SUPPLEMENT

Dated: July 18, 2025

To

OFFICIAL STATEMENT

Dated: June 26, 2025

RELATING TO

$124,350,000

MONTGOMERY COUNTY, TEXAS
Unlimited Tax Road Bonds, Series 2025

Please be advised that the referenced Official Statement relating to the captioned obligations (the "Bonds") is hereby supplemented and/or amended in the following manner:

The mandatory sinking fund redemption schedule listed under the heading "THE BONDS – Mandatory Redemption" on page 5 of the Official Statement is replaced in its entirety with the following mandatory sinking fund redemption schedule:

$26,960,000 Term Bonds Maturing March 1, 2050

Mandatory Redemption Date	Principal Amount
March 1, 2048	$8,585,000
March 1, 2049	$8,980,000
March 1, 2050	$9,395,000

OFFICIAL STATEMENT
Dated June 26, 2025

In the opinion of Orrick, Herrington & Sutcliffe, LLP, Bond Counsel, 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 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 the federal individual alternative minimum tax. Bond Counsel observes that 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.

NEW ISSUE: BOOK-ENTRY-ONLY

Ratings: S&P Global Ratings.................................."Aaa"
Moody's Investor Service, Inc. .... "AA+"

$124,350,000
MONTGOMERY COUNTY, TEXAS
Unlimited Tax Road Bonds,
Series 2025

Dated Date: July 1, 2025 **Due: March 1, as shown on Page i**
Interest Accrues from Delivery Date (defined below)

The $124,350,000 Montgomery County, Texas, Unlimited Tax Road Bonds, Series 2025 (the "Bonds"), are being issued by Montgomery County, Texas (the "County") pursuant to the terms of the order adopted by the Commissioners' Court of the County on June 10, 2025 in which the Commissioners' Court delegated pricing of the Bonds and certain other matters to a "Pricing Officer" who approved and executed a "Pricing Certificate" with respect to the Bonds that completed the sale of the Bonds. The Bonds are payable from an annual ad valorem tax levied on all taxable property in the County, without legal limit as to rate or amount. See "THE BONDS – Source of Payment" and "TAXING PROCEDURES AND TAX BASE ANALYSIS – Tax Rate Limitations."

Interest on the Bonds will accrue from the date of delivery (the "Delivery Date") and will be payable March 1 and September 1 of each year, commencing March 1, 2026 until the earlier of maturity or prior redemption. The Bonds will initially be registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC"), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in principal 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 Regions Bank, an Alabama state banking corporation, Houston, Texas (the "Paying Agent/Registrar"), to Cede & Co., which will make distribution of the amounts so paid to the beneficial owners of the Bonds. See "THE BONDS – Book-Entry-Only System" herein. Interest on the Bonds is payable to the registered owners (initially Cede & Co.) appearing on the registration books of the Paying Agent/Registrar on the 15th business day of the month preceding each interest payment date (the "Record Date"). See "THE BONDS – General."

The Bonds maturing on March 1, 2036 and thereafter are subject to optional redemption by the County in whole, or from time to time in part, on March 1, 2035 or any date thereafter at a price of par plus accrued interest to the date of redemption. See "THE BONDS – Optional Redemption." The Bonds maturing on March 1, 2050, are also subject to mandatory redemption as described herein. See "THE BONDS – Mandatory Redemption."

See Principal Amounts, Maturities, Interest Rates and Prices on Page i

Proceeds from the sale of the Bonds will be used for the construction, maintenance, and operation of macadamized, graveled, or paved roads or turnpikes, or in aid thereof, within the County and payment of the costs of issuance of the Bonds. See "THE BONDS – Sources and Uses of Funds" and "– Purpose."

The Bonds are offered when, as and if issued by the County and accepted by the underwriters listed below (the "Underwriters"), subject to the approving opinion of the Attorney General of the State of Texas and the opinion of Orrick, Herrington & Sutcliffe LLP, Houston, Texas, Bond Counsel. Certain legal matters will be passed upon for the County by Orrick, Herrington & Sutcliffe LLP, Houston, Texas, Disclosure Counsel. Certain legal matters will be passed upon for the Underwriters by Bracewell LLP, Houston, Texas, counsel for the Underwriters. It is expected that the Bonds will be delivered through the facilities of DTC on or about July 24, 2025.

RBC CAPITAL MARKETS, LLC

CREWS & ASSOCIATES **ESTRADA HINOJOSA** **RAYMOND JAMES**

PRINCIPAL AMOUNTS, MATURITIES, INTEREST RATES AND PRICES

$124,350,000
MONTGOMERY COUNTY, TEXAS
Unlimited Tax Road Bonds, Series 2025
CUSIP Prefix: 613682[c]

$97,390,000 Serial Bonds

Maturity (March 1)	Principal Amount	Interest Rate (%)	Initial Yield (%)[b]	CUSIP[c] Suffix
2027	$2,740,000	5.00	2.80	AA1
2028	1,010,000	5.00	2.82	AB9
2029	305,000	5.00	2.86	AC7
2030	295,000	5.00	2.96	AD5
2031	600,000	5.00	3.07	AE3
2032	620,000	5.00	3.15	AF0
2033	4,385,000	5.00	3.24	AG8
2034	4,610,000	5.00	3.36	AH6
2035	4,850,000	5.00	3.55	AJ2
2036[a]	5,090,000	5.00	3.72[d]	AK9
2037[a]	5,350,000	5.00	3.84[d]	AL7
2038[a]	5,630,000	5.00	3.99[d]	AM5
2039[a]	6,415,000	5.00	4.09[d]	AN3
2040[a]	5,825,000	5.00	4.18[d]	AP8
2041[a]	6,125,000	5.00	4.31[d]	AQ6
2042[a]	6,410,000	5.00	4.42[d]	AR4
2043[a]	6,710,000	5.00	4.52[d]	AS2
2044[a]	7,045,000	5.00	4.57[d]	AT0
2045[a]	7,405,000	5.00	4.62[d]	AU7
2046[a]	7,785,000	5.00	4.68[d]	AW3
2047[a]	8,185,000	5.00	4.73[d]	AX1

$26,960,000 Term Bonds

$26,960,000 Term Bonds due March 1, 2050,[a][b][c][e] Interest Rate 4.50; Initial Yield 4.82% CUSIP Suffix AV5

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[a] The Bonds maturing on March 1, 2036, and thereafter are subject to optional redemption by the County in whole, or from time to time in part, on March 1, 2035, or any date thereafter at a price of par plus accrued interest to the date of redemption. See "THE BONDS – Optional Redemption."

[b] The initial reoffering yields of the Bonds are furnished by the Underwriters and represent the initial offering yields to the public, which may be changed by the Underwriters at any time.

[c] CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by FactSet Research Systems Inc., on behalf of the American Bankers Association and are included soley for convenience of the registered owners of the Bonds. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. Neither the County, the Financial Advisor, nor the Underwriters are responsible for the selection or correctness of the CUSIP numbers set forth herein.

[d] Initial yields are calculated to March 1, 2035, the first optional redemption date.

[e] Subject to mandatory redemption on the dates and in the amounts set forth herein under the caption "THE BONDS – Mandatory Redemption."

COUNTY OFFICIALS

Elected Officials

Commissioner	Position	Years Served	Terms Expire December 31
Mark J. Keough	County Judge	7	2026
Robert C. Walker	Commissioner, Precinct 1	5	2028
Charlie Riley	Commissioner, Precinct 2	11	2026
Ritch Wheeler	Commissioner, Precinct 3	< 1[(a)]	2028
Matt Gray	Commissioner, Precinct 4	3	2026

(a) Commissioner Wheeler was elected on November 5, 2024 and took office on January 1, 2025.

Other Elected and Appointed Officials

Name	Position
Tammy J. McRae	Tax Assessor – Collector
Melanie Bush	County Treasurer
Rakesh Pandey, CPA	County Auditor
B.D. Griffin	County Attorney
L. Brandon Steinmann	County Clerk
Amanda Carter	Budget Officer

Consultants and Advisors

Auditor .... Pattillo, Brown & Hill, L.L.P.
Waco, Texas

Bond Counsel .... Orrick, Herrington & Sutcliffe LLP
Houston, Texas

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

Financial Advisor .... BOK Financial Securities, Inc.
Houston, Texas

This Official Statement, which includes the cover page and Appendices A, B and C hereto, does not constitute an offer to sell or the solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale.

No dealer, broker, salesman or other person has been authorized by the County or the Underwriters to give any information or to make any representation, 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 County or the Underwriters.

This Official Statement is not to be used in 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.

NEITHER THE COUNTY, ITS FINANCIAL ADVISOR NOR THE UNDERWRITERS MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY ("DTC") OR ITS BOOK-ENTRY-ONLY SYSTEM.

THE BONDS ARE EXEMPT FROM REGISTRATION WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE BONDS IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTIONS IN WHICH THESE SECURITIES HAVE BEEN REGISTERED, QUALIFIED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

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

Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the County or other matters described herein since the date hereof.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

THIS OFFICIAL STATEMENT CONTAINS "FORWARD-LOOKING" STATEMENTS. SUCH STATEMENTS MAY INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE THE ACTUAL RESULTS, PERFORMANCE AND ACHIEVEMENTS TO BE DIFFERENT FROM THE FUTURE RESULTS, PERFORMANCE AND ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. INVESTORS ARE CAUTIONED THAT THE ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH IN THE FORWARD-LOOKING STATEMENTS. See "OTHER INFORMATION - FORWARD-LOOKING STATEMENTS DISCLAIMER" herein.

THE COVER PAGE CONTAINS CERTAIN INFORMATION FOR GENERAL REFERENCE ONLY AND IS NOT INTENDED AS A SUMMARY OF THIS OFFERING. INVESTORS SHOULD READ THIS ENTIRE OFFICIAL STATEMENT, INCLUDING ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

References to website 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 Official Statement for any purposes.

TABLE OF CONTENTS

OFFICIAL STATEMENT SUMMARY

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

The Issuer	Montgomery County, Texas (the "County"), a political subdivision of the State of Texas. See "THE COUNTY."
The Bonds	$124,350,000 Montgomery County, Texas Unlimited Tax Road Bonds, Series 2025 (the "Bonds") mature March 1 in each of the years 2027 through 2047, inclusive, and on March 1, 2050. See "THE BONDS – General."
Payment of Interest	Interest on the Bonds will accrue from the date of their initial delivery, and will be payable March 1, 2026, and each September 1 and March 1 thereafter until maturity or prior redemption. See "THE BONDS – General."
Optional and Mandatory Redemption	The Bonds maturing on March 1, 2036 and thereafter are subject to optional redemption by the County in whole, or from time to time in part, on March 1, 2035 or any date thereafter at a price of par plus accrued interest to the date of redemption. See "THE BONDS – Optional Redemption." The Bonds maturing on March 1, 2050, are also subject to mandatory redemption as described herein. See "THE BONDS – Mandatory Redemption."
Source of Payment	Principal of and interest on the Bonds are payable from the proceeds of a continuing, direct annual ad valorem tax levied, without legal limit as to rate or amount, against all taxable property in the County. See "THE BONDS – Source of Payment" and "TAXING PROCEDURES AND TAX BASE ANALYSIS – Tax Rate Limitations."
Authorization of the Bonds	The Bonds are being issued pursuant to the Texas Constitution and laws of the State of Texas, including particularly Article III, Section 52 of the Texas Constitution and Chapters 1371 and 1471, Texas Government Code, as amended, an election held in the County on May 3, 2025, and an order approved by the Commissioners' Court of the County on June 10, 2025, in which the Commissioners' Court delegated pricing of the Bonds and certain other matters to a "Pricing Officer" who approved and executed a "Pricing Certificate" that completed the sale of the Bonds. See "BONDS – Authority for Issuance."
Use of Proceeds	Proceeds from the sale of the Bonds will be used for the construction, maintenance, and operation of macadamized, graveled, or paved roads or turnpikes, or in aid thereof, within the County and payment of the costs of issuance of the Bonds. See "THE BONDS – Sources and Uses of Funds" and "– Purpose."
Tax Exemption	In the opinion of Orrick, Herrington & Sutcliffe, LLP, Bond Counsel, 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 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 the federal individual alternative minimum tax. Bond Counsel observes that 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.

Book-Entry-Only System .... The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in principal 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 of the Bonds will be payable by the initial paying agent/registrar, Regions Bank, an Alabama state banking corporation, Houston, Texas (the "Paying Agent/Registrar") to Cede & Co. The Paying Agent/Registrar will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "THE BONDS – Book-Entry-Only System."

Payment Record.. The County has never defaulted on the timely payment of principal of and interest on any of its outstanding debt.

Ratings on the Bonds.................................... Moody's Investors Service, Inc. .... "Aaa"
S&P Global Ratings .... "AA+"
The ratings reflect only the respective views of such organizations, and the County makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by either or both of such rating companies, if in the judgment of either or both companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, by either of them, may have an adverse effect on the market price of the Bonds. See "SALE AND DISTRIBUTION OF THE BONDS – Ratings."

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SELECTED FINANCIAL INFORMATION

(Unaudited)

2024 Certified Taxable Assessed Valuation	$100,527,316,535 [(a)]
(100% of Market Value as of January 1, 2024)	
See "TAXING PROCEDURES AND TAX BASE ANALYSIS"	
Direct Debt:	
Outstanding Bonds (as of June 1, 2025)	391,910,000
Plus: The Bonds	124,350,000
Total Direct Debt	516,260,000
Estimated Overlapping Debt	$8,458,637,173
Total Direct and Estimated Overlapping Debt	$8,974,897,173
Debt Service Fund Balance (unaudited, as of March 31, 2025)	$18,087,320 [(b)]

Debt Ratios:[(d)]	% of 2024 Certified Taxable Assessed Valuation	Per Capita (2025 Estimated Population)[(c)] 774,954
Direct Tax Supported Debt	0.51%	$666
Direct Tax Supported and Estimated Overlapping Debt	8.93%	$11,581

Estimated Debt Service Requirements:[(d)]	
Average (Fiscal Years 2025-2050)	$30,670,537
Maximum (2027)	$52,396,788

Tax Collections		
Arithmetic Average, Tax Years (2019-2023)	- Current Years	99.08%
	- Current and Prior Years	99.53%

(a) Certified by the Montgomery Central Appraisal District (the "Appraisal District") and is net of exemptions. Such value is further subject to change as additions, corrections, and deletions are made to the tax roll.

(b) Includes the amount that will be used to pay the September 1, 2025 debt service payment of $8,890,861. The amount represents unaudited information. The unaudited information has not been prepared or reviewed by the County's independent auditor. The unaudited information is derived from internal account balances of the County as calculated by the County.

(c) Source: U.S. Census Bureau.

(d) Includes the Bonds.

OFFICIAL STATEMENT

Relating to

$124,350,000
MONTGOMERY COUNTY, TEXAS
Unlimited Tax Road Bonds
Series 2025

INTRODUCTION

This Official Statement, which includes Appendices A, B and C hereto, provides certain information regarding the issuance of $124,350,000 Montgomery County, Texas, Unlimited Tax Road Bonds, Series 2025 (the "Bonds"). The Bonds are being issued pursuant to the Texas Constitution and laws of the State of Texas, including particularly Article III, Section 52 of the Texas Constitution and Chapters 1371 and 1471, Texas Government Code, as amended, an election held in Montgomery County, Texas (the "County") on May 3, 2025 and an order approved by the Commissioners' Court of the County on June 10, 2025, in which the Commissioners' Court delegated pricing of the Bonds and certain other matters to a "Pricing Officer" who approved and executed a "Pricing Certificate" that completed the sale of the Bonds (the order authorizing the Bonds and the Pricing Certificate related thereto are jointly referred to herein as the "Bond Order"). See "THE BONDS – Authority for Issuance."

Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Bond Order, except as otherwise indicated herein. There follows in this Official Statement descriptions of the Bonds and certain information regarding the County and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the County's Financial Advisor, BOK Financial Securities, Inc., Houston, Texas.

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. However, the County has agreed to keep this Official Statement current by amendment or sticker to reflect material changes in the affairs of the County 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 Underwriters and thereafter only as specified in "GENERAL CONSIDERATIONS – Updating of Official Statement" and "CONTINUING DISCLOSURE OF INFORMATION."

THE BONDS

General

The Bonds are dated July 1, 2025, and mature on March 1 in each of the years and in the amounts shown on page i hereof. The Bonds will bear interest at the respective rates shown on page i hereof, which interest will be computed on the basis of a 360-day year of twelve 30-day months, and will accrue from their initial date of delivery (the "Delivery Date") and will be payable on March 1 and September 1 (each an "Interest Payment Date"), commencing March 1, 2026, until the earlier of maturity or prior redemption. The definitive Bonds will be issued only in fully registered form in any integral multiple of $5,000 of principal amount for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC"), pursuant to the Book-Entry-Only System described herein. **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 Regions Bank, an Alabama state banking corporation, Houston, Texas (the "Paying Agent/Registrar"), to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "Book-Entry-Only System" herein.

In the event the Book-Entry-Only-System is discontinued, the Bonds may be transferred and exchanged on the bond register kept by the Paying Agent/Registrar upon surrender and reissuance. The Bonds are exchangeable for an equal principal amount of Bonds of the same maturity in any authorized denomination upon surrender of the Bonds to be exchanged at the principal payment office of the Paying Agent/Registrar. No service charge will be made for any transfer, but the County may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith.

Record Date for Interest Payment

The record date ("Record Date") for the interest payable on the Bonds on any Interest Payment Date means the close of business on the fifteenth business day of the preceding month.

In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the County. Notice of the Special Record Date and of the scheduled payment date of the past due interest ("Special Payment Date," which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each holder of a Bond ("Bondholders") appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

Optional Redemption

The County reserves the right, at its option, to redeem the Bonds having stated maturities on or after March 1, 2036 in whole, or from time to time, or in part in principal amounts of $5,000 or any integral multiple thereof, on March 1, 2035 or any date thereafter at the par value thereof plus accrued interest to the date of redemption.

If less than all of the Bonds are to be redeemed, the County shall determine the principal amount and maturities to be redeemed and shall direct the Paying Agent/Registrar to select by lot or other customary method that results in a random selection, the Bonds, or portions thereof within a maturity, to be redeemed.

Mandatory Redemption

The Bonds maturing on March 1, 2050 (the "Term Bonds") are subject to mandatory sinking fund redemption and shall be redeemed by the County prior to their scheduled maturities on March 1 in the years and in the amounts set forth below at a redemption price equal to the principal amount redeemed plus accrued interest to the mandatory redemption date (the "Mandatory Redemption Dates"):

$26,960,000 Term Bonds Maturing March 1, 2050

Mandatory Redemption Date	Principal Amount
March 1, 2048	$8,585,000
March 1, 2049	$8,980,000
March 1, 2050	$9,395,000

The particular Term Bonds to be mandatorily redeemed shall be selected by lot or other customary random selection method. The principal amount of any Term Bonds to be mandatorily redeemed on such Mandatory Redemption Date shall be reduced by the principal amount of such Term Bond which, by the 45th day prior to such Mandatory Redemption Date, either has been purchased in the open market and delivered or tendered for cancellation by or on behalf of the County to the Paying Agent/Registrar or optionally redeemed and which, in either case, has not previously been made the basis for a reduction under this sentence.

Notice of Redemption

Not less than 30 days prior to a redemption date for the Bonds, the County shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Bonds to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice.

ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE BONDS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY BOND OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH BOND OR PORTION THEREOF SHALL CEASE TO ACCRUE.

The Paying Agent/Registrar and the County, so long as a Book-Entry-Only System is used for the Bonds, will send any notice of redemption, notice of proposed amendment to the Bond Order or other notices with respect to the Bonds only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the beneficial owner, shall not affect the validity of the redemption of the Bonds called for redemption or any other action premised on any such notice. Redemption of portions of the Bonds by the County will reduce the outstanding principal amount of such Bonds held by DTC.

Book-Entry-Only System

This section describes how ownership of the Bonds is 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's 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 County and the Underwriters believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

The County 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 Participant, (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 each maturity of the Bonds, in the aggregate principal amount of each such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has 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 Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in 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 DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the

Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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 any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the County 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 County or the Paying Agent/Registrar, on payable dates 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 in the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the County believes to be reliable, but the County takes not responsibility for the accuracy thereof.

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 Order 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 County or the Underwriters.

Effect of Termination of Book-Entry-Only System

In the event that the Book-Entry-Only System is discontinued, printed Bonds will be issued to the registered owners and the Bonds will be subject to transfer, exchange and registration provisions as set forth in the Bond Order and summarized under "Transfer, Exchange and Registration" below.

Authority for Issuance

The Bonds are being issued pursuant to the Texas Constitution and laws of the State of Texas, including particularly Article III, Section 52 of the Texas Constitution and Chapters 1371 and 1471, Texas Government Code, as amended, an election held in the County on May 3, 2025, and the Bond Order.

Source of Payment of the Bonds

Principal of and interest on the Bonds are payable from the proceeds of a continuing, direct annual ad valorem tax levied, without legal limit as to rate or amount, against all taxable property in the County. See "TAXING PROCEDURES AND TAX BASE ANALYSIS – Tax Rate Limitations."

Paying Agent/Registrar

The initial Paying Agent/Registrar is Regions Bank, an Alabama state banking corporation, Houston, Texas. In the Bond Order, the County retains the right to replace the Paying Agent/Registrar. The County covenants to maintain and provide a paying agent/registrar at all times until the Bonds are duly paid and any successor paying agent/registrar shall be a commercial bank or trust company organized under the laws of the State or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the County agrees to promptly cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first class, postage prepaid, which notice shall also give the address of the new paying agent/registrar.

Principal of the Bonds is payable to the registered holder (the "Registered Owner") at the designated corporate trust office of the Paying Agent/Registrar upon surrender of the Bonds for payment at maturity or prior redemption. Interest on the Bonds is payable by check or draft, 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 Record Date or by such other arrangement acceptable to the Paying Agent/Registrar requested by and at the expense and risk of the Registered Owner. If the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, a legal holiday, or a day when banking institutions in the city where the designated corporate office of the Paying Agent/Registrar is located are authorized to close, then the date for such payment will be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

Transfer, Exchange and Registration

In the event the Book-Entry-Only System should be discontinued, printed certificates shall be delivered to the Registered Owner and thereafter the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the Registered Owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Bonds may be assigned by the execution of an assignment form on the respective Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. See "Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds.

Amendments

The County may, without the consent of or notice to any Bondholders, from time to time and at any time, amend the Bond Order in any manner not detrimental to the interests of the Bondholders, including the curing of any ambiguity, inconsistency, or formal defect or omission herein. In addition, the County may, with the consent of Bondholders holding a majority in aggregate principal amount of the Bonds, respectively, then outstanding, amend, add to, or rescind any of the provisions of the Bond Order; provided that, without the consent of all Bondholders of each respective series of outstanding Bonds, no such amendment, addition, or rescission shall (1) extend the time or times of payment of the principal of, premium, if any, and interest on the Bonds, reduce the principal amount thereof, the redemption price or the rate of interest thereon, or in any other way modify the terms of payment of the principal of, premium, if any, or interest on the Bonds, (2) give any preference to any Bond over any other Bond, or (3) reduce the aggregate principal amount of Bonds required to be held by Bondholders for consent to any such amendment, addition, or rescission.

Defeasance of Bonds

The County has agreed to discharge, defease, redeem or refund the Bonds only by irrevocably depositing, in trust, with the Paying Agent/Registrar or other legally authorized escrow agent: (1) lawful money of the United States of America sufficient to pay the Defeasance Requirements, (2) Defeasance Securities that mature in such amounts and at such times to provide, without reinvestment, money sufficient to pay the Defeasance Requirements, or (3) a combination of money and Defeasance Securities sufficient to pay the Defeasance Requirements.

“Defeasance Requirements” means the principal of, premium, if any, and all unpaid interest to the redemption date on the Bonds to be discharged, defeased, redeemed or refunded, as such principal or redemption price, premium, if any, and interest become due.

“Defeasance Securities” means (a) direct noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America; or (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of their acquisition or purchase by the County, are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent. The County has the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the County for the benefit of the County moneys in excess of the amount required for such defeasance..

Bondholders’ Remedies

The Bond Order does not specify events of default with respect to the Bonds. If the County defaults in the payment of principal or interest, as applicable, on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Order, or defaults in the observance or performance of any other covenants, conditions or obligations set forth in the Bond Order, the registered owners may seek a writ of mandamus to compel County officials to carry out their legally imposed duties with respect to the Bonds if there is no other available remedy at law to compel performance of the Bonds or the Bond Order and the County’s obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles and rests with the discretion of the court, but may not be arbitrarily refused. 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. The Bond Order does not provide for the appointment of a trustee to represent the interest of the holders of the obligations upon any failure of the County to perform in accordance with the terms of the Bond Order, or upon any other condition and, accordingly, all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. The Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W. 3d 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in “clear and unambiguous” language. Because it is unclear whether the Texas legislature has effectively waived the County’s sovereign immunity from a suit for money damages, holders of the Bonds may not be able to bring such a suit against the County for breach of the covenants contained in the Bonds or the Bond Order. Chapter 1371 Texas Government Code, as amended, which forms part of the authority for the issuance of the Bonds, permits the County to waive sovereign immunity in the proceedings, authorizing its obligations, but in connection with the issuance of the Bonds, the County has not waived sovereign immunity in the proceedings authorizing the Bonds. Even if a judgment against the County could be obtained, it could not be enforced by direct levy and execution against the County’s property. Further, the registered owners cannot themselves foreclose on property within the County or sell property within the County to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds.

Furthermore, the County is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code (“Chapter 9”). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or holders of the Bonds of an entity which has sought protection under Chapter 9. Therefore, should the County avail itself of Chapter 9 protection from creditors, the ability to enforce creditors’ rights would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Bond Order and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors.

Purpose

Proceeds from the sale of the Bonds will be used for the construction, maintenance, and operation of macadamized, graveled, or paved roads or turnpikes, or in aid thereof within the County and payment of the costs of issuance of the Bonds.

Sources and Uses of Funds

Sources of Funds	
Par Amount	$124,350,000.00
Net Offering Premium	4,704,593.20
Total Sources	$129,054,593.20
Uses of Funds	
Deposit to Construction Fund	$128,000,000.00
Underwriters' Discount	624,237.00
Costs of Issuance[(a)]	430,356.20
Total Uses	$129,054,593.20

[(a)] Includes legal fees, financial advisory fees, rating agency fees, fees of the Paying Agent/Registrar, and other costs of issuance, including contingency.

Future Borrowing

After the sale of the Bonds, the County will have $352,000,000 of voter authorized but unissued road bonds. Depending on the rate of development within the County, changes in assessed valuation and the amounts, interest rates, maturities and time of issuance of additional bonds or other debt instruments, increases in the County's annual ad valorem tax rate may be required to provide for the payment of the principal of and interest on the County's outstanding debt, including the Bonds and any future bonds or other debt instruments of obligation the County may issue.

INVESTMENT AUTHORITY AND INVESTMENT OBJECTIVES OF THE COUNTY

The County may invest its investable funds (including bond proceeds and money pledged to the payment of or as security for bonds or other indebtedness issued by the County or obligations under a lease, installment sale, or other agreement of the County) in investments authorized by State law in accordance with investment policies approved by the Commissioners Court. Both State law and the County's investment policies are subject to change.

Legal Investments

Under State law, the County is authorized to invest in (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor, or the National Credit Union Share Insurance Fund or its successor; (8) interest-bearing banking deposits other than those described by clause (7) if (A) the funds invested in the banking deposits are invested through: (i) a broker with a main office or branch office in this State that the County selects from a list the Commissioners Court or a designated investment committee of the County adopts as required by Section 2256.025, Texas Government Code; or (ii) a depository institution with a main office or branch office in the State that the County selects; (B) the broker or depository institution selected as described by (A) above arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the County's account; (C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (D) the County appoints as the County's custodian of the banking deposits issued for the County's account: (i) the depository institution selected as described by (A) above; (ii) an entity described by Section 2257.041(d), Texas Government Code; or (iii) a clearing broker dealer registered with the SEC and operating under SEC Rule 15c3-3; (9) (i) certificates of deposit or share certificates meeting the requirements of Chapter 2256, Texas Government Code (the "Public Funds Investment

Act”), that are issued by an institution that has its main office or a branch office in the State and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or their respective successors, and are secured as to principal by obligations described in clauses (1) through (8) or in any other manner and provided for by law for County deposits, or (ii) certificates of deposits where (a) the funds are invested by the County through (A) a broker that has its main office or a branch office in the State and is selected from a list adopted by the County as required by law, or (B) a depository institution that has its main office or branch office in the State that is selected by the County, (b) the broker or the depository institution selected by the County arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the County, (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the County appoints the depository institution selected under (a) above, a custodian as described by Section 2257.041(d), Texas Government Code, or a clearing broker-dealer registered with the SEC and operating pursuant to SEC Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the County with respect to the certificates of deposit; (10) fully collateralized repurchase agreements as defined in the Public Funds Investment Act, that have a defined termination date, are secured by a combination of cash and obligations described in clauses (1) or (13) in this paragraph, require the securities being purchased by the County or cash held by the County to be pledged to the County, held in the County’s name, and deposited at the time the investment is made with the County or with a third party selected and approved by the County, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than “A” or its equivalent or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (13) through (15) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the County, held in the County’s name and deposited at the time the investment is made with the County or a third party designated by the County; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less; (12) certain bankers’ acceptances with stated maturity of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated not less than “A-1” or “P-1” or the equivalent by at least one nationally recognized credit rating agency; (13) commercial paper with a stated maturity of 365 days or less that is rated not less than “A-1” or “P-1” or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a United States or state bank; (14) no-load money market mutual funds registered with and regulated by the SEC that provide the County with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940 and that comply with federal SEC Rule 2a-7 (17 C.F.R. Section 270.2a-7), promulgated under the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.); and (15) no-load mutual funds registered with the SEC that have an average weighted maturity of less than two years, and have either (a) a duration of one year or more and invest exclusively in obligations described in under this heading, or (b) a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities, other than the prohibited obligations described below, in an amount at least equal to the amount of bond proceeds invested under such contract.

A political subdivision such as the County may enter into securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (13) through (15) above, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the County, held in the County's name and deposited at the time the investment is made with the County or a third party designated by the County; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less.

The County may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or AAAm or an equivalent by at least one nationally recognized rating service. The County may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the County retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the County must do so by order, ordinance, or resolution.

The County is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index

Investment Policies

Under Texas law, the County is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that include a list of authorized investments for County funds, the maximum allowable stated maturity of any individual investment, the maximum dollar-weighted average maturity allowed for pooled fund groups and methods to monitor the market price of such authorized investments. All County funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement is required to describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under Texas law, County 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." At least quarterly, the investment officers of the County are required to submit an investment report detailing: (1) the investment position of the County, (2) the beginning market value, any additions and changes to market value and the ending value for each pooled fund group, (3) the book value and market value of each separately invested asset at the beginning and end of the reporting period, by the type of asset and fund type, (4) the maturity date of each separately invested asset having a maturity date, (5) the account or fund or pooled fund group for which each individual investment was acquired, and (6) the compliance of the investment portfolio as it related to: (a) adopted investment strategy statements and (b) the provisions of Chapter 2256, Texas Government Code, as amended. No person may invest County funds without express written authority from the Commissioners' Court of the County.

Under State law, the County is additionally required to: (1) annually review its adopted policies and strategies, (2) require any investment officers with personal business relationships or family relationships with firms seeking to sell securities to the County to disclose the relationship and file a statement with the Texas Ethics Commission and the County, (3) require the registered principal of firms seeking to sell securities to the County to: (a) receive and review the County's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude imprudent investment activities, and (c) deliver a written statement attesting to these requirements; (4) in conjunction with its annual financial audit, perform a compliance audit of the management controls on investments and adherence to the County's investment policy, (5) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement, (6) restrict the investment in non-money market mutual funds in the aggregate to no more than 15% of the County's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, (7) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements and (8) provide specific investment training for the Treasurer, the chief financial officer (if not the Treasurer) and the investment officer.

The County has adopted an investment policy in accordance with State law. The most recent version of the investment policy was adopted by the Commissioners' Court on August 27, 2024. Under the current County investment policy, the following instruments are the only authorized investments for County funds: Time Deposits;

Certificates of Deposit; Money Market Investment Accounts; Negotiable Order of Withdrawal (NOW) Accounts; United States Treasury Bills; United States Government Securities, as defined in Section 2256.009, Texas Government Code, as amended; fully collateralized direct repurchase agreements as defined in Section 2256.011, Texas Government Code, as amended; Discount Government Agencies, excluding Federal Home Loan Mortgage Corporation (Freddie Mac); any "Public Funds Pool" authorized by State law; and commercial paper as defined in Section 2256.013, Texas Government Code, as amended. No funds of the County will be invested in securities such as reverse repurchase agreements and the County will not trade in options or futures contracts.

Table 1 - Current Investments[(a)]

The County's investment balances on March 31, 2025 were as follows:

	Carrying Amount	Market Value
U.S. Government Agency Securities	$26,412,091	$26,412,091
State Treasurer's Investment Pool (TEXPOOL)	759,346	759,346
Local Government Investment Pool (TexSTAR)	1,151,617	1,151,617
Local Government Investment Pool (TEXAS CLASS)	3,950,908	3,950,908
Local Government Investment Pool (TX-FIT)	183,842	183,842
Total Investments	**$32,475,804**	**_$32,475,804**

(a) Unaudited.

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Table 2 –Debt Service Requirements

The following schedule sets forth the current total debt service requirements of the County plus the estimated principal and interest requirements on the Bonds.

