

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT DATED AUGUST 13, 2025

This Preliminary Official Statement is subject to completion and amendment and is intended solely for the solicitation of initial bids to purchase the Bonds. Upon sale of the Bonds, the Official Statement will be completed and delivered to the Underwriter.

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

THE BONDS WILL BE DESIGNATED “QUALIFIED TAX-EXEMPT OBLIGATIONS” FOR FINANCIAL INSTITUTIONS. SEE “LEGAL MATTERS—QUALIFIED TAX-EXEMPT OBLIGATIONS.”

Underlying Rating: Moody’s “Baa1”
See “MUNICIPAL BOND RATING” and
“MUNICIPAL BOND INSURANCE” herein.

NEW ISSUE-BOOK-ENTRY-ONLY

\$3,710,000
WOOD TRACE MUNICIPAL UTILITY DISTRICT NO. 1,
OF MONTGOMERY COUNTY, TEXAS
(A political subdivision of the State of Texas located within Montgomery County)
UNLIMITED TAX PARK BONDS
SERIES 2025

Dated Date: October 1, 2025

Due: March 1, as shown below

Interest accrual date: Date of Delivery

The \$3,710,000 Unlimited Tax Park Bonds, Series 2025 (the “Bonds”) are being issued by Wood Trace Municipal Utility District No. 1, of Montgomery County, Texas (the “District”). Principal of the Bonds is payable at maturity or prior redemption. Interest on the Bonds accrues from the initial date of delivery (expected to be on or about October 14, 2025) (the “Date of Delivery”) and is payable on each March 1 and September 1 (each an “Interest Payment Date”) commencing March 1, 2026, until maturity or prior redemption. The Bonds will be issued only in fully registered form in denominations of \$5,000 each or integral multiples thereof. The Bonds mature and are subject to redemption prior to their maturity as shown below.

The Bonds will be registered and delivered only in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository for the Bonds. Beneficial Owners (as defined herein under “BOOK-ENTRY-ONLY SYSTEM”) of the Bonds will not receive physical certificates representing the Bonds but will receive a credit balance on the books of the DTC participants. So long as Cede & Co. is the registered owner of the Bonds, the principal of and interest on the Bonds will be paid by the paying agent/registrars, initially The Bank of New York Mellon Trust Company, N.A. in Houston, Texas (the “Paying Agent/Registrar”), directly to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the Beneficial Owners. See “BOOK-ENTRY-ONLY SYSTEM.”

MATURITY SCHEDULE

Due (March 1)	Principal Amount (a)	Interest Rate %	Initial Reoffering Yield (b) %	CUSIP Number (c)	Due (March 1)	Principal Amount (a)	Interest Rate %	Initial Reoffering Yield (b) %	CUSIP Number (c)
2026	\$ 205,000				2035	\$ 205,000 (d)			
2027	210,000				2036	205,000 (d)			
2028	210,000				2037	205,000 (d)			
2029	210,000				2038	205,000 (d)			
2030	210,000				2039	205,000 (d)			
2031	205,000				2040	205,000 (d)			
2032	205,000				2041	205,000 (d)			
2033	205,000 (d)				2042	205,000 (d)			
2034	205,000 (d)				2043	205,000 (d)			

- (a) The Underwriter (herein defined) may designate one or more maturities as term bonds. See accompanying “OFFICIAL NOTICE OF SALE” and “OFFICIAL BID FORM.”
- (b) Initial reoffering yield represents the initial offering yield to the public, which has been established by the Underwriter for offers to the public and which subsequently may be changed.
- (c) CUSIP Numbers will be assigned to the Bonds by CUSIP Global Services and are included solely for the convenience of the purchasers of the Bonds. Neither the District nor the Underwriter shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.
- (d) Bonds maturing on or after March 1, 2033, are subject to redemption at the option of the District prior to their maturity dates in whole, or from time to time in part, on March 1, 2032, or on any date thereafter, at a price of par plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. See “THE BONDS—Redemption Provisions.”

The Bonds, when issued, will constitute valid and legally binding obligations of the District and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District, as further described herein. The Bonds are obligations solely of the District and are not obligations of the State of Texas, Montgomery County, or any other entity other than the District. Investment in the Bonds is subject to special investment considerations described herein. See “INVESTMENT CONSIDERATIONS.”

