

PRELIMINARY OFFICIAL STATEMENT DATED JANUARY 20, 2026

IN THE OPINION OF BOND COUNSEL (AS DEFINED HEREIN), BASED UPON AN ANALYSIS OF EXISTING LAWS, REGULATIONS, RULINGS AND COURT DECISIONS, AND ASSUMING, AMONG OTHER MATTERS, THE ACCURACY OF CERTAIN REPRESENTATIONS AND COMPLIANCE WITH CERTAIN COVENANTS, INTEREST ON THE BONDS (AS DEFINED HEREIN) IS EXCLUDED FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER SECTION 103 OF THE INTERNAL REVENUE CODE OF 1986. IN THE FURTHER OPINION OF BOND COUNSEL, INTEREST ON THE BONDS IS NOT A SPECIFIC PREFERENCE ITEM FOR PURPOSES OF FEDERAL INDIVIDUAL ALTERNATIVE MINIMUM TAX. BOND COUNSEL OBSERVES THAT, FOR TAX YEARS BEGINNING AFTER DECEMBER 31, 2022, INTEREST ON THE BONDS INCLUDED IN ADJUSTED FINANCIAL STATEMENT INCOME OF CERTAIN CORPORATIONS IS NOT EXCLUDED FROM THE FEDERAL CORPORATE ALTERNATIVE MINIMUM TAX. BOND COUNSEL EXPRESSES NO OPINION REGARDING ANY OTHER TAX CONSEQUENCES RELATED TO THE OWNERSHIP OR DISPOSITION OF, OR THE AMOUNT, ACCRUAL OR RECEIPT OF INTEREST ON, THE BONDS. SEE "TAX MATTERS" HEREIN.

The District will designate the Bonds as "qualified tax-exempt obligations" for purposes of the calculation of interest expense by financial institutions which may own the Bonds. See "TAX MATTERS -- Qualified Tax-Exempt Obligations for Financial Institutions."

**NEW ISSUE
BOOK-ENTRY-ONLY
CUSIP No. 613715**

RATINGS: (Moody's--underlying) "A3"

**MONTGOMERY COUNTY WATER CONTROL
& IMPROVEMENT DISTRICT NO. 1**

(A political subdivision of the State of Texas located within Montgomery County, Texas)

\$10,000,000

UNLIMITED TAX BONDS, SERIES 2026

Bonds Dated: March 1, 2026

Due: March 1, as shown on inside cover

The \$10,000,000 Unlimited Tax Bonds, Series 2026 (the "Bonds") are obligations solely of Montgomery County Water Control & Improvement District No. 1 (the "District") and are not obligations of the State of Texas; Montgomery County, Texas; the City of Houston, Texas; or any other political subdivision or agency. See "THE BONDS--Source of and Security for Payment."

Interest on the Bonds will accrue from March 1, 2026, and will be payable September 1, 2026 and each March 1 and September 1 thereafter (each an "Interest Payment Date"). Interest on the Bonds will be calculated on the basis of a 360-day year of twelve 30-day months. The Bonds are issuable only in fully registered form in principal denominations of \$5,000 or integral multiples thereof initially registered solely in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), acting as securities depository for the Bonds, until DTC resigns or is discharged. The Bonds initially will be available to purchasers in book-entry form only. So long as Cede & Co. is the registered owner of the Bonds, as nominee for DTC, the Bonds shall be payable to Cede & Co., which will in turn, remit such amount to DTC participants for subsequent disbursement to the beneficial owners of the Bonds. See "THE BONDS--Book-Entry-Only System."

Principal of, interest on and the redemption price for the Bonds are payable by UMB Bank, N.A., Houston, Texas or any successor paying agent/registrar (the "Paying Agent/Registrar"). Interest on the Bonds will be payable by check mailed on or before the Interest Payment Date to registered owners (the "Registered Owners") shown on the records of the Paying Agent/Registrar on the fifteenth (15th) day of the month preceding each Interest Payment Date or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and the Registered Owner at the risk and expense of the Registered Owner. See "THE BONDS--Description."

SEE INSIDE COVER PAGE FOR MATURITY SCHEDULE

The Bonds, when issued, will constitute valid and legally binding obligations of the District and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. See "THE BONDS--Source of and Security for Payment." The Bonds are subject to special risk factors described herein. See "RISK FACTORS." **Neither the State of Texas, Montgomery County, Texas, the City of Houston, Texas, nor any political subdivision other than the District shall be obligated to pay the principal of and interest on the Bonds.**

The Bonds will be delivered when, as, and if issued by the District and accepted by the initial purchaser of the Bonds (the "Underwriter"), subject, amongst other things, to the approval of the Bonds by the Attorney General of the State of Texas and by the approval of certain legal matters by Roach & Associates, PLLC, The Woodlands, Texas, ("Bond Counsel") and Orrick, Herrington & Sutcliffe LLP, ("Disclosure Counsel"), Houston, Texas. Delivery of the Bonds is expected on March 24, 2026.

Receiving Bids Until: 10:00 A.M., Central Time, February 17, 2026

MATURITY SCHEDULE

Bonds Dated: March 1, 2026

Due: March 1, as shown below

<u>Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Initial Yield(a)</u>	<u>Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Initial Yield(a)</u>
2027	\$20,000	%	%	2039(b)	\$80,000	%	
2028	35,000			2040(b)	90,000		
2029	45,000			2041(b)	95,000		
2030	50,000			2042(b)	100,000		
2031	55,000			2043(b)	110,000		
2032	60,000			2044(b)	125,000		
2033(b)	60,000			2045(b)	135,000		
2034(b)	65,000			2046(b)	1,695,000		
2035(b)	70,000			2047(b)	1,790,000		
2036(b)	75,000			2048(b)	1,890,000		
2037(b)	80,000			2049(b)	2,000,000		
2038(b)	80,000			2050(b)	1,195,000		

(a) Initial yield represents the initial reoffering yield to the public which has been established by the Underwriter for public offerings and which subsequently may be changed. The initial yields indicated above represent the lower of the yields resulting when priced to maturity or to the first call date. Accrued interest from March 1, 2026 is to be added to the price.

(b) Bonds maturing on or after March 1, 2033, are subject to redemption prior to maturity at the option of the District, as a whole or, from time to time, in part, on March 1, 2032, or on any date thereafter, at par plus accrued interest from the most recent Interest Payment Date to the date fixed for redemption. See "THE BONDS—Optional Redemption."

TABLE OF CONTENTS

USE OF INFORMATION IN OFFICIAL STATEMENT	3
SALE AND DISTRIBUTION OF THE BONDS	3
Prices and Marketability	3
Securities Laws	4
Underwriter	4
Municipal Bond Rating	4
SUMMARY	5
The District	5
The Bonds	5
Financial Highlights	7
THE BONDS	8
Description	8
Use of Proceeds	9
Book-Entry-Only System	10
Registration, Transfer and Exchange	12
Optional Redemption	12
Ownership	12
Source of and Security for Payment	13
Replacement of Paying Agent/Registrar	13
Authority for Issuance	13
Outstanding Debt	13
Issuance of Additional Debt	13
Defeasance	14
Mutilated, Lost, Stolen or Destroyed Bonds	14
Annexation and Consolidation	14
Amendments to the Bond Resolution	15
Registered Owners' Remedies and Effects of Bankruptcy	15
Bankruptcy Limitation to Registered Owners' Rights	15
Legal Investment and Eligibility to Secure Public Funds in Texas	16
THE DISTRICT	17
Authority, Purpose, and Functions	17
Description and Location	17
Management of the District	17
Development of the District	18
Location Map	19
Photographs Taken in the District (February 2026)	20
DISTRICT DEBT	24
Debt Statement	24
Estimated Overlapping Debt	25
Historical Operations of the Debt Service Fund	26
Pro Forma Debt Service Schedule	27
TAX PROCEDURES	28
Authority To Levy Taxes	28
Property Subject to Taxation by the District	28
Valuation of Property for Taxation	29
District and Taxpayer Remedies	30
Assessment and Levy	30
Collection	31
Rollback of Operation and Maintenance Tax Rate	31
District's Rights in the Event of Tax Delinquencies	32
Tax Exemption for Property Damaged by Disaster	33
Tax Payment Installments after Disaster	33
The Effect of FIRREA on Tax Collections of the District	33
TAX DATA	34
General	34
Tax Rate Limit	34
Debt Service Tax	34

Maintenance Tax	34
Tax Exemption	34
Additional Penalties	34
Tax Collection History	35
Tax Rate Calculations	36
Principal Taxpayers	36
Estimated Overlapping Taxes	37
Analysis of Tax Base	38
Strategic Partnership Agreement – Limited Purpose Annexation by City of Houston	38
THE SYSTEM	39
Regulation	39
Description of the System	39
Lone Star Groundwater Conservation District	40
Rate Order	41
Historical Operations of the General Fund	42
RISK FACTORS	43
General	43
Factors Affecting Taxable Values and Tax Payments	43
Extreme Weather Events	44
Specific Flood Type Risks	44
Dependence on the Oil and Gas Industry	45
Potential Effects of Oil Price Volatility on the Houston Area	45
Production of Net Revenues	45
Overlapping Tax Rates	45
Tax Collection Limitations	45
Registered Owners' Remedies	46
Bankruptcy Limitation to Registered Owners' Rights	46
Environmental Regulations	46
Changes in Tax Legislation	48
2025 Legislative Session	48
Continuing Compliance with Certain Covenants	49
Marketability	49
Financing Parks and Recreational Facilities	49
Tax Payment Installments after Disaster	49
Increase in Costs of Building Materials and Labor Shortages	50
Cybersecurity	50
Approval of the Bonds	51
LEGAL MATTERS	51
Legal Review	51
No-Litigation Certificate	51
No Material Adverse Change	51
Legal Opinions	51
TAX MATTERS	51
Tax Accounting Treatment of Original Issue Discount Bonds	52
Qualified Tax-Exempt Obligations	53
CONTINUING DISCLOSURE OF INFORMATION	53
Annual Reports	54
Event Notices	54
Availability of Information From EMMA	55
Limitations and Amendments	55
Compliance with Prior Undertakings	55
PREPARATION OF OFFICIAL STATEMENT	55
General	55
Consultants	56
Updating the Official Statement	56
Certification of Official Statement	56
APPENDIX A–Financial Statements of the District	

USE OF INFORMATION IN OFFICIAL STATEMENT

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission (“Rule 15c2-12”), this document may be treated as an Official Statement of the District with respect to the Bonds described herein that has been deemed “final” by the District as of its date except for the omission of no more than the information permitted by Rule 15c2-12(b)(1).

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

No dealer, broker, salesman or other person has been authorized by the District or the Underwriter 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 or the Underwriter.

This Official Statement is not to be used in connection with an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not 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, contracts, audited financial statements, engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from the District, c/o Roach & Associates, PLLC, 480 Wildwood Forest Drive, Suite 140, The Woodlands, Texas 77380 upon payment of duplication costs.

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

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

SALE AND DISTRIBUTION OF THE BONDS

Prices and Marketability

The delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Underwriter prior to delivery of the Bonds stating the prices at which a substantial amount of the Bonds of each maturity has been sold to the public. For this purpose, the term “public” shall not include any person who is a bond house, broker or similar person acting in the capacity of underwriter or wholesaler. Otherwise, the District has no understanding with the Underwriter or control regarding the reoffering yields or prices of the Bonds. Information concerning reoffering yields or prices is the sole responsibility of the Underwriter.

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

The District has no control over trading of the Bonds in the secondary market. Moreover, there is no 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 special 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 governmental entities, as bonds of such entities are more generally bought, sold or traded in the secondary market.

Securities Laws

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

Underwriter

After requesting competitive bids for the Bonds, the District accepted the bid resulting in the lowest net effective interest rate, which bid was tendered by _____ (the “Underwriter”) bearing the interest rates shown on the inside cover page hereof, at a price of _____ % of the par value thereof plus accrued interest to the date of delivery which resulted in a net effective interest rate of _____ % as calculated pursuant to Chapter 1204, Texas Government Code, as amended (the “IBA” method).

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

Municipal Bond Rating

In connection with the sale of the Bonds, the District made application to Moody’s Investors Service, Inc. (“Moody’s”), which has assigned a rating of “A3” to the Bonds. An explanation of the significance of such rating may be obtained from Moody’s. The rating reflects only the view of Moody’s and the District makes no representation as to the appropriateness of such rating.

The District can make no assurance that the Moody’s rating will continue for any period of time or that such rating will not be revised downward or withdrawn entirely by Moody’s, if in the judgment of Moody’s, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds. The District is not aware of any rating assigned to the Bonds other than the rating discussed above.

SUMMARY

The following information is a summary of certain information contained herein and is qualified in its entirety by the more detailed information and financial statements appearing elsewhere in this Official Statement, reference to which is made for all purposes. This summary should not be detached and should be used in conjunction with more complete information contained herein. A full review should be made of this entire Official Statement and of the documents summarized or described herein.

- The District -

Description	Montgomery County Water Control & Improvement District No. 1, Montgomery County, Texas (the "District") was created by the Texas Water Rights Commission, predecessor of the Texas Commission on Environmental Quality ("TCEQ"), in 1964. The District, which contains approximately 1,091.2335 acres, lies entirely within Montgomery County, Texas and within the exclusive extraterritorial jurisdiction of the City of Houston, Texas ("Houston"). It is located in southwest Montgomery County, Texas approximately 30 miles north of Houston's central business district and approximately 15 miles south of the City of Conroe, Texas. The District is in the process of an annexation of 5.5779 acres, which annexation is expected to be completed after the sale of the Bonds. See "THE DISTRICT--Description and Location."
Development	Land within the District has been developed as the residential subdivisions of Timber Ridge, Timberlakes, Spring Acres, Timberwood, Grogan's Mill and Woodmill Creek Section 1; the apartment complex of Wyndemere Estates (360 units); the apartment complex of Broadstone Woodmill Creek Apartments (381 units); the apartment complex of Sierra Pines (341 units); the Townhomes at Woodmill Creek (171 units); the Camden Woodmill Creek Apartments (189 units); the Broadstone 25-1-20 Woodmill Creek Apartments (339 units), the Grogan's Ridge Office Condominiums (22 units); the Cedarstone office complex (5 office buildings); the office development of Stream Realty (two office buildings) and another 32 commercial connections. As of January 2026, there were 3,064 active connections to the utility system in the District. District. See "THE DISTRICT--Development of the District" and "--Current Development Within the District." The entire District is being served with water, sewer and drainage facilities.
Authority	The rights, powers, privileges, authority and functions of the District are established by the general laws of the State of Texas pertaining to municipal utility districts, including particularly Chapters 49 and 54 of the Texas Water Code, as amended. See "THE DISTRICT--Authority, Purpose and Functions."

- The Bonds -

Description	The \$10,000,000 Unlimited Tax Bonds, Series 2026 (the "Bonds") bear interest at the rates per annum set forth on the inside cover page hereof, from March 1, 2026, and are payable September 1, 2026 and each March 1 and September 1 thereafter until the earlier of maturity or prior redemption (each an "Interest Payment Date"). The Bonds mature serially on March 1 in the years 2027 through 2050, inclusive in the principal amounts set forth on the inside cover page hereof. Bonds scheduled to mature on or after March 1, 2033, are subject to optional redemption at the option of the District on any date on or after March 1, 2032, at a price of par plus accrued interest to the date of redemption. See "THE BONDS--Description" and "--Optional Redemption."
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 taxable property within the District. The Bonds are obligations of the District and are not obligations of Montgomery County, Texas; Houston, Texas; the State of Texas; or any political subdivision other than the District. See "THE BONDS--Source of and Security for Payment."

Use of Proceeds	Proceeds of the Bonds will be used for Water Plant No. 2 MCC ("Motor Control Center") replacement; Water Plant No. 3 and Surface Water extension; Water Line replacement Phase II; Wastewater Treatment Plant rehabilitation; Lift Station No. 1 reconstruction; Lift Station No. 2 reconstruction; Sanitary Sewer replacement Phase I; SCADA ("Supervisory Control and Data Acquisition") upgrade; and related contingencies and engineering. Proceeds will also be used to pay the costs of issuance of the Bonds. See "THE BONDS — Use of Proceeds."
Payment Record	The District has never defaulted on the payment of any bond obligation. See "DISTRICT DEBT."
Qualified Tax-Exempt Obligations	The District will designate the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended, and will represent that the total amount of tax-exempt bonds (including the Bonds) issued by it during the calendar year 2026 is not expected to exceed \$10,000,000. See "TAX MATTERS—Qualified Tax Exempt Obligations for Financial Institutions."
Book-Entry-Only System	The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company 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 (as defined herein) to Cede & Co. and Cede & Co. will make distribution of the amounts so paid to the beneficial owners of the Bonds (see "THE BONDS--Book-Entry-Only System").
Municipal Bond Rating	The District made application to Moody's Investors Service, Inc., which has assigned a rating of "A3" to the Bonds based upon the District's underlying credit. See "SALE AND DISTRIBUTION OF THE BONDS—Municipal Bond Rating."
Bond Counsel	Roach & Associates, PLLC, The Woodlands, Texas. See "LEGAL MATTERS."
Disclosure Counsel	Orrick, Herrington & Sutcliffe LLP, Houston, Texas.
Financial Advisor	Blitch Associates, Inc., Houston, Texas.

RISK FACTORS

THE PURCHASE AND OWNERSHIP OF THE BONDS ARE SUBJECT TO SPECIAL RISK FACTORS AND ALL PROSPECTIVE PURCHASERS ARE URGED TO EXAMINE CAREFULLY THE ENTIRE OFFICIAL STATEMENT WITH RESPECT TO THE INVESTMENT SECURITY OF THE BONDS, INCLUDING PARTICULARLY THE SECTION CAPTIONED "RISK FACTORS."

- Financial Highlights -
(Unaudited)

2026 Taxable Assessed Valuation (100% of Market Value)	\$628,537,976	(a)
Direct Debt		
Outstanding Bonds (As of February 1, 2026)	\$22,289,997	
The Bonds	<u>10,000,000</u>	
Total Direct Debt	32,289,997	
Estimated Overlapping Debt	<u>31,442,784</u>	(b)
Total Direct and Estimated Overlapping Debt	<u>\$63,732,781</u>	
Direct Debt Ratios:		
Direct Debt to Value	5.14%	
Direct & Estimated Overlapping Debt to Value	10.14%	
2025 Tax Rate per \$100 of Assessed Value		
Debt Service	\$0.3400	
Maintenance	<u>0.4049</u>	
Total	<u>\$0.7449</u>	
	<i>Current</i>	<i>Total</i>
2024 Tax Collection Percentage	98.19%	99.69%
Five-Year Average (2020/2024) Collection Percentage	98.55%	99.64%
Estimated Combined Average Annual Debt Service Requirements (2026/50)	\$2,078,575	(c)
Estimated Combined Maximum Annual Debt Service Requirements (2029)	\$2,133,718	(c)
Tax Rate Required to pay such Requirements at 98% Collection		
Estimated Average (2026/2050)	\$0.338	
Estimated Maximum (2029)	\$0.347	
Fund Balances as of January 20, 2026 (Cash & Investments)		
General Fund	\$4,612,599	
Debt Service Fund	\$1,034,614	
Capital Projects Fund	\$3,665,796	(d)

(a) Represents the taxable assessed valuation in the District as of January 1, 2025, as certified by the Montgomery Central Appraisal District (the “Appraisal District”). See “TAX PROCEDURES.”

(b) See “DISTRICT DEBT--Estimated Overlapping Debt.”

(c) Such requirements are on the Bonds and the Outstanding Bonds.

(d) At closing, the District will deposit funds into the Capital Projects Fund. See “THE BONDS–Use of Proceeds.”

MONTGOMERY COUNTY WATER CONTROL & IMPROVEMENT DISTRICT NO. 1

(A political subdivision of the State of Texas located within Montgomery County, Texas)

\$10,000,000

UNLIMITED TAX BONDS, SERIES 2026

This Official Statement of Montgomery County Water Control & Improvement District No. 1 (the "District") is provided to furnish certain information with respect to the sale by the District of its \$10,000,000 Unlimited Tax Bonds, Series 2026 (the "Bonds").

The Bonds are issued pursuant to the Texas Constitution, the general laws of the State of Texas and a resolution authorizing the issuance of the Bonds (the "Bond Resolution") adopted by the Board of Directors of the District (the "Board"), Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended and approval of the TCEQ. See "THE BONDS."

This Official Statement includes descriptions of the Bonds, the Bond Resolution and certain other information about the District. Document descriptions contained herein are only summaries and are qualified in their entirety by reference to each such document, copies of which may be obtained by contacting the District, c/o Roach & Associates, PLLC, 480 Wildwood Forest Drive, Suite 140, The Woodlands, Texas 77380.

THE BONDS

Description

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 Resolution. A copy of the Bond Resolution may be obtained upon request to the District and payment of the applicable copying charges.

The Bonds will mature on March 1 of the years and in principal amounts, and will bear interest from March 1, 2026, at the rates per annum, set forth on the inside cover page of this Official Statement. Interest on the Bonds will be payable on September 1, 2026, and semiannually thereafter on each March 1 and September 1 thereafter until the earlier of maturity or redemption (each an "Interest Payment Date"). Principal of and interest on the Bonds will be payable to Cede & Co., as registered owner and nominee of The Depository Trust Company ("DTC"), by the paying agent/registrar, initially UMB Bank, N.A., Houston, Texas (the "Paying Agent/Registrar"). Cede & Co. will make distribution of the principal and interest so paid to the beneficial owners of the Bonds. For so long as DTC shall continue to serve as securities depository for the Bonds, all transfers of beneficial ownership interest will be made by book-entry only and no investor or other party purchasing, selling or otherwise transferring beneficial ownership of the Bonds is to receive, hold or deliver any Bond certificate.

If at any time, DTC ceases to hold the Bonds as securities depository, then principal of the Bonds will be payable to the registered owner at maturity or redemption upon presentation and surrender at the principal payment office of the Paying Agent/Registrar. Interest on the Bonds will be payable by check, dated as of the Interest Payment Date, and mailed by the Paying Agent/Registrar to the Registered Owners as shown on the records of the Paying Agent/Registrar at the close of business on the 15th calendar day of the month next preceding the Interest Payment Date (the "Record Date"). The Bonds of each maturity will be issued in fully-registered form only in the principal amount of \$5,000 or any integral multiple thereof.

