

**EAST MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 14
(Montgomery County, Texas)**

PRELIMINARY OFFICIAL STATEMENT

DATED: JULY 16, 2025

\$4,000,000

UNLIMITED TAX BONDS

SERIES 2025

BIDS TO BE SUBMITTED BY: 10:00 A.M., CENTRAL TIME

WEDNESDAY, AUGUST 20, 2025

BONDS TO BE AWARDED: 12:00 P.M., CENTRAL TIME

WEDNESDAY, AUGUST 20, 2025

PRELIMINARY OFFICIAL STATEMENT DATED JULY 16, 2025

This Preliminary Official Statement is subject to completion and amendment, as provided in the Official Notice of Sale, and is intended for the solicitation of initial bids to purchase the Bonds (hereinafter defined). Upon the sale of the Bonds, the Official Statement will be completed and delivered to the Initial Purchaser (hereinafter defined).

In the opinion of Bond Counsel, under existing law, interest on the Bonds (i) is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended, and (ii) is not an item of tax preference for purposes of the alternative minimum tax on individuals. See "TAX MATTERS" herein, including information regarding potential alternative minimum tax consequences for corporations.

THE BONDS WILL BE DESIGNATED "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS.

NEW ISSUE – Book Entry Only

NOT RATED

EAST MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 14

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

\$4,000,000

Unlimited Tax Bonds

Series 2025

Dated: September 1, 2025

Due: September 1, as shown on inside cover page

Interest Accrues from Delivery Date

The \$4,000,000 Unlimited Tax Bonds, Series 2025 (the "Bonds") are solely obligations of East Montgomery County Municipal Utility District No. 14 (the "District") and are not obligations of the State of Texas; Montgomery County, Texas (the "County"); the City of Conroe, Texas; or any political subdivision or entity other than the District. Neither the full faith and credit nor the taxing power of the State of Texas; Montgomery County, Texas; the City of Conroe, Texas; nor any entity other than the District is pledged to the payment of the principal of or the interest on the Bonds.

Principal of the Bonds is payable upon presentation at the principal payment office of the paying agent/registrar, initially, Zions Bancorporation, National Association, Houston, Texas (the "Paying Agent/Registrar"). The Bonds are dated September 1, 2025, and interest on the Bonds accrues from the date of their delivery, currently scheduled for September 23, 2025 (the "Delivery Date"). Interest is payable March 1, 2026, and on each September 1 and March 1 thereafter (each an "Interest Payment Date") until the earlier of maturity or redemption. Interest on the Bonds will be payable by check dated as of the Interest Payment Date and mailed by the Paying Agent/Registrar to registered owners as shown on the records of the Paying Agent/Registrar at the close of business on the 15th calendar day of the month next preceding each Interest Payment Date. The Bonds are fully registered bonds in principal denominations of \$5,000 or any integral multiple thereof.

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

See "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS" on inside cover.

The Bonds constitute the first series of unlimited tax bonds issued by the District for the purpose of acquiring and/or constructing a utility system to serve the District, and, when issued, will constitute valid and binding obligations of the District payable from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. See "THE BONDS – Source of Payment." Investment in the Bonds is subject to special risk factors as described herein. Prospective purchasers should review this entire Preliminary Official Statement, including particularly the section of this Preliminary Official Statement entitled "RISK FACTORS," before making an investment decision. See "RISK FACTORS."

The Bonds are offered, when, as and if issued by the District to the winning bidder of the Bonds (the "Initial Purchaser"), subject, among other things, to the approval of the Attorney General of Texas and of Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel. Certain legal matters will be passed on for the District by Orrick, Herrington & Sutcliffe LLP, Houston, Texas, as Disclosure Counsel. This Preliminary Official Statement and the information contained herein are subject to completion and amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of the Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful under the securities laws of such jurisdictions. Delivery of the Bonds through the facilities of DTC is expected on or about September 23, 2025.

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS

\$4,000,000 Unlimited Tax Bonds, Series 2025

Maturity September 1	Principal Amount ^(d)	Interest Rate	Initial Reoffering Yield ^(a)	CUSIP No. ^(b)	Maturity September 1	Principal Amount ^(d)	Interest Rate	Initial Reoffering Yield ^(a)	CUSIP No. ^(b)
2027	\$90,000	—%	—%	—	2039 ^(c)	\$160,000	—%	—%	—
2028	95,000	—%	—%	—	2040 ^(c)	170,000	—%	—%	—
2029	100,000	—%	—%	—	2041 ^(c)	180,000	—%	—%	—
2030	105,000	—%	—%	—	2042 ^(c)	185,000	—%	—%	—
2031	110,000	—%	—%	—	2043 ^(c)	195,000	—%	—%	—
2032 ^(c)	115,000	—%	—%	—	2044 ^(c)	205,000	—%	—%	—
2033 ^(c)	120,000	—%	—%	—	2045 ^(c)	215,000	—%	—%	—
2034 ^(c)	125,000	—%	—%	—	2046 ^(c)	225,000	—%	—%	—
2035 ^(c)	135,000	—%	—%	—	2047 ^(c)	240,000	—%	—%	—
2036 ^(c)	140,000	—%	—%	—	2048 ^(c)	250,000	—%	—%	—
2037 ^(c)	145,000	—%	—%	—	2049 ^(c)	265,000	—%	—%	—
2038 ^(c)	155,000	—%	—%	—	2050 ^(c)	275,000	—%	—%	—

^(a) The initial reoffering yield has been provided by the Initial Purchaser (herein defined) and represents the initial offering price to the public of a substantial amount of the Bonds for each maturity. Such initial reoffering yield may be changed for subsequent purchasers. The initial reoffering yields indicated above represent the lower of the yields resulting when priced to maturity or to the first call date.

^(b) CUSIP numbers have been assigned to the Bonds by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association and are included solely for the convenience of the owners of the Bonds. None of the District, Financial Advisor (herein defined) or Initial Purchaser shall be responsible for the selection or the correctness of the CUSIP numbers.

^(c) Bonds maturing on September 1, 2032, and thereafter, are subject to redemption prior to maturity at the option of the District, as a whole or from time to time in part, on September 1, 2031, or any date thereafter at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption. See “THE BONDS – Redemption of the Bonds.”

^(d) The Initial Purchaser may designate one or more maturities as term bonds. See accompanying “Official Notice of Sale” and “Official Bid Form.”

USE OF INFORMATION IN OFFICIAL STATEMENT

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission ("SEC"), as amended, and in effect on the date of this Preliminary Official Statement, this document constitutes an "official statement" of the District with respect to the Bonds that has been deemed "final" by the District as of its date except for the omission of no more than information permitted by SEC Rule 15c2-12.

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

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

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

All of the summaries of the statutes, orders, contracts, records, and engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Allen Boone Humphries Robinson LLP ("Bond Counsel") for further information.

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

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 websites and the information or links contained therein are not incorporated into, and are not part of, this final official statement for any purposes.

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SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the bid resulting in the lowest net interest cost, which was tendered by _____ (the "Initial Purchaser"). The Initial Purchaser has agreed to purchase the Bonds, bearing the interest rates shown under "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS" on the inside cover page of this Official Statement, at a price of _____% of the principal amount thereof which resulted in a net effective interest rate of _____%, calculated pursuant to Chapter 1204, Texas Government Code, as amended.

Prices and Marketability

The District has no control over the reoffering yields or prices of the Bonds or over trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made in the Bonds. If there is a secondary market, the difference between the bid and asked prices of the Bonds may be greater than the difference between the bid and asked prices of bonds of comparable maturity and quality issued by more traditional municipal entities, as bonds of such entities are more generally bought, sold or traded in the secondary market.

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

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

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE INITIAL PURCHASER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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 jurisdictions. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be offered, sold or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds should not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdiction.

MUNICIPAL BOND INSURANCE & RATINGS

The District has made applications for a commitment for municipal bond guaranty insurance on the Bonds. **THE PURCHASE OF SUCH INSURANCE IS MANDATORY, and the payment of all associated costs, including the premium charged by the insurance company and fees charged by rating companies, will be at the expense of the Initial Purchaser.**

No application has been made for a municipal bond rating on the Bonds. Furthermore, it is not expected that the District would have been successful in obtaining an investment grade rating on the Bonds had such application been made.

[Remainder of this page intentionally left blank.]

OFFICIAL STATEMENT SUMMARY

The following material is qualified in its entirety by the more detailed information and financial statements appearing elsewhere in this Official Statement. The offering of the Bonds to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement.

THE BONDS

The District.....	East Montgomery County Municipal Utility District No. 14 (the “District”), a political subdivision of the State of Texas, is located in Montgomery County, Texas. See “THE DISTRICT.”
The Bonds.....	The District is issuing its \$4,000,000 Unlimited Tax Bonds, Series 2025 (the “Bonds”). The Bonds are dated September 1, 2025, and mature on September 1 in the years and amounts set forth on the inside cover page hereof. Interest accrues from the date of the delivery of the Bonds at the rates per annum set forth on the inside cover page hereof and is payable on March 1, 2026, and on each September 1 and March 1 thereafter until maturity or earlier redemption. The Bonds are offered in fully registered form in integral multiples of \$5,000 for any one maturity. See “THE BONDS.”
Redemption	Bonds maturing on and after September 1, 2032, are subject to redemption, in whole or from time to time in part, at the option of the District on September 1, 2031, and on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date of redemption. See “THE BONDS – Redemption of the Bonds.”
Source of Payment.....	Principal of and interest on the Bonds are payable from the proceeds of a continuing direct annual ad valorem tax, levied upon all taxable property within the District without legal limitation as to rate or amount. The Bonds are obligations solely of the District and are not obligations of the State of Texas, Montgomery County, Texas, or any entity other than the District. See “THE BONDS – Source of Payment.”
Qualified Tax-Exempt Obligations.....	The Bonds will be designated “qualified tax-exempt obligations” for financial institutions. See “TAX MATTERS – Qualified Tax-Exempt Obligations.”
Outstanding Bonds	The District previously issued its \$3,000,000 Unlimited Tax Road Bonds, Series 2023, of which \$3,000,000 remains outstanding as of July 1, 2025, and its \$3,575,000 Unlimited Tax Road Bonds, Series 2024, of which \$3,575,000 remains outstanding as of July 1, 2025 (the “Outstanding Bonds”).
Payment Record.....	The District has never defaulted on the timely payment of principal or interest on its Outstanding Bonds.
Authority for Issuance	<p>The Bonds constitute the first series of unlimited tax bonds issued by the District for the purpose of acquiring and/or constructing a Utility System (as defined below) to serve the District.</p> <p>The Bonds are issued pursuant to a resolution of the District’s Board of Directors authorizing the issuance of the Bonds (the “Bond Resolution”); an order of the TCEQ (as defined below); an election held on November 8, 2022; Article XVI, Section 59 of the Texas Constitution, Chapter 8118 of the Texas Special District Local Laws Code, and the general laws of the State of Texas, including Chapters 49 and 54, Texas Water Code, as amended. See “THE BONDS – Authority for Issuance” and “THE BONDS – Issuance of Additional Debt.”</p>

Voters in the District have authorized a total of \$262,462,000 in principal amount of unlimited tax bonds for the purpose of acquiring and/or constructing water, sewer, and drainage facilities to serve the District (the “Utility System”) and \$262,462,000 in principal amount of unlimited tax bonds for refunding such bonds; \$124,164,000 in principal amount of unlimited tax bonds for the purpose of acquiring and/or constructing a road system to serve the District (the “Road System”), and \$124,164,000 in principal amount of unlimited tax bonds for refunding such bonds; and \$53,126,000 principal amount of unlimited tax bonds for acquiring and/or constructing recreational or park facilities in the District and \$53,126,000 in principal amount of unlimited tax bonds for refunding such bonds.

Following the issuance of the Bonds: \$258,462,000 principal amount of unlimited tax bonds for the purpose of acquiring and/or constructing the Utility System to serve the District and \$262,462,000 in principal amount of unlimited tax bonds for refunding such bonds; \$117,589,000 principal amount of unlimited tax bonds for the purpose of acquiring and/or constructing the Road System and \$124,164,000 in principal amount of unlimited tax bonds for refunding such bonds; and \$53,126,000 principal amount of unlimited tax bonds for acquiring and/or constructing recreational or park facilities in the District and \$53,126,000 in principal amount of unlimited tax bonds for refunding such bonds, in each case will remain authorized and unissued.

Use of Bond Proceeds..... A portion of the proceeds from the sale of the Bonds will be used to reimburse the Developer (herein defined) for the construction costs set out under “THE BONDS – Use and Distribution of Bond Proceeds.” In addition, a portion of the proceeds from the sale of the Bonds will be used to pay developer interest, provide 12 months of capitalized interest and other certain costs associated with the issuance of the Bonds. See “THE BONDS – Use and Distribution of Bond Proceeds.”

Municipal Bond Insurance/Rating..... The District has made applications for a commitment for municipal bond guaranty insurance on the Bonds. **THE PURCHASE OF SUCH INSURANCE IS MANDATORY, and the payment of all associated costs, including the premium charged by the insurance company and fees charged by rating companies, will be at the expense of the Initial Purchaser.**

No application has been made for a municipal bond rating on the Bonds. Furthermore, it is not expected that the District would have been successful in obtaining an investment grade rating on the Bonds had such application been made. See “MUNICIPAL BOND INSURANCE AND RATING.”

Bond Counsel Allen Boone Humphries Robinson LLP, Houston, Texas.

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

Financial Advisor Tierra Financial Advisors, LLC, Arlington, Texas (“Tierra”). Tierra is a wholly-owned subsidiary of D.R. Horton Inc., an affiliate of (i) the primary builder of homes within the District and (ii) the developer of land in the District. See “RELATIONSHIP AMONG THE PARTIES” herein.

THE DISTRICT

Description East Montgomery County Municipal Utility District No. 14 (as existing prior to the Division Order (defined below), the “Parent District”) was created by Senate Bill No. 891 (codified as Chapter 8118, Special District Local Laws Code (“Chapter 8118”)), Act of the 79th Texas Legislature, Regular Session, 2005, as a conservation

and reclamation district created under Section 59, Article XVI of the Texas Constitution. Chapter 8118 was subsequently amended in the 81st, 84th and 87th Regular Sessions of the Texas Legislature. Pursuant to Senate Bill 2216, Act of the 87th Texas Legislature of the Texas Legislature, the Parent District was granted certain road powers under Section 52, Article III of the Texas Constitution. Effective February 9, 2022, pursuant to an Order Dividing District as amended (the “Division Order”), the Parent District was divided into the District, consisting of 281.9 acres and inheriting all of the Parent District’s assets, liabilities, rights and duties, including powers under Chapter 8118, and East Montgomery County Municipal Utility District No. 14A, consisting of 228.2 acres. Effective April 13, 2022, the District added an additional 25.96 acres of land, resulting in its current acreage of 307.9 acres, which is partially included in the extraterritorial jurisdiction of the City of Conroe. The District operates pursuant to Chapters 8118, 49 and 54 of the Texas Water Code, as amended, and Article III, Section 52 and Article XVI, Section 59 of the Texas Constitution. See “THE DISTRICT.”

Location.....	The District is located in east unincorporated Montgomery County, approximately 16 miles southeast of the Central Business District of the City of Conroe and is partially included in the extraterritorial jurisdiction of the City of Conroe. It is generally bounded on the north by FM 2090, on the west by Canopies Parkway, on the east by a CenterPoint easement, and on the south by vacant land. It lies approximately 2.5 miles west of the intersection of FM 2090 and US 59. It is bisected by Gully Branch, a waterway. See “THE DISTRICT – Description.”
Developer and Principal Landowner	The principal developer of land within the District is Forestar (USA) Real Estate Group, Inc. (“Forestar”), which is a wholly-owned subsidiary of Forestar Group, Inc. (“Forestar Group”). Forestar Group is a publicly traded corporation and majority owned subsidiary of D.R. Horton, Inc. (“D.R. Horton”), a publicly traded corporation. Forestar is referred to herein as the “Developer.” See “DEVELOPMENT OF THE DISTRICT” and PRINCIPAL LANDOWNER/DEVELOPER.”
Development within the District.....	Approximately 150.28 acres (746 lots) within the District have been developed into the single-family subdivisions of Presswoods, Sections 1 through 8. Approximately 91.36 acres of undevelopable land consist of drainage easements/reserves, drill sites, District plant sites, and 17.76 acres consisting of rights-of-way. As of June 1, 2025, the District was comprised of 348 completed homes, 96 homes under construction, and 302 vacant developed lots. There is currently approximately zero acres of undeveloped but developable land within the District. Splendora Independent School District (the “Splendora ISD”) purchased 47.60 acres of developable land from Forestar for use as an elementary school site and a junior high school site. This acreage is not subject to ad valorem taxation by the District. See “DEVELOPMENT OF THE DISTRICT – Status of Development within the District.”
Homebuilders	Homebuilders active within the District include D.R. Horton, under its Express Homes brand. Prices of new homes being constructed within the District range from \$210,000 to \$270,000 and range in size from 1,400 to 2,300 square feet. See “DEVELOPMENT OF THE DISTRICT – Homebuilders within the District.”

RISK FACTORS

THE BONDS ARE SUBJECT TO CERTAIN INVESTMENT RISKS. PROSPECTIVE PURCHASERS SHOULD REVIEW THIS ENTIRE OFFICIAL STATEMENT, INCLUDING PARTICULARLY THE SECTION OF THIS OFFICIAL STATEMENT ENTITLED “RISK FACTORS,” BEFORE MAKING AN INVESTMENT DECISION.