The Bonds are offered when, as and if issued by the District, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Schwartz, Page & Harding, L.L.P., Bond Counsel, Houston, Texas. Delivery of the Bonds in book-entry form through DTC is expected on or about October 14, 2025.

Bids Due: Wednesday, September 10, 2025, at 10:00 A.M., Houston Time, in Houston, Texas
Bid Award: Wednesday, September 10, 2025, at 1:00 P.M., Houston Time, in Houston, Texas

TABLE OF CONTENTS

USE OF INFORMATION IN OFFICIAL STATEMENT.....	3	Principal Taxpayers.....	24
SALE AND DISTRIBUTION OF THE BONDS	4	Tax Adequacy for Debt Service	25
Award of the Bonds.....	4	TAX PROCEDURES.....	25
Prices and Marketability.....	4	Property Tax Code and County-Wide Appraisal District	25
Securities Laws	4	Property Subject to Taxation by the District.....	25
OFFICIAL STATEMENT SUMMARY	5	General Residential Homestead Exemption	27
SELECTED FINANCIAL INFORMATION (UNAUDITED)	7	Valuation of Property for Taxation.....	27
PRELIMINARY OFFICIAL STATEMENT.....	8	District and Taxpayer Remedies.....	27
THE BONDS	8	Agricultural, Open Space, Timberland, and Inventory Deferral	28
General.....	8	Tax Abatement	28
Description.....	8	Levy and Collection of Taxes.....	28
Authority for Issuance.....	8	Rollback of Operation and Maintenance Tax Rate	28
Source and Security for Payment	8	District's Rights in the Event of Tax Delinquencies.....	29
Funds.....	9	INVESTMENT CONSIDERATIONS.....	30
Record Date.....	9	General.....	30
Redemption Provisions.....	9	Economic Factors and Interest Rates.....	30
Method of Payment of Principal and Interest	9	Credit Markets and Liquidity in the Financial Markets	30
Registration	9	Landowner Obligation to the District	30
Replacement of Paying Agent/Registrar.....	9	Tax Collections Limitations and Foreclosure Remedies.....	30
Legal Investment and Eligibility to Secure Public Funds in Texas.....	10	Specific Flood Type Risks.....	31
Issuance of Additional Debt	10	Potential Effects of Oil Price Fluctuations on the Houston Area	31
Financing Road Facilities.....	10	Tropical Weather Events	31
Financing Recreational Facilities	10	Registered Owners' Remedies.....	31
Consolidation	11	Bankruptcy Limitation to Registered Owners' Rights.....	32
Remedies in Event of Default.....	11	Future Debt.....	32
Defeasance	11	Marketability of the Bonds.....	32
BOOK-ENTRY-ONLY SYSTEM.....	12	Environmental and Air Quality Regulations.....	33
USE AND DISTRIBUTION OF BOND PROCEEDS.....	14	Future Legislation.....	34
THE DISTRICT.....	15	2025 Legislative Session	34
General.....	15	Continuing Compliance with Certain Covenants.....	35
Description and Location	15	Risk Factors Related to the Purchase of Municipal Bond Insurance	35
Land Use.....	15	LEGAL MATTERS	35
Status of Development	16	Legal Opinions	35
Future Development.....	16	Legal Review.....	36
THE DEVELOPER	16	Tax Exemption	36
Role of a Developer.....	16	Qualified Tax-Exempt Obligations.....	36
Lennar Homes of Texas Land and Construction, Ltd.	16	Collateral Federal Income Tax Consequences	37
Other Landowners.....	16	State, Local and Foreign Taxes	37
MANAGEMENT OF THE DISTRICT.....	17	Tax Accounting Treatment of Original Issue Discount and Premium	37
Board of Directors.....	17	Bonds	37
District Consultants	17	NO MATERIAL ADVERSE CHANGE.....	38
THE SYSTEM.....	18	NO-LITIGATION CERTIFICATE.....	38
Surface Water Conversion.....	18	MUNICIPAL BOND RATING AND MUNICIPAL BOND	38
Water Supply.....	18	INSURANCE	38
Wastewater Treatment.....	18	PREPARATION OF OFFICIAL STATEMENT	39
Internal Water Distribution, Wastewater Collection and Storm Drainage	18	Sources and Compilation of Information.....	39
Facilities.....	18	Financial Advisor	39
100-Year Flood Plain	18	Consultants	39
Water and Wastewater Operations	19	Updating the Official Statement	39
FINANCIAL INFORMATION CONCERNING THE DISTRICT	20	Certification of Official Statement	40
(UNAUDITED).....	20	CONTINUING DISCLOSURE OF INFORMATION	40
Investments of the District.....	20	Annual Reports.....	40
Outstanding Bonds	20	Specified Event Notices	40
Debt Service Requirements	21	Availability of Information from the MSRB	41
ESTIMATED OVERLAPPING DEBT STATEMENT	22	Limitations and Amendments.....	41
Estimated Overlapping Debt	22	Compliance With Prior Undertakings.....	41
Overlapping Taxes	22	MISCELLANEOUS.....	41
TAX DATA.....	23	AERIAL LOCATION MAP.....	42
Debt Service Tax.....	23	PHOTOGRAPHS OF THE DISTRICT	42
Maintenance and Operations Tax	23	APPENDIX A—Independent Auditor's Report and Financial Statements of	42
Tax Rate Distribution	23	the District for the year ended August 31, 2024	
Historical Tax Collections.....	23		
Tax Roll Information.....	24		