If the specified date for any payment of principal (or redemption price) or interest on the Bonds shall be a Saturday, Sunday or legal holiday or equivalent (other than a moratorium) for banking institutions generally in the City of Houston, Texas metropolitan area, such payment may be made on the next succeeding date which is not one of the foregoing days without additional interest and with the same force and effect as if made on the specified date for such payments.

Use of Proceeds

Proceeds of the Bonds will be used for Water Plant No. 2 MCC (“Motor Control Center”) replacement; Water Plant No. 3 and Surface Water extension; Water Line replacement Phase II; Wastewater Treatment Plant rehabilitation; Lift Station No. 1 reconstruction; Lift Station No. 2 reconstruction; Sanitary Sewer replacement Phase I; SCADA (“Supervisory Control and Data Acquisition”) upgrade; and related contingencies and engineering. Proceeds will also be used to pay the costs of issuance of the Bonds.

The costs outlined below have been provided by Baxter & Woodman, Inc., Consulting Engineers, Houston, Texas, the District’s consulting engineer (the “Engineer”), and reflect those costs approved by the Texas Commission on Environmental Quality (“TCEQ”).

Non-construction costs are based upon either contract amounts, or estimates of various costs by the Engineer and the Financial Advisor. The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Bonds and completion of agreed-upon procedures by the District’s auditor. *Amounts indicated below may not add due to rounding.*

Construction Costs

Water Plant No. 2 MCC Replacement1 Improvements	\$960,000
Water Plant No. 3 and Surface Water Extension	2,771,000
Water Line Replacement Phase II	412,000
Wastewater Treatment Plant Rehabilitation	430,000
Lift Station No. 1 Reconstruction	631,000
Lift Station No. 2 Reconstruction	723,000
Sanitary Sewer Replacement Phase I	392,000
SCADA Upgrade	315,000
Contingencies	1,326,800
Engineering	<u>1,194,120</u>
Total Construction Costs	\$9,154,920

Non-Construction Costs

Legal Fees	\$250,000
Financial Advisor	122,500
Bond Discount (3.00%)	300,000
Bond Issuance Expenses	30,580
Bond Application Report Costs	107,500
Attorney General (0.10%)	9,500
TCEQ Bond Issuance Fee (0.25%)	<u>25,000</u>
Total Non-Construction Costs	<u>\$845,080</u>

The Bonds

\$10,000,000

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

Book-Entry-Only System

This section describes how ownership of the Bonds are to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by 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 believes the source of such information to be reliable, but takes no 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.

DTC 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 the Bonds, in the aggregate principal amount of such issue, 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 a 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 companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through DTC Participants, which will receive a credit for such purchases 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 or 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 interest 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 the 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 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.

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.

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

Redemption proceeds and principal and interest 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 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 nor its nominee, the Paying Agent/Registrar or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or Paying Agent/Registrar, disbursement of such payments to Direct Participants shall 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 securities depository with respect to the Bonds at any time by giving reasonable notice to the District or Paying Agent/Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, Bonds 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, Bonds will be printed and delivered.

Use of Certain Terms in Other Sections of this Official Statement. In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to Registered Owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to Registered Owners under the Bond Resolution will be given only to DTC. Information concerning DTC and the Book-Entry-Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the District, the Financial Advisor, nor the Underwriter.

Registration, Transfer and Exchange

In the event the Book-Entry-Only System is discontinued, the Bonds are transferable only on the bond register kept by the Paying Agent/Registrar upon surrender at the corporate trust office of the Paying Agent/Registrar in Houston, Texas. A Bond may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. At any time after the date of initial delivery, any Bond may be transferred upon its presentation and surrender at the designated offices of the Paying Agent/Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the Registered Owner.

The Bonds are exchangeable upon presentation at the designated office(s) of the Paying Agent/Registrar, for an equal principal amount of Bonds of the same maturity in authorized denominations. To the extent possible, new Bonds issued in exchange or transfer of Bonds will be delivered to the Registered Owner or assignee of the Registered Owner within not more than three (3) business days after the receipt by the Paying Agent/Registrar of the request in proper form to transfer or exchange the Bonds. New Bonds registered and delivered in an exchange or transfer shall be in the denomination of \$5,000 in principal amount for a Bond, or any integral multiple thereof for any one maturity and shall bear interest at the same rate and be for a like aggregate principal or maturity amount as the Bond or Bonds surrendered for exchange or transfer. Neither the Paying Agent/Registrar nor the District is required to issue, transfer, or exchange any Bond during a period beginning at the opening of business on a Record Date and ending at the close of business on the next succeeding Interest Payment Date or to transfer or exchange any Bond selected for redemption, in whole or in part, beginning fifteen (15) calendar days prior to, and ending on the date of the mailing of notice of redemption, or where such redemption is scheduled to occur within thirty (30) calendar days. No service charge will be made for any transfer or exchange, but the District or Paying Agent/Registrar may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith.

Optional Redemption

The District reserves the right, at its option, to redeem the Bonds maturing on or after March 1, 2033, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof on March 1, 2032, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. If less than all of the Bonds are to be redeemed, the Paying Agent/Registrar shall select by lot those Bonds to be redeemed.

At least thirty (30) days prior to the date fixed for any such redemption a written notice of such redemption shall be given to the Registered Owner of each Bond or a portion thereof being called for redemption by depositing such notice in the United States mail, first class, postage prepaid, addressed to each such Registered Owner at his address shown on the registration books of the Paying Agent/Registrar; provided, however, that the failure to receive such notice shall not affect the validity or effectiveness of the proceedings for the redemption of any Bond. By the date fixed for any such redemption due provision shall be made with the Paying Agent/Registrar for the payment of the required redemption price for the Bonds or the portions thereof which are to be so redeemed, plus accrued interest to the date fixed for redemption. If a portion of any Bond shall be redeemed, a substitute Bond having the same maturity date, bearing interest at the same rate, in any integral multiple of \$5,000, and in aggregate principal amount equal to the unredeemed position thereof, will be issued to the Registered Owner upon the surrender of the Bonds being redeemed, at the expense of the District, all as provided for in the Bond Resolution.

Ownership

The District, the Paying Agent/Registrar and any agent of either may treat the person in whose name any Bond is registered as the absolute owner of such Bond for the purpose of receiving payment of the principal and the interest thereon, and for all other purposes, whether or not such Bond is overdue. Neither the District, the Paying Agent/Registrar nor any agent of either shall be bound by any notice or knowledge to the contrary. All payments made to the person deemed to be the owner of any Bond in accordance with the Bond Resolution shall be valid and effective and shall discharge the liability of the District and the Paying Agent/Registrar for such Bond to the extent of the sums paid.

Source of and Security for Payment

The Bonds (together with any additional unlimited tax or combination unlimited tax bonds as may hereafter be issued) are payable as to principal and interest from the proceeds of a continuing, direct, annual ad valorem tax without legal limitation as to rate or amount, levied against all taxable property located within the District. In the Bond Resolution, the District covenants to levy annually a tax sufficient in amount to pay principal of and interest on the Bonds, full allowance being made for delinquencies and costs of collection. Collected taxes will be placed in the District's Debt Service Fund and used solely to pay principal and interest on the Bonds, the Outstanding Bonds and on any additional bonds payable from taxes which may be issued. See "Issuance of Additional Debt" below.

Replacement of Paying Agent/Registrar

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

Authority for Issuance

At elections held within the District on January 12, 1965, October 25, 1969, September 26, 1981, May 7, 1994, December 12, 1998, May 8, 2010 and November 2, 2021, the voters of the District authorized the issuance of an aggregate of \$62,930,000 in bonds for waterworks, wastewater treatment, sanitary sewer and surface water facilities, of which \$25,810,000 unlimited tax bonds remain authorized but unissued, as well as \$2,000,000 for the refunding of such bonds, which remain authorized but unissued. The Bonds constitute the twenty-first installment of bonds authorized at such elections. Following issuance of the Bonds, \$15,810,000 unlimited tax bonds will remain authorized but unissued. See "Issuance of Additional Debt" below.

The Bonds are issued pursuant to the Texas Constitution, the general laws of the State of Texas and the Bond Resolution; Article XVI, Section 59 of the Texas Constitution and Chapters 49 and 54 of the Texas Water Code, as amended.

Outstanding Debt

The District has previously issued and has outstanding its \$9,595,000 Unlimited Tax Refunding Bonds, Series 2016 (the "Series 2016 Bonds"), \$5,040,000 Unlimited Tax Bonds, Series 2017 (the "Series 2017 Bonds"), \$2,619,997 Unlimited Tax Refunding Bonds, Series 2021 (the "Series 2021 Refunding Bonds"), \$3,775,000 Unlimited Tax Bonds, Series 2021 (the "Series 2021 Bonds") and \$5,740,000 Unlimited Tax Bonds, Series 2022 (the "Series 2022 Bonds")..

As of February 1, 2026, \$6,380,000 of the Series 2016 Bonds, \$4,700,000 of the Series 2017 Bonds, \$2,129,997 of the Series 2021 Refunding Bonds, \$3,495,000 of the Series 2021 Bonds and \$5,585,000 of the Series 2022 Bonds remain outstanding (collectively, the "Outstanding Bonds"). All other previously issued bonds of the District have been retired. The District has timely made all payments due on the Outstanding Bonds.

Issuance of Additional Debt

The District may issue additional bonds to provide those improvements for which the District was created. Following the issuance of the Bonds, \$15,810,000 unlimited tax bonds for waterworks, wastewater treatment, sanitary sewer and surface water facilities authorized by the District's voters will remain unissued.

According to the District's Engineer, although the District's water, sanitary sewer and drainage facilities have been extended to serve the entirety of the District, additional authorized bonds will be necessary to replace and renovate the utility system within the District and the District's share of shared and regional facilities for the next ten to fifteen years;

consequently, additional bonds may have to be authorized by District voters. Depending upon increases in assessed valuation of taxable property within the District and the amount, maturity schedule and time of issuance of such additional bonds, increases in the District's annual tax rate may be required to provide for the payment of the principal of and interest on such additional bonds and the Bonds. Additional tax bonds and/or tax and revenue bonds may be voted in the future. The Board is further empowered to borrow money for any lawful purpose and pledge the revenues of the waterworks and sewer system therefor and to issue bond anticipation notes and tax anticipation notes.

The Bond Resolution imposes no limitation on the amount of additional bonds which may be issued by the District. Any additional bonds issued by the District may be on a parity with the Bonds, and may dilute the security of the Bonds.

Defeasance

The Bond Resolution provides that the obligation of the District to make money available to pay the principal of and interest on the Bonds may be terminated by the deposit of money and/or non-callable direct or indirect obligations of the United States of America, sufficient for such purpose, in the manner described in the Bond Resolution.

Mutilated, Lost, Stolen or Destroyed Bonds

The District has agreed to replace mutilated, destroyed, lost or stolen Bonds upon surrender of the mutilated Bonds to the Paying Agent/Registrar, or receipt of satisfactory evidence of such destruction, loss or theft, and receipt by the District and Paying Agent/Registrar of security or indemnity as may be required by either of them to hold them harmless. The District may require payment of taxes, governmental charges and other expenses in connection with any such replacement.

Annexation and Consolidation

The District is located entirely within the extraterritorial jurisdiction of the City of Houston, Texas ("Houston"). Under prior Texas law, a municipality could annex and dissolve a utility district located within its extraterritorial jurisdiction without consent of the district or its residents. Under House Bill 347 approved in 2019 during the 86th Regular Legislative Session ("HB 347"), (a) a municipality may annex a district with a population of less than 200 residents only if: (i) the municipality obtains consent to annex the district through a petition signed by more than 50% of the registered voters of the district, and (ii) if the registered voters in the area to be annexed do not own more than 50% of the land in the area, a petition has been signed by more than 50% of the landowners consenting to the annexation; and (b) a municipality may annex a district with a population of 200 residents or more only if: (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed, and (ii) if the registered voters in the area to be annexed do not own more than 50% of the land in the area, a petition has been signed by more than 50% of the landowners consenting to the annexation. Notwithstanding the foregoing, a municipality may annex an area if each owner of land in the area requests annexation. As of the date hereof, the District had an estimated population in excess of 200, thus triggering the voter approval and/or landowner consent requirements discussed in clause (b) above. The described election and petition process does not apply, however, during the term of a strategic partnership agreement between a municipality and a district specifying the procedures for annexation of all or a portion of the District.

The District has the right to consolidate with other districts and, in connection therewith, to provide for the consolidation of its System with the water and sewer systems of the district or districts with which it is consolidating. Should any such consolidation occur, the net revenues from the operation of the consolidated system would be applied to the payment of principal, interest, redemption price and bank charges on the combination unlimited tax and revenue bonds of the District, if any, and of the district or districts with which the District is consolidated without prejudice to any series of bonds, except that bonds with subordinate liens on net revenues shall continue to be subordinate. No representations are made that the District will ever consolidate its System (as defined herein) with other systems.

Amendments to the Bond Resolution

The District may, without the consent of or notice to any Registered Owners, amend the Bond Resolution in any manner not detrimental to the interests of the Registered Owners, including the curing of any ambiguity, inconsistency or formal defect or omission therein. In addition, the District may, with the written consent of the Registered Owners of a majority in aggregate principal amount of the Bonds then outstanding affected thereby, amend, add to or rescind any of the provisions of the Bond Resolution; provided that, without the consent of the Registered Owners of all of the Bonds affected, no such amendment, addition or rescission may (a) extend the time or times of payment of the principal of and interest (or accrual of interest) on the Bonds, or reduce the principal amount thereof or the rate of interest thereon or in any other way modify the terms of payment of the principal of or interest on the Bonds, (b) give preference of any Bond over any other Bond, or (c) extend any waiver of default to subsequent defaults. In addition, a state, consistent with federal law, may in the exercise of its police power make such modifications in the terms and conditions of contractual covenants relating to the payment of indebtedness of a political subdivision as are reasonable and necessary for attainment of an important public purpose.

Registered Owners' Remedies and Effects of Bankruptcy

The Bond Resolution provides that, in the event the District defaults in the observance or performance of any covenant in the Bond Resolution, including payment when due of the principal of and interest on the Bonds, any Registered Owner may apply for a writ of mandamus from a court of competent jurisdiction requiring the Board or other officers of the District to observe or perform any covenants, obligations or conditions prescribed by the Bond Resolution. Such right is in addition to other rights of the Registered Owners of the Bonds that may be provided by the laws of the State of Texas.

The Bond Resolution does not provide additional remedies to a Registered Owner. Specifically, the Bond Resolution does not provide for appointment of a trustee to protect and enforce the interests of the Registered Owners or for the acceleration of maturity of the Bonds upon the occurrence of a default in the District's obligations. Consequently, the remedy of mandamus may have to be relied upon from year to year by the Registered Owners.

Under Texas law, no judgment obtained against the District may be enforced by execution or a levy against the District's public purpose property. The Registered Owners cannot themselves foreclose on taxable property within the District or sell property within the District in order to pay principal of and interest on the Bonds. In addition, the enforceability of the rights and remedies of the Registered Owners may be subject to limitation pursuant to federal bankruptcy laws or other similar laws affecting the rights of creditors of political subdivisions.

Bankruptcy Limitation to Registered Owners' Rights

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

If the District decides in the future to proceed voluntarily under the Federal Bankruptcy Code, the District would develop and file a plan for the adjustment of its debts, and the Bankruptcy Court would confirm the District's plan if: (1) the plan complies with the applicable provisions of the Federal Bankruptcy Code; (2) all payments to be made in connection with the plan are fully disclosed and reasonable; (3) the District is not prohibited by law from taking any action necessary to

carry out the plan; (4) administrative expenses are paid in full; and (5) the plan is in the best interests of creditors and is feasible. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect a Registered Owner by reducing or eliminating the amount of indebtedness, deferring or rearranging the debt service schedule, reducing or eliminating the interest rate, modifying or abrogating collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of such Registered Owner's claim against the District.

Legal Investment and Eligibility to Secure Public Funds in Texas

The following is quoted from Section 49.186, 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.

Most political subdivisions in the State of Texas are required to adopt investment guidelines under the Public Funds Investment Act, Chapter 2256, Texas Government Code, and such political subdivisions may impose a requirement consistent with such act that the Bonds have a rating of not less than "A" or its equivalent to be legal investments for such entity's funds. The District makes no representation that the Bonds will be acceptable to banks, savings and loan associations or public entities for investment purposes or to secure deposits of public funds. The District has made no investigation of other laws, regulations or investment criteria which might apply to or otherwise limit the suitability of the Bonds for investment or collateral purposes. Prospective purchasers are urged to carefully evaluate the investment quality of the Bonds as to the suitability of the Bonds for investment or collateral purposes.

THE DISTRICT

Authority, Purpose, and Functions

The District was created on June 15, 1964, by the Texas Water Rights Commission, predecessor of the TCEQ to provide water supply and distribution, wastewater collection and treatment and storm drainage facilities for the area within its boundaries. The creation of the District was confirmed at an election held November 14, 1964. By order of the Texas Water Rights Commission on September 11, 1978, the District was converted to a municipal utility district. The rights, powers, privileges, authority and functions of the District are established by the general laws of the State of Texas pertaining to municipal utility districts, particularly Chapters 49 and 54 of the Texas Water Code, as amended. The principal functions of the District are to finance, construct, own and operate waterworks, wastewater and drainage facilities and to provide such facilities and services to the customers of the District. The District is subject to the continuing supervision of the TCEQ.

Description and Location

The District, which contains approximately 1,091.2335 acres, is located in southwestern Montgomery County, Texas, approximately 30 miles from Houston's central business district and 15 miles south of the City of Conroe, Texas. The District is in the process of an annexation of 5.5779 acres, which annexation is expected to be completed after the sale of the Bonds. The District is located within the exclusive extraterritorial jurisdiction of Houston. However, it is possible that some or all of Houston's extraterritorial jurisdiction that is located within the District may be ceded to The Woodlands Township, a political subdivision located in southern Montgomery County, Texas. See "THE BONDS—Source of and Security for Payment—Annexation." The principal access to the District is via Interstate Highway 45 to Sawdust Road, which terminates at the District's eastern boundary. The District is bounded on the north and east by The Woodlands Township, on the west by Spring Creek, and on the south by Spring Creek and Harris County, Texas. Elevations range from 95 to 138 feet above mean sea level ("msl"). Approximately 557 acres lie within the 100-year flood plain.

Management of the District

The District is governed by the Board, which has control over and management supervision of all affairs of the District. All Directors own property and reside within the District. A directors' election is held within the District in May in even numbered years. Directors are elected to serve four-year, staggered terms. The current members and officers of the Board are listed below:

<u>Director</u>	<u>Office</u>	<u>Term Expires</u>
Christine Rife	President	May 2028
Ricky Hernandez	Vice-President	May 2026
Nancy Loring	Secretary	May 2026
Jeff Crump	Assistant Secretary/Treasurer	May 2028
Allison Edison	Director	May 2026

The District employs a General Manager, an Office Manager, and six other full-time employees. In addition, the District has contracted for the following services:

Tax Assessor/Collector - The District's Tax Assessor/Collector is Utility Tax Service, LLC, Houston, Texas.

Bookkeeper - The District's Bookkeeper is Clarity Consulting Company, Spring, Texas.

Auditor - The District's annual financial statements as of September 30, 2024 have been audited by McCall Gibson Swedlund Barfoot Ellis, LLC, Houston, Texas, Certified Public Accountants. See "APPENDIX A" for a copy of the District's September 30, 2024 audited financial statements.

Engineer - The consulting engineer for the District is Baxter & Woodman, Inc., Consulting Engineers, Houston, Texas (the "Engineer").

Financial Advisor - Blitch Associates, Inc. serves as Financial Advisor to the District.

Legal Counsel - The District has employed Roach & Associates, PLLC, The Woodlands, Texas as general counsel and as bond counsel in connection with the issuance of the Bonds.

Disclosure Counsel - Orrick, Herrington & Sutcliffe LLP, Houston, Texas.

Development of the District

Land within the District has been developed as the residential subdivisions of Timber Ridge, Timberlakes, Spring Acres, Timberwood, Grogan's Mill and Woodmill Creek Section 1; the apartment complex of Wyndemere Estates (360 units); the apartment complex of Broadstone Woodmill Creek Apartments (381 units); the apartment complex of Sierra Pines (341 units); the Townhomes at Woodmill Creek (171 units); the Camden Woodmill Creek Apartments (189 units); the Broadstone 25-1-20 Woodmill Creek Apartments (339 units), the Grogan's Ridge Office Condominiums (22 units); the Cedarstone office complex (5 office buildings); the office development of Stream Realty (two office buildings) and another 32 commercial connections. As of January 2026, there were 3,064 active connections to the utility system in the District. The following is a table identifying current residential land usage (exclusive of the apartment, townhome and office projects):

	<i>Platted Lots</i>	<i>Floodplain</i>	<i>Developable</i>	<i>As of Jan 2026</i>
Spring Acres 1 & 2	34	16	18	12
Timberlake 1	388	96	292	153
Timberlake 2	315	57	258	214
Timberlake 3	389	31	358	298
Timber Ridge 2	240	32	208	172
Timber Ridge 3	440	143	297	231
Timberwood	40	0	40	35
Grogan's Mill	21	0	21	21
Woodmill Creek 1	<u>64</u>	<u>0</u>	<u>64</u>	<u>64</u>
Totals	<u><u>1,931</u></u>	<u><u>375</u></u>	<u><u>1,556</u></u>	<u><u>1,200</u></u>

Photographs Taken in the District (February 2026)









DISTRICT DEBT

Debt Statement

2026 Taxable Assessed Valuation (100% of Market Value)	\$628,537,976	(a)
Direct Debt		
Outstanding Bonds (As of February 1, 2026)	\$22,289,997	
The Bonds	<u>10,000,000</u>	
Total Direct Debt	32,289,997	
Estimated Overlapping Debt	<u>31,442,784</u>	(b)
Total Direct and Estimated Overlapping Debt	<u>\$63,732,781</u>	
Direct Debt Ratios:		
Direct Debt to Value	5.14%	
Direct & Estimated Overlapping Debt to Value	10.14%	
Estimated Combined Average Annual Debt Service Requirements (2026/50)	\$2,078,575	(c)
Estimated Combined Maximum Annual Debt Service Requirements (2029)	\$2,133,718	(c)
Fund Balances as of January 20, 2026 (Cash & Investments)		
General Fund	\$4,612,599	
Debt Service Fund	\$1,034,614	
Capital Projects Fund	\$3,665,796	(d)

(a) Represents the taxable assessed valuation in the District as of January 1, 2025, as certified by the Appraisal District. See "TAX PROCEDURES, below."

