049,913 (a)
Estimated Valuation at June 1, 2025 See "TAX DATA" and "TAX PROCEDURES"	\$ 300,805,563 (b)
Direct Debt:	
Outstanding Bonds.....	\$ 29,220,000
The Bonds	<u>7,000,000</u>
Total	\$ 36,220,000 (c)
Estimated Overlapping Debt	\$ <u>5,362,122</u>
Total Direct and Estimated Overlapping Debt	\$ 51,490,023
Direct Debt Ratio	
: as a percentage of 2024 Assessed Valuation.....	20.17 %
: as a percentage of 2025 Assessed Valuation.....	13.51 %
: as a percentage of Estimated Valuation at June 1, 2025	12.04 %
Direct and Overlapping Debt Ratio	
: as a percentage of 2024 Assessed Valuation.....	28.67 %
: as a percentage of 2025 Assessed Valuation.....	19.21 %
: as a percentage of Estimated Valuation at June 1, 2025	17.12 %
Bond Fund Balance as of August 27, 2025	\$ 956,119 (d)
General Fund Balance as of August 27, 2025	\$ 1,252,132
2025 Tax Rate per \$100 of Assessed Valuation	
Debt Service Tax - Utilities.....	\$ 0.52
Debt Service Tax - Roads.....	0.12
Maintenance Tax.....	<u>0.51</u>
Total	\$ 1.15 (e)
2025 Combined District and AWCID Tax Rate per \$100 of Assessed Valuation	
District Tax	\$ 1.15
AWCID Tax	<u>0.30</u>
Total	\$ 1.45 (e)

- (a) As of January 1, 2025, and comprises the District's 2025 tax roll. Such sum includes an uncertified component, 90% of which, \$14,185,646, is included in the amount of \$268,049,913. The District's ultimate 2025 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 \$268,049,913. See "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments" and "TAX PROCEDURES."
- (b) Provided by the Appraisal District for informational purposes only, this amount is an estimate of the value of all taxable property located within the District as of June 1, 2025, and includes an estimate of values resulting from the construction of taxable improvements from January 1, 2024, through May 31, 2025. The ultimate Assessed Valuation of any land and improvements added from January 1, 2024, through December 31, 2024, which will be placed on the District's 2025 tax roll, may vary significantly from such estimate once the Appraisal Review Board certifies the value thereof in 2025. Moreover, the ultimate Assessed Valuation of any land and improvements added from January 1, 2025, through May 31, 2025, which will be placed on the District's 2026 tax roll, may vary significantly from such estimate once the Appraisal Review Board certifies the value thereof in 2026.
- (c) In addition to the components of the System and the road system that the District has financed with the proceeds of the sale of the Prior Bonds and the components of the road system that the District is financing with proceeds of the Bonds, the District expects to finance the acquisition or construction of components of the System, additional roads and recreational facilities with the proceeds of bonds, if any, to be issued by the District in the future. See "INVESTMENT CONSIDERATIONS - Future Debt," "THE BONDS - Issuance of Additional Debt," "USE AND DISTRIBUTION OF BOND PROCEEDS," "FUTURE DEVELOPMENT" and "THE SYSTEM,"
- (d) Neither Texas law nor the Bond Order requires the District to maintain any particular sum in the Bond 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 for 2025. The District's initial debt service requirement on the Bonds, consisting of an interest payment thereon, is due on September 1, 2026.
- (e) The District has levied a debt service tax for utilities in the amount of \$0.52 per \$100 of Assessed Valuation, a debt service tax for roads in the amount of \$0.12 per \$100 of Assessed Valuation and a maintenance tax of \$0.51 per \$100 of Assessed Valuation in 2025. Therefore, the District's combined total tax for 2025 is \$1.15 per \$100 of Assessed Valuation. As is described in this Official Statement under the caption "TAX DATA - Estimated Overlapping Taxes," the aggregate of the 2024 tax levies of all units of government which levy taxes against the property located within the District, including the District's 2025 tax rate of \$1.15 per \$100 of Assessed Valuation, is \$3.0331 per \$100 of Assessed Valuation. Such aggregate levy is higher than the aggregate of the tax levies of some municipal utility districts located in the greater Houston metropolitan area, but is within the range of the aggregate tax levies of municipal utility districts in the Houston metropolitan area which are in stages of development comparable with the District. See "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments."

Estimated Direct and Overlapping Debt Statement

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

<u>Taxing Jurisdiction</u>	<u>Debt as of September 1, 2025</u>	<u>Estimated Overlapping Percent</u>	<u>Amount</u>
Montgomery County	\$516,260,000	0.24487%	\$1,264,179
Lone Star College System	436,935,000	0.08205%	358,507
Magnolia Independent School District	276,660,000	2.09129%	5,785,771
Audubon Water Control & Improvement District	9,000,000	87.35074%	<u>7,861,567</u>
Total Estimated Overlapping Debt			\$15,270,023
Total Direct Debt (the Bonds and the Outstanding Bonds)			<u>36,220,000</u>
Total Direct and Estimated Overlapping Debt			\$51,490,023

Debt Ratios

	<u>% of 2025 Assessed Valuation</u>	<u>% of Estimated Valuation as of June 1, 2025</u>
Direct Debt.....	13.51%	12.04%
Direct and Estimated Overlapping Debt	19.21%	17.12%

Under Texas law, ad valorem taxes levied by each taxing authority other than the District create a lien that is on a parity with the lien in favor of the District on all taxable property within the District. In addition to the ad valorem taxes required to retire the foregoing direct and overlapping debt, the various taxing authorities mentioned above are also authorized by Texas law to assess, levy, and collect ad valorem taxes for operation, maintenance, administration, and/or general revenue purposes. Certain of the jurisdictions have in the past levied such taxes. The District has the power to assess, levy, and collect ad valorem taxes for operations and maintenance purposes, and such taxes have been authorized by the duly qualified voters of the District. The District levied a maintenance tax of \$0.51 per \$100 of Assessed Valuation for 2025. See "TAX DATA - Maintenance Tax."

Debt Service Requirement Schedule

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

Year Ending December 31	Current Total Debt Service	Plus: The Bonds		New Total Debt Service
		Principal	Interest*	
2025	\$815,750			\$815,750
2026	1,672,667		\$291,667	1,964,334
2027	1,910,463	\$120,000	350,000	2,380,463
2028	1,906,113	125,000	344,000	2,375,113
2029	1,905,850	130,000	337,750	2,373,600
2030	1,904,400	140,000	331,250	2,375,650
2031	1,901,300	145,000	324,250	2,370,550
2032	1,904,050	155,000	317,000	2,376,050
2033	1,900,544	160,000	309,250	2,369,794
2034	1,909,869	170,000	301,250	2,381,119
2035	1,914,088	175,000	292,750	2,381,838
2036	1,917,175	185,000	284,000	2,386,175
2037	1,918,263	195,000	274,750	2,388,013
2038	1,922,313	205,000	265,000	2,392,313
2039	1,924,063	215,000	254,750	2,393,813
2040	1,928,550	225,000	244,000	2,397,550
2041	1,930,988	235,000	232,750	2,398,738
2042	1,936,388	250,000	221,000	2,407,388
2043	1,936,600	260,000	208,500	2,405,100
2044	1,938,875	275,000	195,500	2,409,375
2045	1,943,025	290,000	181,750	2,414,775
2046	1,944,238	305,000	167,250	2,416,488
2047	1,942,513	320,000	152,000	2,414,513
2048	1,942,850	335,000	136,000	2,413,850
2049	1,945,000	350,000	119,250	2,414,250
2050	1,947,500	370,000	101,750	2,419,250
2051	1,951,250	385,000	83,250	2,419,500
2052	1,951,000	405,000	64,000	2,420,000
2053	1,951,750	425,000	43,750	2,420,500
2054	1,958,250	450,000	22,500	2,430,750
	\$56,475,685	\$7,000,000	\$6,450,917	\$69,926,602

Average Annual Requirements: (2027-2054)	\$2,398,090
Maximum Annual Requirement: (2054)	\$2,430,750

* Interest is estimated at 5.0% 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 ad valorem tax supported bonds which may be issued from time to time as authorized (see “TAX PROCEDURES”). The Board of Directors of the District has in its Bond Order covenanted to assess and levy for each year that all or any part of the Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds (see “INVESTMENT CONSIDERATIONS” and “THE BONDS”). District has levied a debt service tax for utilities in the amount of \$0.52 per \$100 of Assessed Valuation and a debt service tax for roads in the amount of \$0.12 per \$100 of Assessed Valuation for 2025. 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 administrative expenses and maintenance of the District’s water, sewer and drainage improvements, and for maintenance of recreational facilities, if such maintenance taxes are authorized by a vote of the District’s electorate. On May 7, 2016, the District voters authorized the levy of a maintenance tax for administrative expenses and maintenance of water, sewer and drainage improvements in the maximum amount of \$1.50 per \$100 of Assessed Valuation. Said tax may be levied in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds, the Outstanding Bonds and any parity bonds which may be issued in the future. The District has levied a maintenance tax for 2025 at a rate of \$0.51 per \$100 of Assessed Valuation. See “Tax Rate Distribution” below.

Tax Rate Limitation

Debt Service:	Unlimited (no legal limit as to rate or amount)
Maintenance:	\$1.50 per \$100 Assessed Valuation

Historical Values and Tax Collection History

The following statement of tax collections sets forth in condensed from 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.

<u>Tax Year</u>	<u>Assessed Valuation</u>	<u>Tax Rate^(a)</u>	<u>Adjusted Levy</u>	<u>% Collections</u>	
				<u>Current & Prior Years^(b)</u>	<u>Year Ended 09/30</u>
2020	\$308,891	\$1.15	\$3,552	100.00%	2021
2021	7,217,411	1.15	83,000	100.00	2022
2022	43,536,016	1.15	500,664	99.23	2023
2023	110,939,128	1.15	1,275,799	98.56	2024
2024	180,204,918	1.15	2,072,355	98.36(c)	2025
2025	268,049,913(d)	1.15(e)	3,082,574	(e)	2026

(a) Per \$100 of Assessed Valuation. See Tax Rate Distribution below.

(b) Such percentages reflect cumulative total collections for each year from the time each respective annual tax was levied through July 31, 2025. The amount of tax collected for each levy on a current basis (by September 30 of the year following each respective annual levy) is not reflected in this statement.

(c) As of July 31, 2025.

(d) Such sum includes an uncertified component, 90% of which, \$14,185,646, is included in the amount of \$268,049,913. The District's ultimate 2025 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 \$268,049,913.

(e) The District has levied a debt service tax for utilities in the amount of \$0.52 per \$100 of Assessed Valuation, a debt service tax for roads in the amount of \$0.12 per \$100 of Assessed Valuation and a maintenance tax of \$0.51 per \$100 of Assessed Valuation in 2025.