Fiscal Year Ending (9/30)	Current Total Debt Service[(a)]	Plus: The Bonds Principal	Interest	Total Debt Service
2025	$43,646,356	-	-	$43,646,356
2026	43,651,783	-	$6,707,866	50,359,649
2027	43,642,588	$2,740,000	6,014,200	52,396,788
2028	43,645,988	1,010,000	5,920,450	50,576,438
2029	43,645,971	305,000	5,887,575	49,838,546
2030	43,644,883	295,000	5,872,575	49,812,458
2031	41,383,665	600,000	5,850,200	47,833,865
2032	41,389,865	620,000	5,819,700	47,829,565
2033	22,637,640	4,385,000	5,694,575	32,717,215
2034	22,636,980	4,610,000	5,469,700	32,716,680
2035	22,637,110	4,850,000	5,233,200	32,720,310
2036	22,638,180	5,090,000	4,984,700	32,712,880
2037	22,639,970	5,350,000	4,723,700	32,713,670
2038	22,638,570	5,630,000	4,449,200	32,717,770
2039	21,485,730	6,415,000	4,148,075	32,048,805
2040	21,549,238	5,825,000	3,842,075	31,216,313
2041	21,546,825	6,125,000	3,543,325	31,215,150
2042	16,543,075	6,410,000	3,229,950	26,183,025
2043	11,340,475	6,710,000	2,901,950	20,952,425
2044	-	7,045,000	2,558,075	9,603,075
2045	-	7,405,000	2,196,825	9,601,825
2046	-	7,785,000	1,817,075	9,602,075
2047	-	8,185,000	1,417,825	9,602,825
2048	-	8,585,000	1,020,038	9,605,038
2049	-	8,980,000	624,825	9,604,825
2050	-	9,395,000	211,388	9,606,388
Totals	$572,944,890	$124,350,000	$100,139,066	$797,433,956

Estimated Average Annual Debt Service Requirements (2025-2050)	$30,670,537[(b)]
Estimated Maximum Annual Debt Service Requirements (2027)	$52,396,788 [(b)]

(a) Does not include receipt of the Federal Subsidy on the County's Certificates of Obligation, Taxable Series 2010B (Direct Subsidy Build America Bonds) (Mental Health Treatment Facility). The Federal Subsidy is not pledged to the payment of County debt. See "OTHER INFORMATION – Effects of Sequestration on Certain Obligations."

(b) Includes the Bonds.

COUNTY DEBT

General

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

Table 3 - Indebtedness

2024 Certified Taxable Assessed Valuation..	$100,527,316,535 [a]
(100% of Market Value as of January 1, 2024)	
See "TAXING PROCEDURES AND TAX BASE ANALYSIS"	
Direct Debt:	
Outstanding Bonds (as of June 1, 2025)	391,910,000
Plus: The Bonds	124,350,000
Total Direct Debt..	516,260,000
Estimated Overlapping Debt	$8,458,637,173
Total Direct and Estimated Overlapping Debt...	$8,974,897,173
Debt Service Fund Balance (unaudited, as of March 31, 2025)	$18,087,320 [b]

[a] Certified by the Montgomery Central Appraisal District (the "Appraisal District") and is net of exemptions. Such value is further subject to change as additions, corrections, and deletions are made to the tax roll.

[b] Includes the amount that will be used to pay the September 1, 2025 debt service payment of $8,890,861. The amount represents unaudited information. The unaudited information has not been prepared or reviewed by the County's independent auditor. The unaudited information is derived from internal account balances of the County as calculated by the County.

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Estimated Overlapping Debt Statement

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

Taxing Jurisdiction	Gross Debt As of May 1, 2025	Percent	Overlapping Amount
Audubon MUD # 1	$14,330,000	100.00%	$14,330,000
Blaketree MUD #1	32,140,000	100.00%	32,140,000
Cleveland ISD	299,979,785	0.82%	2,459,834
Cleveland MUD # 1	5,030,000	100.00%	5,030,000
Cleveland, City of	11,630,000	8.20%	953,660
Clovercreek MUD	3,900,000	100.00%	3,900,000
Conroe ISD	2,512,490,000	100.00%	2,512,490,000
Conroe MUD #1	26,720,000	100.00%	26,720,000
Conroe MMD # 1	101,495,000	100.00%	101,495,000
Conroe, City of	495,845,000	100.00%	495,845,000
Corinthian Point MUD #2	3,110,000	100.00%	3,110,000
Decker Prairie MUD	9,900,000	100.00%	9,900,000
East Montgomery Co MUD # 12	40,595,000	100.00%	40,595,000
East Montgomery Co MUD # 14	6,575,000	100.00%	6,575,000
E. Montgomery Co MUD #3	46,495,000	100.00%	46,495,000
East Montgomery Co MUD #4	17,030,000	100.00%	17,030,000
East Montgomery Co MUD #5	6,241,026	100.00%	6,241,026
East Montgomery Co MUD # 6	69,797,847	100.00%	69,797,847
East Montgomery Co MUD #7	58,181,126	100.00%	58,181,126
East Plantation UD	4,850,000	100.00%	4,850,000
Far Hills UD	18,230,000	100.00%	18,230,000
Grand Oaks MUD	9,320,000	100.00%	9,320,000
Harris-Montgomery Cos MUD #386	149,935,000	7.49%	11,230,132
Houston, City of	3,537,180,000	0.39%	13,795,002
Kings Manor MUD	10,810,000	71.09%	7,684,829
Lone Star College Sys	471,270,000	34.01%	160,278,927
Magnolia ISD	290,780,000	100.00%	290,780,000
Magnolia, City of	45,913,148	100.00%	45,913,148
Montgomery Co DD # 10	14,940,000	100.00%	14,940,000
Montgomery Co FWSD # 6	2,500,000	100.00%	2,500,000
Montgomery Co MUD # 8	19,835,000	100.00%	19,835,000
Montgomery Co MUD # 9	21,940,000	100.00%	21,940,000
Montgomery Co MUD # 15	36,540,000	100.00%	36,540,000
Montgomery Co MUD # 16	1,970,000	100.00%	1,970,000
Montgomery Co MUD # 18	4,655,000	100.00%	4,655,000
Montgomery Co MUD # 24	14,820,000	100.00%	14,820,000
Montgomery Co MUD # 36	1,205,000	100.00%	1,205,000
Montgomery Co MUD # 39	7,540,000	100.00%	7,540,000
Montgomery Co MUD # 42	14,130,000	100.00%	14,130,000
Montgomery Co MUD # 46	36,085,000	100.00%	36,085,000

Taxing Jurisdiction	Gross Debt As of May 1, 2025	Percent	Overlapping Amount
Montgomery Co MUD # 47	6,865,000	100.00%	6,865,000
Montgomery Co MUD # 56	1,610,000	100.00%	1,610,000
Montgomery Co MUD # 60	3,430,000	100.00%	3,430,000
Montgomery Co MUD # 67	13,995,000	100.00%	13,995,000
Montgomery Co MUD # 83	10,375,000	100.00%	10,375,000
Montgomery Co MUD # 84	34,060,000	100.00%	34,060,000
Montgomery Co MUD # 88	38,480,000	100.00%	38,480,000
Montgomery Co MUD # 89	13,955,000	100.00%	13,955,000
Montgomery Co MUD # 90	10,760,000	100.00%	10,760,000
Montgomery Co MUD # 92	26,170,000	100.00%	26,170,000
Montgomery Co MUD # 94	25,615,000	100.00%	25,615,000
Montgomery Co MUD # 95	68,980,000	100.00%	68,980,000
Montgomery Co MUD #96	20,220,000	100.00%	20,220,000
Montgomery Co MUD # 98	12,375,000	100.00%	12,375,000
Montgomery Co MUD # 99	47,330,000	100.00%	47,330,000
Montgomery Co MUD #100	13,280,000	100.00%	13,280,000
Montgomery Co MUD # 105	76,745,000	100.00%	76,745,000
Montgomery Co MUD # 107	19,030,000	100.00%	19,030,000
Montgomery Co MUD #108	41,980,000	100.00%	41,980,000
Montgomery Co MUD # 110	7,615,000	100.00%	7,615,000
Montgomery Co MUD # 111	72,705,000	100.00%	72,705,000
Montgomery Co MUD # 112	32,145,000	100.00%	32,145,000
Montgomery Co MUD # 113	118,430,000	100.00%	118,430,000
Montgomery Co MUD # 115	42,005,000	100.00%	42,005,000
Montgomery Co MUD # 119	94,705,000	100.00%	94,705,000
Montgomery Co MUD # 121	42,580,000	100.00%	42,580,000
Montgomery Co MUD # 126	27,535,000	100.00%	27,535,000
Montgomery Co MUD # 127	33,405,000	100.00%	33,405,000
Montgomery Co MUD #128A	71,785,000	100.00%	71,785,000
Montgomery Co MUD # 132	27,175,000	100.00%	27,175,000
Montgomery Co MUD # 137	54,225,000	100.00%	54,225,000
Montgomery Co MUD # 138	59,280,000	100.00%	59,280,000
Montgomery Co MUD #139	78,055,000	100.00%	78,055,000
Montgomery Co MUD # 140	74,495,000	100.00%	74,495,000
Montgomery Co MUD #141	13,490,000	100.00%	13,490,000
Montgomery Co MUD # 142	8,275,000	100.00%	8,275,000
Montgomery Co MUD # 144	18,140,000	100.00%	18,140,000
Montgomery Co MUD #145	11,010,000	100.00%	11,010,000
Montgomery Co MUD # 147	2,680,000	100.00%	2,680,000
Montgomery Co MUD # 148	5,220,000	100.00%	5,220,000
Montgomery Co MUD #149	3,600,000	100.00%	3,600,000
Montgomery Co MUD # 152A	24,075,000	100.00%	24,075,000
Montgomery Co MUD # 158	3,700,000	100.00%	3,700,000
Montgomery Co MUD # 160	2,300,000	100.00%	2,300,000
Montgomery Co MUD # 164	19,500,000	100.00%	19,500,000
Montgomery Co MUD #165	19,305,000	100.00%	19,305,000
Montgomery Co MUD # 166	19,595,000	100.00%	19,595,000
Montgomery Co MUD # 174	10,275,000	100.00%	10,275,000
Montgomery Co MUD # 178	5,480,000	100.00%	5,480,000
Montgomery Co MUD # 180	8,480,000	100.00%	8,480,000
Montgomery Co MUD # 191	25,615,000	100.00%	25,615,000
Montgomery Co MUD # 197	5,000,000	100.00%	5,000,000
Montgomery Co MUD # 199	5,000,000	100.00%	5,000,000

Taxing Jurisdiction	Gross Debt As of May 1, 2025	Percent	Overlapping Amount
Montgomery Co MUD # 206	5,800,000	100.00%	5,800,000
Montgomery Co UD # 2	6,600,000	100.00%	6,600,000
Montgomery Co UD # 3	9,685,000	100.00%	9,685,000
Montgomery Co UD # 4	13,990,000	100.00%	13,990,000
Montgomery WC&ID # 1	22,289,997	100.00%	22,289,997
Montgomery Co WC&ID # 205	7,100,000	100.00%	7,100,000
Montgomery ISD	584,245,000	100.00%	584,245,000
Montgomery, City of	9,625,000	100.00%	9,625,000
New Caney ISD	893,050,000	99.05%	884,566,025
New Caney MUD - Hendricks Defined Area	1,250,000	100.00%	1,250,000
New Caney MUD	73,013,524	100.00%	73,013,524
Oak Ridge N, City of	10,930,000	100.00%	10,930,000
Panorama Village	1,550,000	100.00%	1,550,000
Patton Village, City of	3,259,000	100.00%	3,259,000
Point Aquarius MUD	7,695,000	100.00%	7,695,000
Porter MUD (Auburn Trails Def. Area # 1)	4,315,000	100.00%	4,315,000
Porter MUD (Auburn Trails Def. Area # 2)	3,365,000	100.00%	3,365,000
Porter MUD	59,190,000	100.00%	59,190,000
Porter MUD-Hendricks Defined Area	14,655,000	100.00%	14,655,000
Rayford Rd MUD	15,205,000	100.00%	15,205,000
Richards ISD	6,912,000	22.42%	1,549,670
River Plantation MUD	8,415,000	100.00%	8,415,000
Roman Forest Cons MUD	10,335,000	100.00%	10,335,000
Roman Forest PUD # 4	765,000	100.00%	765,000
Roman Forest, City of	2,560,000	100.00%	2,560,000
Shenandoah, City of	14,549,000	100.00%	14,549,000
Southeast Regional Management District	79,520,000	72.86%	57,938,272
Southern Montg Co MUD	6,650,000	100.00%	6,650,000
Splendora ISD	185,760,000	100.00%	185,760,000
Splendora, City of	3,760,000	100.00%	3,760,000
Spring Creek UD	52,700,000	100.00%	52,700,000
Stanley Lake MUD	19,725,000	100.00%	19,725,000
Texas National MUD	5,955,000	100.00%	5,955,000
The Woodlands Metro Ctr MUD	5,805,000	100.00%	5,805,000
The Woodlands RUD # 1	19,715,000	99.19%	19,555,309
The Woodlands Township	15,280,000	84.69%	12,940,632
Tomball ISD	902,780,000	9.54%	86,125,212
Valley Ranch MUD # 1	31,820,000	100.00%	31,820,000
Valley Ranch Town Center Mgmt. District	19,430,000	100.00%	19,430,000
Willis ISD	363,920,000	100.00%	363,920,000
Willis, City of	17,045,000	100.00%	17,045,000
Wood Trace MUD #1	42,370,000	100.00%	42,370,000
Woodridge MUD	26,970,000	100.00%	26,970,000
Total Estimated Overlapping Debt			$8,458,637,173
Montgomery County Direct Debt [(a)]			516,260,000 [(a)]
Total Direct and Estimated Overlapping Debt			$8,974,897,173

(a) Includes the Bonds.

	Direct Debt	Direct and Estimated Overlapping Debt
2024 Certified Taxable Assessed Valuation ($100,527,316,535) [(a)]	0.51%	8.93%
Per Capita 2025 Estimated Population (774,954) [(b)]	$666	$11,581

[(a)] Certified by the Appraisal District and is net of exemptions. Such value is further subject to change as additions, corrections, and deletions are made to the tax roll.
[(b)] Source: Greater Conroe Economic Development Council and U.S. Census Bureau.

Table 4 - Authorized But Unissued Bonds

Date Authorized	Proposition Purpose	Amount Authorized	Amount Issued to Date	Amount Being Issued[(a)]	Authorized But Unissued
May 3, 2025	Roads	$480,000,000	$ 0	$128,000,000	$352,000,000

(a) Includes the Bonds and $3,650,000 of the original issue premium relating to the Bonds and applied towards the amount of authorization.

Table 5 - Other Obligations

Financed Purchases

The County has entered into agreements for the financed purchase of certain radio equipment and software/hardware. Annual payments range from $359,496 to $1,959,355, with interest rates ranging from 1.18% to 3.90%.

Leases Payable

The County entered into multiple leases as lessee for the right to use various equipment and buildings. The County is required to make fixed monthly/annual payments between $788 and $61,990. The leases bear interest at 3.8%.

Subscriptions Payable

The County entered into multiple agreements for the right to use various software. The County is required to make fixed quarterly payments of $2,329 and annual payments between $12,869 and $641,992. The agreements bear interest ranging between 0.582% - 3.163%.

Principal and interest requirements to maturity on the County's Other Obligations are as follows:

Fiscal Year Ending	Financed Purchases	Leases	Subscriptions	Total Other Obligations
2025	$2,860,311	$1,145,551	$1,487,358	$ 5,493,220
2026	900,957	1,017,809	1,421,089	3,339,855
2027	900,957	638,836	734,583	2,274,376
2028	900,957	232,283	716,402	1,849,642
2029	900,957	51,540		952,497
2030-2032	2,702,882			2,702,882
Total	$9,167,021	$3,086,019	$4,359,432	$16,612,472

TAXING PROCEDURES AND TAX BASE ANALYSIS

Ad Valorem Property Taxation

The following is a summary of certain provisions of State law as it relates to ad valorem taxation and is not intended to be complete. Prospective investors are encouraged to review Title I of the Texas Tax Code, as amended (the "Property Tax Code"), for identification of property subject to ad valorem taxation, property exempt or which may be exempted from ad valorem taxation if claimed, the appraisal of property for ad valorem tax purposes, and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

2025 Texas Legislative Session. . .The regular session of the 89th Texas Legislature (the "2025 Legislative Session") convened on January 14, 2025 and concluded on June 2, 2025. The Governor's veto period runs through June 22, 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. The Governor has announced a special session to begin on July 21, 2025. The initial agenda for the special session includes the following items: (i) regulation of products derived from hemp, (ii) real property recording requirements, (iii) impact and production fees for certain water projects and regulations of wells, (iv) affirmative defense to prosecution for victims of human trafficking or compelled prostitution, (v) operations of cement kilns and production of aggregates near semiconductor facilities, and (vi) the operation and administration of the judicial branch of state government. The Governor may add additional items to the call at any time.

During the 2025 Legislative Session, the Legislature adopted a general appropriations act and legislation affecting ad valorem taxation procedures and the procedures for issuing debt affecting counties among other legislation affecting counties. Adopted legislation affecting ad valorem taxation procedures includes legislation that (i) changes the procedure for the adoption of and imposes limits on the amount of an M&O tax increase that may be adopted in response to declared disasters, (ii) makes technical modifications to the tax rate setting process, and (iii) makes intangible personal property exempt from ad valorem taxation. The County is reviewing the impact of the legislation approved during the 2025 Legislative Session and cannot make any representations regarding the impact of the legislation approved during the 2025 Legislative Session at this time..

Valuation of Taxable Property . . . The Property Tax Code provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board (the "Appraisal Review Board") responsible for appraising property for all taxing units within the county. The appraisal of property within the County is the responsibility of the Montgomery Central Appraisal District (the "Appraisal District"). Except as generally described below, the Appraisal District is required to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, the Appraisal District is required to consider the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and use the method the chief appraiser of the Appraisal District considers most appropriate. The Property Tax Code requires appraisal districts to reappraise all property in its jurisdiction at least once every three (3) years. A taxing unit may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the taxing unit by petition filed with the Appraisal Review Board.

State law requires the appraised value of an owner's principal residence ("homestead" or "homesteads") to be based solely on the property's value as a homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a homestead to the lesser of (1) the market value of the property or (2) 110% of the appraised value of the property for the preceding tax year plus the market value of all new improvements to the property.

Effective January 1, 2024, an appraisal district is prohibited from increasing the appraised value of real property during the 2024 tax year on certain 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 (unless extended by the Legislature), the maximum property value may be increased or decreased by the product of the preceding state fiscal year's increase or decrease in the consumer price index, as applicable, to the maximum property value.

State law provides that eligible owners of both agricultural land and open-space land, including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity. The same land may not be qualified as both agricultural and open-space land.

The appraisal values set by the Appraisal District are subject to review and change by the Appraisal Review Board. The appraisal rolls, as approved by the Appraisal Review Board, are used by taxing units, such as the County, in establishing their tax rolls and tax rates. See "TAXING PROCEDURES AND TAX BASE ANALYSIS – County and Taxpayer Remedies."

State Mandated Homestead Exemptions. . . State law grants, with respect to each taxing unit in the State, various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action and surviving spouses of first responders killed or fatally wounded in the line of duty.

Local Option Homestead Exemptions. . . The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the appraised value of all homesteads (but not less than $5,000) and (2) an additional exemption of at least $3,000 of the appraised value of the homesteads of persons sixty-five (65) years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable. Cities, counties and school districts are prohibited from repealing or reducing an optional homestead exemption described in (1) above that was granted in tax year 2022 through December 31, 2027.

Local Option Freeze for the Elderly and Disabled. . . The governing body of a county, municipality or junior college district may, at its option, provide for a freeze on the total amount of ad valorem taxes levied on the homesteads of persons 65 years of age or older or of disabled persons above the amount of tax imposed in the year such residence qualified for such exemption. Also, upon voter initiative, an election may be held to determine by majority vote whether to establish such a freeze on ad valorem taxes. Once the freeze is established, the total amount of taxes imposed on such homesteads cannot be increased except for certain improvements, and such freeze cannot be repealed or rescinded.

Personal Property. . . Tangible personal property (furniture, machinery, supplies, inventories, etc.) used in the "production of income" is taxed based on the property's market value. Taxable personal property includes income-producing equipment and inventory. Intangibles such as goodwill, accounts receivable, and proprietary processes are not taxable. Tangible personal property not held or used for production of income, such as household goods, automobiles or light trucks, and boats, is exempt from ad valorem taxation unless the governing body of a taxing unit elects to tax such property.

Freeport and Goods-In-Transit Exemptions. . . Certain goods that are acquired in or imported into the State to be forwarded outside the State, and are detained in the State for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication ("Freeport Property") are exempt from ad valorem taxation unless a taxing unit took official action to tax Freeport Property before April 1, 1990 and has not subsequently taken official action to exempt Freeport Property. Decisions to continue taxing Freeport Property may be reversed in the future; decisions to exempt Freeport Property are not subject to reversal.

Certain goods, that are acquired in or imported into the State to be forwarded to another location within or without the State, stored in a location that is not owned by the owner of the goods and are transported to another location within or without the State within 175 days ("Goods-in-Transit"), are generally exempt from ad valorem taxation; however, the Property Tax Code permits a taxing unit, on a local option basis, to tax Goods-in-Transit if the taxing unit takes official action, after conducting a public hearing, before January 1 of the first tax year in which the taxing unit proposes to tax Goods-in-Transit. Goods-in-Transit and Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include aircraft or special inventories such as manufactured housing inventory, or a dealer's motor vehicle, boat, or heavy equipment inventory.

A taxpayer may receive only one of the Goods-in-Transit or Freeport Property exemptions for items of personal property.

Other Exempt Property . . . Other major categories of exempt property include property owned by the State or its political subdivisions if used for public purposes, property exempt by federal law, property used for pollution control, farm products owned by producers, property of nonprofit corporations used for scientific research or educational activities benefitting a college or university, designated historic sites, solar and wind-powered energy devices, and certain classes of intangible personal property.

Temporary Exemption for Qualified Property Damaged by a Disaster . . . The Property Tax Code entitles the owner of certain qualified (i) tangible personal property used for the production of income, (ii) improvements to real property, and (iii) manufactured homes located in an area declared by the governor to be a disaster area following a disaster and is at least 15 percent damaged by the disaster, as determined by the chief appraiser, to an exemption from taxation of a portion of the appraised value of the property. The amount of the exemption ranges from 15 percent to 100 percent based upon the damage assessment rating assigned by the chief appraiser. Except in situations where the territory is declared a disaster on or after the date the taxing unit adopts a tax rate for the year in which the disaster declaration is issued, the governing body of the taxing unit is not required to take any action in order for the taxpayer to be eligible for the exemption. If a taxpayer qualifies for the exemption after the beginning of the tax year, the amount of the exemption is prorated based on the number of days left in the tax year following the day on which the governor declares the area to be a disaster area. Section 11.35 of the Tax Code provides that “damage” for purposes of such statute is limited to “physical damage.” For more information on the exemption, reference is made to Section 11.35 of the Tax Code, as amended.

Tax Increment Reinvestment Zones. . . A city or county, by petition of the landowners or by action of its governing body, may create one or more tax increment reinvestment zones (“TIRZ”) within its boundaries. At the time of the creation of the TIRZ, a “base value” for the real property in the TIRZ is established and the difference between any increase in the assessed valuation of taxable real property in the TIRZ in excess of the base value is known as the “tax increment”. During the existence of the TIRZ, all or a portion of the taxes levied against the tax increment by a city or county, and all other overlapping taxing units that elected to participate, are restricted to paying only planned project and financing costs within the TIRZ and are not available for the payment of other obligations of such taxing units.

Chapter 381 Agreements . . . The County is authorized, pursuant to Chapter 381, Texas Government Code, as amended (“Chapter 381”), to establish programs to promote state or local economic development and to stimulate business and commercial activity in the County. In accordance with a program established pursuant to Chapter 381, the County may make loans or grants of public funds for economic development purposes; however no obligations secured by ad valorem taxes may be issued for such purposes unless approved by voters of the County. The County may contract with the Federal government, the State, another political subdivision, a nonprofit organization or any other entity, including private entities, for the administration of such a program. See “-- County Application of Tax Code” for additional information on the Chapter 381 Agreements entered into by the County.

Tax Abatement Agreements. . . Taxing units may also enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The taxing unit, in turn, agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years.

For a discussion of how the various exemptions described above are applied by the County, see “TAXING PROCEDURES AND TAX BASE ANALYSIS - County Application of Property Tax Code” herein.

County and Taxpayer Remedies . . .Under certain circumstances, taxpayers and taxing units, including the County, may appeal the determinations of the Appraisal District by timely initiating a protest with the Appraisal Review Board. Additionally, taxing units such as the County may bring suit against the Appraisal District to compel compliance with the Property Tax Code.

Owners of certain property with a taxable value in excess of the current year “minimum eligibility amount”, as determined by the State Comptroller, and situated in a county with a population of one million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount was set at $61,349,201 for the 2025 tax year, and is adjusted annually by the State Comptroller to reflect the inflation rate.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the County and provides for taxpayer referenda that could result in the repeal of certain tax increases (see “AD VALOREM PROPERTY TAXATION – Public Hearing and Maintenance and Operations Tax Rate Limitations”). The Property Tax Code also establishes a procedure for providing notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

Levy and Collection of Taxes . . . The County is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to twenty percent (20%) if imposed by the County. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes for certain taxpayers. Furthermore, the County may provide, on a local option basis, for the split payment, partial payment, and discounts for early payment of taxes under certain circumstances. The Property Tax Code permits taxpayers owning homes or certain businesses located in a disaster area and damaged as a direct result of the declared disaster to pay taxes imposed in the year following the disaster in four equal installments without penalty or interest, commencing on February 1 and ending on August 1.

County's Rights in the Event of Tax Delinquencies . . . Taxes levied by the County are a personal obligation of the owner of the property. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the County, having power to tax the property. The County's tax lien is on a parity with tax liens of such other taxing units. A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the County is determined by applicable federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the County 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 County 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, adverse market conditions, taxpayer redemption rights, or bankruptcy proceedings which restrain the collection of a taxpayer's debt.

Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases, post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

Public Hearing and Maintenance and Operations Tax Rate Limitations . . . The following terms as used in this section have the meanings provided below:

"adjusted" means lost values are not included in the calculation of the prior year's taxes and new values are not included in the current year's taxable values.

"de minimis rate" means the maintenance and operations tax rate that will produce the prior year's total maintenance and operations tax levy (adjusted) from the current year's values (adjusted), plus the rate that produces an additional $500,000 in tax revenue when applied to the current year's taxable value, plus the debt service tax rate.

"foregone revenue amount" means the greater of zero or the amount expressed in dollars calculated according to the following formula: the voter approval tax rate less the actual tax rate, then multiplied by the taxing unit's current total value in the applicable preceding tax year.

"no-new-revenue tax rate" means the combined maintenance and operations tax rate and debt service tax rate that will produce the prior year's total tax levy (adjusted) from the current year's total taxable values (adjusted). Certain counties for which certain expenditures for indigent legal defense or certain hospital expenditures exceed the amount for such expenditures for the preceding tax year, may increase their no-new-revenue tax rate proportionately with such expenditures in the manner provided by the Property Tax Code.

"preceding total value" means a taxing unit's current total value in the applicable preceding tax year.

"special taxing unit" means a county for which the maintenance and operations tax rate proposed for the current tax year is 2.5 cents or less per $100 of taxable value.

"unused increment rate" means the greater of zero and the rate expressed in dollars per $100 of taxable value calculated by dividing (i) the cumulative difference of the foregone revenue amount, calculated using the difference between a county's voter-approval tax rate and its actual tax rate for each of the preceding three tax years, by (ii) the "current total value" as defined in Section 26.012 of the Property Tax Code, and which may be applied to a county's tax rate when calculating the voter-approval tax rate.

"voter-approval tax rate" means the maintenance and operations tax rate that will produce the prior year's total maintenance and operations tax levy (adjusted) from the current year's values (adjusted) multiplied by 1.035, plus the debt service tax rate, plus the unused increment rate.

The County's tax rate consists of two components: (1) rates for funding of maintenance and operations expenditures in the current year, which may additionally include the Road and Bridge Maintenance Tax and the Farm-to-Market Road and Flood Control Tax, if levied (collectively, the "maintenance and operations tax rate"), and (2) a rate for funding debt service in the current year (the "debt service tax rate"). Under State law, the assessor for the County must submit an appraisal roll showing the total appraised, assessed, and taxable values of all property in the County to the Commissioners Court by August 1 or as soon as practicable thereafter.

A county must annually calculate its voter-approval tax rate and no-new-revenue tax rate in accordance with forms prescribed by the State Comptroller and provide notice of such rates to each owner of taxable property within the county and the county tax assessor-collector. A county must adopt a tax rate before the later of September 30 or the 60th day after receipt of the certified appraisal roll, except that a tax rate that exceeds the voter-approval tax rate must be adopted not later than the 71st day before the next occurring November uniform election date. If a county fails to timely adopt a tax rate, the tax rate is statutorily set as the lower of the no-new-revenue tax rate for the current tax year or the tax rate adopted by the county for the preceding tax year.

As described below, the Property Tax Code provides that if a county adopts a tax rate that exceeds its voter-approval tax rate or, in certain cases, its de minimis rate, an election must be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

A county may not adopt a tax rate that exceeds the lower of the voter-approval tax rate or the no-new-revenue tax rate until the county appraisal district has delivered notice to each taxpayer of the estimated total amount of property taxes owed and the county has held a public hearing on the proposed tax increase.

If a county's adopted tax rate for any tax year exceeds the greater of (i) the voter-approval tax rate or (ii) the de minimis rate, the county must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate. However, for any tax year during which a county does not qualify as a special taxing unit, if a county's adopted tax rate is equal to or less than the de minimis rate but greater than both (a) the no-new-revenue tax rate, multiplied by 1.08, plus the debt service tax rate or (b) the county's voter-approval tax rate, then a valid petition signed by at least three percent of the registered voters in the county would require that an election be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

Any county located at least partly within an area declared a disaster area by the Governor of the State or the President of the United States during the current year may calculate its voter-approval tax rate using a 1.08 multiplier, instead of 1.035, until the earlier of (i) the second tax year in which such county's total taxable appraised value exceeds the taxable appraised value on January 1 of the year the disaster occurred, or (ii) the third tax year after the tax year in which the disaster occurred.

State law provides cities and counties in the State the option of assessing a maximum one-half percent (1/2%) sales and use tax on retail sales of taxable items for the purpose of reducing its ad valorem taxes, if approved by a majority of the voters in a local option election. If the additional sales and use tax for ad valorem tax reduction is approved and levied, the no-new-revenue tax rate and voter-approval tax rate must be reduced by the amount of the estimated sales tax revenues to be generated in the current tax year.

The calculations of the no-new-revenue tax rate and voter-approval tax rate do not limit or impact the County's ability to set a debt service tax rate in each year sufficient to pay debt service on all of the County's tax-supported debt obligations, including the Bonds.

Reference is made to the Property Tax Code for definitive requirements for the levy and collection of ad valorem taxes and the calculation of the various defined tax rates.

Tax Rate Limitations . . . *General Operations: Bonds, Tax Notes, Time Warrants, Certificates of Obligation and Contractual Obligations*. The Texas Constitution (Article VIII, Section 9) imposes a limit of $0.80 per $100 of assessed valuation for general fund, permanent improvement fund, road and bridge fund, and jury fund purposes, including debt service of bonds, time warrants, tax notes and certificates of obligation issued against such funds. By administrative policy, the Attorney General of Texas will permit allocation of $0.40 of the constitutional $0.80 tax rate for the payment of the debt service requirements on the County's limited tax indebtedness, as calculated at the time of issuance and based on a 90% collection rate.

Limited tax obligations of counties issued pursuant to authority granted under Texas, Government Code, Section 1301.003, as amended, limits the amount of such debt issued for certain purposes as follows:

Courthouse 2% of Assessed Valuation
Jail 1½% of Assessed Valuation
Courthouse and Jail 3½% of Assessed Valuation
Road and Bridge 1½% of Assessed Valuation

However, courthouse, jail and certain other types of bonds may be issued under the authority of Subchapter D of Chapter 1473, Texas Government Code, which removes the above limitations, and authorizes the tax limit under Article VIII, Section 9 of the Texas Constitution.

Optional Sales Tax. The Tax Code provides certain cities and counties in the State the option of assessing a maximum one-half percent (1/2%) sales tax on retail sales of taxable items for the purpose of reducing its ad valorem taxes, if approved by a majority of the voters in a local option election. If the additional tax is approved and levied, the ad valorem property tax levy must be reduced by the amount of the estimated sales tax revenues to be generated in the current year. The County does not assess the optional sales tax.

Road Maintenance. Under Section 256.052, Texas Transportation Code, a county may adopt an additional ad valorem tax not to exceed $0.15 per $100 of assessed valuation of property provided by Article VIII, Section 9 of the Texas Constitution, for the further maintenance of county roads. This additional tax may be established by the Commissioners Court only upon approval by a majority of participating voters in an election held to approve such additional tax. The additional tax may not be used for debt service. The County has not conducted an election to implement the additional tax and does not levy and collect this tax.

Unlimited Tax Road Bonds. Article III, Section 52, Texas Constitution, authorizes the County to levy a separate tax, without legal limit as to rate, to pay debt service on County road bonds issued pursuant to such authority upon approval by a majority of participating voters in an election held to approve the issuance of such bonds. Article III, Section 52 of the Texas Constitution also provides that unlimited tax road bond debt may not exceed 25% of the County's assessed valuation of real property. The Bonds are unlimited tax bonds issued pursuant to this authority.

Farm-to-Market and/or Flood Control. Under Section 256.054, Texas Transportation Code, a county may adopt an additional ad valorem tax not to exceed $0.30 per $100 of assessed valuation, after exemption of homesteads up to $3,000, provided by Article VIII, Section 9 of the Texas Constitution, for the construction and maintenance of farm-to-market and lateral roads or for flood control. This additional tax may be established by the Commissioners Court only upon approval by a majority of participating voters in an election held to approve such additional tax. No allocation is prescribed by statute between debt service and maintenance. Therefore, all or part may be used for either purpose.