(b) See "Estimated Overlapping Debt," below.

(c) Such requirements are on the Bonds and the Outstanding Bonds.

(d) At closing, the District will deposit funds into the Capital Projects Fund. See "THE BONDS—Use of Proceeds."

Estimated Overlapping Debt

The following table indicates the indebtedness, defined as outstanding bonds payable from ad valorem taxes, of governmental entities within which the District is located and the estimated percentages and amounts of such indebtedness attributable to property within the District. This information is based upon data secured from the individual jurisdiction and/or the Texas Municipal Reports. Such figures do not indicate the tax burden levied by the applicable taxing jurisdictions for operation and maintenance or for other purposes. See "TAX DATA--Estimated Overlapping Taxes."

<u>Jurisdiction</u>	<u>Debt As Of February 1, 2026</u>	<u>Overlapping Percent</u>	<u>Overlapping Amount</u>
Conroe Independent School District	\$2,492,510,000	1.113%	\$27,741,636
Lone Star College System	434,530,000	0.181%	788,499
Montgomery County	505,915,000	0.574%	2,903,952
The Woodlands Township	\$15,280,000	0.070%	<u>10,696</u>
Estimated Overlapping Debt			\$31,442,784
The District (The Bonds and the Outstanding Bonds)			<u>32,289,997</u>
Total Direct & Estimated Overlapping Debt			<u>\$63,732,781</u>

Historical Operations of the Debt Service Fund

The following statement sets forth in condensed form the historical operations of the District's Debt Service Fund. Such information has been prepared based upon information obtained from the District's audited financial statements. Reference is made to such statements for further and complete information. See "APPENDIX A--Financial Statements of the District."

	<u>Fiscal Year Ended September 30,</u>				
	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Revenues					
Tax Revenues	\$1,482,946	\$1,597,686	\$1,265,460	\$1,118,005	\$1,122,530
Penalty & Interest	36,800	43,180	50,728	47,411	54,940
Other Revenue	<u>114,354</u>	<u>109,738</u>	<u>7,205</u>	<u>1,704</u>	<u>13,619</u>
Total Revenues	\$1,634,100	\$1,750,604	\$1,323,393	\$1,167,120	\$1,191,089
Expenditures					
Principal	\$830,000	\$810,000	\$745,000	\$685,000	\$625,000
Interest	770,193	739,262	489,263	413,411	517,896
Costs of Collection	<u>76,055</u>	<u>75,574</u>	<u>74,096</u>	<u>78,993</u>	<u>63,835</u>
Total Expenditures	<u>\$1,676,248</u>	<u>\$1,624,836</u>	<u>\$1,308,359</u>	<u>\$1,177,404</u>	<u>\$1,206,731</u>
Net Revenues (Expenditures)	(\$42,148)	\$125,768	\$15,034	(\$10,284)	(\$15,642)
Fund Balance - October 1	\$808,730	\$682,962	\$667,928	\$684,548	\$700,190
Bond Issuance Expenses	0	0	0	(6,336)	0
Fund Balance - Sept 30	<u>\$766,582</u>	<u>\$808,730</u>	<u>\$682,962</u>	<u>\$667,928</u>	<u>\$684,548</u>
Cash/Investments - Sept 30	<u>\$971,988</u>	<u>\$1,011,753</u>	<u>\$926,175</u>	<u>\$904,082</u>	<u>\$807,118</u>
Cash as % of Debt Service	60.74%	65.31%	75.04%	82.31%	70.62%

Pro Forma Debt Service Schedule

The following sets forth the debt service requirements on the Outstanding Bonds and the projected debt service requirements on the Bonds, assuming an interest rate of 5.50% on the Bonds (Note: Totals may not add due to rounding):

<u>Year</u>	<u>Outstanding Debt Service</u>	<u>The Bonds Principal</u>	<u>The Bonds Interest</u>	<u>The Bonds Total D/S</u>	<u>Grand Total Debt Service</u>
2026	\$1,576,643		\$275,000	\$275,000	\$1,851,643
2027	1,563,886	\$20,000	549,450	569,450	2,133,336
2028	1,549,543	35,000	547,938	582,938	2,132,480
2029	1,542,980	45,000	545,738	590,738	2,133,718
2030	1,539,661	50,000	543,125	593,125	2,132,786
2031	1,536,436	55,000	540,238	595,238	2,131,674
2032	1,533,680	60,000	537,075	597,075	2,130,755
2033	1,534,314	60,000	533,775	593,775	2,128,089
2034	1,533,261	65,000	530,338	595,338	2,128,599
2035	1,529,613	70,000	526,625	596,625	2,126,238
2036	1,529,558	75,000	522,638	597,638	2,127,195
2037	1,529,246	80,000	518,375	598,375	2,127,621
2038	1,531,573	80,000	513,975	593,975	2,125,548
2039	1,531,848	80,000	509,575	589,575	2,121,423
2040	1,530,056	90,000	504,900	594,900	2,124,956
2041	1,526,685	95,000	499,813	594,813	2,123,498
2042	1,528,563	100,000	494,450	594,450	2,123,013
2043	1,521,672	110,000	488,675	598,675	2,120,347
2044	1,517,153	125,000	482,213	607,213	2,124,366
2045	1,509,600	135,000	475,063	610,063	2,119,663
2046	0	1,695,000	424,738	2,119,738	2,119,738
2047	0	1,790,000	328,900	2,118,900	2,118,900
2048	0	1,890,000	227,700	2,117,700	2,117,700
2049	0	2,000,000	120,725	2,120,725	2,120,725
2050	0	1,195,000	32,863	1,227,863	1,227,863
	<u>\$30,697,970</u>	<u>\$10,000,000</u>	<u>\$11,273,900</u>	<u>\$21,273,900</u>	<u>\$51,971,870</u>

Estimated Combined Average Annual Debt Service (2026/2050)

\$2,078,875

Estimated Combined Maximum Annual Debt Service (2029)

\$2,133,718

TAX PROCEDURES

Authority To Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in sufficient amount to pay the principal of and interest on the District's Outstanding Bonds, the Bonds and any additional bonds payable from taxes which the District may hereafter issue, and to pay the expenses of assessing and collecting such taxes. The Board is also authorized to levy and collect annual ad valorem taxes for the administration, operation and maintenance of the District and its properties and for the payment of certain contractual obligations other than bonds if such taxes are authorized by vote of the District's electors at an election. At an election held within the District on September 21, 1974, the voters in the District authorized the levy of a maintenance and operation tax of not to exceed \$0.20 per \$100 assessed valuation. On August 8, 1992, the voters in the District authorized the levy of a maintenance and operation tax without limitation. For the 2025 tax year, a maintenance and operation tax of \$0.4049 per \$100 assessed value was levied within the District.

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes, and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District; however, no effort is expected to be made to levy taxes against tangible or intangible personal property not devoted to commercial or industrial use. Principal categories of exempt real 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; non-profit cemeteries; certain household goods, family supplies and personal effects; and certain property owned by qualified charitable, religious, veterans, youth, fraternal, or educational organizations. Goods, wares, ores, and merchandise (other than oil, gas or petroleum products) that are acquired in or imported into the state and forwarded out of state within 175 days thereafter are also exempt. Property owned by a disabled veteran or by the spouse or certain children of a deceased disabled veteran or a veteran who died while on active duty is exempt to between \$5,000 and \$12,000 depending on the disability rating of the veteran. State law further mandates a complete exemption for the residential homestead of disabled veterans determined to be 100% disabled by the U.S. Department of Veterans Affairs. 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 such exemption on the same property to which the disabled veteran's exemption applied, including, effective January 1, 2016, the surviving spouse of a disabled veteran who would have qualified for such an exemption if such an exemption had been in effect on the date the disabled veteran died. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

The surviving spouse of a first responder who is killed or fatally injured in the line of duty is entitled to an exemption of the total appraised value of the surviving spouse's residence homestead if the surviving spouse has not remarried since the first responder's death, and said property was the first responder's residence homestead at the time of death. Such exemption would be transferred to a subsequent residence homestead of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

If approved by the Board or through a process of petition and referendum by the District's voters, residence homesteads of certain persons who are disabled or at least 65 years old are exempt to the extent of \$3,000 or such higher amount, as the Board or the District's voters may approve. The District's tax assessor is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax-supported debt incurred prior to adoption of the exemption by the District. The District currently grants a homestead exemption of \$40,000 to persons who are 65 years of age or older and to persons who are disabled.

Residential Homestead Exemptions: The Board also may exempt up to 20% of the market value of residential homesteads from ad valorem taxation. Such exemption would be in addition to any other applicable exemptions provided by law. However, if ad valorem taxes have previously been pledged for the payment of debt and the granting of the homestead exemption would impair the obligation or the contract by which the debt was created, then the Board may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged. The Board currently grants a 20% homestead exemption.

Freeport Goods Exemption: Freeport goods are goods, wares, merchandise, other tangible personal property and ores, other than oil, natural gas and other petroleum products, which have been acquired or brought into the state for assembling, storing, manufacturing, repair, maintenance, processing or fabricating or used to repair or maintain aircraft of a certified air carrier and will be shipped out of the state within 175 days. As the result of a state constitutional amendment passed by Texas voters on November 7, 1989, good in transit ("freeport goods") are exempted from taxation by the District effective January 1, 1990.

Goods-In-Transit Exemption: Article VIII, Section 1-n of the Texas Constitution provides for the exemption from taxation of "goods-in-transit." "Goods-in-transit" is defined by a provision of the Property Tax Code, which is effective for tax year 2011 and prior applicable years, as personal property acquired or imported into Texas and transported to another location in the State or outside of the State within 175 days of the date the property was acquired or imported into Texas. The exemption excludes oil, natural gas, petroleum products, aircraft and special inventory, including motor vehicle, vessel and out-board motor, heavy equipment and manufactured housing inventory. For tax year 2012 and subsequent years, such Goods-In-Transit Exemption is limited to tangible personal property 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 Property Tax Code provision permits local governmental entities, on a local option basis, to take official action by January 1 of the year preceding a tax year, after holding a public hearing, to tax goods-in-transit during the following tax year. A taxpayer may receive only one of the Freeport exemptions or the goods-in-transit exemptions for items of personal property. The District has taken official action to not provide such exemptions.

Reinvestment Zone: Montgomery County may designate all or part of the area within the District as a reinvestment zone, and the District, Montgomery County and Conroe Independent School District may thereafter enter into tax abatement agreements with owners of real property within the zone. The tax abatement agreements may exempt from ad valorem taxation by the applicable taxing jurisdiction, for a period of up to 10 years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with a comprehensive plan. None of the area within the District has been designated as a reinvestment zone to date.

Valuation of Property for Taxation

The Texas Property Tax Code (the "Property Tax Code") establishes an appraisal district (the "Appraisal District") and an appraisal review board in each county of the State of Texas. The Appraisal District is governed by a board of directors which is elected by the governing bodies of cities, towns, the county, school districts and, if entitled to vote, the conservation and reclamation districts that participate in the Appraisal District, and of the county. The board of directors selects a chief appraiser to manage the appraisal office of the Appraisal District. The Appraisal Districts are responsible for appraising property within the District, subject to review by the their respective Appraisal Review Boards (the "Appraisal Review Boards"). The appraisal roll approved by the Appraisal Review Boards must be used by the District in establishing its tax rolls and tax rate. The valuation and assessment of taxable property within the District is governed by the Property Tax Code.

During the 2nd Special Session, convened on June 27, 2023, the Texas Legislature passed Senate Bill 2 ("SB 2"), which, among other things, includes provisions that prohibit an appraisal district from increasing the appraised value of real property during the 2024 tax year on non-homestead properties (the "Subjected Property") whose appraised values are not more than \$5,000,000 (the "Maximum Property Value") to an amount not to exceed the lesser of: (1) the market

value of the Subjected Property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20 percent of the appraised value of the Subjected Property for the preceding tax year; (b) the appraised value of the Subjected Property for the preceding tax year; and (c) the market value of all new improvements to the Subjected Property. After the 2024 tax year, through December 31, 2026, the Appraisal Cap may be increased or decreased by the product of the preceding state fiscal year's increase or decrease in consumer price index, as applicable, to the Maximum Property Value. SB 2 was signed into law by the Governor of Texas (the "Governor") on July 22, 2023. The provisions described hereinabove took effect January 1, 2024, after the constitutional amendment proposed by H.J.R. 2, 88th Legislature, 2nd Called Session, 2023, was approved by voters at an election held on November 7, 2023.

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 timely petition for review in district court. In such event, the property value in question may be determined by the court, or by a jury, if requested by any party. Additionally, taxing units may bring suit against the Appraisal District to compel compliance with the Property Tax Code.

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

Assessment and Levy

Generally, all taxable property in the District (other than any qualifying agricultural or timber land) must be appraised at 100% of market value as of January 1 of each tax year, subject to review and approval by the Appraisal Review Board. However, houses held for sale by a developer or builder which remain unoccupied, are not leased or rented, and produce no income are required to be assessed at the price for which they would sell as a unit to a purchaser who would continue the owner's business. Valuation of houses at inventory level in future years could reduce the assessed value of developer and builder house inventory within the District. Certain land may be appraised at less than market value under the Property Tax Code. Upon application of a landowner, land which qualifies as "open-space land" is appraised based on the category of land, agriculture and hunting or recreational leases. Once an appraisal roll is prepared and approved by the Appraisal Review Boards it is used by the District in establishing its tax rate.

The Property Tax Code requires the Appraisal Districts to implement a plan for periodic reappraisal of property to update appraisal values. The plan must provide for appraisal of all real property in the Appraisal Districts at least once every three (3) years. It is not known what frequency of reappraisal will be utilized by the Appraisal Districts or whether reappraisals will be conducted on a zone or county-wide basis. The District, however, at its expense, has the right to obtain from the Appraisal District a current estimate of appraised values within the District or an estimate of any new property or improvements within the District. While such current estimate of appraised values may serve to indicate the rate and extent of growth of taxable values within the District, it cannot be used for establishing a tax rate within the District until such time as the Appraisal District chooses to formally include such values on its appraisal roll.

The chief appraiser must give written notice to each owner if the appraised value of their property is greater than it was in the preceding year, if the appraised value of the property is greater than the value rendered by the property owner, or if the property was not on the appraisal roll in the preceding year. In addition, the chief appraiser must give written notice to each property owner whose property was reappraised in the current year or if ownership of the property changed during the preceding year. The Appraisal Review Board has the ultimate responsibility for determining the value of all taxable property within the District; however, any owner who has timely filed notice with the appropriate Appraisal Review Boards may appeal the final determination by the Appraisal Review Board by filing suit in Texas district court. Prior to such appeal and prior to the delinquency date, however, the owner must pay the tax due on the amount of value of the property involved that is not in dispute or the amount of tax paid in the prior year, whichever is greater, or the amount of tax due under the order from which the appeal is taken. In the event of such suit, the value of the property is determined by the court, or a jury if requested by any party. Additionally, the District is entitled to challenge certain

matters before the Appraisal Review Board, including the level of appraisals of a certain category of property, the exclusion of property from the appraisal records, or the grant in whole or in part of a partial exemption. The District may not, however, protest a valuation of individual property.

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

The District is responsible for the levy and collection of its taxes and will continue to do so unless the Board or the qualified voters of the District at an election held for such purpose determines to transfer such functions to the Appraisal District or another taxing unit.

Collection

Taxes are due on receipt of the tax bill and become delinquent after January 31 of the following year. However, a person over 65 years of age is entitled by law to pay current taxes on his residence homestead in installments or to defer taxes without penalty during the time he owns and occupies the property as his residence homestead. The date of the delinquency of a tax bill may be postponed if the tax bill is mailed after January 10. Delinquent taxes are subject to a six percent (6%) penalty for the first month of delinquency, one percent (1%) for each month thereafter to June 30 and twelve percent (12%) total if any taxes are unpaid on July 1. Delinquent taxes also accrue interest at the rate of one percent (1%) per month during the period they remain outstanding. In addition, if the District engages an attorney for collection of delinquent taxes, the Board may impose a further penalty not to exceed twenty percent (20%) on all taxes, penalty and interest unpaid on July 1.

Taxes levied by the District are a personal obligation of the person who owns or acquires the property on January 1 of the year for which the tax is imposed. The District has a statutory lien for unpaid taxes on real property against which the taxes are assessed. In the event a taxpayer fails to make timely payment of taxes due the District, the District may file suit to foreclose its lien securing payment of the tax, to enforce personal liability for the tax, or both. The District's tax lien is on a parity with the tax liens of the other state and local jurisdictions levying taxes on property within the District. Whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. In the absence of such federal law, the District's tax lien takes priority over a lien of the United States. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other federal, state and local taxing jurisdictions, by effects of the foreclosure sale price attributable to market conditions, by taxpayer redemption rights, or by bankruptcy proceedings which restrain the collection of a taxpayer's debts.

The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties and interest, if the person requests an installment agreement in writing and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) sixty-five (65) years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continues to accrue during the period of deferral.

Rollback of Operation and Maintenance Tax Rate

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

impact each classification has on the ability of a district to increase its maintenance and operations is described for each classification below. Debt service cannot be reduced by a rollback election held within any of the districts described below.

Special Taxing Units

Special Taxing Units that adopt a total tax rate that would impose more than 1.08 times the amount of the total tax imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Special Taxing Unit is the current year's debt service and contract tax rate plus 1.08 times the previous year's maintenance and operations tax rate.

Developed Districts

Developed Districts that adopt a total tax rate that would impose more than 1.035 times the amount of the total tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions for the preceding tax year, plus any unused increment rates, as calculated and described in Section 26.013 of the Property Tax Code, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Developed District is the current year's debt service and contract tax rate plus 1.035 times the previous year's maintenance and operations tax rate plus any unused increment rates. In addition, if any part of a Developed District lies within an area declared for disaster by the Governor of Texas or President of the United States, alternative procedures and rate limitations may apply for a temporary period. If a district qualifies as both a Special Taxing Unit and a Developed District, the district will be subject to the operation and maintenance tax threshold applicable to Special Taxing Units.

Developing Districts

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

The District

A determination as to a district's status as a Special Taxing Unit, Developed District, or Developing District will be made on an annual basis. The Board determined the District to be a "Developing District" for purposes of setting the 2025 tax rate. 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 rollback election calculation.

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property as of January 1 of the year in which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties and interest ultimately imposed for the year on the property. The lien exists in favor of the State and each taxing unit, including the District, having the power to tax the property. The District's tax lien is on a parity with the tax liens of other such taxing units. See "TAX DATA-Estimated Overlapping Taxes." A tax lien on real property takes priority over the claims of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt

or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty and interest.

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights or by bankruptcy proceedings which restrict the collection of taxpayer debts. A taxpayer may redeem property within two years for residential and agricultural property and six months for commercial property and all other types of property after the purchaser's deed at the foreclosure sale is filed in the county records.

Tax Exemption for Property Damaged by Disaster

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

Tax Payment Installments after Disaster

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

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

The Effect of FIRREA on Tax Collections of the District

The Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("FIRREA") contains certain provisions which affect the time for protesting property valuations, the fixing of tax liens and the collection of penalties and interest on delinquent taxes on real property owned by the Federal Deposit Insurance Corporation ("FDIC") when the FDIC is acting as the conservator or receiver of an insolvent financial institution.

Under FIRREA, real property held by the FDIC is still subject to ad valorem taxation, but such act states (i) that no real property of the FDIC shall be subject to foreclosure or sale without the consent of the FDIC and no involuntary liens shall attach to such property, (ii) the FDIC shall not be liable for any penalties, interest, or fines, including those arising from the failure to pay any real or personal property tax when due, and (iii) notwithstanding failure of a person to challenge an appraisal in accordance with state law, such value shall be determined as of the period for which such tax is imposed.

To the extent that the FDIC attempts to enforce the same, these provisions may affect the timeliness of collection of taxes on property, if any, owned by the FDIC in the District and may prevent the collection of penalties and interest on such taxes or may affect the valuation of such property.

TAX DATA

General

Taxable property within the District is subject to the assessment, levy and collection by the District of a continuing direct, annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds (and any future tax-supported bonds which may be issued from time to time as authorized). Taxes are levied by the District each year against the District's assessed valuation as of January 1 of that year. Taxes become due October 1 of such year, or when billed, and generally become delinquent after January 31 of the following year. The Board covenants in the Bond Resolution 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. The actual rate of such tax will be determined from year to year as a function of the District's tax base, its debt service requirements and available funds. In addition, the District has the power and authority to assess, levy and collect ad valorem taxes, in an unlimited amount, for operation and maintenance purposes. The Board levied a 2025 tax rate of \$0.4049 per \$100 of assessed valuation for operation and maintenance purposes and a tax rate of \$0.3400 per \$100 of assessed valuation for debt service purposes.

Tax Rate Limit

Debt Service: Unlimited (no legal limit as to rate or amount)
Maintenance: Unlimited (no legal limit as to rate or amount)

Debt Service Tax

The Board covenants in the Bond Resolution to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Bonds.

In the Bond Resolution, the debt service fund is confirmed, and the proceeds from all taxes levied, appraised and collected for payment of the Bonds authorized by the Bond Resolution shall be deposited, as collected.

Maintenance Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements, if such maintenance tax is authorized by vote of the District's electors. The Board is authorized to levy such a maintenance tax unlimited as to rate or amount. The District levied a 2025 maintenance tax rate of \$0.4049 per \$100 of assessed valuation for operation and maintenance purposes. Such tax is in addition to taxes which the District is authorized to levy for paying principal and interest on the District's bonds.

Tax Exemption

As discussed in the section titled "TAX PROCEDURES" herein, certain property in the District may be exempt from taxation by the District. The District currently grants a 20% homestead exemption of the market value of any residential homesteads from taxation.