Tax Rate Distribution

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Debt Service - Utilities	\$0.52	\$0.26	\$0.20	\$0.53	\$0.00
Debt Service - Roads	0.12	0.17	0.22	0.00	0.00
Maintenance	<u>0.51</u>	<u>0.72</u>	<u>0.73</u>	<u>0.62</u>	<u>1.15</u>
Total	\$1.15	\$1.15	\$1.15	\$1.15	\$1.15

Analysis of Tax Base

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

<u>Type of Property</u>	<u>2025</u>		<u>2024</u>		<u>2023</u>	
	<u>Assessed Valuation</u>	<u>%</u>	<u>Assessed Valuation</u>	<u>%</u>	<u>Assessed Valuation</u>	<u>%</u>
Land	\$74,074,168	27.63%	\$61,140,157	33.93%	\$38,445,011	34.65%
Improvements	220,534,105	82.27%	131,561,251	73.01%	77,278,552	69.66%
Personal Property	2,708,401	1.01%	474,863	0.26%	272,748	0.25%
Ag Net	0	0.00%	67,589	0.04%	78,700	0.07%
Uncertified	14,185,646	5.29%	0	0.00%	0	0.00%
Exemptions	<u>-43,452,407</u>	<u>-16.21%</u>	<u>-13,038,942</u>	<u>-7.24%</u>	<u>-5,135,883</u>	<u>-4.63%</u>
TOTAL	\$268,049,913*	100.00%	\$180,204,918	100.00%	\$110,939,128	100.00%

<u>Type of Property</u>	<u>2022</u>		<u>2021</u>	
	<u>Assessed Valuation</u>	<u>%</u>	<u>Assessed Valuation</u>	<u>%</u>
Land	\$24,266,301	55.74%	\$6,593,061	91.35%
Improvements	20,912,730	48.04%	517,850	7.18%
Personal Property	86,447	0.20%	0	0.00%
Ag Net	79,550	0.18%	113,750	1.58%
Exemptions	<u>-1,809,012</u>	<u>-4.16%</u>	<u>-7,250</u>	<u>-0.10%</u>
TOTAL	\$43,536,016	100.00%	\$7,217,411	100.00%

* Such sum includes an uncertified component, 90% of which, \$14,185,646, is included in the amount of \$268,049,913. The District's ultimate 2025 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 \$268,049,913.

Principal 2025 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, 2025. The information reflects the composition of the Appraisal District's record of property ownership as of January 1, 2025.

<u>Taxpayer</u>	<u>Type of Property</u>	Assessed Valuation	% of
		<u>2025 Tax Roll</u>	<u>2025 Tax Roll</u>
Sitterle Homes Houston LLC ^(a)	Land and Improvements	\$9,138,674	3.41%
Perry Homes LLC ^(a)	Land, Improvements and Personal Property	4,317,345	1.61%
Audubon Magnolia Development ^(b)	Land	3,464,802	1.29%
Drees Custom Homes LP ^(a)	Land, Improvements and Personal Property	3,295,772	1.23%
RPM Ventures LP	Land	2,962,833	1.11%
Ravenna Homes LLC	Land and Improvements	2,420,860	0.90%
Newmark Homes Houston LLC ^(a)	Land, Improvements and Personal Property	2,307,161	0.86%
Weekley Homes LLC ^(a)	Land and Improvements	2,064,995	0.77%
DPEG Audubon LP	Land	1,907,928	0.71%
Woodforest National Bank	Land	<u>1,059,815</u>	<u>0.40%</u>
		\$32,940,185	12.29%

^(a) See "INVESTMENT CONSIDERATIONS – Factors Affecting Taxable Values and Tax Payments – Principal Landowners' Obligations to the District" and "BUILDERS."

^(b) See "INVESTMENT CONSIDERATIONS – Factors Affecting Taxable Values and Tax Payments – Economic Dependency Upon the Developer." and "DEVELOPER."

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of Assessed Valuation which would be required to meet certain debt service requirements if no growth in the District's tax base occurs beyond the 2025 Assessed Valuation or the Estimated Valuation at June 1, 2025. The calculations assume collection of 95% of taxes levied, no use of funds on hand, and the sale of no bonds by the District other than the Bonds and the Outstanding Bonds.

Average Annual Debt Service Requirements (2027-2054)	\$2,398,090
Tax Rate of \$0.95 on the 2025 Assessed Valuation (\$268,049,913) produces.....	\$2,419,150
Tax Rate of \$0.84 on the Estimated Valuation at June 1, 2025 (\$300,805,563) produces	\$2,400,428
Maximum Annual Debt Service Requirement (2054)	\$2,430,750
Tax Rate of \$0.96 on the 2025 Assessed Valuation (\$268,049,913) produces.....	\$2,444,615
Tax Rate of \$0.86 on the Estimated Valuation at June 1, 2025 (\$300,805,563) produces	\$2,457,581

The District has levied a debt service tax for utilities in the amount of \$0.52 per \$100 of Assessed Valuation, a debt service tax for roads in the amount of \$0.12 per \$100 of Assessed Valuation and a maintenance tax of \$0.51 per \$100 of Assessed Valuation in 2025. Therefore, the District's combined total tax for 2025 is \$1.15 per \$100 of Assessed Valuation. As indicated above, a combined debt service tax rate of \$0.64 per \$100 of Assessed Valuation will not be sufficient to pay the average annual debt service requirements and the maximum annual debt service requirement, respectively, on the Bonds and the Outstanding Bonds given taxable values in the District at the level of the Estimated Valuation at June 1, 2025, assuming a tax collection rate of 95%, no use of other available funds, including earnings from the investment of funds held in the District's Bond Fund, and the issuance of no additional bonds by the District. However, as is stated above under the caption "TAX DATA - Historical Values and Tax Collection History," the District had collected an average of 99.48% of its tax levy for 2020 through 2023 as of July 31, 2025, and its 2024 levy is 98.36% collected as of such date.

Moreover, the District's Bond Fund balance was \$956,119 as of August 27, 2025. Therefore, given these factors plus the debt service revenue that is anticipated to be generated from the imposition of the District's debt service tax on homes that are anticipated to be constructed on lots that have been developed within the District (see "DEVELOPMENT OF THE DISTRICT" and "BUILDERS"), the District anticipates being able to pay the maximum and average annual debt service requirements of the Bonds and the Outstanding Bonds without increasing its debt service levy above the level of the 2025 combined debt service levy of \$0.64 per \$100 of Assessed Valuation. However, the District can make no representation that the taxable property values in the District will maintain a value sufficient to support the aforementioned tax rate or to justify continued payment of taxes by property owners. See "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments" and - "Future Debt" and "TAX 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 2024 taxes levied upon property located within the District plus the District's 2025 tax rate. Under Texas law, ad valorem taxes levied by each taxing authority other than the District entitled to levy taxes against property located within the District create a lien which is on a parity with the tax lien of the District. In addition to the ad valorem taxes required to make the debt service payments on bonded indebtedness of the District and of such other jurisdictions (see "DISTRICT DEBT - Estimated Direct and Overlapping Debt Statement"), certain taxing jurisdictions are authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

<u>Taxing Jurisdiction</u>	<u>2024 Tax Rate Per \$100 of A.V.</u>
Montgomery County	\$0.3790
Lone Star College System	0.1076
Magnolia Independent School District	0.9595
Audubon Water Control and Improvement District	0.3000
Montgomery County Hospital District	0.0497
Montgomery County Emergency Services District No. 10	0.0873
The District*	<u>1.1500</u>
Total Tax Rate	3.0331

* The District has levied a debt service tax for utilities in the amount of \$0.52 per \$100 of Assessed Valuation, a debt service tax for roads in the amount of \$0.12 per \$100 of Assessed Valuation and a maintenance tax of \$0.51 per \$100 of Assessed Valuation in 2025.

TAX PROCEDURES

Property Tax Code and County-Wide Appraisal District

The Texas Tax Code (the "Property Tax Code") requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas a single appraisal district with the responsibility for recording and appraising property for all taxing units within a county and a single appraisal review board with the responsibility for reviewing and equalizing the values established by the appraisal district. The Montgomery Central Appraisal District (the "Appraisal District") has the responsibility for appraising property for all taxing units wholly within Montgomery County, including the District. Such appraisal values are subject to review and change by the Montgomery County Appraisal Review Board (the "Appraisal Review Board"). Under certain circumstances, taxpayers and taxing units (such as the District) may appeal the orders of the Appraisal Review Board by filing a petition for review in State district court. In such event, the value of the property in question will be determined by the court or by a jury if requested by any party. Absent any such appeal, the appraisal roll, as prepared by the Appraisal District and approved by the Appraisal Review Board, must be used by each taxing jurisdiction in establishing its tax roll and tax rate. The District is eligible, along with all other conservation and reclamation districts within Montgomery County, to participate in the nomination of and vote for a member of the Board of Directors of the Appraisal District.

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 2025 tax year, the District has not granted any such exemptions. 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 a member of the armed forces or 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.

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.

General Residential Homestead Exemption

Texas law authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the appraised value of residential homesteads, but not less than \$5,000, if any exemption is granted, from ad valorem taxation. The law provides, however, that 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. For the 2025 tax year, the District has not granted a general residential homestead exemption.

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. 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% 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.

Rollback of Operation and Maintenance Tax Rate

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

Low Tax Rate Districts

Low Tax Rate Districts that adopt a total tax rate that would impose more than 1.08 times the amount of the total tax imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead in the district, subject to certain homestead exemptions, 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 Low Tax Rate District is the current year's debt service and contract tax rate plus the operation and maintenance tax rate that would impose 1.08 times the amount of operation and maintenance tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the district in that year, subject to certain homestead exemptions.

Developed Districts

Developed Districts that adopt a total tax rate that would impose more than 1.035 times the amount of the total tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead in the district, subject to certain homestead exemptions, plus any unused increment rates, as calculated and described in Section 26.013 of the 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 the operation and maintenance tax rate that would impose 1.035 times the amount of operation and maintenance tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the district in that year, subject to certain homestead exemptions, plus any unused increment rates. In addition, if any part of a Developed District lies within an area declared for disaster by the Governor 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 Low Tax Rate District and a Developed District, the district will be subject to the operation and maintenance tax threshold applicable to Low Tax Rate Districts.

Developing Districts

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

The District

A determination as to a district's status as a Low Tax Rate District, Developed District or Developing District will be made by the District's 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 2025 tax rate year, a determination has been made by the District's Board of Directors that the District is a Developing District.

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 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 comply 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.

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." 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.