USE OF INFORMATION IN OFFICIAL STATEMENT

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission (the “SEC”), as amended and in effect on the date hereof, 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 the information permitted by 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.

This OFFICIAL STATEMENT is not to be used in an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

All of the summaries of the statutes, resolutions, orders, contracts, audited financial statements, engineering and other related reports set forth in this OFFICIAL STATEMENT are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Schwartz, Page & Harding, L.L.P., Bond Counsel, 1300 Post Oak Boulevard, Suite 2400, Houston, Texas, 77056, upon payment of the costs of duplication therefor.

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader’s convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined in, SEC Rule 15c2-12, as amended.

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

Neither the District nor the Underwriter make any representations as to the accuracy, completeness, or adequacy of the information supplied by The Depository Trust Company for use in this OFFICIAL STATEMENT.

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District accepted the bid resulting in the lowest net effective interest rate, which bid was tendered by _____ (the "Underwriter"), paying the interest rates shown on the cover page hereof, at a price of _____% of the principal amount thereof which resulted in a net effective interest rate of _____% as calculated pursuant to Chapter 1204, Texas Government Code (the IBA method).

Prices and Marketability

The prices and other terms with respect to the offering and sale of the Bonds may be changed from time-to-time by the Underwriter after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts. In connection with the offering of the Bonds, the Underwriter may over-allot or effect transactions which stabilize or maintain the market prices of the Bonds at levels above those which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

The District has no control over trading of the Bonds in the secondary market. Moreover, there is no guarantee that a secondary market will be made in the Bonds. In such a secondary market, the difference between the bid and asked price of 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 municipal entities, as bonds of such entities are more generally bought, sold or traded in the secondary market.

Securities Laws

No registration statement relating to the offer and sale of the Bonds has been filed with the 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 and the Bonds have not been registered or qualified under the securities laws of any other jurisdiction. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any other jurisdiction in which the Bonds may be offered, sold or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdiction.

OFFICIAL STATEMENT SUMMARY

The following is a brief summary of certain information contained herein which is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this OFFICIAL STATEMENT. The summary should not be detached and should be used in conjunction with more complete information contained herein. A full review should be made of the entire OFFICIAL STATEMENT and of the documents summarized or described therein.

THE DISTRICT

- Description* The District is a political subdivision of the State of Texas, created by House Bill 2322, Chapter 218, Acts of the 72nd Legislature, Regular Session, 1991, and confirmed at an election in the District on May 5, 2001. The District operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended. The District currently consists of approximately 547 acres of land. See “THE DISTRICT.”
- Location* The District is located approximately 32 miles northwest of the central downtown business district of the City of Houston and within the boundaries of the Tomball Independent School District. A small portion of the District is located within the extraterritorial jurisdiction of Stagecoach, Texas. The District is bounded on the north by Coe Road and Texas State Highway 249 is located to the east of the District at Decker Prairie Road. See “THE DISTRICT” and “AERIAL LOCATION MAP.”
- The Developer* The Developer of the District is Lennar Homes of Texas Land and Construction, Ltd., a Texas limited partnership, d.b.a. Friendswood Development Company (the “Developer”). The Developer is wholly owned by Lennar Corporation (“Lennar”), a publicly traded corporation whose stock is listed on the New York Stock Exchange under the ticker symbol “LEN.” Lennar’s activities include homebuilding, real estate investments, residential and commercial developments and financial services operations throughout the United States. The Developer has completed all development activity in the District.
- Status of Development* Underground utilities and paving are complete for 996 single-family residential lots on approximately 429 acres. As of August 1, 2025, 996 homes were complete and occupied. According to the 2025 tax rolls, homes in the District have an average taxable value of approximately \$558,401.
- The remainder of the District is comprised of approximately 75 acres that are not developable (easements, recreation, street rights-of-way and utility sites) and approximately 43 developable acres that have not been provided with utility service. See “THE DISTRICT—Land Use,” “—Status of Development,” and “—Future Development.”
- Payment Record* The District has previously issued nine series of unlimited tax bonds for water, sewer and drainage facilities totaling \$42,025,000 principal amount, and two series of unlimited tax bonds for parks and recreation facilities totaling \$9,290,000, of which \$42,370,000 is collectively outstanding as of the date hereof (the “Outstanding Bonds”). The District has timely paid its debt service on the Outstanding Bonds. See “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds.”