County Application of Tax Code . . . The County grants a 20% optional homestead exemption. The County does provide state mandated veterans exemptions and a flat $50,000 reduction to the appraised value of residential homesteads of persons 65 and older. The County provides a freeport exemption and has adopted a resolution allowing for the taxation of goods-in-transit. The County also offers a "tax freeze." The County provides for state mandated pollution control and agricultural exemptions.

The County is participating in a TIRZ created by the City of Conroe (the "Conroe TIRZ"), another TIRZ created by the City of Willis (the "Willis TIRZ") and a TIRZ created by the City of Oak Ridge North (the "Oak Ridge North TIRZ"). Under the County's TIRZ participation agreement with the City of Conroe, the County has agreed to pay $0.30 of its tax rate on the incremental value created in the Conroe TIRZ. Since the inception of the Conroe TIRZ, the County has paid approximately $27,648,702.35 to the Conroe TIRZ. The County's most recent annual payment was approximately $3,223,659.36. Under the County's TIRZ participation agreement with the City of Willis, the County has agreed to pay 25% of its maintenance and operation tax rate on the incremental value created in the Willis TIRZ. Since the inception of the Willis TIRZ, the County has paid approximately $751,329.25 to the Willis TIRZ. The County's most recent annual payment was approximately $190,986.18. Under the County's TIRZ participation agreement with the City of Oak Ridge North, the County has agreed to pay 75% of its maintenance and operation tax rate on the incremental value created in the Oak Ridge North TIRZ. Since the inception of the Oak Ridge North TIRZ, the County has paid approximately $1,378,925.43 to the Oak Ridge North TIRZ. The County's most recent annual payment was approximately $319,005.22.

The County currently has entered into 9 tax abatement agreements with various companies covering a total of $158,519,673 of abated assessed value.

The County has entered into a Chapter 381 agreement in connection with the development of a new mixed-use development on an approximately 2,000 acre site near the City of Conroe. The agreement provides for the reimbursement to the developer for the actual costs of eligible infrastructure in an amount not to exceed $20 million (without interest) to be paid over no more than a 20-year period based upon incremental increases in property values from the development of the property.

In March 2018, the County entered into an additional Chapter 381 agreement with three Municipal Utility Districts regarding a mixed used development of 5,300 acres south of Grand Parkway/Highway 99, approximately 8.1 miles east of 1-45 and its most southeasterly point is at the convergence of Spring Creek and the San Jacinto River. The agreement provides for the reimbursement to the Municipal Utility Districts for the actual costs of construction of Townsend Road in an amount not to exceed $27 million (without interest) to be paid over a period of approximately 25 years.

In November 2018, the County entered into a Chapter 381 agreement with Montgomery County Municipal Utility District No. 131 regarding development of road improvements in the Audubon Magnolia development in Montgomery County Precinct 2. The agreement provides for the reimbursement to the Management District for actual costs in an amount not to exceed $79.227 million to be paid over a period of approximately 30 years.

In December 2018, the County entered into a Chapter 381 agreement with Valley Ranch Town Center Management District regarding development of a major thoroughfare and loop road improvements in the Valley Ranch development in Montgomery County Precinct 4. The agreement provides for the reimbursement to the Management District for actual costs in an amount not to exceed $21 million to be paid over a period of approximately 30 years.

In October 2019, the County entered into a Chapter 381 agreement with Montgomery County Utility District No. 164 regarding development of road improvements in the Granger Pines development in Montgomery Precinct 4. The agreement provides for the reimbursement to the district for actual costs in an amount not to exceed $10.65 million to be paid until all costs have been paid in full or the reimbursement cap has been met.

In May 2021, the County entered into a Chapter 381 agreement with Hewlett Packard Enterprise Company (HPE) regarding the relocation of HPE's aviation operations and facility improvements at the Conroe-North Houston Regional Airport. The agreement provides for an annual incentive payment to be paid to HPE for a period of 10 years. The payment is reimbursed based upon the prior year's taxes at 75% of the maintenance and operations tax collected, and excludes payments related to debt service. The first year to which the calculation applies will be 2022 with the first incentive payment to be made in August 2023. The taxable value for the payment will be set as of January 1, 2022, but is subject to the apportionment of the business aircraft for tax year 2022.

In September 2021, the County entered into a Chapter 381 agreement with Montgomery County Municipal Utility District No. 180 regarding development of certain major thoroughfare and loop road improvements in the Magnolia Springs development in Montgomery County Precinct 2. The agreement provides for the reimbursement to the District for actual costs in an amount not to exceed $19.5 million to be paid over a period of approximately 25 years.

In April 2022, the County entered into a Chapter 381 agreement with Montgomery County Municipal Utility District No. 123 regarding development of an approximately 5-mile thoroughfare running east-west from Fish Creek Thoroughfare to Superior Road north of Lake Creek, and improvements related to transportation, including public roads, right-of-way, traffic improvements, traffic control devices, safety enhancements, signage, bridges, roadway drainage, lighting, and streetscape in Montgomery County Precinct 2. The agreement provides for the reimbursement to the District for actual costs in an amount not to exceed $25 million to be paid over a period of approximately 30 years.

In December 2022, the County entered into a Chapter 381 agreement with Marian Trails Municipal Utility District No. 1 regarding development of certain major thoroughfare and loop road improvements in Montgomery County Precinct 4. The agreement provides for the reimbursement to the District for actual costs in an amount not to exceed $78,430,202 million to be paid over a period of approximately 30 years.

In December 2022, the County entered into a Chapter 381 agreement with East Montgomery County Municipal Utility District No. 13 regarding development of certain major thoroughfare and loop road improvements in Montgomery County Precinct 4. The agreement provides for the reimbursement to the District for actual costs in an amount not to exceed $66,881,000 million to be paid over a period of approximately 30 years.

In June 2024, the County created the Reinvestment Zone Number One ("TIRZ No. 1"). Under the County's TIRZ agreement with TIRZ No. 1, the County has agreed to pay 75% of its maintenance and operation tax rate on the incremental value created in TIRZ No. 1. To date no payments have been made to TIRZ No. 1.

Table 6 - Historical Analysis of Tax Collection

Tax Year	Adjusted Taxable Assessed Valuation[(a)]	Tax Rate Per $100 of Assessed Valuation	Total Tax Levy	Current Tax Collections[(b)]	Percent of Levy Collected	Delinquent Tax Collections[(c)]	Total Tax Collections[(d)]	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes	Percent of Delinquent Taxes to Tax Levy	Fiscal Year
2014	$43,534,064,015	$0.4767	$203,089,289	$201,321,741	99.13%	$1,746,591	$203,068,332	99.99%	$20,957	0.01%	2015
2015	49,266,860,765	0.4767	229,000,765	226,359,011	98.85%	2,263,671	228,622,682	99.83%	378,083	0.17%	2016
2016	54,327,488,313	0.4667	247,074,115	243,625,647	98.60%	2,538,973	246,164,620	99.63%	909,495	0.37%	2017
2017	50,737,100,299	0.4667	234,474,026	232,005,266	98.95%	1,824,873	233,830,139	99.73%	643,887	0.27%	2018
2018	53,804,196,121	0.4667	248,551,959	246,268,100	99.08%	1,778,344	248,046,444	99.80%	505,515	0.20%	2019
2019	57,804,766,792	0.4475	256,035,175	253,326,012	98.94%	2,568,132	255,894,144	99.94%	141,031	0.06%	2020
2020	61,482,377,455	0.4312	262,518,017	259,958,007	99.02%	1,536,204	261,494,211	99.61%	1,023,806	0.39%	2021
2021	66,725,626,222	0.4083	269,936,405	267,258,714	99.01%	414,760	267,673,474	99.16%	2,262,931	0.84%	2022
2022	82,469,664,133	0.3742	305,864,408	304,440,850	99.53%	514,256	304,955,106	99.70%	909,302	0.30%	2023
2023	91,822,259,215	0.3696	335,831,183	332,050,433	98.87%	1,216,575	333,267,008	99.24%	2,564,175	0.76%	2024
2024	100,555,663,075	0.3790	373,554,735	361,498,626	96.77%	-	361,498,626	96.77%	12,056,109	3.23%	2025

Source: Montgomery County Tax Assessor-Collector.

(a) Value may differ from that shown in the County's financial statements and elsewhere in this Official Statement due to subsequent adjustments.

(b) Taxes levied in any year which are collected from October 1 through June 30 are shown as current collections.

(c) Such amounts include collections of the current levy after February 1, which is the date taxes become legally delinquent.

(d) As of April 30, 2025.

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Table 7 - Tax Rate Distribution

Tax Years	2024	2023	2022	2021	2020
General Fund	$0.2906	$0.2796	$0.2876	$0.2981	$0.3142
Special Revenue Fund[(a)]	0.0439	0.0440	0.0390	0.0479	0.0510
Debt Service Fund	0.0445	0.0460	0.0476	0.0623	0.0660
	$0.3790	$0.3696	$0.3742	$0.4083[(b)]	$0.4312

(a) A County designated component of the maintenance and operation tax rate used for road and bridge construction and maintenance. See "SELECTED FINANCIAL DATA - Table 12 - Special Revenue Funds."

(b) A portion of the reduction of the tax rate in Tax Year 2021 as compared to Tax Year 2020 is the result of mandatory reductions required by House Bill No. 2 of the 87th Regular Texas Legislative Session.

Table 8 - Analysis of Tax Base

- Tax Base Distribution -

	2024 Tax Roll		2023 Tax Roll		2022 Tax Roll	
Type of Property	Amount	%	Amount	%	Amount	%
Residential	$ 94,165,516,501	70.07%	$ 87,377,899,676	69.74%	$ 76,700,098,104	67.80%
Acreage, Lots & Tracts	6,885,298,299	5.12%	7,763,057,196	6.20%	7,570,663,192	6.69%
Farm & Ranch	2,527,140,037	1.88%	2,532,217,784	2.02%	2,555,801,060	2.26%
Industrial & Commercial	16,432,503,733	12.23%	19,978,956,531	15.95%	19,477,656,790	17.22%
Oil, Gas, Minerals	476,857,240	0.35%	392,838,809	0.31%	329,635,430	0.29%
Utilities	1,163,859,387	0.87%	996,975,828	0.80%	887,408,481	0.78%
Business Personal	4,152,163,776	3.09%	4,200,519,403	3.35%	3,716,966,444	3.29%
Special Inventory	200,335,616	0.15%	178,242,236	0.14%	178,340,405	0.16%
Other Personal	1,882,803,443	1.40%	1,828,561,099	1.46%	1,700,794,760	1.50%
Exempt Property	6,507,648,918	4.84%	38,368,086	0.03%	17,215,325	0.02%
Total Assessed Value	134,394,126,950	100.00%	125,287,636,648	100.00%	113,134,579,991	100.00%
Less Exemption	(33,866,810,415)		(33,459,714,318)		(31,128,525,921)	
Total Taxable Value [(a)]	$ 100,527,316,535		$ 91,827,922,330		$ 82,006,054,070	

(a) Represents values initially certified by the Appraisal District; may differ from amounts shown elsewhere in this Official Statement based upon subsequent adjustments.

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Table 9 - Top Ten Principal Taxpayers

Provided by the Appraisal District. Certain of the top ten principal taxpayers may own additional property that is not included in the assessed value figures shown in this table as a result of the way such property is accounted for on the Appraisal District tax rolls.

Taxpayer	Type of Property	2024 Tax Roll	2023 Tax Roll	2022 Tax Roll
Gulf State Utility Co.	Utilities	$678,758,337	(a)	(a)
Entergy Texas Inc.	Utilities	637,222,090	$937,823,476	$878,574,216
The Woodlands Land Development L.P.	Land Development	251,232,263	284,257,140	269,552,473
McKesson Corporation	Medical	235,105,900	210,760,360	207,184,428
HH Woodlands Tower Holdings LLC	Real Estate	206,071,200	206,071,200	206,071,200
The Woodlands Mall Associates	Retail	200,313,659	193,360,000	194,306,149
IMI MSW LLC	Retail	143,897,471	140,022,810	140,022,810
Ball Metal Container Corp	Commercial	134,067,470	154,430,570	138,237,564
Camillo Properties LTD	Real Estate	127,353,491	(a)	(a)
Centerpoint Energy Houston Electric	Utilities	126,926,200	(a)	(a)
Wal-Mart Real Estate Business Trust	Retail	(a)	116,326,620	315,158,315
BL R Owner LLC	Commercial	(a)	113,031,150	(a)
Kingwood Medical Plaza	Medical	(a)	103,900,000	132,012,430
BMEF Jones Forest LLC	Commercial	(a)	(a)	114,500,000
Total		$2,740,948,081	$2,459,983,326	$2,595,619,585
Percentage of Respective Certified Taxable Valuation		2.73%	2.68%	3.17%

(a) Not a top ten taxpayer in such year.

Table 10 - Tax Adequacy

Estimated Average Annual Debt Service Requirements (2025-2050)	$ 30,670,537(b)
$0.032 Tax Rate on the 2024 Certified Taxable Assessed Valuation @ 98% collection produces(a)	$ 30,737,232
Estimated Maximum Annual Debt Service Requirement (2027)	$ 52,396,788(b)
$0.054 Tax Rate on the 2024 Certified Taxable Assessed Valuation @ 98% collection produces(a)	$ 52,410,922

(a) Current year collections have exceeded 98% in each of the last 10 years.
(b) Includes the Bonds.

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SELECTED FINANCIAL DATA

Table 11 - Historical Operations of the County's General Fund

The following is a condensed statement of revenues and expenditures of the County's General Fund for the past five fiscal years. The inclusion of the following table is not intended to imply that any revenues of the County, other than receipts from ad valorem taxes provided in the Bond Order, are pledged to pay principal and interest on the Bonds.

General Fund

	Fiscal Year Ended September 30,				
	2024	**2023**	**2022**	**2021**	**2020**
REVENUES:					
Taxes	$259,522,968	$240,095,371	$205,873,305	$193,934,227	$189,151,990
Fees and Charges for Services	20,458,083	19,325,402	19,707,962	24,408,148	21,790,383
Intergovernmental	2,529,840	1,566,731	1,434,194	1,693,398	4,046,392
Licenses and Permits	1,998,059	2,295,626	2,350,327	2,320,385	2,194,858
Contract Reimbursements	39,483,142	32,492,934	28,296,935	24,379,920	24,072,265
Investment Earnings	16,821,784	14,862,404	(1,669,849)	2,270,304	3,006,735
Fines and Forfeitures	455,378	483,423	464,331	534,887	438,900
Miscellaneous	1,440,237	2,252,575	1,357,773	922,513	1,373,098
Total Revenues	$342,709,491	$313,374,466	$257,814,978	$250,463,782	$246,074,621
EXPENDITURES:					
General Government	$52,918,627	$45,831,170	$60,401,877	$46,746,363	$44,066,618
Financial Administration	21,999,658	18,292,867	14,665,183	12,788,917	11,105,581
Health and Human Services	14,623,105	14,097,607	12,573,993	11,941,180	10,406,092
Culture and Recreation	13,298,655	11,829,398	10,888,839	10,482,736	11,072,244
Law Enforcement and Corrections	183,118,269	164,791,737	150,060,989	130,864,228	96,752,138
Legal and Judicial	35,563,357	33,005,920	30,407,572	28,257,432	27,484,002
Transportation	1,289,602	1,298,017	1,055,476	949,982	889,242
Debt Service	4,346,939	4,215,791	3,011,148	0	0
Total Expenditures	$327,158,212	$293,362,507	$283,065,077	$242,030,838	$201,775,917
Excess/(Deficiency) Revenues Over Expenditures	$15,551,279	$20,011,959	($25,250,099) [a]	$8,432,944	$44,298,704
OTHER FINANCING SOURCES (USES)					
Sale of Capital Assets	$141,845	$183,175	$396,828	$341,152	$0
Insurance Settlement	978	38,096	0	0	0
Transfers In	3,749,666	2,076,229	2,129,022	8,582,873	726,613
Transfers Out	(11,200,648)	(14,055,384)	(2,413,282)	(47,218,916) [b]	(8,751,073)
Issuance of Lease	0	359,952	8,131,117	0	1,665,337
Issuance of Subscription	649,524	3,629,023	0	0	0
Total Other Financing Sources (Uses)	($6,658,635)	($7,768,909)	$8,243,685	($38,294,891)	($6,359,123)
Net Changes in Fund Balance	$8,892,644	$12,243,050	($17,006,414)	($29,861,947)	$37,939,581
Fund Balance, October 1	149,531,821	137,288,771	154,295,185	184,157,132	146,217,551
Fund Balance, September 30	$158,424,465	$149,531,821	$137,288,771	$154,295,185	$184,157,132

Source: The County's audited financial statements

[a] Increased expenses were primarily related to a $10,000,000 lump sum payment made to TCDRS, book losses in the fair market value of investments and purchase orders carried over from the prior fiscal year due to supply chain constraints.

[b] This amount primarily reflects a $4,000,000 year-end transfer to the Property and Casualty Fund and approximately $40,477,000 in transfer to fund capital improvements.

Table 12 - Special Revenue Funds – Road and Bridge Fund

The Road and Bridge Fund, a Special Revenue Fund of the County is the funding source for annual road and bridge construction and maintenance. The County is divided into four precincts, each of which is provided with a separate, annual Road and Bridge Fund Budget. Each precinct Road and Bridge Budget is administered by the County Commissioner elected from that precinct, subject to approval of the Commissioners' Court. The primary sources of revenues for the Road and Bridge Fund include ad valorem taxes and auto registration licenses and other fees. The table below summarizes the revenues and expenditures of the Road and Bridge Fund for the past five fiscal years, as reported in the County's Annual Financial Reports. The Road and Bridge Fund is not available to pay debt service on the Bonds.

	Fiscal Year Ended September 30,				
	2024	2023	2022	2021	2020
REVENUES:					
Taxes	$40,326,299	$32,260,626	$31,624,327	$31,369,632	$28,202,424
Fees and Charges for Services	941,820	1,129,015	1,845,316	2,958,669	1,881,185
Intergovernmental	180,140	158,542	390,392	439,725	253,930
Licenses and Permits	9,437,806	8,864,158	8,050,055	6,257,678	5,817,336
Contract Reimbursements	4,918,871	1,053,173	8,966,955	1,021,814	881,828
Investment Earnings	1,884,969	1,158,278	202,022	51,363	237,667
Fines and Forfeitures	1,222,946	1,322,026	1,210,270	1,048,693	1,706,190
Miscellaneous	713,905	292,365	608,681	131,588	361,643
Total Revenues	$59,626,756	$46,238,183	$52,898,018	$43,279,162	$39,342,203
EXPENDITURES:					
CURRENT OPERATING					
Health and Human Services	$2,371,152	$1,801,156	$1,654,081	$1,354,673	$1,364,369
Culture and Recreation	3,799,538	3,452,114	3,609,998	2,809,388	2,275,643
Law Enforcement & Corrections	457,296	19,213	0	1,078	40,310
Transportation	48,824,716	40,243,959	40,893,142	37,707,213	34,614,569
Debt Service	57,750	9,966	0	0	0
Total Expenditures	$55,510,452	$45,526,408	$46,157,221	$41,872,352	$38,294,891
Excess/(Deficiency) Revenues Over Expenditures	$4,116,304	$711,775	$6,740,797	$1,406,810	$1,047,312
OTHER FINANCING SOURCES (USES)					
Sale of Capital Assets	$85,093	$204,376	$101,439	$150,446	$0
Insurance Settlement	0	15,752	2,232,729	0	0
Transfers In	308,059	238,899	837,332	9,588,692	0
Transfers Out	(5,143,548)	(2,134,792)	(4,225,794)	(9,332,873)	0
Total Other Financing Sources (Uses)	($4,750,396)	($1,675,765)	($1,054,294)	$406,265	$0
Net Change in Fund Balance	($634,092)	($963,990)	$5,686,503	$1,813,075	$1,047,312
Fund Balance, October 1	22,997,904	23,961,894	18,275,391	16,462,316	15,415,004
Fund Balance, September 30	$22,363,812	$22,997,904	$23,961,894	$18,275,391	$16,462,316

Source: The County's audited financial statements.

Table 13 - Debt Service Funds

The Debt Service Funds are the funding source for annual payments of principal and interest on the County's outstanding debt. The primary source of revenue for the Debt Service Funds is ad valorem taxes. The table below summarizes the revenues and expenditures of the Debt Service Funds, as reported in the year-end financial statements for the past five years.

	Fiscal Year Ended September 30,				
	2024	**2023**	**2022**	**2021**	**2020**
REVENUES:					
Taxes	$41,794,168	$38,596,641	$41,155,941	$40,025,087	$37,518,917
Intergovernmental	379,370	394,312	401,547	401,121	403,638
Investment Earnings	753,513	347,492	41,348	29,960	193,732
Total Revenues	$42,927,051	$39,338,445	$41,598,836	$40,456,168	$38,116,287
EXPENDITURES:					
Debt Service:					
Principal Retirement	$23,685,000	$22,535,000	$20,970,000	$18,170,000	$12,970,000
Interest and Fiscal Charges	20,031,789	21,187,312	22,313,022	23,248,068	23,975,029
Total Expenditures	$43,716,789	$43,722,312	$43,283,022	$41,418,068	$$36,945,029
Revenues Over (Under) Expenditures	($789,738)	($4,383,867)	($1,684,186)	($961,900)	$1,171,258
OTHER FINANCING SOURCES (USES)					
Transfers In	$770,075	$2,475,226	$1,225,132	$612,638	$837,256
Issuance of Refunding Bonds	0	0	8,430,000	23,235,000	0
Premium of Refunding Bonds	0	0	1,732,781	4,589,671	0
Payment to Refunded Bonds	0	0	(10,156,413)	(28,371,834)	0
Total Other Financing Sources (Uses)	$770,075	$2,475,226	$1,225,132	$612,638	$837,256
Net Change in Fund Balance	($19,663)	($1,908,641)	($452,686)	($896,425)	$2,008,514
Fund Balances, October 1	11,458,771	13,367,412	13,820,098	14,716,523	12,708,009
Fund Balances, Sept. 30	$11,439,108	$11,458,771	$13,367,412	$13,820,098	$14,716,523

Source: The County's audited financial statements.

Pension Fund

Under the State law governing The Texas County and District Retirement System ("TCDRS"), the contribution rate of the County is adopted annually based on an actuarially determined rate. The contribution rate for the county was 12.54% for the calendar year 2024. As of December 31, 2024, the most recent actuarial valuation date, the plan was 89.61% funded. For the accounting year ended September 30, 2024, both the pension cost of the TCDRS plan and the County's actual contributions to the plan were $22,005,967. The deposit rate payable by employee members was 6.00% for the calendar year 2024. GASB 68 was implemented during fiscal year 2015, which required that the County report a Net Pension Liability on the balance sheet. The County's Net Pension Liability for fiscal year 2024 was $16,316,801.

Other Post-Employment Benefits

The County established and approved a single-employer health benefit plan for its qualified employees and their dependents under the rules of Chapter 172 of the Texas Local Government Code and for its qualified retirees and their dependents under the rules of Chapter 175 of the Texas Local Government Code. To qualify for inclusion in the continuation of coverage as a retiree, an employee must be eligible to retire, choose to retire and apply to receive their retirement annuity from the Texas County and District Retirement System prior to separation of employment. The retiree may also elect to waive the health benefit coverage. Of the qualified eligible retirees that elect continuation, the County approved and established additional qualifications to received County Paid/Subsidized Retiree Health Benefits. Under these additional qualifications, employees hired prior to October 1, 2009 must attain 15 continuous years of full-time employment with the County and been covered continuously under any of the medical plans offered by the County for 15 continuous years. Employees hired on or after October 1, 2009 must attain 25 continuous years of full-time employment with the County and been covered continuously under any of the medical plans offered by the County for 25 continuous years immediately prior to retirement. The County is under no obligation to provide the coverage on a subsidized basis and the decision to do so is made on a year-to year basis. Retirees who cannot meet the 15-year rule or the 25-year rule and are eligible to retire under the Texas County and District Retirement System may elect continuation of health benefit coverage, but at the full rate rather than the subsidized rate. Management funds this benefit on a pay-as-you-go basis. Contribution levels are determined on a year to year basis. The County assigned approximately $90,000,000 in fiscal year 2024 to health benefit coverage for qualified retirees. The County still offers health benefit coverage to eligible retirees, but took action to stop subsidizing costs for the same for new hires with an employment start date on and after January 1, 2021. For additional information on Other Post-Employment Benefits, including the funding policy and Other Post-Employment Benefit Costs, see Note 13 of “Appendix B – Montgomery County’s Audited Financial Statements for the Fiscal Year ended September 30, 2024.”

THE COUNTY

Administration of the County

The officials having responsibility for the administration of the County are the County Judge and the four County Commissioners who comprise the Commissioners Court. Among its duties as the governing body of the County, the Commissioners Court approves the County’s budget, determines the County’s tax rates, approves contracts, calls elections, and determines when to issue bonds or other obligations. Each Commissioner represents one of the four precincts into which the County is divided and is elected by the voters of such precinct for a four-year term.

The County Judge is the presiding officer of the Commissioners Court and is elected for a four-year term by the voters of the County. Judge Mark Keough was elected in 2018 and reelected in 2022 and has served as County Judge since 2019.

Other officials having responsibility for the financial administration of the County are the County Tax Assessor-Collector, County Treasurer, County Auditor, and County Budget Officer.

The County Tax Assessor/Collector, Tammy J. McRae, was elected to such post in 2016, 2020 and again in 2024 to serve a four-year term. Ms. McRae holds the Constitutional Office charged with duties and responsibilities mandated by State Statutes to assess and collect ad valorem tax accounts as identified and valued by the Montgomery Central Appraisal District. The office also collects property taxes for 106 of 263 other taxing jurisdictions (school districts, cities and special districts) in the County.

The County Treasurer, Melanie Bush, was elected County Treasurer in 2018 and again in 2022 to serve a four year term. She has degrees in Political Science, Public Policy and Economics. In addition, she is involved in the Woodlands Area Chamber of Commerce, Conroe/Lake Conroe Chamber of Commerce, and Interfaith of the Woodlands, as well as many other community organizations.

The County Auditor, Rakesh Pandey, was appointed County Auditor on January 1, 2019 and was reappointed in 2021, 2023 and most recently on January 1, 2025 for a two-year term. Mr. Pandey received a Bachelor of Science Degree in Accounting and Finance from Trinity University in San Antonio in 2008 and a Master of Science Degree in Accounting in 2009. He became a Certified Public Accountant in 2011 and is a member of the American Institute of Certified Public Accountants.

The Budget Officer, Amanda Carter, was appointed Budget Officer on March 20, 2018 after Commissioners Court established the Budget Office under Chapter 111, subchapter C of the Texas Local Government Code. Ms. Carter received a Bachelor of Arts Degree in Political Science from Sam Houston State University in 2009 and a Masters of Public Administration Degree in 2011. She became a Certified Government Financial Officer in 2011 and a member of the Texas Association of Counties Investment Academy.

Commissioners Court

Commissioner	Position	Years Served	Terms Expire December 31
Mark J. Keough	County Judge	7	2026
Robert C. Walker	Commissioner, Precinct 1	5	2028
Charlie Riley	Commissioner, Precinct 2	11	2026
Ritch Wheeler	Commissioner, Precinct 3	<1[(a)]	2028
Matt Gray	Commissioner, Precinct 4	3	2026

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(a) Commissioner Wheeler was elected on November 5, 2024 and took office on January 1, 2025.

Consultants

Bond Counsel .... Orrick, Herrington & Sutcliffe LLP
Houston, Texas

Financial Advisor .... BOK Financial Securities, Inc.
Houston, Texas

Auditor (Certified Public Accountants).. Pattillo, Brown & Hill, L.L.P.
Waco, Texas

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

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe, LLP, Bond Counsel ("Bond Counsel"), 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 is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. Bond Counsel observes that interest on the Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix C hereto.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Beneficial Owners of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of obligations, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The County has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislature proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the County or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The County has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the County or the Beneficial Owners regarding the tax-exempt status of the Bonds in the event of an audit examination by the IRS. Under current procedures, the Beneficial Owners would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the County legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Bonds, and may cause the County or the Beneficial Owners to incur significant expense.

Payments on the Bonds generally will be subject to U.S. information reporting and possibly to "backup withholding." Under Section 3406 of the Code and applicable U.S. Treasury Regulations issued thereunder, a non-corporate Beneficial Owner of Bonds may be subject to backup withholding with respect to "reportable payments," which include interest paid on the Bonds and the gross proceeds of a sale, exchange, redemption, retirement or other disposition of the Bonds. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a U.S. taxpayer identification number ("TIN") to the payor in the manner required, (ii) the IRS notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a "notified payee underreporting" described in Section 3406(c) of the Code or (iv) the payee fails to certify under penalty of perjury that the payee is not subject to withholding under Section 3406(a)(1)(C) of the Code. Amounts withheld under the backup withholding rules may be refunded or credited against a Beneficial Owner's federal income tax liability, if any, provided that the required information is timely furnished to the IRS. Certain Beneficial Owners (including among others, corporations and certain tax-exempt organizations) are not subject to backup withholding. The failure to comply with the backup withholding rules may result in the imposition of penalties by the IRS.

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The County will annually provide certain updated financial information and operating data to the MSRB annually in electronic format as prescribed by the MSRB. The information to be updated includes all quantitative financial information and operating data with respect to the County as follows: (i) annual audited financial statements of the County set forth in APPENDIX B of this Official Statement and (ii) information of the general type included in this Official Statement in Tables 1 through 13. The County will update and provide this information within six months after the end of each fiscal year.

The County may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by United States Securities and Exchange Commission Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements, if the County commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the County will provide unaudited financial statements by the required time, and will provide audited financial statements when and if the audit report becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix B or such other accounting principles as the County may be required to employ from time to time pursuant to state law or regulation.

The County's current fiscal year end is September 30. Accordingly, it must provide updated information by March 31 of each year thereafter, unless the County changes its fiscal year. If the County changes its fiscal year, it will notify the MSRB.

Event Notices

The County 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 County 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-exempt status of the Bonds, or other events affecting the tax-exempt 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 County or other obligated person within the meaning of SEC Rule 15c212; (13) consummation of a merger, consolidation, or acquisition involving the County or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the County 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 County 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 County 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 County 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 Order make any provision for debt service reserves or liquidity enhancement. The term "financial obligation" when used in this paragraph shall have the meaning ascribed to it under federal securities laws including meaning a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). The term "financial obligation" does not include municipal securities for which a final official statement has been provided to the MSRB consistent with the Rule.

In addition, the County will provide timely notice of any failure by the County to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports."

Limitations and Amendments

The County has agreed to update information and to provide notices of material events only as described above. The County has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition or prospects or agreed to update any information that is provided, except as described above. The County 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 County 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 County to comply with its agreement.

The continuing disclosure agreement may be amended by the County 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 County, but only if (1) the provisions, as so amended, would have permitted an underwriter to purchase or sell Bonds in the primary offering of the Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances and (2) either (a) the holders of a majority in aggregate principal amount (or any greater amount required by any other provision of the Bond Order that authorizes such an amendment) of the outstanding Bonds consent to such amendment or (b) a person that is unaffiliated with the County (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interest of the holders and beneficial owners of the Bonds. The County may also amend or repeal the provisions of its continuing disclosure agreement if the United States Securities and Exchange Commission amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but 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. If the County amends its agreement, it must include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of information and operating data provided.

Compliance with Prior Undertakings

During the last five years, the County has complied in all material respects with its previous continuing disclosure agreements made in accordance with the Rule.

OTHER CONSIDERATIONS

Severe Weather Events

The County is located near the Texas Gulf Coast. Land located in this area is susceptible to high winds, heavy rain and flooding caused by rain events, hurricanes, tropical storms, and other tropical disturbances. If a weather-related event were to significantly damage all or part of the improvements within the County, the assessed value of property within the County could be substantially reduced, which could result in a decrease in tax revenues and/or necessitate an increase the County's tax rate. Further, there can be no assurance that a casualty loss to taxable property within the County will be covered by insurance (or property owners will choose to carry flood insurance), any insurance company will fulfill its obligations to provide insurance proceeds or that insurance proceeds will be used to rebuild or repair damaged improvements within the County. Even if insurance proceeds are available and improvements are rebuilt, there could be a period of time in which assessed values within the County would be adversely affected.

Exposure to Oil and Gas Industry

In the past, southeast Texas has been particularly affected by conditions in the oil and gas industry, and adverse conditions in the oil and gas industry and spillover effects into other industries could adversely impact the businesses of ad valorem property taxpayers and the property values in the County, resulting in a reduction in property tax revenue. The Bonds are secured by an ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds.

Cybersecurity

The County, like other counties in the State, utilizes technology in conducting its operations. As a user of technology, the County potentially faces cybersecurity threats (e.g., hacking, phishing, viruses, malware and ransomware) on its technology systems. Accordingly, the County may be the target of a cyber-attack on its technology systems that could result in adverse consequences to the County. The County employs a multi-layered approach to combating cybersecurity threats. While the County deploys layered technologies and requires employees to receive cybersecurity training, as required by State law, among other efforts, cybersecurity breaches could cause material disruptions to the County's finances or operations. The costs of remedying such breaches of protecting against future cyber-attacks could be substantial and there is no assurance that these costs will be covered by insurance. Further, cybersecurity breaches could expose the County to litigation and other legal risks, which could cause the County to incur other costs related to such legal claims or proceedings.

Air Quality

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"). For purposes of the 2015 Ozone Standard, the HGB Area consists of only six counties: Brazoria, Chambers, Fort Bend, Galveston, Harris, and Montgomery Counties. EPA's adoption of the 2015 Ozone Standard did not revoke or replace the 2008 Ozone Standard, and the State of Texas is under CAA requirements to adopt plans designed to attain compliance with both standards. 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. The HGB Area is currently designated as a "serious" nonattainment area under the 2015 Ozone Standard, with an attainment deadline of August 3, 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, or if the State of Texas does not submit, or EPA does not approve, the State Implementation Plan ("SIP") submittals required by the CAA for ozone nonattainment areas.