Additional Penalties

The District has contracted with a delinquent tax attorney to collect certain delinquent taxes. In connection with that contract, the District can establish an additional penalty of twenty percent (20%) of the tax to defray the costs of

collection. This 20% penalty applies to taxes that either: (1) become delinquent on or after February 1 of a year, but not later than June 1 of that year, and that remain delinquent on April 1 (for personal property) and July 1 (for real property) of the year in which they become delinquent or (2) become delinquent on or after June 1, pursuant to the Texas Tax Code.

Tax Collection History

The following table indicates the collection history for taxes assessed by the District:

<u>Tax Year</u>	<u>Assessed Valuation</u>	<u>Debt Rate</u>	<u>M&O Rate</u>	<u>Total Rate</u>	<u>Levy</u>	<u>Percent Current</u>	<u>Percent Total</u>	<u>Yr End Sept 30</u>
2005	\$83,371,891	\$0.4900	\$0.3300	0.8200	\$683,805	96.39%	98.08%	2006
2006	87,632,987	0.4600	0.3600	0.8200	717,951	97.19%	100.97%	2007
2007	99,417,996	0.4150	0.3600	0.7750	770,489	96.25%	98.13%	2008
2008	105,952,129	0.3975	0.3775	0.7750	821,129	96.97%	100.95%	2009
2009	133,080,227	0.4600	0.3150	0.7750	1,035,280	97.96%	99.80%	2010
2010	116,518,200	0.4350	0.3400	0.7750	938,635	97.90%	98.38%	2011
2011	128,942,686	0.5000	0.3100	0.8100	1,049,971	98.58%	98.24%	2012
2012	137,385,136	0.5100	0.3000	0.8100	1,113,288	98.55%	99.53%	2013
2013	162,049,528	0.5100	0.3000	0.8100	1,289,724	98.34%	100.56%	2014
2014	202,982,605	0.5100	0.3000	0.8100	1,644,282	98.88%	100.42%	2015
2015	255,008,569	0.3700	0.3900	0.7600	1,944,087	98.62%	99.06%	2016
2016	295,632,824	0.3200	0.4400	0.7600	2,248,211	98.71%	99.28%	2017
2017	316,820,667	0.3650	0.4170	0.7820	2,481,146	98.78%	100.29%	2018
2018	332,532,162	0.3400	0.4420	0.7820	2,602,540	97.78%	98.40%	2019
2019	348,939,482	0.3200	0.4276	0.7476	2,620,343	98.30%	100.03%	2020
2020	360,703,398	0.3100	0.4376	0.7476	2,698,496	98.84%	99.85%	2021
2021	405,247,346	0.3100	0.4376	0.7476	3,038,104	98.62%	100.32%	2022
2022	534,359,588	0.3200	0.4165	0.7165	3,838,618	98.71%	99.41%	2023
2023	589,691,171	0.2550	0.4470	0.7020	4,125,657	98.40%	98.91%	2024
2024	608,242,749	0.2500	0.3969	0.6469	3,936,446	98.19%	99.69%	2025
2025	628,537,976	0.3400	0.4049	0.7449	4,686,574	6.95%	7.95%	2026 (a)

(a) Collections through November 30, 2025 only.

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 on the Bonds and the Outstanding Bonds if no growth in the District's tax base occurs beyond the 2025 Taxable Value (\$628,537,976). The calculations assume collection of 98% of taxes levied and the sale of no additional bonds (other than the Bonds) by the District.

Estimated Average Combined Annual Debt Service Requirements (2026/2050)	\$2,078,875
Tax Rate of \$0.338 on the 2025 Taxable Value produces	\$2,081,969
Estimated Maximum Combined Annual Debt Service Requirements (2029)	\$2,133,718
Tax Rate of \$0.347 on the 2025 Taxable Value produces	\$2,181,026

Principal Taxpayers

The following table, which sets forth the District's principal taxpayers, was provided by the District's Tax Assessor/Collector based upon the 2025 and 2024 certified tax rolls (which reflect ownership of property as of January 1, 2025 and January 1, 2024, respectively) according to the records of the Tax Assessor/Collector:

<u>Name of Taxpayer</u>	<u>Type of Property</u>	<u>2025 Taxable Value</u>	<u>% of '25 A.V.</u>	<u>2024 Taxable Value</u>	<u>% of '24 A.V.</u>
AR-Wyndemere Ltd	Apartments	\$66,000,000	10.50%	\$63,637,734	10.46%
VA-MF Woodlands LLC	Apartments	57,800,000	9.20%	58,000,000	9.54%
Sawdust Road Apartments	Apartments	57,500,000	9.15%	60,000,000	9.86%
WW Sierra Pines LP	Apartments	51,083,752	8.13%	49,100,000	8.07%
FRMF-Woodlands LP	Townhomes	44,151,016	7.02%	42,278,288	6.95%
Camden Woodmill Creek LLC	Acreage/Lots	30,000,000	4.77%	26,846,224	4.41%
CLF Sierra LLC	Office Bldg	22,000,000	3.50%	22,000,000	3.62%
SR/CLF Sawdust Venture	Office Bldg	15,000,000	2.39%	15,000,000	2.47%
GROC LLC	Land & Improv	6,219,750	0.99%	6,219,750	1.02%
Centerepoint Energy	Electric Utility	3,519,680	0.56%	(a)	
Linde Services	Leased Equip	(a)		4,545,170	0.75%
Total--Top Ten		<u>\$353,274,198</u>	<u>56.21%</u>	<u>\$347,627,164</u>	<u>57.15%</u>

(a) Not among the top ten taxpayers this year.

Estimated Overlapping Taxes

Property within the District is subject to taxation by several taxing authorities in addition to the District. Under Texas law, a tax lien attaches to property to secure the payment of all taxes, penalty, and interest for the year, on January 1 of that year. The tax lien on property in favor of the District is on a parity with tax liens of other taxing jurisdictions. In addition to ad valorem taxes required to make debt service payments on bonded debt of the District and of such other jurisdictions, 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 Entities</u>	<u>2025 Tax Rates</u>
Conroe Independent School District	\$0.9496
Lone Star College District	0.1060
Montgomery County	0.3770
Montgomery Co. Emergency Service District No. 14	0.1000
Montgomery Co. Hospital District	<u>0.0473</u>
Overlapping Taxes (a)	\$1.5799
The District	<u>0.7449</u>
Total Direct & Overlapping Taxes (a)	<u><u>\$2.3248</u></u>

(a) A few houses are also located within The Woodlands Township, which levied a \$0.1714 tax rate for 2025.

Analysis of Tax Base

Based on information provided to the District by its Tax Assessor/Collector, the following represents the composition of property comprising the tax roll valuations for each of the years indicated:

	<u>2025 Tax Year</u>		<u>2024 Tax Year</u>		<u>2023 Tax Year</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Land	\$78,282,534	11.06%	\$78,421,862	11.76%	\$77,337,100	12.18%
Improvements	608,027,481	85.90%	565,712,329	84.82%	539,176,623	84.89%
Personal	<u>21,522,308</u>	<u>3.04%</u>	<u>22,810,578</u>	<u>3.42%</u>	<u>18,623,586</u>	<u>2.96%</u>
Total Appraised Value	\$707,832,323	100.00%	\$666,944,769	100.00%	\$635,137,309	100.00%
Less: Exemptions	<u>(74,985,419)</u>		<u>(55,701,900)</u>		<u>(47,631,599)</u>	
Total Taxable Value	<u><u>\$632,846,904</u></u>		<u><u>\$611,242,869</u></u>		<u><u>\$587,505,710</u></u>	

	<u>2022 Tax Year</u>		<u>2021 Tax Year</u>		<u>2020 Tax Year</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Land	\$56,987,080	9.89%	\$46,213,030	10.46%	\$48,153,890	12.15%
Improvements	502,867,303	87.23%	383,113,672	86.69%	335,532,222	84.69%
Personal	<u>16,634,605</u>	<u>2.89%</u>	<u>12,632,906</u>	<u>2.86%</u>	<u>12,521,128</u>	<u>3.16%</u>
Total Appraised Value	\$576,488,988	100.00%	\$441,959,608	100.00%	\$396,207,240	100.00%
Less: Exemptions	<u>(41,971,309)</u>		<u>(35,600,978)</u>		<u>(35,366,200)</u>	
Total Taxable Value	<u><u>\$534,517,679</u></u>		<u><u>\$406,358,630</u></u>		<u><u>\$380,841,040</u></u>	

Note: Values shown above may reflect original certified amounts and may differ from those shown elsewhere herein.

Strategic Partnership Agreement – Limited Purpose Annexation by City of Houston

The District entered into a Strategic Partnership Agreement (“SPA”) with the City of Houston (“Houston”) effective as of December 9, 2015 whereby the tracts of land containing commercial development were annexed into Houston for the limited purpose of applying certain of Houston’s Planning, Zoning, Health and Safety Ordinances to the commercial businesses. Houston imposes a Sales and Use Tax within the annexed tracts on the receipts from the sales and use at retail of taxable items at the rate of one percent or such other rate as may be imposed by Houston from time to time. Under the SPA, one-half or 50% of the sales tax revenue generated by the commercial business will be paid to the District, and the District can use the sales tax for any purpose for which the District is lawfully authorized. Neither the District nor any owners of taxable property in the District is liable for any present or future debts of Houston and current and future ad valorem taxes levied by Houston will not be levied on taxable property in the District.

In consideration of the services provided by Houston, in lieu of full purpose annexation, the District is required to pay Houston an annual fee of \$100 on each anniversary of the date the SPA was approved by the City Council of Houston.

Under the SPA Houston agrees that it will not annex all or part of the District for a period of thirty years. See "THE BONDS—Annexation and Consolidation."

The Bonds are not obligations of Houston and the SPA does not obligate Houston, either directly or indirectly to pay the principal of and interest on the Bonds.

The following is an analysis of the collection history of the SPA revenues received from Houston for the years indicated:

<i>Ad Valorem Taxation Comparisons</i>					
<i>Fiscal Year Ended 9/30</i>	<i>SPA Receipts</i>	<i>Equivalent Tax Year</i>	<i>Tax Rate Equivalent</i>	<i>% of Adjusted Tax Levy</i>	
2016	\$542	2015	\$0.0002	0.03%	
2017	2,040	2016	0.0007	0.09%	
2018	18,673	2017	0.0059	0.75%	
2019	24,645	2018	0.0074	0.95%	
2020	31,690	2019	0.0090	1.21%	
2021	52,241	2020	0.0145	1.94%	
2022	142,063	2021	0.0350	4.68%	
2023	138,349	2022	0.0259	3.61%	
2024	147,882	2023	0.0252	3.76%	
2025	171,794	2024	0.0282	4.36%	

THE SYSTEM

Regulation

The water, wastewater and drainage facilities (the "System") financed by the District have been designed in accordance 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, Montgomery County, Texas, the San Jacinto River Authority, Lone Star Groundwater Conservation District ("Lone Star") and Houston. During construction, facilities are subject to inspection by the District's Engineer, the foregoing governmental agencies and by the TCEQ.

Operation of the System is subject to regulation by, among others, the Environmental Protection Agency, the TCEQ, Montgomery County, Texas and Houston. Withdrawal of groundwater and the issuance of water well permits is subject to the regulatory authority of the Lone Star. In many cases, regulations promulgated by these agencies have become effective only recently and are subject to further development and revision.

Description of the System

The water system consists of two water plants, both with 12-inch main water lines for distribution. The two plant facilities combined consist of four water wells, one 250,000 gallon elevated storage tank, one 800,000 gallon ground storage tank, one 20,000 gallon hydropneumatic tank, booster pump capacity totaling 3,000 gallons per minute, a 250 KW natural gas emergency generator and a 325 KW diesel emergency generator and necessary controls, electrical facilities and equipment.

The wastewater system consists of a 950,000 gallon per day wastewater treatment plant, a wastewater collection system with piping ranging in size from 6-inches up to 24-inches and eight lift stations, six with permanently installed natural gas emergency generators. The District owns two trailer-mounted diesel generators which are transported as needed during emergency power outages. The treatment plant is equipped with an influent screen, grit removal, aerated biological treatment, clarifiers, effluent water chlorine disinfection and a 500KW natural gas emergency generator. Sludge is treated on site with an Ashbrook Belt Filter Press.

While all drainage improvements have been provided by developers, the District has not assumed ownership or maintenance of all such facilities. Only within the Woodmill Creek development, specific drainage improvements have been acquired by the District and maintained.

Lone Star Groundwater Conservation District

On October 10, 2017, the Lone Star board of directors approved new recommendations for future increases in groundwater pumping in Montgomery County based upon the results of a three-year scientific study. Lone Star commissioned its “Strategic Water Resources Planning Study” in October 2014 to evaluate the impacts to local aquifers of its 2016 groundwater pumping reductions, to evaluate whether and how additional groundwater supplies could be safely developed in the county, and to develop other related information and recommendations for use in the next five-year cycle of joint planning for establishing goals for future aquifer conditions in a multi-county region of the Gulf Coast known as Groundwater Management Area 14 (“GMA 14”). As part of the study, Lone Star surveyed all of the large water well permit holders in the county to determine how much additional declines in the water levels of the aquifers that they could tolerate in their water wells. The new recommended planning goal for the aquifers in Montgomery County would allow groundwater pumping to increase from the current goal of 64,000 acre-feet per year to 100,000 acre-feet per year. The study found that increased pumping would result in greater declines in water levels in the aquifers over the 50-year planning period than under the current goal, but that the survey results supported the board making such a policy decision because of the limited number of well owners who may have to lower their wells to accommodate the water-level declines.

The board of directors’ decision was unanimous to approve the increased groundwater pumping levels and resulting aquifer conditions included in what is referred to as groundwater availability model “Run D” in the Final Report for Task 3 of the study as the Board’s recommended model scenario. The board of directors of Lone Star also approved a recommendation that Lone Star’s general manager and technical consultants present the results of the study, including the board’s new recommendation for Run D, to the other groundwater conservation district representatives of GMA 14, with a request that Run D be considered in the new round of joint planning for the aquifers as either an amendment to the current desired future conditions for the aquifers or as a new proposal. By law, GMA 14 must adopt desired future conditions for the aquifers at least once every five years, with the current five-year cycle ending no later than January 5, 2022. However, GMA 14 can adopt new or amended desired future conditions for the aquifers earlier than those deadlines. In order to be finally approved, any new proposal or amendment must go through a lengthy technical evaluation and public hearings process prescribed by law and must receive an affirmative vote of at least four out of the five member groundwater conservation districts in GMA 14.

In 2015, dissatisfied with the production limits Lone Star created through the rulemaking authority delegated to it by the Texas Legislature, a group of large water producers filed suit claiming that the rules Lone Star created imposing per-producer yearly production limits on their production of groundwater were invalid because they purported to regulate the production of groundwater in ways the Texas Legislature never authorized. On October 2, 2018, the 284th District Court of Montgomery County, ruled that, as a matter of law, the core groundwater regulation, which Lone Star imposed on large groundwater producers, is outside of Lone Star’s authority under the Texas Water Code and is not valid. Under the ruling, Lone Star could appeal directly to the Beaumont Court of Appeals for review of the decision. However, at the Lone Star board meeting held on January 23, 2019, the board announced that they unanimously agreed on a settlement offer with the large water producers, but the specifics of the settlement will not be made public until all parties have reviewed and signed it. As a result of the District Court’s ruling on October 2, 2018, Lone Star adopted new groundwater regulations on September 8, 2020, that repeal, supersede and replace all previously adopted rules and regulatory plans of Lone Star.

On January 6, 2022, the GMA 14 regional regulatory representative of the TWDB approved the proposed groundwater conservation regulatory goals of Lone Star. The adopted desired future condition (“DFC”) provides “[i]n each county in GMA 14, no less than 70 percent median available drawdown remaining in 2080 or no more than an average of 1.0 additional foot of subsidence between 2009 and 2080.” The next DFC will be completed no later than January 5, 2027. As a result of the approval on January 6, 2022, Lone Star expects to finalize a multi-phased subsidence study to research and determine how to manage subsidence countywide most effectively and to make a strategic plan to manage subsidence going forward.

Source: Lone Star Groundwater Conservation District Press Release: <https://static1.squarespace.com/static/58347802cd0f6854e2f90e45/t/61d5d14a8bea055940b5cd29/1641402698539/1.5.22.LSGCD.DFC.pdf>

Rate Order

The District's utility rate order, subject to change from time to time by the Board, is summarized in part below and was adopted March 16, 2024:

-Water Rates (a) (b)-

First 6,000 gallons	\$32.75 (minimum)
Next 4,000 gallons	\$6.00 per 1,000 gallons
Next 9,000 gallons	\$6.15 per 1,000 gallons
Next 10,000 gallons	\$6.30 per 1,000 gallons
Next 10,000 gallons	\$6.45 per 1,000 gallons
Next 10,000 gallons	\$6.70 per 1,000 gallons
Next 10,000 gallons	\$6.95 per 1,000 gallons
Next 10,000 gallons	\$7.45 per 1,000 gallons
Next 10,000 gallons	\$7.95 per 1,000 gallons
Next 10,000 gallons	\$8.45 per 1,000 gallons
90,000 gallons and thereafter	\$8.95 per 1,000 gallons

-Sewer Rates (b)-

First 10,000 gallons	\$51.73 (minimum)
Over 10,000 gallons	\$0.50 per 1,000 gallons

(a) All customers are billed an additional charge equal to 110% of the pumpage fee rate charged by the San Jacinto River Authority (“SJRA”) for groundwater pumped by the District, which charge by the SJRA is currently \$2.67 per 1,000 gallons. In addition, an additional fee of \$0.085 is also added to the water bill as a “Regional Fee,” intended to offset charges imposed upon the District by the Lone Star. Either or both of these charges may increase in the future.

(b) Multi-Family buildings shall be charged a minimum bill for each unit, whether occupied or not, at the rates of \$16.83 for water and \$27.75 for sewer.

Historical Operations of the General Fund

The following statement sets forth in condensed form the historical operations of the District's General Fund. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Such information has been prepared based upon information obtained from the District's audited financial statements (except for the fiscal year ended September 30, 2025, which was taken from District records), to which reference is hereby made for further and complete information.

	<u>Fiscal Years Ended September 30</u>					
	<u>2025(a)</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Revenues						
Property Taxes	\$2,364,233	\$2,597,821	\$2,218,177	\$1,782,398	\$1,576,331	\$1,498,575
Water Service	1,882,182	1,520,098	1,268,469	1,213,195	1,055,203	1,000,721
Sewer Service	1,399,264	1,257,002	1,198,198	1,184,377	1,132,607	1,081,029
Tap Fees	13,218	501,664	360,141	24,044	4,500	51,237
Other Revenues	<u>661,464</u>	<u>586,331</u>	<u>395,086</u>	<u>247,589</u>	<u>148,547</u>	<u>185,354</u>
Total Revenues	\$630,361	\$6,462,916	\$5,440,071	\$4,451,603	\$3,917,188	\$3,816,916
Expenditures						
Personnel	\$1,079,347	\$969,347	\$848,805	\$816,701	\$758,731	\$711,641
Professional Fees	770,581	584,849	416,681	330,051	221,448	168,928
Contracted Services	370,523	378,296	338,203	303,821	244,910	265,081
Utilities	210,321	198,690	195,971	175,068	191,874	159,717
Repairs & Maintenance.	1,160,583	1,000,498	652,850	512,720	622,468	922,453
Other Expenditures	<u>1,536,099</u>	<u>1,150,375</u>	<u>1,258,372</u>	<u>1,439,432</u>	<u>889,486</u>	<u>960,779</u>
Total Expenditures	<u>\$5,127,454</u>	<u>\$4,282,055</u>	<u>\$3,710,882</u>	<u>\$3,577,793</u>	<u>\$2,928,917</u>	<u>\$3,188,599</u>
Net Revenues	<u>\$1,192,908</u>	<u>\$2,180,861</u>	<u>\$1,729,189</u>	<u>\$873,810</u>	<u>\$988,271</u>	<u>\$628,317</u>
Beginning Fund Balances						
Capital Improvements	(1,607,789)	(2,742,257)	(899,282)	(1,970,244)	(251,527)	(864,854)
Transfers	0	1,889,075	239,766	0	(111,124)	
Year-End Fund Balance	<u>\$5,724,144</u>	<u>\$6,285,540</u>	<u>\$3,566,558</u>	<u>\$4,423,226</u>	<u>\$3,686,482</u>	
Cash/Inv at Year-End (c)	<u>\$5,808,480</u>	<u>\$6,036,537</u>	<u>\$3,200,580</u>	<u>\$4,228,157</u>	<u>\$3,550,978</u>	
Percent of Ann Expenses	135.65%	162.67%	89.46%	144.36%	111.36%	
Active Water Connections	1,240	1,173	1,125	1,182	1,178	

(a) Unaudited; taken from District records.

(b) Consists of engineering fees for capital projects and bond issuance, reimbursable from proceeds of the Bonds.

(c) Net of security deposits.

RISK FACTORS

General

The Bonds, which are obligations of the District and are not obligations of the State of Texas; Montgomery County, Texas; the City of Houston, Texas, or any other political subdivision, will be secured by a continuing, direct, annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District. The ultimate security for payment of the principal of and interest on the Bonds depends on the ability of the District to collect from the property owners within the District all taxes levied against the property, or in the event of foreclosure, on the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. At this point in the development of the District, the potential increase in taxable values of property is directly related to the demand for commercial and residential development, not only because of general economic conditions, but also due to particular factors discussed below.

The volatility in oil prices in the U.S. and globally may lead to adverse conditions in the oil and gas industry, including but not limited to reduced revenues, declines in capital and operating expenditures, business failures, and layoffs of workers. 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 homebuilding activity within the District. As previously stated, the Bonds are secured by the proceeds of an annual ad valorem tax and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds as well as the District's share of operations and maintenance expenses payable from ad valorem taxes.