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. According to the District's Tax Assessor/Collector, as of January 1, 2025, approximately 383.94 acres of land within the District was designated for agricultural use, open space, inventory deferment, or timberland.

Tax Abatement

The City of Magnolia and Montgomery County may designate all or part of the District as a reinvestment zone, and the District, Montgomery County, and (if it were to annex the area) the City of Magnolia may thereafter enter into tax abatement agreements with the owners of property within the zone. The tax abatement agreements may exempt from ad valorem tax, by the applicable taxing jurisdictions, and by 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 a comprehensive plan. According to the District's Tax Assessor/Collector, to date, none of the area within the District has been designated as a reinvestment zone.

Levy and Collection of Taxes

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 also 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."

LEGAL MATTERS

Legal Opinions

The District will furnish to the Underwriter a transcript of certain certified proceedings incident to the issuance and authorization of the Bonds, including a certified copy of the approving legal opinion 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 Attorney General has examined a transcript of proceedings authorizing the issuance of the Bonds, and that based upon such examination, the Bonds are valid and binding obligations of the District payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. The District will also furnish the approving legal opinion of Schwartz, Page & Harding, L.L.P., Houston, Texas, 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, except to the extent that enforcement of the rights and remedies of the Registered Owners of the Bonds 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 and to the effect that interest on the Bonds is excludable from gross income for federal income tax purposes under the statutes, regulations, published rulings and court decisions existing on the date of such opinion, assuming compliance by the District with certain covenants relating to the use and investment of the proceeds of the Bonds. See "Tax Exemption" below. The legal opinion of Bond Counsel will further state that the Bonds are payable, both as to principal and interest, from the levy of ad valorem taxes, without legal limitation as to rate or amount, upon all taxable property within the District. Bond Counsel's opinion will also address the matters described below.

In addition to serving as Bond Counsel, Schwartz, Page & Harding, L.L.P., also serves as counsel to the District on matters not related to the issuance of bonds. The legal fees to be paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are based upon a percentage of bonds actually issued, sold and delivered, and, therefore, such fees are contingent upon the sale and delivery of the Bonds. Certain legal matters will be passed upon for the District by McCall, Parkhurst & Horton L.L.P., Houston, Texas, as Disclosure Counsel.

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

Legal Review

In its capacity as Bond Counsel, Schwartz, Page & Harding, L.L.P., has reviewed the information appearing in this Official Statement under the captioned sections “THE BONDS,” “THE DISTRICT - General,” - “Audubon Management District” and - “Management of the District - Bond Counsel and General Counsel,” “TAX PROCEDURES,” and “LEGAL MATTERS” solely to determine whether such information fairly summarizes the law and documents referred to therein. Such firm has not independently verified factual information contained in this Official Statement, nor has such firm conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon such firms’ limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of any of the other information contained herein.

Tax Exemption

On the date of initial delivery of the Bonds, Bond Counsel, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof (“Existing Law”), (i) interest on the Bonds for federal income tax purposes will be excludable from the “gross income” of the holders thereof, and (ii) the Bonds will not be treated as “specified private activity bonds” the interest on which would be included as an alternative minimum tax preference item under Section 57(a)(5) of the Internal Revenue Code of 1986, as amended (the “Code”). Except as stated above, Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the ownership of, receipt of interest on or disposition of the Bonds.

In rendering its opinion, Bond Counsel will rely upon, and assume continuing compliance with, (a) certain information and representations of the District, including information and representations contained in the District’s federal tax certificate issued in connection with the Bonds, and (b) covenants of the District contained in the Bond Order relating to certain matters, including arbitrage and the use of the proceeds of the Bonds and the property financed or refinanced therewith. 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.

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, upon which Bond Counsel has based its opinion, is subject to change by Congress, administrative interpretation by the Department of the Treasury and to subsequent judicial interpretation. 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 ownership of the Bonds.

Not Qualified Tax-Exempt Obligations

The District has **not** designated the Bonds as “qualified tax-exempt obligations” within the meaning of Section 265(b) of the Code.

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 Law which is subject to change or modification retroactively.

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences. The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, including financial institutions, life insurance and property and casualty insurance companies, owners of interests in a FASIT, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, 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, and individuals allowed an earned income credit. THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIFIC 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.

Interest on the Bonds may be includable in the “adjusted financial statement income” of certain corporations determined under Section 56A of the Code to calculate the alternative minimum tax imposed by Section 55 of the Code.

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.

Tax Accounting Treatment of Original Issue Discount and Premium Bonds

The initial public offering price to be paid for one or more maturities of the Bonds may be less than the principal amount thereof or one or more periods for the payment of interest on the Bonds may not be equal to the accrued period or be in excess of one year (the “Original Issue Discount Bonds”). The difference between (i) the “stated redemption price at 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. The “stated redemption price at maturity” means the sum of all payments to be made on the Bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Bond continues to be owned by such owner. See “Tax Exemption” herein for a discussion of certain collateral federal tax consequences.

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 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 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 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.

The initial public offering price to be paid for certain maturities of the Bonds may be greater than the amount payable on such Bonds at maturity (the "Premium Bonds"). An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such initial purchaser must be reduced each year by the amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity. PURCHASERS OF THE PREMIUM BONDS SHOULD CONSULT WITH THEIR OWN TAX ADVISORS WITH RESPECT TO THE DETERMINATION OF AMORTIZABLE BOND PREMIUM WITH RESPECT TO THE PREMIUM BONDS FOR FEDERAL INCOME TAX PURPOSES AND WITH RESPECT TO THE STATE AND LOCAL TAX CONSEQUENCES OF OWNING PREMIUM 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 or Vice President and Secretary or Assistant Secretary of the Board, to the effect that no litigation of any nature has been filed or is then pending or to the knowledge of the District's certifying officers, threatened, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the issuance, execution or delivery of the Bonds; affecting the provisions made for the payment of or security for the Bonds; in any manner questioning the authority or proceedings for the issuance, execution, or delivery of the Bonds; or affecting the validity of the Bonds, the corporate existence or boundaries of the District or the title of the then present officers and directors of the Board.

NO MATERIAL ADVERSE CHANGE

The obligations of the Underwriter to take up and pay for the Bonds, and of the District to deliver the Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the financial condition of the District subsequent to the date of sale from that set forth in the Preliminary Official Statement, as it may have been finalized, supplemented or amended through the date of sale. The rating of the insurer's creditworthiness by any rating agency does not and will not in any manner affect the District's financial condition, and thus any change to such rating, including a downgrade thereof, at any time, does not and will not constitute a change,

material or otherwise, in the District's financial condition, and therefore cannot be a basis for termination by the Underwriter of its obligations to take up and pay for the Bonds

OFFICIAL STATEMENT

General

The information contained in this Official Statement has been obtained primarily from the District's records, the Developer, the Engineer, the Tax Assessor/Collector and other sources believed to be reliable; however, no representation is made as to the accuracy or completeness of the information contained herein that was obtained from sources other than the District. The summaries of the statutes, resolutions and engineering and other related reports set forth herein are included subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information.

The financial statements of the District as of February 28, 2025, and for the year then ended, included in this offering document, have been audited by Forvis Mazars, LLP, independent auditors, as stated in their report appearing herein. See "APPENDIX B."

Experts

The information contained in the Official Statement relating to engineering and to the description of the System, and, in particular, that engineering information included in the sections entitled "THE DISTRICT," "DEVELOPMENT OF THE DISTRICT," "FUTURE DEVELOPMENT," and "THE SYSTEM" has been provided by Elevation Land Solutions, The Woodlands, Texas. Such information has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

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

Certification as to Official Statement

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

Updating of Official Statement

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

Official Statement “Deemed Final”

For purposes of compliance with the Rule, 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.

This document, 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 the Rule.

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under the headings “SELECTED FINANCIAL INFORMATION” and “TAX DATA” and in “APPENDIX B - INDEPENDENT AUDITOR’S REPORT AND FINANCIAL STATEMENTS.” The District will update and provide this information within six months after the end of each fiscal year ending in or after 2026.

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

Event Notices

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

acquisition involving the District or other obligated person or the sale of all or substantially all of the assets of the District or other obligated person other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person, any of which reflect financial difficulties. The terms “obligated person” and “financial obligation” when used in this paragraph shall have the meanings ascribed to them under SEC Rule 15c2-12 (the “Rule”). The term “material” when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond 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 through its EMMA system at www.emma.msrb.org.

Limitations and Amendments

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

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

Compliance With Prior Undertakings

The District has complied in all material respects with its continuing disclosure agreement made by it in accordance with SEC Rule 15c2-12 in relation to the Series 2022 Road Bonds, except that the District failed to timely file notice of its Bond Anticipation Note, Series 2023, within ten business days of its occurrence on April 26, 2023. The District filed the appropriate notice of non-compliance on May 24, 2023.