In order to demonstrate progress toward attainment of the EPA's ozone standards, the TCEQ has established a 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.

Groundwater Conservation District

In 2001, the Texas Legislature created the Lone Star Groundwater Conservation District (the "Conservation District"), with boundaries that are co-terminus with the boundaries of the County, to regulate the withdrawal of groundwater within the Conservation District in order to provide for the conservation, preservation, protection, recharging, and prevention of waste of Conservation District groundwater. The Groundwater Reduction Plan Division ("GRP Division") of the San Jacinto River Authority ("SJRA") was created to develop, implement and enforce a groundwater reduction plan ("GRP"), as required by the Conservation District regulations, in order to utilize water supply sources other than regulated groundwater and to supplement or supplant regulated groundwater sources. SJRA offered to enter into a contract for groundwater reduction planning alternative water supply and related goods and services (the "GRP Contract") with all large water users in the County to achieve the goals for reduction of groundwater pumpage for the entire County. Approximately 130 larger volume water users in the County entered into the GRP Contract. Participants pay a monthly groundwater pumpage fee for groundwater pumped from wells. Currently, the pumpage fee is $2.67 per 1,000 gallons of water pumped. The measures required by the Conservation District to reduce groundwater use may cause the cost of development and ongoing operations in the County to be more expensive as compared to other geographic areas.

GENERAL CONSIDERATIONS

Sources and Compilation of Information

The information contained in this Official Statement has been obtained primarily from the County and from other sources believed to be reliable. No representation is made as to the accuracy or completeness of the information derived from sources other than the County. The summaries of the statutes, orders, policies, and other related documents 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.

Updating of Official Statement

The County will keep the Official Statement current by amendment or sticker to reflect material changes in the affairs of the County and, to the extent that information comes to its attention, to the other matters described in the Official Statement, until the delivery of the Bonds to the Underwriters. All changes in the affairs of the County and other matters described in the Official Statement subsequent to the delivery of the Bonds to the Underwriters and all information with respect to the resale of the Bonds shall be the responsibility of the Underwriters except as described herein under “CONTINUING DISCLOSURE OF INFORMATION.”

This Official Statement was duly authorized and approved by the Commissioners’ Court of Montgomery County, as of the date specified on the first page hereof.

SALE AND DISTRIBUTION OF THE BONDS

Sale of the Bonds

RBC Capital Markets, LLC, Crews & Associates, TRB Capital Markets LLC (d/b/a Estrada Hinojosa) and Raymond James & Associates, Inc. (collectively, the “Underwriters”) have agreed, subject to certain conditions, to purchase the Bonds from the County pursuant to a purchase agreement with the County for a price of $128,430,356.20 (representing the par amount of the Bonds, plus a net original issue premium of $4,704,593.20, and less an Underwriters’ discount of $624,237.00). The Underwriter’s obligation is to purchase all of the Bonds if any are purchased.

RBC Capital Markets, LLC (RBCCM), an underwriter of the Bonds, has entered into a distribution arrangement with its affiliate City National Securities, Inc. (CNS). As part of this arrangement, RBCCM may distribute municipal securities to investors through the financial advisor network of CNS. As part of this arrangement, RBCCM may compensate CNS for its selling efforts with respect to the Bonds.

Conflict of Interest Disclosure

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the County for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the County.

The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the County.

Prices and Marketability

The delivery of the Bonds is conditioned upon the receipt by the County of a certificate executed and delivered by the Underwriters on or before the date of delivery of the Bonds stating the prices at which a substantial amount of the Bonds of each maturity have been sold to the public. For this purpose, the term "public" shall not include any person who is a bondhouse, broker or similar person acting in the capacity of underwriter or wholesaler. The County has no control over trading of the Bonds after a bona fide offering of the Bonds is made by the Underwriters at the yields specified on the inside cover page hereof. Information concerning reoffering yields or prices is the responsibility of the Underwriters.

The prices and other terms respecting the offering and sale of the Bonds may be changed from time to time by the Underwriters 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 UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Securities Laws

No registration statement relating to the Bonds has been filed with the United States Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon 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 County 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.

Ratings

In connection with the sale of the Bonds, the County has made application to Moody's Investors Service, Inc. ("Moody's") and S&P Global Ratings ("S&P") for ratings on the Bonds, and the ratings of "Aaa" and "AA+" respectively, have been assigned to the Bonds. An explanation of the significance of such ratings may be obtained from Moody's and S&P. The ratings reflect only the view of Moody's and S&P, and the County makes no representation as to the appropriateness of such ratings.

There is no assurance that such ratings will continue for any period of time or that they will not be revised downward or withdrawn entirely if, in the judgment of Moody's or S&P, circumstances so warrant. Any such downward revision or withdrawal of any of the ratings may have an adverse effect on the market price of the Bonds.

OTHER INFORMATION

Litigation

According to the County, there are currently a number of lawsuits pending against the County, but none of such actions are expected to result in recovery against the County for an amount outside the applicable insurance policy limits and County-held reserves. The County believes that none of the currently outstanding lawsuits, if decided adversely to the County, would have a material adverse effect on the financial condition of the County.

No litigation, administrative action, or proceeding seeks to restrain, enjoin, the issuance or delivery of the Bonds, or contests or questions the proceedings and authority under which the Bonds have been authorized and are to be issued, sold, executed, delivered or the validity of the Bonds.

Registration and Qualification of Bonds for Sale

The sale of the Bonds has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Bonds have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been qualified under the securities acts of any jurisdiction. The County assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

Legal Investments and Eligibility To Secure Public Funds in Texas

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Bonds are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Bonds be assigned a rating of "A" or its equivalent as to investment quality by a national rating agency. See "SALE AND DISTRIBUTION OF THE BONDS - Ratings" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with a capital of one million dollars or more, and savings and loan associations. The Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the County has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

Legal Opinions

The County will furnish complete transcripts of proceedings incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinions of the Attorney General of Texas approving the initial Bonds and to the effect that the Bonds are valid and legally binding obligations of the County, and based upon examination of such transcript of proceedings, the approving legal opinions of Bond Counsel, to like effect and to the effect that the interest on the Bonds will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under "TAX MATTERS" herein, including the alternative minimum tax on corporations. Bond Counsel has reviewed the information appearing in this Official Statement under "THE BONDS" (except for "Book-Entry-Only System," "Bondholders' Remedies," "Sources and Uses of Funds" and "Future Borrowing"), "TAXING PROCEDURE AND TAX BASE ANALYSIS – Tax Rate Limitations," "TAX MATTERS," "OTHER INFORMATION – Legal Opinions" (first paragraph only) and "CONTINUING DISCLOSURE OF INFORMATION" (except "Compliance with Prior Undertakings"), "OTHER INFORMATION – Legal Investments and Eligibility To Secure Public Funds in Texas," OTHER INFORMATION – Registration and Qualification of Bonds for Sale," solely to determine whether such information accurately summarizes matters of law and 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 County for the purpose of passing upon the accuracy or completeness of this Official Statement. No person or entity is entitled to rely upon Bond Counsel's limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any information contained herein. The legal fees to be paid to Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent on the sale and delivery of the Bonds.

The legal opinion of Bond Counsel will accompany the Bonds deposited with DTC or will be printed on the Bonds in the event of the discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon for the County by Orrick, Herrington & Sutcliffe LLP, Houston, Texas, Disclosure Counsel. Certain legal matters will be passed upon for the Underwriters by Bracewell LLP, Houston Texas, Counsel to the Underwriters. The legal fees to be paid to Disclosure Counsel and Counsel to the Underwriters for services rendered in connection with the issuance of the Bonds is contingent on the sale and delivery of the Bonds. The legal opinion to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

Financial Advisor

BOK Financial Securities, Inc. is employed as Financial Advisor to the County in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement.

Effects of Sequestration on Certain Obligations

Pursuant to the requirements of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, certain automatic reductions in federal spending took effect as of March 1, 2013. These required reductions in federal spending include a reduction to refundable credits under section 6431 of the Internal Revenue Code (the "Code") applicable to certain qualified bonds. The sequester reduction is applied to amounts claimed by an issuer of such qualified bonds that result in a payment to such issuer on or after March 1, 2013. These reductions apply to Build America Bonds, New Clean Energy Bonds and Qualified Energy Conservation Bonds, among others, for which an issuer elected to receive a direct credit subsidy pursuant to section 6431 of the Code. Payments to issuers of such bonds for the fiscal years ending September 30, 2024 through September 30, 2030 are subject to a reduction of 5.7% of the amount budgeted for such payments, unless and until a law is enacted that cancels or otherwise impacts the sequester, at which time the rate is subject to change.

The County has previously issued its Certificates of Obligation, Taxable Series 2010B (Direct Subsidy Build America Bonds) (Mental Health Treatment Facility) (the "Affected Bonds"), which Affected Bonds are outstanding in the aggregate principal amount of $23,395,000. It is anticipated that the federal payments to the County for such Affected Bonds will be reduced as described above. Pursuant to the order authorizing the issuance of the Affected Bonds, the County is required to make interest and principal payments on the Affected Bonds regardless of whether any federal funding is received. If the sequestration continues, the County may be required to increase ad valorem taxes in order to pay additional debt service expenses on the Affected Bonds resulting from decreased federal funding. The County can make no prediction as to the length or long-term effects of the sequestration.

Audited Financial Statements

Pattillo, Brown & Hill, L.L.P. has been engaged as the County's independent auditor for fiscal year ending 2024 and has not reviewed, commented on, or approved, and is not associated with, this Official Statement. A report of Pattillo, Brown & Hill, L.L.P., relating to the County's financial statements for the fiscal year ended September 30, 2024 is included in this Official Statement in APPENDIX B; however, Pattillo, Brown & Hill, L.L.P. has not performed any procedures on such financial statements since the date of such report, and has not performed any procedures on any other financial information of the County, including without limitation any of the information contained in this Official Statement, and has not been asked to consent to the inclusion of its report, or otherwise be associated with this Official Statement.

Forward-Looking Statements Disclaimer

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

Miscellaneous

The financial data and other information contained herein have been obtained from the County's records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and orders contained in this Official Statement are made subject to all of the provisions of such statutes, documents and orders. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects. The Bond Order authorizing the issuance of the Bonds has also approved the form and content of this Official Statement and any addenda, supplement or amendment thereto and authorized its further use in the reoffering of the Bonds by the Underwriters.

Concluding Statement

To the extent that any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated to be such, they are made as such and not as representations of fact or certainty and no representation is made that any of these statements have been or will be realized. Information in this Official Statement has been derived by the County from official and other sources and is believed by the County to be accurate and reliable. Information other than that obtained from official records of the County has not been independently confirmed or verified by the County and its accuracy is not guaranteed.

Neither this Official Statement nor any statement that may have been made orally or in writing is to be construed as or as part of a contract with the original purchasers or subsequent owners of the Bonds.

APPENDIX A

ECONOMIC AND DEMOGRAPHIC INFORMATION

The following information has been derived from various sources, including Texas Municipal Reports, the South Montgomery County Woodlands Economic Development Partnership, the U.S. Census Bureau, Greater Conroe Economic Development Council, Conroe Chamber of Commerce, and City and County officials. While such sources are believed to be reliable, no representation is made as to the accuracy thereof.

- General -

Montgomery County, Texas (the "County"), a component of the Houston metropolitan area, has a historic economy based on mineral production (oil, gas, sand, and gravel), agriculture (horses, cattle, and greenhouse nurseries), and lumbering (timber products). Recently, the economy has shifted toward an urban-rural mix, including energy, education, health and social services, with retail trade and manufacturing. The County was created and organized in 1837 and consists of approximately 1,044 square miles of rolling, densely forested land. Many residents of the County work in the City of Houston.

According to the U.S. Census Bureau, the County had a population of 49,479 in 1970, 127,722 in 1980, 180,394 in 1990, 293,768 in 2000, 455,746 in 2010 and 620,443 in 2020, representing an increase of 36.14% from 2010 to 2020.

Cities within the County are Cleveland, Conroe, Cut 'n Shoot, Deerwood, Grangerland, Magnolia, Montgomery, Oak Ridge North, Panorama Village, Pinehurst, Shenandoah, Splendora, Stagecoach, Willis, Woodloch, and The Woodlands township.

School districts within the County are Cleveland ISD, Conroe ISD, Magnolia ISD, Montgomery ISD, New Caney ISD, Richards ISD, Splendora ISD, Tomball ISD and Willis ISD. The largest school district is Conroe ISD, comprising approximately 345 square miles, located in south central Montgomery County adjacent to the northern boundary of Harris County, and includes such communities as the City of Conroe, The Woodlands, Shenandoah, Oak Ridge North, and Cut 'n Shoot, as well as several other smaller towns, communities and unincorporated areas. Conroe ISD operates seven high schools (Grades 9-12), three 9th grade schools, seven junior high schools (Grades 7-8), 11 intermediate schools (Grades 5-6), five elementary/intermediate schools (Grades K-6) and 33 elementary schools (Grades K-4). At the start of the 2024-2025 school year, Conroe ISD had an enrollment of over 73,000 students.

The County owns and operates the Conroe-North Houston Regional Airport which is a full-service facility located four miles from Conroe. Houston's Intercontinental Airport, located nearby in Harris County, offers international travel for passengers and cargo.

CITY OF CONROE

The City of Conroe (the "City"), the county seat of Montgomery County, is located in southeast Texas and is approximately 35 miles north of Houston. Conroe is serviced by Interstate 45, Texas 75 (north-south), Texas 105 (east-west) and Loop 336 which encircles Greater Conroe. The City is the principal center of commerce in Montgomery County. The City's population has increased from 56,207 in 2010 to 89,956 in 2020 representing a 60.04% growth rate.

In 1973, Lake Conroe was completed, forming a 21,000 acre reservoir which is owned by the San Jacinto River Authority and the City of Houston. The recreational and development opportunities afforded by the lake have had a strong impact on the City's and Montgomery County's economies.

THE WOODLANDS

The Woodlands is a community located primarily within the County approximately 27-32 miles north of downtown Houston. Located within a 28,000-acre tract of densely forested land, the community is generally situated adjacent to and west of Interstate Highway 45, south of FM 1488, and north of Spring Creek, the boundary line between Montgomery and Harris Counties. Additional acreage, known as The Woodlands Trade Center ("Trade Center") is adjacent to and east of Interstate Highway 45 between Texas State Highway 242 and FM 1488.

The Woodlands is located in a market sector of the greater Houston metropolitan area containing approximately 150 residential developments. Residential developments located in the market sector offer a variety of housing ranging in price generally from $250,000 to in excess of $7.0 million. The majority of these subdivisions offer some recreational facilities (e.g., swimming pools and clubhouses) and a few provide golf and tennis facilities. In some cases, schools are located within the subdivisions.

Formal opening of The Woodlands occurred in October 1974. Substantial development has occurred in the Village of Grogan's Mill, the Village of Panther Creek, the Village of Cochran's Crossing, the Village of Indian Springs, the Village of Alden Bridge, the Village of Sterling Ridge, Village of Creekside Park, and College Park, which are the eight residential villages planned for The Woodlands; parts of the Town Center, Research Forest, College Park; and The Trade Center. These areas currently have a population of approximately 120,000 people, and 2,460 employers provide employment for approximately 66,000 people.

ECONOMIC AND GROWTH INDICATORS

U.S. Census of Population[(a)]

	Montgomery County		City of Conroe, TX	
	Number	% Change	Number	% Change
1930	14,588	-15.84	2,457	+32.24
1940	23,055	+58.04	4,624	+88.20
1950	24,504	+6.28	7,298	+57.83
1960	26,839	+9.53	9,192	+25.95
1970	49,479	+84.35	11,969	+30.21
1980	127,722	+158.04	20,447	+70.83
1990	182,201	+42.65	27,610	+35.03
2000	293,768	+61.23	36,811	+33.32
2010	455,746	+55.14	56,207	+52.69
2020	620,443	+36.14	89,956	+60.04

(a) U.S. Census Bureau.

Summary of Montgomery County Building Permit Activity

Fiscal Year	Construction Permits	Estimated Value (000)
2015	4,754	$1,381,849
2016	4,052	1,414,524
2017	4,381	1,386,391
2018	5,549	1,514,299
2019	5,057	1,582,931
2020	6,857	1,742,289
2021	9,720	2,339,301
2022	10,392	2,855,453
2023	11,465	8,132,204
2024	12,480	N/A

Source: Montgomery County Engineer.

Employment Statistics

Montgomery County

	2025[(1)]	2024	2023	2022	2021
Labor Force	363,029	358,512	349,093	327,549	310,147
Employed	348,778	344,299	335,808	315,088	292,920
Unemployed	14,251	14,213	13,231	12,461	17,227
Rate	3.9%	4.0%	3.8%	3.8%	5.6%

Source: U.S. Bureau of Labor Statistics

(1) Preliminary as of May 31, 2025.

APPENDIX B

COMPREHENSIVE ANNUAL FINANCIAL REPORT OF
MONTGOMERY COUNTY, TEXAS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2024

Montgomery County, Texas Annual Comprehensive Financial Report

For the Fiscal Year Ended September 30, 2024

501 N. THOMPSON SUITE 205 CONROE, TEXAS 77301

Montgomery County, Texas

Annual Comprehensive Financial Report

For the Fiscal Year ended September 30, 2024

Prepared by the
County Auditor's Office

Rakesh Pandey, CPA, County Auditor

Angela Blocker, 1st Assistant County Auditor
Gina Guy, Budget and Financial Reporting Supervisor
Nicholas McRae, Financial Reporting Analyst

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INTRODUCTORY SECTION

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Montgomery County, Texas
Office of the County Auditor
501 North Thompson, Suite 205, Conroe, Texas 77301
P. O. Box 539, Conroe, Texas 77305

Rakesh Pandey CPA
County Auditor

Angela H. Blocker
1st Assistant County Auditor

March 25, 2025

The Board of District Judges
The Commissioners' Court
Montgomery County, Texas

Honorable Judges, Commissioners, and citizens of Montgomery County, Texas:

The Annual Comprehensive Financial Report (Annual Report) of Montgomery County, Texas, for the year ended September 30, 2024, is submitted herewith. This report was prepared by the County Auditor in accordance with Generally Accepted Accounting Principles (GAAP) as promulgated by the Governmental Accounting Standards Board, and is in compliance with Chapter 114.025 and Chapter 115.045 of the Local Government Code.

Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the County. To provide a reasonable basis for making this representation, Montgomery County management has established a comprehensive internal control framework designed both to protect governmental assets from loss, theft, or misuse, and to compile sufficient reliable information for the preparation of the County's financial statements in conformity with GAAP. Montgomery County's comprehensive framework, because the cost of internal controls should not outweigh their benefits, has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement. We believe the data as presented is accurate in all material aspects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of Montgomery County as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the County's financial activity have been included.

Montgomery County's financial statements have been audited by Pattillo, Brown & Hill, L.L.P., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the County for the fiscal year ended September 30, 2024 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial presentation. The independent auditor concluded, based on the audit, that there was a reasonable basis for rendering an unmodified opinion that the financial statements of Montgomery County for the year ended September 30, 2024 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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The independent audit of the financial statements of Montgomery County was a part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal and state grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the government's internal controls and compliance with legal requirements. Specific emphasis was placed on internal controls and compliance with laws and regulations involving the administration of federal and state awards. This Single Audit Report is available as a separate report from Montgomery County.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. Montgomery County's MD&A can be found immediately following the report of the independent auditors.

Profile of Montgomery County

Montgomery County was created on December 14, 1837 by an act of the Congress of the Republic of Texas. It is bisected by Interstate 45, and located approximately forty miles north of downtown Houston. Montgomery County is officially the birthplace of the Texas flag. The actual design of the Lone Star Flag remained a mystery until the Texas House of Representative passed House Resolution 1123 in 1997 commemorating Montgomery County as the flag's official birthplace. Dr. Charles B. Stewart is credited with creating the inspirational banner of the State of Texas. The County provides a full range of services, including police protection, legal and judicial services, construction and maintenance of roads and bridges, public health service, and facilities for recreational and cultural use. The County operates a full service airport as a reliever to nearby Bush Intercontinental Airport. Three major rail lines intersect in the county seat of Conroe. The Lone Star College System offers both 2- and 4-year degree plans in partnership with several universities throughout the state. Scenic Lake Conroe sits among some 1,090 square miles of rolling hills and grassy meadows to create an atmosphere of rural America nestled securely beside its urban neighbors.

The County operates as specified under the Constitution of the State of Texas, and in accordance with the provisions of the State Statutes of Texas, which provide for a Commissioners' Court consisting of the County Judge, elected at-large to a four-year term and four Commissioners, each of whom is elected from four geographical precincts to four-year staggered terms. The Commissioners' Court serves as the governing body of the County.

The U.S. Census Bureau reported the 1990 population for Montgomery County to be 180,394 and the year 2000 population to be 293,768. The most recent census reported the population of Montgomery County to be 620,443. At each census, the County has experienced growth in excess of 50%, with no sign of slowing down. At September 30, 2024, the estimated population was 711,354. The County's population has continued to grow during the past year and is evident in the increased demand for service at the county level. The main impetus for growth in the past three decades has come from the expansion of nearby metropolitan Houston. Many Montgomery County residents now work in Houston, and the spread of the city's suburbs into the County has led to a rapid rise in population. The governing body's active involvement in infrastructure improvements has been instrumental in this explosive growth in population in recent years, Montgomery County has become a recreation destination for many Houston residents. The area, with its abundant lakes and the Sam Houston National Forest, offers numerous opportunities for hunting, boating, fishing, and hiking.

Montgomery County maintains strict budgetary controls to ensure compliance with legal provisions in the annual appropriated budget approved by the governing body. Activities of the General Funds, the Special

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Revenue Funds, and the Debt Service Funds are included in the annual appropriated budget. Budget to actual comparisons are provided in this report for all funds for which an annual appropriated budget is adopted. According to the budget laws of the State of Texas, expenditures may not exceed the amount appropriated for each fund. The County's budget is prepared and adopted annually as a balanced budget pursuant to Texas law and adhering to a calendar established by the statutes of the State of Texas. In keeping with those statutes, the ad valorem tax levy cannot be established until the budget is adopted. In Montgomery County, the budget is adopted by September 30th of each year. Once adopted, the budget is enforced by the County Auditor, as provided by statute.

Factors Affecting Financial Condition

The information presented in the financial statements of Montgomery County is best understood when it is considered from the broader perspective of the specific environment within which Montgomery County operates.

Local economy – Historically, the County's economy has been based on mineral production (oil, gas, sand, and gravel), agriculture (horses, cattle, and greenhouse nurseries), and lumbering (timber products). Today, the economy has shifted towards an urban-rural mix. In recent years, the largest industries have been energy, education, health and social services, with retail trade and manufacturing following. Investments made in Texas highways recently have assisted in attracting new and diverse businesses to the County. A favorable taxing environment continues to draw many companies to relocate corporate headquarters to Montgomery County. The Woodlands, a planned community in south Montgomery County, is home to energy, biomedical, and technology businesses. This is causing ever-continued growth in the southern part of the County. As Houston and Harris County, directly to the south, run out of developable land, business and residential growth in Montgomery County is expected to continue.

Recent developments that have contributed to the continued upturn in the local economy in Montgomery County include the construction of a nascent medical compound, centered around the busy intersection of Interstate 45 and State Highway 242, anchored by Texas Children's Hospital, St. Luke's and Methodist Hospital. The relocation of ExxonMobil's corporate headquarters to northern Harris County has further driven growth to the southern part of Montgomery County. The recent opening of the Hewlett Packard Enterprise Global Headquarters located in City Place in Spring has brought thousands of jobs to the area. The former Boy Scout camp at Camp Strake was sold to Johnson Development Corporation with the intent of creating a new master planned community, Grand Central Park, on 2,046 acres. Construction began in 2016; the 336 Marketplace located in the community continues to welcome a wide array of tenants.

Three huge storms, Hurricane Harvey, Tropical Storm Imelda, and Hurricane Beryl made landfall in 2017, 2019, and 2024 respectively and have caused widespread damage to the region, resulting in billions of dollars in damage. The County continues to work diligently with the State of Texas and the Federal Emergency Management Agency (FEMA) to make critical repairs to infrastructure and buildings, as the effects from Hurricane Harvey, Tropical Storm Imelda, and Hurricane Beryl are continued to be felt.

The County functioned much of the year in the shadow of the continuing pandemic because of the COVID-19 virus. In January 2020, a highly contagious and deadly virus, COVID-19, spread from China at a rapid pace; it was declared a pandemic by the World Health Organization in March 2020. The governing body of the County responded with a disaster declaration and is working with federal and state agencies to ensure the health and safety of both its citizens and its employees. The County received almost $105 million from the Federal Government to assist in the massive undertaking of a changed working environment. Additionally, the County was allocated almost $118 million as part of the American Rescue Plan Act of 2021 (ARPA). The first half was received in May 2021, and the second half was received in June 2022. ARPA funds were, and are, being utilized for various COVID-19 mitigation efforts and infrastructure improvement projects within the County.

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Montgomery County has adopted tax abatement guidelines to stimulate continued growth in the County while preserving the values and existing assets that provide quality of life our citizens have come to expect and to enjoy. These guidelines provide incentives for businesses to invest in Montgomery County. Montgomery County intends to be competitive in attracting businesses to locate, relocate and/or consolidate their facilities within the County without detrimentally affecting existing enterprises. These guidelines also assist in increasing employment which in turn enables employees to utilize income earned to obtain housing and procure goods and services and further stimulate economic activities in the long run within Montgomery County.

Long-term financial planning – The Commissioners' Court continues to be very active in infrastructure development, specifically road improvements, to help ensure economic growth. In the second half of calendar year 2005, the County executed an agreement with the Texas Department of Transportation that is facilitating the improvement of five separate state-owned roads. This Pass-Through Toll Agreement provides for the County to pledge local funds to improve these roads, with a partial reimbursement from highway funds at a later date. The County pledged $100 million of the Series 2006 $160 million voter-approved road bonds, as well as an additional $88 million of future bonds to leverage the federal funds for the projects in the hopes of gaining an estimated $232 million in improvements for the citizens of Montgomery County. In the same spirit of infrastructure development, voters in the County approved a ballot measure in November 2015 for a series of bond offerings that raised $280 million for a multitude of road projects throughout Montgomery County. The final bond offerings were issued in May and December 2018 to fund the remaining projects. These projects are expected to alleviate mobility issues in key areas of the County.

As part of this future planning, the Commissioners' Court created the Montgomery County Toll Road Authority (MCTRA) in August 2006. The MCTRA is charged with the task of collecting tolls from vehicles traveling on the portion of State Highway 242, which connects with Interstate 45 in southern Montgomery County. SH 242 opened to the public in July 2015. In January 2018, the County retired the remainder of the debt associated with the construction of SH 242. In May 2019, the Board agreed to remove the tolls on SH 242. Additionally, revenue bonds for MCTRA were issued in June 2018 to fund construction along State Highway 249 in Montgomery County. Any revenues generated by the authority are anticipated to be used to either retire a portion of the debt related to the construction and/or to fund future improvements, as the need arises.

Additional road projects in each of the 4 precincts were proposed to the Texas Department of Transportation (TXDOT) in the latter portion of 2023. These projects will utilize TXDOT escrow funds totaling roughly $60 million. Proposed improvements include roads such as FM 1097 to FM 149, FM 2854 to SH 105, and the construction of braided ramps at the intersection of IH-45 and the Hardy Toll Road amongst others. The County is awaiting response from TXDOT regarding the status of the proposed projects.

New developments – As part of the continuing effort in the County to alleviate traffic congestion in the southern part of the County, the Commissioners' Court awarded a contract to construct an interchange facility and direct connectors from State Highway 242 to Interstate 45. This project, approved by the governing body in February 2013, opened in July of 2015 and has improved the flow of traffic in the heavily congested south county area. The County is continuing in its endeavors to face transportation issues by exploring the expansion of the MCTRA to the western part of the County and specifically the SH 249, Tomball Parkway. Working in conjunction with the Harris County Toll Road Authority (HCTRA), MCTRA has completed the work on widening and improving SH 249 in fiscal year 2021. The SH 249 became fully operational in December 2020 and has shown excellent progress since opening and is now generating more than 1 million transactions per month. The American Public Works Association (APWA) awarded the SH 249 as an APWA Texas Chapter 2021 Award Recipient in the category of Transportation Greater than 75 million and Public Works Project of the Year. Construction work continues on SH 249 in which the Decker Prairie intersection layout enhancements are 100% completed and the Decker Prairie corridor layout enhancements are also 100% completed as of fiscal year 2022.

The County awarded a contract to construct an extension of FM 149 spanning from Jackson Road to the State Highway 249 tollway. This project, approved by the governing body in May 2022, is currently in Phase II of development. Aerial mapping for this project was completed in September 2022, with field work expected to commence following final alignment adjustments.

The Montgomery County Toll Road Authority (MCTRA) has recently initiated several key projects aimed at improving roadway capacity. In November 2023, the Board awarded a contract for schematic, environmental, and PS&E services for FM 1486 from FM 1774 to Jackson Road, with the goal of adding two lanes to the existing roadway. This project is currently in Phase I. Furthermore, in May 2024, a contract was awarded for schematic, environmental design survey, and limited subsurface utility engineering services for FM 1486 between Jackson Road and SH 105, also to add two lanes, and is also in Phase I. Additionally, in August 2024, the Board approved contracts for engineering services for FM 149, specifically from SH 105 to Keenan Cut Off Road, from FM 1488 to Jackson Road, and from FM 1774 to FM 1488 and from FM 1488 to Jackson Road, all focusing on the construction of two additional lanes and currently in Phase I. These projects encompass design schematics, design surveys, right-of-way mapping, environmental documents, and studies, reflecting the MCTRA's commitment to enhancing transportation infrastructure.

On February 25, 2025, the Commissioner's Court authorized the placement of a $480 million road bond referendum on the May 2025 ballot. This initiative seeks voter approval for funding dedicated to enhancing traffic mobility across the county through strategic road infrastructure improvements.

Financial Transparency – In a continuing effort to embrace technological advances, the County embarked on replacing its enterprise resource planning (ERP) financial software system. Aided by various staff members throughout multiple user departments, we went live on July 1, 2020. Continuing modules and upgrades are being implemented in a staggered approach. Timekeeping system upgrade and Talent Acquisition module implementation were some noteworthy ERP changes in 2024.

Awards and Acknowledgments

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Montgomery County for its annual comprehensive financial report for the fiscal year ended September 30, 2023. This was the thirty-sixth consecutive year that the County has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Annual Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current annual comprehensive financial report continues to meet the Certificate of Achievement Program’s requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated services of all County departments. I want to express my appreciation to the entire staff of the Office of County Auditor for their continued efforts. I also wish to commend the members of the Commissioners’ Court for conducting the financial operations of Montgomery County in a responsible and professional manner, while meeting the increasing demands for public service.