Factors Affecting Taxable Values and Tax Payments

Economic Factors: The growth of taxable values in the District is directly related to the vitality of the commercial development and housing and building industry in the Houston metropolitan area. The housing and building industry has historically been a cyclical industry, affected by both short and long-term interest rates, availability of mortgage and development funds, labor conditions and general economic conditions. During the late 1980s, an oversupply of single-family residential housing in the Houston metropolitan market and the general downturn in the Houston economy adversely affected the local residential development and construction industries. In addition to a decline in housing demand, mortgage foreclosure by private banks and government and financial institutions depressed housing prices and the value of residential real estate in the Houston metropolitan area. The Houston economy is still dependent on energy prices and a precipitous decline in such prices could result in additional adverse effects on the economy.

Maximum Impact on District Rates: Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of District property owners to pay their taxes. The 2025 Taxable Valuation is \$628,537,976. See "TAX DATA." After issuance of the Bonds, the combined estimated maximum annual debt service requirement on the Bonds and the Outstanding Bonds (2029) is \$2,133,718 and the combined estimated average annual debt service requirements on the Bonds and the Outstanding Bonds (2026/2050) is \$2,078,875. Assuming no increase or decrease from the 2025 Taxable Valuation and no use of funds other than tax collections, tax rates of \$0.347 and \$0.338 per \$100 assessed valuation at a 98% collection rate against the 2025 Assessed Valuation would be necessary to pay the combined maximum and combined annual debt service requirements, respectively. The Board levied a 2025 tax rate of \$0.3400 for debt service purposes and \$0.4049 for maintenance purposes. See "DISTRICT DEBT-Pro Forma Debt Service Schedule" and "TAX DATA--Tax Rate Calculations."

Natural Disaster Declarations: The Governor, Greg Abbott, issued a Severe Weather Disaster Declaration on April 30, 2024, which was subsequently amended on May 2, 2024, May 7, 2024, May 15, 2024, and May 20, 2024, certifying the severe storms and flooding that began on April 26, 2024 caused widespread and severe property damage, injury, or loss of life and declaring a disaster in several counties through out the State of Texas, including Montgomery County, Texas, in which the District is located. Additionally, the President of the United States of America, Joe Biden, issued a Major Disaster Declaration declaring a major disaster exists in the State of Texas as a result of severe weather and

flooding beginning April 26, 2024 and making federal funding available to affected individuals in seven counties in the State of Texas, including Montgomery County, Texas, in which the District is located. Property in the District damaged by natural disasters in a declared disaster area may impact the taxable values of the property and the timing of tax payments by the tax payer. See “TAX PROCEDURES – Temporary Tax Exemptions for Property Damaged by Disaster” and “TAX PROCEDURES – Tax Payment Installments after Disaster” and “Extreme Weather Events.”

Extreme Weather Events

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

The greater Houston area has experienced multiple storms exceeding a 0.2% probability (i.e., a “500-year flood” event) since 2015, including Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 25, 2017, and brought historic levels of rainfall during the successive four days. According to the District’s Operator no homes within the District nor any District facilities were flooded.

The District cannot predict the effect that additional extreme weather events may have upon the District and the Gulf Coast. Additional extreme weather events have the potential to cause damage within the District and along the Gulf Coast generally that could have a negative effect on taxable assessed valuations in the District and the economy of the District and the region.

The heavy rainstorms that began April 26, 2024 through May 20, 2024 and Hurricane Beryl on July 8, 2024 resulted in flooding in the Montgomery County, Texas area, including the District. To the District’s best knowledge, the District reports no homes were flooded, water and sewer service was not interrupted and no System operations were interrupted.

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

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

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

Dependence on the Oil and Gas Industry

Adverse developments in economic conditions, particularly in the oil and gas industry, could adversely impact the businesses of taxpayers and the property values in the District, resulting in less local tax revenue. The State of Texas may be particularly at risk from any global slowdown in the oil and gas industry, given the prevalence of international trade in the State of Texas and the risk of contraction in the oil and gas industry and spillover effects into other industries. Should oil prices remain depressed over a long period of time or other adverse developments in economic conditions were to occur, particularly in the oil and gas industry, these businesses could be adversely impacted.

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

Production of Net Revenues

The Net Revenues, if any, to be derived from the operation of the System are entirely dependent upon sales of water and sewer services to current and future residents and users of the System and related operating expenses. The District does not expect that the operation of the System will produce Net Revenues sufficient to make a significant contribution, if any, to the District’s debt service requirements. An audit of the District’s accounts for the fiscal year ended September 30, 2024, is included as "APPENDIX A" to this Official Statement. See "THE SYSTEM – Historical Operations of the General Operating Fund."

Overlapping Tax Rates

Consideration should be given to 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 combination of the District’s tax rate and the overlapping taxing entities’ tax rates is higher than the combined tax rates levied upon certain other comparable developments in the market area. Consequently, an increase in the District’s tax rate above those anticipated above may have an adverse impact on future development or the construction of taxable improvements in the District. See “DISTRICT DEBT--Estimated Overlapping Debt” and “TAX DATA--Estimated Overlapping Taxes.”

Tax Collection Limitations

The District’s ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District’s ability to collect ad valorem taxes through such foreclosure may be impaired by (a) collection procedures, (b) a bankruptcy court’s stay of tax collection procedures against a taxpayer, or (c) market conditions limiting the proceeds from a foreclosure sale of taxable 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. Because ownership of the land within the District may become highly fragmented among a number of taxpayers, attorney’s fees

and other costs of collecting any such taxpayer's delinquencies could substantially reduce the net proceeds to the District from a tax foreclosure sale. Finally, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes against such taxpayer.

Registered Owners' Remedies

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

Bankruptcy Limitation to Registered Owners' Rights

The enforceability of the rights and remedies of Registered Owners may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Subject to the requirements of Texas law discussed below, a political subdivision such as the District may voluntarily file a petition for relief from creditors under Chapter 9 of the Federal Bankruptcy Code, 11 USC sections 901-946. The filing of such petition would automatically stay the enforcement of Registered Owner's remedies, including mandamus and the foreclosure of tax liens upon property within the District discussed above. The automatic stay would remain in effect until the federal bankruptcy judge hearing the case dismisses the petition, enters an order granting relief from the stay or otherwise allows creditors to proceed against the petitioning political subdivisions.

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

The District may not be placed into bankruptcy involuntarily.

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; and
- Requiring remedial action to prevent or mitigate pollution.

Sanctions against a municipal utility district or other type of special purpose district for failure to comply with environmental laws and regulations may include a variety of civil and criminal enforcement measures, including

assessment of monetary penalties, imposition of remedial requirements and issuance of injunctions to ensure future compliance. Environmental laws and compliance with environmental laws and regulations can increase the cost of planning, designing, constructing and operating water production and wastewater treatment facilities. Environmental laws can also inhibit growth and development within the District. Further, changes in regulations occur frequently, and any changes that result in more stringent and costly requirements could materially impact the District.

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

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

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

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

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

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

Pursuant to the federal Safe Drinking Water Act (“SDWA”) and the EPA’s National Primary Drinking Water Regulations (“NPDWRs”), which are implemented by the TCEQ’s Water Supply Division, a municipal utility district’s provision of water for human consumption is subject to extensive regulation as a public water system. Municipal utility districts must generally provide treated water that meets the primary and secondary drinking water quality standards adopted by the TCEQ, the applicable disinfectant residual and inactivation standards, and the other regulatory action levels

established under the agency's rules. The EPA has established NPDWRs for more than ninety (90) contaminants and has identified and listed other contaminants which may require national drinking water regulation in the future. Further, the EPA has established a NPDWR for six (6) Per- and Polyflouroalkyl Substances ("PFAS"), which requires public water systems to perform certain monitoring and remediation measures. Public water systems may be subject to additional PFAS regulation in the future, which could increase the cost of constructing, operating, and maintaining water production and distribution facilities.

Texas Pollutant Discharge Elimination System ("TPDES") permits set limits on the type and quantity of discharge, in accordance with state and federal laws and regulations. The TCEQ reissued the TPDES Construction General Permit (TXR150000) ("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 TCEQ issued the General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the "MS4 Permit") on August 15, 2024. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. The District is currently subject to MS4 Level 2b. Our permit number is TXR040617. Coverage became effective December 12, 2025. We have been covered for the last 5 years.

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

On May 25, 2023, the Supreme Court of the United States issued its decision in *Sackett v. EPA*, which clarified the definition of "waters of the United States" and significantly restricted the reach of federal jurisdiction under the CWA. Under the *Sackett* decision, "waters of the United States" includes only geographical features that are described in ordinary parlance as "streams, oceans, rivers, and lakes" and to adjacent wetlands that are indistinguishable from such bodies of water due to a continuous surface connection. 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 actions removed a great deal of uncertainty regarding the ultimate scope of "waters of the United States" and the extent of EPA and USACE jurisdiction, operations of municipal utility districts, including the District, could potentially be subject to additional restrictions and requirements, including additional permitting requirements, in the future.

Changes in Tax Legislation

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

2025 Legislative Session

The 89th Regular Legislative Session convened on January 14, 2025, and concluded on June 2, 2025. The Legislature meets in regular session in odd numbered years for 140 days. When the Legislature is not in session, the Governor may call one or more special sessions, at the Governor's discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. During this time, the Legislature may enact laws that materially change current laws affecting ad valorem tax matters, including rollback elections for maintenance tax increases, and other matters which could

adversely affect the marketability or market value of the Bonds. On June 23, 2025, the Governor called a special session to begin on July 21, 2025, and ended on August 15, 2025. No legislation was passed during the first special session. The Governor immediately called a second special session which began on August 15, 2025 and concluded on September 4, 2025. No legislation affecting property taxes was passed during the second special session, and no third special session has been called at this time. The District can make no representations or predictions regarding any actions the Texas Legislature may take or the effect of any such actions.

Continuing Compliance with Certain Covenants

The Bond Resolution contains covenants by the District intended to preserve the exclusion from gross income of interest on the Bonds. Failure by 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.

Marketability

The District has no understanding (other than the initial reoffering yields) with the initial purchaser of the Bonds (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 difference between the bid and asked price of other bonds which are more generally bought, sold or traded in the secondary market. See "SALE AND DISTRIBUTION OF THE BONDS--Prices and Marketability."

Financing Parks and Recreational Facilities

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. Before the District could issue park bonds payable from taxes, the following actions would be required: (a) preparation of a detailed park plan; (b) authorization of park bonds by the qualified voters in the District; (c) approval of the park project and bonds by the TCEQ; and (d) approval of the bonds by the Attorney General of Texas. If the District does issue park bonds, the outstanding principal amount of such bonds may not exceed an amount equal to one percent (1%) of the value of the taxable property in the District, unless the District meets certain feasibility, requirements under the TCEQ rules in which case the outstanding principal amounts of such bonds issued by the District may exceed an amount equal to one percent (1%) but not three percent (3%) of the value of the taxable property in the District. The Board has not considered authorizing the preparation of a park plan or calling a park bond election at this time.

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

Tax Payment Installments after Disaster

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

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

Increase in Costs of Building Materials and Labor Shortages

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.

Competition: The demand for and construction of taxable improvements in the District could be affected by competition from other developments near the District. In addition to competition for new single-family home sales from other developments, there are numerous previously-owned single-family homes in more established commercial centers and neighborhoods closer to the City of Houston, Texas that are for sale. Such existing developments could represent additional competition for new development proposed to be constructed within the District. The competitive position of any developer or principal landowners in the sale of land, and the sale or leasing of residences is affected by most of the factors discussed in this section. Such a competitive position is directly related to the growth and maintenance of taxable values in the District and tax revenues to be received by the District. The District can give no assurance that building and marketing programs in the District will be implemented or, if implemented, will be successful.

Location and Access: The District is located approximately 30 miles north of the City of Houston, Texas and 15 miles south of Conroe, Texas. Many of the single-family developments with which the District competes are in a more developed state and have lower taxes. As a result, particularly during times of increased competition, any developer within the District may be at a competitive disadvantage to the developers in other single-family projects located closer to major urban centers or in a more developed state. See "THE DISTRICT" and "STATUS OF DEVELOPMENT."

Cybersecurity

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

Approval of the Bonds

The Attorney General of Texas must approve the legality of the Bonds prior to their delivery. The Attorney General, however, does not pass upon or guarantee the security of the Bonds as an investment, nor has the Attorney General passed upon the adequacy or accuracy of the information contained in this Official Statement.

LEGAL MATTERS

The District will furnish the Underwriter a transcript of certain certified proceedings held incident to the authorization and issuance of the Bonds, including a certified copy of the approving 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 Bonds are valid and legally binding obligations of the District. The District will also furnish the legal opinion of Mitchell, Zientek & Scruggs, LLP, Bond Counsel, to the effect that, based upon an examination of such transcript, the Bonds are legal, valid and binding obligations of the District and are excludable from gross income for federal income tax purposes under existing statutes,

regulations, published rulings and court decisions as described below under “TAX EXEMPTION.” Such opinion will express no opinions with respect to the sufficiency of the security for or the marketability of the Bonds.

Legal Review

Bond Counsel has reviewed the information appearing in this Official Statement under the sections captioned: “THE BONDS” (except the subsection “--Book-Entry-Only System”), “THE DISTRICT—Description,” “TAX PROCEDURES—Authority to Levy Taxes,” “LEGAL MATTERS - Legal Opinions,” “LEGAL MATTERS—Legal Review;” “CONTINUING DISCLOSURE OF INFORMATION” (except the subsection “--Compliance with Prior Undertakings”), solely to determine whether such information fairly summarizes matters of law with respect to the provisions of the documents referred to therein. Bond Counsel has not, however, independently verified any of the factual information contained in this Official Statement, nor has it conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon Bond Counsel's limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of any of the information contained herein, other than the matters discussed immediately above.

The legal fees paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are based upon a percentage of the Bonds actually issued, sold and delivered and, therefore, such fees are contingent upon the sale and delivery of the Bonds.

No-Litigation Certificate

On the date of delivery of the Bonds to the Underwriter, the District will execute and deliver to the Underwriter a certificate to the effect that no litigation of any nature has been filed or is pending, as of that date, of which the District has notice, to restrain or enjoin the issuance or delivery of the Bonds, or which would affect the provisions made for their payment or security, or in any manner question the validity of the Bonds.

No Material Adverse Change

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

Legal Opinions

Issuance of the Bonds is subject to the approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and binding obligations of the District secured by the proceeds of an ad valorem tax levied, without limit as to rate or amount, upon all taxable property in the District and, based upon examination of the transcript of the proceedings incident to authorization and issuance of the Bonds, the legal opinion of Bond Counsel to the effect that (1) the Bonds are valid and legally binding obligations of the District payable from the sources and enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity, and (2) are payable from annual ad valorem taxes, which are not limited by applicable law in rate or amount, levied against all property within the District which is not exempt from taxation by or under applicable law. The Attorney General of Texas does not guarantee or pass upon the safety of the Bonds as an investment or upon the adequacy of the information contained in this Official Statement.

TAX MATTERS

In the opinion of Roach & Associates, PLLC, Bond Counsel, under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes, and interest on the Bonds is not subject to the alternative minimum tax on individuals.

The Internal Revenue Code of 1986, as amended (the "Code") imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of proceeds and the source of repayment, limitations on the investment of proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of proceeds be paid periodically to the United States and a requirement that the District file an information report with the Internal Revenue Service (the "Service"). The District has covenanted in the Bond Resolution that it will comply with these requirements.

Bond Counsel's opinion will assume continuing compliance with the covenants of the Bond Resolution pertaining to those sections of the Code which affect the exclusion from gross income of interest on the Bonds for federal income tax purposes and, in addition, will rely on representations by the District, the District's Financial Advisor and the Underwriter with respect to matters solely within the knowledge of the District, the District's Financial Advisor and the Underwriter, respectively, which Bond Counsel has not independently verified. If the District should fail to comply with the covenants in the Bond Resolution or if the foregoing representations should be determined to be inaccurate or incomplete, interest on the Bonds could become taxable from the date of delivery of the Bonds, regardless of the date on which the event causing such taxability occurs.

Under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on the Bonds, received or accrued during the year. Payments of interest on tax-exempt obligations such as the Bonds are in many cases required to be reported to the Service. Additionally, backup withholding may apply to any such payments to any owner who is not an "exempt recipient" and who fails to provide certain identifying information. Individuals generally are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients.

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.

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, taxpayers owning an interest in a FASIT that holds tax-exempt obligations, and individuals otherwise qualifying for the earned income credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively connected earnings and profits, including tax-exempt interest such as interest on the Bonds. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences.

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel's knowledge of facts as of the date hereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent Bond Counsel's legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the District as the taxpayer and the owners of the Bonds may not have a right to participate in such audit. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit regardless of the ultimate outcome of the audit.

Tax Accounting Treatment of Original Issue Discount Bonds

The issue price of certain of the Bonds (the "Original Issue Discount Bonds") may be less than the stated redemption price at maturity. In such case, under existing law, and based upon the assumptions hereinafter stated (a) the difference between (i) the stated amount payable at the maturity of each Original Issue Discount Bond and (ii) the issue price 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 at the initial public offering price in the initial public offering of the Bonds; and (b) 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.

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 Bond was held by such initial owner) is includable in gross income. (Because original issue discount is treated as interest for federal income tax purposes, the discussion regarding interest on the Bonds under the caption "TAX MATTERS" generally applies, except as otherwise provided below, to original issue discount on an Original Issue Discount Bond held by an owner who purchased such Bond at the initial offering price in the initial public offering of the Bonds, and should be considered in connection with the discussion in this portion of the Official Statement.)

The foregoing is based on the assumptions that (a) the Underwriter has purchased the Bonds for contemporaneous sale to the general public and not for investment purposes, and (b) all of the Original Issue Discount Bonds have been offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm's-length transactions for a cash price (and with no other consideration being included) equal to the initial offering prices thereof stated on the cover page of this Official Statement, and (c) the respective initial offering prices of the Original Issue Discount Bonds to the general public are equal to the fair market value thereof. Neither the District nor Bond Counsel warrants that the Original Issue Discount Bonds will be offered and sold in accordance with such assumptions.

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 Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Bond for purposes of determining the amount of gain or loss recognized by such owner upon 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 plus the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Bond.

The federal income tax consequences of the purchase, ownership, and 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 Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership and redemption, sale or other disposition of such Bonds..

Qualified Tax-Exempt Obligations

The Board will designate the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b) of the Code.

CONTINUING DISCLOSURE OF INFORMATION

The District, in the Bond Resolution, has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to certain information vendors. This information will be available free of charge from the Municipal Securities Rule Making Board ("MSRB") via the Electronic Municipal Market Access ("EMMA") system at www.emma.msrb.org.

Annual Reports

The District will provide certain updated financial information and operating data to certain information vendors 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 “SUMMARY–Financial Highlights;” “THE DISTRICT–Development of the District;” “DISTRICT DEBT–Estimated Overlapping Debt” and “–Historical Operations of the Debt Service Fund;” “TAX DATA–Tax Collection History,” “–Principal Taxpayers,” “–Estimated Overlapping Taxes,” “–Analysis of Tax Base,” and “–Tax Rate Calculations;” “THE SYSTEM–Historical Operations of the General Fund; and “APPENDIX A–Financial Statements of the District.”

The District will update and provide this information within six months after the end of each of its fiscal years ending in or after 2026. The District will provide the updated information to the MSRB or any successor to its functions as a repository through its EMMA system. Any information concerning the District so provided shall be prepared in accordance with generally accepted auditing standards or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report of the District is not complete within such period, then the District shall provide unaudited financial statements for the applicable entity and fiscal year to the MSRB within such six month period, and audited financial statements when the audit report becomes available.

The District's current fiscal year end is September 30. Accordingly, it must provide updated information by March 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 determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of CFR §240.15c2-12 (the “Rule”); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the SEC Rule 15c2-12 or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, 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 within the meaning of the Rule, 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 within the meaning of the Rule, 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 within the meaning of the Rule, any of which reflect financial difficulties. The term “material” when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Resolution makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described above under “Annual Reports.”

For these purposes, any event described in (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental

authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District; and the District intends the words used in the immediately preceding paragraphs (15) and (16) and the definition of Financial Obligation in this subcaption to have the same meanings as when they are used in the Rule, as evidenced by SEC Release No. 34-83885, dated August 20, 2018 (the “2018 Release”) and any further written guidance provided by the SEC or its staff with respect to the amendment to the Rule effected by the 2018 Release.

Availability of Information From EMMA

Investors will be able to access continuing disclosure information filed with the MSRB at www.emma.msrb.org. The District has agreed in the Bond Resolution to provide the foregoing information only to the MSRB through EMMA. The information will be available to holders of Bonds only if the holders comply with the procedures of the MSRB or obtain the information through securities brokers who do so.

Limitations and Amendments

The District has agreed to update information and to provide notices of material events only as described above. The District has not agreed to provide other information that may be relevant or material to 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 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 (1) 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 any changed circumstances, and (2) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any qualified professional 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. 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 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 so provided. The District may also amend or repeal the agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgement that such provisions of the Rule are invalid, and the District also may amend its continuing disclosure agreement in its discretion in any other manner or circumstance, but in either case only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds.

Compliance with Prior Undertakings

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

PREPARATION OF OFFICIAL STATEMENT

General

The information contained in this Official Statement has been obtained primarily from the District's records, the District's Engineer, the Appraisal District, the District's Tax Assessor/Collector and other sources believed to be reliable. The District, however, makes no representation as to the accuracy or completeness of the information derived from such sources. The summaries of the statutes, resolutions, orders, agreements and engineering and other related reports set forth in this Official

Statement are included herein subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents for further information.

Consultants

The information contained in this Official Statement relating to the physical characteristics of the District and engineering matters and, in particular, that engineering information included in the sections captioned "THE DISTRICT" and "THE SYSTEM" has been provided by the District's Engineer and has been included herein in reliance upon the authority of such firm as experts in the field of civil engineering.

The information contained in this Official Statement relating to assessed valuations of property generally and, in particular, that information concerning historical breakdown of District valuations, principal taxpayers and collection rates contained in the sections captioned "TAX DATA" and "DISTRICT DEBT" has been provided by the Appraisal District and the District's Tax Assessor/Collector and has been included herein in reliance upon their authority as experts in the field of tax assessing and collecting.

The financial statements contained in "APPENDIX A–Financial Statements of the District" have been included in reliance upon the accompanying report of the District's Auditor.