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SELECTED FINANCIAL INFORMATION
(UNAUDITED)

2025 Certified Assessed Valuation	\$ 91,238,705 ^(a)
Direct Debt:	
Outstanding Bonds (as of June 1, 2025)	\$ 6,575,000
The Bonds	\$ 4,000,000
Total	<u>\$ 10,575,000</u>
Estimated Overlapping Debt	\$ 12,041,183 ^(b)
Direct and Estimated Overlapping Debt Ratio:	\$ 22,616,183 ^(b)
Direct Debt Ratio:	
As a percentage of 2025 Certified Assessed Valuation	11.59%
Direct and Estimated Overlapping Debt Ratio:	
As a percentage of 2025 Certified Assessed Valuation	24.79%
Utility System Debt Service Fund (as of June 18, 2025)	\$ - ^(c)
Road System Debt Service Fund (as of June 18, 2025)	\$ 525,664 ^(d)
Utility System Capital Projects Fund (as of June 18, 2025)	\$ -
Road System Capital Projects Fund (as of June 18, 2025)	\$ 32,068
Operating Fund (as of June 18, 2025)	\$ 537,860
2024 Tax Rate:	
Utility System Debt Service	\$ -
Road System Debt Service	\$ 0.600
Maintenance & Operation	\$ 0.900
Total	<u>\$ 1.500^(e)</u>
Combined Estimated Average Annual Debt Service Requirements on the Outstanding Bonds and the Bonds (2025 – 2050)	\$ 702,465 ^(f)
Combined Estimated Maximum Annual Debt Service Requirements on the Outstanding Bonds and the Bonds (2047)	\$ 778,313 ^(f)
Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay Estimated Average Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2025- 2050):	
Based on 2025 Certified Assessed Valuation at 95% Collections	\$ 0.82
Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay Estimated Maximum Debt Service Requirement on the Outstanding Bonds and the Bonds (2047):	
Based on 2025 Certified Assessed Valuation at 95% Collections	\$ 0.90

- (a) Represents the assessed valuation of all taxable property in the District as of January 1, 2025, provided by the Montgomery Central Appraisal District (the "Appraisal District"). See "TAX DATA" and "TAXING PROCEDURES."
- (b) See "DISTRICT DEBT - Direct and Estimated Overlapping Debt Statement."
- (c) Neither Texas law nor the Bond Resolution requires that the District maintain any particular sum in the Utility System Debt Service Fund. The funds in the Utility System Debt Service Fund are pledged only to pay the debt service on the Bonds and any other bonds issued for the purpose of acquiring or constructing the Utility System. The funds in the Utility System Debt Service Fund are not pledged to pay debt service on the Outstanding Bonds, or any other bonds issued for the purpose of acquiring or constructing the Road System. The funds in the Road System Debt Service Fund are pledged only to pay the debt service on the Outstanding Bonds and any other bonds issued for the purpose of acquiring or constructing the Road System. Upon issuance of the Bonds, \$200,000 of capitalized interest will be deposited into the Utility System Debt Service Fund.
- (d) The funds in the Road System Debt Service Fund are not pledged to pay debt service on the Bonds or any other bonds issued for the purpose of acquiring or constructing the Utility System.
- (e) See "TAX DATA - Tax Rate Calculations."
- (f) Debt Service on the Bonds is estimated at an average interest rate of 5.00%. See "DISTRICT DEBT - Estimated Utility System Debt Service Requirement Schedule."

OFFICIAL STATEMENT

relating to

EAST MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 14

(A Political Subdivision of the State of Texas, located within Montgomery County)

\$4,000,000

**Unlimited Tax Bonds,
Series 2025**

INTRODUCTION

This Official Statement provides certain information in connection with the issuance by East Montgomery County Municipal Utility District No. 14 (the “District”) of its \$4,000,000 Unlimited Tax Bonds, Series 2025 (the “Bonds”).

The Bonds are issued pursuant to (i) Article XVI, Section 59 of the Texas Constitution, (ii) Chapter 8118 of the Texas Special District Local Laws Code, (iii) the general laws of the State of Texas, including particularly Chapters 49 and 54 of the Texas Water Code, as amended, (iv) an order of the TCEQ, (v) a resolution authorizing the issuance of the Bonds (the “Bond Resolution”) adopted by the Board of Directors of the District on the date of the sale of the Bonds, and (vi) an election held within the District on November 8, 2022.

This Official Statement also includes information about the District and certain reports and other statistical data. The summaries and references to all documents, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive or definitive and each summary and reference is qualified in its entirety by reference to each such document, statute, report or instrument. Copies of documents may be obtained from Allen Boone Humphries Robinson LLP, Bond Counsel, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027.

RELATIONSHIP AMONG THE PARTIES

Tierra Financial Advisors, LLC, serves as financial advisor to the District (the “Financial Advisor”) and is a wholly owned subsidiary of D.R. Horton Inc. (“D.R. Horton”). The principal developer of land within the District is Forestar (USA) Real Estate Group, Inc. (“Forestar”), which is a wholly-owned subsidiary of Forestar Group, Inc. (“Forestar Group”). Forestar Group is a publicly traded corporation and majority owned subsidiary of D.R. Horton. In addition, homebuilders active within the District include Express Homes, which is owned by D.R. Horton. See “DEVELOPMENT OF THE DISTRICT – Homebuilders within the District,” “PRINCIPAL LANDOWNER/DEVELOPER,” and “TAX DATA – Principal Taxpayers.” A portion of the proceeds of the Bonds will be used to reimburse Forestar for expenditures incurred in connection with the development of infrastructure in the District. See “THE BONDS – Use and Distribution of Bond Proceeds.” The Financial Advisor is subject to federal laws and regulations that require it to disclose, manage and mitigate conflict of interest consistent with its fiduciary duties to the District.

RISK FACTORS

General

The Bonds, which are obligations of the District and not of the State of Texas; Montgomery County, Texas; the City of Conroe, Texas (the “City”); or any political subdivision other than the District, will be secured by a continuing direct annual ad valorem tax without legal limitation as to rate or amount, levied against all taxable property located within the District. Therefore, the ultimate security for payment of the principal of and interest on the Bonds depends upon the ability of the District to collect from the property owners within the District taxes levied against all taxable property located within the District, or, in the event taxes are not collected and foreclosure proceedings are instituted by the District, upon the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The District makes no representations that over the life of the Bonds the property within the District will maintain a value sufficient to justify continued payment of taxes by the property owners. The potential increase in taxable valuation of District property is directly related to the economics of the residential housing industry, not only due to general economic conditions, but also due to the particular factors discussed below. See “DEVELOPMENT OF THE DISTRICT,” “TAX DATA,” and “TAXING PROCEDURES.”

Factors Affecting Taxable Values and Tax Payment

Economic Factors: The rate of development of the District is directly related to the vitality of the residential housing industry. New residential housing construction can be significantly affected by factors such as general economic activity, interest rates, credit availability, energy costs, construction costs, the level of unemployment, and consumer

demand. Decreased levels of home construction activity would restrict the growth of property values in the District. The District cannot predict the pace or magnitude of any future development or home construction in the District.

Principal Landowner/Developer: There is no commitment by, or legal requirement of, the principal landowners, the Developer (herein defined), or any other landowner in the District to proceed at any particular rate or according to any specified plan with the development of land in the District, or of any homebuilder to proceed at any particular pace with the construction of homes in the District. Moreover, there is no restriction on any landowner's right to sell its land. Therefore, the District can make no representation about the probability of future development, if any, or the rate of future home construction activity in the District. Failure to construct taxable improvements on developed lots would restrict the rate of growth of taxable values in the District and result in higher tax rates. See "DEVELOPMENT OF THE DISTRICT," "PRINCIPAL LANDOWNER/DEVELOPER," and "TAX DATA – Principal Taxpayers."

Dependence on Principal Taxpayers and the Developer: The top principal taxpayers represent \$21,627,159 or 23.70% of the 2025 Certified Assessed Valuation, which represents ownership as of January 1, 2025. If these or other principal taxpayers were to default in the payment of taxes in an amount which exceeds the District's debt service fund surplus, the ability of the District to make timely payment of debt service on the Bonds would be dependent on its ability to levy additional taxes or enforce and liquidate its tax lien, which is a time-consuming process. Failure to recover or borrow funds in a timely fashion could result in an excessive District tax rate, hindering growth and leading to further defaults in the payment of taxes. The District is not required by law or the Bond Resolution to maintain any specified amount of surplus in its debt service fund. See, "TAX DATA – Principal Taxpayers" and "TAXING PROCEDURES – Levy and Collection of Taxes."

Maximum Impact on District Tax Rates: Assuming no further development or home construction, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of property owners to pay their taxes. The 2025 Certified Assessed Valuation of property located within the District is \$91,238,705. See "TAX DATA."

After issuance of the Bonds, the maximum annual debt service requirement on the Outstanding Bonds and the Bonds is estimated to be \$778,313 (2047) and the average annual debt service requirement on the Outstanding Bonds and the Bonds is estimated to be \$702,465 (2025-2050). Assuming no decrease to the 2025 Certified Assessed Valuation, tax rates of \$0.90 and \$0.82 per \$100 of assessed valuation at 95% tax collection rate would be necessary to pay the estimated combined maximum annual debt service requirement and the estimated combined average annual debt service requirement, respectively.

The District can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the proposed District tax rate or to justify continued payment of taxes by property owners. For 2024, the District levied a road system debt service tax of \$0.60 per \$100 of assessed valuation and a maintenance tax of \$0.90 per \$100 of assessed valuation.

Vacant Developed Lots

As of June 1, 2025, approximately 302 developed lots within the District remained available for construction. Failure of the Developer and/or builders to construct taxable improvements on developed lots could result in substantial increases in the rate of taxation by the District during the term of the Bonds to pay debt service on the Bonds and any other tax supported debt of the District issued in the future. Future increases in value will result primarily from the construction of homes by builders. The District makes no representation that the lot sales and building program will be successful.

Dependence on the Oil and Gas Industry

The volatility in oil prices in the U.S. and globally may lead to adverse conditions in the oil and gas industry, including but not limited to reduced revenues, declines in capital and operating expenditures, business failures, and layoffs of workers. The economy of the Houston area has, in the past, been particularly affected by adverse conditions in the oil and gas industry, and such conditions and their spillover effects into other industries could result in declines in the demand for residential and commercial property in the Houston area and could reduce or negatively affect property values or homebuilding activity within the District. As previously stated, the Bonds are secured by an unlimited ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds as well as the District's share of operations and maintenance expenses payable from ad valorem taxes.

Competitive Nature of Residential Housing Market

The residential housing industry in the Houston, Texas area is very competitive, and the District can give no assurance that the building programs which are planned by any homebuilder(s) will be continued or completed. The respective competitive position of the homebuilders listed herein and any other developer or homebuilder(s) which might attempt future home building or development projects in the District, the sale of developed lots or in the construction and sale of single-family residential units, are affected by most of the factors discussed in this section, and such competitive

positions are directly related to tax revenues received by the District and the growth and maintenance of taxable values in the District.

Operating Fund

The District's current primary sources of operating revenue is maintenance tax revenue, water and sewer revenues, and advances from the Developer. For tax year 2024, the District levied a \$0.90 maintenance tax and a \$0.60 road system debt service tax. The District's Operating Fund balance as of June 18, 2025 is \$ \$537,860. Continued maintenance of a positive Operating Fund balance will depend upon (1) continued development and increased amounts of maintenance tax revenue and water and sewer revenues, and (2) cash subsidies from the Developer. If funds from these sources are not forthcoming, the District would have to increase its maintenance tax rate. See "PRINCIPAL LANDOWNER/DEVELOPER" "THE UTILITY SYSTEM - Water Supply" and "- Wastewater Treatment" and "TAX DATA — Principal Taxpayers."

Tax Collection and Foreclosure Remedies

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedures against a taxpayer, (c) market conditions limiting the proceeds from a foreclosure sale of taxable property, or (d) the taxpayer's right to redeem the property within two years of foreclosure for residential homestead and agricultural use property and within six (6) months of foreclosure for other property. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding.

Moreover, the value of property to be sold for delinquent taxes and thereby the potential sales proceeds available to pay debt service on the Bonds, may be limited by among other factors, the existence of other tax liens on the property, by the current aggregate tax rate being levied against the property, or by the taxpayers' right to redeem residential or agricultural use property within two (2) years of foreclosure and all other property within six (6) months of foreclosure. Finally, a bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes assessed against such taxpayer. See "TAXING PROCEDURES."

Registered Owners' Remedies and Bankruptcy Limitations

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Resolution, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Resolution, the Registered Owners have the statutory right of a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Resolution. Except for mandamus, the Bond Resolution does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners. Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages, so that in the absence of other waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the Bond Resolution may not be reduced to a judgment for money damages. If such a judgment against the District were obtained, it could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may further be limited by a State of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District.

Subject to the requirements of Texas law discussed below, a political subdivision such as the District may voluntarily file a petition for relief from creditors under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Sections 901-946. The filing of such petition would automatically stay the enforcement of Registered Owners' remedies, including mandamus. The automatic stay would remain in effect until the federal bankruptcy judge hearing the case dismisses the petition, enters an order granting relief from the stay or otherwise allows creditors to proceed against the petitioning political subdivision. A political subdivision such as the District may qualify as a debtor eligible to proceed in a Chapter 9 case only if it (1) is authorized to file for federal bankruptcy protection by applicable state law, (2) is

insolvent or unable to meet its debts as they mature, (3) desires to effect a plan to adjust such debts, and (4) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiation is impracticable. Special districts such as the District must obtain the approval of the TCEQ as a condition to seeking relief under the Federal Bankruptcy Code. The TCEQ is required to investigate the financial condition of a financially troubled district and authorize such district to proceed under federal bankruptcy law only if such district has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

Notwithstanding noncompliance by a district with Texas law requirements, the District could file a voluntary bankruptcy petition under Chapter 9, thereby invoking the protection of the automatic stay until the bankruptcy court, after a hearing, dismisses the petition. A federal bankruptcy court is a court of equity and federal bankruptcy judges have considerable discretion in the conduct of bankruptcy proceedings and in making the decision of whether to grant the petitioning District relief from its creditors. While such a decision might be appealable, the concomitant delay and loss of remedies to the Registered Owner could potentially and adversely impair the value of the Registered Owner's claim.

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

A district may not be forced into bankruptcy involuntarily.

Marketability

The District has no understanding with the Initial Purchaser of the Bonds regarding the reoffering yields or prices of the Bonds and has no control over trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made in the Bonds. If there is a secondary market, the difference between the bid and asked price for the Bonds may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional issuers as such bonds are more generally bought, sold or traded in the secondary market. See "SALE AND DISTRIBUTION OF THE BONDS."

Future Debt

At an election held within the District on November 8, 2022, voters in the District authorized a total of \$262,462,000 in principal amount of unlimited tax bonds for the purpose of acquiring and/or constructing water, sewer, and drainage facilities to serve the District (the "Utility System") and \$262,462,000 in principal amount of unlimited tax bonds for refunding such bonds; \$124,164,000 in principal amount of unlimited tax bonds for the purpose of acquiring and/or constructing a road system to serve the District (the "Road System") and \$124,164,000 in principal amount of unlimited tax bonds for refunding such bonds; and \$53,126,000 principal amount of unlimited tax bonds for acquiring and/or constructing recreational or park facilities in the District and \$53,126,000 in principal amount of unlimited tax bonds for refunding such bonds.

The Bonds constitute the first series of unlimited tax bonds issued by the District for the purpose of acquiring and/or constructing the Utility System to serve the District. After issuance of the Bonds, the following principal amounts of unlimited tax bonds will remain authorized but unissued: \$258,462,000 for the purpose of acquiring and/or constructing the Utility System to serve the District and \$262,462,000 for refunding such bonds; \$117,589,000 for the purpose of acquiring and/or constructing the Road System and \$124,164,000 for refunding such bonds; and \$53,126,000 for acquiring and/or constructing recreational or park facilities in the District and \$53,126,000 for refunding such bonds. The District may also issue any additional bonds as may hereafter be approved by both the Board of Directors and voters of the District. See "THE BONDS – Issuance of Additional Debt."

The District's issuance of bonds under the \$53,126,000 unlimited tax bonds authorization for park and recreational facilities is subject to approval by the Texas Commission on Environmental Quality ("TCEQ").

Following the issuance of the Bonds, the District will owe the Developer approximately \$17,000,000 for its expenditures to construct or acquire the Utility System. If additional bonds are issued in the future and property values have not increased proportionately, such issuance may increase gross debt-to-property-valuation ratios and thereby adversely affect the investment quality or security of the Bonds.

The principal amount of park bonds sold by the District is limited to one percent (1%) of the District's certified taxable assessed valuation, unless the District meets certain financial feasibility requirements under the TCEQ rules, in which case the outstanding principal amount of such bonds issued by the District may exceed an amount equal to one percent (1%) but not greater than three percent (3%) of the value of the taxable property in the District.

Continuing Compliance with Certain Covenants

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

Approval of the Bonds

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

Environmental Regulations

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

Requiring permits for construction and operation of water wells, wastewater treatment and other facilities;

Restricting the manner in which wastes are treated and released into the air, water and soils;

Restricting or regulating the use of wetlands or other properties; or

Requiring remedial action to prevent or mitigate pollution.

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

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

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

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

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

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

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

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

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

The TCEQ issued the General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the “MS4 Permit”) on August 15, 2024. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. While the District is currently not subject to the MS4 Permit, if the District’s inclusion were required at a future date, the District could incur substantial costs to develop, implement, and maintain the necessary plans as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff in order to comply with the MS4 Permit.

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

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

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

Severe Weather Events

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

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

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

Specific Flood Type Risks

The District may be subject to the following flood risks:

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

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

2025 Legislative Session

The 89th Regular Legislative Session convened on January 14, 2025, and concluded on June 2, 2025. The Legislature meets in regular session in odd numbered years for 140 days. When the Legislature is not in session, the Governor of Texas (the “Governor”) may call one or more special sessions, at the Governor’s discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. During this time, the Legislature may enact laws that materially change current laws affecting ad valorem tax matters, including rollback elections for maintenance tax increases, and other matters which could adversely affect the marketability or market value of the Bonds. On June 23, 2025, the Governor called a special session to begin on July 21, 2025, which will end no later than August 20, 2025. The agenda released by the Governor for the special session includes, in part, “legislation reducing the property tax burden on Texans and legislation imposing spending limits on entities authorized to impose property taxes.” The District can make no representations or predictions regarding any actions the Texas Legislature may take or the effect of any such actions.

THE BONDS

General

The following is a description of certain terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Bond Resolution of the Board of Directors of the District (the “Board”) authorizing the issuance of the Bonds. The Bond Resolution authorizes the issuance and sale of the Bonds and prescribes the terms, conditions and provisions for the payment of the principal of and interest on the Bonds by the District.

The Bonds are dated September 1, 2025, and will mature on September 1 in the years and in the principal amounts indicated on the inside cover page hereof. The Bonds will accrue interest from the date of their delivery (the “Delivery Date”), at the stated interest rates indicated on the inside cover page hereof. Interest on the Bonds is payable on March 1, 2026, and on each September 1 and March 1 thereafter (each an “Interest Payment Date”) until maturity or prior redemption. The Bonds will be issued as fully registered bonds in principal denominations of \$5,000 or any integral multiple thereof. Principal of the Bonds will be payable to a Registered Owner thereof at maturity or earlier redemption upon presentation of Bonds at the principal payment office of Zions Bancorporation, National Association, Houston, Texas (the “Paying Agent/Registrar”). In the event that the book-entry-only system is discontinued, interest on the Bonds will be payable by check, dated as of the interest payment date, and mailed by the Paying Agent/Registrar to

Registered Owners as shown on the records of the Paying Agent/Registrar at the close of business on the 15th day of the calendar month next preceding each Interest Payment Date (the “Record Date”), or by other such customary banking arrangements as may be acceptable to the Paying Agent/Registrar and the Registered Owner at the expense and risk of the Registered Owner.

Book-Entry-Only System

This section describes how ownership of the Bonds is to be transferred and how the principal of and interest on the Bonds are to be paid to and credited by 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 District believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

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

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be required by an authorized representative of DTC. One fully-registered Bond will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC.

DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a 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 purchase of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

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 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issue 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

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

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

Use of Certain Terms in Other Sections of this Official Statement

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

Successor Paying Agent/Registrar

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

Registration and Transfer

So long as any Bonds remain outstanding, the Paying Agent/Registrar shall keep the Register at its principal payment office and, subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar shall provide for the registration and transfer of Bonds in accordance with the terms of the Bond Resolution. In the event the Book-Entry-Only System should be discontinued, each Bond shall be transferable only upon the presentation and surrender of such Bond at the principal payment office of the Paying Agent/Registrar, duly endorsed for transfer, or accompanied by an assignment duly executed by the Registered Owner or his authorized representative in form satisfactory to the Paying Agent/Registrar. Upon due presentation of any Bond in proper form for transfer, the Paying Agent/Registrar has been directed by the District to authenticate and deliver in exchange therefor, within three (3) business days after such presentation, a new Bond or Bonds, registered in the name of the transferee or transferees, in authorized denominations and of the same maturity and aggregate principal amount and paying interest at the same rate as the Bond or Bonds so presented. All Bonds shall be exchangeable upon presentation and surrender thereof at the principal payment office of the Paying Agent/Registrar for a Bond or Bonds of the same maturity and interest rate and in any authorized denomination in an aggregate amount equal to the unpaid principal amount of the Bond or Bonds presented for exchange. The Paying Agent/Registrar is authorized to authenticate and deliver exchange Bonds. Each Bond

delivered shall be entitled to the benefits and security of the Bond Resolution to the same extent as the Bond or Bonds in lieu of which such Bond is delivered. Neither the District nor the Paying Agent/Registrar shall be required to transfer or to exchange any Bond during the period beginning on a Record Date and ending the next succeeding Interest Payment Date or to transfer or exchange any Bond called for redemption during the thirty (30) day period prior to the date fixed for redemption of such Bond. The District or the Paying Agent/Registrar may require the Registered Owner of any Bond to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with the transfer or exchange of such Bond. Any fee or charge of the Paying Agent/Registrar for such transfer or exchange shall be paid by the District.

Redemption Provisions

The District reserves the right, at its option, to redeem the Bonds maturing on or after September 1, 2032, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of \$5,000 on September 1, 2031, or any date thereafter, at a price of par value plus unpaid accrued interest on the principal amounts called for redemption from the most recent Interest Payment Date to the date fixed for redemption. If less than all of the Bonds are redeemed at any time, the maturities of the Bonds to be redeemed will be selected by the District. If less than all of the Bonds of a certain maturity are to be redeemed, the particular Bonds to be redeemed shall be selected by the Paying Agent/Registrar by lot or other random method (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form). If a Bond subject to redemption is in a denomination larger than \$5,000, a portion of such Bond may be redeemed, but only in integral multiples of \$5,000. Upon surrender of any Bond for redemption in part, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor a Bond or Bonds of like maturity and interest rate in an aggregate principal amount equal to the unredeemed portion of the Bond so surrendered. Notice of any redemption identifying the Bonds to be redeemed in whole or in part shall be given by the Paying Agent/Registrar at least thirty (30) days prior to the date fixed for redemption by sending written notice by first class mail to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the Register. Such notices shall state the redemption date, the redemption price, the place at which the Bonds are to be surrendered for payment and, if less than all the Bonds outstanding are to be redeemed, the numbers of the Bonds or the portions thereof to be redeemed. Any notice given shall be conclusively presumed to have been duly given, whether or not the Registered Owner receives such notice. By the date fixed for redemption, due provision shall be made with the Paying Agent/Registrar for payment of the redemption price of the Bonds or portions thereof to be redeemed, plus accrued interest to the date fixed for redemption. When Bonds have been called for redemption in whole or in part and due provision has been made to redeem the same as herein provided, the Bonds or portions thereof so redeemed shall no longer be regarded as outstanding except for the purpose of receiving payment solely from the funds so provided for redemption, and the rights of the Registered Owners to collect interest which would otherwise accrue after the redemption date on any Bond or portion thereof called for redemption shall terminate on the date fixed for redemption.

Lost, Stolen or Destroyed Bonds

In the event the Book-Entry-Only System should be discontinued, upon the presentation and surrender to the Paying Agent/Registrar of a mutilated Bond, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor a replacement Bond of like maturity, interest rate and principal amount, bearing a number not contemporaneously outstanding. If any Bond is lost, apparently destroyed, or wrongfully taken, the District, pursuant to the applicable laws of the State of Texas and in the absence of notice or knowledge that such Bond has been acquired by a bona fide purchaser, shall, upon receipt of certain documentation from the Registered Owner and an indemnity bond, execute and the Paying Agent/Registrar shall authenticate and deliver a replacement Bond of like maturity, interest rate and principal amount bearing a number not contemporaneously outstanding.

Registered owners of lost, stolen or destroyed Bonds will be required to pay the District's costs to replace such Bond. In addition, the District or the Paying Agent/Registrar may require the Registered Owner to pay a sum sufficient to cover any tax or other governmental charge that may be imposed.

Authority for Issuance

At an election held within the District on November 8, 2022, voters in the District authorized a total of \$262,462,000 in principal amount of unlimited tax bonds for the Utility System and \$262,462,000 in principal amount of unlimited tax bonds for refunding such bonds; \$124,164,000 in principal amount of unlimited tax bonds for the purpose of the Road System and \$124,164,000 in principal amount of unlimited tax bonds for refunding such bonds; and \$53,126,000 principal amount of unlimited tax bonds for acquiring and/or constructing recreational or park facilities in the District and \$53,126,000 in principal amount of unlimited tax bonds for refunding such bonds.

The Bonds are issued pursuant to (i) Article XVI, Section 59 of the Texas Constitution, (ii) Chapter 8118 of the Texas Special District Local Laws Code, (iii) the general laws of the State of Texas, including particularly Chapters 49 and 54 of the Texas Water Code, as amended, (iv) an order of the TCEQ, (v) the Bond Resolution, and (vi) an election held within the District on November 8, 2022.

Source of Payment

While the Bonds or any part of the principal thereof or interest thereon remains outstanding and unpaid, the District covenants to levy and annually assess and collect in due time, form and manner, and at the same time as other District taxes are appraised, levied and collected, in each year, a continuing direct annual ad valorem tax, without limit as to rate, upon all taxable property in the District sufficient to pay the interest on the Bonds as the same becomes due and to pay each installment of the principal of the Bonds as the same matures, with full allowance being made for delinquencies and costs of collection. In the Bond Resolution, the District covenants that said taxes are irrevocably pledged to the payment of the interest on and principal of the Bonds and to no other purpose.

The Bonds are obligations solely of the District and are not the obligations of the State of Texas; Montgomery County, Texas; the City; or any entity other than the District.

Issuance of Additional Debt

The District may issue additional bonds with the approval of the TCEQ (with respect to the bonds for parks and recreational facilities and the bonds for the utility system) necessary to provide improvements and facilities consistent with the purposes for which the District was created. The District's voters have authorized the District's issuance of \$262,462,000 in principal amount of unlimited tax bonds for the Utility System and \$262,462,000 in principal amount of unlimited tax bonds for refunding such bonds; \$124,164,000 in principal amount of unlimited tax bonds for the purpose of the Road System and \$124,164,000 in principal amount of unlimited tax bonds for refunding such bonds; and \$53,126,000 principal amount of unlimited tax bonds for acquiring and/or constructing recreational or park facilities in the District and \$53,126,000 in principal amount of unlimited tax bonds for refunding such bonds.

The Bonds represent the first series of bonds issued by the District for the purpose of acquiring and/or constructing the Utility System. After issuance of the Bonds, the following principal amounts of unlimited tax bonds will remain authorized but unissued: \$258,462,000 in principal amount of unlimited tax bonds for the Utility System and \$262,462,000 in principal amount of unlimited tax bonds for refunding such bonds; \$117,589,000 in principal amount of unlimited tax bonds for the purpose of the Road System and \$124,164,000 in principal amount of unlimited tax bonds for refunding such bonds; and \$53,126,000 principal amount of unlimited tax bonds for acquiring and/or constructing recreational or park facilities in the District and \$53,126,000 in principal amount of unlimited tax bonds for refunding such bonds. The District may also issue any additional bonds as may hereafter be approved by both the Board of Directors and voters of the District. The Bond Resolution imposes no limitation on the amount of additional parity bonds which may be issued by the District (if authorized by the District's voters and, in the case of bonds for parks and recreation, approved by the TCEQ).

Following the issuance of the Bonds, the District will owe the Developer approximately \$17,000,000 for its expenditures to construct or acquire the Utility System, the funds of which were advanced by the Developer.

The District is also authorized by statute to engage in fire-fighting activities, including the issuing of bonds payable from taxes for such purposes. Before the District could issue such bonds, the following actions would be required: (a) authorization of a detailed fire protection plan; (b) approval of the fire plan by the TCEQ; (c) approval of the fire plan by the voters of the District; and (d) approval of bonds, if any, by the Attorney General of Texas. If additional debt obligations are issued in the future by the District, such issuance may increase gross debt/property ratios and might adversely affect the investment security of the Bonds. The District has no current plans to submit an application for approval of a fire protection plan.

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. Before the District could issue park bonds payable from taxes, the following actions would be required: (a) approval of the park bond application for the issuance of bonds by the TCEQ; and (b) approval of the bonds by the Attorney General of Texas. The District has not considered the preparation of a parks bond application at this time. If the District does issue park bonds, the principal amount of bonds sold by the District to construct park and recreational facilities is limited to one percent of the District's certified taxable assessed valuation, unless, the District meets certain financial feasibility requirements under the TCEQ rules, in which case the outstanding principal amount of such bonds issued by the District may be issued in an amount not to exceed three percent of the value of the taxable property in the District.

Funds

The Bond Resolution creates a fund for debt service on the Bonds (the "Utility System Debt Service Fund"). The Utility System Debt Service Fund, which constitutes a trust fund for the benefit of the owners of the Bonds, and any additional unlimited tax bonds issued by the District for the Utility System, is to be kept separate from all other funds of the District, and is to be used for payment of debt service on the Bonds, and any of the District's duly authorized additional utility bonds payable in whole or part from taxes. Amounts on deposit in the Utility System Debt Service Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar, to defray the expenses of assessing

and collecting taxes levied for payment of interest on and principal of the Bonds, and any additional utility bonds payable in whole or in part from taxes, and to pay any tax anticipation notes issued, together with interest thereon, as such tax anticipation notes become due. \$200,000 or twelve (12) months of capitalized interest shall be deposited into the Utility Debt Service Fund upon receipt. The remaining proceeds of the sale of the Bonds shall be deposited into the Utility System Capital Projects Fund, to be used for the purpose of reimbursing the Developer for certain construction costs and paying the costs of issuance of the Bonds. Any monies remaining in the Utility System Capital Projects Fund after completion of construction of all Utility System facilities will be used as described in the Bond Resolution or ultimately transferred to the Utility Debt Service Fund. See "USE AND DISTRIBUTION OF BOND PROCEEDS" for a complete description of the use of Bond proceeds and the projects related thereto.

The District also maintains a separate Road System Debt Service Fund. The Road System Debt Service Fund, which constitutes a trust fund for the benefit of the owners of the Outstanding Bonds, and any additional unlimited tax road bonds issued by the District, is to be kept separate from all other funds of the District, and is to be used for payment of debt service on the Outstanding Bonds, and any of the District's duly authorized additional road bonds payable in whole or part from taxes. Amounts on deposit in the Road System Debt Service Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar, to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Outstanding Bonds, and any additional road bonds payable in whole or in part from taxes, and to pay any tax anticipation notes issued, together with interest thereon, as such tax anticipation notes become due.

Consolidation

The District has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its assets (such as cash and the utility system) and liabilities (such as the Bonds) with the assets and liabilities of districts with which it is consolidating. Although no consolidation is presently contemplated by the District, no representation is made concerning the likelihood of consolidation in the future.

Arbitrage

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

Defeasance

The Bond Resolution provides that the District may discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal, interest and redemption price thereon in any manner permitted by law. Under current Texas law, such discharge may be accomplished either (i) by depositing with the Comptroller of Public Accounts of the State of Texas a sum of money equal to the principal of, premium, if any, and all interest to accrue on the Bonds to maturity or redemption or (ii) by depositing with any place of payment (paying agent) of the Bonds or other obligations of the District payable from revenues or from ad valorem taxes or both, amounts sufficient to provide for the payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested only in (a) direct noncallable obligations of the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to the investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and which mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds. Upon such deposit as described above, such Bonds shall no longer be regarded as outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment or redemption of the Bonds have been made as described above, all rights of the District to initiate proceedings to call

the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided, however, that the right to call the Bonds for redemption is not extinguished if the District: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes. There is no assurance that the current law will not be changed in the future in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds.

Legal Investment and Eligibility to Secure Public Funds in Texas

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

- (a) All bonds, notes, and other obligations issued by a district shall be legal and authorized investments for all banks, trust companies, building and loan associations, savings and loan associations, insurance companies of all kinds and types, fiduciaries, and trustees, and for all interest and sinking funds and other public funds of the state, and all agencies, subdivisions, and instrumentalities of the state, including all counties, cities, towns, villages, school districts, and all other kinds and types of districts, public agencies, and bodies politic.
- (b) A district's bonds, notes, and other obligations are eligible and lawful security for all deposits of public funds of the state, and all agencies, subdivisions, and instrumentalities of the state, including all counties, cities, towns, villages, school districts, and all other kinds and types of districts, public agencies, and bodies politic, to the extent of the market value of the bonds, notes, and other obligations when accompanied by any unmatured interest coupons attached to them.

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

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

Remedies in Event of Default

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Resolution, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Resolution, the Registered Owners have the statutory right of a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Resolution. Except for mandamus, the Bond Resolution does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners. Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages, so that in the absence of other waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the Bond Resolution may not be reduced to a judgment for money damages. If such a judgment against the District were obtained, it could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may further be limited by a State of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District. See "RISK FACTORS – Registered Owners' Remedies," and "RISK FACTORS – Bankruptcy Limitation to Registered Owners' Rights".

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Use and Distribution of Bond Proceeds

A portion of the proceeds from the sale of the Bonds will be used to reimburse the Developer (hereinafter defined) for a portion of the following. Non-construction costs are based upon either contract amounts, or estimates of various costs by the Engineer and the Financial Advisor (hereinafter defined). The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Bonds and completion of agreed-upon procedures by the District's Auditor.

<u>Construction Costs</u>	<u>District's Share</u>
A. Developer Contribution Items	
1. The Presswoods Sections 1 & 2	\$ 1,719,657
2. Clearing & Grubbing Phase 1 for Splendora Crossing	314,044
3. Engineering	410,592
4. Drainage Study	78,239
5. SWPP	<u>92,933</u>
Total Developer Construction Items	\$ 2,615,464
 <u>Non-Construction Costs</u>	
A. Legal Fees	\$ 115,000
B. Financial Advisor Fees	40,000
C. Interest Costs	
1. Capitalized Interest (12 months @ 5.00%)	200,000
2. Developer Interest	545,142
D. Developer Advances	168,471
E. Creation Costs	125,000
F. Bond Discount (3%)	80,000
G. Bond Issuance Expenses	46,923
H. Bond Application Report Cost	50,000
I. Attorney General Fee (0.10% or \$9,500 Max)	4,000
J. TCEQ Bond Issuance Fee (0.25%)	<u>10,000</u>
TOTAL NON-CONSTRUCTION COSTS	\$ 1,384,536
 TOTAL BOND ISSUE REQUIREMENT	 \$ 4,000,000

In the instance that estimated amounts exceed the actual costs, the difference comprises a surplus which may be expended for approved uses. In the instance that actual costs exceed previously approved estimated amounts and contingencies, the issuance of additional bonds may be required. However, the District cannot and does not guarantee the sufficiency of such funds for such purposes.

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THE DISTRICT

Authority

East Montgomery County Municipal Utility District No. 14 (as existing prior to the Division Order (defined below), the “Parent District”) was created by Senate Bill No. 891 (codified as Chapter 8118, Special District Local Laws Code (“Chapter 8118”)), Act of the 79th Texas Legislature, Regular Session, 2005, as a conservation and reclamation district created under Section 59, Article XVI of the Texas Constitution. Chapter 8118 was subsequently amended in the 81st, 84th and 87th Regular Sessions of the Texas Legislature. Pursuant to Senate Bill 2216, Act of the 87th Texas Legislature, the Parent District was granted certain road powers under Section 52, Article III of the Texas Constitution. Effective February 9, 2022 pursuant to an Order Dividing District as amended (the “Division Order”), the Parent District was divided into the District, consisting of 281.9 acres and inheriting all of the Parent District’s assets, liabilities, rights and duties, including powers under Chapter 8118, and East Montgomery County Municipal Utility District No. 14A, consisting of 228.2 acres. Effective April 13, 2022, the District added an additional 25.96 acres of land, resulting in its current acreage of 307.9 acres. The District operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended and Article III, Section 52 and Article XVI, Section 59 of the Texas Constitution.

The District is empowered, among other things, to finance, purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation, and treatment of wastewater; the control and diversion of storm water; and roads located inside its boundaries. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District may also provide solid waste disposal and collection services. Additionally, the District may, subject to certain limitations, develop and finance recreational facilities.

Description

The District is located in east unincorporated Montgomery County, approximately 16 miles southeast of the Central Business District of the City and is partially included in the extraterritorial jurisdiction of the City. It is generally bounded on the north by FM 2090, on the west by Canopies Parkway, on the east by a CenterPoint easement, and on the south by vacant land. It lies approximately 2.5 miles west of the intersection of FM 2090 and US 59. It is bisected by Gully Branch, a waterway.

Management of the District

The District is governed by the Board consisting of five directors, who have control over and management supervision of all affairs of the District. All of the Directors own property in the District. The directors serve four-year staggered terms. Elections are held in May of even-numbered years. The current members and officers of the Board are listed below:

Name	Position	Term Expires May
Stephen Kibbee	President	2028
Creston Minter	Vice President	2028
Bradley Castillo	Secretary	2026
Evan Rohne	Assistant Vice President/Assistant Secretary	2026
Kelly O’Shieles	Assistant Vice President/Assistant Secretary	2028

Investments of the District

The District has adopted an Investment Policy as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code. The District’s goal is to preserve principal and maintain liquidity while securing a competitive yield on its portfolio. Funds of the District will be invested in short term U.S. Treasuries, certificates of deposit insured by the Federal Deposit Insurance Corporation (“FDIC”) or secured by collateral evidenced by perfected safekeeping receipts held by a third-party bank, and public funds investment pools rated in the highest rating category by a nationally recognized rating service. The District does not currently own, nor does it anticipate the inclusion of, long term securities or derivative products in the District portfolio.

Consultants

Although the District does not have a general manager or any other full-time employees, it has contracted for bookkeeping, tax assessing and collecting, auditing, engineering, and legal services as follows:

Bond Counsel and General Counsel: The District has engaged Allen Boone Humphries Robinson LLP, Houston, Texas, as general counsel to the District and as bond counsel (“Bond Counsel”) in connection with the issuance of the Bonds. The fees to be paid Bond Counsel in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds. See “LEGAL MATTERS.”

Disclosure Counsel: Orrick, Herrington & Sutcliffe LLP, Houston, Texas, serves as Disclosure Counsel to the District. The fee to be paid Disclosure Counsel for services rendered in connection with the issuance of the Bonds is contingent on the issuance, sale and delivery of the Bonds.

Financial Advisor: Tierra Financial Advisors, LLC is engaged as financial advisor to the District 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. Tierra Financial Advisors, LLC is a wholly owned subsidiary of D.R. Horton. See "RELATIONSHIP AMONG THE PARTIES" herein.