Respectfully submitted,

Rakesh Pandey

Rakesh Pandey, CPA Montgomery County Auditor

RP/nbm

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Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Montgomery County
Texas

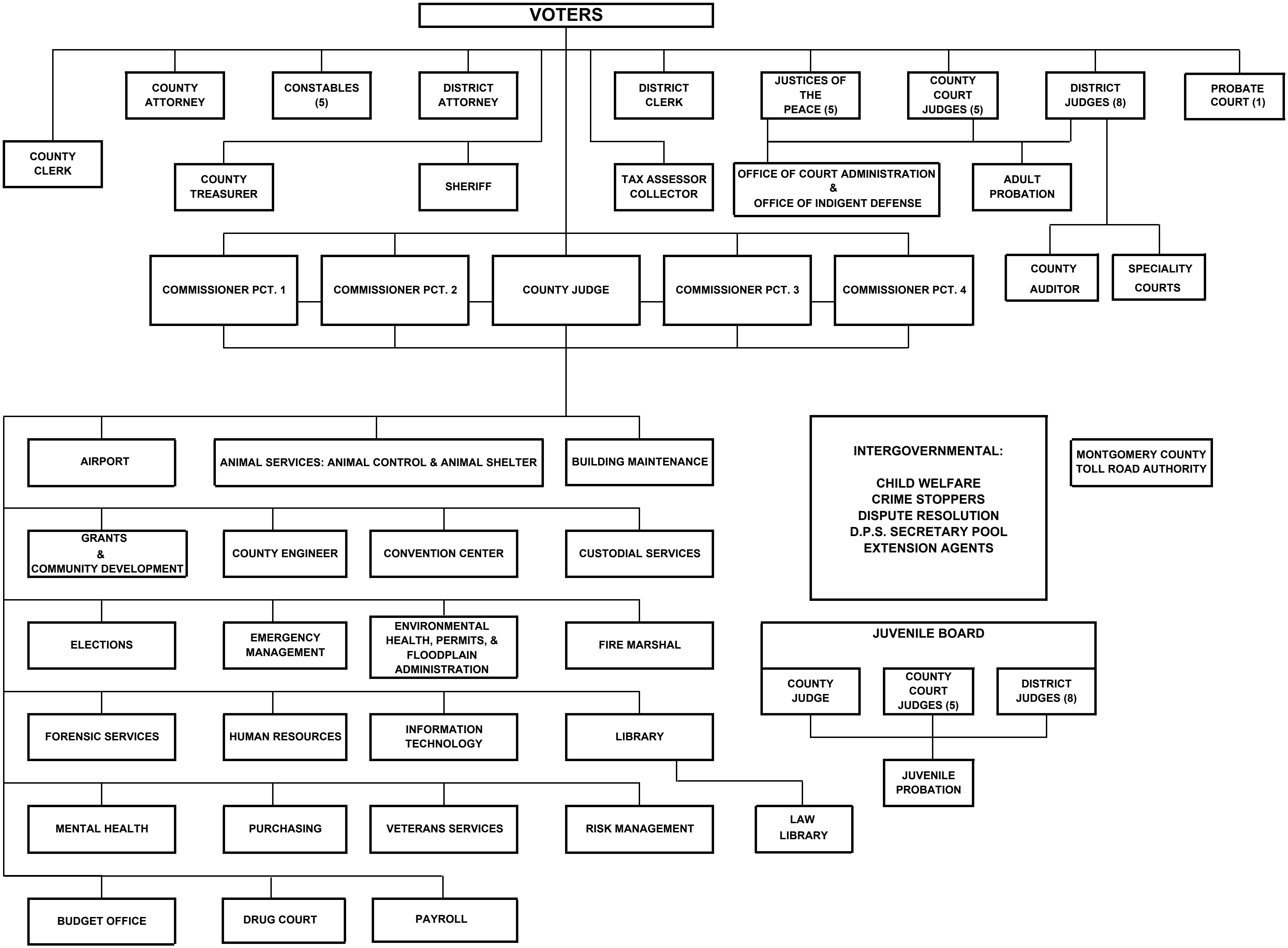
For its Annual Comprehensive
Financial Report
for the Fiscal Year Ended

September 30, 2023

Christopher P. Morrill

Executive Director/CEO

MONTGOMERY COUNTY, TEXAS ORGANIZATION CHART



MONTGOMERY COUNTY, TEXAS
DIRECTORY OF OFFICIALS
SEPTEMBER 30, 2024

COMMISSIONERS' COURT:	
Mark Keough	County Judge
Robert Walker	Commissioner, Precinct #1
Charlie Riley	Commissioner, Precinct #2
James L. Noack, Jr. term ended 12/31/24	Commissioner, Precinct #3
Ritch Wheeler, elected 1/1/25	Commissioner, Precinct #3
Matthew Gray	Commissioner, Precinct #4
DISTRICT COURTS:	
Phil Grant	Judge, 9th Judicial District
Lisa Michalk	Judge, 221st Judicial District
Kristin Bays	Judge, 284th Judicial District
Kathleen Hamilton	Judge, 359th Judicial District
Jennifer Robin	Judge, 410th Judicial District
Tracy Gilbert	Judge, 418th Judicial District
Patty Maginnis	Judge, 435th Judicial District
Vincenzo Santini	Judge, 457th Judicial District
Brett Ligon	District Attorney
Melisa Miller	District Clerk
COUNTY COURTS AT LAW:	
John Hafley,	Judge, County Court at Law #1
Amy Tucker,	Judge, County Court at Law #3
Echo Hutson,	Judge, County Court at Law #4
Keith Stewart	Judge, County Court at Law #5
Scharlene Valdez	Judge, County Court at Law #6
BD Griffin	County Attorney
Brandon Steinmann	County Clerk
PROBATE COURTS:	
Claudia Laird	Judge, Probate Court #1
JUSTICE COURTS:	
Wayne L. Mack	Justice of Peace, Precinct # 1
Grady Trey Spikes	Justice of Peace, Precinct #2
Matt Beasley, resigned 1/1/25	Justice of Peace, Precinct #3
Jay Mac Sanders, appointed 1/7/25	Justice of Peace, Precinct #3
Jason Dunn	Justice of Peace, Precinct #4
Matthew Masden	Justice of Peace, Precinct #5
LAW ENFORCEMENT:	
Rand Henderson, term ended 12/31/24	Sheriff
Wesley Doolittle, elected 1/1/25	Sheriff
Phillip Cash	Constable, Precinct #1
Gene DeForest, retired 12/31/24	Constable, Precinct #2
David Eason, elected 1/1/25	Constable, Precinct #2
Ryan Gable	Constable, Precinct #3
Kenneth "Rowdy" Hayden	Constable, Precinct #4
Chris Jones	Constable, Precinct #5
FINANCIAL ADMINISTRATION:	
Tammy McRae	Tax Assessor-Collector
Melanie Bush	County Treasurer
Rakesh Pandey, CPA	County Auditor[1]
Gilbert Jalomo	Purchasing Agent[1]
Amanda Carter	Budget Officer[1]

[1] Designates appointed official. All others are elected.

FINANCIAL SECTION

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PATTILLO, BROWN & HILL, L.L.P.
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Waco, Texas 76710
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INDEPENDENT AUDITOR'S REPORT

Honorable County Judge and
County Commissioners
Montgomery County, Texas

Report of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Montgomery County, Texas (the "County"), as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County as of September 30, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 County 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.

Emphasis of Matter – Change in Accounting Principle

As described in the notes to the financial statements, in fiscal year 2024 the County adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

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 County's ability to continue as a going concern for twelve months beyond the financial statement due date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government 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 GAAS and *Government 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 County'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 County'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, budgetary comparison information for the General Fund, Road and Bridge Fund, and Grants Fund, and pension and OPEB information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Information

Management is responsible for the other information included in the annual comprehensive financial report (ACFR). The other information comprises the introductory section and statistical section but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2025, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
March 25, 2025

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis provide readers of the financial statements of Montgomery County, Texas (the County) with a narrative overview and analysis of the County's financial activities for the fiscal year ended September 30, 2024. The intent of this discussion and analysis is to evaluate the current activities, resulting changes, and currently known facts of the County as a whole. Readers of this discussion and analysis should consider the information presented here in conjunction with additional information that is furnished in the accompanying letter of transmittal, which can be found on pages i-v of this report. This discussion should also be read in conjunction with the basic financial statements and the notes to those financial statements (which immediately follow this discussion). The discussion and analysis include comparative data from the prior year.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by $695,669,571 (net position). Of this amount, $61,839,847 is restricted for specific purposes. With the presentation of the net investment in capital assets, unrestricted net position becomes ($51,120,352).

- The County's total net position increased by $78,330,977 from current operations due to significant decreases in net pension and OPEB-related deferred inflows, in conjunction with increases in property tax revenue resulting from higher appraised values.

- At September 30, 2024, the County's governmental funds reported combined ending fund balances of $216,814,649, a decrease of $25,611,564 from operations in comparison with the prior year. From the ending fund balances, $52,491,527 is restricted, $13,762,535 is committed and $90,000,000 is assigned. Approximately 27.93% of the ending balances, $60,560,587 is unassigned and available for spending at the government's discretion. Details on these balances can be found in the chart included in Note 10.

- At September 30, 2024, unassigned fund balance for the General Fund was $67,499,043, or 20.63% of total General Fund expenditures.

- The County's total bonded debt decreased by $24,685,000, or 4.5%, during the current fiscal year. This decrease was due to regularly scheduled payments which were not offset by any new issuances of bonds.

- As of fiscal year 2024, the County reported a net pension liability of $16,316,801, and an OPEB liability of $258,156,899.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to Montgomery County's basic financial statements, which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains additional supplementary information to the financial statements themselves.

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities, the two government-wide financial statements, are designed to provide readers with a broad overview of Montgomery County's finances, similar to the financial statements of a private-sector business. Both of these statements are presented using the full accrual basis of accounting; therefore, revenues are reported when they are earned and expenses are reported when the goods and services are received, regardless of the timing of cash being received or disbursed. These statements include capital assets of the County (including infrastructure added since implementing GASB Statement No. 34 in fiscal year 2003 and the portion of GASB Statement No. 34 as it pertains to retroactive infrastructure reporting) as well as all liabilities (including long-term debt). Additionally, certain eliminations have occurred as prescribed by GASB Statement No. 34 in regards to interfund activity, payables and receivables.

The Statement of Net Position presents information on all of Montgomery County's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference between the two groups being reported as net position. This statement is similar to that of the balance sheet of a private-sector business (with primary sections in a business balance sheet being assets, liabilities, and equity). The GASB believes that, over time, increases or decreases in the net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents the County's revenues and expenses for the year, with the difference between the two resulting in the change in net position for the fiscal year ended September 30, 2024. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). Because the statement of activities separates program revenue (revenue generated by specific programs through fees, fines, forfeitures, charges for services, or grants received) from general revenue (revenue provided by taxes and other sources not tied to a particular program), it shows to what extent each function has to rely on general revenues for funding. The governmental functions of the County include general government, financial administration, health and human services, culture and recreation, law enforcement and corrections, legal and judicial, transportation, and debt service.

Government-wide financial statements include not only the activities of the County itself (known as the primary government), but also those of a legally separate component unit: the Montgomery County Toll Road Authority. The County Commissioners' Court acts as the Board of Directors for the component unit whose activities are blended with those of the primary government because they function as part of the County government. Montgomery County's government-wide financial statements distinguish functions of the County that are principally supported by tax and intergovernmental revenues (*governmental activities*) from those that are intended to recover all or a significant portion of their costs through fees and charges (*business-type activities*).

The government-wide financial statements can be found immediately following the management's discussion and analysis.

Fund Financial Statements

The fund financial statements focus on the County's most significant funds (major funds) rather than fund types, or the County as a whole. 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. Montgomery County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

1) Governmental funds are maintained to account for the government's operating and financing activities. The measurement focus is on available resources.

2) Proprietary funds are utilized to account for internal service funds and enterprise funds. Internal service funds are an accounting tool used to accumulate and allocate costs amongst the County's functions. Enterprise funds are used to report an activity for which a fee is charged to external users for goods and services.

3) Fiduciary funds are used to account for resources that are held by the government as a trustee or agent for parties outside of the government. The resources of fiduciary funds cannot be used to support the government's own programs.

Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. As mentioned earlier, government-wide financial statements are reported using full accrual accounting; governmental fund financial statements focus on near-term inflows and outflows of expendable resources, as well as balances of available resources. In other words, revenue is reported when earned, provided it is collectible within the reporting period or soon enough afterward to be used to pay liabilities of the current period. Likewise, liabilities are recognized as expenditures only when payment is due since they must be liquidated with available cash. Such information is useful in comparing a government's near-term financing requirements to near-term resources available.

The focus of governmental funds is narrower than that of the government-wide financial statements; therefore it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers should better understand the results and long-term impact of the government's near-term financing decisions. The user is assisted in this comparison between the two bases of accounting by way of a reconciliation statement between the governmental fund balance sheet and the government-wide statement of net position, as well as a reconciliation statement between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

Montgomery County maintained 39 individual governmental funds during the fiscal year ended September 30, 2024. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Road and Bridge Fund, the Debt Service Fund, the Grants Fund, the Pass-through Toll Projects Fund, the Road Bonds 2018B Fund, and the Road Bonds Issue Reimbursement Fund, all of which are considered to be major funds. Data from the remaining governmental funds (i.e., nonmajor funds) is combined into a single, aggregated presentation. Individual fund data for each nonmajor governmental fund is provided in the form of combining schedules, which are included in the Supplementary Information section following the notes to the financial statements.

Montgomery County utilizes and maintains budgetary controls over its operating funds. Budgetary controls are used to ensure compliance with legal provisions required under state statute governing the annual appropriated budget. Budgets for governmental funds are established in accordance with state law and, by County policy, are adopted at the department level for the General Fund, all Special Revenue Funds, and the Debt Service Fund using the primary categories of salaries, benefits, operations, and capital. A budgetary comparison statement is provided in the financial section for the General Fund, the Road and Bridge Special Revenue Fund, and the Grants Special Revenue Fund. The Pass-through Toll Projects fund, Road Bonds 2018B fund, and Road Bonds Issue Reimbursement Fund are capital projects funds with project-length budgets and therefore do not present budgetary comparison schedules. Budgetary comparison schedules for all nonmajor special revenue funds are provided as supplementary information. These budgetary comparisons can be used to demonstrate compliance with the budget both in its original and final forms.

The basic governmental fund financial statements can be found immediately following the governmental fund financial statements.

Proprietary Funds focus on the determination of operating income, changes in net position, financial position, and cash flows. There are two types of proprietary funds: enterprise funds and internal service funds. Internal Service Funds are utilized as an accounting device to accumulate and allocate costs internally among the County's various functions. The County maintains three Internal Service funds to account for its employee health benefits, worker's compensation, and accident and liability. Since the internal service funds predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements. The County also maintains an Enterprise Fund to account for activity in the Montgomery County Toll Road Authority (MCTRA). The Montgomery County Toll Road is fully functional with ongoing projects for enhancements. These operations are fully supported by user fees. The fund is reported as a business-type activity in the financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The internal service funds are also presented in the proprietary fund financial statements.

The basic proprietary fund financial statements can be found immediately following the governmental fund financial statements.

Fiduciary funds are used to account for resources held for the benefit of parties other than the County itself. Custodial and investment trust funds are the only fiduciary fund type used by Montgomery County, and they are not reflected in the government-wide financial statements because the resources of those funds are not available to support the programs and expenses of the County. The basis of accounting used for fiduciary funds is the full accrual basis, much like that of the government-wide statements.

The basic fiduciary fund financial statements can be found immediately following the proprietary fund financial statements.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. As such, the notes are an integral part of the basic financial statements. They focus on the primary government's governmental activities, major funds, and nonmajor funds in the aggregate.

The notes to the financial statements can be found immediately following the fiduciary fund financial statements.

Required supplementary information provides information on the County's participation in the agent multiple-employer defined benefit pension plan as well as information on other post-employment benefits. This section is also comprised of the comprised of the General Fund, Road and Bridge Fund, and Grants Fund final budget versus actual at the department level.

The required supplementary information can be found immediately following the notes to the financial statements.

Supplementary information also includes combining financial statements for non-major governmental, proprietary and fiduciary funds. These funds are totaled by fund type and presented in a single column in the basic financial statements. They are not reported individually, as with major funds, on the governmental fund financial statements.

Supplementary information can be found immediately following the required supplementary information.

GOVERNMENT-WIDE OVERALL FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Montgomery County's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $695,669,571 at September 30, 2024, as shown in the table below.

MONTGOMERY COUNTY, TEXAS' NET POSITION

	Governmental Activities		Business-type activities		Total	
	2024	2023	2024	2023	2024	2023
Current and other assets	$ 451,469,145	$ 448,046,687	$ 38,069,471	$ 34,179,439	$ 489,538,616	$ 482,226,126
Capital assets	1,168,174,466	1,114,644,619	60,860,994	64,417,970	1,229,035,460	1,179,062,589
Total assets	1,619,643,611	1,562,691,306	98,930,465	98,597,409	1,718,574,076	1,661,288,715
Deferred outflows	106,232,561	120,895,808	-	-	106,232,561	120,895,808
Current liabilities	185,670,467	176,687,781	2,105,007	381,229	187,775,474	177,069,010
Long-term liabilities	769,045,883	789,714,803	92,349,014	93,617,232	861,394,897	883,332,035
Total liabilities	954,716,350	966,402,584	94,454,021	93,998,461	1,049,170,371	1,060,401,045
Deferred inflows	79,966,695	104,444,884	-	-	79,966,695	104,444,884
Net Position:						
Net investment in capital assets	706,163,384	621,943,146	(20,301,084)	(20,509,762)	684,950,076	600,521,160
Restricted	61,839,847	56,204,004	-	-	61,839,847	56,204,004
Unrestricted	(76,810,104)	(65,407,504)	24,777,528	25,108,710	(51,120,352)	(39,386,570)
Total net position	$ 691,193,127	$ 612,739,646	$ 4,476,444	$ 4,598,948	$ 695,669,571	$ 617,338,594

The County's total assets of $1,718,574,076 are largely comprised of cash and investments of $320,249,892, or 18.6%, and capital assets net of accumulated depreciation of $1,168,174,466, or 68.0%. The capital assets of the County include land, buildings, improvements other than buildings, equipment, intangibles, construction in progress, infrastructure (roads, bridges, signs, etc.), and right to use assets. Capital assets are non-liquid assets that provide services to citizens; as a result, these assets cannot be utilized to satisfy County obligations.

As in last year, long-term liabilities of $861,394,897 comprises the largest portion of the County's total liabilities of $1,049,170,371 at 82.1%. Of total long-term liabilities, $43,386,107 is due within one year, with the remainder of $818,008,790 being due over a period of time greater than one year. A more in-depth discussion of long-term debt can be found in the notes to the financial statements.

The County's assets and deferred outflows of resources exceeded its liabilities by $695,669,571 (net position) as of September 30, 2024. Roughly 8.9%, or $61,839,847, of the County's net position represents restricted net position. These resources are subject to external restrictions on how they may be used. Restrictions include statutory requirements, bond covenants, and granting conditions. Of the restricted net position, $12,536,360 is restricted for debt service, and the remainder is restricted by contract or legislation. The most significant portion, $684,950,076 of the County's net position reflects its net investment in capital assets.

MONTGOMERY COUNTY, TEXAS' CHANGES IN NET POSITION

	Governmental activities		Business-type activities		Total	
	2024	2023	2024	2023	2024	2023
Revenues:						
Program revenues:						
Charges for services	$ 151,116,952	$ 150,121,953	$ 20,182,274	$ 17,787,580	$ 171,299,226	$ 167,909,533
Operating grants and contributions:	92,318,848	78,070,150	-	-	92,318,848	78,070,150
Capital grants and contributions:	74,201,383	50,248,330	-	-	74,201,383	50,248,330
General revenues:						
Property taxes	330,203,259	300,333,145	-	-	330,203,259	300,333,145
Other taxes	6,419,585	5,554,949	-	-	6,419,585	5,554,949
Investment earnings	25,056,950	19,193,677	2,038,261	1,348,795	27,095,211	20,542,472
Miscellaneous	2,451,606	2,676,662	-	-	2,451,606	2,676,662
Total revenues	681,768,583	606,198,866	$ 22,220,535	$ 19,136,375	703,989,118	625,335,241
Expenses:						
General government	48,655,377	57,748,993	-	-	48,655,377	57,748,993
Financial administration	22,723,951	18,742,854	-	-	22,723,951	18,742,854
Health and human services	84,226,843	72,714,978	-	-	84,226,843	72,714,978
Culture and recreation	19,581,087	18,147,320	-	-	19,581,087	18,147,320
Law enforcement and corrections	259,004,431	243,701,687	-	-	259,004,431	243,701,687
Legal and judicial	38,489,122	35,673,230	-	-	38,489,122	35,673,230
Transportation	113,205,717	116,008,983	-	-	113,205,717	116,008,983
Interest and fiscal charges	17,428,574	18,392,996	-	-	17,428,574	18,392,996
Toll road	-	-	22,343,039	20,695,671	22,343,039	20,695,671
Total expenses	603,315,102	581,131,041	22,343,039	20,695,671	625,658,141	601,826,712
Increase (decrease) in net position	78,453,481	25,067,825	(122,504)	(1,559,296)	78,330,977	23,508,529
Net position, beginning	612,739,646	587,671,821	4,598,948	6,158,244	617,338,594	593,830,065
Net position, ending	$ 691,193,127	$ 612,739,646	$ 4,476,444	$ 4,598,948	$ 695,669,571	$ 617,338,594

The County's overall net position increased from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

Governmental Activities

During the current fiscal year, net position for governmental activities increased by $78,453,481 from the prior fiscal year.

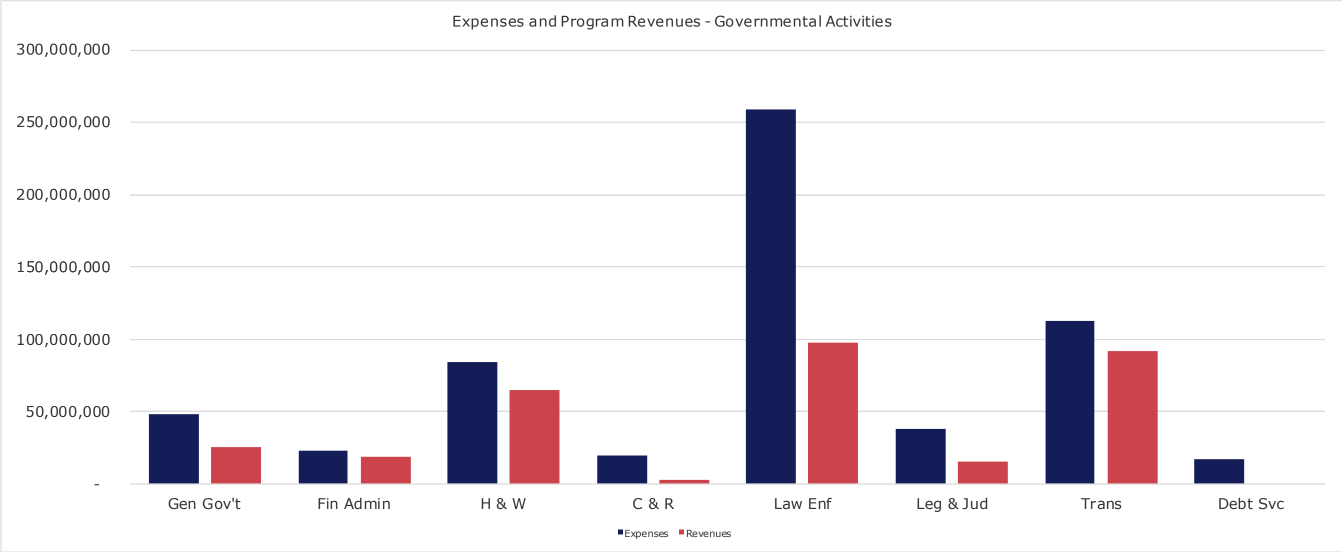
The County's total revenues of $681,768,583 is an increase from the prior year. Property tax revenue accounts for $330,203,259, or 48.4%, and is an increase over last year of $29,870,114. The increase is primarily due to increasing property values as the County continues to see increased population and commercial development, as people continue to relocate to the County. These both contribute greatly to increase appraisal values and subsequent tax collections.

Program revenues of fees, fines, forfeitures, and charges for services comprise $151,116,952, or 22.2%; and grants and contributions encompass $166,520,231, or 24.4% of total revenues of governmental activities. Operating Grants and Contributions were $92,318,848, an increase of $14,248,698 largely due an increase in use of ARPA funding received in response to the recovery efforts from COVID-19. Capital Grants and Contributions experienced an increase of $23,953,053 due to more and larger infrastructure contributions.

The County's governmental activities expenses for the year totaled $603,315,102, an increase of $22,184,061 from the prior fiscal period. The increase is primarily due to the recognition of pension expense, resulting in an increase to the County's net pension liability of $16,316,801, an increase of $90,027,989 from the prior fiscal period.

The overall financial position of the County has improved over the last year. As mentioned earlier, there is an increase in the governmental activities net position of $78,453,481. The reason for this change is an increase in federal and state funding, combined with more receipts from charges for services (fees, permits, citations, etc.).

The following chart depicts expenses and program revenues for the fiscal year ending September 30, 2024 for governmental activities.

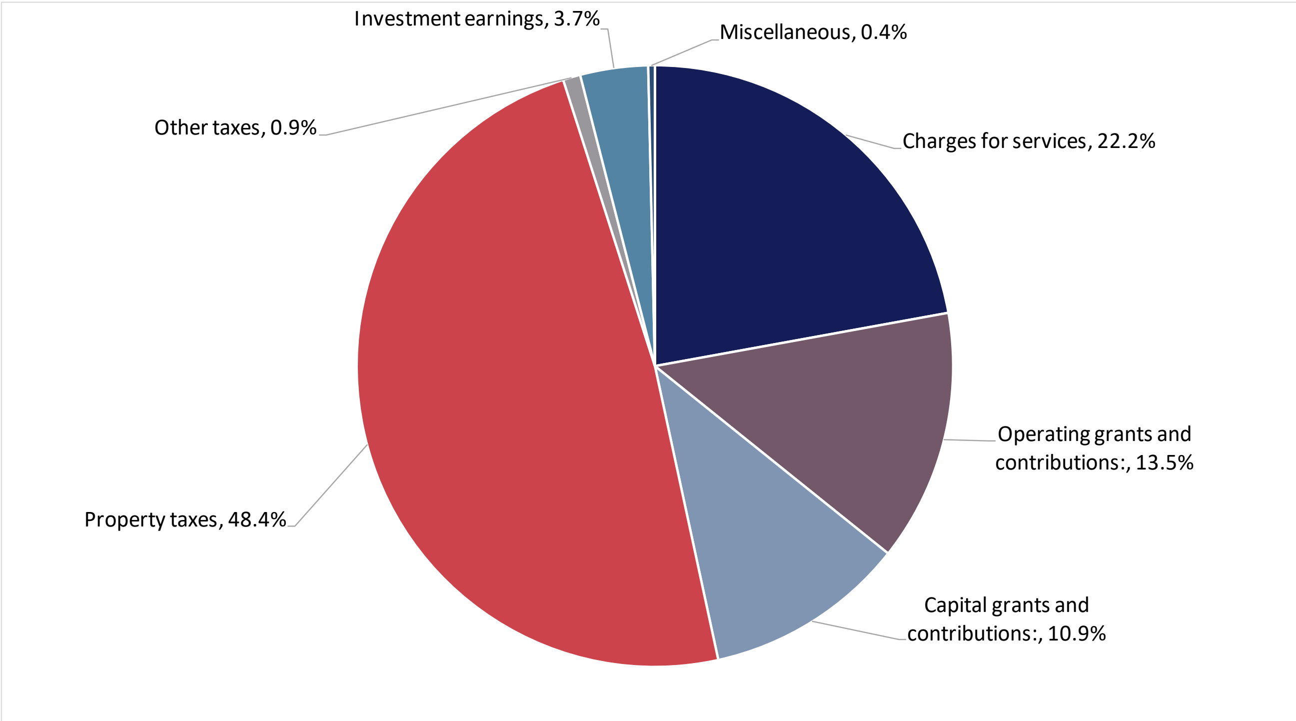


Key elements of the analysis of government-wide program revenues and expenses as they relate to each function reflect the following:

- Program revenues of $317,637,183 are comprised in large part (20.4%) of Health & Human Services' revenues of $64,709,829 and Public Transportation's revenues of $92,119,301 (29.0%). The Law Enforcement and Corrections function comprises 30.9% of program revenues with $98,010,740, General Government makes up 8.0% of program revenues with $25,565,830, and Financial Administration covers 6.1% of program revenues with $19,276,461. The expenses of these functions account for 14.0%, 18.8%, 42.9%, 8.1%, and 3.8%, respectively. As expected, general revenues provided the required support and coverage in areas where expenses exceeded revenues.

- The Health and Human Services function experienced an increase in expenses of $11,511,865 and an increase in revenues of $11,989,136 while the law enforcement and corrections function experienced an increase in expenses of $15,302,744 and an increase in revenues of $12,055,032.

The following chart depicts revenues of the governmental activities for the fiscal year ended September 30, 2024.



Business-type Activities

For the County's business-type activities, the results for the current year were positive in that overall net position was $4,476,444. Fees and Charges for Services of $20,182,274 comprised 90.8% of total revenues for business-type activities. This amount represents the toll revenue receipts from the SH 249 Tollway. Toll Road expenses increased to $22,343,039, an increase of $1,647,368 primarily due acquisition of right-of-way and donation to the County, along with various road projected the Toll Road is embarking to improve connectivity and mobility on and around SH 249.

GOVERNMENTAL FUND FINANCIAL ANALYSIS

Montgomery County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds are a means of providing information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing Montgomery County's financing requirements. In particular, fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of September 30, 2024, the County's governmental funds reported combined ending unassigned fund balances of $60,560,587 that are available for spending at the County's discretion. The remainder of fund balances are categorized as restricted $52,491,527, committed $13,762,535 or assigned $90,000,000 to reflect the varying levels of liquidity.

Total assets and deferred outflows of resources in the General Fund amounted to $297,699,758, accounting for 64.0% of total governmental fund assets. The total assets of other major funds, which include Road and Bridge Special Revenue Fund ($29,402,007) the Debt Service Fund ($12,536,360), the Grants Fund ($26,832,505), the Pass-through Toll Projects Fund ($61,553,060), the Road Bonds 2018B Fund ($3,951,152), and the Road Bonds Issue Reimbursement Fund ($8,100,937). Together, all major funds account for $440,075,779 (94.5%) of the County's $465,444,667 in total assets.

The County's General Fund balance increased by $8,892,644 during the current fiscal year. Key factors in this increase are as follows:

- Increase in amount of interest earnings on investments, caused by increased investment balances and higher rates on return.
- Increase in contract revenues received.
- Increase in tax collections, caused by a growing tax base.

As part of long-range planning, management has pledged to continue maintaining the level of the General Fund's unassigned fund balance at an amount between 10 and 15 percent of annual operating expenditures.

The Road and Bridge Special Revenue Fund has a total fund balance of $22,363,812 which is reported as $5,996,432 as committed and $16,367,380 as restricted. The fund balance decreased by $634,092 during the current year due to increases in Road and Bridge expenses.

The fund balance of $11,439,108 in the Debt Service Fund is presented as fund balance restricted for debt service. The fund balance decreased due to regularly scheduled principal payments on outstanding bond, combined with the lack of new bond issuances.

The Grants Fund has a total fund balance of ($6,938,456) which is reported as unassigned. Fund balance decreased due to significant disaster recovery expenditures not yet reimbursed.

The Pass-through Toll Projects fund has a total fund balance of $0. Fund balance decreased by $7,831,631 due to the planned spending on capital projects.

The Road Bonds 2018B fund balance decreased by $2,523,950 to an ending balance of $1,575,524. This decrease was caused by the spending down of bond funds issued in prior years.

The Road Bonds Issue Reimbursement fund has a total fund balance of which is reported as restricted. Fund balance increased $7,111,375 due to a large transfer from the Road Bonds 2018B fund.

GENERAL FUND BUDGETARY HIGHLIGHTS

The published budget of Montgomery County for fiscal year 2024 was prepared on a modified accrual basis, and includes all elements required by Texas Local Government Code Section 111.063, applicable to counties of population more than 125,000 that have an appointed County Budget Officer. The original adopted budget of the General Fund includes revenues of $316,525,227 and expenditures of $294,344,655. The General Fund's final budget, as amended, contains revenues and other financing sources of $337,271,094 and expenditures and other financing uses of $353,680,271.

The following table presents the changes between the original adopted budget and the final budget for the General Fund as of September 30, 2024.

GENERAL FUND
BUDGET VARIANCES
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Original Budget	Final Budget	Variance with Original Budget Positive (Negative)
REVENUES			
Taxes	$ 256,376,830	$ 259,376,830	$ 3,000,000
Fees	18,770,664	19,724,862	954,198
Intergovernmental	851,588	1,465,230	613,642
Licenses and permits	2,338,000	2,501,289	163,289
Contract reimbursements	35,840,645	43,716,864	7,876,219
Investment earnings	1,500,000	3,982,000	2,482,000
Fines and forfeitures	490,000	490,000	-
Commissions	3,000	275,461	272,461
Miscellaneous	354,500	1,149,890	795,390
Total revenues	316,525,227	332,682,426	16,157,199
EXPENDITURES			
Current:			
General government	54,191,639	50,947,904	3,243,735
Financial administration	22,499,452	22,656,689	(157,237)
Health and human services	14,929,247	19,127,953	(4,198,706)
Culture and recreation	13,508,537	13,539,662	(31,125)
Law enforcement and corrections	151,604,371	191,455,775	(39,851,404)
Legal and judicial	36,257,516	36,651,655	(394,139)
Transportation	1,353,893	1,339,879	14,014
Debt service:			
Principal retirement	-	4,393,170	(4,393,170)
Interest and fiscal charges	-	322,278	(322,278)
Total expenditures	294,344,655	340,434,965	(46,090,310)
EXCESS (DEFICIENCY) REVENUES OVER EXPENDITURES	22,180,572	(7,752,539)	(29,933,111)
OTHER FINANCING SOURCES/(USES)			
Sale of capital assets	200,000	200,000	-
Insurance settlement	-	978	978
Issuance of SBITA	-	649,524	649,524
Transfers in	-	3,738,166	3,738,166
Transfers out	-	(13,245,306)	(13,245,306)
Total other financing sources/(uses)	200,000	(8,656,638)	(8,856,638)
NET CHANGE IN FUND BALANCES	22,380,572	(16,409,177)	(38,789,749)
FUND BALANCES, BEGINNING	149,531,821	149,531,821	-
FUND BALANCES, ENDING	$ 171,912,393	$ 133,122,644	$ (38,789,749)

Final budgeted revenues were higher than originally planned by $16,157,199. The final budget for contract reimbursements was $7,876,219 more than the original budget. During the original budget process, Commissioners' Court does not budget for funds that are not at the discretion of the County to spend. Additionally, during the course of the fiscal year, the County entered into several contracts for law enforcement services with local agencies. These contracts were also contributing factors to the increase in the budget for contract reimbursements.

The originally unanticipated revenue partially offsets the expenditure differences of $46,090,310 between the original budget and the final amended budget.

Funds that were originally scheduled in prior fiscal years were not included in the original budget for fiscal year 2024. This practice reflects the County's policy of letting encumbrances lapse at year-end and re-appropriating them in the current year. This policy created increases in the amended budget for carryovers from the prior year in the Health and Human Services, Law Enforcement and Corrections, Legal and Judicial, and Transportation functions.

The following table presents the differences between the final amended budget and actual revenues and expenditures for the General Fund as of September 30, 2024.