THE BONDS

- Description* The \$3,710,000 Unlimited Tax Park Bonds, Series 2025 (the “Bonds”) are being issued as fully registered bonds pursuant to an order authorizing the issuance of the Bonds (the “Bond Order”) adopted by the District’s Board of Directors (the “Board”). The Bonds are scheduled to mature serially on March 1 in the years 2026 through 2043, both inclusive, in the principal amounts and accrue interest at the rates shown on the cover hereof. The Bonds will be issued in book-entry form only in denominations of \$5,000 or integral multiples of \$5,000. Interest on the Bonds accrues from the Date of Delivery and is payable on March 1, 2026, and on each September 1 and March 1 thereafter until maturity or prior redemption. See “THE BONDS.”

<i>Book-Entry-Only System</i>	The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each maturity of the Bonds and will be deposited with DTC or its designee. See “BOOK-ENTRY- ONLY SYSTEM.”
<i>Redemption</i>	Bonds maturing on or after March 1, 2033, are subject to redemption at the option of the District in whole, or from time to time in part, prior to their maturity dates on March 1, 2032, or on any date thereafter, at a price of par plus accrued interest thereon to the date fixed for redemption. See “THE BONDS—Redemption Provisions.”
<i>Use of Proceeds</i>	Proceeds of the Bonds will be used to pay for the items shown herein under “USE AND DISTRIBUTION OF BOND PROCEEDS,” including to pay for interest on funds advanced by the Developer on behalf of the District; and engineering fees, administrative costs, and certain other costs related to the issuance of the Bonds.
<i>Authority for Issuance</i>	The Bonds are the third series of bonds issued out of an aggregate of \$38,850,000 principal amount of unlimited tax bonds authorized by the District’s voters for the purpose of purchasing or constructing park and recreational facilities. The Bonds are issued by the District pursuant to the terms and provisions of an order of the Texas Commission on Environmental Quality (the “TCEQ”), Article XVI, Section 59 of the Texas Constitution, the general laws of the State of Texas, including, without limitation, Chapters 49 and 54 of the Texas Water Code, as amended, an election held within the District, and the Bond Order. See “THE BONDS— Authority for Issuance,” “—Issuance of Additional Debt” and “INVESTMENT CONSIDERATIONS—Future Debt.”
<i>Source of Payment</i>	Principal of and interest on the Bonds are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. The Bonds are obligations of the District and are not obligations of the State of Texas, Montgomery County, or any entity other than the District. See “THE BONDS—Source and Security for Payment” and “—Funds.”
<i>Qualified Tax-Exempt Obligations</i>	The District will designate the Bonds as “qualified tax-exempt obligations” pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended. See “LEGAL MATTERS— Qualified Tax-Exempt Obligations.”
<i>Municipal Bond Rating And Municipal Bond Insurance</i>	Application has been made to Moody’s Investors Service (“Moody’s”) for an underlying rating on the Bonds, and Moody’s has assigned an underlying rating of “Baa1” to the District. Application has also been made to various municipal bond insurance companies for qualification of the Bonds for municipal bond insurance. If qualified, such insurance will be available at the option of the Underwriter at the Underwriter’s expense. The rating fee of Moody’s will be paid for by the District; payment of any other rating fee will be the responsibility of the Underwriter. See “MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE” and “INVESTMENT CONSIDERATIONS—Risk Factors on Municipal Bond Insurance.”
<i>Bond Counsel</i>	Schwartz, Page & Harding, L.L.P., Houston, Texas. See “MANAGEMENT OF THE DISTRICT—District Consultants” and “LEGAL MATTERS.”
<i>Financial Advisor</i>	Masterson Advisors LLC, Houston, Texas. See “MANAGEMENT OF THE DISTRICT— District Consultants” and “PREPARATION OF THE OFFICIAL STATEMENT.”
<i>Disclosure Counsel</i>	McCall, Parkhurst & Horton L.L.P., Houston, Texas. See “LEGAL MATTERS.”
<i>Paying Agent/Registrar</i>	The Bank of New York Mellon Trust Company, N.A., Houston, Texas. See “THE BONDS— Method of Payment of Principal and Interest.”