Tax Assessor/Collector: The tax assessor/collector for the District is Utility Tax Service, LLC. (the "Tax Assessor/Collector").

Bookkeeper: The District's bookkeeper is Myrtle Cruz, Inc. (the "Bookkeeper").

Auditor: The District engaged McGrath & Co., PLLC to audit its financial statements for the fiscal year ended April 30, 2024, a copy of which is attached as "Exhibit A."

Engineer: The District's engineer is Elevation Land Solutions (the "Engineer").

Operator: The operation and maintenance of the District's water and wastewater systems are overseen by Municipal District Services, LLC.

Road Improvements Agreement and Participation Agreement

East Montgomery County Municipal Utility District No. 13 ("MUD 13"), a municipal utility district located to the northeast of the District, and Montgomery County (the "County") have agreed to share in the costs of certain road improvements to serve an economic impact area encompassing 1,900 acres (the "Economic Impact Area") that includes the land within the District. MUD 13 entered into an Agreement for the Financing and Construction of Road Improvements with the County on December 28, 2022 (the "Road Agreement"). The projects subject to the Road Agreement consist of certain major thoroughfare and loop road improvements and related improvements (collectively, the "Projects") within the Economic Impact Area. Under the Road Agreement, an estimated total of \$12,195,000 of eligible costs for Projects would be incurred as a result of Projects financed in whole or in part by the District. As a Project is completed, Montgomery County will accept ownership and maintenance of the Project in the same manner and to the same extent that it owns and maintains Montgomery County roads and related road facilities in other unincorporated areas of Montgomery County.

To pay MUD 13 for the County's share of the cost of the Projects (the "Project Costs"), the County agreed to pay MUD 13 an annual payment (the "Annual Payment") equal to a portion of the ad valorem taxes levied and collected by the County on the assessed valuation of the real property and improvements within the Economic Impact Area. The Annual Payment is the sum of money payable by the County to MUD 13 each year, based upon the County's tax rates and assessed values for the immediately preceding year, equal to the result of the following formula:

$$(\text{County's Total Ad Valorem Tax Rate} - (\text{County's Debt Service Tax Rate})) \times [75\% \text{ per } \$100 \text{ of Assessed Value}] \times [\text{Taxable Value Increase}].$$

For this purpose, "Taxable Value Increase" means the total Assessed Value of all taxable real property located within the Economic Impact Area for the current year less the Base Value, "Assessed Value" means the assessed value of the applicable real property as established by the Montgomery Central Appraisal District, and "Base Value" means the non-homestead appraised value of real property within the Economic Impact Area as of January 1, 2022, which is \$117,396,710.

The Road Agreement provides that the obligation of the County to pay the Annual Payment to MUD 13 begins no later than August 31, 2024 and will continue each year thereafter until the earliest of the following occurs: (i) all of the Project Costs have been paid in full, (ii) the reimbursement cap of \$66,881,000 has been reached, or (iii) December 28, 2052. Notwithstanding the foregoing, the County is not required to make any Annual Payment unless and until Project Costs are actually expended or incurred, and the County's obligation to make Annual Payments is further expressly conditioned upon the completion of the Projects by December 31, 2042. The County may prepay its obligation (in whole or in part) under the Road Agreement at any time without penalty.

MUD 13 may use the Annual Payments only to: (a) fund Project costs, (b) reimburse developers for Project costs, and/or (c) pay debt service on bonds issued to finance a Project.

MUD 13 has entered into participation agreements with municipal utility districts within the Economic Impact Area, including the District, in order to allocate the benefits of the Road Agreement to the Economic Impact Area. In the District's participation agreement with MUD 13, MUD 13 is obligated to pay to the District its proportionate share of Annual Payments for the eligible Project Costs of the District following receipt of the applicable Annual Payment

from Montgomery County, which proportionate share of the District shall be calculated as the Taxable Value Increase within the boundaries of the District divided by the Taxable Value Increase within the entire Economic Impact Area for the applicable annual period (such amount, the “District Annual Payments”).

MUD 13 has no obligation to pay to the District the District Annual Payments until MUD 13 receives the applicable Annual Payment from the County. The District may use the District Annual Payments only to: (a) fund Project costs, (b) reimburse developers for Project costs, and/or (c) pay debt service on bonds issued to finance a Project. The District Annual Payments are not pledged to the payment of the interest on or principal of the District’s bonds, including the Bonds.

DEVELOPMENT OF THE DISTRICT

Status of Development within the District

Approximately 150.28 acres (746 lots) within the District have been developed into the single-family subdivisions of Presswoods, Sections 1 through 8. Approximately 91.36 acres of undevelopable land consist of drainage easements/reserves, drill sites, District plant sites, and 17.76 acres consisting of rights-of-way. As of June 1, 2025, the District was comprised of 348 completed homes, 96 homes under construction, and 302 vacant developed lots. There is currently approximately zero acres of undeveloped but developable land within the District. Splendora Independent School District (the “Splendora ISD”) purchased 47.60 acres of developable land from Forestar for use as an elementary school site and a junior high school site. This acreage is not subject to ad valorem taxation by the District.

The table below summarizes the status of development and land use within the District as of June 1, 2025.

Presswoods	Acreage	Section Lots	Homes Completed	Homes Construction	Vacant Lots
Section 1	10.91	60	59	0	1
Section 2	16.00	79	77	0	2
Section 3	32.73	167	130	16	21
Section 4	10.52	45	45	0	0
Section 5	14.20	50	30	9	11
Section 6	20.52	92	7	25	60
Section 7	13.30	57	0	0	57
Section 8	32.10	196	0	46	150
Totals	150.28	746	348	96	302
Undevelopable ^(a)	91.36				
Sale to Splendora ISD	47.60				
Right of Way	17.76				
District Total	307.00				

(a) Consists of drainage easements/reserves, drill sites, and District plant sites.

Homebuilders within the District

Homebuilders active within the District include D.R. Horton, under its Express Homes brand. Prices of new homes being constructed within the District range from \$210,000 to \$270,000 and range in size from 1,400 to 2,300 square feet. See “PRINCIPAL LANDOWNER/DEVELOPER.”

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PHOTOGRAPHS TAKEN IN THE DISTRICT
(JUNE 2025)





PRINCIPAL LANDOWNER/DEVELOPER

Role of the Developer

In general, the activities of a developer in a municipal utility district such as the District include purchasing the land within the District, designing the subdivision, designing the utilities and streets to be constructed in the subdivision, designing any community facilities to be built, defining a marketing program and building schedule, securing necessary governmental approvals and permits for development, arranging for the construction of roads and the installation of utilities (including, in some cases, water, wastewater, and drainage facilities pursuant to the rules of the TCEQ, as well as gas, telephone, and electric service) and selling improved lots and commercial reserves to builders, developers, or other third parties. In some instances, the developer will be required to pay up to thirty percent (30%) of the cost of constructing certain of the water, wastewater, and drainage facilities in a municipal utility district pursuant to the rules of the TCEQ. The relative success or failure of a developer to perform such activities in development of the property within a municipal utility district may have a profound effect on the security of the unlimited tax bonds issued by a district. A developer is generally under no obligation to a district to develop the property which it owns in a district. Furthermore, there is no restriction on a developer's right to sell any or all of the land which it owns within a district. In addition, a developer is ordinarily a major taxpayer within a municipal utility district during the development phase of the property.

Prospective purchasers of the Bonds should note that the prior real estate experience of a developer should not be construed as an indication that further development within the District will occur, or construction of taxable improvements upon property within the District will occur, or that marketing or leasing of taxable improvements constructed upon property within the District will be successful. Circumstances surrounding development within the District may differ from circumstances surrounding development of other land in several respects, including the existence of different economic conditions, financial arrangements, homebuilders, geographic location, market conditions, and regulatory climate.

Neither the Developer (herein defined), nor any of its affiliate entities, are obligated to pay principal of or interest on the Bonds. Furthermore, neither the Developer, nor any of its affiliate entities, have a binding commitment to the District to carry out any plan of development, and the furnishing of information relating to the proposed development by the Developer or affiliate entities should not be interpreted as such a commitment. Prospective purchasers are encouraged to inspect the District in order to acquaint themselves with the nature of development that has occurred or is occurring within the District's boundaries.

The Developer

The principal developer of land within the District is Forestar (USA) Real Estate Group, Inc., a Delaware corporation ("Forestar"), which is a wholly-owned subsidiary of Forestar Group, Inc., a Delaware corporation ("Forestar Group") and a publicly traded corporation whose stock is listed on the New York Stock Exchange ("NYSE") under the ticker of "FOR." Forestar Group is a majority owned subsidiary of D.R. Horton Inc., a Delaware corporation ("D.R. Horton") and a publicly traded corporation whose stock is listed on the NYSE under the ticker of "DHI." Forestar may be referred to herein as the "Developer." Audited financial statements for Forestar Group can be found online at <http://forestar.com/investor-home/financialinformation>. Both Forestar Group and D.R. Horton are subject to the information requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith files reports and other information with the United States Securities and Exchange Commission ("SEC"). Reports, proxy statements and other information filed by Forestar Group and D.R. Horton can be inspected at the office of the SEC at Judiciary Plaza, Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such material can be obtained from the Public Reference Section of the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. Copies of the above reports, proxy statements and other information may also be inspected at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005. The SEC maintains a website at <http://www.sec.gov> that contains reports, proxy information statements and other information regarding registrants that file electronically with the SEC.

THE UTILITY SYSTEM

Regulation

According to the Engineer, the Utility System has been designed in accordance with accepted engineering practices and the requirements of all governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities including, among others, the TCEQ, and Montgomery County. According to the District's Engineer, the design of all such facilities has been approved by all required governmental agencies, and the construction has been inspected by the TCEQ.

Operation of the District's waterworks and sewer treatment facilities is subject to regulation by, among others, the Environmental Protection Agency and the TCEQ. In many cases, regulations promulgated by these agencies have become effective only recently and are subject to further development and revisions.

Water Supply

The District obtains water from one (1) water plant, which is leased from AUC Group, Inc. ("AUC") and operated and maintained by the District. Water Plant No. 1 consists of one (1) 500 gpm water well; one (1) 500 gpm water well; one (1) 15,578 gallon hydro-pneumatic tank; one (1) 245,217 gallon ground storage tank; and four (4) 900 gpm booster pumps. The District's water supply is currently capable of serving 778 ESFCs.

Wastewater Treatment

The District is leasing one (1) 150,000 GPD wastewater treatment plant from AUC.

The TCEQ issued a wastewater discharge permit to the District, dated August 31, 2021, authorizing the treatment and disposal from the plant with a permitted maximum daily effluent flow not to exceed 0.60 MGD ultimately. The District is currently operating in the Interim I Phase of the permit which limits effluent to 0.15 MGD.

The District's wastewater capacity is currently capable of serving 500 ESFCs.

Storm-Water Drainage Facilities

Land within the District naturally drains to Gully Branch which bisects the District running west to east, then south to Peach Creek and eventually Caney Creek. Streets with curb and gutter and underground storm sewers are being constructed for each section as they are developed. The storm water is conveyed through the storm sewers and then through detention ponds, then to a central drainage channel which outfalls to Gully Branch to offset increased rainfall run off associated with development. The detention facilities serve as the primary runoff conveyance system, generally draining east.

Permanent storm water quality facilities are not required by regulatory agencies at this time.

100-Year Flood Plain

Approximately 87 acres within the District are located in the 100-year flood plain. Approximately 25.4 acres are located within The Presswoods Section 1, Section 2, Section 3, Section 5, Section 6, Section 7, and Section 8. These areas have been filled. Letters of Map Revision based on Fill (LOMR-F) have been approved by FEMA for these areas, thereby removing them from the 100-year floodplain. The remaining acreage within the 100-year floodplain will remain undeveloped.

Atlas 14

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

General Fund Operating Statement

The following is a summary of the District's general fund activity for the fiscal years ended April 30, 2022 through April 30, 2024 and for the period from May 1, 2024 to June 30, 2025. The summary has been prepared by the Financial Advisor based upon information obtained from the District's audited financial statements and from information provided from the District's bookkeeper. Reference is made to such statements for further and more complete information. See "APPENDIX A – Financial Statements of the District."

	Fiscal Year Ended April 30,			
	05/01/2024 to 6/30/2025 (a)	2024	2023	2022 (a)
Revenues				
Water Service	\$ 315,675	\$ 112,765	\$ 11,348	\$ -
Sewer Service	306,071	185,077	37,180	-
Property Taxes	496,087	177,315	21,418	13,296
Penalties and Interest	7,149	8,939	209	-
Surface Water Fees	5,184	2,732	985	-
Tap Connection and Inspection Fees	1,025,229	293,597	310,916	-
Miscellaneous	9,627	13,575	2,090	-
Investment	<u>9,045</u>	<u>1,646</u>	<u>200</u>	<u>-</u>
Total Revenues	\$ 2,174,068	\$ 795,646	\$ 384,346	\$ 13,296
Expenditures				
Current Service Operations				
Professional Fees	\$ 193,704	\$ 168,214	\$ 78,266	\$ 18,909
Contracted Services	892,393	224,188	164,398	5,665
Repairs & Maintenance	585,053	822,783	401,629	-
Utilities	48,029	24,454	4,923	-
Administrative	79,063	41,335	19,184	7,670
Other	6,498	44,367	4,980	2,294
Capital Outlay	-	-	-	-
Right-To-Lease Asset	-	-	2,591,177	-
Debt Service	-	-	-	-
Lease - Principal	675,165	203,936	46,082	-
Lease - Interest	<u>-</u>	<u>305,919</u>	<u>72,918</u>	<u>-</u>
Total Expenditures	\$ 2,479,906	\$ 1,835,196	\$ 3,383,557	\$ 34,538
Excess (Deficiency) of Revenues Over Expenditures	\$ (305,838)	\$ (1,039,550)	\$ (2,999,211)	\$ (21,242)
Other Financing Sources (Uses)				
Lease Financing	\$ -	\$ -	\$ 2,591,177	\$ -
Developer Advances	730,000	1,010,000	315,000	62,000
Interfund Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	\$ 730,000	\$ 1,010,000	\$ 2,906,177	\$ 62,000
Net Change In Fund Balance	\$ 424,162	\$ (29,550)	\$ (93,034)	\$ 40,758
Fund Balance (Beginning of Year)	\$ (81,826)	\$ (52,276)	\$ 40,758	\$ -
Fund Balance (End of Year)	\$ 342,336	\$ (81,826)	\$ (52,276)	\$ 40,758

(a) Unaudited. From the District's bookkeeper. The bookkeeper categorizes Lease Principal and Lease Interest as one line item. The Auditor subsequently breaks it out into two line items as part of the annual audit.

THE ROAD SYSTEM

The Road System serves residents of the District by providing the internal road system as well as access to the major thoroughfares and collectors within the Presswoods development and surrounding area. The major thoroughfares and collectors serving the District include Canopies Parkway. The District will finance, design and construction the Road System in phases as development progresses. Construction of the District's roads is subject to certain regulations by Montgomery County. The roads in the District are constructed with reinforced concrete paving with curb and gutter. The Road System will ultimately be owned, operated, and maintained by Montgomery County as the phases are construction ad accepted by Montgomery County.

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DISTRICT DEBT

2025 Certified Assessed Valuation	\$ 91,238,705 ^(a)
Direct Debt:	
Outstanding Bonds (as of June 1, 2025)	\$ 6,575,000
The Bonds	\$ 4,000,000
Total	\$ 10,575,000
Estimated Overlapping Debt	\$ 12,041,183 ^(b)
Direct and Estimated Overlapping Debt Ratio:	\$ 22,616,183 ^(b)
Direct Debt Ratio:	
As a percentage of 2025 Certified Assessed Valuation	11.59%
Direct and Estimated Overlapping Debt Ratio:	
As a percentage of 2025 Certified Assessed Valuation	24.79%
Utility System Debt Service Fund (as of June 18, 2025)	\$ - ^(c)
Road System Debt Service Fund (as of June 18, 2025)	\$ 525,664 ^(d)
Utility System Capital Projects Fund (as of June 18, 2025)	\$ -
Road System Capital Projects Fund (as of June 18, 2025)	\$ 32,068
Operating Fund (as of June 18, 2025)	\$ 537,860
2024 Tax Rate:	
Utility System Debt Service	\$ -
Road System Debt Service	\$ 0.600
Maintenance & Operation	\$ 0.900
Total	\$ 1.500 ^(e)
Combined Estimated Average Annual Debt Service Requirements on the Outstanding Bonds and the Bonds (2025 – 2050)	\$ 702,465 ^(f)
Combined Estimated Maximum Annual Debt Service Requirements on the Outstanding Bonds and the Bonds (2047)	\$ 778,313 ^(f)
Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay Estimated Average Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2025- 2050):	
Based on 2025 Certified Assessed Valuation at 95% Collections	\$ 0.82
Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay Estimated Maximum Debt Service Requirement on the Outstanding Bonds and the Bonds (2047):	
Based on 2025 Certified Assessed Valuation at 95% Collections	\$ 0.90

- (a) Represents the assessed valuation of all taxable property in the District as of January 1, 2025, provided by the Montgomery Central Appraisal District (the "Appraisal District"). See "TAX DATA" and "TAXING PROCEDURES."
- (b) See "DISTRICT DEBT - Direct and Estimated Overlapping Debt Statement."
- (c) Neither Texas law nor the Bond Resolution requires that the District maintain any particular sum in the Utility System Debt Service Fund. The funds in the Utility System Debt Service Fund are pledged only to pay the debt service on the Bonds and any other bonds issued for the purpose of acquiring or constructing the Utility System. The funds in the Utility System Debt Service Fund are not pledged to pay debt service on the Outstanding Bonds, or any other bonds issued for the purpose of acquiring or constructing the Road System. The funds in the Road System Debt Service Fund are pledged only to pay the debt service on the Outstanding Bonds and any other bonds issued for the purpose of acquiring or constructing the Road System. Upon issuance of the Bonds, \$200,000 of capitalized interest will be deposited into the Utility System Debt Service Fund.
- (d) The funds in the Road System Debt Service Fund are not pledged to pay debt service on the Bonds or any other bonds issued for the purpose of acquiring or constructing the Utility System.
- (e) See "TAX DATA - Tax Rate Calculations."
- (f) Debt Service on the Bonds is estimated at an average interest rate of 5.00%. See "DISTRICT DEBT - Estimated Utility System Debt Service Requirement Schedule."

Debt Service Requirement Schedule

The following schedule sets forth the estimated debt service requirements on the Outstanding Bonds and the Bonds, plus the principal and interest requirements on the Bonds, assuming an estimated interest rate of 5.00%.