Updating the Official Statement

If, subsequent to the date of the Official Statement, the District learns, or is notified by the Underwriter, of any adverse event which causes the Official Statement to be materially misleading, 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 when the District delivers the Bonds to the Underwriter, unless the Underwriter notifies the District on or before such date that less than all of the Bonds have been sold to ultimate customers, in which case the District's obligations hereunder will extend for an additional period of time (but not more than 90 days after the date the District delivers the Bonds to the Underwriter) until all of the Bonds have been sold to ultimate customers.

Certification of Official Statement

The District, acting through the Board in its official capacity, hereby certifies, as of the date hereof, that the information, statements and descriptions pertaining to the District and its affairs contained herein, to the best of its knowledge and belief, 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 are made, not misleading. With respect to information included in this Official Statement other than that relating to the District, the Board has no reason to believe that such information contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements herein, in light of the circumstances under which they are made, not misleading; however, the Board can give no assurance as to the accuracy or completeness of the information derived from sources other than the District. This Official Statement is duly certified and approved by the Board of Directors of Montgomery County Water Control & Improvement District No. 1 as of the date specified on the first page hereof.

/s/ _____
President, Board of Directors
Montgomery County WC&ID No. 1

ATTEST:

/s/ _____
Secretary, Board of Directors
Montgomery County WC&ID No. 1

APPENDIX A—Financial Statements of the District

**MONTGOMERY COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1**

MONTGOMERY COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2024

McCALL GIBSON SWEDLUND BARFOOT ELLIS PLLC
Certified Public Accountants

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1-3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4-8
BASIC FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET	9-12
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION	13
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES	14-15
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES	16
NOTES TO THE FINANCIAL STATEMENTS	17-31
REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND	33
SUPPLEMENTARY INFORMATION REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE	
NOTES REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE (Included in the notes to the financial statements)	
SERVICES AND RATES	35-37
GENERAL FUND EXPENDITURES	38-39
INVESTMENTS	40
TAXES LEVIED AND RECEIVABLE	41-42
LONG-TERM DEBT SERVICE REQUIREMENTS	43-48
CHANGES IN LONG-TERM BOND DEBT	49-50
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES GENERAL FUND AND DEBT SERVICE FUND - FIVE YEARS	51-54
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS	55-56

McCall Gibson Swedlund Barfoot Ellis PLLC

Certified Public Accountants

*Chris Swedlund
Noel W. Barfoot
Joseph Ellis
Ashlee Martin*

*Mike M. McCall
(retired)
Debbie Gibson
(retired)*

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Montgomery County Water Control
and Improvement District No. 1
Montgomery County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Montgomery County Water Control and Improvement District No. 1 (the "District") as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of September 30, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Board of Directors
Montgomery County Water Control
and Improvement District No. 1

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund 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.

Board of Directors
Montgomery County Water Control
and Improvement District No. 1

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 supplementary information required by the Texas Commission on Environmental Quality as published in the *Water District Financial Management Guide* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The supplementary information, excluding that portion marked "Unaudited" on which we express no opinion or provide an assurance, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

McCall Gibson Swedlund Barfoot Ellis PLLC

McCall Gibson Swedlund Barfoot Ellis PLLC
Certified Public Accountants
Houston, Texas

March 18, 2025

**MONTGOMERY COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

Management's discussion and analysis of Montgomery County Water Control and Improvement District No. 1's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended September 30, 2024. Please read it in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The basic financial statements include: (1) combined fund financial statements and government-wide financial statements and (2) notes to the financial statements. The combined fund financial statements and government-wide financial statements combine both: (1) the Statement of Net Position and Governmental Funds Balance Sheet and (2) the Statement of Activities and Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances. This report also includes required and other supplementary information in addition to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The District's annual report includes two financial statements combining the government-wide financial statements and the fund financial statements. The government-wide financial statements provide both long-term and short-term information about the District's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The Statement of Net Position includes all of the District's assets, liabilities and, if applicable, deferred outflows and inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

The Statement of Activities reports how the District's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid.

FUND FINANCIAL STATEMENTS

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has three governmental fund types. The General Fund accounts for resources not accounted for in another fund, customer service revenues, costs and general expenditures. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

**MONTGOMERY COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

FUND FINANCIAL STATEMENTS (Continued)

Governmental funds are reported in each of the financial statements. The focus in the fund financial statements provides a distinctive view of the District's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of the District and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. The adjustments columns, the Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position and the Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities explain the differences between the two presentations and assist in understanding the differences between these two perspectives.

NOTES TO THE FINANCIAL STATEMENTS

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

OTHER INFORMATION

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information ("RSI"). The budgetary comparison schedule is included as RSI for the General Fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities by \$9,444,063 as of September 30, 2024.

A portion of the District's net position reflects its net investment in capital assets (water and wastewater facilities, less any debt used to acquire those assets that is still outstanding). The District uses these assets to provide water and wastewater services.

The following is a comparative analysis of government-wide changes in net position:

**MONTGOMERY COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
			Change Positive (Negative)
	2024	2023	
Current and Other Assets	\$ 11,374,795	\$ 11,250,720	\$ 124,075
Capital Assets (Net of Accumulated Depreciation)	<u>25,786,292</u>	<u>24,286,477</u>	1,499,815
Total Assets	<u>\$ 37,161,087</u>	<u>\$ 35,537,197</u>	<u>\$ 1,623,890</u>
Deferred Outflows of Resources	<u>\$ 475,984</u>	<u>\$ 543,089</u>	<u>\$ (67,105)</u>
Due to Developer	\$ 3,921,426	\$ 4,438,291	\$ 516,865
Bonds Payable	22,959,831	23,779,862	820,031
Other Liabilities	<u>1,311,751</u>	<u>565,596</u>	<u>(746,155)</u>
Total Liabilities	<u>\$ 28,193,008</u>	<u>\$ 28,783,749</u>	<u>\$ 590,741</u>
Net Position:			
Net Investment in Capital Assets	\$ 2,798,999	\$ 97,809	\$ 2,701,190
Restricted	814,411	829,447	(15,036)
Unrestricted	<u>5,830,653</u>	<u>6,369,281</u>	<u>(538,628)</u>
Total Net Position	<u>\$ 9,444,063</u>	<u>\$ 7,296,537</u>	<u>\$ 2,147,526</u>

The following table provides a summary of the District's operations for the years ended September 30, 2024, and September 30, 2023.

	Summary of Changes in the Statement of Activities		
			Change Positive (Negative)
	2024	2023	
Revenues:			
Property Taxes	\$ 4,118,863	\$ 3,831,644	\$ 287,219
Charges for Services	3,365,021	2,905,460	459,561
Other Revenues	<u>899,550</u>	<u>653,933</u>	<u>245,617</u>
Total Revenues	<u>\$ 8,383,434</u>	<u>\$ 7,391,037</u>	<u>\$ 992,397</u>
Expenses for Services	<u>6,235,908</u>	<u>6,052,560</u>	<u>(183,348)</u>
Change in Net Position	\$ 2,147,526	\$ 1,338,477	\$ 809,049
Net Position, Beginning of Year	<u>7,296,537</u>	<u>5,958,060</u>	<u>1,338,477</u>
Net Position, End of Year	<u>\$ 9,444,063</u>	<u>\$ 7,296,537</u>	<u>\$ 2,147,526</u>

**MONTGOMERY COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Property tax revenues in the current fiscal year totaled \$4,118,863. Property tax revenue is derived from taxes being levied based upon the assessed value of real and personal property within the District. Property taxes levied for the 2023 tax year (September 30, 2024 fiscal year) were based upon a current assessed value of \$587,700,512 and a tax rate of \$0.697 per \$100 of assessed valuation. Property taxes levied for the 2022 tax year (September 30, 2023 fiscal year) were based upon an adjusted assessed value of \$535,626,844 and a tax rate of \$0.7265 per \$100 of assessed valuation.

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUND

The District's combined fund balances as of the fiscal year ended September 30, 2024, were \$10,076,617, a decrease of \$663,239 from the prior year.

The General Fund fund balance decreased by \$561,396, primarily due to service expenses and capital outlay exceeding service revenues and property tax revenues.

The Debt Service Fund fund balance decreased by \$42,148, due to the structure of the District's outstanding debt service requirements.

The Capital Projects Fund fund balance decreased by \$59,695, primarily due to the use of bonds proceeds received in prior years to fund current year capital costs.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors did not amend the budget during the current fiscal year. Actual revenues were \$703,916 more than budgeted and actual expenditures were \$1,265,312 more than budgeted which resulted in a negative variance of \$561,396. See the budget to actual for more information.

CAPITAL ASSETS

Capital assets as of September 30, 2024, total \$25,786,292 (net of accumulated depreciation) and include land, buildings and equipment as well as the water, wastewater and drainage systems. Significant capital asset activity during the current fiscal year includes the lift station no. 3 relocation, SCADA system and generators.

**MONTGOMERY COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

CAPITAL ASSETS (Continued)

	Capital Assets At Year-End, Net of Accumulated Depreciation			Change Positive (Negative)
	2024	2023		
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 2,040,485	\$ 2,040,485		\$
Construction in Progress	1,584,664	276,704		1,307,960
Capital Assets, Net of Accumulated Depreciation:				
Water System	4,794,713	4,400,799		393,914
Wastewater System	13,185,148	13,251,571		(66,423)
Drainage	3,932,006	4,040,914		(108,908)
Buildings, Equipment and Improvements	249,276	276,004		(26,728)
Total Net Capital Assets	<u>\$ 25,786,292</u>	<u>\$ 24,286,477</u>		<u>\$ 1,499,815</u>

LONG-TERM DEBT ACTIVITY

At the end of the current fiscal year, the District had total bond debt payable of \$23,139,997. The changes in the debt position of the District during the fiscal year ended September 30, 2024, are summarized as follows:

Bond Debt Payable, October 1, 2023	\$ 23,969,997
Less: Bond Principal Paid	<u>830,000</u>
Bond Debt Payable, September 30, 2024	<u>\$ 23,139,997</u>

The District's bonds carry an underlying rating of "A3" from Moody's. The District's Series 2016 Refunding bonds carry an insured rating of "AA" by virtue of bond insurance issued by Assured Guaranty Municipal Corp. and the Series 2017 bonds, Series 2021 Refunding bonds, Series 2021 bonds, and the Series 2022 bonds carry an insured rating of "AA" by virtue of bond insurance issued by Build America Mutual Assurance Company.

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Montgomery County Water Control and Improvement District No. 1, Roach & Associates, PLLC, 2001 Timberloch Place, Ste 500, The Woodlands, Texas 77380.

**MONTGOMERY COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2024**

	<u>General Fund</u>	<u>Debt Service Fund</u>
ASSETS		
Cash	\$ 195,125	\$ 35,183
Investments	5,803,185	936,805
Receivables:		
Property Taxes	75,246	53,345
Penalty and Interest on Delinquent Taxes		
Service Accounts	300,285	
Other	120,867	
Due from Other Funds	81,421	
Prepaid Costs		
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)	<hr/>	<hr/>
TOTAL ASSETS	<hr/> <u>\$ 6,576,129</u>	<hr/> <u>\$ 1,025,333</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charges on Refunding Bonds	<u>\$ -0-</u>	<u>\$ -0-</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 6,576,129</u>	<u>\$ 1,025,333</u>

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$ 3,766,097	\$ 230,308 10,506,087	\$ 128,591 57,394	\$ 230,308 10,506,087
	300,285	300,285	
	120,867	120,867	
115,448	196,869	(196,869)	
		31,263	31,263
		2,040,485	2,040,485
		1,584,664	1,584,664
		22,161,143	22,161,143
<u>\$ 3,881,545</u>	<u>\$ 11,483,007</u>	<u>\$ 25,678,080</u>	<u>\$ 37,161,087</u>
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 475,984</u>	<u>\$ 475,984</u>
<u>\$ 3,881,545</u>	<u>\$ 11,483,007</u>	<u>\$ 26,154,064</u>	<u>\$ 37,637,071</u>

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

**MONTGOMERY COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2024**

	General Fund	Debt Service Fund
LIABILITIES		
Accounts Payable	\$ 583,941	\$ 8,537
Accrued Interest Payable		
Due to Developer		
Due to Other Funds		196,869
Due to Voluntary Services	2,968	
Security Deposits	189,830	
Long-Term Liabilities:		
Compound Interest Bonds Interest Payable		
Due Within One Year		
Due After One Year		
TOTAL LIABILITIES	<u>\$ 776,739</u>	<u>\$ 205,406</u>
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	\$ 75,246	\$ 53,345
FUND BALANCES		
Restricted for Authorized Construction	\$	\$
Restricted for Debt Service		766,582
Unassigned	<u>5,724,144</u>	
TOTAL FUND BALANCES	<u>\$ 5,724,144</u>	<u>\$ 766,582</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 6,576,129</u>	<u>\$ 1,025,333</u>
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$ 295,654	\$ 888,132	\$ 62,910	\$ 888,132
		3,921,426	62,910
196,869		(196,869)	3,921,426
	2,968		2,968
189,830			189,830
		167,911	167,911
		850,000	850,000
		<u>22,109,831</u>	<u>22,109,831</u>
<u>\$ 295,654</u>	<u>\$ 1,277,799</u>	<u>\$ 26,915,209</u>	<u>\$ 28,193,008</u>
 \$ -0-	 \$ 128,591	 \$ (128,591)	 \$ -0-
\$ 3,585,891	\$ 3,585,891	\$ (3,585,891)	\$
	766,582	(766,582)	
<u>5,724,144</u>	<u>(5,724,144)</u>		
<u>\$ 3,585,891</u>	<u>\$ 10,076,617</u>	<u>\$ (10,076,617)</u>	<u>\$ -0-</u>
 <u>\$ 3,881,545</u>	 <u>\$ 11,483,007</u>		
		\$ 2,798,999	\$ 2,798,999
		814,411	814,411
		<u>5,830,653</u>	<u>5,830,653</u>
		<u>\$ 9,444,063</u>	<u>\$ 9,444,063</u>

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

**MONTGOMERY COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2024**

Total Fund Balances - Governmental Funds \$ 10,076,617

Amounts reported for governmental activities in the Statement of Net Position are different because:

Prepaid bond insurance in governmental activities is not a current financial resource and, therefore, is not reported as an asset in the governmental funds.

31,263

Interest paid in advance as part of a refunding bond sale is recorded as a deferred outflow in the governmental activities and systematically charged to interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter.

475,984

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.

25,786,292

Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2023 and prior tax levies became part of recognized revenue in the governmental activities of the District.

185,985

Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:

Due to Developer	\$ (3,921,426)
Compound Interest Bonds Interest Payable	(167,911)
Accrued Interest Payable	(62,910)
Bonds Payable	<u>(22,959,831)</u>
Net Position - Governmental Activities	<u><u>(27,112,078)</u></u>
	\$ 9,444,063

Total Net Position - Governmental Activities

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

**MONTGOMERY COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1**
**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	<u>General Fund</u>	<u>Debt Service Fund</u>
REVENUES		
Property Taxes	\$ 2,597,821	\$ 1,482,946
Water Service	1,014,605	
Wastewater Service	1,257,002	
Surface Water Revenue	505,493	
Penalty and Interest	32,683	36,800
Sales Tax Revenue	147,882	
Reconnection Fees	4,411	
Tap Connection and Inspection Fees	501,664	
Investment and Miscellaneous Revenues	401,355	114,354
TOTAL REVENUES	<u>\$ 6,462,916</u>	<u>\$ 1,634,100</u>
EXPENDITURES/EXPENSES		
Service Operations:		
Personnel	\$ 969,347	\$
Professional Fees	584,849	18,985
Contracted Services	378,296	48,041
Utilities	198,690	
Surface Water Fees	410,109	
Repairs and Maintenance	1,000,498	
Depreciation		
Other	740,266	9,029
Capital Outlay	2,742,257	
Debt Service:		
Bond Principal		830,000
Bond Interest		770,193
TOTAL EXPENDITURES/EXPENSES	<u>\$ 7,024,312</u>	<u>\$ 1,676,248</u>
NET CHANGE IN FUND BALANCES	<u>\$ (561,396)</u>	<u>\$ (42,148)</u>
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - OCTOBER 1, 2023	<u>6,285,540</u>	<u>808,730</u>
FUND BALANCES/NET POSITION - SEPTEMBER 30, 2024	<u>\$ 5,724,144</u>	<u>\$ 766,582</u>

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 4,080,767	\$ 38,096	\$ 4,118,863
	1,014,605		1,014,605
	1,257,002		1,257,002
	505,493		505,493
	69,483	12,363	81,846
	147,882		147,882
	4,411		4,411
	501,664		501,664
<u>235,959</u>	<u>751,668</u>		<u>751,668</u>
<u>\$ 235,959</u>	<u>\$ 8,332,975</u>	<u>\$ 50,459</u>	<u>\$ 8,383,434</u>
\$	\$ 969,347	\$	\$ 969,347
	603,834		603,834
	426,337		426,337
	198,690		198,690
	410,109		410,109
	1,000,498		1,000,498
		1,021,231	1,021,231
	749,295		749,295
295,654	3,037,911	(3,037,911)	
	830,000	(830,000)	
	<u>770,193</u>	<u>86,374</u>	<u>856,567</u>
<u>\$ 295,654</u>	<u>\$ 8,996,214</u>	<u>\$ (2,760,306)</u>	<u>\$ 6,235,908</u>
\$	\$ (663,239)	\$ 663,239	\$
		2,147,526	2,147,526
		(3,443,319)	7,296,537
<u>3,645,586</u>	<u>10,739,856</u>	<u>\$ (632,554)</u>	<u>\$ 9,444,063</u>
<u>\$ 3,585,891</u>	<u>\$ 10,076,617</u>		

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

**MONTGOMERY COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1**
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2024

Net Change in Fund Balances - Governmental Funds	\$ (663,239)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.	38,096
Governmental funds report penalty and interest revenue on property taxes when collected. However, in the Statement of Activities, revenue is recorded when penalties and interest are assessed.	12,363
Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.	(1,021,231)
Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected.	3,037,911
Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Position, bond principal payments are reported as decreases in long-term liabilities.	830,000
Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.	<u>(86,374)</u>
Change in Net Position - Governmental Activities	<u>\$ 2,147,526</u>

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

**MONTGOMERY COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE 1. CREATION OF DISTRICT

Montgomery County Water Control and Improvement District No. 1 (the “District”) was created by Texas Water Rights Commission, now known as the Texas Commission on Environmental Quality (the “Commission”), effective June 15, 1964, in accordance with the Texas Water Code, Chapter 51. On September 11, 1978, the District converted into a municipal utility district by order of the Texas Water Commission in accordance with the Texas Water Code, Chapter 54. The District operates in accordance with Chapters 49 and 54 of the Texas Water Code and is subject to the continuing supervision of the Commission.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”). In addition, the accounting records of the District are maintained generally in accordance with the *Water District Financial Management Guide* published by the Commission.

The District is a political subdivision of the State of Texas governed by an elected board. GASB has established the criteria for determining whether an entity is a primary government or a component unit of a primary government. The primary criteria are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District’s financial statement as component units.

Financial Statement Presentation

These financial statements have been prepared in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting (“GASB Codification”).

The GASB Codification sets forth standards for external financial reporting for all state and local government entities, which include a requirement for a Statement of Net Position and a Statement of Activities. It requires the classification of net position into three components: Net Investment in Capital Assets; Restricted; and Unrestricted. These classifications are defined as follows:

- Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

**MONTGOMERY COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

- Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

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

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. The District's Statement of Net Position and Statement of Activities are combined with the governmental fund financial statements. The District is viewed as a special-purpose government and has the option of combining these financial statements.

The Statement of Net Position is reported by adjusting the governmental fund types to report on the full accrual basis, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Any amounts recorded due to and due from other funds are eliminated in the Statement of Net Position.

The Statement of Activities is reported by adjusting the governmental fund types to report only items related to current year revenues and expenditures. Items such as capital outlay are allocated over their estimated useful lives as depreciation expense. Internal activities between governmental funds, if any, are eliminated by adjustment to obtain net total revenue and expense of the government-wide Statement of Activities.

Fund Financial Statements

As discussed above, the District's fund financial statements are combined with the government-wide financial statements. The fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

**MONTGOMERY COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds

The District has three governmental funds and considers each to be a major fund.

General Fund - To account for resources for customer service revenues, costs and general expenditures. The General Fund also includes the revenue for maintenance and operations ad valorem taxes and the cost of assessing and collecting taxes.

Debt Service Fund - To account for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes.

Capital Projects Fund - To account for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

Basis of Accounting

The District uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both "measurable and available." Measurable means the amount can be determined. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The District considers revenue reported in governmental funds to be available if they are collectible within 60 days after year end. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, which are recognized as expenditures when payment is due.

Property taxes considered available by the District and included in revenue include taxes collected during the year and taxes collected after year-end, which were considered available to defray the expenditures of the current year. Deferred inflows of resources related to property tax revenues are those taxes which the District does not reasonably expect to be collected soon enough in the subsequent period to finance current expenditures.

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. As of September 30, 2024, the Debt Service Fund owed the General Fund \$81,421 for maintenance tax collections. The Debt Service Fund owed the Capital Projects Fund \$115,448 for bond issuance costs associated with the Series 2021 Bonds.

**MONTGOMERY COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Engineering fees and certain other costs are capitalized as part of the asset.

Assets are capitalized, including infrastructure assets, if they have an original cost of \$5,000 or more and a useful life of at least two years. Depreciation is calculated on each class of depreciable property using no salvage value and the straight-line method of depreciation. Estimated useful lives are as follows:

	<u>Years</u>
Water System	10-45
Wastewater System	10-45
Drainage System	10-45
Furniture and Equipment	3-20

Budgeting

An annual unappropriated budget is adopted for the General Fund by the District's Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. The original General Fund budget for the current year was not amended. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund presents the original budget amounts compared to the actual amounts of revenues and expenditures for the current year.

Pensions

The Internal Revenue Service has determined that directors are considered to be "employees" for federal payroll tax purposes only. A pension plan has not been established for the directors. The District does have employees for which a retirement plan was established (see Note 8).

**MONTGOMERY COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets and liabilities associated with the activities are reported. Fund equity is classified as net position.