INVESTMENT CONSIDERATIONS

The purchase and ownership of the Bonds are subject to special risk factors and all prospective purchasers are urged to examine carefully this entire Official Statement with respect to the investment security of the Bonds, including particularly the section captioned “INVESTMENT CONSIDERATIONS.”

SELECTED FINANCIAL INFORMATION (UNAUDITED)

2025 Taxable Assessed Valuation	\$542,382,734	(a)
Gross Direct Debt Outstanding (including the Bonds)	\$46,080,000	(b)
Estimated Overlapping Debt.....	<u>29,114,796</u>	(c)
Gross Direct Debt and Estimated Overlapping Debt	\$75,194,796	
Ratio of Gross Direct Debt to:		
2025 Taxable Assessed Valuation	8.50%	
Ratio of Gross Direct Debt and Estimated Overlapping Debt to:		
2025 Taxable Assessed Valuation	13.86%	
Funds Available for Debt Service as of August 13, 2025.....	\$3,996,259	(d)
Funds Available for Operations and Maintenance as of August 13, 2025	\$5,157,295	
Funds Available for Capital Projects as of August 13, 2025	\$1,139,663	(e)
2024 Debt Service Tax Rate	\$0.77	
2024 Maintenance Tax Rate	<u>0.31</u>	
2024 Total Tax Rate	\$1.08	
Anticipated 2025 Debt Service Tax Rate.....	\$0.70	
Anticipated 2025 Maintenance Tax Rate.....	<u>0.30</u>	
Anticipated 2025 Total Tax Rate.....	\$1.00	(f)
Projected Average Annual Debt Service Requirement (2026-2043).....	\$3,283,431	(g)
Projected Maximum Annual Debt Service Requirement (2026)	\$4,119,367	(g)
Tax Rates Required to Pay Average Annual Debt Service (2026-2043) at a 95% Collection Rate		
2025 Taxable Assessed Valuation	\$0.64	(h)
Tax Rates Required to Pay Maximum Annual Debt Service (2026) at a 95% Collection Rate		
2025 Taxable Assessed Valuation	\$0.80	(h)
Status of Development as of August 1, 2025 (i):		
Total Developed Lots	996	
Total Completed Homes (996 Occupied)	996	
Estimated Population	3,486	(j)

- (a) The Montgomery Central Appraisal District (the "Appraisal District") has certified \$533,316,960 of taxable value and an additional \$9,065,774 remains uncertified, subject to review and downward revision prior to certification. See "TAX PROCEDURES."
- (b) Includes the Bonds and the Outstanding Bonds. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds."
- (c) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Estimated Overlapping Debt."
- (d) Neither Texas law or the Bond Order requires the District to maintain any minimum balance in the Debt Service Fund. See "THE BONDS—Funds" and "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements."
- (e) The District will contribute \$27,674 of surplus Capital Projects Funds toward the issuance of the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."
- (f) The District authorized publication of its intent to levy a total tax rate of \$1.00 per \$100 of taxable assessed valuation (consisting of \$0.70 for debt service and \$0.30 for maintenance and operations) and expects to adopt such rate in September 2025. See "TAX DATA—Tax Rate Distribution."
- (g) Assumes an estimated interest rate of 5.00% per annum. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements."
- (h) See "TAX DATA—Tax Adequacy for Debt Service" and "INVESTMENT CONSIDERATIONS—Possible Impact on District Tax Rates."
- (i) See "THE DISTRICT—Land Use" and "—Status of Development."
- (j) Based upon 3.5 persons per occupied single-family residence.