Year Ending 12/31	Outstanding Bonds Debt Service	Plus: The Bonds			Total Debt Service
		Principal	Interest	Debt Service	
2025	\$ 221,900	\$ -	\$ -	\$ -	\$ 221,900
2026	456,200	-	200,000	200,000	656,200
2027	453,400	90,000	200,000	290,000	743,400
2028	454,000	95,000	195,500	290,500	744,500
2029	453,975	100,000	190,750	290,750	744,725
2030	453,325	105,000	185,750	290,750	744,075
2031	448,538	110,000	180,500	290,500	739,038
2032	448,425	115,000	175,000	290,000	738,425
2033	447,663	120,000	169,250	289,250	736,913
2034	446,356	125,000	163,250	288,250	734,606
2035	454,669	135,000	157,000	292,000	746,669
2036	454,719	140,000	150,250	290,250	744,969
2037	454,056	145,000	143,250	288,250	742,306
2038	457,956	155,000	136,000	291,000	748,956
2039	461,063	160,000	128,250	288,250	749,313
2040	463,481	170,000	120,250	290,250	753,731
2041	470,081	180,000	111,750	291,750	761,831
2042	465,781	185,000	102,750	287,750	753,531
2043	470,813	195,000	93,500	288,500	759,313
2044	474,931	205,000	83,750	288,750	763,681
2045	478,138	215,000	73,500	288,500	766,638
2046	480,431	225,000	62,750	287,750	768,181
2047	486,813	240,000	51,500	291,500	778,313
2048	486,788	250,000	39,500	289,500	776,288
2049	265,838	265,000	27,000	292,000	557,838
2050	-	275,000	13,750	288,750	288,750
Total	\$11,109,338	\$ 4,000,000	\$ 3,154,750	\$ 7,154,750	\$ 18,264,088

(a) Outstanding Debt Service as of June 1, 2025.

Estimated Combined Average Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2025–2050) \$702,465

Estimated Combined Maximum Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2047) \$778,313

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Direct and Estimated Overlapping Debt Statement

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

Taxing Jurisdiction	Outstanding Debt	Overlapping	
	June 1, 2025	Percent	Amount
Montgomery County	\$391,910,000	0.09%	\$ 349,963
Lone Star College System District	439,870,000	0.03%	112,848
Splendora ISD	235,760,000	4.91%	11,568,372
Total Estimated Overlapping Debt			\$ 12,041,183
Direct Debt (a)			\$ 10,575,000
Total Direct and Estimated Overlapping Debt (a)			\$ 22,616,183

(a) Includes the Outstanding Bonds and the Bonds.

Debt Ratios

Ratio of Direct Debt:	
As a Percentage of 2025 Certified Assessed Valuation.....	11.59%
Ratio of Direct and Estimated Overlapping Debt:	
As a Percentage of 2025 Certified Assessed Valuation.....	24.79%

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TAXING PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in sufficient amount to pay the principal of and interest on the Bonds, and any additional bonds payable from taxes that the District may hereafter issue, and to pay the expenses of assessing and collecting such taxes. In the Bond Resolution, the District agrees to levy such a tax from year to year as described more fully above under “THE BONDS – Source of Payment.” Under Texas law, the Board may also levy and collect annual ad valorem taxes for the operation and maintenance of the District. See “TAX DATA – Debt Service Tax.”

Property Tax Code and County-Wide Appraisal District

Title I of the Texas Property Tax Code (the “Property Code”) specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Property Code are complex and are not fully summarized herein.

The Property Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the Appraisal District. The Appraisal District has the responsibility of appraising property for all taxing units within Montgomery County, including the District. Such appraisal values will be subject to review and change by the Montgomery County Appraisal Review Board (the “Appraisal Review Board”). The appraisal roll, as approved by the Appraisal Review Board, will be used by the District in establishing its tax rolls and tax rate.

Property Subject to Taxation by the District

General: Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; certain goods, wares and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years of age or older and of certain disabled persons to the extent deemed advisable by the Board. The District may be required to call such an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the previous election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District’s obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between \$5,000 and \$12,000 of taxable valuation depending upon the disability rating of the veteran claiming the exemption, and qualifying surviving spouses of persons 65 years of age or older will be entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse. A veteran who receives a disability rating of 100% is entitled to an exemption for the full amount of the veteran’s residential homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran’s residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran’s exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran’s disability rating if the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces who was killed or fatally injured in the line of duty, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse’s residence homestead and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. The surviving spouse of a first responder who was killed or fatally injured in the line of duty is, subject to certain conditions, also entitled to an exemption of the total appraised value of the surviving spouse’s residence homestead, and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. See “TAX DATA.”

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the appraised value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the

homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted before July 1. To date, the District has not adopted a homestead exemption. See "TAX DATA."

Freeport Goods and Goods-in-Transit Exemption: A "Freeport Exemption" applies to goods, wares, ores, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit" Exemption is applicable to the same categories of tangible personal property which are covered by the Freeport Exemption, if, for tax year 2011 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2012 and subsequent years, such Goods-in-Transit Exemption includes tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit personal property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. The District has taken official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years.

Tax Abatement

Montgomery County may designate all or part of the area within the District as a reinvestment zone. Thereafter, Montgomery County and the District, under certain circumstances, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement, which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (10) years, all or any part of any increase in the appraised valuation of property covered by the agreement over its appraised valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement agreement. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions. To date, Montgomery County has not designated land within the District as a reinvestment zone.

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are to be based on 100% of market value, as such is defined in the Property Tax Code. A residence homestead is required to be appraised solely on the basis of its value as a residence homestead regardless of whether residential use is considered to be the highest and best use of the property.

The Property Tax Code permits land designated for agricultural use, open space, or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its market value. The Property Tax Code permits, under certain circumstances, that residential real property inventory held by a person in the trade or business are valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of the agricultural use, open space, or timberland designation or residential real property inventory designation must apply for the designation, and the chief appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it for another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three years for agricultural use, open space land, and timberland. Developers in the District have waived their rights to agricultural use, open space, or timber land exemptions.

The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraisal values. The plan must provide for appraisal of all real property in the Appraisal District at least once

every three years. It is not known what frequency of reappraisal will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone- or county-wide basis. The District, however, at its expense, has the right to obtain from the Appraisal District a current estimate of appraised values within the District or an estimate of any new property or improvements within the District. While such current estimate of appraised values may serve to indicate the rate and extent of growth of taxable values within the District, it cannot be used for establishing a tax rate within the District until such time as the Appraisal District chooses to formally include such values on its appraisal roll.

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

District and Taxpayer Remedies

Under certain circumstances taxpayers and taxing units (such as the District) may appeal the orders of the Appraisal Review Board by filing a timely petition for review in State district court. In such event, the value of the property in question will be determined by the court or by a jury if requested by any party. Additionally, taxing units may bring suit against the Appraisal District to compel compliance with the Property Tax Code. The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the District and provides for taxpayer referenda which could result in the repeal of certain tax increases. The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes, and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. 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 for collection costs of an amount established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, which may be rejected by taxing units. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties and interest, if the person requests an installment agreement and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) sixty-five (65) years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continue to accrue during the period of deferral. Certain qualified taxpayers, including owners of residential homesteads, located within a natural disaster area and whose property has been damaged as a direct result of the disaster, are entitled to enter into a tax payment installment agreement with a taxing jurisdiction such as the District if the taxpayer pays at least one-fourth of the tax bill imposed on the property by the delinquency date. The remaining taxes may be paid without penalty or interest in three equal installments within six months of the delinquency date.

Tax Payment Installments After Disaster

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

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

Rollback of Operation and Maintenance Tax Rate

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

Special Taxing Units

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

Developed Districts

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

Developing Districts

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

The District

A determination as to a district's status as a Special Taxing Unit, Developed District or Developing District will be made by the Board of Directors on an annual basis. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation. For tax year 2025, the Board of Directors of the District designated the District as a Developing District.

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. 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 the State of Texas and each local taxing unit, including the District, having power to tax the property. The District'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 District 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 District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both subject to the restrictions on residential homesteads described in the preceding section under "Levy and Collection of Taxes". In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights or by bankruptcy proceedings which restrict the collection of taxpayer debts. A taxpayer may redeem property within six (6) months for commercial property and two (2) years for residential and all other types of property after the purchaser's deed issued at the foreclosure sale is filed in the county records. The District's ability to foreclose its tax lien or collect penalties or interest on delinquent taxes may be limited on property owned by a financial institution which is under receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act, 12 U.S.C. 1825, as amended. See "RISK FACTORS—General" and "—Tax Collection and Foreclosure Remedies."

TAX DATA

Debt Service Tax

The District covenants in the Bond Resolution to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Bonds and the Outstanding Bonds. The District levied a road debt service tax of \$0.60 in tax year 2024. See "Tax Rate Distribution" and "Analysis of Tax Base" below and "TAXING PROCEDURES."

Maintenance and Operations Tax

The District has the statutory authority to levy and collect an annual ad valorem tax for the operation and maintenance of the District, if such a maintenance tax is authorized by the District's voters. A maintenance tax election was conducted on November 8, 2022, and voters of the District authorized, among other things, the Board to levy a maintenance tax at a rate not to exceed \$1.50 per \$100 of assessed valuation. The District levied a maintenance tax of \$0.90 in tax year 2024.

Additional Penalties

The District has contracted with a delinquent tax attorney to collect certain delinquent taxes. In connection with that contract, the District established an additional penalty of twenty percent (20%) of the tax to defray the costs of collection. This 20% penalty applies to taxes that either: (1) become delinquent on or after February 1 of a year (April 1 for personal property), but not later than May 1 of that year, and that remain delinquent on July 1 (for real property) of the year in which they become delinquent or (2) become delinquent on or after June 1, pursuant to the Texas Tax Code.

Historical Tax Collections

The following table illustrates the collection history of the District for the 2021-2025 tax years. The Board anticipates authorizing publication of a total tax rate of \$1.50 at the August 20, 2025 Board meeting.

<u>Tax Year</u>	<u>Certified Taxable Value</u>	<u>Tax Rate Per \$100</u>	<u>Adjusted Tax Levy</u>	<u>Collections Current Year</u>
2021	\$ 985,276	\$1.35	\$ 13,301	100.00%
2022	\$ 1,427,500	\$1.50	\$ 21,413	100.00%
2023	\$19,456,698	\$1.50	\$291,850	100.00%
2024	\$63,629,520	\$1.50	\$954,443	97.31%
2025	\$91,238,705	TBD	TBD	N/A

Tax Rate Distribution

The following table sets out the components of the District's tax levy for the 2021-2024 tax years. The Board anticipates authorizing publication of a total tax rate of \$1.50 at the August 20, 2025 Board meeting.

	2024	2023	2022	2021
Utility System Debt Service	\$ 0.00	\$ 0.00	\$ 0.00	\$ -
Road System Debt Service	0.60	0.57	0.00	0.00
Maintenance & Operations	0.90	0.93	1.50	1.35
Total	\$ 1.50	\$ 1.50	\$ 1.50	\$ 1.35

Analysis of Tax Base

The following represents the types of property comprising the District assessed taxable value for the 2021-2025 tax years.

Type of Property	2025 Assessed Taxable Valuation	2024 Assessed Taxable Valuation	2023 Assessed Taxable Valuation	2022 Assessed Taxable Valuation	2021 Assessed Taxable Valuation
Land	\$ 32,270,484	\$ 3,269,703	\$ 13,610,860	\$ 1,427,500	\$ 1,065,160
Improvements	113,523,011	43,923,075	5,942,282	-	-
Personal Property	1,007,208	55,814	12,964	-	-
Exemptions	(55,561,998)	(3,619,072)	(109,408)	-	(79,884)
Total	\$ 91,238,705	\$ 63,629,520	\$ 19,456,698	\$ 1,427,500	\$ 985,276

Principal Taxpayers

The following represents the principal taxpayers, type of property, and their assessed values as of January 1, 2025:

Taxpayer	Type of Property	Assessed Valuation 2025 Tax Roll	Percent of District 2025 Value
DR Horton Texas LTD ^(a)	Land & Improvements	\$11,066,780	12.13%
GMCD Canopies LP	Land & Improvements	6,502,500	7.13%
Individual	Land & Improvements	1,092,408	1.20%
Forestar USA Real Estate Group Inc. ^(a)	Land & Improvements	572,379	0.63%
Centric Fiber	Land & Improvements	513,710	0.56%
Individual	Land & Improvements	455,856	0.50%
Individual	Land & Improvements	366,150	0.40%
Individual	Land & Improvements	355,118	0.39%
Individual	Land & Improvements	354,023	0.39%
Individual	Land & Improvements	348,235	0.38%
Total		\$21,627,159	23.70%

(a) See "PRINCIPAL LANDOWNER/DEVELOPER."

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of assessed taxable valuation that would be required to meet certain debt service requirements on the Bonds if no growth in the District's tax base occurs beyond the 2025 Certified Assessed Valuation (\$91,238,705). The calculations assume collection of 95% of taxes levied, the sale of the Bonds but not the sale of any additional bonds.

Estimated Average Annual Debt Service Requirements (2025–2050)	\$ 702,465
Tax Rate of \$0.82 on the 2025 Certified Assessed Valuation produces	\$ 710,750
Estimated Maximum Annual Debt Service Requirement (2047).....	\$ 778,313
Tax Rate of \$0.90 on the 2025 Certified Assessed Valuation produces	\$ 780,091

Estimated Overlapping Taxes

Property within the District is subject to taxation by several taxing authorities in addition to the District. Under Texas law, if ad valorem taxes levied by a taxing authority become delinquent, a lien is created upon the property which has been taxed. A tax lien on property in favor of the District is on a parity with tax liens of other taxing jurisdictions. In addition to ad valorem taxes required to make debt service payments on bonded debt of the District and of such other jurisdictions (see "DISTRICT DEBT –Direct and Estimated Overlapping Debt Statement"), certain taxing jurisdictions are authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

Set forth below is a compilation of the 2024 adopted tax rates by such jurisdictions per \$100 of assessed valuation. Such levies do not include local assessments for community associations, fire department contributions, charges for solid waste disposal, or any other dues or charges made by entities other than political subdivisions.

Taxing Jurisdiction	2024 Tax Rate Per \$100 of Assessed Value
Splendora Independent School District	\$1.2552
Montgomery County	0.3790
Lone Star College System District	0.1076
Emergency Service District #7	0.0975
Montgomery County Hospital District	0.0497
The District	1.5000
Total Tax Rate	\$3.3890

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LEGAL MATTERS

Legal Proceedings

Delivery of the Bonds will be accompanied by the approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the District under the Constitution and laws of Texas, payable from the proceeds of an annual ad valorem tax levied, without limit as to rate or amount, upon all taxable property within the District, and, based upon their examination of a transcript of certified proceedings relating to the issuance and sale of the Bonds, the approving legal opinion of Bond Counsel, to a like effect and to the effect that, under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes and interest on the Bonds is not subject to the alternative minimum tax on individuals; however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations for the purpose of determining the alternative minimum tax imposed on corporations.

Bond Counsel has reviewed the information appearing in this OFFICIAL STATEMENT under “THE BONDS,” “THE DISTRICT - Authority,” “TAXING PROCEDURES,” “LEGAL MATTERS,” “TAX MATTERS”, and “CONTINUING DISCLOSURE OF INFORMATION” solely to determine if such information, insofar as it relates to matters of law, is true and correct, and whether such information fairly summarizes the provisions of the documents referred to therein. Bond Counsel has not, however, independently verified any of the factual information contained in this OFFICIAL STATEMENT nor has it conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this OFFICIAL STATEMENT. No person is entitled to rely upon Bond Counsel’s limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any information contained herein.

Allen Boone Humphries Robinson LLP also serves as general counsel to the District on matters other than the issuance of bonds. The legal fees paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the bonds actually issued, sold and delivered and, therefore, such fees are contingent upon the sale and delivery of the Bonds.

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

No-Litigation Certificate

The District will furnish the Initial Purchaser a certificate, executed by both the President and Secretary of the Board, and dated as of the date of delivery of the Bonds, to the effect that there is not pending, and to their knowledge, there is not threatened, any litigation affecting the validity of the Bonds, or the levy and/or collection of taxes for the payment thereof, or the organization or boundaries of the District, or the title of the officers thereof to their respective offices, and that no additional bonds or other indebtedness have been issued since the date of the statement of indebtedness or nonencumbrance certificate submitted to the Attorney General of Texas in connection with approval of the Bonds.

No Material Adverse Change

The obligations of the Initial Purchaser to take and pay for the Bonds, and of the District to deliver the Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the condition (financial or otherwise) of the District from that set forth or contemplated in the OFFICIAL STATEMENT.

TAX MATTERS

The following discussion of certain federal income tax considerations is for general information only and is not tax advice. Each prospective purchaser of the Bonds should consult its own tax advisor as to the tax consequences of the acquisition, ownership and disposition of the Bonds.

Tax Exemption

In the opinion of Allen Boone Humphries Robinson LLP, Bond Counsel, under existing law, interest on the Bonds (i) is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) is not an item of tax preference for purposes of the alternative minimum tax on individuals.

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

Bond Counsel's opinion will assume continuing compliance with the covenants of the Bond Resolution pertaining to those sections of the Code that affect the excludability of interest on the Bonds from gross income for federal income tax purposes and, in addition, will rely on representations by the District and other parties involved with the issuance of the Bonds with respect to matters solely within the knowledge of the District and such parties, which Bond Counsel has not independently verified. If the District fails to comply with the covenants in the Bond Resolution or if the foregoing representations are determined to be inaccurate or incomplete, interest on the Bonds could become includable in gross income from the date of delivery of the Bonds, regardless of the date on which the event causing such inclusion occurs.

Bond Counsel will express no opinion as to the amount or timing of interest on the Bonds or, except as stated above, any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or acquisition, ownership or disposition of, the Bonds. Certain actions may be taken or omitted subject to the terms and conditions set forth in the Bond Resolution upon the advice or with the approving opinion of Bond Counsel. Bond Counsel will express no opinion with respect to Bond Counsel's ability to render an opinion that such actions, if taken or omitted, will not adversely affect the excludability of interest of the Bonds from gross income for federal income tax purposes.

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

Qualified Tax-Exempt Obligations

The Code requires a pro rata reduction in the interest expense deduction of a financial institution to reflect such financial institution's investment in tax-exempt obligations acquired after August 7, 1986. An exception to the foregoing provision is provided in the Code for "qualified tax-exempt obligations," which include tax-exempt obligations, such as the Bonds, (a) designated by the issuer as "qualified tax-exempt obligations" and (b) issued by or on behalf of a political subdivision for which the aggregate amount of tax-exempt obligations (not including private activity bonds other than qualified 501(c)(3) bonds) to be issued during the calendar year is not expected to exceed \$10,000,000.

The District will designate the Bonds as "qualified tax-exempt obligations" and has represented that the aggregate amount of tax-exempt bonds (including the Bonds) issued by the District and entities aggregated with the District under the Code during calendar year 2025 is not expected to exceed \$10,000,000 and that the District and entities aggregated with the District under the Code have not designated more than \$10,000,000 in "qualified tax-exempt obligations" (including the Bonds) during calendar year 2025.

Notwithstanding these exceptions, financial institutions acquiring the Bonds will be subject to a 20 percent disallowance of allocable interest expense.

Additional Federal Income Tax Considerations

Collateral Tax Consequences

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences, including but not limited to those noted below. Therefore, prospective purchasers of the Bonds should consult their own tax advisors as to the tax consequences of the acquisition, ownership and disposition of the Bonds.