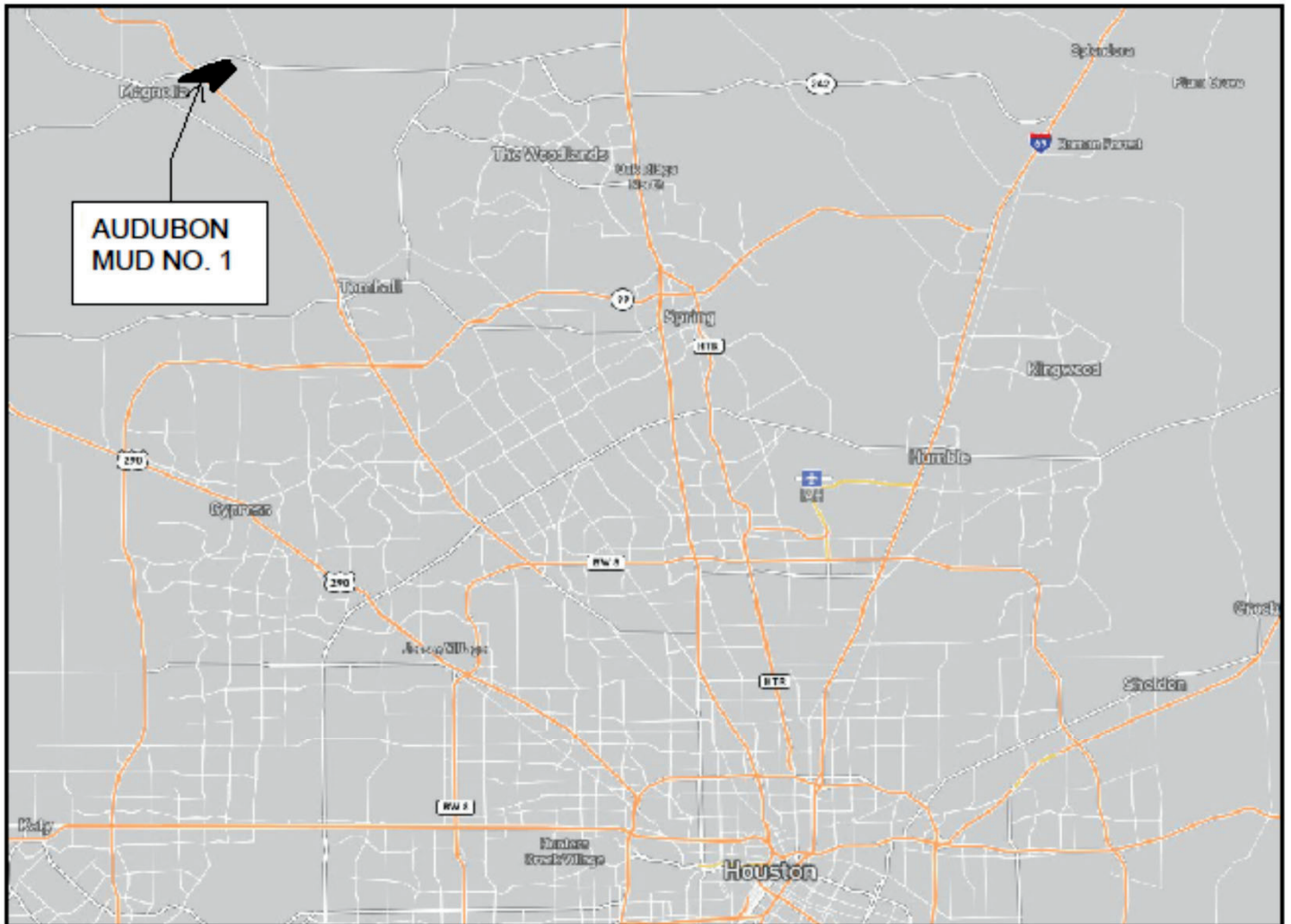
This Official Statement was approved by the Board of Directors of Audubon Municipal Utility District No. 1 as of the date shown on the first page hereof.

President, Board of Directors
Audubon Municipal Utility District No. 1

ATTEST:

Secretary, Board of Directors
Audubon Municipal Utility District No. 1

APPENDIX A
LOCATION MAP



AUDUBON MUNICIPAL UTILITY DISTRICT NO. 1
VICINITY MAP

APPENDIX B

AUDUBON MUNICIPAL UTILITY DISTRICT NO. 1

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

FEBRUARY 28, 2025



Audubon Municipal Utility District No. 1 Montgomery County, Texas

Independent Auditor's Report and Financial Statements

February 28, 2025



Audubon Municipal Utility District No. 1
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February 28, 2025

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Independent Auditor's Report

Board of Directors
Audubon Municipal Utility District No. 1
Montgomery County, Texas

Opinions

We have audited the financial statements of the governmental activities and each major fund of Audubon Municipal Utility District No. 1 (the District), as of and for the year ended February 28, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of February 28, 2025, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from

error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison schedule, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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 accompanying schedules required by the Texas Commission on Environmental Quality listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Forvis Mazars, LLP

Houston, Texas
July 14, 2025

Overview of the Financial Statements

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

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

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

Governmental Funds

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

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

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

Notes to Financial Statements

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

Financial Analysis of the District as a Whole

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

Summary of Net Position

	<u>2025</u>	<u>2024</u>
Current and other assets	\$ 4,356,420	\$ 3,614,727
Capital assets	<u>22,512,987</u>	<u>18,316,086</u>
Total assets	<u><u>\$ 26,869,407</u></u>	<u><u>\$ 21,930,813</u></u>
Long-term liabilities	\$ 37,936,674	\$ 35,481,405
Other liabilities	<u>497,496</u>	<u>599,976</u>
Total liabilities	<u>38,434,170</u>	<u>36,081,381</u>
Net position:		
Net investment in capital assets	(3,127,880)	(5,028,051)
Restricted	1,453,869	917,067
Unrestricted	<u>(9,890,752)</u>	<u>(10,039,584)</u>
Total net position	<u><u>\$ (11,564,763)</u></u>	<u><u>\$ (14,150,568)</u></u>

The total net position of the District increased by \$2,585,805, or approximately 18%. The majority of the increase in net position is related to other income. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Summary of Changes in Net Position

	<u>2025</u>	<u>2024</u>
Revenues:		
Property taxes	\$ 2,074,878	\$ 1,247,284
Charges for services	1,175,310	919,011
Other revenues	<u>2,963,770</u>	<u>544,271</u>
Total revenues	<u>6,213,958</u>	<u>2,710,566</u>
Expenses:		
Services	2,289,056	1,648,217
Conveyance of capital assets	-	3,043,149
Lease expense	20,700	67,275
Purchase of capacity	-	337,500
Depreciation	447,171	339,387
Debt service	<u>871,226</u>	<u>1,276,314</u>
Total expenses	<u>3,628,153</u>	<u>6,711,842</u>
Change in net position	2,585,805	(4,001,276)
Net position, beginning of year	<u>(14,150,568)</u>	<u>(10,149,292)</u>
Net position, end of year	<u><u>\$ (11,564,763)</u></u>	<u><u>\$ (14,150,568)</u></u>

Financial Analysis of the District's Funds

The District's combined fund balances as of the end of the fiscal year ended February 28, 2025, were \$3,766,825, an increase of \$854,565 from the prior year.

The general fund's fund balance increased by \$733,094, primarily due to property tax and service revenues exceeding service operations expenditures. In addition, tap connection and inspection fees revenues exceeded the related tap connections expenditures.

The debt service fund's fund balance increased by \$75,238, primarily due to property tax revenues and investment income exceeding bond interest requirements and contracted services expenditures.

The capital projects fund's fund balance increased by \$46,233, primarily due to proceeds from the sale of a bond anticipation note and investment income exceeding capital outlay expenditures and the repayment of developer advances.

General Fund Budgetary Highlights

There were several differences between the final budgetary amounts and actual amounts. The major differences between budget and actual were due to water and sewer service revenues and tap connection expenditures being greater than anticipated and property tax and tap connection and inspection fees revenues being less than anticipated. In addition, debt issuance costs were not included in the current year budget. The fund balance as of February 28, 2025, was expected to be \$1,346,538 and the actual end-of-year fund balance was \$1,335,814.

Capital Assets and Related Debt

Capital Assets

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

	<u>2025</u>	<u>2024</u>
Land and improvements	\$ 4,593,011	\$ 3,793,906
Water facilities	4,735,671	3,924,285
Wastewater facilities	5,772,635	4,401,888
Drainage facilities	6,139,103	4,892,401
Recreational facilities	<u>1,272,567</u>	<u>1,303,606</u>
Total capital assets	<u>\$ 22,512,987</u>	<u>\$ 18,316,086</u>

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

Audubon Creekside North, mass grading	\$ 799,105
Construction of water, sewer and drainage facilities to serve Audubon Creekside South, Sections 1-4, Audubon Park, Sections 1-5 and 7, Audubon Trace and Crest Way and Audubon Parkway, Phase 1	3,071,331
Sanitary sewer lift station	<u>773,636</u>
Total additions to capital assets	<u>\$ 4,644,072</u>

The developer within the District has constructed facilities on behalf of the District under the terms of the contracts with the District. The District has agreed to purchase these facilities from the proceeds of future bond issues subject to the approval of the Commission, if required. As of February 28, 2025, a liability for developer constructed capital assets of \$14,620,514 was recorded in the government-wide financial statements.

Since inception, the developer has advanced \$619,276 to the District for operations and \$865,967 to the District for construction, net of repayments. These advances have been recorded as liabilities in the government-wide financial statements.

Debt

The changes in the debt position of the District during the fiscal year ended February 28, 2025, are summarized as follows.

Long-term debt payable, beginning of year	\$ 35,481,405
Increases in long-term debt	11,410,393
Decreases in long-term debt	<u>(8,955,124)</u>
Long-term debt payable, end of year	<u><u>\$ 37,936,674</u></u>

At February 28, 2025, the District had \$665,000,000 of unlimited tax bonds authorized, but unissued, for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District, \$147,000,000 of unlimited tax bonds authorized, but unissued, for the purposes of constructing parks and recreational facilities and \$503,670,000 of unlimited tax bonds authorized, but unissued, for the purpose of constructing road and paving facilities.

The Series 2023 bonds carry a "AA" rating from Standard & Poor's by virtue of bond insurance issued by Assured Guaranty, Inc. The District's Series 2022 bonds are not rated.

Other Relevant Factors

Contingencies

The developer of the District is constructing water, sewer, drainage, recreational, and road and paving facilities within the boundaries of the District. The District has agreed to reimburse the developer for a portion of these costs, plus interest, from the proceeds of future bond sales, to the extent approved by the Commission, if required. The District's engineer has stated that current construction contract amounts are approximately \$2,310,000. This amount has not been recorded in the financial statements since the facilities are not complete or operational.

Audubon Municipal Utility District No. 1
Statement of Net Position and Governmental Funds Balance Sheet
February 28, 2025

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash	\$ 169,966	\$ 220,282	\$ 1,483	\$ 391,731	\$ -	\$ 391,731
Certificates of deposit	100,000	385,000	-	485,000	-	485,000
Short-term investments	1,195,223	869,925	1,021,097	3,086,245	-	3,086,245
Receivables:						
Property taxes	91,975	55,215	-	147,190	-	147,190
Service accounts	137,595	-	-	137,595	-	137,595
Accrued penalty and interest	-	-	-	-	22,787	22,787
Accrued interest	4,599	14,422	-	19,021	-	19,021
Interfund receivable	10,151	-	-	10,151	(10,151)	-
Due from others	56,002	-	-	56,002	-	56,002
Prepaid expenditures	10,849	-	-	10,849	-	10,849
Capital assets (net of accumulated depreciation):						
Land	-	-	-	-	4,593,011	4,593,011
Infrastructure	-	-	-	-	16,647,409	16,647,409
Parks and recreation	-	-	-	-	1,272,567	1,272,567
Total assets	\$ 1,776,360	\$ 1,544,844	\$ 1,022,580	\$ 4,343,784	\$ 22,525,623	\$ 26,869,407

Audubon Municipal Utility District No. 1
Statement of Net Position and Governmental Funds Balance Sheet
February 28, 2025

(Continued)