PRELIMINARY OFFICIAL STATEMENT

WOOD TRACE MUNICIPAL UTILITY DISTRICT NO. 1, OF MONTGOMERY COUNTY, TEXAS

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

\$3,710,000 UNLIMITED TAX PARK BONDS SERIES 2025

This OFFICIAL STATEMENT provides certain information in connection with the issuance by Wood Trace Municipal Utility District No. 1, of Montgomery County, Texas (the “District”) of its \$3,710,000 Unlimited Tax Park Bonds, Series 2025 (the “Bonds”).

The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, the general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas, an order authorizing the issuance of the Bonds (the “Bond Order”) adopted by the Board of Directors of the District (the “Board”), an order of the Texas Commission on Environmental Quality (the “TCEQ”) and an election held within the District.

This OFFICIAL STATEMENT includes descriptions, among others, of the Bonds and the Bond Order, and certain other information about the District, Lennar Homes of Texas Land and Construction Ltd., a Texas limited partnership, d.b.a. Friendswood Development Company (the “Developer”), and development activity in the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of certain of the documents may be obtained from Schwartz, Page & Harding, L.L.P., Bond Counsel, 1300 Post Oak Boulevard, Suite 2400, Houston, Texas 77056, upon payment of duplication costs therefor.

THE BONDS

General

The following is a description of some of the terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Bond Order. The Bond Order authorizes the issuance and sale of the Bonds and prescribes the terms, conditions and provisions for the payment of the principal of and interest on the Bonds by the District.

Description

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

Authority for Issuance

At an election held within the District on May 10, 2014, voters authorized a total of \$38,850,000 principal amount of unlimited tax bonds for purchasing or constructing park and recreational facilities. The Bonds are the third issue out of such authorization for park and recreational facilities. After sale of the Bonds, the District will have \$25,850,000 principal amount of unlimited tax bonds authorized but unissued for purchasing or constructing park and recreational facilities. The Bonds are issued by the District pursuant to the terms and provisions of the Bond Order; Article XVI, Section 59 of the Texas Constitution; Chapters 49 and 54 of the Texas Water Code, as amended, the general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas, and an order of the TCEQ. See “THE BONDS—Issuance of Additional Debt.”

Source and Security for Payment

The Bonds, together with the Outstanding Bonds and any additional bonds payable from ad valorem taxes, are secured by and payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property located within the District. See “TAX PROCEDURES.” Investment in the Bonds involves certain elements of risk, and all prospective purchasers are urged to examine carefully this OFFICIAL STATEMENT with respect to the investment security of the Bonds. See “INVESTMENT CONSIDERATIONS.” The Bonds are obligations solely of the District and are not obligations of the State of Texas, Montgomery County, or any political subdivision or entity other than the District.

Funds

The Bond Order confirms the establishment of the District's Construction Fund and the District's Bond Fund (the "Bond Fund") created and established pursuant to the orders of the District authorizing the issuance of the Outstanding Bonds. Proceeds of the Bonds will be deposited in the Construction Fund. The Bond Fund, which constitutes a trust fund for the benefit of the owners of the Outstanding Bonds, the Bonds and any additional tax bonds issued by the District, is to be kept separate from all other funds of the District and is to be used for payment of debt service on the Outstanding Bonds, the Bonds and any of the District's duly authorized additional bonds payable in whole or part from taxes. Amounts on deposit in the Bond 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, the Bonds and any additional 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.

Record Date

The record date for payment of the interest on any regularly scheduled interest payment date is defined as the 15th day of the month (whether or not a business day) preceding such interest payment date.

Redemption Provisions

The District reserves the right, at its option, to redeem the Bonds maturing on and after March 1, 2033, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of \$5,000, on March 1, 2032, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon through the date fixed for redemption. If fewer than all of the Bonds are to be redeemed, the particular maturity or maturities and the amounts thereof to be redeemed shall be determined by the District. If fewer than all of the Bonds of the same maturity are to be redeemed, the particular Bonds shall be selected by DTC in accordance with its procedures. See "BOOK-ENTRY-ONLY SYSTEM." Notice of each exercise of the reserved right of optional redemption shall be given by the Paying Agent/Registrar at least thirty (30) calendar days prior to the redemption date, in the manner specified in the Bond Order.