An “applicable corporation” (as defined in section 59(k) of the Code) may be subject to a 15 percent alternative minimum tax imposed under section 55 of the Code on its “adjusted financial statement income” (as defined in section 56A of the Code) for such taxable year. Because interest on tax-exempt obligations, such as the Bonds, is included in a corporation’s “adjusted financial statement income,” ownership of the Bonds could subject certain corporations to alternative minimum tax consequences.

Ownership of tax-exempt obligations also may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, low and middle income taxpayers otherwise qualifying for the health insurance premium assistance credit and individuals otherwise qualifying for the earned income tax credit. In addition, certain foreign corporations doing business in the United States may be subject to the “branch profits tax” on their effectively connected earnings and profits, including tax-exempt interest such as interest on the Bonds.

Prospective purchasers of the Bonds should also be aware that, under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on the Bonds, received or accrued during the year.

Tax Accounting Treatment of Original Issue Premium

If the issue price of any maturity of the Bonds exceeds the stated redemption price payable at maturity of such Bonds, such Bonds (the “Premium Bonds”) are considered for federal income tax purposes to have “bond premium” equal to the amount of such excess. The basis of a Premium Bond in the hands of an initial owner is reduced by the amount of such excess that is amortized during the period such initial owner holds such Premium Bond in determining gain or loss for federal income tax purposes. This reduction in basis will increase the amount of any gain or decrease the amount of any loss recognized for federal income tax purposes on the sale or other taxable disposition of a Premium Bond by the initial owner. No corresponding deduction is allowed for federal income tax purposes for the reduction in basis resulting from amortizable bond premium. The amount of bond premium on a Premium Bond that is amortizable each year (or shorter period in the event of a sale or disposition of a Premium Bond) is determined using the yield to maturity on the Premium Bond based on the initial offering price of such Premium Bond.

The federal income tax consequences of the purchase, ownership and redemption, sale or other disposition of Premium Bonds that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above. All owners of Premium Bonds should consult their own tax advisors with respect to the determination for federal, state, and local income tax purposes of amortized bond premium upon the redemption, sale or other disposition of a Premium Bond and with respect to the federal, state, local, and foreign tax consequences of the purchase, ownership, and sale, redemption or other disposition of such Premium Bonds.

Tax Accounting Treatment of Original Issue Discount

If the issue price of any maturity of the Bonds is less than the stated redemption price payable at maturity of such Bonds (the “OID Bonds”), the difference between (i) the amount payable at the maturity of each OID Bond, and (ii) the initial offering price to the public of such OID Bond constitutes original issue discount with respect to such OID Bond in the hands of any owner who has purchased such OID Bond in the initial public offering of the Bonds. Generally, such initial owner is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such OID Bond equal to that portion of the amount of such original issue discount allocable to the period that such OID Bond continues to be owned by such owner. Because original issue discount is treated as interest for federal income tax purposes, the discussions regarding interest on the Bonds under the captions “TAX MATTERS – Tax Exemption” and “TAX MATTERS – Additional Federal Income Tax Considerations – Collateral Tax Consequences” and “—Tax Legislative Changes” generally apply and should be considered in connection with the discussion in this portion of the Official Statement.

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

The foregoing discussion assumes that (i) the Underwriter has purchased the Bonds for contemporaneous sale to the public and (ii) all of the OID Bonds have been initially offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm’s-length transactions for a price (and with no other consideration being included) not more than the initial offering prices thereof stated on the [inside] cover page of this Official Statement. Neither the District nor Bond Counsel has made any investigation or offers any assurance that the OID Bonds will be offered and sold in accordance with such assumptions.

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

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

Tax Legislative Changes

Current law may change so as to directly or indirectly reduce or eliminate the benefit of the excludability of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, could also affect the value and liquidity of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any recently enacted, proposed, pending or future legislation.

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide certain updated financial information and operating data to EMMA annually.

The information to be updated with respect to the District includes all quantitative financial information and operating data of the general type included in this Official Statement under the headings "DISTRICT DEBT" (except under the subheading "--Direct and Estimated Overlapping Debt Statement"), "TAX DATA," and "APPENDIX A." The District will update and provide this information within six (6) months after the end of each of its fiscal years ending in or after 2025. The District will provide the updated information to EMMA.

Any information so provided shall be prepared in accordance with generally accepted accounting principles or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to EMMA within such six month period, and audited financial statements when the audit report becomes available.

The District's current fiscal year end is April 30. Accordingly, it must provide updated information by October 31 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify EMMA of the change.

Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other material 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 District or

other obligated person; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person or the sale of all or substantially all of the assets of the District or other obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person, any of which reflect financial difficulties. The terms “obligated person” and “financial obligation” shall have the meanings ascribed to them under SEC Rule 15c2-12 (the “Rule”). The term “material” when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Resolution makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described above under “Annual Reports.”

Availability of Information from the MSRB

The District has agreed to provide the foregoing updated information only to the MSRB. The MSRB makes the information available to the public without charge through an internet portal at emma.msrb.org.

Limitations and Amendments

The District has agreed to update information and to provide notices of specified events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects; nor has the District agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although Registered Owners or beneficial owners of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

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

Compliance with Prior Undertakings

The District entered into its first continuing disclosure agreement in accordance with SEC Rule 15c2-12 with the issuance of its Unlimited Tax Road Bonds, Series 2023. The District has complied in all material respects with its prior continuing disclosure agreements made by it in accordance with SEC Rule 15c2-12.

OFFICIAL STATEMENT

General

The financial data and other information contained in this OFFICIAL STATEMENT has been obtained primarily from the District’s records, the Developer, the Engineer, the Tax Assessor/Collector, the Appraisal District and information from other sources. All of these sources are believed to be reliable, but no guarantee is made by the District as to the accuracy or completeness of the information derived from such sources, and its inclusion herein is not to be construed as a representation on the part of the District except as described below under “Certification of OFFICIAL STATEMENT.” Furthermore, there is no guarantee that any of the assumptions or estimates contained herein will be realized. The summaries of the agreements, reports, statutes, resolutions, engineering and other related

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

Consultants

In approving this OFFICIAL STATEMENT the District has relied upon the following consultants:

Tax Assessor/Collector: The information contained in this OFFICIAL STATEMENT relating to the breakdown of the District's historical assessed value and principal taxpayers, including particularly such information contained in the section entitled "TAX DATA" has been provided by Utility Tax Services, LLC, and is included herein in reliance upon the authority of such firm as an expert in assessing property values and collecting taxes.

Engineer: The information contained in this OFFICIAL STATEMENT relating to engineering and to the description of the District's water, wastewater and storm drainage system and, in particular that information included in the sections entitled "THE BONDS – Use and Distribution of Bond Proceeds", "THE DISTRICT – Description," "DEVELOPMENT OF THE DISTRICT – Status of Development within the District," "THE UTILITY SYSTEM" and "THE ROAD SYSTEM" has been provided by Elevation Land Solutions and has been included herein in reliance upon the authority of said firm as the District's Engineer.

Auditor: The District's financial statements for the period ending April 30, 2024 were audited by McGrath & Co., PLLC, Certified Public Accountants. See "APPENDIX A" for a copy of the District's April 30, 2024, financial statements.

Bookkeeper: The information related to the "unaudited" amount of the District's Operating Fund as it appears in "THE UTILITY SYSTEM — General Fund Operating Statement" has been provided by Myrtle Cruz, Inc., and is included herein in reliance upon the authority of such firm as experts in the tracking and managing the various funds of municipal utility districts.

Financial Advisor

Tierra Financial Advisors, LLC, is employed as the Financial Advisor to the District to render certain professional services, including advising the District on a plan of financing and preparing the Official Statement, the Official Notice of Sale and the Official Bid Form for the sale of the Bonds. In its capacity as Financial Advisor, Tierra Financial Advisors, LLC has compiled and edited this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to the District and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information. Tierra Financial Advisors, LLC, is a wholly owned subsidiary of D.R. Horton, sole builder of homes in the District. See "RELATIONSHIP AMONG THE PARTIES" herein.

Certification as to Official Statement

The District, acting through its Board in its official capacity, hereby certifies, as of the date hereof, that the information, statements, and descriptions or any addenda, supplement and amendment thereto pertaining to the District and its affairs contained herein, to the best of its knowledge and belief, contain no untrue statement of a material fact and do not omit to state any material fact necessary to make the statements herein, in the light of the circumstances under which they are made, not misleading. With respect to information included in this OFFICIAL STATEMENT other than that relating to the District, the District has no reason to believe that such information contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements herein, in the light of the circumstances under which they are made, not misleading; however, the Board has made no independent investigation as to the accuracy or completeness of the information derived from sources other than the District. In rendering such certificate, the Board has relied in part upon its examination of records of the District, and upon discussions with, or certificates or correspondence signed by, certain other officials, employees, consultants and representatives of the District.

Updating of Official Statement

If, subsequent to the date of the Official Statement, the District learns, through the ordinary course of business and without undertaking any investigation or examination for such purposes, or is notified by the Initial Purchaser, of any adverse event which causes the Official Statement to be materially misleading, and unless the Initial Purchaser elects to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Initial Purchaser an appropriate amendment or supplement to the Official Statement satisfactory to the Initial Purchaser; provided, however, that the obligation of the District to the Initial Purchaser to so amend or supplement the Official Statement will terminate when the District delivers the Bonds to the Initial Purchaser, unless the Initial Purchaser notifies the District on or before such date that less than all of the bonds have been sold to ultimate customers, in which case the

District's obligations hereunder will extend for an additional period of time as required by law (but not more than 90 days after the date the District delivers the Bonds).

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CONCLUDING STATEMENT

All estimates, statements and assumptions in this OFFICIAL STATEMENT and the APPENDICES hereto have been made on the basis of the best information available and are believed to be reliable and accurate. Any statements in this OFFICIAL STATEMENT involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact, and no representation is made that any such statements will be realized.

This Official Statement was approved by the Board of Directors of East Montgomery County Municipal Utility District No. 14 as of the date shown on the cover page hereof.

/s/

President, Board of Directors
East Montgomery County Municipal Utility District No. 14

ATTEST:

/s/

Secretary, Board of Directors
East Montgomery County Municipal Utility District No. 14

APPENDIX A
FINANCIAL STATEMENTS OF THE DISTRICT

**EAST MONTGOMERY COUNTY MUNICIPAL
UTILITY DISTRICT NO. 14**

MONTGOMERY COUNTY, TEXAS

FINANCIAL REPORT

April 30, 2024

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McGRATH & CO., PLLC

Certified Public Accountants

2900 North Loop West, Suite 880

Houston, Texas 77092

Independent Auditor's Report

Board of Directors

East Montgomery County Municipal Utility District No. 14

Montgomery County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of East Montgomery County Municipal Utility District No. 14 (the "District"), as of and for the year ended April 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of East Montgomery County Municipal Utility District No. 14, as of April 30, 2024, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

***Board of Directors
East Montgomery County Municipal Utility District No. 14
Montgomery County, Texas***

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied

***Board of Directors
East Montgomery County Municipal Utility District No. 14
Montgomery County, Texas***

certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

McGuire & Co, P.C.

Houston, Texas
August 21, 2024

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Management's Discussion and Analysis

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East Montgomery County Municipal Utility District No. 14
Management's Discussion and Analysis
April 30, 2024

Using this Annual Report

Within this section of the financial report of East Montgomery County Municipal Utility District No. 14 (the "District"), the District's Board of Directors provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended April 30, 2024. This analysis should be read in conjunction with the independent auditor's report and the basic financial statements that follow this section.

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

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

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

East Montgomery County Municipal Utility District No. 14
Management's Discussion and Analysis
April 30, 2024

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

Fund Financial Statements

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

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

Financial Analysis of the District as a Whole

The District's net position at April 30, 2024, was negative \$9,277,808. The District's net position is negative because the District incurs debt to construct road facilities which it conveys to Montgomery County and because the District relies on advances from its developer to fund operating costs. A comparative summary of the District's overall financial position, as of April 30, 2024 and 2023, is as follows:

	2024	2023
Current and other assets	\$ 748,506	\$ 739,472
Capital assets	17,967,858	8,988,719
Total assets	<u>18,716,364</u>	<u>9,728,191</u>
Current liabilities	829,604	984,431
Long-term liabilities	27,164,568	10,461,137
Total liabilities	<u>27,994,172</u>	<u>11,445,568</u>
Net position		
Net investment in capital assets	(2,083,039)	(611,642)
Restricted	234,487	
Unrestricted	<u>(7,429,256)</u>	<u>(1,105,735)</u>
Total net position	<u>\$ (9,277,808)</u>	<u>\$ (1,717,377)</u>

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The total net position of the District decreased during the current fiscal year by \$7,560,431. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	2024	2023
Revenues		
Property taxes, penalties and interest	\$ 302,936	\$ 21,622
Water and sewer service	297,842	48,528
Other	319,959	314,191
Total revenues	<u>920,737</u>	<u>384,341</u>
Expenses		
Current service operations	1,349,121	673,380
Debt interest and fees	395,890	72,918
Developer interest	131,955	
Debt issuance costs	215,307	
Depreciation and amortization	702,422	147,023
Total expenses	<u>2,794,695</u>	<u>893,321</u>
Change in net position before other item	(1,873,958)	(508,980)
Other item		
Transfers to other governments	<u>(5,686,473)</u>	<u>(11,675,439)</u>
Change in net position	(7,560,431)	(1,675,439)
Net position, beginning of year	<u>(1,717,377)</u>	<u>(41,938)</u>
Net position, end of year	<u><u>\$ (9,277,808)</u></u>	<u><u>\$ (1,717,377)</u></u>

Financial Analysis of the District's Funds

The District's combined fund balances, as of April 30, 2024, were \$189,546, which consists of negative \$81,826 in the General Fund, \$256,101 in the Debt Service Fund and \$15,271 in the Capital Projects Fund.

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General Fund

A comparative summary of the General Fund's financial position as of April 30, 2024 and 2023, is as follows:

	2024	2023
Total assets	<u>\$ 474,320</u>	<u>\$ 739,472</u>
Total liabilities	\$ 551,559	\$ 791,748
Total deferred inflows	4,587	
Total fund balance	<u>(81,826)</u>	<u>(52,276)</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 474,320</u>	<u>\$ 739,472</u>

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

	2024	2023
Total revenues	\$ 795,646	\$ 384,346
Total expenditures	<u>(1,835,196)</u>	<u>(3,383,557)</u>
Revenues under expenditures	(1,039,550)	(2,999,211)
Other changes in fund balance	1,010,000	2,906,177
Net change in fund balance	<u>\$ (29,550)</u>	<u>\$ (93,034)</u>

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

- Property tax revenues are dependent upon assessed values in the District and the maintenance tax rate set by the District. While the District decreased its maintenance tax levy, property tax revenues increased because assessed values in the District increased from the prior year.
- Water, sewer and surface water revenues are dependent upon customer usage, which fluctuates from year to year as a result of factors beyond the District's control.
- Tap connection fees fluctuate with homebuilding activity within the District.
- The District's developer advances funds to the District as needed to pay operating costs.

The District relies on advances from its developer to supplement revenue shortfalls. Fund balance in the General Fund is the result of timing differences between developer advances and expenditures for which those advances are intended to fund.

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Debt Service Fund

The District issued bonded debt during the current fiscal year pursuant to a Bond Resolution adopted by the Board. As required by the Bond Resolution, a Debt Service Fund was established to account for the accumulation of financial resources restricted for debt service purposes. A summary of the financial position as of April 30, 2024 is as follows:

Total assets	<u><u>\$ 258,915</u></u>
Total liabilities	\$ 2
Total deferred inflows	2,812
Total fund balance	<u>256,101</u>
Total liabilities, deferred inflows and fund balance	<u><u>\$ 258,915</u></u>

A summary of activities of the Debt Service Fund for the current year is as follows:

Total revenues	\$ 116,963
Total expenditures	<u>(80,289)</u>
Revenues over expenditures	36,674
Other changes in fund balance	<u>219,427</u>
Net change in fund balance	<u><u>\$ 256,101</u></u>

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

Capital Projects Fund

A Capital Projects Fund was established to account for the expenditure of proceeds from the issuance of the District's Series 2023 Unlimited Tax Road Bonds. A summary of the financial position of the Capital Projects Fund as of April 30, 2024, is as follows:

Total assets	<u><u>\$ 15,271</u></u>
Total fund balance	<u><u>\$ 15,271</u></u>

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

Total revenues	\$ 729
Total expenditures	(2,766,031)
Revenues under expenditures	(2,765,302)
Other changes in fund balance	2,780,573
Net change in fund balance	<u>\$ 15,271</u>

General Fund Budgetary Highlights

The Board of Directors adopts an annual unappropriated budget for the General Fund prior to the beginning of each fiscal year. The Board amended the budget during the year to reflect changes in anticipated revenues and expenditures.

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$35,750 less than budgeted. The *Budgetary Comparison Schedule* on page 36 of this report provides variance information per financial statement line item.

Capital Assets

The District has entered into financing agreements with its developer for the financing of the construction of capital assets within the District. The developer will be reimbursed from proceeds of future bond issues or other lawfully available funds. These developer funded capital assets are recorded on the District's financial statements upon completion of construction.

Capital assets held by the District at April 30, 2024 and 2023, are summarized as follows:

	2024	2023
Capital assets not being depreciated		
Land and improvements	<u>\$ 3,388,744</u>	<u>\$ 1,333,551</u>
Capital assets being depreciated/amortized		
Infrastructure	10,033,263	3,649,615
Landscaping improvements	1,242,720	
Right-to-use lease assets	<u>4,173,277</u>	<u>4,173,277</u>
	<u>15,449,260</u>	<u>7,822,892</u>
Less accumulated depreciation/amortization		
Infrastructure	(324,766)	(101,804)
Landscaping improvements	(62,136)	
Right-to-use lease assets	<u>(483,244)</u>	<u>(65,920)</u>
	<u>(870,146)</u>	<u>(167,724)</u>
Depreciable capital assets, net	<u>14,579,114</u>	<u>7,655,168</u>
Capital assets, net	<u>\$ 17,967,858</u>	<u>\$ 8,988,719</u>

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Capital asset additions during the current year include the following:

- Canopies Parkway – water, sewer, and drainage facilities
- Presswoods - detention and mass grading, phase 2
- Presswoods - landscaping improvements
- Presswoods, Section 3 and 4 - water, sewer, and drainage facilities
- Presswoods, Section 5 and 6 - landscaping improvements
- Presswoods, Section 5 and 6 - water, sewer, and drainage facilities
- Wastewater treatment plant - TxDOT driveway

Additionally, Montgomery County assumes responsibility (after a one-year maintenance period) for road facilities constructed within the boundaries of the County. Accordingly, these facilities are not considered assets of the District. The estimated value of these assets is recorded as transfers to other governments upon completion of construction. This estimated cost is trued-up when the developer is reimbursed. For the year ended April 30, 2024, capital assets in the amount of \$5,686,473 have been recorded as transfers to other governments in the government-wide statements. See Note 10 for additional information.

Lease Obligations

The District has entered into various equipment lease obligations for interim wastewater treatment plants. The District recognized right-to-use leased assets and lease obligations in the amount of \$4,173,277 for these leases. The balance due for the leases as of April 30, 2024, was \$3,923,259.