Governmental fund types are accounted for on a spending or financial flow measurement focus. Accordingly, only current assets and current liabilities are included on the Balance Sheet, and the reported fund balances provide an indication of available spendable or appropriable resources. Operating statements of governmental fund types report increases and decreases in available spendable resources. Fund balances in governmental funds are classified using the following hierarchy:

Nonspendable: amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District does not have any nonspendable fund balances.

Restricted: amounts that can be spent only for specific purposes because of constitutional provisions, or enabling legislation, or because of constraints that are imposed externally.

Committed: amounts that can be spent only for purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. This action must be made no later than the end of the fiscal year. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. The District does not have any committed fund balances.

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

Unassigned: all other spendable amounts in the General Fund.

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

**MONTGOMERY COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting 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 amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 3. LONG-TERM DEBT

	Refunding Series 2016	Series 2017	Series 2021
Amount Outstanding – September 30, 2024	\$ 6,950,000	\$ 4,745,000	\$ 3,565,000
Interest Rates	2.00% - 3.00%	3.00% - 5.00%	2.00% - 2.125%
Maturity Dates – Serially Beginning/Ending	March 1, 2025/2036	March 1, 2025/2040	March 1, 2025/2042
Interest Payment Dates	March 1/ September 1	March 1/ September 1	March 1/ September 1
Callable Dates	March 1, 2024*	March 1, 2024*	September 1, 2028*

* Or any date thereafter in such order as the District may determine, callable at par plus unpaid accrued interest in whole or in part at the option of the District. Series 2017 term bonds maturing on March 1, 2032 and March 1, 2037 are subject to mandatory redemption beginning March 1, 2028 and March 1, 2033, respectively. Series 2021 term bonds maturing on March 1, 2029, March 1, 2034, and March 1, 2041 are subject to mandatory redemption beginning March 1, 2028, March 1, 2030, and March 1, 2035, respectively

**MONTGOMERY COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE 3. LONG-TERM DEBT (Continued)

	Refunding Series 2021		Series 2022
	Current Interest Bonds	Compound Interest Bonds	
Amount Outstanding – September 30, 2024	\$ 1,935,000	\$ 304,997	\$ 5,640,000
Interest Rates	2.00% - 3.00%	1.87%	4.00% - 25.00%
Maturity Dates – Serially Beginning/Ending	March 1, 2025/2036	March 1, 2035	March 1, 2025/2045
Interest Payment Dates	March 1/ September 1	At Maturity	March 1/ September 1
Callable Dates	March 1, 2026*	Non-Callable**	September 1, 2028*

* Or any date thereafter in such order as the District may determine, callable at par plus unpaid accrued interest in whole or in part at the option of the District. . Series 2021 Refunding term bonds maturing on March 1, 2031 and March 1, 2034 are subject to mandatory redemption beginning March 1, 2029 and March 1, 2032, respectively. Series 2022 term bonds maturing on March 1, 2030, March 1, 2032, March 1, 2036 and March 1, 2042 are subject to mandatory redemption beginning March 1, 2029, March 1, 2031, March 1, 2033 and March 1, 2037, respectively.

** The Refunding Series 2021 Compound Interest Bonds (CIBs) are non-callable. The par value of the outstanding CIBs is \$304,997 and the maturity value is \$575,000. Interest will be paid at maturity. Accrued interest of \$167,911 has been recorded as a liability in the Statement of Net Position.

The following is a summary of transactions regarding bonds payable for the year ended September 30, 2024:

	October 1, 2023	Additions	Retirements	September 30, 2024
Bonds Payable	\$ 23,969,997	\$	\$ 830,000	\$ 23,139,997
Unamortized Discount	(475,134)		(25,930)	(449,204)
Unamortized Premium	284,999		15,961	269,038
Bonds Payable, Net	<u>\$ 23,779,862</u>	<u>\$ -0-</u>	<u>\$ 820,031</u>	<u>\$ 22,959,831</u>

Amount Due Within One Year	\$ 850,000
Amount Due After One Year	<u>22,109,831</u>
Bonds Payable, Net	<u>\$ 22,959,831</u>

On November 2, 2021, voters of the District approved the issuance of \$25,810,000 of tax bonds for utility facilities and \$2,000,000 of refunding bonds. As of September 30, 2024, none of these authorized bonds have been issued.

**MONTGOMERY COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE 3. LONG-TERM DEBT (Continued)

As of September 30, 2024, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2025	\$ 850,000	\$ 738,867	\$ 1,588,867
2026	870,000	706,643	1,576,643
2027	890,000	673,886	1,563,886
2028	910,000	639,543	1,549,543
2029	935,000	607,980	1,542,980
2030-2034	5,065,000	2,612,353	7,677,353
2035-2039	5,469,997	2,181,839	7,651,836
2040-2044	6,670,000	956,129	7,626,129
2045	1,480,000	29,600	1,509,600
	<u>\$ 23,139,997</u>	<u>\$ 9,146,840</u>	<u>\$ 32,286,837</u>

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

For the year ended September 30, 2024, the District levied an ad valorem debt service tax at the rate of \$0.25 per \$100 of assessed valuation, which resulted in a tax levy of \$1,498,636 on the adjusted taxable valuation of \$587,700,512 for the 2023 tax year. The bond resolutions require that the District levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 7 for maintenance tax levy.

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

NOTE 4. SIGNIFICANT BOND RESOLUTIONS AND LEGAL REQUIREMENTS

The bond resolutions state that all investments and any profits realized from or interest accruing on such investments shall belong to the fund from which the monies for such investments were taken; provided, however, at the discretion of the Board of Directors, the profits realized from and interest accruing on investments made from any fund may be transferred to the Debt Service Fund. In accordance with this provision, the earnings in each fund have been retained by the fund making the investment.

**MONTGOMERY COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE 4. SIGNIFICANT BOND RESOLUTIONS AND LEGAL REQUIREMENTS
(Continued)

The bond resolutions state that the District is required by the Securities and Exchange Commission to provide continuing disclosure of certain general financial information and operating data with respect to the District to the state information depository. This information, along with the audited annual financial statements, is to be provided within six months after the end of each fiscal year and shall continue to be provided through the life of the bonds.

The District has covenanted that it will take all necessary steps to comply with the requirement that rebatable arbitrage earnings on the investment of the gross proceeds of the bonds, within the meaning of Section 148(f) of the Internal Revenue Code, be rebated to the federal government. The minimum requirement for determination of the rebatable amount is on the five-year anniversary of each issue.

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes.

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year-end, the carrying amount of the District's deposits was \$230,308 and the bank balance was \$277,774. The District was not exposed to custodial credit risk at year-end.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at September 30, 2024, as listed below:

	<u>Cash</u>
GENERAL FUND	\$ 195,125
DEBT SERVICE FUND	<u>35,183</u>
TOTAL DEPOSITS	<u>\$ 230,308</u>

**MONTGOMERY COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all District funds must be invested in accordance with the following investment objectives: understanding the suitability of the investment to the District's financial requirements, first; preservation and safety of principal, second; liquidity, third; marketability of the investments if the need arises to liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth; and yield, sixth. The District's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." No person may invest District funds without express written authority from the Board of Directors.

Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. The District has adopted a written investment policy to establish the guidelines by which it may invest. This policy is reviewed annually. The District's investment policy may be more restrictive than the Public Funds Investment Act.

The District invests in TexPool, an external investment pool that is not SEC-registered. The State Comptroller of Public Accounts of the State of Texas has oversight of the pool. Federated Hermes, Inc. manages the daily operations of the pool under a contract with the Comptroller. TexPool measures all of its portfolio assets at amortized cost. As a result, the District also measures its investments in TexPool at amortized cost for financial reporting purposes. There are no limitations or restrictions on withdrawals from TexPool. As of September 30, 2024, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities of	
		Less Than 1 Year	
<u>GENERAL FUND</u>			
TexPool	\$ 5,803,185	\$ 5,803,185	
<u>DEBT SERVICE FUND</u>			
TexPool	936,805	936,805	
<u>CAPITAL PROJECTS FUND</u>			
TexPool	3,766,097	3,766,097	
TOTAL INVESTMENTS	\$ 10,506,087	\$ 10,506,087	

**MONTGOMERY COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At September 30, 2024, the District's investment in TexPool was rated AAA by Standard and Poor's.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investment in TexPool to have a maturity of less than one year due to the fact the share positions can usually be redeemed each day at the discretion of the District, unless there has been a significant change in value.

Restrictions

All cash and investments of the Debt Service Fund are restricted for the payment of debt service and the cost of assessing and collecting taxes. All cash and investments of the Capital Projects Fund are restricted for the purchase of capital assets.

**MONTGOMERY COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2024:

	October 1, 2023	Increases	Decreases	September 30, 2024
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 2,040,485	\$	\$	\$ 2,040,485
Construction in Progress	<u>276,704</u>	<u>2,521,046</u>	<u>1,213,086</u>	<u>1,584,664</u>
Total Capital Assets Not Being Depreciated	<u>\$ 2,317,189</u>	<u>\$ 2,521,046</u>	<u>\$ 1,213,086</u>	<u>\$ 3,625,149</u>
Capital Assets Subject to Depreciation				
Water System	\$ 11,607,506	\$ 648,686	\$	\$ 12,256,192
Wastewater System	<u>20,486,277</u>	<u>564,400</u>		21,050,677
Drainage	<u>4,887,483</u>			4,887,483
Buildings, Equipment and Improvements	<u>663,469</u>			<u>663,469</u>
Total Capital Assets Subject to Depreciation	<u>\$ 37,644,735</u>	<u>\$ 1,213,086</u>	<u>\$ - 0 -</u>	<u>\$ 38,857,821</u>
Less Accumulated Depreciation				
Water System	\$ 7,206,707	\$ 254,772	\$	\$ 7,461,479
Wastewater System	<u>7,234,706</u>	<u>630,823</u>		7,865,529
Drainage	<u>846,569</u>	<u>108,908</u>		955,477
Buildings, Equipment and Improvements	<u>387,465</u>	<u>26,728</u>		414,193
Total Accumulated Depreciation	<u>\$ 15,675,447</u>	<u>\$ 1,021,231</u>	<u>\$ - 0 -</u>	<u>\$ 16,696,678</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 21,969,288</u>	<u>\$ 191,855</u>	<u>\$ - 0 -</u>	<u>\$ 22,161,143</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 24,286,477</u>	<u>\$ 2,712,901</u>	<u>\$ 1,213,086</u>	<u>\$ 25,786,292</u>

NOTE 7. MAINTENANCE TAX

On August 8, 1992, the voters of the District approved the levy and collection of an unlimited maintenance tax assessed valuation of taxable property within the District. For the year ended September 30, 2024, the District levied an ad valorem maintenance tax rate of \$0.447 per \$100 of assessed valuation, which resulted in a tax levy of \$2,627,021 on the adjusted taxable valuation of \$587,700,512 for the 2023 tax year. This maintenance tax is to be used by the General Fund to pay expenditures of operating and maintaining the District's waterworks and sanitary sewer system.

**MONTGOMERY COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE 8. PENSION PLAN

Effective June 1, 1997, the District adopted a simplified employee pension plan, which benefits all of the District's employees. During the current fiscal year, the District contributed \$55,222 to the plan, which was based on 10 percent of employee's salaries.

NOTE 9. RECREATIONAL FACILITIES

On March 30, 1981, the District entered into a recreational facilities lease contract with Timber Lakes/Timber Ridge Association, Inc. (the "Association"). Under the terms of the contract, the District has the right to use the Association's facilities for the benefit and enjoyment of the residents of Timber Lakes and Timber Ridge and, in turn, is required to pay all expenses associated with the operations of the facilities, including premiums on liability insurance. On March 18, 1991, the Association transferred the property and any improvements to the District.

NOTE 10. LONE STAR GROUNDWATER CONSERVATION DISTRICT

The District is located within the boundaries of the Lone Star Groundwater Conservation District (the "Conservation District"). The Conservation District was created under Article 16, Section 59 of the Texas Constitution by House Bill 2362 (the "Act"), as passed by the 77th Texas Legislature, in 2001. The Conservation District was created to conserve, protect, and enhance the groundwater resources of Montgomery County, Texas.

A nine-member board of directors governs the Conservation District. The directors serve staggered four-year terms. Each director must qualify to serve as director in the manner provided by Section 36.055 of the Water Code.

The Conservation District charges a fee, currently \$0.085 per 1,000 gallons, based on the amount of water pumped from a well, to the owner of wells located within the boundaries of the Conservation District, unless exempted. This fee enables the Conservation District to fulfill its purpose and regulatory functions.

**MONTGOMERY COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE 11. SAN JACINTO RIVER AUTHORITY

On June 28, 2010, the District entered into the Contract for Groundwater Reduction Planning, Alternative Water Supply, and Related Goods and Services with the San Jacinto River Authority (the “Authority”). The District and the Authority operate within the boundaries of Lone Star Groundwater Conservation District (the “Conservation District”). See Note 10. The Authority has developed supplies of surface water that, when taken together with groundwater withdrawals to be permitted by the Conservation District, are reasonably believed to be adequate to satisfy the total water demands of Montgomery County. A surface water treatment and transmission system (the “Project”) is proposed to be designed, constructed, operated, and maintained by the Authority in order to provide phased treatment, transmission, and delivery of the Authority’s surface water to regulated users for blending with groundwater supplies, so that regulated users may continue to pump groundwater.

The Authority will develop a Groundwater Reduction Plan (the “GRP”) for all participants. The Authority charges a fee, currently \$2.67 and \$3.26 per 1,000 gallons, based on the amount of groundwater and surface water used, respectively. This fee enables the Authority to achieve, maintain and implement the GRP. The term of this contract expires on December 31, 2045. During the current fiscal year, the District recorded an expenditure of \$410,109 in relation to this contract.

NOTE 12. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; error and omission; and natural disasters. The District carries commercial insurance for its fidelity bonds and participates in the Texas Municipal League Intergovernmental Risk Pool (TML) to provide property, boiler and machinery, general liability, auto liability, errors and omission and workers compensation coverage. The District, along with other participating entities, contributes annual amounts determined by TML’s management. As claims arise, they are submitted and paid by TML. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

NOTE 13. STRATEGIC PARTNERSHIP AGREEMENT

Effective November 2, 2015, the District entered into a Strategic Partnership Agreement with the City of Houston, Texas (the “City”). The agreement provides that in accordance with Subchapter F of Chapter 43 of the Local Government Code and Act, the City shall annex a tract of land defined as the “Subject Tract” for the limited purposes of applying the City’s Planning, Zoning, Health, and Safety Ordinances within the Subject Tract within the boundaries of the District.

**MONTGOMERY COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE 13. STRATEGIC PARTNERSHIP AGREEMENT (Continued)

Upon annexation, the City began imposing a Sales and Use Tax within the boundaries of the Subject Tract on the receipts from the sale and use at retail of taxable items at the rate of one percent or the rate specified under the future amendments to Chapter 321 of the Tax Code. The City pays the District an amount equal to one-half of all Sales and Use Tax revenues generated within the boundaries of the Subject Tract within 30 days of the City receiving the funds from the State Comptroller's office. During the current fiscal year, the District recorded \$147,882 of sales tax revenue from the City of Houston with \$28,596 being recorded as a receivable at year-end.

The City agrees that it will not annex the District for full purposes or commence any action to annex the District for full purposes during the term of this Agreement. The term of this Agreement is 30 years from the effective date of the agreement.

NOTE 14. UNREIMBURSED COSTS

The District has entered into certain financing and reimbursement agreements with Developers within the District which for the Developers to make payments on behalf of the District for various projects and operating advances. As of September 30, 2024, \$3,921,426 has been recorded as a liability in the Statement of Net Position, of which \$516,865 was reimbursed in the current fiscal year. The \$3,921,426 are drainage expenses and will not be paid from bonds but under the formula agreed to in the agreement from excess operating and maintenance tax revenues generated by the taxable real property and improvements specific to the service area developed.

**MONTGOMERY COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1**

REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2024

**MONTGOMERY COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1**
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL – GENERAL FUND**
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	\$ 2,350,000	\$ 2,597,821	\$ 247,821
Water Service	620,000	1,014,605	394,605
Wastewater Service	1,250,000	1,257,002	7,002
Surface Water Revenue	500,000	505,493	5,493
Penalty and Interest	28,000	32,683	4,683
Sales Tax Revenue	75,000	147,882	72,882
Reconnection Fees	2,500	4,411	1,911
Cell Tower Lease	350,000		(350,000)
Tap Connection and Inspection Fees	315,000	501,664	186,664
Investment and Miscellaneous Revenues	<u>268,500</u>	<u>401,355</u>	<u>132,855</u>
TOTAL REVENUES	<u>\$ 5,759,000</u>	<u>\$ 6,462,916</u>	<u>\$ 703,916</u>
EXPENDITURES			
Service Operations:			
Personnel	\$ 960,000	\$ 969,347	\$ (9,347)
Professional Fees	436,200	584,849	(148,649)
Contracted Services	425,000	378,296	46,704
Utilities	232,500	198,690	33,810
Surface Water Fees	550,000	410,109	139,891
Repairs and Maintenance	1,123,800	1,000,498	123,302
Other	646,500	740,266	(93,766)
Capital Outlay	<u>1,385,000</u>	<u>2,742,257</u>	<u>(1,357,257)</u>
TOTAL EXPENDITURES	<u>\$ 5,759,000</u>	<u>\$ 7,024,312</u>	<u>\$ (1,265,312)</u>
NET CHANGE IN FUND BALANCE	\$ -0-	\$ (561,396)	\$ (561,396)
FUND BALANCE - OCTOBER 1, 2023	<u>6,285,540</u>	<u>6,285,540</u>	<u></u>
FUND BALANCE - SEPTEMBER 30, 2024	<u>\$ 6,285,540</u>	<u>\$ 5,724,144</u>	<u>\$ (561,396)</u>

See accompanying independent auditor's report.

**MONTGOMERY COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1**
SUPPLEMENTARY INFORMATION REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE

SEPTEMBER 30, 2024

**MONTGOMERY COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
SERVICES AND RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

1. SERVICES PROVIDED BY THE DISTRICT DURING THE FISCAL YEAR:

<input checked="" type="checkbox"/>	Retail Water	_____	Wholesale Water	_____	Drainage
<input checked="" type="checkbox"/>	Retail Wastewater	_____	Wholesale Wastewater	_____	Irrigation
<input checked="" type="checkbox"/>	Parks/Recreation	_____	Fire Protection	_____	Security
<input checked="" type="checkbox"/>	Solid Waste/Garbage	_____	Flood Control	_____	Roads
Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)					
Other (specify): _____					

2. RETAIL SERVICE PROVIDERS

a. RETAIL RATES FOR A 5/8" METER (OR EQUIVALENT):

Based on the rate order effective March 16, 2024.

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1,000 Gallons over Minimum Use	Usage Levels
WATER:	\$ 32.75	6,000	N	\$ 6.00 \$ 6.15 \$ 6.30 \$ 6.45 \$ 6.70 \$ 6.95 \$ 7.45 \$ 7.95 \$ 8.45 \$ 8.95	6,001 to 10,000 10,001 to 19,000 19,001 to 29,000 29,001 to 39,000 39,001 to 49,000 49,001 to 59,000 59,001 to 69,000 69,001 to 79,000 79,001 to 89,000 89,001 and up
WASTEWATER:	\$ 51.73	10,000	N	\$ 0.50	10,001 and over
SURCHARGE:					
Commission Regulatory Assessments			N	0.5% of water and wastewater charges	
Water Conservation District Fees			N	\$ 0.11	0,001 and up
Groundwater Reduction			N	\$2.94	0,001 and up
District employs winter averaging for wastewater usage?					<hr/> Yes <input checked="" type="checkbox"/> X No

Total monthly charges per 10,000 gallons usage: Water: \$56.75 Wastewater: \$51.73 Surcharge: \$31.04 Total: \$139.52

See accompanying independent auditor's report.

**MONTGOMERY COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
SERVICES AND RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFCs
Unmetered	7	7	x 1.0	7
<u>$\leq \frac{3}{4}$"</u>	1,221	1,181	x 1.0	1,181
1"	8	8	x 2.5	20
1½"	2	5	x 5.0	25
2"	17	17	x 8.0	136
3"	2	2	x 15.0	30
4"	1	1	x 25.0	25
6"	5	5	x 50.0	250
8"	12	12	x 80.0	960
10"	2	2	x 115.0	230
Total Water Connections	1,277	1,240		2,864
Total Wastewater Connections	1,250	1,214	x 1.0	1,214

3. TOTAL WATER CONSUMPTION DURING THE FISCAL YEAR ROUNDED TO THE NEAREST THOUSAND: (Unaudited)

Gallons pumped into system: 162,793,000 Water Accountability Ratio: 92.9%
(Gallons billed/Gallons pumped)

Gallons billed to customers: 151,256,000

See accompanying independent auditor's report.

**MONTGOMERY COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
SERVICES AND RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

4. STANDBY FEES (authorized only under TWC Section 49.231):

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

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

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes **X** No

County in which District is located:

Montgomery County, Texas

Is the District located within a city?

Entirely Partly Not at all **X**

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

Entirely **X** Partly Not at all

ETJ in which District is located:

City of Houston, Texas

Are Board Members appointed by an office outside the District?

Yes No **X**

See accompanying independent auditor's report.

**MONTGOMERY COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

PERSONNEL EXPENDITURES (Including Benefits)	\$ <u>969,347</u>
PROFESSIONAL FEES:	
Auditing	\$ 20,250
Engineering	469,932
Legal	<u>94,667</u>
TOTAL PROFESSIONAL FEES	<u>\$ 584,849</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 52,269
Solid Waste Disposal	<u>326,027</u>
TOTAL CONTRACTED SERVICES	<u>\$ 378,296</u>
UTILITIES:	
Electricity	\$ 167,156
Gas	4,546
Telephone	<u>26,988</u>
TOTAL UTILITIES	<u>\$ 198,690</u>
REPAIRS AND MAINTENANCE	<u>\$ 1,000,498</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 12,816
Dues	5,480
Insurance	63,578
Office Supplies and Postage	15,701
Surface Water Fees	410,109
Travel and Meetings	2,704
Other	<u>65,094</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 575,482</u>

See accompanying independent auditor's report.