GENERAL FUND
BUDGET VARIANCES
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Taxes	$ 259,376,830	$ 259,522,968	$ 146,138
Fees	19,724,862	20,458,083	733,221
Intergovernmental	1,465,230	2,529,840	1,064,610
Licenses and permits	2,501,289	1,998,059	(503,230)
Contract reimbursements	43,716,864	39,483,142	(4,233,722)
Investment earnings	3,982,000	16,821,784	12,839,784
Fines and forfeitures	490,000	455,378	(34,622)
Commissions	275,461	310,606	35,145
Miscellaneous	1,149,890	1,129,631	(20,259)
Total revenues	332,682,426	342,709,491	10,027,065
EXPENDITURES			
Current:			
General government	50,947,904	52,918,627	(1,970,723)
Financial administration	22,656,689	21,999,658	657,031
Health and human services	19,127,953	14,623,105	4,504,848
Culture and recreation	13,539,662	13,298,655	241,007
Law enforcement and corrections	191,455,775	183,118,269	8,337,506
Legal and judicial	36,651,655	35,563,357	1,088,298
Transportation	1,339,879	1,289,602	50,277
Debt service:			
Principal retirement	4,393,170	4,065,884	327,286
Interest and fiscal charges	322,278	281,055	41,223
Total expenditures	340,434,965	327,158,212	13,276,753
EXCESS (DEFICIENCY) REVENUES OVER EXPENDITURES	(7,752,539)	15,551,279	23,303,818
OTHER FINANCING SOURCES/(USES)			
Sale of capital assets	200,000	141,845	(58,155)
Insurance settlement	978	978	-
Issuance of lease	-	-	-
Issuance of SBITA	649,524	649,524	-
Transfers in	3,738,166	3,749,666	11,500
Transfers out	(13,245,306)	(11,200,648)	2,044,658
Total other financing sources/(uses)	(8,656,638)	(6,658,635)	1,998,003
NET CHANGE IN FUND BALANCES	(16,409,177)	8,892,644	25,301,821
FUND BALANCES, BEGINNING	149,531,821	149,531,821	-
FUND BALANCES, ENDING	$ 133,122,644	$ 158,424,465	$ 25,301,821

Actual revenues exceeded budgeted revenues by $10,027,065. An increase in fees and charges for services and taxes helped cover the budget shortfall of $4,233,722 in contract reimbursements.

Actual expenditures were $13,276,753 lower than final budgeted expenditures. The Law enforcement and corrections function showed actual expenditures less than the final budget by $8,337,506, which was the main driver, along with some savings across all functions.

The majority of departments in the Legal and Judicial function of the General Fund expended less than was approved in the final amended budget by $1,088,298.

The actual net change in fund balance was $25,301,821 more than anticipated with the final budget. This is primarily the result of the General Fund receiving more interest earnings from investments than anticipated.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Montgomery County's investment in capital assets for its governmental and business-type activities as of September 30, 2024 amounted to $1,229,035,460 (net of accumulated depreciation). This investment in capital assets includes land and easements, buildings, improvements, equipment, intangibles, infrastructure that was purchased, completed or donated since the fiscal year 1981, right to use assets, and construction in progress.

Major capital asset events during the current fiscal year included the following:

- Montgomery County continues to grow; it is continually ranked in the top 100 fastest growing counties in the nation. This brisk growth brings with it a need for vast improvements to a rural infrastructure system that must also cope with an influx of traffic. Development frequently comes with donations in the form of roads. Infrastructure donations for the year totaled $74,201,383.

- A variety of projects for both new infrastructure construction and for expansion or updating of existing infrastructure were ongoing during the year.

- Expenditures of $16,180,220 were incurred for construction that was in progress throughout the year. Projects that were completed from ongoing construction throughout the year totaled $26,425,967.

- Vehicles and other various equipment items were acquired at a cost of $17,660,583.

- Increases in assets for governmental and business-type activities were offset by depreciation expense of $79,180,142 and $4,046,819 respectively.

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Land	$ 196,984,047	$ 159,922,435	$ -	$ -	$ 196,984,047	$ 159,922,435
Buildings	148,424,544	148,158,858	-	-	148,424,544	148,158,858
Improvements	5,837,672	5,560,262	-	-	5,837,672	5,560,262
Equipment	63,828,132	62,342,749	87,647	56,321	63,915,779	62,399,070
Infrastructure	736,735,461	709,422,588	59,715,684	63,303,986	796,451,145	772,726,574
Right to use equipment	2,297,522	3,514,525	-	-	2,297,522	3,514,525
Right to use building	443,297	559,055	-	-	443,297	559,055
Right to use software	4,160,846	5,455,455		-	4,160,846	5,455,455
Construction in progress	9,462,945	19,708,692	1,057,663	1,057,663	10,520,608	20,766,355
Total	$ 1,168,174,466	$ 1,114,644,619	$ 60,860,994	$ 64,417,970	$ 1,229,035,460	$ 1,179,062,589

More information on the County's capital assets can be found in Note 6 starting on page 43 of this report.

Long-Term Liabilities

At September 30, 2024, Montgomery County governmental activities had total bonded debt outstanding of $504,160,000. Commissioners' Court keeps maturity dates confined to no more than 30 years. The County has maintained an underlying rating by Standard & Poor's of "AA+" and an underlying rating by Moody's of "Aaa". The County issues three types of debt; general obligation bonds are approved by the voters of the County while revenue bonds and certificates of obligation are approved by Commissioners' Court. Of the County's total debt, $396,705,000 corresponds to general obligation debt, $86,180,000 is in the form of revenue bonds and $21,275,000 represents certificates of obligation.

Outstanding bonded debt for governmental activities decreased by $23,685,000. This due to regularly scheduled principal payments.

Outstanding bonded debt for the business-type activities, the Montgomery County Toll Road Authority decreased due to premium amortization, and a principal payment of $1,000,000 made in September 2024.

The following table represents the entire long-term liabilities of the County at September 30, 2024 on a comparative basis.

Montgomery County, Texas
Outstanding Long-Term Liabilities

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
General obligation bonds	$ 396,705,000	$ 419,315,000	$ -	$ -	$ 396,705,000	$ 419,315,000
Revenue bonds	-	-	86,180,000	87,180,000	86,180,000	87,180,000
Certificates of obligation	21,275,000	22,350,000	-	-	21,275,000	22,350,000
Leases	2,915,337	4,215,745	-	-	2,915,337	4,215,745
SBITA's	4,113,544	5,516,232	-	-	4,113,544	5,516,232
Financed purchases	8,559,719	11,556,936	-	-	8,559,719	11,556,936
Premiums, net of discounts	31,834,967	35,716,930	6,169,014	6,437,232	38,003,981	42,154,162
Compensated absences	15,504,620	14,109,166	-	-	15,504,620	14,109,166
Property casualty obligation	1,688,881	1,203,943	-	-	1,688,881	1,203,943
Medical obligation	6,846,686	8,893,653	-	-	6,846,686	8,893,653
Worker's comp obligation	5,128,429	1,713,593	-	-	5,128,429	1,713,593
Net pension liability	16,316,801	42,552,746	-	-	16,316,801	42,552,746
OPEB liability	258,156,899	222,570,859	-	-	258,156,899	222,570,859
Total	$ 769,045,883	$ 789,714,803	$ 92,349,014	$ 93,617,232	$ 861,394,897	$ 883,332,035

The County is authorized under Article III, Section 52 of the State Constitution to issue bonds payable from ad valorem taxes for the construction and maintenance of roads. There is no constitutional or statutory limit as to rate on bonds issued pursuant to such constitutional provision. However, the amount of bonds that may be issued is limited to 25% of the assessed valuation of real property in the County. The current debt limitation for the County is $437,695,000, which is significantly greater than the County's outstanding debt obligation.

Additional information on Montgomery County's long-term debt can be found in Note 8 beginning on page 45-48 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- The unemployment rate for the County is currently 4.2%, which is higher than the rate of 3.5% a year ago. This equals the State's average unemployment rate, and slightly lower than the national average rate of 4.1%.
- The estimated debt service obligation increased by $2,227.21 in fiscal year 2024 to $46,936,540.21.
- In fiscal year 2016, the County began budgeting for various capital improvements through the annual budget process rather than relying on the issuance of debt. To continue this effort, contained within the fiscal year 2024 budget is funding in the amount of $9,205,187 for this endeavor.
- For fiscal year 2023, the County adopted the effective tax rate of $0.3696/$100 valuation.

All of these factors were considered in preparing the Adopted Budget of Montgomery County, Texas for the fiscal year ending September 30, 2024.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Montgomery County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Montgomery County Auditor, P. O. Box 539, Conroe, Texas 77305-0539.

BASIC
FINANCIAL STATEMENTS

MONTGOMERY COUNTY, TEXAS **EXHIBIT I**

STATEMENT OF NET POSITION

SEPTEMBER 30, 2024

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash	$ 211,643,026	$ 1,519,273	$ 213,162,299
Investments	71,702,661	35,384,932	107,087,593
Receivables:			
Taxes (net)	9,686,507	-	9,686,507
Accounts (net)	25,881,784	1,739,316	27,621,100
Interest	636,913	-	636,913
Due from other governments	130,697,506	-	130,697,506
Internal balances	574,050	(574,050)	-
Prepaid items	646,698	-	646,698
Capital assets, net of accumulated depreciation			
Nondepreciable	206,446,992	-	206,446,992
Depreciable	961,727,474	60,860,994	1,022,588,468
Total assets	1,619,643,611	98,930,465	1,718,574,076
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows from pensions	34,583,197	-	34,583,197
Deferred outflows from OPEB	67,540,717	-	67,540,717
Deferred charge on refunding	4,108,647	-	4,108,647
Total deferred outflows of resources	106,232,561	-	106,232,561
LIABILITIES			
Accounts payable	23,326,375	-	23,326,375
Retainage payable	1,347,594	-	1,347,594
Accrued liabilities	33,317,274	1,925,465	35,242,739
Accrued interest payable	1,787,477	179,542	1,967,019
Due to other governments	21,380	-	21,380
Unearned revenue	125,260,367	-	125,260,367
Litigation payable	610,000	-	610,000
Noncurrent liabilities:			
Due within one year:			
Long-term debt	33,901,707	1,500,000	35,401,707
Claims payable	3,415,999	-	3,415,999
Total OPEB liability	4,568,401	-	4,568,401
Due in more than one year:			
Long-term debt	447,006,480	90,849,014	537,855,494
Claims payable	10,247,997	-	10,247,997
Net pension liability	16,316,801	-	16,316,801
Total OPEB liability	253,588,498	-	253,588,498
Total liabilities	954,716,350	94,454,021	1,049,170,371

The accompanying notes are an integral part of this financial statement.

MONTGOMERY COUNTY, TEXAS

EXHIBIT I

STATEMENT OF NET POSITION

SEPTEMBER 30, 2024

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows from leases	$ 6,429,780	$ -	$ 6,429,780
Deferred inflows from pensions	318,338	-	318,338
Deferred inflows from OPEB	72,274,485	-	72,274,485
Deferred charge on refunding	944,092	-	944,092
Total Deferred Inflows of Resources	79,966,695	-	79,966,695
NET POSITION			
Net investment in capital assets	706,163,384	(20,301,084)	684,950,076
Restricted for:			
General government	6,926,819	-	6,926,819
Law enforcement and corrections	22,157,292	-	22,157,292
Legal and judicial	2,643,759	-	2,643,759
Debt service	12,536,360	-	12,536,360
Capital projects	158,677	-	158,677
Road and bridge	17,416,940	-	17,416,940
Unrestricted	(76,810,104)	24,777,528	(51,120,352)
Total net position	$ 691,193,127	$ 4,476,444	$ 695,669,571

Note: The County has issued bonds to acquire capital assets that were previously reported in business-type activities. However, in a prior year, capital assets in the amount of $912,224 were contributed from the business-type activities to the governmental activities. Accordingly, the capital asset and related borrowing are reported in different activity columns but within the same primary government total column. As a result, the amount of net investment in capital assets and unrestricted net position do not crossfoot.

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MONTGOMERY COUNTY, TEXAS **EXHIBIT II**

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2024

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
					Primary Government		
Functions/Programs	Expenses	Fees, Fines, Forfeitures, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary government:							
Governmental activities:							
General government	$ 48,655,377	$ 9,502,191	$ 16,063,639	$ -	$ (23,089,547)	$ -	$ (23,089,547)
Financial administration	22,723,951	19,276,461	-	-	(3,447,490)	-	(3,447,490)
Health and human services	84,226,843	2,745,645	61,964,184	-	(19,517,014)	-	(19,517,014)
Culture and recreation	19,581,087	1,875,696	925,524	-	(16,779,867)	-	(16,779,867)
Law enforcement and corrections	259,004,431	86,479,813	11,530,927	-	(160,993,691)	-	(160,993,691)
Legal and judicial	38,489,122	13,677,709	1,476,093	-	(23,335,320)	-	(23,335,320)
Transportation	113,205,717	17,559,437	358,481	74,201,383	(21,086,416)	-	(21,086,416)
Interest and fiscal charges	17,428,574	-	-	-	(17,428,574)	-	(17,428,574)
Total governmental activities	603,315,102	151,116,952	92,318,848	74,201,383	(285,677,919)	-	(285,677,919)
Business-type activities:							
Toll road	22,343,039	20,182,274	-	-	-	(2,160,765)	(2,160,765)
Total business-type activities	22,343,039	20,182,274	-	-	-	(2,160,765)	(2,160,765)
Total primary government	$ 625,658,141	$ 171,299,226	$ 92,318,848	$ 74,201,383	(285,677,919)	(2,160,765)	(287,838,684)
		General revenues and transfers:					
		Property taxes			330,203,259	-	330,203,259
		Other taxes			6,419,585	-	6,419,585
		Investment earnings			25,056,950	2,038,261	27,095,211
		Miscellaneous			2,451,606	-	2,451,606
		Total general revenues and transfers			364,131,400	2,038,261	366,169,661
		Change in net position			78,453,481	(122,504)	78,330,977
		Net position - beginning			612,739,646	4,598,948	617,338,594
		Net position - ending			$ 691,193,127	$ 4,476,444	$ 695,669,571

The accompanying notes are an integral part of this financial statement.

MONTGOMERY COUNTY, TEXAS

BALANCE SHEET
GOVERNMENTAL FUNDS

SEPTEMBER 30, 2024

	General	Road and Bridge	Debt Service	Grants
ASSETS				
Cash	$152,854,773	$ 27,889,423	$ 9,517,325	$ 309
Investments	66,063,694	359,415	693,030	692,280
Receivables:				
Taxes (net)	7,327,784	1,153,159	1,205,564	-
Accounts (net)	21,282,422	10	185,831	562,489
Interest	636,913	-	-	-
Due from other funds	7,323,303	-	934,610	-
Due from other governments	42,210,869	-	-	25,577,427
Total assets	297,699,758	29,402,007	12,536,360	26,832,505
LIABILITIES				
Accounts payable	23,298,674	-	-	27,634
Retainage payable	1,347,594	-	-	-
Accrued liabilities	33,317,274	-	-	-
Due to other funds	-	5,988,635	-	17,254,781
Due to other governments	21,380	-	-	-
Unearned revenue	63,415,082	-	-	292,225
Total liabilities	121,400,004	5,988,635	-	17,574,640
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue: property taxes	6,669,448	1,049,560	1,097,252	-
Unavailable revenue: court fines	5,235,735	-	-	-
Unavailable revenue: grant funds	-	-	-	15,736,647
Lease-related	5,970,106	-	-	459,674
Total deferred inflows of resources	17,875,289	1,049,560	1,097,252	16,196,321
FUND BALANCES				
Restricted	-	16,367,380	11,439,108	-
Committed	925,422	5,996,432	-	-
Assigned	90,000,000	-	-	-
Unassigned	67,499,043	-	-	(6,938,456)
Total fund balances	158,424,465	22,363,812	11,439,108	(6,938,456)
Total liabilities, deferred inflows of resources and fund balances	$297,699,758	$ 29,402,007	$ 12,536,360	$ 26,832,505

The accompanying notes are an integral part of this financial statement.

Pass-through Toll Projects	Road Bonds 2018B	Road Bonds Issue Reimbursement	Nonmajor Governmental Funds	Total Governmental Funds
$ -	$ 3,951,152	$ 8,100,937	$ 6,853,570	$ 209,167,489
-	-	-	3,894,242	71,702,661
-	-	-	-	9,686,507
-	-	-	3,424	22,034,176
-	-	-	-	636,913
-	-	-	13,261,502	21,519,415
61,553,060	-	-	1,356,150	130,697,506
61,553,060	3,951,152	8,100,937	25,368,888	465,444,667
-	-	-	67	23,326,375
-	-	-	-	1,347,594
-	-	-	-	33,317,274
-	2,375,628	1,141,322	2,378,240	29,138,606
-	-	-	-	21,380
61,553,060	-	-	-	125,260,367
61,553,060	2,375,628	1,141,322	2,378,307	212,411,596
-	-	-	-	8,816,260
-	-	-	-	5,235,735
-	-	-	-	15,736,647
-	-	-	-	6,429,780
-	-	-	-	36,218,422
-	1,575,524	6,959,615	16,149,900	52,491,527
-	-	-	6,840,681	13,762,535
-	-	-	-	90,000,000
-	-	-	-	60,560,587
-	1,575,524	6,959,615	22,990,581	216,814,649
$ 61,553,060	$ 3,951,152	$ 8,100,937	$ 25,368,888	$ 465,444,667

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MONTGOMERY COUNTY, TEXAS

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION

SEPTEMBER 30, 2024

Total fund balances, governmental funds	$ 216,814,649
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the fund financial statements, but are reported in the governmental activities of the Statement of Net Position.	1,167,481,301
Deferred losses on refundings are not included in the fund financial statements, but are included in the governmental activities of the Statement of Net Position.	4,108,647
Deferred gains on refundings are not included in the fund financial statements, but are included in the governmental activities of the Statement of Net Position.	(944,092)
Deferred outflows of resources for pension-related activities are not included in the fund financial statements, but are included in the Statement of Net Position.	34,583,197
Deferred outflows of resources for OPEB-related activities are not included in the fund financial statements, but are included in the Statement of Net Position.	67,540,717
Internal Service funds are used by the County's management to charge the costs of health insurance, workers' compensation insurance, and property and casualty insurance to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. The net effect of this consolidation is to increase net position.	1,582,253
Some liabilities, such as long-term bonds payable, financed purchases, leases payable, and compensated absences, are not due and payable in the current period and are not included in the fund financial statements, but are reported in the Statement of Net Position.	
Bonds payable	(449,814,967)
Financed purchases	(8,559,719)
Subscriptions payable	(4,113,544)
Leases payable	(2,915,337)
Compensated absences	(15,504,620)
Net pension liability	(16,316,801)
Total OPEB liability	(258,156,899)
Interest on long-term debt	(1,787,477)
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	
Property taxes	8,816,260
Court fines	5,235,735
Grants	15,736,647
Deferred inflows of resources for pension-related activities are not included in the fund financial statements, but are included in the Statement of Net Position.	(318,338)
Deferred inflows of resources for OPEB-related activities are not included in the fund financial statements, but are included in the Statement of Net Position.	(72,274,485)
Net position of governmental activities	$ 691,193,127

The accompanying notes are an integral part of this financial statement.

MONTGOMERY COUNTY, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2024

	General	Road and Bridge	Debt Service	Grants
REVENUES				
Taxes	$259,522,968	$ 40,326,299	$ 41,794,168	$ -
Fees and charges for services	20,458,083	941,820	-	-
Intergovernmental	2,529,840	180,140	379,370	73,362,638
Licenses and permits	1,998,059	9,437,806	-	-
Contract reimbursements	39,483,142	4,918,871	-	-
Inmate housing	-	-	-	-
Investment earnings	16,821,784	1,884,969	753,513	11,054
Fines and forfeitures	455,378	1,222,946	-	-
Commissions	310,606	-	-	-
Miscellaneous	1,129,631	713,905	-	545,470
Total revenues	342,709,491	59,626,756	42,927,051	73,919,162
EXPENDITURES				
Current:				
General government	52,918,627	-	-	258,275
Financial administration	21,999,658	-	-	90,226
Health and human services	14,623,105	2,371,152	-	72,769,253
Culture and recreation	13,298,655	3,799,538	-	1,299,087
Law enforcement and corrections	183,118,269	457,296	-	12,778,651
Legal and judicial	35,563,357	-	-	612,672
Transportation	1,289,602	48,824,716	-	636,676
Capital projects	-	-	-	-
Debt service:				
Principal retirement	4,065,884	50,431	23,685,000	345,786
Interest and fiscal charges	281,055	7,319	20,031,789	41,623
Total expenditures	327,158,212	55,510,452	43,716,789	88,832,249
EXCESS (DEFICIENCY) REVENUES OVER EXPENDITURES	15,551,279	4,116,304	(789,738)	(14,913,087)
OTHER FINANCING SOURCES/(USES)				
Sale of capital assets	141,845	85,093	-	-
Insurance settlement	978	-	-	-
Transfers in	3,749,666	308,059	770,075	2,871,274
Transfers out	(11,200,648)	(5,143,548)	-	(770,062)
Issuance of subscription	649,524	-	-	98,375
Total other financing sources and uses	(6,658,635)	(4,750,396)	770,075	2,199,587
NET CHANGE IN FUND BALANCES	8,892,644	(634,092)	(19,663)	(12,713,500)
FUND BALANCES, BEGINNING	149,531,821	22,997,904	11,458,771	5,775,044
FUND BALANCES, ENDING	$158,424,465	$ 22,363,812	$ 11,439,108	$ (6,938,456)

The accompanying notes are an integral part of this financial statement.

Pass-through Toll Projects	Road Bonds 2018B	Road Bonds Issue Reimbursement	Nonmajor Governmental Funds	Total Governmental Funds
$ -	$ -	$ -	$ 916,766	$ 342,560,201
-	-	-	7,268,918	28,668,821
-	-	101,511	136,178	76,689,677
-	-	-	-	11,435,865
-	-	-	2,174,693	46,576,706
-	-	-	41,139,727	41,139,727
-	264,528	850,529	4,580,497	25,166,874
-	-	-	3,417,969	5,096,293
-	-	-	-	310,606
-	-	-	51,546	2,440,552
-	264,528	952,040	59,686,294	580,085,322
-	-	-	3,527,614	56,704,516
-	-	-	-	22,089,884
-	-	-	-	89,763,510
-	-	-	-	18,397,280
-	-	-	46,477,504	242,831,720
-	-	-	1,155,198	37,331,227
-	-	-	-	50,750,994
7,886,973	2,788,478	8,063,415	15,096,908	33,835,774
-	-	-	1,687,253	29,834,354
-	-	-	173,346	20,535,132
7,886,973	2,788,478	8,063,415	68,117,823	602,074,391
(7,886,973)	(2,523,950)	(7,111,375)	(8,431,529)	(21,989,069)
-	-	-	-	226,938
-	-	-	-	978
55,342	-	-	6,885,513	14,639,929
-	-	-	(2,123,981)	(19,238,239)
-	-	-	-	747,899
55,342	-	-	4,761,532	(3,622,495)
(7,831,631)	(2,523,950)	(7,111,375)	(3,669,997)	(25,611,564)
7,831,631	4,099,474	14,070,990	26,660,578	242,426,213
$ -	$ 1,575,524	$ 6,959,615	$ 22,990,581	$ 216,814,649

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MONTGOMERY COUNTY, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2024

Net change in fund balances - governmental funds balance sheet	$ (25,611,564)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.	
Capital outlay	125,777,792
Depreciation	(79,154,977)
Disposal of capital assets	7,231,054
Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned.	
Property taxes	872,055
Court fines	661,000
Grants	15,629,171
Governmental funds report debt proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of debt principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities.	
Issuance of debt	(747,899)
Principal repayment	29,834,354
Amortization of premiums	2,994,576
Internal Service funds are used by the County's management to charge the costs of health insurance, workers' compensation insurance, and property and casualty insurance to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. The net effect of this consolidation is to increase net position.	314,024
Some expenses reported in the Statement of Activities do not require the use of current financial resources and these are not reported as expenditures in the governmental funds:	
Interest	111,982
Pension income	9,801,493
Other postemployment benefits cost	(7,864,126)
Compensated absences	(1,395,454)
Change in net position of governmental activities	$ 78,453,481

MONTGOMERY COUNTY, TEXAS

EXHIBIT VI

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

SEPTEMBER 30, 2024

	Enterprise Fund	
	Toll Road Authority	Internal Service Funds
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,519,273	$ 2,475,537
Prepaid items	-	646,698
Investments	27,163,133	-
Accounts receivable	1,739,316	3,847,608
Due from other funds	-	8,193,241
Total current assets	30,421,722	15,163,084
Noncurrent assets:		
Restricted investments	8,221,799	-
Capital assets:		
Buildings	-	951,264
Improvements	-	2,394
Equipment	157,152	88,535
Infrastructure	79,390,678	-
Construction in progress	1,491,034	-
Less: accumulated depreciation	(20,177,870)	(349,028)
Total noncurrent assets	69,082,793	693,165
Total assets	99,504,515	15,856,249
LIABILITIES		
Current liabilities:		
Accounts payable	-	-
Accrued interest payable	179,542	-
Due to other funds	574,050	-
Accrued liabilities	1,925,465	-
Claims payable	-	3,415,999
Litigation payable	-	610,000
Long-term debt	1,500,000	-
Total current liabilities	4,179,057	4,025,999
Noncurrent liabilities:		
Claims payable	-	10,247,997
Long-term debt	90,849,014	-
Total noncurrent liabilities	90,849,014	10,247,997
Total liabilities	95,028,071	14,273,996
NET POSITION		
Net investment in capital assets	(20,301,084)	693,165
Unrestricted	24,777,528	889,088
Total net position	$ 4,476,444	$ 1,582,253

The accompanying notes are an integral part of this financial statement.

MONTGOMERY COUNTY, TEXAS

EXHIBIT VII

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Enterprise Fund Toll Road Authority	Internal Service Funds
OPERATING REVENUES		
Fees and charges for service	$ 20,182,274	$ 66,075,211
Miscellaneous	-	81,134
Total operating revenues	20,182,274	66,156,345
OPERATING EXPENSES		
Maintenance and operations	939,163	-
Claims	-	57,616,393
Administrative	2,350,817	12,474,116
Project enhancement	8,865,670	-
Miscellaneous	-	324,958
Depreciation and amortization	4,046,819	25,164
Total operating expenses	16,202,469	70,440,631
OPERATING INCOME (LOSS)	3,979,805	(4,284,286)
NON-OPERATING REVENUES AND (EXPENSES)		
Investment earnings	2,038,261	-
Interest and fiscal charges	(4,087,657)	-
Loss on disposal of capital assets	(2,052,913)	-
Total non-operating revenues and (expenses)	(4,102,309)	-
Income (loss) before transfers	(122,504)	(4,284,286)
TRANSFERS IN (OUT)		
Transfer in	-	4,650,000
Transfer out	-	(51,690)
Total transfers in (out)	-	4,598,310
CHANGE IN NET POSITION	(122,504)	314,024
TOTAL NET POSITION, BEGINNING	4,598,948	1,268,229
TOTAL NET POSITION, ENDING	$ 4,476,444	$ 1,582,253

The accompanying notes are an integral part of this financial statement.

MONTGOMERY COUNTY, TEXAS

EXHIBIT VIII

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Enterprise Fund Toll Road Authority	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$ 19,975,217	$ 62,227,603
Miscellaneous receipts	-	81,134
Payments to vendors	(10,428,747)	(12,511,689)
Benefits Paid	-	(55,704,091)
Net cash provided (used) by operating activities	9,546,470	(5,907,043)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash received from other funds	-	5,060,123
Cash paid to other funds	35,869	-
Net cash provided (used) by noncapital financing activities	35,869	5,060,123
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	(2,542,756)	-
Principal paid on capital debt	(1,000,000)	-
Interest paid on capital debt	(4,359,000)	-
Net cash provided (used) by capital financing activities	(7,901,756)	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(2,964,638)	-
Interest received	2,038,261	-
Net cash provided (used) by investing activities	(926,377)	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	754,206	(846,920)
CASH AND CASH EQUIVALENTS - BEGINNING	765,067	3,322,457
CASH AND CASH EQUIVALENTS - ENDING	$ 1,519,273	$ 2,475,537
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) IN OPERATING ACTIVITIES		
Operating income (loss)	$ 3,979,805	$ (4,284,286)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense and amortization	4,046,819	25,164
(Increase) decrease in prepaid item	-	486,880
(Increase) decrease in accounts receivable	(207,057)	(3,847,608)
Increase (decrease) in accounts payable	(198,562)	-
Increase (decrease) in accrued liabilities	1,925,465	-
Increase (decrease) in litigation payable	-	(140,000)
Increase (decrease) in claims payable	-	1,852,807
Total adjustments	5,566,665	(1,622,757)
Net cash provided (used) by operating activities	$ 9,546,470	$ (5,907,043)

The accompanying notes are an integral part of this financial statement.

MONTGOMERY COUNTY, TEXAS

EXHIBIT IX

STATEMENT OF NET POSITION
FIDUCIARY FUNDS

SEPTEMBER 30, 2024

	Investment Trust	Custodial
ASSETS		
Cash	$ 23,307,769	$ 14,457,182
Total assets	23,307,769	14,457,182
LIABILITIES		
Accounts payable	-	2,825,845
Due to other entities	-	1,157,102
Total liabilities	-	3,982,947
NET POSITION		
Restricted for:		
Pool participants	23,307,769	-
Individuals and organizations	-	10,474,235
Total net position	$ 23,307,769	$ 10,474,235

The accompanying notes are an integral part of this financial statement.

MONTGOMERY COUNTY, TEXAS

EXHIBIT X

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Investment Trust	Custodial
ADDITIONS		
Fees	$ -	$ 26,799,179
Deposits held	42,243,665	36,061,180
Taxes collected on behalf of taxing entities	-	1,856,353,132
Interest income	-	2,427,843
Total additions	42,243,665	1,921,641,334
DEDUCTIONS		
Collections distributed	39,897,754	304,145,171
Deposits returned	-	40,882,724
Disbursements to beneficiaries	-	3,844,415
Taxes disbursed to taxing entities	-	1,571,010,486
Operational expenses	-	287,411
Total deductions	39,897,754	1,920,170,207
Net increase (decrease) in fiduciary net position	2,345,911	1,471,127
Net position - beginning	20,961,858	9,003,108
Net position - ending	$ 23,307,769	$ 10,474,235

The accompanying notes are an integral
part of this financial statement.

NOTES TO THE FINANCIAL STATEMENTS

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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of Montgomery County, Texas have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to local government units in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Following is a summary of the more significant policies.

A) REPORTING ENTITY:

Montgomery County, Texas (the County) was created in 1837. The County is a political subdivision of the State of Texas. The Commissioners' Court, composed of the County Judge and four Commissioners, governs the County. The following services are provided for the citizens: public safety, road and bridge construction and maintenance, health and social services, culture and recreation, public improvements, environmental protection, and administrative services.

Per GASB codification, the discussion that follows sets forth the guidelines for an entity's inclusion in the County's financial statements.

The definition of the reporting entity is based primarily on the notion of financial accountability. The elected officials governing Montgomery County are accountable to their constituents for their public policy decisions, regardless of whether those decisions are carried out directly through the operations of the County or by their appointees through the operations of a separate entity. Therefore, the County is not only financially accountable for the organizations that make up its legal entity but is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either, it is able to impose its will on that organization or, there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the County.

Depending upon the significance of the County's financial and operational relationships with various separate entities, the organizations are classified as blended or discrete component units, related organizations, joint ventures, or jointly governed organizations, and the financial disclosure is treated accordingly.

Blended Component Units - Legally separate entities that either a) have substantially the same governing body as the governing body of the primary government or b) provide services entirely, or almost entirely, to the primary government must be reported in the financial statements of the primary government as blended component units.

Montgomery County Toll Road Authority:

The Montgomery County Toll Road Authority was created by the Commissioners' Court of the County in August 2006. The Toll Road Authority serves all citizens of the County and is governed by the members of Commissioners' Court and is funded by a combination of debt proceeds and toll revenue. The Toll Road Authority was incorporated under the provisions of Texas Transportation Code Act, Chapter 431 with the purpose to aid in the planning, design, improvement and financing of transportation projects throughout Montgomery County. The Authority is reported as an enterprise fund and does issue separate financial statements, which are available at on the County's website.

Related Organizations - Where the Commissioners' Court is responsible for appointing a majority of the members of a board of another organization, but the County's accountability does not extend beyond making such appointments, disclosure is made in the form of the relation between the County and such organization.

Montgomery County Emergency Service Districts No. 1-14:

The emergency service districts are organized under the statutes of the State of Texas as political subdivisions of the State to provide protection from fire for life and property. Commissioners' Court appoints a five-member board for each district, and must approve the issuance of any long-term debt for each. Individual boards retain authority to levy taxes and approve or modify annual appropriation budgets. Inasmuch as each district is required by state law to have audited financial statements prepared, and because the exercise of authority by Commissioners' Court is of a compliant nature rather than substantive, these entities are not included in the County's financial statements.

Montgomery County Housing Authority:

The Montgomery County Housing Authority is organized as a public corporation pursuant to Chapter 392 of the Statutes of the State of Texas, Local Government Code. Its stated mission is the development, acquisition, leasing and administration of federally assisted housing programs under the direction of the U.S. Department of Housing and Urban Development. Commissioners' Court appoints a five-member board for the corporation, but may not remove a member at-will. There is also no financial interdependence between the corporation and the County. The corporation issues a separate financial report, which may be obtained from its offices at 521 N. Thompson Street, Conroe, Texas, 77301.

B) IMPLEMENTATION OF NEW STANDARD:

GASB Statement No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62.* The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The adoption of this standard did not result in a restatement of beginning fund balance or net position.

C) FINANCIAL STATEMENT PRESENTATION, MEASUREMENT FOCUS AND BASIS OF ACCOUNTING:

Government-wide Statements

Government-wide financial statements consist of the Statement of Net Position and the Statement of Activities. These statements report information on all of the non-fiduciary activities of the primary government and its blended component unit. The effect of inter-fund transfers has been removed from these statements but continues to be reflected on the fund statements. Governmental activities are supported mainly by taxes and intergovernmental revenues.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included in program revenues are reported as general revenues.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Major revenue types, which have been accrued, are district and county clerk fees, justice of the peace fines, revenue from investments, intergovernmental revenue and charges for services. Grants are recognized as revenue when all applicable eligibility requirements are met.

Fund-level Statements

Separate fund financial statements are provided for governmental funds, proprietary funds and fiduciary funds even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported in separate columns in the fund financial statements. Non-major funds are aggregated into a single column in the fund financial statements. Detailed statements for non-major funds are presented within the Combining and Individual Fund Statements and Schedules.