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
Liabilities						
Accounts payable	\$ 189,068	\$ 24,488	\$ 2,088	\$ 215,644	\$ -	\$ 215,644
Accrued interest payable	-	-	-	-	77,878	77,878
Customer deposits	140,218	-	-	140,218	-	140,218
Due to others	685	-	44,471	45,156	-	45,156
Unearned tap connection fees	18,600	-	-	18,600	-	18,600
Interfund payable	-	10,151	-	10,151	(10,151)	-
Long-term liabilities:						
Due within one year	-	-	-	-	110,000	110,000
Due after one year	-	-	-	-	37,826,674	37,826,674
Total liabilities	<u>348,571</u>	<u>34,639</u>	<u>46,559</u>	<u>429,769</u>	<u>38,004,401</u>	<u>38,434,170</u>
Deferred Inflows of Resources						
Deferred property tax revenues	<u>91,975</u>	<u>55,215</u>	<u>-</u>	<u>147,190</u>	<u>(147,190)</u>	<u>-</u>
Fund Balances/Net Position						
Fund balances:						
Nonspendable, prepaid expenditures	10,849	-	-	10,849	(10,849)	-
Restricted:						
Unlimited tax bonds	-	1,454,990	-	1,454,990	(1,454,990)	-
Water, sewer and drainage	-	-	976,021	976,021	(976,021)	-
Unassigned	<u>1,324,965</u>	<u>-</u>	<u>-</u>	<u>1,324,965</u>	<u>(1,324,965)</u>	<u>-</u>
Total fund balances	<u>1,335,814</u>	<u>1,454,990</u>	<u>976,021</u>	<u>3,766,825</u>	<u>(3,766,825)</u>	<u>-</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,776,360</u>	<u>\$ 1,544,844</u>	<u>\$ 1,022,580</u>	<u>\$ 4,343,784</u>		
Net position:						
Net investment in capital assets					(3,127,880)	(3,127,880)
Restricted for debt service					1,356,107	1,356,107
Restricted for capital projects					97,762	97,762
Unrestricted					<u>(9,890,752)</u>	<u>(9,890,752)</u>
Total net position					<u>\$ (11,564,763)</u>	<u>\$ (11,564,763)</u>

Audubon Municipal Utility District No. 1
Statement of Activities and Governmental Funds Revenues,
Expenditures and Changes in Fund Balances
Year Ended February 28, 2025

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues						
Property taxes	\$ 1,264,150	\$ 753,653	\$ -	\$ 2,017,803	\$ 57,075	\$ 2,074,878
Water service	488,025	-	-	488,025	-	488,025
Sewer service	470,960	-	-	470,960	-	470,960
Regional water fee	216,325	-	-	216,325	-	216,325
Penalty and interest	39,505	19,885	-	59,390	10,411	69,801
Tap connection and inspection fees	331,270	-	-	331,270	-	331,270
Investment income	35,024	60,539	51,361	146,924	-	146,924
Other income	19,485	379	-	19,864	2,395,911	2,415,775
Total revenues	2,864,744	834,456	51,361	3,750,561	2,463,397	6,213,958
Expenditures/Expenses						
Service operations:						
Purchased services	726,769	-	-	726,769	-	726,769
Regional water fee	211,964	-	-	211,964	-	211,964
Professional fees	194,896	5,664	-	200,560	201,005	401,565
Contracted services	230,665	31,654	-	262,319	4,723	267,042
Utilities	3,309	-	-	3,309	-	3,309
Repairs and maintenance	340,479	-	-	340,479	-	340,479
Other expenditures	77,583	14,650	410	92,643	-	92,643
Tap connections	245,285	-	-	245,285	-	245,285
Capital outlay	-	-	7,495,468	7,495,468	(7,495,468)	-
Lease payments	20,700	-	-	20,700	-	20,700
Depreciation	-	-	-	-	447,171	447,171
Debt service:						
Interest and fees	-	707,250	-	707,250	83,976	791,226
Debt issuance costs	80,000	-	-	80,000	-	80,000
Total expenditures/expenses	2,131,650	759,218	7,495,878	10,386,746	(6,758,593)	3,628,153
Excess (Deficiency) of Revenues Over Expenditures	733,094	75,238	(7,444,517)	(6,636,185)	9,221,990	
Other Financing Sources (Uses)						
Repayment of developer advances	-	-	(394,250)	(394,250)	394,250	
Bond anticipation note issued	-	-	7,885,000	7,885,000	(7,885,000)	
Total other financing sources	-	-	7,490,750	7,490,750	(7,490,750)	
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	733,094	75,238	46,233	854,565	(854,565)	
Change in Net Position					2,585,805	2,585,805
Fund Balances/Net Position						
Beginning of year	602,720	1,379,752	929,788	2,912,260	-	(14,150,568)
End of year	\$ 1,335,814	\$ 1,454,990	\$ 976,021	\$ 3,766,825	\$ -	\$ (11,564,763)

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

Audubon Municipal Utility District No. 1 (the District) was created as Montgomery County Municipal Utility District No. 131 by an order of the Texas Commission on Environmental Quality (the Commission), effective June 19, 2013, in accordance with the Texas Water Code, Chapter 54. The name of the District was changed to Audubon Municipal Utility District No. 1 effective March 1, 2023. The District operates in accordance with Chapters 49 and 54 of the Texas Water Code and is subject to the continuing supervision of the Commission. The principal functions of the District are to finance, construct, own and operate waterworks, wastewater, drainage, parks and recreational, and road and paving facilities and to provide such facilities and services to the customers of the District.

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

Reporting Entity

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

Government-Wide and Fund Financial Statements

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

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

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

The District presents the following major governmental funds:

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

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

Audubon Municipal Utility District No. 1
Notes to Financial Statements
February 28, 2025

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

Fund Balances – Governmental Funds

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

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

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

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

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

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

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

Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

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

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

Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and liabilities are generally included on the balance sheet. The statement of governmental funds revenues, expenditures and changes in fund balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in spendable resources. General capital asset acquisitions are reported as expenditures and proceeds of long-term debt are reported as other financing sources. Under the modified accrual basis of accounting, revenues are recognized when both measurable and available. The District considers revenues

Audubon Municipal Utility District No. 1
Notes to Financial Statements
February 28, 2025

reported in the governmental funds to be available if they are collectible within 60 days after year-end. Principal revenue sources considered susceptible to accrual include taxes, charges for services and investment income. Other revenues are considered to be measurable and available only when cash is received by the District. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized as expenditures when payment is due.

Deferred Outflows and Inflows of Resources

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

Interfund Transactions

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

Pension Costs

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and deferred inflows and outflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

Investments and Investment Income

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

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

Property Taxes

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

In the governmental funds, property taxes are initially recorded as receivables and deferred inflows of resources at the time the tax levy is billed. Revenues recognized during the fiscal year ended February 28, 2025, include collections during the current period or within 60 days of year-end related to the 2024 and prior years' tax levies.

Audubon Municipal Utility District No. 1
Notes to Financial Statements
February 28, 2025

In the government-wide statement of net position, property taxes are considered earned in the budget year for which they are levied. For the District's fiscal year ended February 28, 2025, the 2024 tax levy is considered earned during the current fiscal year. In addition to property taxes levied, any delinquent taxes are recorded net of amounts considered uncollectible.

Capital Assets

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

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

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

	<u>Years</u>
Water production and distribution facilities	10-45
Wastewater collection and treatment facilities	10-45
Drainage facilities	10-45
Park and recreational facilities	10-30

Debt Issuance Costs

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

Long-Term Obligations

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

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

Net Position/Fund Balances

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

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

Audubon Municipal Utility District No. 1
Notes to Financial Statements
February 28, 2025

Reconciliation of Government-Wide and Fund Financial Statements

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

Capital assets used in governmental activities are not financial resources and are not reported in the fund financial statements.	\$ 22,512,987
Property tax revenue recognition and the related reduction of deferred inflows of resources are subject to availability of funds in the fund financial statements.	147,190
Penalty and interest on delinquent taxes is not receivable in the current period and is not reportable in the fund financial statements.	22,787
Accrued interest payable is not payable with current financial resources and is not reported in the funds.	(77,878)
Long-term liabilities are not due and payable in the current period and are not reported in the fund financial statements.	<u>(37,936,674)</u>
Adjustment to fund balances to arrive at net position.	<u><u>\$ (15,331,588)</u></u>

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

Change in fund balances.	\$ 854,565
Governmental funds report capital outlays as expenditures. However, for government-wide financial statements, the cost of capitalized assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay expenditures exceeded depreciation expense and noncapitalized costs in the current period.	6,842,569
Governmental funds report developer advances as other financing sources or uses as amounts are received or paid. However, for government-wide financial statements, these amounts are recorded as an increase or decrease in due to developer.	394,250
Governmental funds report proceeds from the sales of bond anticipation notes because they provide current financial resources to governmental funds. Principal payments on debt are recorded as expenditures. None of these transactions, however, have any effect on net position.	(7,885,000)

Audubon Municipal Utility District No. 1
Notes to Financial Statements
February 28, 2025

Revenues that do not provide current financial resources are not reported as revenues for the funds, but are reported as revenues in the statement of activities.

\$ 2,463,397

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

(83,976)

Change in net position of governmental activities.

\$ 2,585,805

Note 2. Deposits, Investments and Investment Income

Deposits

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

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

At February 28, 2025, none of the District's bank balances were exposed to custodial credit risk.

Investments

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

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

The District invests in Texas CLASS, an external investment pool that is not registered with the Securities and Exchange Commission. A Board of Trustees, elected by the participants, has oversight of Texas CLASS. The District's investments may be redeemed at any time. Texas CLASS attempts to minimize its exposure to market and credit risk through the use of various strategies and credit monitoring techniques and limits its investments in any issuer to the top two ratings issued by nationally recognized statistical rating organizations. The District's investments in Texas CLASS are reported at net asset value.

At February 28, 2025, the District had the following investment and maturities.

Audubon Municipal Utility District No. 1
Notes to Financial Statements
February 28, 2025

Type	Maturities in Years				
	Fair Value	Less Than 1	1-5	6-10	More Than 10
Texas CLASS	\$ 3,086,245	\$ 3,086,245	\$ -	\$ -	\$ -

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

Credit Risk. Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At February 28, 2025, the District's investments in Texas CLASS were rated "AAAm" by Standard & Poor's.

Summary of Carrying Values

The carrying values of deposits and investments shown previously are included in the balance sheet at February 28, 2025, as follows:

Carrying value:	
Deposits	\$ 876,731
Investments	3,086,245
Total	<u>\$ 3,962,976</u>

Included in the following statement of net position captions:

Cash and cash equivalents	\$ 391,731
Certificates of deposit	485,000
Short-term investments	3,086,245
Total	<u>\$ 3,962,976</u>

Investment Income

Investment income of \$146,924 for the year ended February 28, 2025, consisted of interest income.

Fair Value Measurements

The District has the following recurring fair value measurements as of February 28, 2025:

- Pooled investments of \$3,086,245 are valued at fair value per share of the pool's underlying portfolio.