Long-Term Debt and Related Liabilities

As of April 30, 2024, the District owes approximately \$20,494,926 to the developer for completed projects and operating advances. The initial cost of the completed project and related liability is estimated based on actual construction costs plus 10-15% for engineering and other fees and is recorded on the District's financial statements upon completion of construction. As discussed in Note 6, the District has an additional commitment in the amount of \$6,658,826 for projects under construction by the developer. As noted, the District will owe its developer for these projects upon completion of construction. The District intends to reimburse the developer from proceeds of future bond issues or other lawfully available funds. The estimated cost of amounts owed to the developer is trued up when the developer is reimbursed.

During the current year, the District issued \$3,000,000 in unlimited tax bonds, all of which were outstanding as of the end of the fiscal year. The District did not have any bonded debt as of April 30, 2023.

At April 30, 2024, the District had \$262,462,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sewer and drainage systems within the District and \$262,462,000 for the refunding of such bonds; \$53,126,000 for parks and recreational facilities and \$53,126,000 for the refunding of such bonds, and \$121,164,000 for road improvements and \$124,164,000 for refunding of such bonds.

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Next Year's Budget

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

	<u>2024 Actual</u>	<u>2025 Budget</u>
Total revenues	\$ 795,646	\$ 1,552,065
Total expenditures	<u>(1,835,196)</u>	<u>(1,607,405)</u>
Revenues under expenditures	(1,039,550)	(55,340)
Other changes in fund balance	<u>1,010,000</u>	<u>55,340</u>
Net change in fund balance	(29,550)	
Beginning fund balance	<u>(52,276)</u>	<u>(81,826)</u>
Ending fund balance	<u><u>\$ (81,826)</u></u>	<u><u>\$ (81,826)</u></u>

Property Taxes

The District's property tax base increased approximately \$40,435,000 for the 2024 tax year from \$19,559,387 to \$59,994,458, based on preliminary values. This increase was primarily due to new construction and revaluation in the District.

Basic Financial Statements

East Montgomery County Municipal Utility District No. 14
Statement of Net Position and Governmental Funds Balance Sheet
April 30, 2024

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash	\$ 148,265	\$ 14,349	\$ 4,965	\$ 167,579	\$ -	\$ 167,579
Investments	52,196	256,564	10,306	319,066		319,066
Taxes receivable	4,587	2,812		7,399		7,399
Customer service receivables	35,591			35,591		35,591
Internal balances	14,810	(14,810)				
Prepaid items	116,130			116,130		116,130
Due from developer	102,741			102,741		102,741
Capital assets not being depreciated					3,388,744	3,388,744
Capital assets, net					14,579,114	14,579,114
Total Assets	<u>\$ 474,320</u>	<u>\$ 258,915</u>	<u>\$ 15,271</u>	<u>\$ 748,506</u>	<u>17,967,858</u>	<u>18,716,364</u>
Liabilities						
Accounts payable	\$ 188,145	\$ -	\$ -	\$ 188,145		188,145
Other payables	583	2		585		585
Customer deposits	162,743			162,743		162,743
Unearned revenue	10,405			10,405		10,405
Construction advances	189,683			189,683		189,683
Accrued interest payable					24,426	24,426
Due to developer					20,494,926	20,494,926
Obligations under leases						
Due within one year					253,617	253,617
Due after one year					3,669,642	3,669,642
Long-term debt						
Due after one year					3,000,000	3,000,000
Total Liabilities	<u>551,559</u>	<u>2</u>	<u></u>	<u>551,561</u>	<u>27,442,611</u>	<u>27,994,172</u>
Deferred Inflows of Resources						
Deferred property taxes	<u>4,587</u>	<u>2,812</u>	<u></u>	<u>7,399</u>	<u>(7,399)</u>	
Fund Balances/Net Position						
Fund Balances						
Nonspendable	116,130			116,130	(116,130)	
Restricted		256,101	15,271	271,372	(271,372)	
Unassigned	(197,956)			(197,956)	197,956	
Total Fund Balances	<u>(81,826)</u>	<u>256,101</u>	<u>15,271</u>	<u>189,546</u>	<u>(189,546)</u>	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 474,320</u>	<u>\$ 258,915</u>	<u>\$ 15,271</u>	<u>\$ 748,506</u>		
Net Position						
Net investment in capital assets					(2,083,039)	(2,083,039)
Restricted for debt service					234,487	234,487
Unrestricted					(7,429,256)	(7,429,256)
Total Net Position					<u>\$ (9,277,808)</u>	<u>\$ (9,277,808)</u>

See notes to basic financial statements.

East Montgomery County Municipal Utility District No. 14
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances
For the Year Ended April 30, 2024

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues						
Water service	\$ 112,765	\$ -	\$ -	\$ 112,765	\$ -	\$ 112,765
Sewer service	185,077			185,077		185,077
Property taxes	177,315	108,677		285,992	7,399	293,391
Penalties and interest	8,939	606		9,545		9,545
Surface water fees	2,732			2,732		2,732
Tap connection and inspection	293,597			293,597		293,597
Miscellaneous	13,575			13,575		13,575
Investment earnings	1,646	7,680	729	10,055		10,055
Total Revenues	795,646	116,963	729	913,338	7,399	920,737
Expenditures/Expenses						
Current service operations						
Professional fees	168,214		9,000	177,214		177,214
Contracted services	224,188	9,954		234,142		234,142
Repairs and maintenance	822,783			822,783		822,783
Utilities	24,454			24,454		24,454
Administrative	41,335	4,791		46,126		46,126
Other	44,367		35	44,402		44,402
Capital outlay			2,409,734	2,409,734	(2,409,734)	
Debt service						
Interest and fees		65,544		65,544	24,427	89,971
Developer interest			131,955	131,955		131,955
Debt issuance costs			215,307	215,307		215,307
Lease - principal	203,936			203,936	(203,936)	
Lease - interest	305,919			305,919		305,919
Depreciation and amortization					702,422	702,422
Total Expenditures/Expenses	1,835,196	80,289	2,766,031	4,681,516	(1,886,821)	2,794,695
Revenues Over/(Under)	(1,039,550)	36,674	(2,765,302)	(3,768,178)	1,894,220	(1,873,958)
Expenditures/Expenses						
Other Financing Sources/(Uses)						
Proceeds from sale of bonds		219,427	2,780,573	3,000,000	(3,000,000)	
Developer advances	1,010,000			1,010,000	(1,010,000)	
Other Items						
Transfers to other governments					(5,686,473)	(5,686,473)
Net Change in Fund Balances	(29,550)	256,101	15,271	241,822	(241,822)	
Change in Net Position					(7,560,431)	(7,560,431)
Fund Balance/Net Position						
Beginning of the year	(52,276)			(52,276)	(1,665,101)	(1,717,377)
End of the year	<u>\$ (81,826)</u>	<u>\$ 256,101</u>	<u>\$ 15,271</u>	<u>\$ 189,546</u>	<u>\$ (9,467,354)</u>	<u>\$ (9,277,808)</u>

See notes to basic financial statements.

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Note 1 – Summary of Significant Accounting Policies

The accounting policies of East Montgomery County Municipal Utility District No. 14 (the “District”) conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”). The following is a summary of the most significant policies:

Creation

East Montgomery County Municipal Utility District No. 14 (as existing prior to the Division Order (defined below), the "Parent District") was created by Senate Bill No. 891 (codified as Chapter 8118, Special District Local Laws Code ("Chapter 8118")), Act of the 79th Texas Legislature, Regular Session, 2005, as a conservation and reclamation district created under Section 59, Article XVI of the Texas Constitution. Chapter 8118 was subsequently amended in the 81st, 84th, and 87th Regular Sessions of the Texas Legislature. Pursuant to Senate Bill 2216, Act of the 87th Texas Legislature, the Parent District was granted certain road powers under Section 52, Article III of the Texas Constitution. Effective February 9, 2022, pursuant to an Order Dividing District (the "Division Order"), the Parent District was divided into the District, consisting of 281.9 acres and inheriting all of the Parent District's assets, liabilities, rights and duties, including powers under Chapter 8118, and East Montgomery County Municipal Utility District No. 14A, consisting of 228.2 acres, which inherited none of the Parent District's assets or liabilities. The District operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended and Article III, Section 52 and Article XVI, Section 59 of the Texas Constitution. The Board of Directors held its first meeting on June 11, 2021 and the first bonds were issued on September 20, 2023.

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

Reporting Entity

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

Note 1 – Summary of Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements

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

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

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

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

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

Measurement Focus and Basis of Accounting

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

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus and Basis of Accounting (continued)

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

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

Use of Restricted Resources

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

Prepaid Items

Certain payments made by the District reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset, unless a legal right of offset exists. At April 30, 2024, an allowance for uncollectible accounts was not considered necessary.

Capital Assets

Capital assets do not provide financial resources at the fund level, and, therefore, are reported only in the government-wide statements. The District defines capital assets as assets with an initial cost of \$50,000 or more and an estimated useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost. Right-to-use leased assets are valued at the present value of lease payments. Donated capital assets are recorded at acquisition value, which is the price that would be paid to acquire the asset on the acquisition date. The District has not capitalized interest incurred during the construction of its capital assets. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets (continued)

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

Assets	Useful Life
Infrastructure	45 years
Landscaping improvements	20 years
Right-to-use leased assets	10 years

The District's detention facilities are considered improvements to land and are non-depreciable.

Deferred Inflows and Outflows of Financial Resources

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

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

Net Position – Governmental Activities

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

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

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

Unrestricted – resources not included in the other components.

Fund Balances – Governmental Funds

Governmental accounting standards establish the following fund balance classifications:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District's nonspendable fund balance consists of prepaid items.

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Balances – Governmental Funds (continued)

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

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

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

Unassigned - all other spendable amounts in the General Fund and deficit balances.

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

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses/expenditures during the period reported. These estimates include, among others, the collectability of receivables; the value of unbilled utility revenues and receivables; the useful lives and impairment of capital assets; the value of amounts due to developer; the value of capital assets transferred to Montgomery County and the value of capital assets for which the developer has not been fully reimbursed. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from the estimates.

East Montgomery County Municipal Utility District No. 14
Notes to Financial Statements
April 30, 2024

Note 2 – Adjustment from Governmental to Government-wide Basis

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

Total fund balance, governmental funds	\$ 189,546
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

Historical cost	\$ 18,838,004	
Less accumulated depreciation/amortization	<u>(870,146)</u>	
Change due to capital assets		17,967,858

Obligations under leases are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	(3,923,259)
---	-------------

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. The difference consists of:

Bonds payable, net	(3,000,000)	
Interest payable on bonds	<u>(24,426)</u>	
Change due to long-term debt		(3,024,426)

Amounts due to the District's developer for prefunded construction and operating advances are recorded as a liability in the <i>Statement of Net Position</i> .	(20,494,926)
---	--------------

Property taxes receivable and related penalties and interest have been levied and are due, but are not available soon enough to pay current period expenditures and, therefore, are deferred in the funds.	7,399
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Total net position - governmental activities	<u><u>\$ (9,277,808)</u></u>
--	------------------------------

East Montgomery County Municipal Utility District No. 14
Notes to Financial Statements
April 30, 2024

Note 2 – Adjustment from Governmental to Government-wide Basis (continued)

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

Net change in fund balances - total governmental funds \$ 241,822

Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the *Statement of Activities* when earned. The difference is for property taxes. 7,399

Governmental funds report capital outlays for developer reimbursements and construction costs as expenditures in the funds; however, in the *Statement of Activities*, the cost of capital assets is charged to expense over the estimated useful life of the asset. Other assets are recorded as transfers to other governments.

Capital outlays	\$	2,409,734	
Depreciation/amortization expense		(702,422)	
Transfers to other governments		<u>(5,686,473)</u>	
			(3,979,161)

Governmental funds report the principal portion of lease payments as expenditures in the funds; however, in the *Statement of Net Position*, these payments are recorded as a reduction to the long-term lease liability. 203,936

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal uses current financial resources. However, neither transaction has any effect on net assets. Other elements of debt financing are reported differently between the fund and government wide statements.

Issuance of long term debt		(3,000,000)	
Interest expense accrual		<u>(24,427)</u>	
			(3,024,427)

Amounts received from the District's developer for operating advances provide financial resources at the fund level, but are recorded as a liability in the *Statement of Net Position*. (1,010,000)

Change in net position of governmental activities		<u><u>\$ (7,560,431)</u></u>	
---	--	------------------------------	--

Note 3 – Deposits and Investments

Deposit Custodial Credit Risk

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

Investments

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

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

As of April 30, 2024, the District's investments consist of the following:

Type	Fund	Carrying Value	Rating	Weighted Average Maturity
TexSTAR	General	\$ 52,196	AAAm	35 days
	Debt Service	256,564		
	Capital Projects	10,306		
		<u>\$ 319,066</u>		

East Montgomery County Municipal Utility District No. 14
Notes to Financial Statements
April 30, 2024

Note 3 – Deposits and Investments (continued)

TexSTAR

The Texas Short Term Asset Reserve fund (“TexSTAR”) is managed by Hilltop Securities, and J.P. Morgan Investment Management, Inc. Hilltop Securities provides participant and marketing services while J.P. Morgan provides investment management services. Custodial and depository services are provided by J.P. Morgan Chase Bank N.A. or its subsidiary.

TexSTAR uses amortized cost rather than fair value to report net assets to compute share price. Accordingly, investments in TexSTAR are stated at amortized cost which approximates fair value. Investments in TexSTAR may be withdrawn via wire transfer on a same day basis, as long as the transaction is executed by 4 p.m. ACH withdrawals made by 4 p.m. will settle on the next business day.

Investment Credit and Interest Rate Risk

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

Note 4 – Interfund Balances and Transactions

Amounts due to/from other funds at April 30, 2024, consist of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amounts</u>	<u>Purpose</u>
General Fund	Debt Service Fund	\$ 14,810	Maintenance tax collections not remitted as of year end

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

East Montgomery County Municipal Utility District No. 14
Notes to Financial Statements
April 30, 2024

Note 5 – Capital Assets

A summary of changes in capital assets, for the year ended April 30, 2024, is as follows:

	Beginning Balances	Additions	Ending Balances
Capital assets not being depreciated			
Land and improvements	\$ 1,333,551	\$ 2,055,193	\$ 3,388,744
Capital assets being depreciated/amortized			
Infrastructure	3,649,615	6,383,648	10,033,263
Landscaping improvements		1,242,720	1,242,720
Right-to-use lease assets	4,173,277		4,173,277
	<u>7,822,892</u>	<u>7,626,368</u>	<u>15,449,260</u>
Less accumulated depreciation/amortization			
Infrastructure	(101,804)	(222,962)	(324,766)
Landscaping improvements		(62,136)	(62,136)
Right-to-use lease assets	(65,920)	(417,324)	(483,244)
	<u>(167,724)</u>	<u>(702,422)</u>	<u>(870,146)</u>
Subtotal depreciable capital assets, net	<u>7,655,168</u>	<u>6,923,946</u>	<u>14,579,114</u>
Capital assets, net	<u>\$ 8,988,719</u>	<u>\$ 8,979,139</u>	<u>\$ 17,967,858</u>

Depreciation/amortization expense for the current fiscal year was \$702,422.

Note 6 – Due to Developer

The District has entered into financing agreements with its developer for the financing of the construction of water, sewer, drainage, and park and recreational facilities and road improvements. Under the agreements, the developer will advance funds for the construction of facilities to serve the District. The developer will be reimbursed from proceeds of future bond issues or other lawfully available funds, subject to approval by TCEQ, as applicable. The District does not record the capital asset and related liability on the government-wide statements until construction of the facilities is complete. The initial cost is estimated based on construction costs plus 10-15% for engineering and other fees. Estimates are trued up when the developer is reimbursed.

The District's developer has also advanced funds to the District for operating expenses.

East Montgomery County Municipal Utility District No. 14
Notes to Financial Statements
April 30, 2024

Note 6 – Due to Developer (continued)

Changes in the estimated amounts due to developer during the year are as follows:

Due to developer, beginning of year	\$ 6,526,625
Developer funded construction and adjustments	15,368,035
Operating advances from developer	1,010,000
Amounts paid to developers	<u>(2,409,734)</u>
Due to developer, end of year	<u><u>\$ 20,494,926</u></u>

In addition, the District will owe the developer approximately \$6,658,826 which is included in the following schedule of contractual commitments. The exact amount is not known until approved by the TCEQ and verified by the District's auditor. As previously noted, these projects will be reported in the government-wide financial statements upon completion of construction.

	<u>Contract Amount</u>	<u>Percent Complete</u>
Canopies Parkway North - landscaping improvements	\$ 1,435,198	90%
Traffic Signal at FM 2090 and Canopies Parkway	291,239	8%
Bright Sunshine Road	3,734,500	0%
Presswoods, Section 7 and 8 - utilities and paving	<u>1,197,889</u>	62%
	<u><u>\$ 6,658,826</u></u>	

Note 7 - Lease Obligations

On February 8, 2021, the District entered into an equipment lease agreement for a water treatment plant. This lease is for a 120-month term at rate of 8% with payments commencing on December 1, 2022. The lease agreement shall automatically be extended on a month-to-month basis after the initial term, unless otherwise terminated. The District recognized a lease liability and an intangible right-to-use leased asset in the amount of \$1,582,100, which is measured at the present value of future payments. The remaining balance of the liability at April 30, 2024, is \$1,451,858. The District is responsible for all ordinary expenses related to repairing and maintaining the equipment. Monthly payments for the lease are \$17,000 for the first 24 months and \$20,000 thereafter. During the current year the District made payments of \$204,000, which included principal of \$84,161 and interest of \$119,839.

East Montgomery County Municipal Utility District No. 14
Notes to Financial Statements
April 30, 2024

Note 7 - Lease Obligations (continued)

On May 23, 2022, the District entered into an equipment lease agreement for a wastewater treatment plant. This lease is for a 120-month term at rate of 8% with payments commencing upon completion of construction of the plant. The lease agreement shall automatically be extended on a month-to-month basis after the initial term, unless otherwise terminated. The District recognized a lease liability and an intangible right-to-use leased asset in the amount of \$2,591,177, which is measured at the present value of future payments. The remaining balance of the liability at April 30, 2024, is \$2,471,401. The District is responsible for all ordinary expenses related to repairing and maintaining the equipment. Monthly payments for the lease are \$27,805 for the first 24 months and \$32,770 thereafter. Total annual payments are \$32,770 thereafter. During the current year the District made payments of \$305,855, which included principal of \$119,776 and interest of \$186,079.