Governmental fund level financial statements are reported using current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Measurable and available revenues include revenues expected to be received within 60 days after the fiscal year ends. Property taxes levied prior to September 30 that were due October 1 have been assessed to finance the budget of the fiscal year ending September 30, 2024. Property taxes and interest earned as of September 30 and received within 60 days of year end are accrued as income in the current period. Expenditures generally are recorded when a liability is incurred; however, debt service expenditures, claims and judgments, and compensated absences are recorded only when payment is made.

Proprietary fund level financial statements include funds which are classified into enterprise and internal service funds. The County has both enterprise and internal service funds. The County's internal service funds are used to accumulate and allocate costs internally among the various functions. Montgomery County's internal service funds predominantly benefit governmental rather than business-type functions; therefore they have been included within governmental activities in the government-wide financial statements. The County's enterprise fund is used to account for the costs of the Montgomery County Toll Road Authority.

Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. All assets and liabilities are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position reports increases and decreases in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

Fiduciary fund level financial statements include assets that are held in a trustee or agent capacity and are therefore not available to support County programs; these funds are not included in the government-wide statements. The County has two types of fiduciary funds. The ***Custodial Funds*** is used to account for assets held by the County in a custodial capacity for individuals, private organizations, and other governments. Custodial funds do not involve a formal trust agreement and use the economic resources measurement focus. The ***Investment Trust Funds*** are used to report activities from the external portion of individual investment accounts that are held in a trust.

The County reports the following *major governmental funds:*

The General Fund is the general operating fund of the County and is always classified as a major fund. The General Fund is used to account for all financial resources except those required to be accounted for in another fund. Major revenue sources include property taxes, charges for services, and intergovernmental revenues. Primary expenditures are for general and financial administration, public safety, judicial operations, health and welfare, and capital acquisition.

The Road and Bridge Special Revenue Fund is used to account for rehabilitation, repair and maintenance of the County's roadways and bridges. The Road and Bridge Fund is financed by a designated part of the annual property tax levy, as well as certain statutory fees.

Debt Service Fund is used to account for the receipt and disbursement of funds to retire debt resulting from the issuance of general obligation bonds, certificates of obligation and lease revenue bonds. Financing is provided by a specific annual property tax levy and the investment interest earned thereon.

Grants Fund is used to account for the receipt and expenditure of federal, state, and local grant funds received by the County.

Pass Through Toll Projects is used to account for the specific road improvement projects associated with a Pass-Through Toll Agreement between the County and Texas Department of Transportation.

Road Bonds Series 2018B is used to account the County's issuance of $89,010,000 in bonds that are being used to finance road improvements throughout the County.

Road Bonds Issue Reimbursement is used to account for TXDOT reimbursements received for various road projects that were originally expended using 2015 issuances (series 2016, 2016A, 2018, and 2018B), and related road improvement expenses thereof.

The County reports the following *nonmajor governmental funds:*

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than capital projects or debt service) that are restricted or committed to expenditures for specified purposes.

Capital Project Funds are used to account for debt proceeds to be used for the acquisition or construction of major capital assets and infrastructure. Existing projects include road construction, airport improvements, and various remodeling plans.

The County reports the following *proprietary funds:*

The Enterprise Fund is used to account for the cost of the Montgomery County Toll Road Authority.

Internal Service Funds are used to account for the costs of the County's medical plan, workers' compensation plan, and accident and liability plan.

The County reports the following *fiduciary funds:*

Investment trust Funds account for the deposits, withdrawals, and earnings of the local government investment trust funds, an external investment pool for local governments.

Custodial Funds account for monies held for various agencies and entities, but not held in a trust. These agencies and entities collect and disburse monies related to clerk fees, sheriff bonds, motor vehicle registrations, and property taxes. These funds use the economic resources measurement focus.

D) ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND NET POSITION OR FUND BALANCES:

1. Cash and Investments

Cash and cash equivalents include amounts in demand deposits as well as bank certificates with a maturity date within three months of the date acquired by the County.

Investments for the County, except for certain investment pools are reported at fair value. The investment pools operate in accordance with appropriate state laws and regulations and are reported at amortized cost or net asset value; i.e. fair value.

The County is authorized by the Public Funds Investment Act of 1987 to invest idle funds in a) obligations of the United States and its agencies or instrumentalities, b) obligations of the State of Texas, c) obligations of states, agencies, political subdivisions, and municipalities having a rating of not less than A, and d) fully collateralized direct repurchase agreements.

2. Receivables

Property taxes are recognized as revenues in the period for which they are levied, regardless of the lien date. Property taxes for the County are levied based on taxable value on the lien date of January 1 prior to September 30 of the same year. They become due October 1 of that same year and delinquent after January 31 of the following year. Accordingly, receivables for prior-year levies delinquent at year end are reflected on the government-wide statement based on the full accrual method of accounting and under the modified accrual method in the fund statements.

Accounts receivable from other governments include amounts due from grantors in regards to approved grants for specific programs and reimbursements for services performed by the County. Program grants are recorded as receivables and revenues at the time all eligibility requirements have been met and reimbursable costs are incurred.

3. Inter-fund Transactions

Outstanding balances of lending and borrowing type activities between funds are classified as "due from other funds" and "due to other funds," respectively, on the fund financial statements. Inter-fund activity has been eliminated for the government-wide statements.

4. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and recorded as prepaid items in both government-wide and fund financial statements. The County reports prepaid items using the consumption method.

In the fund financial statements, prepaid items are classified as non-spendable, which indicates they do not represent "available spendable resources" even though they are a component of current assets.

5. Capital Assets

Capital assets, which include land, buildings, improvements, equipment, intangibles (included in land and equipment), infrastructure, and construction in progress, are reported in the government-wide financial statements. By policy of the Commissioners' Court, acquisitions are capitalized when they cost at least $5,000 and have a useful life in excess of five years. Buildings and building improvements require a cost of at least $5,000 and a useful life in excess of 5 years. Land and construction in progress are not depreciated. The policy applied to infrastructure acquisitions requires a cost of at least $10,000 and a useful life in excess of five years. Infrastructure assets include county-owned roads, drainage improvements, bridges, signals, and runways. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at their estimated acquisition value on the date of donation.

The costs of normal maintenance and repair that do not add to the value of the asset or materially extend the asset's life are expensed rather than capitalized.

Capital assets, including infrastructure, are depreciated using the straight-line method over the following estimated useful lives (in years):

Assets	Years
Buildings	5-50
Improvements	5-30
Equipment	5-15
Infrastructure	5-50
Right to use equipment	2-10
Right to use building	2-10
Right to use software	2-10

6. Payables

Amounts due to suppliers for trade purchases and amounts due to employees for salaries and benefits are presented on both the government-wide statements and the fund statements as accounts payable. Amounts due to various contractors for funds previously deducted from construction draws are presented as retainage payable. Both categories represent current liabilities.

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate statement element, deferred outflows of resources, represents a consumption of net assets that applies to future periods and will not be recognized as an outflow of resources until then. The County has the following items that qualify for reporting in this category.

- Deferred Charges on Refunding Bonds – result from the difference in the carrying value of refunded debt and its reacquisition price. This amount is amortized over the shorter of the life of the refunded or refunding debt.
- Pension contributions after measurement date – recognized in the subsequent year.
- Difference in projected and actual earnings on pension assets – amortized on a closed basis over a 5-year period.
- Changes in actual assumptions used to determine pension liability/(asset) and expected and actual experiences amortized over the weighted average remaining service life of all participants in the respective qualified pension plan.
- Changes in actuarial assumptions and expected and actual experiences used to determine OPEB liability – amortized over the weighted average remaining service life of all participants in the respective OPEB plan.

In addition to liabilities, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. The separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to future periods and will not be recognized as an inflow of resources until that time. The County has the following items that qualify for reporting in this category.

- Difference in Expected and Actual Pension Experience – recognized over the estimated average remaining lives of all members determined as of the measurement date.
- Unavailable Revenue – recognized in the period the amount becomes available.
- Deferred Charges on Refunding Bonds – result from the difference in the carrying value of refunded debt and its reacquisition price.

8. Unearned Revenue

The County records received but unearned grant revenues and other miscellaneous fee revenues in the fund financial statements as unearned revenues.

9. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are recognized in the reporting period in which they incurred.

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

10. Leases

The County has entered into various lease agreements as either lessee or lessor. Key estimates and judgments related to leases include how the County determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The County uses the interest rate charged by the lessor as the discount rate, if available. When the interest rate charged by the lessor is not provided, the County generally uses its estimated incremental borrowing rate as the discount rate for leases.

- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the County is reasonably certain to exercise.

- The County monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability or lease asset.

Lessee. The County is a lessee for noncancellable leases of equipment. The County recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. At the commencement of a lease, the County initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life. Lease assets are reported with other capital assets and lease liabilities are reported with long- term debt on the statement of net position.

Lessor. The County is a lessor in an arrangement allowing the placement of a cellular tower on County property. In both the government-wide financial statements and the governmental fund financial statements, the County initially measures the lease receivable and a deferred inflow of resources for the present value of payments expected to be made during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments made. The deferred inflow of resources is recognized as revenue on a systematic basis over the life of the lease.

11. Subscription-Based Information Technology Arrangements

The County is a participant in subscription-based IT arrangements (SBITAs). The County recognizes liability and an intangible right-to-use asset in the government-wide financial statements.

At the commencement of a SBITA, the County initially measures the liability at the present value of payments expected to be made during the agreement term. Subsequently, the liability is reduced by the principal portion of payments made. The asset is initially measured as the initial amount of the liability, adjusted for payments made at or before the commencement date, plus certain initial direct costs. Subsequently, the asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to SBITAs include how the County determines (1) the discount rate it uses to discount the expected payments to present value, (2) agreement term, and (3) agreed upon payments.

- The County uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the County generally uses its estimated incremental borrowing rate as the discount rate.

- The agreement term includes the noncancellable period of the SBITA.

- The agreed upon payments included in the measurement of the liability are composed of fixed payments and purchase option price that the County is reasonably certain to exercise.

The County monitors changes in circumstances that would require a remeasurement of its SBITA and will remeasure the asset and liability if certain changes occur that are expected to significantly affect the amount of the liability. These right to use assets are reported with other capital assets and liabilities are reported with long- term debt on the statement of net position.

12. Fund Balances

County Commissioners' Court established Fund Balance policies in accordance with GASB Statement No. 54 – *Fund Balance Reporting and Governmental Fund Type Definitions*. The County strives to maintain a minimum Unassigned Fund Balance in the general fund of 10 to 15 percent of the annual operating expenditures as presented in its annual financial report.

The County reports fund balances in five classifications:

Nonspendable – These balances represent amounts that are not spendable because of their form or are legally required to be maintained or intact, such as prepaid items.

Restricted - These balances represent that portion of fund balance that reflects resources that are subject to externally enforceable legal restrictions, typically imposed by parties outside of the government. Such parties may include creditors, grantors, contributors, or other governments. Fund balance on the debt service fund will be restricted for the payment of principal and interest on the debt service obligation.

Committed – This is the portion of fund balance that represents resources whose use is constrained by limitations that Commissioners' Court, the County's highest level of decision-making authority, imposes on them. The Court will approve all commitments by quorum vote through the adoption of a court order. The limitations imposed by the court require the same formal action to be removed.

Assigned –Represents amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The governing body may delegate its authority to assign amounts to another official. The Commissioners' Court, when it is appropriate for fund balance to be assigned, delegates the authority to the County Auditor. Assignments may be necessary for items such as other post-employment benefits, claims and judgments or transfers to special revenue funds.

Unassigned – This represents the residual amount in the general fund which has not been committed, restricted or assigned for other purposes. The general fund is the only fund that can report positive unassigned fund balance.

For any expenditure incurred for purposes for which multiple fund balance categories can be used, the County will utilize funds in the following order on a first-in-first-out basis: restricted, committed, assigned, and unassigned.

13. Compensated Absences

A liability for unused vacation and compensatory time for all full-time regular employees is calculated and reported in the government-wide financial statements. For financial reporting purposes, the following criteria have been applied in considering the accrual of the liability associated with compensated absences: a) leave or compensation is attributable to services already rendered, and b) leave or compensation is not contingent on a specific event (such as illness).

Liabilities for compensated absences are only be recognized in the fund statements to the extent the liabilities have matured and are payable out of current available resources. Compensated absences are accrued in the government-wide statements.

Each full-time regular employee earns ten days of excused leave per year, and from ten to twenty-five days of vacation time may be earned per year. A maximum of sixty days for excused leave may be accrued, and for those employees hired prior to September 1987, the number of days of excused leave accrued at September 30, 1987, may be paid only upon retirement. A maximum of twenty-five days of vacation may be accrued, and is paid upon retirement, resignation, or discharge from the County. Compensatory time is earned in accordance with the provisions of the Fair Labor Standards Act, as it applies to government employees.

14. Arbitrage

The Tax Reform Act of 1986 established regulations for the rebate to the federal government of arbitrage earnings on local government bonds. Issuing governments must calculate any rebate due and remit the amount due at least every five years. There were no arbitrage rebate payments made during fiscal year 2024.

15. Net Position (restricted)

Net position represents the difference between assets, deferred outflows (inflows) of resources and liabilities. For the government-wide financial statements, restricted net position represent externally imposed restrictions by creditors, grantors, contributors or laws or regulations of other governments. They may also represent restrictions imposed by law through constitutional provisions or enabling legislation.

16. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas County and District Retirement System (TCDRS) and additions to/deductions from TCDRS's Fiduciary Net Position have been determined on the same basis as they are reported by TCDRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

17. OPEB

The County's OPEB plan has been determined using the flow of economic resources measurement focus and the full accrual basis of accounting. This includes for purposes of measuring the OPEB liability, deferred outflows, OPEB expense. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no assets as this is a pay-as-you-go plan.

18. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

19. Program Revenues

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as actual program revenues.

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

A) BUDGETS AND BUDGETARY ACCOUNTING:

The budget law of the State of Texas provides that "the amounts budgeted for the current expenditures from the various funds of the County shall not exceed the balances in said funds plus the anticipated revenues for the current year for which the budget is made as estimated by the County Auditor." In addition, the law states that the Commissioners' Court "may, upon proper application, transfer an existing budget surplus during the year to a budget of like kind and fund, but no such transfer shall increase the total of the budget."

The budget is prepared by the Budget Office and adopted by the Commissioners' Court following departmental budget reviews and a public hearing. A copy of the budget must be filed with the Clerk of the County Court and made available to the public. The Commissioners' Court must provide for a public hearing on the budget on some date within ten calendar days after the filing of the budget and prior to its adoption.

The budget is legally adopted by an order of the Commissioners' Court on a basis consistent with generally accepted accounting principles. The legal level of control (as set forth by statute) is total resources as appropriated to each fund. Any expenditure that alters the total budgeted amounts of a fund must be approved by Commissioners' Court, and the budget amended. The annual budget is monitored and reported in the financial statements at the function level, as management believes that this provides for a more thorough disclosure of the County's operations.

For fiscal year 2024, formal budgets were adopted for the General Fund, the Special Revenue Funds, and the Debt Service Fund. Formal budgetary integration is not employed for Capital Project Funds, and legal budgets are not adopted, because budgetary control is achieved through legally binding construction contracts. All appropriations lapse at fiscal year-end with the exception of grant awards and certain ongoing projects.

The Commissioners' Court may approve expenditures as an amendment to the budget to meet an unusual and unforeseen condition that could not have been included in the original budget through the use of reasonably diligent thought and attention. Such expenditures would include the re-appropriation of approved but unexpended amounts for encumbrances, grants, and certain projects from the previous fiscal year.

The Commissioners' Court may also adopt a supplemental budget for the limited purpose of spending proceeds that become available for disbursement in a fiscal year, but are not included in the budget for that budget year. Included in this category are public or private grants or aid money, revenue from intergovernmental contracts, and proceeds from the issuance of debt.

B) DEFICIT FUND BALANCE:

The Grants fund had deficit fund balance at the end of fiscal year 2024. The deficit was caused by significant spending for debris cleanup and other necessary expenditures after recent presidentially declared disasters in the County. The County expects to receive Federal Emergency Management Agency (FEMA) and Texas Commission on Environgmental Quality (TCEQ) disaster funding to cover these costs and has accrued a receivable accordingly. However, because the County did not receive the funding within the availability period after year end, revenue has not been recognized.

NOTE 3 DEPOSITS AND INVESTMENTS:

A) DEPOSITS:

Custodial Credit Risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The County does not have a policy for custodial credit risk. As of September 30, 2024, the County's bank balance (collected funds) was $248 million. At that same date, none of the County's bank balance was exposed to custodial credit risk since the County's deposits were insured and collateralized by securities pledged by the depository and held by third party agents of the County in the County's name.

As of September 30, 2024, the County's business-type activities bank balance (collected funds) was $1.5 million. At that same date, none of the County's business-type activities bank balance was exposed to custodial credit risk since the deposits were insured and collateralized.

B) INVESTMENTS:

The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles, which provide a framework for measuring fair value which establishes a three-level fair value hierarchy that describes the inputs that are used to measure assets and liabilities.

Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.

Level 2 inputs are inputs – other than quoted prices included within Level 1 – that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

As of September 30, 2024, the County's governmental activities had the following investments:

	Value	Fair Value Level	Percent of Total Investment	Weighted Average Maturity (Days)	Credit Risk
Investments measured at amortized cost:					
TEXPOOL	$ 742,345		1.0%	31	AAAm
Texas FIT Choice Pool	2,638,732		4.0%	79	AAAf
Texas FIT Cash Pool	175,182		0.2%	60	AAAf/S1
TexSTAR	1,125,880		2.0%	26	AAAm
TEXCLASS Pool	3,859,659		5.0%	36	AAAm
Investments subject to fair value level:					
U.S. Government Sponsored Enterprise	42,529,193	Level 2	58.0%	247	AA+
U.S. Government Agency Securities	14,853,600	Level 1	21.0%	25	AA+
U.S. Government Agency Securities	6,357,019	Level 2	9.0%	56	AA+
Total	$ 72,281,610		100%		
Portfolio weighted average maturity				161	

As of September 30, 2024, the County's business-type activities had the following investments:

	Value	Fair Value Level	Percent of Total Investment	Weighted Average Maturity (Days)	Credit Risk
Investments measured at fair value:					
Government securities/Treasury bonds	$ 35,384,932	Level 1	100%	1	AAAm

The investments reported at fair value were valued using documented trade history in exact security.

Investment Pools are measured at amortized cost or net asset value (NAV) and are exempt for fair value reporting. U.S. Government Agency Securities and U.S. Treasury Notes classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quotes prices.

Money Market Funds are measured at amortized cost and are exempt for fair value reporting.

The TexPool and TexSTAR investment pools are external investment pools measured at amortized cost. In order to meet the criteria to be recorded at amortized cost, the investment pool must transact a stable net asset value per share and maintain certain maturity, quality, liquidity and diversification requirements within the investment pool. The investment pool transacts at a net asset value of $1.00 per share, has weighted average maturities of 60 days or less and weighted average lives of 120 days or less, investments held are highly rated by nationally recognized statistical rating organizations, have no more than 5% of portfolio with one issuer (excluding U.S. government securities), and can meet reasonably forseeable redemptions. The investment pool's authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium or national state of emergency that affects the pool's liquidity.

The TexasCLASS and Texas Fit investment pools are external investment pools measured at NAV. Their strategy is to seek preservation of principal, liquidity and current income through investment in a diversified portfolio of short-term marketable securities. The County has no unfunded commitments related to the investment pools. has a redemption notice period of one day and may redeem daily. The investment pool's authorities may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium or national or state emergency that affects the pools' liquidity.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. While the County does not have an investment policy for custodial credit risk, there is no need for such policy because of the nature of the County's investments. A third-party institution is required to hold the insured, registered securities underlying the County's investments in a safekeeping account in the County's name.

Interest rate risk. In accordance with its written investment policy, the County manages its exposures to declines in fair value by limiting the maturity of its investments to less than one year at the time of purchase.

Credit risk. While state statutes allow for additional investments, the County's formal investment policy authorizes the County to only invest in the following:

- Obligations of the U.S. Treasury and Governmental Agencies,
- Time deposits,
- Negotiable Order of Withdrawal (NOW) Accounts,
- Investment Pools rated AAA or AAAm by at least 1 nationally recognized rating service,
- Certificates of Deposit, and
- Money Market mutual funds.
- Commercial Paper as defined in Texas Government Code, Section 2256.013

As stated above, Standard and Poor's has rated the investment pools and the mutual funds AAAm.

Concentration of credit risk. The County's investment policy does not have any provisions regarding the amount that may be invested in any one issuer. However, the Investment Committee regularly reviews that saturation for anything in excess of 25%.

NOTE 4 RECEIVABLES:

A) ACCOUNTS RECEIVABLE:

Accounts receivable as of year-end for the County’s individual major and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Grants	Road and Bridge	Debt Service	Nonmajor Governmental	Toll Road Authority	Internal Service Funds	Total
Accounts receivable:								
Fines	$ 52,356,227	$ -	$ -	$ -	$ -	$ -	$ -	$ 52,356,227
Leases	5,908,749	562,489	-	-	-	-	-	6,471,238
Miscellaneous	10,138,051	-	-	-	3,424	1,739,316	-	11,880,791
Allowance	(47,120,605)	-	-	-	-	-	-	(47,120,605)
Other	-	-	10	185,831	-	-	3,847,608	4,033,449
Total	$ 21,282,422	$ 562,489	$ 10	$ 185,831	$ 3,424	$ 1,739,316	$ 3,847,608	$ 27,621,100

B) PROPERTY TAXES:

The County Tax Assessor-Collector bills and collects property taxes. Revenues are recognized in the Governmental Funds when levied to the extent that they result in current receivables. Property taxes are levied (assessed) and payable on October 1. They attach as an enforceable lien on property as of January 1 of the following year and become delinquent on February 1.

The County is permitted by the Texas State Constitution (Article VIII, Section 9) and statutes to levy taxes of up to $0.80 per $100 of assessed valuation for general governmental services and the payment of long-term debt. The combined current tax rate for the year end was $0.3696 per $100, which means that the County has a tax margin of $0.4304 per $100, and could raise up to $404,127,773 in additional taxes from the present assessed valuation of $93,895,858,000 before the limit is reached.

The thirty years’ property taxes receivable at September 30, 2024, as reported by the Tax Assessor-Collector are presented as follows:

	Taxes Receivable	Less: Allowance for Uncollectables	Net Taxes Receivable
General Fund	$ 7,477,330	$ 149,546	$ 7,327,784
Road & Bridge Fund	1,176,693	23,534	1,153,159
Debt Service Fund	1,230,167	24,603	1,205,564
Total	$ 9,884,190	$ 197,683	$ 9,686,507

Approximately 2.0% of the outstanding balance of property taxes receivable is not anticipated to be collected.

C) LEASE RECEIVABLE:

The County has entered into multiple leases as lessor for the use of aircraft hangars and buildings on County property by multiple organizations and individuals. The lessees are required to make annual payments ranging from $51 to $23,174. These leases bear interest rates of 3.8%.

A summary of the County’s lease receivables as of September 30, 2024, is as follows:

Purpose of Lease	Interest Rate	Initial Year of Lease	Amounts Receivable Beginning	Interest Current Year	Amounts Receivable Ending
Right to use:					
Airport hangars	3.80%	Various	$5,357,400	$ 209,889	$ 5,908,749
Building	3.80%	2022	595,971	12,768	562,489
Total			$5,953,371	$ 222,657	$ 6,471,238

NOTE 5 DUE FROM OTHER GOVERNMENTS:

At September 30, 2024, the following amounts were recorded as due to the County:

	Federal	State	Other	Total
General Fund	$ 6,069,118	$ 36,141,751	$ -	$ 42,210,869
Grants	25,470,563	106,864	-	25,577,427
Pass-through Toll	-	61,553,060	-	61,553,060
Nonmajor	-	-	1,356,150	1,356,150
Total	$ 31,539,681	$ 97,801,675	$ 1,356,150	$ 130,697,506

Amounts due from other governments arise from funding received from federal and state grants, as well as interlocal agreements with local governments.

NOTE 6 CAPITAL ASSETS:

A) Governmental Activities: Capital assets activity in the governmental activities for the year ended September 30, 2024 was as follows:

Governmental activities:	Beginning Balance	Additions (1)	Deletions and Transfers (1)	Ending Balance
Capital assets not being depreciated				
Land (2)	$ 159,922,435	$ 37,046,732 (2)	$ 14,880	$ 196,984,047
Construction in progress	19,708,692	16,180,220	(26,425,967)	9,462,945
Total capital assets not being depreciated	179,631,127	53,226,952	(26,411,087)	206,446,992
Capital assets being depreciated				
Buildings (3)	254,153,725	6,685,821	(22,000)	260,817,546
Improvements (3)	29,140,842	1,093,292	(139,966)	30,094,168
Equipment (2)(3)	169,970,745	17,660,583 (2)	(5,310,300)	182,321,028
Infrastructure	1,859,330,253	66,878,002	13,849,778	1,940,058,033
Right to use equipment	5,156,947	-	(448,953)	4,707,994
Right to use building	696,063	-	-	696,063
Right to use software	7,290,990	747,899	(1,353,940)	6,684,949
Total capital assets being depreciated	2,325,739,565	93,065,597	6,574,619	2,425,379,781
Less accumulated depreciation for:				
Buildings	(105,994,867)	(6,411,405)	13,270	(112,393,002)
Improvements	(23,580,580)	(728,010)	52,094	(24,256,496)
Equipment	(107,627,996)	(15,551,062)	4,686,162	(118,492,896)
Infrastructure	(1,149,907,665)	(53,414,907)	-	(1,203,322,572)
Right to use equipment	(1,642,422)	(916,492)	148,442	(2,410,472)
Right to use building	(137,008)	(115,758)	-	(252,766)
Right to use software	(1,835,535)	(2,042,508)	1,353,940	(2,524,103)
Total accumulated depreciation	(1,390,726,073)	(79,180,142)	6,253,908	(1,463,652,307)
Total capital assets, being depreciated, net	935,013,492	13,885,455	12,828,527	961,727,474
Governmental activities capital assets, net	$1,114,644,619	$ 67,112,407	$ (13,582,560)	$ 1,168,174,466

(1) Amounts representing transfers between categories are included in the columns for both additions and deletions.
(2) As required by GASB 51, this schedule reports intangible assets of $138,850,840 and $14,173,992 in land and equipment, respectively.
(3) Internal service fund assets are included in these amounts.

Depreciation Expense:

Depreciation expense was charged to the functions/programs of the primary government's governmental activities as follows:

Governmental activities:	
General government	$ 6,016,766
Financial administration	57,097
Health and human services	2,000,273
Culture and recreation	989,589
Law enforcement and corrections	10,755,222
Legal and judicial	133,281
Transportation	59,202,750
Capital assets held by the County's internal service funds are charged to the various functions based on their usage of the assets	25,164
Total	$ 79,180,142

B) Business-type Activities: Capital assets activity in the business-type activities for the year ended September 30, 2024 was as follows:

Business-Type Activities:	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated				
Construction in progress	$ 1,057,663	$ -	$ -	$ 1,057,663
Right of way	-	2,052,913	2,052,913	-
Total capital assets not being depreciated	1,057,663	2,052,913	2,052,913	1,057,663
Capital assets being depreciated				
Equipment	100,680	56,472	-	157,152
Infrastructure	79,390,678	433,371	-	79,824,049
Total capital assets being depreciated	79,491,358	489,843	-	79,981,201
Less accumulated depreciation for:				
Equipment	(44,359)	(25,146)	-	(69,505)
Infrastructure	(16,086,692)	(4,021,673)	-	(20,108,365)
Total accumulated depreciation	(16,131,051)	(4,046,819)	-	(20,177,870)
Total capital assets, being depreciated, net	63,360,307	(3,556,976)	-	59,803,331
Business-type activities capital assets, net	$ 64,417,970	$ (1,504,063)	$ 2,052,913	$ 60,860,994

Depreciation Expense: Depreciation expense was charged to the lone function of the primary government's business-type activities.

C) CONSTRUCTION COMMITMENTS:

The County has entered into contracts for the construction, renovation, and improvement of real property. As of September 30, 2024, the County had contracts for various projects in the amount of $27,663,666 and have paid to date $15,924,487.

As of September 30, 2024, contracts entered into by the Montgomery County Toll Road Authority (business-type activities) amount to $23,200,139 and have paid to date $7,477,704.

D) ENCUMBRANCES:

Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the amount of encumbrances expected to be honored upon performance by the vendor in the next year were as follows:

General Fund	$ 2,952,786
Road and Bridge	7,596,797
Grants	8,509,920
Road Bonds 2018B	98,848
Road Bonds Issue Reimburseme	244,950
Other Non-Major Funds	3,152,859
Internal Service Funds	318,582
Total Encumbrances	$ 22,874,742

NOTE 7 DISAGGREGATION OF OTHER LIABILITY BALANCES:

A) UNEARNED REVENUES:

The County reports unearned revenues in the governmental funds that consist of resources that have been received, but not yet earned. At September 30, 2024, unearned revenues are presented below:

Fund	Description	Unearned
General	ARPA funding	$ 55,253,989
General	TWDB funding	2,489,113
General	Prepaid leases	4,171,208
General	Other	1,500,772
Grants	Grant funding	292,225
Pass Through Toll Projects	TXDOT Pass Through Toll contract	61,553,060
Total		$ 125,260,367

NOTE 8 LONG-TERM LIABILITIES:

General long-term debt consists of general obligation bonds, certificates of obligation, the County's accrued liability for compensated absences and compensatory time, leases, and financed purchases. Principal and interest payments on the County's bonded debt, in general, are secured by ad valorem property taxes levied on all taxable property within the County. Payments are recorded in the Debt Service Fund.

A) BONDED DEBT:

A summary of the outstanding governmental bonded debt, at September 30, 2024 is presented:

	Interest Rate (%)	Issue Date	Maturity Date	Bonds Outstanding
General obligation bonds:				
Refunding Bonds, Series 2014A	5.0	2014	2025	$ 30,715,000
Refunding Bonds, Series 2016	3.0-5.0	2016	2027	58,925,000
Road Bonds, Series 2016	2.0-5.0	2016	2027	47,470,000
Refunding Bonds, Series 2016A	3.0-5.0	2017	2030	18,110,000
Road Bonds, Series 2016A	4.0-5.0	2017	2042	63,265,000
Road Bonds, Series 2018	4.0-5.0	2018	2043	39,285,000
Refunding Bonds, Series 2018	4.0	2019	2030	26,965,000
Road Bonds, Series 2018B	3.5-5.0	2019	2040	85,945,000
Refunding Bonds, Series 2020	4.0-5.0	2020	2032	18,960,000
Refunding Bonds, Series 2021	4.0-5.0	2021	2043	7,065,000
Subtotal				396,705,000
Certificates of obligation bonds:				
Series 2010	3.0-5.4	2010	2039	21,275,000
Subtotal				21,275,000
Total				$ 417,980,000

All of the County's outstanding bonded debt is assigned a fixed rate of interest.

The Toll Road Project has been financed with senior lien revenue bonds. The proceeds from such bonds, including the interest earned, are being used to finance the construction and the related debt service.

The outstanding business-type bonded debt at September 30, 2024 is as follows:

	Interest Rate (%)	Issue Date	Maturity Date	Bonds Outstanding
Senior Lien Revenue Bonds, Series 2018:	5.00	2018	2048	$ 86,180,000
Total				$ 86,180,000

B) CHANGES IN LONG-TERM LIABILITIES:

The following schedule illustrates changes in the County's Governmental Long-Term Liabilities for the year ended September 30, 2024. For each category, management has presented the portion that will be due within one year.

	Beginning Balance	Additions	(Reductions)	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds payable:					
General obligation	$ 419,315,000	$ -	$ (22,610,000)	$ 396,705,000	$ 23,785,000
Certificates of obligation	22,350,000	-	(1,075,000)	21,275,000	1,105,000
Issuance premiums	35,716,930	-	(3,881,963)	31,834,967	-
Total bonds payable	477,381,930	-	(27,566,963)	449,814,967	24,890,000
Leases	4,215,745	-	(1,300,408)	2,915,337	1,054,083
Subscriptions	5,516,232	747,899	(2,150,587)	4,113,544	1,381,118
Financed purchases	11,556,936	-	(2,997,217)	8,559,719	2,700,351
Property & casualty obligation	1,203,943	2,235,955	(1,751,017)	1,688,881	422,220
Workers' comp obligation	1,713,593	4,302,816	(887,980)	5,128,429	1,282,107
Medical obligation	8,893,653	44,508,731	(46,555,698)	6,846,686	1,711,672
Compensated absences	14,109,166	1,395,454	-	15,504,620	3,876,155
Total long-term liabilities	$ 524,591,198	$ 53,190,855	$ (83,209,870)	$ 494,572,183	$ 37,317,706

The compensated absences liability in the governmental activities is liquidated by the General fund and special revenue funds.