**MONTGOMERY COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

CAPITAL OUTLAY	\$ <u>2,742,257</u>
OTHER EXPENDITURES:	
Chemicals	\$ 64,181
Computer Expense	251,771
Meter Expense	17,848
Fuel and Lubricants	28,720
Laboratory Fees	27,403
Permit Fees	22,081
Pool Management and Operations	47,480
Regulatory Assessment	8,723
Sludge Hauling	36,500
Uniforms	4,890
Other	<u>65,296</u>
TOTAL OTHER EXPENDITURES	\$ <u>574,893</u>
TOTAL EXPENDITURES	\$ <u>7,024,312</u>

Number of persons employed by the District 7 Full-Time 1 Part-Time

See accompanying independent auditor's report.

**MONTGOMERY COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
INVESTMENTS
SEPTEMBER 30, 2024**

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
<u>GENERAL FUND</u>					
TexPool	XXXX0003	Varies	Daily	\$ 288,827	\$
TexPool	XXXX0004	Varies	Daily	648,534	
TexPool	XXXX0011	Varies	Daily	756,095	
TexPool	XXXX0012	Varies	Daily	<u>4,109,729</u>	
TOTAL GENERAL FUND				<u>\$ 5,803,185</u>	<u>\$ -0-</u>
<u>DEBT SERVICE FUND</u>					
TexPool	XXXX0001	Varies	Daily	<u>\$ 936,805</u>	<u>\$ -0-</u>
<u>CAPITAL PROJECTS FUND</u>					
TexPool	XXXX0002	Varies	Daily	\$ 364,716	\$
TexPool	XXXX0013	Varies	Daily	<u>3,401,381</u>	
TOTAL CAPITAL PROJECTS FUND				<u>\$ 3,766,097</u>	<u>\$ -0-</u>
TOTAL - ALL FUNDS				<u>\$ 10,506,087</u>	<u>\$ -0-</u>

See accompanying independent auditor's report.

**MONTGOMERY COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE -				
OCTOBER 1, 2023	\$ 49,470		\$ 41,025	
Adjustments to Beginning				
Balance	<u>(3,424)</u>	\$ 46,046	<u>(3,370)</u>	\$ 37,655
Original 2023 Tax Levy	\$ 2,530,466		\$ 1,443,554	
Adjustment to 2023 Tax Levy	<u>96,555</u>	<u>2,627,021</u>	<u>55,082</u>	<u>1,498,636</u>
TOTAL TO BE ACCOUNTED FOR		\$ 2,673,067		\$ 1,536,291
TAX COLLECTIONS:				
Prior Years	\$ 12,791		\$ 8,264	
Current Year	<u>2,585,030</u>	<u>2,597,821</u>	<u>1,474,682</u>	<u>1,482,946</u>
TAXES RECEIVABLE - SEPTEMBER 30, 2024		<u>\$ 75,246</u>		<u>\$ 53,345</u>
TAXES RECEIVABLE BY YEAR:				
2023	\$ 41,991		\$ 23,954	
2022	14,974		10,786	
2021	6,239		4,420	
2020	3,359		2,379	
2019	1,725		1,290	
2018 and prior	<u>6,958</u>			<u>10,516</u>
TOTAL		<u>\$ 75,246</u>		<u>\$ 53,345</u>

See accompanying independent auditor's report.

**MONTGOMERY COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
PROPERTY VALUATIONS:				
Land	\$ 77,337,100	\$ 56,987,080	\$ 46,213,030	\$ 48,153,890
Improvements	538,786,162	529,898,952	383,113,672	339,928,302
Personal Property	18,629,396	16,662,190	12,676,921	12,521,128
Exemptions	<u>(47,052,146)</u>	<u>(67,921,378)</u>	<u>(35,622,656)</u>	<u>(39,734,374)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 587,700,512</u>	<u>\$ 535,626,844</u>	<u>\$ 406,380,967</u>	<u>\$ 360,868,946</u>
TAX RATES PER \$100 VALUATION:				
Debt Service Tax	\$ 0.250	\$ 0.3000	\$ 0.3100	\$ 0.3100
Maintenance Tax	<u>0.447</u>	<u>0.4165</u>	<u>0.4376</u>	<u>0.4376</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.697</u>	<u>\$ 0.7165</u>	<u>\$ 0.7476</u>	<u>\$ 0.7476</u>
ADJUSTED TAX LEVY*	<u>\$ 4,125,657</u>	<u>\$ 3,838,618</u>	<u>\$ 3,038,104</u>	<u>\$ 2,698,496</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>98.40 %</u>	<u>99.33 %</u>	<u>99.65 %</u>	<u>99.79 %</u>

* Based upon adjusted tax at time of audit for the period in which the tax was levied.

Maintenance Tax – Maximum tax rate in an unlimited amount per \$100 of assessed valuation approved by voters on August 8, 1992.

See accompanying independent auditor's report.

**MONTGOMERY COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2024**

S E R I E S - 2 0 1 6 R E F U N D I N G

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2025	\$ 570,000	\$ 174,238	\$ 744,238
2026	590,000	162,637	752,637
2027	605,000	149,931	754,931
2028	625,000	135,313	760,313
2029	650,000	119,375	769,375
2030	670,000	102,456	772,456
2031	695,000	84,106	779,106
2032	720,000	64,650	784,650
2033	745,000	43,575	788,575
2034	775,000	20,775	795,775
2035	305,000	4,575	309,575
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
	<hr/> <u>\$ 6,950,000</u>	<hr/> <u>\$ 1,061,631</u>	<hr/> <u>\$ 8,011,631</u>

See accompanying independent auditor's report.

**MONTGOMERY COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2024**

S E R I E S - 2 0 1 7

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2025	\$ 45,000	\$ 154,737	\$ 199,737
2026	40,000	152,613	192,613
2027	40,000	150,612	190,612
2028	40,000	149,013	189,013
2029	45,000	147,737	192,737
2030	45,000	146,388	191,388
2031	40,000	145,112	185,112
2032	40,000	143,913	183,913
2033	45,000	142,609	187,609
2034	40,000	141,281	181,281
2035	45,000	139,953	184,953
2036		139,250	139,250
2037	1,010,000	123,469	1,133,469
2038	1,050,000	90,625	1,140,625
2039	1,090,000	55,850	1,145,850
2040	1,130,000	19,069	1,149,069
2041			
2042			
2043			
2044			
2045			
	<u>\$ 4,745,000</u>	<u>\$ 2,042,231</u>	<u>\$ 6,787,231</u>

See accompanying independent auditor's report.

**MONTGOMERY COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2024**

S E R I E S - 2 0 2 1 R E F U N D I N G

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2025	\$ 110,000	\$ 39,250	\$ 149,250
2026	110,000	35,950	145,950
2027	105,000	33,250	138,250
2028	105,000	31,150	136,150
2029	95,000	29,150	124,150
2030	100,000	27,200	127,200
2031	95,000	25,250	120,250
2032	95,000	23,350	118,350
2033	90,000	21,500	111,500
2034	90,000	19,700	109,700
2035	304,997	288,803	593,800
2036	940,000	9,400	949,400
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
	<u>\$ 2,239,997</u>	<u>\$ 583,953</u>	<u>\$ 2,823,950</u>

See accompanying independent auditor's report.

**MONTGOMERY COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2024**

S E R I E S - 2 0 2 1					
Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1		Total	
2025	\$ 70,000	\$ 73,655		\$ 143,655	
2026	75,000	72,205		147,205	
2027	85,000	70,605		155,605	
2028	80,000	68,955		148,955	
2029	80,000	67,355		147,355	
2030	80,000	65,755		145,755	
2031	85,000	64,105		149,105	
2032	85,000	62,405		147,405	
2033	85,000	60,705		145,705	
2034	90,000	58,955		148,955	
2035	90,000	57,110		147,110	
2036	90,000	55,220		145,220	
2037	45,000	53,803		98,803	
2038	40,000	52,910		92,910	
2039	35,000	52,122		87,122	
2040	35,000	51,387		86,387	
2041	1,195,000	38,473		1,233,473	
2042	1,220,000	12,963		1,232,963	
2043					
2044					
2045					
	\$ 3,565,000	\$ 1,038,688		\$ 4,603,688	

See accompanying independent auditor's report.

**MONTGOMERY COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2024**

S E R I E S - 2 0 2 2					
Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total		
2025	\$ 55,000	\$ 296,987	\$ 351,987		
2026	55,000	283,238	338,238		
2027	55,000	269,488	324,488		
2028	60,000	255,112	315,112		
2029	65,000	244,363	309,363		
2030	65,000	237,862	302,862		
2031	70,000	232,863	302,863		
2032	70,000	229,363	299,363		
2033	75,000	225,925	300,925		
2034	75,000	222,550	297,550		
2035	75,000	219,175	294,175		
2036	80,000	215,687	295,687		
2037	85,000	211,975	296,975		
2038	90,000	208,037	298,037		
2039	95,000	203,875	298,875		
2040	95,000	199,600	294,600		
2041	100,000	195,212	295,212		
2042	105,000	190,600	295,600		
2043	1,365,000	156,672	1,521,672		
2044	1,425,000	92,153	1,517,153		
2045	<u>1,480,000</u>	<u>29,600</u>	<u>1,509,600</u>		
	<u><u>\$ 5,640,000</u></u>	<u><u>\$ 4,420,337</u></u>	<u><u>\$ 10,060,337</u></u>		

See accompanying independent auditor's report.

**MONTGOMERY COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2024**

**A N N U A L R E Q U I R E M E N T S
F O R A L L S E R I E S**

Due During Fiscal Years Ending September 30	Total Principal Due	Total Interest Due	Total Principal Interest Due
2025	\$ 850,000	\$ 738,867	\$ 1,588,867
2026	870,000	706,643	1,576,643
2027	890,000	673,886	1,563,886
2028	910,000	639,543	1,549,543
2029	935,000	607,980	1,542,980
2030	960,000	579,661	1,539,661
2031	985,000	551,436	1,536,436
2032	1,010,000	523,681	1,533,681
2033	1,040,000	494,314	1,534,314
2034	1,070,000	463,261	1,533,261
2035	819,997	709,616	1,529,613
2036	1,110,000	419,557	1,529,557
2037	1,140,000	389,247	1,529,247
2038	1,180,000	351,572	1,531,572
2039	1,220,000	311,847	1,531,847
2040	1,260,000	270,056	1,530,056
2041	1,295,000	233,685	1,528,685
2042	1,325,000	203,563	1,528,563
2043	1,365,000	156,672	1,521,672
2044	1,425,000	92,153	1,517,153
2045	1,480,000	29,600	1,509,600
	<u>\$ 23,139,997</u>	<u>\$ 9,146,840</u>	<u>\$ 32,286,837</u>

See accompanying independent auditor's report.

**MONTGOMERY COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

Description	Original Bonds Issued	Bonds Outstanding October 1, 2023
Montgomery County Water Control and Improvement District No. 1 Unlimited Tax Refunding Bonds - Series 2016	\$ 9,595,000	\$ 7,505,000
Montgomery County Water Control and Improvement District No. 1 Unlimited Tax Bonds - Series 2017	5,040,000	4,790,000
Montgomery County Water Control and Improvement District No. 1 Unlimited Tax Refunding Bonds - Series 2021	2,619,997	2,349,997
Montgomery County Water Control and Improvement District No. 1 Unlimited Tax Bonds - Series 2021	3,775,000	3,635,000
Montgomery County Water Control and Improvement District No. 1 Unlimited Tax Bonds - Series 2022	<u>5,740,000</u>	<u>5,690,000</u>
TOTAL	<u>\$ 26,769,997</u>	<u>\$ 23,969,997</u>
 Bond Authority:		
Amount Authorized by Voters	\$ 31,550,000	\$ 2,000,000
Amount Issued	<u>5,740,000</u>	<u> </u>
Remaining to be Issued	<u>\$ 25,810,000</u>	<u>\$ 2,000,000</u>

See Note 3 for interest rates, interest payment dates and maturity dates.

* Includes all bonds secured with tax revenues. Bonds in this category may also be secured with other revenues in combination with taxes.

See accompanying independent auditor's report.

Current Year Transactions

Bonds Sold	Retirements		Bonds Outstanding September 30, 2024
	Principal	Interest	
\$ 555,000	\$ 185,487	\$ 6,950,000	BOKF, N.A. Austin, TX
45,000	156,988	4,745,000	BOKF, N.A. Austin, TX
110,000	42,550	2,239,997	UMB Bank, N.A. Houston, TX
70,000	75,055	3,565,000	UMB Bank, N.A. Houston, TX
<u>50,000</u>	<u>310,113</u>	<u>5,640,000</u>	UMB Bank, N.A. Houston, TX
<u>\$ - 0 -</u>	<u>\$ 770,193</u>	<u>\$ 23,139,997</u>	

Debt Service Fund cash and investment balances as of September 30, 2024: \$ 971,988

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 1,537,468

See accompanying independent auditor's report.

**MONTGOMERY COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS**

	Amounts		
	2024	2023	2022
REVENUES			
Property Taxes	\$ 2,597,821	\$ 2,218,177	\$ 1,782,398
Water Service	1,014,605	738,906	726,876
Wastewater Service	1,257,002	1,198,198	1,175,639
Surface Water Revenue	505,493	529,563	486,319
Penalty and Interest	32,683	28,056	30,694
Sales Tax Revenue	147,882	138,349	142,063
Reconnection Fees	4,411	2,850	4,350
Septic Service			8,738
Tap Connection and Inspection Fees	501,664	360,141	24,044
Investment and Miscellaneous Revenues	401,355	225,831	70,482
TOTAL REVENUES	<u>\$ 6,462,916</u>	<u>\$ 5,440,071</u>	<u>\$ 4,451,603</u>
EXPENDITURES			
Service Operations:			
Personnel	\$ 969,347	\$ 848,805	\$ 816,701
Professional Fees	584,849	416,681	330,051
Contracted Services	378,296	338,203	303,821
Utilities	198,690	195,971	175,068
Surface Water Fees	410,109	496,298	454,165
Repairs and Maintenance	1,000,498	652,850	512,720
Other	740,266	762,074	985,267
Capital Outlay	2,742,257	899,282	1,970,244
TOTAL EXPENDITURES	<u>\$ 7,024,312</u>	<u>\$ 4,610,164</u>	<u>\$ 5,548,037</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (561,396)</u>	<u>\$ 829,907</u>	<u>\$ (1,096,434)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In(Out)	\$ - 0 -	\$ 1,889,075	\$ 239,766
NET CHANGE IN FUND BALANCE	<u>\$ (561,396)</u>	<u>\$ 2,718,982</u>	<u>\$ (856,668)</u>
BEGINNING FUND BALANCE	<u>6,285,540</u>	<u>3,566,558</u>	<u>4,423,226</u>
ENDING FUND BALANCE	<u>\$ 5,724,144</u>	<u>\$ 6,285,540</u>	<u>\$ 3,566,558</u>

See accompanying independent auditor's report.

Percentage of Total Revenues							
2021		2020		2024		2023	
\$		\$			%		%
\$ 1,576,331		\$ 1,498,575		40.2	%	40.8	%
645,562		619,171		15.7		13.6	
1,068,550		1,027,779		19.4		22.0	
409,641		381,550		7.8		9.7	
28,302		12,762		0.5		0.5	
52,241		31,690		2.3		2.5	
5,469		2,900		0.1		0.1	
64,057		53,250				0.2	
4,500		51,237		7.8		6.6	
62,535		138,002		6.2		4.2	
<u>\$ 3,917,188</u>		<u>\$ 3,816,916</u>		<u>100.0</u>	<u>%</u>	<u>100.0</u>	<u>%</u>
<u>\$ 3,180,444</u>		<u>\$ 4,053,453</u>		<u>108.7</u>	<u>%</u>	<u>84.7</u>	<u>%</u>
<u>\$ 736,744</u>		<u>\$ (236,537)</u>		<u>(8.7)</u>	<u>%</u>	<u>15.3</u>	<u>%</u>
<u>\$ - 0 -</u>		<u>\$ (111,124)</u>					
<u>\$ 736,744</u>		<u>\$ (347,661)</u>					
<u>3,686,482</u>		<u>4,034,143</u>					
<u>\$ 4,423,226</u>		<u>\$ 3,686,482</u>					

See accompanying independent auditor's report.

**MONTGOMERY COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS**

	Amounts		
	2024	2023	2022
REVENUES			
Property Taxes	\$ 1,482,946	\$ 1,597,686	\$ 1,265,460
Penalty and Interest	36,800	43,180	50,728
Investment and Miscellaneous Revenues	<u>114,354</u>	<u>109,738</u>	<u>7,205</u>
TOTAL REVENUES	<u><u>\$ 1,634,100</u></u>	<u><u>\$ 1,750,604</u></u>	<u><u>\$ 1,323,393</u></u>
EXPENDITURES			
Tax Collection Expenditures	\$ 74,555	\$ 74,574	\$ 73,096
Debt Service Principal	830,000	810,000	745,000
Debt Service Interest and Fees	771,693	740,262	490,263
Bond Issuance Costs			
TOTAL EXPENDITURES	<u><u>\$ 1,676,248</u></u>	<u><u>\$ 1,624,836</u></u>	<u><u>\$ 1,308,359</u></u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u><u>\$ (42,148)</u></u>	<u><u>\$ 125,768</u></u>	<u><u>\$ 15,034</u></u>
OTHER FINANCING SOURCES (USES)			
Refunding Bond Proceeds	\$	\$	\$
Transfer to Refund Bond Escrow Agent			
Bond Discount			
TOTAL OTHER FINANCING SOURCES (USES)	<u><u>\$ - 0 -</u></u>	<u><u>\$ - 0 -</u></u>	<u><u>\$ - 0 -</u></u>
NET CHANGE IN FUND BALANCE	<u><u>\$ (42,148)</u></u>	<u><u>\$ 125,768</u></u>	<u><u>\$ 15,034</u></u>
BEGINNING FUND BALANCE	<u><u>808,730</u></u>	<u><u>682,962</u></u>	<u><u>667,928</u></u>
ENDING FUND BALANCE	<u><u>\$ 766,582</u></u>	<u><u>\$ 808,730</u></u>	<u><u>\$ 682,962</u></u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u><u>1,240</u></u>	<u><u>1,173</u></u>	<u><u>1,125</u></u>
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u><u>1,214</u></u>	<u><u>1,150</u></u>	<u><u>1,147</u></u>

See accompanying independent auditor's report.

		Percentage of Total Revenues						
2021		2020		2024	2023	2022	2021	2020
\$ 1,118,005	\$ 1,122,530			90.7 %	91.2 %	95.7 %	95.8 %	94.3 %
47,411	54,940			2.3	2.5	3.8	4.1	4.6
1,704	13,619			7.0	6.3	0.5	0.1	1.1
<u>\$ 1,167,120</u>	<u>\$ 1,191,089</u>			<u>100.0</u> %				
 \$ 77,993	\$ 62,335			4.6 %	4.3 %	5.5 %	6.7 %	5.2 %
685,000	625,000			50.8	46.3	56.3	58.7	52.5
414,411	519,396			47.2	42.3	37.0	35.5	43.6
<u>162,927</u>	<u> </u>			<u> </u>	<u> </u>	<u> </u>	<u>14.0</u>	<u> </u>
<u>\$ 1,340,331</u>	<u>\$ 1,206,731</u>			<u>102.6</u> %	<u>92.9</u> %	<u>98.8</u> %	<u>114.9</u> %	<u>101.3</u> %
 \$ (173,211)	\$ (15,642)			(2.6) %	7.1 %	1.2 %	(14.9) %	(1.3) %
 \$ 2,619,997	\$							
(2,679,803)								
<u>216,397</u>	<u> </u>			<u> </u>				
<u>\$ 156,591</u>	<u>\$ - 0 -</u>			<u> </u>				
 \$ (16,620)	\$ (15,642)							
<u>684,548</u>	<u>700,190</u>			<u> </u>				
<u>\$ 667,928</u>	<u>\$ 684,548</u>			<u> </u>				
 <u>1,182</u>	<u>1,178</u>			<u> </u>				
<u>1,153</u>	<u>1,150</u>			<u> </u>				

See accompanying independent auditor's report.

**MONTGOMERY COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2024**

District Mailing Address - Montgomery County Water Control and Improvement District No. 1
Roach & Associates, PLLC
2001 Timberloch Place, Suite 500
The Woodlands, Texas 77380

District Telephone Number - (832) 789-1899

Board Members	<u>Term of Office (Elected or Appointed)</u>	<u>Fees of Office for the year ended</u>	<u>Expense Reimbursements for the year ended</u>	<u>Title</u>
		<u>September 30, 2024</u>	<u>September 30, 2024</u>	
Christine Rife	05/24 05/28 (Elected)	\$ 3,800	\$ 1,056	President
Ricky Hernandez	07/23 05/26 (Appointed)	\$ 5,400	\$ -0-	Vice President
Nancy Loring	05/22 05/26 (Elected)	\$ 3,000	\$ -0-	Secretary
Jeffrey Crump	05/24 05/28 (Appointed)	\$ 3,200	\$ 120	Assistant Secretary/ Treasurer
Allison Edison	06/24 05/26 (Appointed)	\$ 1,000	\$ 185	Director

Notes: No Director has any business or family relationships (as defined by the Texas Water Code) with major landowners in the District, with the District's developers or with any of the District's consultants.

Submission date of most recent District Registration Form: March 20, 2024

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200. Fees of Office are the amounts actually paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.

**MONTGOMERY COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2024**

Consultants:	Date Hired	Fees for the year ended		Title
		September 30, 2024		
Roach & Associates, PLLC	05/16/23	\$ 90,095		General Counsel
McCall Gibson Swedlund Barfoot Ellis PLLC	09/14/10	\$ 20,250		Audit Related
Clarity Consulting Group	01/18/22	\$ 49,519		Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	1986	\$ 13,765		Delinquent Tax Attorney
Baxter & Woodman	11/20/90	\$ 1,453,621		Engineer
Blitch Associates, Inc.	11/10/09	\$ -0-		Financial Advisor
Utility Tax Services	05/13/14	\$ 25,059		Tax Assessor/ Collector

See accompanying independent auditor's report.