Note 3. Capital Assets

A summary of changes in capital assets for the year ended February 28, 2025, is presented as follows.

Audubon Municipal Utility District No. 1
Notes to Financial Statements
February 28, 2025

Governmental Activities	Balances, Beginning of Year	Additions	Balances, End of Year
Capital assets, non-depreciable:			
Land and improvements	\$ 3,793,906	\$ 799,105	\$ 4,593,011
Capital assets, depreciable:			
Water production and distribution facilities	4,089,609	923,024	5,012,633
Wastewater collection and treatment facilities	4,617,587	1,529,216	6,146,803
Drainage facilities	5,157,063	1,392,727	6,549,790
Recreational facilities	1,365,682	-	1,365,682
Total capital assets, depreciable	15,229,941	3,844,967	19,074,908
Less accumulated depreciation:			
Water production and distribution facilities	(165,324)	(111,638)	(276,962)
Wastewater collection and treatment facilities	(215,699)	(158,469)	(374,168)
Drainage facilities	(264,662)	(146,025)	(410,687)
Recreational facilities	(62,076)	(31,039)	(93,115)
Total accumulated depreciation	(707,761)	(447,171)	(1,154,932)
Total governmental activities, net	\$ 18,316,086	\$ 4,196,901	\$ 22,512,987

Note 4. Long-Term Liabilities

Changes in long-term liabilities for the year ended February 28, 2025, were as follows:

Governmental Activities	Balances, Beginning of Year	Increases	Decreases	Balances, End of Year	Amounts Due in One Year
Bonds payable:					
General obligation bonds	\$ 14,330,000	\$ -	\$ -	\$ 14,330,000	\$ 110,000
Less discounts on bonds	390,181	-	6,098	384,083	-
	13,939,819	-	(6,098)	13,945,917	110,000
Bond anticipation note	-	7,885,000	-	7,885,000	-
Due to developer, operating	1,013,526	-	394,250	619,276	-
Due to developer, construction advances	865,967	-	-	865,967	-
Due to developer, construction	19,662,093	3,525,393	8,566,972	14,620,514	-
Total governmental activities long-term liabilities	\$ 35,481,405	\$ 11,410,393	\$ 8,955,124	\$ 37,936,674	\$ 110,000

Audubon Municipal Utility District No. 1
Notes to Financial Statements
February 28, 2025

General Obligation Bonds

	Series 2022 Road	Series 2023
Amounts outstanding, February 28, 2025	\$5,330,000	\$9,000,000
Interest rates	4.00% to 5.00%	4.50% to 7.00%
Maturity dates, serially beginning/ending	September 1, 2025/2052	September 1, 2026/2053
Interest payment dates	March 1/September 1	March 1/September 1
Callable dates*	September 1, 2027	September 1, 2028

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

Annual Debt Service Requirements

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 this practice will be followed in future years. The schedule shows the annual debt service requirements to pay principal and interest on general obligation bonds outstanding at February 28, 2025.

Year	Principal	Interest	Total
2026	\$ 110,000	\$ 703,551	\$ 813,551
2027	240,000	694,674	934,674
2028	255,000	680,800	935,800
2029	265,000	666,126	931,126
2030	280,000	650,724	930,724
2031-2035	1,610,000	2,999,057	4,609,057
2036-2040	2,055,000	2,561,468	4,616,468
2041-2045	2,640,000	2,024,638	4,664,638
2046-2050	3,425,000	1,299,362	4,724,362
2051-2054	3,450,000	356,250	3,806,250
Total	<u>\$ 14,330,000</u>	<u>\$ 12,636,650</u>	<u>\$ 26,966,650</u>

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

Bonds voted:

Water, sewer and drainage facilities	\$ 674,000,000
Parks and recreational facilities	147,000,000
Road facilities	509,000,000
Refunding bonds	1,330,000,000

Bonds sold:

Water, sewer and drainage facilities	9,000,000
Road facilities	5,330,000

Audubon Municipal Utility District No. 1
Notes to Financial Statements
February 28, 2025

Bond Anticipation Note

On December 20, 2024, the District issued its Series 2024 bond anticipation note in the amount of \$7,885,000. The Note is dated December 20, 2024, bears interest at the rate of 5.15% and matures December 17, 2025, unless called for early redemption. The note is a special limited obligation of the District, is payable solely from proceeds from the sale of bonds, and has, therefore, been excluded from the current portion of long-term liabilities.

Due to Developer - Construction

The developer of the District has constructed facilities on behalf of the District. The District is maintaining and operating the facilities and has agreed to reimburse the developer for these construction costs and interest to the extent approved by the Commission from the proceeds of future bond sales, if required. The District's engineer estimates reimbursable costs for completed projects are \$14,620,514. These amounts have been recorded in the financial statements as long-term liabilities.

Due to Developer - Advances

The developer of the District has advanced \$619,276 to the District for operating expenses and \$865,967 to the District for construction, net of repayments. The District has agreed to pay these amounts, plus interest, to the extent approved by the Commission from the proceeds of future bond sales. These amounts have been recorded in the financial statements as long-term liabilities.

Note 5. Significant Bond Order and Commission Requirements

- (A) 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. During the year ended February 28, 2025, the District levied an ad valorem debt service tax at the rate of \$0.4300 per \$100 of assessed valuation, which resulted in a tax levy of \$772,658 on the taxable valuation of \$179,688,085 for the 2024 tax year. The principal and interest requirements to be paid from the tax revenues are \$815,750 of which \$352,875 has been paid and \$462,875 is due September 1, 2025.
- (B) In accordance with the Series 2023 Bond Order, a portion of the bond proceeds was deposited into the debt service fund and reserved for the payment of interest during the construction period. The bond interest reserve is reduced as the interest is paid.

Bond interest reserve, beginning of year	\$ 555,026
Deductions--Appropriation from bond interest paid, Series 2023	<u>(456,019)</u>
Bond interest reserve, end of year	<u>\$ 99,007</u>

Note 6. Maintenance Taxes

At an election held May 7, 2016, voters authorized a maintenance tax not to exceed \$1.50 per \$100 of assessed valuation on all property within the District subject to taxation. During the year ended February 28, 2025, the District levied an ad valorem maintenance tax at the rate of \$0.7200 per \$100 of assessed valuation, which resulted in a tax levy of \$1,293,753 on the taxable valuation of \$179,688,085 for the 2024 tax year. The maintenance tax is being used by the general fund to pay expenditures of operating the District.

Note 7. Strategic Partnership Agreement

The District and the City of Magnolia (the City) approved a Strategic Partnership Agreement (the Agreement) under which the City is required to annex a tract of land (the tract) within the boundaries of the District for limited purposes. To the knowledge of the District, the City has not annexed the tract for limited purposes or commenced any action to annex the tract for limited purposes. The District continues to exercise all powers and functions of a municipal utility district as provided by law. The City agrees to remit three-quarters of all City sales and use tax revenues generated within the boundaries of the tract to the District. The City may not annex the District for full purposes or commence any action to annex the District until the 30th anniversary of the effective date of the limited purpose annexation of the tract. During the current year, the District did not record any revenues related to the Agreement.

Note 8. Contract With City of Magnolia

Effective January 13, 2015, and as amended June 12, 2018 and April 12, 2022, and supplemented September 19, 2020, November 9, 2021, and February 14, 2023, the District, Audubon Municipal Utility District No. 2, Audubon Municipal Utility District No. 3, Audubon Municipal Utility District No. 4 and Audubon Management District (collectively the "Districts"), Audubon Magnolia Development, LLC (Audubon) and the City entered into a Wholesale Water Supply and Sanitary Sewer Agreement (Service Agreement), to secure wholesale water supply and sanitary sewer collection and treatment services for the benefit of the land within the jurisdictional boundaries of the Districts. Pursuant to the terms and conditions of the Service Agreement, the City will provide wholesale water supply and sanitary sewer treatment capacities to the Districts in phases, with the ultimate phase to include water supply and sanitary sewer treatment capacities sufficient to facilitate full development of the property owned by Audubon. Pursuant to the terms and conditions of the Service Agreement, the Districts will, with respect to each of the equivalent single-family connections (ESFCs) beyond the first 200 ESFCs provided to the Districts, which are provided at no additional cost to the Districts, be required to pay wholesale capacity charges to the City: (i) in the amounts of \$1,500 and \$3,000 for water and sewer connections, respectively, for the next 400 ESFCs in excess of the first 200 ESFCs requested, and (ii) in the amounts equal to the City's impact fees as set forth in the City's Impact Fee Ordinance as of the date of the request for such ESFCs. The City will bill the Districts for water and sewer services provided at a rate equal to the City's water and sanitary sewer rates for each equivalent sized connection inside the corporate limits of the City. For the year ended February 28, 2025, the District incurred costs of \$726,769 for purchased water and sewer services.

In addition, the Service Agreement requires the District to pay surcharges to the City for the San Jacinto River Authority Groundwater Reduction Plan fees and Lone Star Groundwater Conservation District fees. During the year ended February 28, 2025, the District incurred \$211,964 in fees for groundwater withdrawal.

Note 9. Risk Management

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

Note 10. Contingencies

The developer of the District is constructing water, sewer, drainage, recreational, and road and paving facilities within the boundaries of the District. The District has agreed to reimburse the developer for these costs, plus interest, from the proceeds of future bond sales, to the extent approved by the Commission, if required. The District's engineer has stated that current construction contract amounts are approximately \$2,310,000. This amount has not been recorded in the financial statements since the facilities are not complete or operational.

Required Supplementary Information

Audubon Municipal Utility District No. 1
Budgetary Comparison Schedule – General Fund
Year Ended February 28, 2025

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Property taxes	\$ 752,963	\$ 1,327,648	\$ 1,264,150	\$ (63,498)
Water service	402,400	402,400	488,025	85,625
Sewer service	344,800	344,800	470,960	126,160
Regional water fee	189,200	189,200	216,325	27,125
Penalty and interest	17,400	17,400	39,505	22,105
Tap connection and inspection fees	414,200	414,200	331,270	(82,930)
Investment income	10,300	10,300	35,024	24,724
Other income	11,400	11,400	19,485	8,085
Total revenues	<u>2,142,663</u>	<u>2,717,348</u>	<u>2,864,744</u>	<u>147,396</u>
Expenditures				
Service operations:				
Purchased services	735,500	735,500	726,769	8,731
Regional water fee	239,700	239,700	211,964	27,736
Professional fees	237,200	237,200	194,896	42,304
Contracted services	188,100	188,100	230,665	(42,565)
Utilities	200	200	3,309	(3,109)
Repairs and maintenance	312,100	342,100	340,479	1,621
Other expenditures	75,280	77,280	77,583	(303)
Tap connections	122,400	122,400	245,285	(122,885)
Lease expense	31,050	31,050	20,700	10,350
Debt service, debt issuance costs	-	-	80,000	(80,000)
Total expenditures	<u>1,941,530</u>	<u>1,973,530</u>	<u>2,131,650</u>	<u>(158,120)</u>
Excess of Revenues Over Expenditures	<u>201,133</u>	<u>743,818</u>	<u>733,094</u>	<u>(10,724)</u>
Fund Balance, Beginning of Year	<u>602,720</u>	<u>602,720</u>	<u>602,720</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 803,853</u>	<u>\$ 1,346,538</u>	<u>\$ 1,335,814</u>	<u>\$ (10,724)</u>

Budgets and Budgetary Accounting

An annual operating budget is prepared for the general fund by the District's consultants. The budget reflects resources expected to be received during the year and expenditures expected to be incurred. The Board of Directors is required to adopt the budget prior to the start of its fiscal year. The budget is not a spending limitation (a legally restricted appropriation). The original budget of the general fund was amended during fiscal 2025.