The following schedule illustrates changes in the County's Business-Type Long-Term Liabilities for the year ended September 30, 2024. For each category, management has presented the portion that will be due within one year:

	Beginning Balance	Additions	Provisions (Reductions)	Ending Balance	Due Within One Year
Business-Type Activities:					
Bonds payable:					
Senior lien revenue bonds	$ 87,180,000	$ -	$ (1,000,000)	$ 86,180,000	$1,500,000
Issuance premium	6,437,232	-	(268,218)	6,169,014	-
Total bonds payable	93,617,232	-	(1,268,218)	92,349,014	1,500,000
Business-type activities long-term liabilities	$ 93,617,232	$ -	$ (1,268,218)	$ 92,349,014	$1,500,000

C) ANNUAL DEBT SERVICE REQUIREMENTS TO MATURITY:

The following table lists the debt requirements, by debt type for governmental activities:

	General Obligation Bonds		Certificates of Obligation	
	Principal	Interest	Principle	Interest
2025	$ 23,785,000	$ 17,713,838	$ 1,105,000	$ 1,101,519
2026	25,030,000	16,493,463	1,140,000	1,047,320
2027	26,325,000	15,209,587	1,180,000	987,000
2028	27,695,000	13,865,387	1,220,000	924,600
2029	28,990,000	12,589,981	1,265,000	859,990
2030-2034	117,740,000	44,010,137	7,010,000	3,227,895
2035-2039	81,130,000	22,840,275	8,355,000	1,159,785
2040-2043	66,010,000	4,969,613	-	-
Total	$ 396,705,000	$ 147,692,281	$ 21,275,000	$ 9,308,109

The following table lists the debt requirements, by debt type for business-type activities:

	Revenue Bonds	
	Principal	Interest
2025	$ 1,500,000	$ 4,309,000
2026	2,045,000	4,234,000
2027	2,145,000	4,131,750
2028	2,255,000	4,024,500
2029	2,365,000	3,911,750
2030-2034	13,730,000	17,661,250
2035-2039	17,520,000	13,868,500
2040-2044	22,360,000	9,028,250
2045-2048	22,260,000	2,850,500
Total	$ 86,180,000	$ 64,019,500

D) PRIOR YEAR DEFEASANCE OF DEBT:

In prior years, the County defeased multiple debt issues by creating separate irrevocable trust funds. New debt was issued and the proceeds were used to purchase U.S. government securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until it is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed from the government-wide financial statements. As of September 30, 2024, no bonds considered defeased are still outstanding.

E) CONDUIT DEBT OBLIGATIONS:

Harris County Health Facilities Development Corporation and Harris County Cultural Education Facilities Finance Corporation issued bonds to provide financial assistance to private and public sector entities engaged in activities that are deemed to be in the public interest. These bonds are obligations of the issuing entities payable solely from the proceeds of the underlying financing agreements and, in the opinion of legal counsel, do not represent indebtedness or liability to the issuing entity, to Montgomery County, Texas, to the State of Texas, or to any political subdivision; therefore, they are not reported as liabilities in the County's financial statements.

Harris County Health Facilities Development Corporation - The corporation issues bonds if there is a public benefit or purpose that is necessary or convenient for health care, research, or education. Its activity is included in this disclosure because its bonds have been issued for the benefit of organizations located in Montgomery County. As of September 30, 2023, there were four (4) series of bonds outstanding with an aggregate principal payable of $386,775,000. The bonds will be repaid from sources defined in the various underlying financing agreements between the corporation and the entities for whose benefit the bonds were issued.

Harris County Cultural Education Facilities Finance Corporation - The corporation issues bonds for the purpose of defraying expansion costs, for Space Center Houston projects, Houston Livestock Show and Rodeo projects, Baylor College of Medicine, Memorial Hermann Healthcare System, Methodist Hospital System, Texas Medical Center projects, and the Young Men's Christian Association (YMCA) of the Greater Houston Area and others. Its activity is included in this disclosure because its bonds have been issued for the benefit of organizations located in Montgomery County. As of September 30, 2023, there were fifty-eight (58) series of Bonds outstanding with an aggregate principal payable of $4,789,286,858. The Bonds will be repaid from payments required to be made under loan agreements between the issuing entity and the aforementioned parties.

F) FINANCED PURCHASES:

The County has entered into agreements for the financed purchase of certain radio and election equipment, and software. Annual payments range from $359,496 to $1,959,355, with interest rates ranging from 1.18% to 3.90% These agreements are classified as financed purchases because title passes to the County at the end of the agreement term, and are included as financed purchases in the Long-Term Debt portion of the government-wide statements. Principal and interest requirements to maturity are as follows:

	Financed Purchases	
	Principal	Interest
2025	$ 2,700,351	$ 159,960
2026	790,801	110,156
2027	805,668	95,289
2028	820,815	80,142
2029	836,246	64,711
2030-2032	2,605,838	97,044
Total	$ 8,559,719	$ 607,302

G) LEASES PAYABLE:

The County entered into multiple leases as lessee for the right to use various equipment and buildings. The County is required to make fixed monthly payments between $788 and $61,990, respectively. The leases bear interest of 3.8%. Principal and interest requirements to maturity are as follows:

	Leases	
	Principal	Interest
2025	$ 1,054,083	$ 91,468
2026	964,509	53,300
2027	619,606	19,230
2028	226,085	6,198
2029	51,054	486
Total	$ 2,915,337	$ 170,682

H) SUBSCRIPTIONS PAYABLE:

The County entered into multiple agreements for the right to use various software. The County is required to make fixed quarterly payments of $ 2,329 and annual payments between $12,869 and $641,992. The agreements bear interest ranging between 0.582% 3.163%. Principal and interest requirements to maturity are as follows:

	Subscriptions	
	Principal	Interest
2025	$ 1,381,118	$ 106,240
2026	1,346,876	74,213
2027	690,995	43,588
2028	694,555	21,847
Total	$ 4,113,544	$ 245,888

NOTE 9 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS:

A) DUE FROM/DUE TO OTHER FUNDS:

Activity between funds that represents the current portion of lending/borrowing and inter-fund charges for goods and services arrangements outstanding at fiscal year-end are referred to as "due from/due to other funds." Inter-fund balances are expected to be repaid within one year from the date of the financial statements, and are routine in nature.

The composition of inter-fund balances as of September 30, 2024 was as follows:

	Receivables	Payables
General Fund	$ 7,323,303	$ -
Road and Bridge Fund	-	5,988,635
Debt Service Fund	934,610	-
Grants Fund	-	17,254,781
Pass Through Toll Projects	-	-
Road Bonds Series 2018B Fund	-	2,375,628
Road Bonds Issue Reimbursement	-	1,141,322
Non-major Governmental Funds	13,261,502	2,378,240
Toll Road Authority	-	574,050
Internal Service Funds	8,193,241	-
Total	$ 29,712,656	$ 29,712,656

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. These amounts also include balances of working capital loans made to several nonmajor governmental funds, which the general fund expects to collect in the subsequent year.

B) TRANSFERS:

Transfers are used to a) move revenues from the fund that the statute or budget requires to collect them to the fund that the statute or budget requires to expend them, b) move receipts from bond refundings and residual balances from capital project funds to the debt service fund to pay debt obligations, and c) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Inter-fund transfers for the year ended September 30, 2024 were:

Transfer From	Transfer To	Amount	Purpose
General Fund	Road and Bridge	$ 308,059	Equipment replacement
General Fund	Nonmajor governmental	5,417,172	To fund operational expenditures
Nonmajor governmental	Nonmajor governmental	770,075	To fund operational expenditures
General Fund	Internal service	4,650,000	To fund self-insurance
Road and Bridge	Nonmajor governmental	698,266	To fund operational expenditures
Road and Bridge	General Fund	1,574,008	To fund operational expenditures
Road and Bridge	Grants	2,871,274	County match for grants
Nonmajor governmental	General Fund	1,353,906	To fund operational expenditures
Grants	General Fund	770,062	To fund building remodel
General Fund	Pass-throught Toll Projects	55,342	Transfer TXDOT reimbursement
General Fund	Debt Service	770,075	To address shortfall in tax revenue
Internal service	General Fund	51,690	To fund property-casualty insurance
Total		$ 19,289,929	

Although interfund activity is reported in the fund financial statements, it has been eliminated in the government-wide financial statements, excluding transfers between the enterprise fund and governmental funds which will be reported in the government-wide financial statements.

NOTE 10 FUND BALANCES:

The following table provides detail of the classification of fund balances as reported in the fund financial statements:

	General	Road & Bridge	Debt Service	Grants	Road Bonds 2018B	Road Bond 2015 Issue Reimbursments	Other Governmental Funds
Restricted:							
Capital Projects	$ -	$ -	$ -	$ -	$ 1,575,524	$ 6,959,615	$ 158,677
General government	-	-	-	-	-	-	6,946,200
Law enforcement and corrections	-	-	-	-	-	-	5,183,160
Legal and judicial	-	-	-	-	-	-	3,861,863
Transportation	-	16,367,380	-	-	-	-	-
Debt Service	-	-	11,439,108	-	-	-	-
Total Restricted	-	16,367,380	11,439,108	-	1,575,524	6,959,615	16,149,900
Committed for:							
Capital Projects	-	-	-	-	-	-	6,807,791
General Fund Projects	-	-	-	-	-	-	32,725
General government	365,325	-	-	-	-	-	-
Financial administration	10,529	-	-	-	-	-	-
Health and human services	26,787	14,350	-	-	-	-	-
Culture and recreation	28,812	139,401	-	-	-	-	-
Law enforcement and corrections	250,726	-	-	-	-	-	-
Legal and judicial	213,603	-	-	-	-	-	165
Transportation	29,640	5,842,681	-	-	-	-	-
Total Committed	925,422	5,996,432	-	-	-	-	6,840,681
Assigned for:							
OPEB	90,000,000	-	-	-	-	-	-
Total Assigned	90,000,000	-	-	-	-	-	-
Unassigned:	67,499,043	-	-	(6,938,456)	-	-	-
Total Fund Balances	$ 158,424,465	$ 22,363,812	$ 11,439,108	$ (6,938,456)	$ 1,575,524	$ 6,959,615	$ 22,990,581

NOTE 11 RISK MANAGEMENT:

A) EMPLOYEE HEALTH BENEFITS:

Effective January 1989, the County established a partially self-funded trust plan which offers medical and life insurance coverage to employees and their dependents. The County maintains excess loss insurance, which limits annual claims paid from the plan to a maximum of $300,000 per plan participant. This excess loss reinsurance policy includes a contract provision that eliminates a large claim run off liability. A third-party administrator is employed by the plan to administer claims.

A trustee has been engaged to receive employer and employee contributions and to disburse payments to the providers of the plan. Costs relating to the plan are recorded as expenditures in the internal service fund. In prior years these costs were recorded in the General Fund. Liabilities are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated.

The plan is funded to discharge liabilities as they become due. Claims incurred and reported, but not paid at September 30, 2024, were $1,177,811. Claims incurred but not reported (IBNR) at September 30, 2024, are estimated to be $2,594,585. Estimates are not based on actuarial calculations, but rather on historical trends. Both amounts have been recorded as expenditures in the Self Insurance Medical Fund, an internal service fund, and a liability has been established.

Changes in the health claims liability for the two fiscal years ended September 30, 2024, and September 30, 2023 are as follows:

	2024	2023
Unpaid claims, beginning of year	$ 8,893,653	$ 9,719,203
Incurred claims (includes IBNR)	44,508,731	37,995,430
Claim payments	(46,555,698)	(38,820,980)
Unpaid claims, end of year	$ 6,846,686	$ 8,893,653

During the year ended September 30, 2024, the plan received contributions in the amounts of $49,283,399 and $3,097,955 from the employer and employees, respectively. The contributions made by employees included contributions by qualified retirees and certain former employees covered by the provisions of the Consolidated Omnibus Budget Reconciliation Act of 1986 (COBRA). In addition to the claim payments made, the plan also expended $4,774,149 in administrative costs, and $5,515,476 for reinsurance and insurance premiums.

B) WORKERS' COMPENSATION AND EMPLOYER'S LIABILITY:

As of January 1, 2003, the County established a partially self-funded program to cover claims by employees arising from job-related injuries. The program offers coverage at the statutorily required limits required by the State of Texas. A third-party administrator has been engaged by the County to adjudicate claims, provide nurse case management, pre-certification and bill review. Excess loss insurance was purchased to limit the claims loss to the County to no more than $850,000 per individual claim in 2024.

Costs associated with this program are recorded as expenditures in the Self Insurance Workers' Compensation Fund, which is an Internal Service Fund. Prior to fiscal year 2011, these costs were recorded in the General Fund. Liabilities are recorded when it is probable that a loss has occurred and when an amount can be reasonably estimated. During the year ended September 30, 2024, the County expended $222,924 for excess loss insurance premiums.

Changes in the Workers' Compensation liability for the two fiscal years ended September 30, 2024 and September 30, 2023 are detailed below:

	2024	2023
Unpaid claims, beginning of year	$ 1,713,593	$ 2,065,253
Incurred claims (includes IBNR)	4,302,816	974,123
Claim payments	(887,980)	(1,325,783)
Unpaid claims, end of year	$ 5,128,429	$ 1,713,593

C) PROPERTY, CASUALTY AND BOILER COVERAGE:

The County purchased reinsurance coverage for certain property including vehicle, equipment and contents coverage for the fiscal year. Self-Insured Retentions are maintained at the following levels:

- Buildings and Contents $617,000
- Boats and Vehicles with less than 6 wheels $ 25,000
- Vehicles Heavy Equipment above 6 wheels $ 25,000
- Boilers and HVAC systems $ 1,500
- Pollution (Storage Tank) Liability $ 10,000

Total insured values exceed $350,000,000 for the first three coverages listed above and an additional $100,000,000 for boilers and HVAC systems.

The County paid $1,871,507 in premiums in fiscal year 2024, and recorded the expenditure in the Accident Liability Fund. Settled claims have not exceeded commercial coverage in any of the past three fiscal years.

During the fiscal year 2024, the County engaged in a third party to administer the Property and Casualty claims. Changes in the Property and Casualty liability for the fiscal ended September 30, 2024 is detailed below:

	2024	2023
Unpaid claims, beginning of year	$ 1,203,943	$ 681,217
Current year claims and changes in estimates (includes IBNR)	2,235,955	2,795,287
Claim payments	(1,751,017)	(2,272,561)
Unpaid claims, end of year	$ 1,688,881	$ 1,203,943

D) GENERAL AND OTHER LIABILITY COVERAGES:

The County purchased reinsurance coverage for General Liability, Auto Liability, Public Officials' Liability, Law Enforcement Liability, Marine Liability, Crime Coverage, Employee Benefits Liability, Flood Damage (on specific properties) and Airport Operators' Liability. Self-Insured Retentions are maintained at the $500,000 level per occurrence by the type of coverage with the exception of the Airport Operators' Liability, which has no deductible. The Public Officials' Liability and Employee Benefits Liability are written on a "claims-made basis". The County and District Clerks have a $25,000 deductible on the Public Officials Liability. Coverage limits are set at $1,000,000 per claim by type of coverage. The Airport Operators' Liability is set to $10,000,000. The Pollution Liability (Storage Tank) limit is $1,000,000 each incident/$1,000,000 aggregate limit.

Effective December 1, 2003, the County began participating in an individual public entity risk pool, for the coverages listed in subsections B, C, and D above, to transfer certain risks associated with property, casualty, liability and workers' compensation. In addition to those coverages, the County purchased an additional aggregate reinsurance policy. The aggregate coverage loss fund is written on a claims-made basis and is capped at $1,800,000 for the fiscal year. Note 16 describes the County's obligation under liability claims for 2024.

NOTE 12 DEFINED BENEFIT PENSION PLAN:

Plan Description

The County participates in a nontraditional defined benefit pension plan, Texas County and District Retirement System ("TCDRS"), provides pensions for all of its full-time employees. The TCDRS Board of Trustees is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of over nontraditional defined benefit pension plans. TCDRS in the aggregate issues an Annual Comprehensive Financial Report (ACFR) on a calendar year basis. The ACFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034 Austin, TX, 78768-2034.

All full and part-time non-temporary employees participate in the plan, regardless of the number of hours they work in a year. Employees in a temporary position are not eligible for membership.

Benefits Provided

TCDRS provides retirement, disability and survivor benefits for all of eligible employees. Benefit terms are established by the TCDRS Act. The benefit terms may be amended as of January 1, each year, but must remain in conformity with the Act.

Members can retire at age 60 and above with 8 or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after eight years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

Employees covered by benefit terms

At the December 31, 2023 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	1,260
Inactive employees entitled to but not yet receiving benefits	2,233
Active employees	2,697
Total	6,190

Contributions

The contribution rates for employees in TCDRS are either 4%, 5%, 6%, or 7% of employee gross earnings, as adopted by the employer's governing body. Participating employers are required to contribute at actuarially determined rates to ensure adequate funding for each employer's plan. Under the state law governing TCDRS, the contribution rate for each entity is determined annually by the actuary and approved by the TCDRS Board of Trustees. The replacement life entry age actuarial cost method is used in determining the contribution rate. The actuarially determined rate is the estimated amount necessary to fund benefits in an orderly manner for each participate over his or her career so that sufficient funds are accumulated by the time benefit payments begin, with an additional amount to finance any unfunded accrued liability.

Employees for the County were required to contribute 6% of their annual gross earnings during the fiscal year. The contribution rate for the County was 12.54% in both calendar years 2023 and 2024. The County's contributions to TCDRS for the year ended September 30, 2024, were $22,005,967 and were equal to the required contribution.

Net Pension Liability/(Asset)

The County's Net Pension Asset (NPA) was measured as of December 31, 2023, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The Total Pension Liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50% per year
Overall payroll growth	3.00% per year
Investment rate of return	7.50% (Gross of administrative expenses)

There are no automatic cost of living adjustments (COLA's) and no COLA's are considered to be substantively automatic. Therefore, no assumption for future cost-of-living adjustments is included in the funding valuation. Each year, the county may elect an ad-hoc COLA for retirees.

Mortality rates for active members, retirees, and beneficiaries were based on the following:

Depositing members	135% of Pub-2010 General Employees Amount-Weighted Mortality Table for males and 120% Pub-2010 General Employees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Service retirees, beneficiaries and non-depositing members	135% of Pub-2010 General Retirees Amount-Weighted Mortality Table for males and 120% Pub-2010 General Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Disabled retirees	160% of Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for males and 125% Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.

All actuarial assumptions that determined the total pension liability as of December 31, 2023, were based on the results of an actuarial experience study for the period January 1, 2016 through December 31, 2020, except where required to be different by GASB 68.

The long-term expected rate of return on pension plan investments is 7.5%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TCDRS Board of Trustees. The application of the investment return assumption was changed for purposes of determining plan liabilities at the March 2022 meeting. All plan liabilities are now valued using an 7.6% discount rate.

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information below are based on January 2022 information for a 10-year time horizon. The valuation assumption for long-term expected return is re-assessed at a minimum of every four years and is set based on a long-term time horizon; the most recent analysis was performed in 2022. The target allocation and best estimates of geometric real rates return for each major asset class are summarized in the following table:

Asset Class	Benchmark	Target Allocation [1]	Geometric Real Rate of Return (Expected minus Inflation) [2]
US Equities	Dow Jones U.S. Total Stock Market Index	11.50%	4.75%
Global Equities	MSCI World (net) Index	2.50%	4.75%
International Equities - Developed	MSCI World Ex USA (net) Index	5.00%	4.75%
International Equities - Emerging	MSCI EM Standard (net) Index	6.00%	4.75%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	2.35%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	9.00%	3.65%
Direct Lending	S&P/LSTA Leveraged Loan Index	16.00%	7.25%
Distressed Debt	Cambridge Associates Distressed Securities Index [3]	4.00%	6.90%
REIT Equities	67% FTSE NAREIT All Equity REITs Index + 33% S&P Global REIT (net) Index	2.00%	4.10%
Master Limited Partnerships (MLPs)	Alerian MLP Index	2.00%	5.20%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index [4]	6.00%	5.70%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index [5]	25.00%	7.75%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	6.00%	3.25%
Cash Equivalents	90-Day U.S. Treasury	2.00%	0.60%

(1) Target asset allocation adopted at the March 2023 TCDRS Board meeting.
(2) Geometric real rates of return equal the expected return minus the assumed inflation rate of 2.3%, per Cliffwater's 2023 capital market assumptions.
(3) Includes vintage years 2005-present of Quarter Pooled Horizon IRRs.
(4) Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.
(5) Includes vintage years 2006-present of Quarter Pooled Horizon IRRs.

Discount Rate

The discount rate used to measure the total pension liability was 7.60%. The discount rate was determined using an alternative method to determine the sufficiency of the fiduciary net position in all future years. The alternative method reflects the funding requirements under the funding policy and the legal requirements under the TCDRS Act. TCDRS has a funding policy where the Unfunded Actuarial Accrued Liability (UAAL) shall be amortized as a level percent of pay over 20-year closed layered periods. The employee is legally required to make the contribution specified in the funding policy. The employer's assets are projected to exceed its accrued liabilities in 20 years or less. When this point is reached, the employer is still required to contribute at least the normal cost. Any increased cost due to the adoption of a COLA is required to be funded over a period of 15 years, if applicable. Based on the above assumptions, the projected fiduciary net position is determined to be sufficient compared to projected benefit payments. Based on the expected level of cash flows and investment returns to the system, the fiduciary net position as a percentage of total pension liability is projected to increase from its current level in future years.

Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the net pension liability/(asset) and net pension liability/(asset) of the employer is equal to the long-term assumed rate of return on investments. This long-term assumed rate of return should be net of investment expenses, but gross of administrative expenses for GASB 68 purposes. Therefore, a discount rate of 7.60% has been used. This rate reflects the long-term assumed rate of return on assets for funding purposes of 7.50%, net of all expenses, increased by 0.10% to be gross of administrative expenses.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a) - (b)
Balance at 12/31/2022	$ 747,049,858	$ 704,497,112	$ 42,552,746
Changes for the year:			
Service cost	23,402,143	-	23,402,143
Interest on total pension liability (1)	57,325,257	-	57,325,257
Effect of economic/demographic gains or losses	3,581,058	-	3,581,058
Refund of contributions	(1,715,647)	(1,715,647)	-
Benefit payments	(31,232,267)	(31,232,267)	-
Administrative expenses	-	(408,382)	408,382
Member contributions	-	10,768,856	(10,768,856)
Net investment income	-	77,427,755	(77,427,755)
Employer contributions	-	22,487,697	(22,487,697)
Other (2)	-	268,477	(268,477)
Balance at 12/31/2023	$ 798,410,402	$ 782,093,601	$ 16,316,801

(1) Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.

(2) Relates to allocation of system-wide items.

In the governmental activities, the net pension liability is typically liquidated by the General Fund.

Sensitivity Analysis

The following presents the net pension liability/(asset) of the County, calculated using the discount rate of 7.60%, as well as what the County's net pension liability/(asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.60%) or 1-percentage-higher (8.60%) than the current rate:

	1% Decrease 6.60%	Current Discount Rate 7.60%	1% Increase 8.60%
Total pension liability	$ 916,162,455	$ 798,410,402	$ 701,086,467
Fiduciary net position	782,093,601	782,093,601	782,093,601
Net pension liability/(asset)	$ 134,068,854	$ 16,316,801	$ (81,007,134)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TCDRS financial report. The report may be obtained on the Internet at *www.tcdrs.org*.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2024, the County recognized pension expense of $14,304,966.

At September 30, 2024, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 4,284,616	$ 318,338
Changes of assumptions	8,579,169	-
Net difference between projected and actual earnings	3,986,576	-
Contributions made subsequent to measurement date	17,732,836	-
Total	$ 34,583,197	$ 318,338

The amounts reported as deferred outflows of resources related to pensions from County contribution subsequent to the measurement date, but before September 30, 2024, will be recognized as a reduction of net pension liability in the fiscal year ended September 30, 2025. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended September 30,		
2025	$	5,297,676
2026		(1,039,585)
2027		16,333,656
2028		(4,059,724)

NOTE 13 <u>OTHER POST-EMPLOYMENT BENEFITS (OPEB):</u>

Plan Description

Effective January 1, 2000, Commissioners' Court adopted a plan to pay for health benefit coverage for qualified retirees under a single employer defined benefit plan. To qualify for inclusion in the coverage, an individual must currently attain either 15 continuous years of fulltime employment (for employees hired prior to October 1, 2009) or 25 continuous years of fulltime employment (for employees hired after October 1, 2009) with the County and be eligible for a retirement annuity from the Texas County and District Retirement System. The employee can elect to waive health benefit coverage. The County is under no obligation to provide this benefit, and the decision to do so is made by the Commissioners' Court on a year-to-year basis. Additionally, the County offers an employee-funded health benefit to those who do not meet the above criteria. The County is obligated to provide this benefit subject to requirements of Chapter 175 of the Texas Local Government Code. Contribution levels are determined by Commissioner's Court on a year-to-year basis. The benefit level is the same as that for a full-time regular employee, as further disclosed in Note 13-A. The plan includes coverage for both active and retired members, and assets are commingled for the payment of such benefits. Therefore, the plan does not qualify as an OPEB Trust in accordance with paragraph 4 of GASB Statement No. 75.

Employees Covered by Benefit Terms

The number of employees currently covered by the benefit terms is as follows:

Inactive employees or beneficiaries currently receiving benefits	506
Active employees	2,455
Total	2,961

Actuarial Assumptions

The County's total OPEB liability of $258,156,899 was measured as of September 30, 2024 and was determined by an actuarial valuation as of that date. The total OPEB liability in the September 30, 2024 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation Rate	2.50%
Salary Increases, including inflation	3.25%
Discount rate	3.88%

Mortality rates for active employees were based on the PubG.H-2010 Employee, Generational with MP-2021 for males or females, as appropriate.

Mortality rates for retirees were based on the PubG.H-2010 Healthy Annuitant Generational with MP-2021 for males or females, as appropriate.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at 9/30/2023	$ 222,570,859
Changes for the year:	
Service cost	4,727,292
Interest on the total liability	10,408,245
Difference between expected and actual experience	12,939,492
Changes in assumptions and other inputs	12,079,412
Benefit payments	(4,568,401)
Net changes	35,586,040
Balance at 9/30/2024	$ 258,156,899

In the governmental activities, the total OPEB liability is typically liquidated by the General Fund.

Discount Rate Sensitivity Analysis

The following presents the total OPEB liability of the County, calculated using the discount rate of 4.63%, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.63%) or 1-percentage-point higher (5.63%) than the current rate:

	1% Decrease in Discount Rate (2.88%)	Discount Rate (3.88%)	1% Increase in Discount Rate (4.88%)
County's total OPEB liability	$ 315,042,493	$ 258,156,899	$ 218,766,808

Healthcare Cost Trend Rate Sensitivity Analysis

The following presents the impact of the total OPEB liability if the Healthcare Cost Trend Rate used was 1% less than and 1% greater than what was used in measuring the total OPEB liability.

	1% Decrease	Current Healthcare Cost Trend Rate Assumption	1% Increase
County's total OPEB liability	$ 214,350,001	$ 258,156,899	$ 322,923,024

OPEB Expense, Deferred Inflows of Resources, and Deferred Outflows of Resources Related to OPEB

For the year ended September 30, 2024, the County recognized OPEB expense of $12,432,527. At September 30, 2024, the County reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 31,949,928	$ 3,612,236
Changes in actuarial assumptions	35,590,789	68,662,249
Total	$ 67,540,717	$ 72,274,485

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

For the Year Ended September 30,	
2025	$ (2,703,010)
2026	(2,731,974)
2027	(6,282,875)
2028	6,984,091

NOTE 14 CONTINGENT LIABILITIES:

A) GENERAL LIABILITIES:

For fiscal year 2024 the County participated in a public entity risk pool, to which certain losses arising from liability claims were transferred. All are recorded in the Accident and Liability Fund, as part of the Internal Service Funds. Premiums for this coverage is as follows:

- BRIT Property $925,700
- AFM (Excess Property) $586,765
- Flood Damage $12,206
- Workers' Compensation $222,924
- Additional Coverages $91,118

In addition, the County expended $1,964,146 for damages in connection with 151 claims, for which the deductible had not been satisfied.

B) GRANTS:

The County receives various grant monies that are subject to audit and adjustment by the grantor agencies. Any disallowed expenditure will become a liability of the County. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the County expects such amounts, if any, to be immaterial.

C) LITIGATION:

The County is a defendant in a number of lawsuits with claims for damages in excess of $1,000,000. These claims result primarily from assertions by former employees that they were wrongfully discharged, allegations by jail inmates that their rights were violated while incarcerated in the County jail, and claims by individuals arising from property damages. These claims are accrued for in the Accident Liability Fund. The County intends to vigorously contest all the cases, and legal counsel is of the opinion that the County will prevail in all cases which may have a material effect on the financial position of the County. For additional information on the County's coverage amounts see Note 11-D.

NOTE 15 TAX ABATEMENTS:

The County enters into property tax abatement agreements with local businesses under the Texas Tax Code, Title 3. Subtitle B, Chapter 312. Texas Property Re-development and Tax Abatement Act (the Act). Under the Act, Counties may grant property tax abatements in accordance with guidelines set forth by the Commissioners' Court. The County may grant property tax abatements for economic projects under the program that are reasonably expected to increase taxable ad valorem tax value of at least $1,000,000 and that must be expected to prevent the loss of jobs or retain, increase, or create jobs in the County. Abatements are obtained by application by the property owner to either the County Judge or the Tax Assessor-Collector.

A facility may be eligible if it is an aviation facility, manufacturing facility, regional distribution center, research facility, office building or any other real property not excluded under Section III (c). Abatement may only be granted for the additional value of eligible property improvements made subsequent to and specified in an Abatement Agreement between the County and the property owner and lessee (if required), subject to such limitations as Commissioners' Court may require. New facilities and improvements to existing facilities may be eligible for purposes of modernization or expansion if they are in excess of $1,000,000. Additionally, they must create or retain permanent jobs in order to be eligible for consideration. Abatement may be extended to the value of buildings, structures, site improvements plus that office space, and related fixed personal property improvements necessary to the operation and administration of the facility. Abatement may also be extended to the taxable value of aircraft, but only in conjunction with other eligible property and/or improvements that creates new value in addition to that of the aircraft.

Abatements are granted effective with the January 1 valuation date immediately following the date of execution of the agreement.

For the fiscal year ended September 30, 2024, the County abated property taxes totaling $626,182 under this program which includes ten (10) entities.

NOTE 16 LOCAL GRANTS:

During the fiscal year ended September 30, 2024, the County received $425,530 in grants from local agencies and organizations.

LOCAL FUNDING	Expenditures
AED Replacement Parks	$ 6,999
Total AED Replacement Parks	6,999
American Kennel Club	
Adopt a K9 Grant	10,000
Total American Kennel Club	10,000
Mellon Foundation	
2024 Memory Lab	10,361
Total Mellon Foundation	10,361
East Montgomery County Improvement District Grants	
Splashpad renovation	215,156
Total East Montgomery County Improvement District	215,156
PETCO Foundation	
2020-2021 PETCO Foundation Lifesaving Investment	15,609
2023-2025 PETCO LOVE Investment Grants	157,622
Total PETCO Foundation	173,231
The NRA Foundation	
FY24 Training Grants - Sheriff's Office	4,166
FY24 Training Grants - Constable 1	1,723
FY24 Training Grants - Constable 5	3,894
Total NRA Foundation	9,783
Total Local Grant Funding	$ 425,530

NOTE 17 NEW ACCOUNTING PRONOUNCEMENTS:

Significant new accounting standards and guidance issued by the Governmental Accounting Standards Board (GASB) not yet implemented by the County include the following:

GASB Statement No. 101, *Compensated Absences* - The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This Statement will become effective for reporting periods beginning after December 15, 2023, and the impact has not yet been determined.

GASB Statement No. 102, *Certain Risk Disclosures* – The objective of this Statement is to provide users of government financial statements with information about risks related to a government's vulnerabilities due to certain concentrations or constraints that is essential to their analyses for making decisions or assessing accountability. This Statement will become effective for reporting periods beginning after June 15, 2024, and the impact has not yet been determined.

GASB Statement No. 103, *Financial Reporting Model Improvements* – The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. This Statement will become effective for reporting periods beginning after June 15, 2025, and the impact has not yet been determined.

GASB Statement No. 104, *Disclosure of Certain Capital Assets* – The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. This Statement requires certain types of capital assets to be presented separately in the note disclosures, including right-to-use assets related to leases, Subscription-Based Information Technology Arrangements, and public-private or public-public partnerships. Other intangible assets are also required to be presented separately by major class. Additional disclosures have also been required for capital assets held for sale. This Statement will become effective for reporting periods beginning after June 15, 2025, and the impact has not yet been determined.

NOTE 18 SUBSEQUENT EVENTS:

Unlimited Tax Road Bonds, Series 2016A Defeasance

Montgomery County cash defeased $1.18 million of the Unlimited Tax Road Bonds, Series 2016A on March 3, 2025, to realize interest cost savings and to manage future debt service requirements. This action is estimated to result in about $795,765 in future debt service savings.

May 2025 Bond Election

On February 26, 2025, the Commissioner's Court authorized the placement of a $480 million road bond referendum on the May 2025 ballot. This initiative seeks voter approval for funding dedicated to enhancing traffic mobility across the county through strategic road infrastructure improvements.

APPENDIX C

FORM OF LEGAL OPINION

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July 24, 2025

We have acted as bond counsel to Montgomery County, Texas (the "County") in connection with the issuance of $124,350,000 aggregate principal amount of bonds designated as "Montgomery County, Texas Unlimited Tax Road Bonds, Series 2025" (the "Bonds"). The Bonds are authorized by an order adopted by the Commissioners Court of the County on June 10, 2025 (the "Bond Order"), in which the County delegated pricing of the Bonds and certain other matters to a "Pricing Officer" who approved and executed a pricing certificate" on June 26, 2025, which completed the sale of the Bonds (the "Pricing Certificate" and, together with the Bond Order, the "Order"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Order.

In such connection, we have reviewed the Order, the tax certificate of the County dated the date hereof (the "Tax Certificate"), certificates of the County, and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery of each document by each party thereto other than the County and that each such document constitutes a valid and binding agreement of such party. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Order and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Order and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against issuers in the State of Texas. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute the valid and binding obligations of the County.

2. The County has power and is obligated to levy an annual ad valorem tax, without legal limit as to rate or amount, upon taxable property located within the County, which taxes have been pledged irrevocably to pay the principal of and interest on the Bonds.

3. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Interest on the Bonds is not a specific preference item for purposes of federal alternative minimum tax. We observe that interest on the Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

ORRICK, HERRINGTON & SUTCLIFFE LLP