Annual requirements to amortize long-term lease obligations and related interest are as follows:

Year Ended	Principal	Interest	Total
2025	\$ 253,617	\$ 305,043	\$ 558,660
2026	347,064	281,211	628,275
2027	381,211	252,029	633,240
2028	412,851	220,389	633,240
2029	447,118	186,122	633,240
2029 - 2034	2,081,398	344,332	2,425,730
	<u>\$ 3,923,259</u>	<u>\$ 1,589,126</u>	<u>\$ 5,512,385</u>
Due within one year	<u>\$ 253,617</u>	<u>\$ 305,043</u>	<u>\$ 558,660</u>

Note 8 – Long-Term Debt

Long-term debt is comprised of the following:

Bonds payable	<u>\$ 3,000,000</u>
Due within one year	<u>\$ -</u>

The District's bonds payable at April 30, 2024, consists of unlimited tax bonds as follows:

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2023 Road	\$ 3,000,000	\$ 3,000,000	4.00% - 6.00%	September 1, 2025 - 2048	September 1, March 1,	September 1, 2029

East Montgomery County Municipal Utility District No. 14
Notes to Financial Statements
April 30, 2024

Note 8 – Long-Term Debt (continued)

At April 30, 2024, the District had authorized but unissued bonds in the amount of \$262,462,000 for water, sewer and drainage facilities and \$262,462,000 for the refunding of such bonds; \$53,126,000 for park and recreational facilities and \$53,126,000 for the refunding of such bonds; and \$121,164,000 for road improvements and \$124,164,000 for the refunding of such bonds.

On September 20, 2023, the District issued its \$3,000,000 Series 2023 Unlimited Tax Road Bonds at a net effective interest rate of 5.047343%. Proceeds of the bonds were used to (1) reimburse developers for the cost of capital assets constructed within the District plus interest expense at the net effective interest rate of the bonds and (2) to pay capitalized interest into the Debt Service Fund.

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

Bonds payable, beginning of year	\$ -
Bonds issued	<u>3,000,000</u>
Bonds payable, end of year	<u><u>\$ 3,000,000</u></u>

East Montgomery County Municipal Utility District No. 14
Notes to Financial Statements
April 30, 2024

Note 8 – Long-Term Debt (continued)

As of April 30, 2024, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2025	\$ -	\$ 146,556	\$ 146,556
2026	65,000	145,256	210,256
2027	65,000	142,656	207,656
2028	70,000	139,256	209,256
2029	75,000	134,906	209,906
2030	80,000	130,256	210,256
2031	85,000	126,050	211,050
2032	85,000	122,438	207,438
2033	90,000	118,663	208,663
2034	95,000	114,616	209,616
2035	100,000	110,288	210,288
2036	110,000	105,563	215,563
2037	115,000	100,357	215,357
2038	120,000	94,776	214,776
2039	125,000	88,879	213,879
2040	135,000	82,541	217,541
2041	140,000	75,750	215,750
2042	150,000	68,500	218,500
2043	155,000	60,875	215,875
2044	165,000	52,875	217,875
2045	175,000	44,375	219,375
2046	185,000	35,375	220,375
2047	195,000	25,875	220,875
2048	205,000	15,875	220,875
2049	215,000	5,375	220,375
	<u>\$ 3,000,000</u>	<u>\$ 2,287,932</u>	<u>\$ 5,287,932</u>

Note 9 – Property Taxes

On November 8, 2022, the voters of the District authorized the District's Board of Directors to levy taxes annually for use in financing general operations limited to \$1.50 per \$100 of assessed value and a rate limited to \$0.25 per \$100 of assessed value for the maintenance of road facilities. The District's bond resolutions require that property taxes be levied for use in paying interest and principal on long-term debt and for use in paying the cost of assessing and collecting taxes. Taxes levied to finance debt service requirements on long-term debt are without limitation as to rate or amount.

East Montgomery County Municipal Utility District No. 14
Notes to Financial Statements
April 30, 2024

Note 9 – Property Taxes (continued)

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

Property taxes are collected based on rates adopted in the year of the levy. The District's 2024 fiscal year was financed through the 2023 tax levy, pursuant to which the District levied property taxes of \$1.50 per \$100 of assessed value, of which \$0.93 was allocated to maintenance and operations and \$0.57 was allocated to debt service. The resulting tax levy was \$293,391 on the adjusted taxable value of \$19,559,387.

Note 10 – Transfers to Other Governments

Montgomery County assumes responsibility for the maintenance of public roads constructed within the county limits. Accordingly, road facilities are considered to be capital assets of Montgomery County, not the District and are recorded as transfers to other governments on the *Statement of Activities* upon completion of construction. This cost is trued-up when the developer is subsequently reimbursed. For the year ended April 30, 2024, the District recorded transfers to other governments in the amount of \$5,686,473 for road facilities constructed by a developer within the District.

Note 11 – Drainage and Roads Cost Sharing Agreement

On December 8, 2021, the District accepted assignment of the rights and obligations of its developer, Forestar Real Estate Group, Inc. (Forestar), relating to a Drainage and Road Improvements Agreement dated November 1, 2021. Under the terms of the agreement Forestar and Townsend Reserve, Ltd. ("Townsend"), the developer of Montgomery County Municipal Utility District No. 185, have agreed to share the costs of constructing a roadway and related facilities to serve the districts. Both parties have agreed to advance funds necessary to cover to the cost of constructing the road facilities into an account held by the District. Upon completion of construction, any unspent funds provided by Townsend will be refunded. As of April 30, 2024, the District has \$189,683 remaining in construction advances received from Townsend for its pro rata share of the facilities.

Note 12 – Risk Management

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

Note 13 – Economic Dependency

The District is dependent upon its developers for operating advances. The developers continue to own a substantial portion of the taxable property within the District. The developers' willingness to make future operating advances and/or to pay property taxes will directly affect the District's ability to meet its future obligations.

Required Supplementary Information

East Montgomery County Municipal Utility District No. 14
Required Supplementary Information - Budgetary Comparison Schedule - General Fund
For the Year Ended April 30, 2024

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Water service	\$ 21,060	\$ 42,120	\$ 112,765	\$ 70,645
Sewer service	46,668	125,000	185,077	60,077
Property taxes	500,000	184,600	177,315	(7,285)
Penalties and interest	21,600	10,000	8,939	(1,061)
Tap connection and inspection	170,400	500,000	293,597	(206,403)
Regional water authority fees	5,000		2,732	2,732
Miscellaneous	10,200	6,600	13,575	6,975
Investment earnings	5,500	1,500	1,646	146
Total Revenues	<u>780,428</u>	<u>869,820</u>	<u>795,646</u>	<u>(74,174)</u>
Expenditures				
Current service operations				
Professional fees	97,000	202,000	168,214	33,786
Contracted services	188,200	620,000	224,188	395,812
Repairs and maintenance	634,200	682,648	822,783	(140,135)
Utilities	3,500	3,500	24,454	(20,954)
Regional water authority fees	5,000	30,000		30,000
Administrative	59,389	23,189	41,335	(18,146)
Other	5,000	23,070	44,367	(21,297)
Debt service				
Lease - principal	204,000	482,050	203,936	278,114
Lease - interest			305,919	(305,919)
Total Expenditures	<u>1,196,289</u>	<u>2,066,457</u>	<u>1,835,196</u>	<u>231,261</u>
Revenues Over/(Under) Expenditures	(415,861)	(1,196,637)	(1,039,550)	157,087
Other Financing Sources				
Developer advances	<u>415,861</u>	<u>1,202,837</u>	<u>1,010,000</u>	<u>(192,837)</u>
Net Change in Fund Balance		6,200	(29,550)	(35,750)
Fund Balance				
Beginning of the year	(52,276)	(52,276)	(52,276)	
End of the year	<u>\$ (52,276)</u>	<u>\$ (46,076)</u>	<u>\$ (81,826)</u>	<u>\$ (35,750)</u>

East Montgomery County Municipal Utility District No. 14
Notes to Required Supplementary Information
April 30, 2024

Budgets and Budgetary Accounting

An annual unappropriated budget is adopted for the General Fund by the District's Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. The budget was amended during the year to reflect changes in anticipated revenues and expenditures.

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Texas Supplementary Information

East Montgomery County Municipal Utility District No. 14

TSI-1. Services and Rates

April 30, 2024

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

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

2. Retail Service Providers

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

	Minimum Charge	Minimum Usage	Flat Rate (Y / N)	Rate per 1,000 Gallons Over Minimum Usage	Usage Levels		
Water:	\$ 20.00	6,000	N	\$ 1.75	6,001	to	10,000
				\$ 2.50	10,001	to	15,000
				\$ 3.25	15,001	to	20,000
				\$ 4.00	20,001		30,000
				\$ 5.00	30,001		no limit
Wastewater:	\$ 65.80		Y			to	
Surcharge:	\$ 0.085		N	\$ 0.085	1,000	to	no limit

District employs winter averaging for wastewater usage? ☐ Yes ☒ No

Total charges per 10,000 gallons usage: Water \$ 27.85 Wastewater \$ 65.80

b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC'S
Unmetered			x 1.0	
less than 3/4"	318	318	x 1.0	318
1"			x 2.5	
1.5"			x 5.0	
2"			x 8.0	
3"	11	11	x 15.0	165
4"			x 25.0	
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water	329	329		483
Total Wastewater	318	318	x 1.0	318

See accompanying auditor's report.

East Montgomery County Municipal Utility District No. 14
TSI-1. Services and Rates
April 30, 2024

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

Gallons pumped into system:	<u>41,226,000</u>	Water Accountability Ratio:
Gallons billed to customers:	<u>32,394,000</u>	(Gallons billed / Gallons pumped)
		<u>78.58%</u>

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

Does the District have Debt Service standby fees? Yes ☐ No ☒

If yes, Date of the most recent commission Order: _____

Does the District have Operation and Maintenance standby fees? Yes ☐ No ☒

If yes, Date of the most recent commission Order: _____

5. Location of District

Is the District located entirely within one county? Yes ☒ No ☐

County(ies) in which the District is located: Montgomery

Is the District located within a city? Entirely ☐ Partly ☐ Not at all ☒

City(ies) in which the District is located: _____

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

Entirely ☐ Partly ☐ Not at all ☒

ETJs in which the District is located: _____

Are Board members appointed by an office outside the district? Yes ☐ No ☒

If Yes, by whom? _____

See accompanying auditors' report.

East Montgomery County Municipal Utility District No. 14
TSI-2. General Fund Expenditures
For the Year Ended April 30, 2024

Professional fees	
Legal	\$ 93,296
Audit	12,000
Engineering	62,918
	<u>168,214</u>
Contracted services	
Bookkeeping	15,113
Garbage collection	15,683
Tap connection and inspection	193,392
	<u>224,188</u>
Repairs and maintenance	<u>822,783</u>
Utilities	<u>24,454</u>
Administrative	
Directors fees	12,157
Printing and office supplies	6,587
Insurance	21,547
Other	1,044
	<u>41,335</u>
Other	<u>44,367</u>
Debt service	
Lease - principal	203,936
Lease - interest	305,919
	<u>509,855</u>
Total expenditures	<u><u>\$ 1,835,196</u></u>

See accompanying auditors' report.

East Montgomery County Municipal Utility District No. 14
TSI-3. Investments
April 30, 2024

<u>Fund</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>
General			
TexSTAR	Variable	N/A	\$ 52,196
Debt Service			
TexSTAR	Variable	N/A	256,564
Capital Projects			
TexSTAR	Variable	N/A	<u>10,306</u>
Total - All Funds			<u><u>\$ 319,066</u></u>

See accompanying auditors' report.

East Montgomery County Municipal Utility District No. 14
TSI-4. Taxes Levied and Receivable
April 30, 2024

	Maintenance Taxes	Debt Service Taxes	Totals
Taxes Receivable, Beginning of Year	\$ -	\$ -	\$ -
2023 Original Tax Levy	181,290	111,113	292,403
Adjustments	612	376	988
Adjusted Tax Levy	181,902	111,489	293,391
Total to be accounted for	181,902	111,489	293,391
Tax collections:			
Current year	177,315	108,677	285,992
Taxes Receivable, End of Year	\$ 4,587	\$ 2,812	\$ 7,399
Taxes Receivable, By Years			
2023	\$ 4,587	\$ 2,812	\$ 7,399
	2023	2022	2021
Property Valuations:			
Land	\$ 13,610,860	\$ 1,427,500	\$ 985,276
Improvements	6,050,360		
Personal Property	12,964		
Exemptions	(114,797)		
Total Property Valuations	\$ 19,559,387	\$ 1,427,500	\$ 985,276
Tax Rates per \$100 Valuation:			
Maintenance tax rates	\$ 0.93	\$ 1.50	\$ 1.35
Debt service tax rates	0.57		
Total Tax Rates per \$100 Valuation	\$ 1.50	\$ 1.50	\$ 1.35
Adjusted Tax Levy:	\$ 293,391	\$ 21,413	\$ 13,301
Percentage of Taxes Collected to Taxes Levied **	97.48%	100%	100%

* Maximum Maintenance Tax Rate Approved by Voters: \$1.50 on November 8, 2022

* Maximum Road Maintenance Tax Rate Approved by Voters: \$0.25 on November 8, 2022

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

See accompanying auditors' report.

East Montgomery County Municipal Utility District No. 14
TSI-5. Long-Term Debt Service Requirements
Series 2023 Road--by Years
April 30, 2024

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2025	\$ -	\$ 146,556	\$ 146,556
2026	65,000	145,256	210,256
2027	65,000	142,656	207,656
2028	70,000	139,256	209,256
2029	75,000	134,906	209,906
2030	80,000	130,256	210,256
2031	85,000	126,050	211,050
2032	85,000	122,438	207,438
2033	90,000	118,663	208,663
2034	95,000	114,616	209,616
2035	100,000	110,288	210,288
2036	110,000	105,563	215,563
2037	115,000	100,357	215,357
2038	120,000	94,776	214,776
2039	125,000	88,879	213,879
2040	135,000	82,541	217,541
2041	140,000	75,750	215,750
2042	150,000	68,500	218,500
2043	155,000	60,875	215,875
2044	165,000	52,875	217,875
2045	175,000	44,375	219,375
2046	185,000	35,375	220,375
2047	195,000	25,875	220,875
2048	205,000	15,875	220,875
2049	215,000	5,375	220,375
	<u>\$ 3,000,000</u>	<u>\$ 2,287,932</u>	<u>\$ 5,287,932</u>

See accompanying auditors' report.

East Montgomery County Municipal Utility District No. 14
TSI-6. Change in Long-Term Bonded Debt
April 30, 2024

	Bond Issue Series 2023 Road
Interest rate	4.00% - 6.00%
Dates interest payable	9/1 ; 3/1
Maturity dates	9/1/26 - 9/1/49
Beginning bonds outstanding	\$ -
Bonds issued	<u>3,000,000</u>
Ending bonds outstanding	<u>\$ 3,000,000</u>
Interest paid during fiscal year	<u>\$ 65,543</u>

Paying agent's name and city
Series 2023 Road

Zions Bancorporation, N.A., Houston, TX

	Water, Sewer and Drainage Bonds	Park Bonds	Road Bonds
Bond Authority:			
Amount Authorized by Voters	\$ 262,462,000	\$ 53,126,000	\$ 124,164,000
Amount Issued			(3,000,000)
Remaining To Be Issued	<u>\$ 262,462,000</u>	<u>\$ 53,126,000</u>	<u>\$ 121,164,000</u>

	Water, Sewer and Drainage Refunding Bonds	Park Refunding Bonds	Road Refunding Bonds
Bond Authority:			
Amount Authorized by Voters	\$ 262,462,000	\$ 53,126,000	\$ 124,164,000
Amount Issued			
Remaining To Be Issued	<u>\$ 262,462,000</u>	<u>\$ 53,126,000</u>	<u>\$ 124,164,000</u>

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

Debt Service Fund cash and investments balance as of April 30, 2024:	<u>\$ 270,913</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:	<u>\$ 211,517</u>

See accompanying auditors' report.

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East Montgomery County Municipal Utility District No. 14
TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund
For the Last Three Fiscal Years

	Amounts		
	2024	2023	2022
Revenues			
Water service	\$ 112,765	\$ 11,348	\$ -
Sewer service	185,077	37,180	
Property taxes	177,315	21,418	13,296
Penalties and interest	8,939	209	
Surface water fees	2,732	985	
Tap connection and inspection	293,597	310,916	
Miscellaneous	13,575	2,090	
Investment earnings	1,646	200	
Total Revenues	795,646	384,346	13,296
Expenditures			
Current service operations			
Professional fees	168,214	78,266	18,909
Contracted services	224,188	164,398	5,665
Repairs and maintenance	822,783	401,629	
Utilities	24,454	4,923	
Administrative	41,335	19,184	7,670
Other	44,367	4,980	2,294
Capital outlay			
Right-to-use lease asset		2,591,177	1,582,100
Debt service			
Lease - principal	203,936	46,082	
Lease - interest	305,919	72,918	
Total Expenditures	1,835,196	3,383,557	1,616,638
Revenues Under Expenditures	\$ (1,039,550)	\$ (2,999,211)	\$ (1,603,342)
Total Active Retail Water Connections	329	177	N/A
Total Active Retail Wastewater Connections	318	174	N/A

*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues		
2024	2023	2022
15%	2%	
23%	10%	
22%	6%	100%
1%	*	
*		
37%	81%	
2%	1%	
*	*	
100%	100%	100%

21%	20%	142%
28%	43%	43%
103%	104%	
3%	1%	
5%	5%	58%
6%	1%	17%
	674%	11899%
26%	12%	
38%	19%	
230%	879%	12159%
(130%)	(779%)	(12,059%)

East Montgomery County Municipal Utility District No. 14
TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fund
For the Current Fiscal Year

	Amounts	Percent of Fund Total Revenues
	2024	2024
Revenues		
Property taxes	\$ 108,677	92%
Penalties and interest	606	1%
Investment earnings	7,680	7%
Total Revenues	116,963	100%
Expenditures		
Tax collection services	14,745	13%
Debt service		
Interest and fees	65,544	56%
Total Expenditures	80,289	69%
Revenues Over Expenditures	\$ 36,674	31%

*Percentage is negligible

See accompanying auditors' report.

East Montgomery County Municipal Utility District No. 14
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended April 30, 2024

Complete District Mailing Address: 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027
District Business Telephone Number: (713) 860-6400
Submission Date of the most recent District Registration Form
(TWC Sections 36.054 and 49.054): February 8, 2023
Limit on Fees of Office that a Director may receive during a fiscal year: \$ 7,200
(Set by Board Resolution -- TWC Section 49.060)

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimburse- ments	Title at Year End
Board Members				
Adrian Brown	02/22 - 05/24	\$ 2,218	\$ 185	President
Stephen Kibbee	02/22 - 05/26	2,510	381	Vice President
Evan Rohne	05/22 - 05/26	2,660	123	Assistant Vice President
Paulina Baker	02/23 - 05/24	1,626	335	Assistant Vice President
Bradley Castillo	05/22 - 05/26	2,068	50	Secretary
Consultants				
Allen Boone Humphries Robinson LLP	2021	<u>Amounts Paid</u>		Attorney
<i>General legal fees</i>		\$ 193,820		
Municipal District Services	2021	763,400		Operator
Myrtle Cruz, Inc.	2021	15,649		Bookkeeper
Utility Tax Service	2021	4,850		Tax Collector
Montgomery Central Appraisal District	Legislature	1,404		Property Valuation
Perdue, Brandon, Fielder, Collins and Mott	2021			Delinquent Tax Attorney
Elevation Land Solutions	2021	69,292		Engineer
McGrath & Co., PLLC	2021	19,375		Auditor
Tierra Financial Advisors	2021	33,678		Financial Advisor

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

See accompanying auditors' report.