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

Supplementary Information

Audubon Municipal Utility District No. 1
Other Schedules Included Within This Report
February 28, 2025

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

- [X] Notes Required by the Water District Accounting Manual
See "Notes to Financial Statements," Pages 11-22
- [X] Schedule of Services and Rates
- [X] Schedule of General Fund Expenditures
- [X] Schedule of Temporary Investments
- [X] Analysis of Taxes Levied and Receivable
- [X] Schedule of Long-Term Debt Service Requirements by Years
- [X] Changes in Long-Term Bonded Debt
- [X] Comparative Schedules of Revenues and Expenditures – General Fund and Debt Service Fund
- [X] Board Members, Key Personnel and Consultants

Audubon Municipal Utility District No. 1
Schedule of Services and Rates
Year Ended February 28, 2025

1. Services provided by the District:

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

2. Retail service providers

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

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate Per 1,000 Gallons Over Minimum</u>	<u>Usage Levels</u>
Water:	\$ 23.10	1,000	N	\$ 4.02	1,001 to No Limit
Wastewater:	\$ 46.03	1,000	N	\$ 3.30	1,001 to No Limit
Regional water fee:	\$ 3.16	-	N		

Does the District employ winter averaging for wastewater usage?

Yes ☐ No ☒

Total charges per 10,000 gallons usage (including fees):

Water \$ 90.88

Wastewater \$ 75.73

b. Water and wastewater retail connections:

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFC*</u>
Unmetered	-	-	x1.0	-
≤ 3/4"	684	674	x1.0	674
1"	7	7	x2.5	18
1 1/2"	1	1	x5.0	5
2"	14	14	x8.0	112
3"	-	-	x15.0	-
4"	-	-	x25.0	-
6"	-	-	x50.0	-
8"	-	-	x80.0	-
10"	-	-	x115.0	-
Total water	706	696		809
Total wastewater	683	674	x1.0	674

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

Gallons pumped into the system:	72,914
Gallons billed to customers:	72,914
Water accountability ratio (gallons billed/gallons pumped):	100.00%

**ESFC" means equivalent single-family connections

Audubon Municipal Utility District No. 1
Schedule of General Fund Expenditures
Year Ended February 28, 2025

Personnel (including benefits)		\$	-
Professional Fees			
Auditing	\$	21,100	
Legal		75,011	
Engineering		98,785	
Financial advisor		-	194,896
Purchased Services for Resale			
Bulk water and wastewater service purchases			726,769
Regional Water Fee			211,964
Contracted Services			
Bookkeeping		65,993	
General manager		-	
Appraisal district		-	
Tax collector		-	
Security		-	
Other contracted services		60,472	126,465
Utilities			3,309
Repairs and Maintenance			340,479
Administrative Expenditures			
Directors' fees		9,061	
Office supplies		8,553	
Insurance		10,221	
Other administrative expenditures		49,748	77,583
Capital Outlay			
Capitalized assets		-	
Expenditures not capitalized		-	-
Tap Connection Expenditures			245,285
Solid Waste Disposal			104,200
Fire Fighting			-
Parks and Recreation			-
Other Expenditures			100,700
Total expenditures		\$	<u><u>2,131,650</u></u>

Audubon Municipal Utility District No. 1
Schedule of Temporary Investments
February 28, 2025

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Face Amount</u>	<u>Accrued Interest Receivable</u>
General Fund				
Certificates of Deposit				
No. 6000068046	5.50%	04/26/25	\$ 50,000	\$ 2,321
No. 6550140226	5.40%	03/21/25	50,000	2,278
Texas CLASS	4.49%	Demand	1,195,223	-
			<u>1,295,223</u>	<u>4,599</u>
Debt Service Fund				
Certificates of Deposit				
No. 91300012201118	5.25%	06/16/25	235,000	8,687
No. 9009005342	5.15%	06/01/25	150,000	5,735
Texas CLASS	4.49%	Demand	794,857	-
Texas CLASS	4.49%	Demand	75,068	-
			<u>1,254,925</u>	<u>14,422</u>
Capital Projects Fund				
Texas CLASS	4.49%	Demand	80,160	-
Texas CLASS	4.49%	Demand	901,971	-
Texas CLASS	4.49%	Demand	38,966	-
			<u>1,021,097</u>	<u>-</u>
Totals			<u>\$ 3,571,245</u>	<u>\$ 19,021</u>

Audubon Municipal Utility District No. 1
Analysis of Taxes Levied and Receivable
Year Ended February 28, 2025

	Maintenance Taxes	Debt Service Taxes
Receivable, Beginning of Year	\$ 56,961	\$ 33,154
Additions and corrections to prior years' taxes	5,411	3,056
Adjusted receivable, beginning of year	62,372	36,210
2024 Original Tax Levy	1,307,803	781,049
Additions and corrections	(14,050)	(8,391)
Adjusted tax levy	1,293,753	772,658
Total to be accounted for	1,356,125	808,868
Tax collections: Current year	(1,214,938)	(725,588)
Prior years	(49,212)	(28,065)
Receivable, end of year	\$ 91,975	\$ 55,215
Receivable, by Years		
2024	\$ 78,815	\$ 47,070
2023	11,106	6,390
2022	2,054	1,755
Receivable, end of year	\$ 91,975	\$ 55,215

Audubon Municipal Utility District No. 1
Analysis of Taxes Levied and Receivable
Year Ended February 28, 2025

(Continued)

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Property Valuations				
Land	\$ 61,207,746	\$ 38,498,221	\$ 24,345,851	\$ 6,706,811
Improvements	130,632,698	73,705,250	20,912,730	517,850
Personal property	456,256	272,748	86,447	-
Exemptions	<u>(12,608,615)</u>	<u>(4,016,711)</u>	<u>(1,735,849)</u>	<u>(7,171)</u>
Total property valuations	<u>\$ 179,688,085</u>	<u>\$ 108,459,508</u>	<u>\$ 43,609,179</u>	<u>\$ 7,217,490</u>
Tax Rates per \$100 Valuation				
Debt service tax rates	\$ 0.4300	\$ 0.4200	\$ 0.5300	\$ -
Maintenance tax rates*	<u>0.7200</u>	<u>0.7300</u>	<u>0.6200</u>	<u>1.1500</u>
Total tax rates per \$100 valuation	<u>\$ 1.1500</u>	<u>\$ 1.1500</u>	<u>\$ 1.1500</u>	<u>\$ 1.1500</u>
Tax Levy	<u>\$ 2,066,411</u>	<u>\$ 1,247,284</u>	<u>\$ 501,505</u>	<u>\$ 83,001</u>
Percent of Taxes Collected to Taxes Levied**	<u>94%</u>	<u>98%</u>	<u>99%</u>	<u>100%</u>

*Maximum tax rate approved by voters: \$1.50 on May 7, 2016

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

Audubon Municipal Utility District No. 1
Schedule of Long-Term Debt Service Requirements by Years
February 28, 2025

Due During Fiscal Years Ending February 28	Series 2022 Road		
	Principal Due September 1	Interest Due March 1, September 1	Total
2026	\$ 110,000	\$ 247,532	\$ 357,532
2027	115,000	243,031	358,031
2028	115,000	238,431	353,431
2029	120,000	233,732	353,732
2030	125,000	228,831	353,831
2031	135,000	223,631	358,631
2032	140,000	217,956	357,956
2033	145,000	211,900	356,900
2034	150,000	205,632	355,632
2035	155,000	199,053	354,053
2036	160,000	192,062	352,062
2037	165,000	184,750	349,750
2038	170,000	177,213	347,213
2039	180,000	169,337	349,337
2040	185,000	160,894	345,894
2041	195,000	151,869	346,869
2042	200,000	142,487	342,487
2043	205,000	132,869	337,869
2044	215,000	122,625	337,625
2045	225,000	111,625	336,625
2046	230,000	100,250	330,250
2047	240,000	88,500	328,500
2048	250,000	76,250	326,250
2049	260,000	63,500	323,500
2050	270,000	50,250	320,250
2051	280,000	36,500	316,500
2052	290,000	22,250	312,250
2053	300,000	7,500	307,500
Totals	<u>\$ 5,330,000</u>	<u>\$ 4,240,460</u>	<u>\$ 9,570,460</u>

The District has been paying the amount due March 1 prior to that date. The schedule shows the amounts due within the fiscal years assuming this practice will continue in the future.

Audubon Municipal Utility District No. 1
Schedule of Long-Term Debt Service Requirements by Years
February 28, 2025

(Continued)

Due During Fiscal Years Ending February 28	Series 2023		
	Principal Due September 1	Interest Due March 1, September 1	Total
2026	\$ -	\$ 456,019	\$ 456,019
2027	125,000	451,643	576,643
2028	140,000	442,369	582,369
2029	145,000	432,394	577,394
2030	155,000	421,893	576,893
2031	160,000	410,869	570,869
2032	165,000	399,494	564,494
2033	175,000	387,922	562,922
2034	185,000	376,575	561,575
2035	200,000	366,025	566,025
2036	210,000	356,300	566,300
2037	225,000	346,512	571,512
2038	240,000	336,050	576,050
2039	250,000	325,025	575,025
2040	270,000	313,325	583,325
2041	280,000	300,950	580,950
2042	300,000	287,900	587,900
2043	320,000	273,750	593,750
2044	340,000	258,488	598,488
2045	360,000	242,075	602,075
2046	385,000	224,381	609,381
2047	410,000	205,500	615,500
2048	435,000	185,431	620,431
2049	460,000	164,175	624,175
2050	485,000	141,125	626,125
2051	515,000	116,125	631,125
2052	550,000	89,500	639,500
2053	585,000	61,125	646,125
2054	930,000	23,250	953,250
Totals	\$ 9,000,000	\$ 8,396,190	\$ 17,396,190

The District has been paying the amount due March 1 prior to that date. The schedule shows the amounts due within the fiscal years assuming this practice will continue in the future.

Audubon Municipal Utility District No. 1
Schedule of Long-Term Debt Service Requirements by Years
February 28, 2025

(Continued)

Due During Fiscal Years Ending February 28	Annual Requirements For All Series		
	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2026	\$ 110,000	\$ 703,551	\$ 813,551
2027	240,000	694,674	934,674
2028	255,000	680,800	935,800
2029	265,000	666,126	931,126
2030	280,000	650,724	930,724
2031	295,000	634,500	929,500
2032	305,000	617,450	922,450
2033	320,000	599,822	919,822
2034	335,000	582,207	917,207
2035	355,000	565,078	920,078
2036	370,000	548,362	918,362
2037	390,000	531,262	921,262
2038	410,000	513,263	923,263
2039	430,000	494,362	924,362
2040	455,000	474,219	929,219
2041	475,000	452,819	927,819
2042	500,000	430,387	930,387
2043	525,000	406,619	931,619
2044	555,000	381,113	936,113
2045	585,000	353,700	938,700
2046	615,000	324,631	939,631
2047	650,000	294,000	944,000
2048	685,000	261,681	946,681
2049	720,000	227,675	947,675
2050	755,000	191,375	946,375
2051	795,000	152,625	947,625
2052	840,000	111,750	951,750
2053	885,000	68,625	953,625
2054	930,000	23,250	953,250
Totals	<u>\$ 14,330,000</u>	<u>\$ 12,636,650</u>	<u>\$ 26,966,650</u>

Audubon Municipal Utility District No. 1
Changes in Long-Term Bonded Debt
Year Ended February 28, 2025

	Bond Issues			
	Series 2022 Road	Series 2023	Totals	
Interest rates	4.00% to 5.00%	4.50% to 7.00%		
Dates interest payable	March 1/ September 1	March 1/ September 1		
Maturity dates	September 1, 2025/2052	September 1, 2026/2053		
Bonds outstanding, beginning of current year	\$ 5,330,000	\$ 9,000,000	\$ 14,330,000	
Retirements, principal	-	-	-	
Bonds outstanding, end of current year	<u>\$ 5,330,000</u>	<u>\$ 9,000,000</u>	<u>\$ 14,330,000</u>	
Interest paid during current year	<u>\$ 249,731</u>	<u>\$ 456,019</u>	<u>\$ 705,750</u>	
Paying agent's name and address:				
Series 2022 - <u>The Bank of New York Mellon Trust Company, N.A., Houston, Texas</u>				
Series 2023 - <u>The Bank of New York Mellon Trust Company, N.A., Houston, Texas</u>				
Bond authority:				
	Tax Bonds	Park Bonds	Road Bonds	Refunding Bonds
Amount authorized by voters	\$ 674,000,000	\$ 147,000,000	\$ 509,000,000	\$ 1,330,000,000
Amount issued	\$ 9,000,000	\$ -	\$ 5,330,000	\$ -
Remaining to be issued	<u>\$ 665,000,000</u>	<u>\$ 147,000,000</u>	<u>\$ 503,670,000</u>	<u>\$ 1,330,000,000</u>
Debt service fund cash and temporary investment balances as of February 29, 2025:				<u>\$ 1,475,207</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:				<u>\$ 929,884</u>

Audubon Municipal Utility District No. 1
Comparative Schedule of Revenues and Expenditures – General Fund
Year Ended February 28, 2025, Year Ended February 29, 2024 and Three Years
Ended February 28, 2023, 2022 and 2021

	Amounts				
	2025	2024	2023	2022	2021
General Fund					
Revenues					
Property taxes	\$ 1,264,150	\$ 754,021	\$ 253,855	\$ 80,325	\$ 3,543
Water service	488,025	390,676	196,066	41,629	-
Sewer service	470,960	334,741	225,215	58,755	-
Regional water fee	216,325	193,594	99,815	15,831	-
Penalty and interest	39,505	16,894	13,271	3,162	-
Tap connection and inspection fees	331,270	385,007	664,977	318,215	-
Investment income	35,024	5,813	1,055	54	129
Other income	19,485	11,090	64,968	23,869	249,329
Total revenues	2,864,744	2,091,836	1,519,222	541,840	253,001
Expenditures					
Service operations:					
Purchased services	726,769	540,790	334,379	70,183	-
Regional water fee	211,964	182,798	100,549	15,859	-
Professional fees	194,896	230,530	248,293	256,173	415,826
Contracted services	230,665	179,106	117,364	41,706	17,566
Utilities	3,309	4,005	-	-	-
Repairs and maintenance	340,479	255,079	344,337	132,383	-
Other expenditures	77,583	52,060	48,113	33,534	13,751
Tap connections	245,285	158,337	259,061	136,165	-
Lease payments	20,700	67,275	25,875	-	-
Debt service, debt issuance costs	80,000	16,969	-	-	-
Total expenditures	2,131,650	1,686,949	1,477,971	686,003	447,143
Excess (Deficiency) of Revenues Over Expenditures	733,094	404,887	41,251	(144,163)	(194,142)
Other Financing Sources (Uses)					
Interfund transfers out	-	(2,140)	(4,562)	(300)	-
Repayment of developer advances	-	-	-	-	(249,329)
Developer advances	-	110,000	125,000	116,000	425,026
Total other financing sources	-	107,860	120,438	115,700	175,697
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	733,094	512,747	161,689	(28,463)	(18,445)
Fund Balance (Deficit), Beginning of Year	602,720	89,973	(71,716)	(43,253)	(24,808)
Fund Balance (Deficit), End of Year	\$ 1,335,814	\$ 602,720	\$ 89,973	\$ (71,716)	\$ (43,253)
Total Active Retail Water Connections	696	542	392	185	-
Total Active Retail Wastewater Connections	674	521	377	182	-

Percent of Fund Total Revenues				
2025	2024	2023	2022	2021
44.1 %	36.1 %	16.7 %	14.8 %	1.0 %
17.0	18.7	12.9	7.7	-
16.4	16.0	14.8	10.9	-
7.6	9.2	6.5	2.9	-
1.4	0.8	0.9	0.6	-
11.6	18.4	43.8	58.7	-
1.2	0.3	0.1	0.0	0.0
0.7	0.5	4.3	4.4	99.0
100.0	100.0	100.0	100.0	100.0
25.4	25.9	22.0	13.0	-
7.4	8.7	6.6	2.9	-
6.8	11.0	16.3	47.3	164.4
8.0	8.5	7.7	7.7	6.9
0.1	0.2	-	-	-
11.9	12.2	22.7	24.4	-
2.7	2.5	3.2	6.2	5.4
8.6	7.6	17.1	25.1	-
0.7	3.2	1.7	-	-
2.8	0.8	-	-	-
74.4	80.6	97.3	126.6	176.7
25.6 %	19.4 %	2.7 %	(26.6) %	(76.7) %

Audubon Municipal Utility District No. 1
Comparative Schedule of Revenues and Expenditures – Debt Service Fund
Year Ended February 28, 2025, Year Ended February 29, 2024 and Year
Ended February 28, 2023

	Amounts		
	2025	2024	2023
Debt Service Fund			
Revenues			
Property taxes	\$ 753,653	\$ 438,240	\$ 215,264
Penalty and interest	19,885	7,479	577
Investment income	60,539	41,355	5,976
Other income	379	23,025	141,099
Total revenues	834,456	510,099	362,916
Expenditures			
Current:			
Professional fees	5,664	585	123
Contracted services	31,654	18,741	15,951
Other expenditures	14,650	10,762	12,760
Debt service, interest and fees	707,250	437,955	90,874
Total expenditures	759,218	468,043	119,708
Excess of Revenues Over Expenditures	75,238	42,056	243,208
Other Financing Sources			
Interfund transfers in	-	-	11,988
General obligation bonds issued	-	742,500	340,000
Total other financing sources	-	742,500	351,988
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	75,238	784,556	595,196
Fund Balance, Beginning of Year	1,379,752	595,196	-
Fund Balance, End of Year	\$ 1,454,990	\$ 1,379,752	\$ 595,196

Percent of Fund Total Revenues

2025	2024	2023
90.3 %	85.9 %	59.3 %
2.4	1.5	0.2
7.3	8.1	1.6
0.0	4.5	38.9
100.0	100.0	100.0
0.7	0.1	0.0
3.8	3.7	4.4
1.8	2.1	3.5
84.7	85.9	25.1
91.0	91.8	33.0
9.0 %	8.2 %	67.0 %

Audubon Municipal Utility District No. 1
Board Members, Key Personnel and Consultants
Year Ended February 28, 2025

Complete District mailing address:	Audubon Municipal Utility District No. 1 c/o Schwartz, Page & Harding, L.L.P. 1300 Post Oak Boulevard, Suite 2400 Houston, Texas 77056
District business telephone number:	713.623.4531
Submission date of the most recent District Registration Form (TWC Sections 36.054 and 49.054):	May 29, 2024
Limit on fees of office that a director may receive during a fiscal year:	\$ 7,200

Board Members	Term of Office Elected & Expires	Fees*	Expense Reimbursements	Title at Year-End
Kristen McDade	Elected 05/24- 05/28	\$ 1,547	\$ -	President
Kermit U. Smith	Elected 05/22- 05/26	1,989	-	Vice President
Nelson Gaez	Elected 05/24- 05/28	1,768	-	Secretary
Michael Ammel	Elected 05/24- 05/28	1,105	-	Assistant Secretary
Angie Hartwell	Appointed 10/23- 05/26	2,652	1,766	Assistant Secretary

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

Audubon Municipal Utility District No. 1
Board Members, Key Personnel and Consultants
Year Ended February 28, 2025

(Continued)

Consultants	Date Hired	Fees and Expense Reimbursements	Title
Elevation Land Solutions	03/27/19	\$ 179,722	Engineer
Forvis Mazars, LLP	02/26/20	21,700	Auditor
Montgomery Central Appraisal District	Legislative Action	12,622	Appraiser
Municipal Accounts & Consulting, L.P.	06/25/14	72,772	Bookkeeper
Municipal Operations & Consulting, Inc.	01/22/20	715,766	Operator
Rathmann & Associates, LP	06/25/14	78,850	Financial Advisor
Schwartz, Page & Harding, L.L.P.	06/25/14	143,396 78,934	General Counsel Bond Counsel
Wheeler & Associates, Inc.	01/15/16	31,590	Tax Assessor/ Collector
Investment Officers			
Mark M. Burton and Ghia Lewis	01/29/15	N/A	Bookkeepers