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

Method of Payment of Principal and Interest

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

Registration

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

Replacement of Paying Agent/Registrar

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

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

Issuance of Additional Debt

The District's voters have authorized the issuance of a total of \$38,850,000 in principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities and \$102,850,000 in principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sewer and storm drainage facilities and could authorize additional amounts. Following the issuance of the Bonds, the District will have \$25,850,000 principal amount of unlimited tax bonds authorized but unissued for purposes of acquiring or constructing parks and recreation facilities and \$60,825,000 principal amount of unlimited tax bonds authorized but unissued for purposes of acquiring or constructing water, sewer and drainage facilities. The District's voters have also authorized a total of \$141,700,000 in principal amount of unlimited tax refunding bonds for the purpose of refunding outstanding bonds of the District, all of which remains authorized but unissued, and could authorize additional amounts. See “Financing Recreational Facilities” herein and “INVESTMENT CONSIDERATIONS—Future Debt.”

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

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

Financing Road Facilities

Chapter 8228 of the Texas Special District Local Laws Code authorizes the District, pursuant to the provisions of the Texas Constitution, to develop and finance with property taxes certain road facilities following a successful District election to approve the issuance of road bonds payable from taxes. This District has not considered calling such an election at this time. Issuance of bonds for road facilities could dilute the investment security of the Bonds.

Financing Recreational Facilities

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

The District is authorized to issue bonds payable from an ad valorem tax to pay for the development and maintenance of recreational facilities if (i) the District duly adopts a plan for the facilities; (ii) the bonds are authorized at an election; (iii) the bonds payable from any source do not exceed 1% of the value of the taxable property in the District at the time of issuance of the bonds, or, in the event the District meets certain conditions, 3% of the taxable property in the District at the time of issuance of the bonds, but in no event in an amount greater than the estimated cost in the plan; (iv) the District obtains any necessary governmental consents allowing the issuance of such bonds; (v) the issuance of the bonds is approved by the TCEQ in accordance with its rules with respect to same; and (vi) the bonds are approved by the Attorney General of Texas. The District may issue bonds for such purposes payable solely from net operating revenues without an election. In addition, the District is authorized to levy an operation and maintenance tax to support recreational facilities at a rate not to exceed 10 cents per \$100 of assessed valuation of taxable property in the District, after such tax is approved at an election. Said maintenance tax is in addition to any other maintenance tax authorized to be levied by the District.

At an election held within the District on May 10, 2014, voters of the District authorized a total of \$38,850,000 in principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities and could authorize additional amounts. After issuance of the Bonds, \$25,850,000 principal amount of unlimited tax bonds for the purpose of parks and recreational facilities will remain authorized but unissued. Voters also authorized a maintenance tax not to exceed \$0.10 per \$100 assessed valuation for maintenance of recreational facilities. See "INVESTMENT CONSIDERATIONS—Future Debt."

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

Consolidation

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

Remedies in Event of Default

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

Defeasance

The Bond Order provides that the District may discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal, interest and redemption price thereon in any manner permitted by law. Under current Texas law, such discharge may be accomplished either (i) by depositing with the Comptroller of Public Accounts of the State of Texas a sum of money equal to the principal of, premium, if any, and all interest to accrue on the Bonds to maturity or redemption or (ii) by depositing with any place of payment (paying agent) for obligations of the District payable from revenues or from ad valorem taxes or both, or a commercial bank or trust company designated in the proceedings authorizing such discharge amounts sufficient to provide for the payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested only in (a) direct noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent; and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The foregoing obligations may be in book entry form and shall mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds. If any of such Bonds are to be redeemed prior to their respective dates of maturity, provision must have been made for giving notice of redemption as provided in the Bond Order.

Upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment or redemption of the Bonds have been made as described above, all rights of the District to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided, however, that the right to call the Bonds for redemption is not extinguished if the District: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Bond Order does not contractually limit such investments, Registered Owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under Texas law.

BOOK-ENTRY-ONLY SYSTEM

The information in this section concerning the Depository Trust Company (“DTC”) and DTC’s book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC, DTC Direct Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) Bonds representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) prepayment or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will do so on a timely basis or that DTC, DTC Direct Participants or DTC Indirect Participants will 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 “Procedure” of DTC to be followed in dealing with DTC Direct Participants is on file with DTC.

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

DTC, the world’s largest 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 rating of “AA+” from S&P Global Ratings. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect 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 the District (or the Trustee on behalf thereof) 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).

Payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or Paying Agent, 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, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent. 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. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

USE AND DISTRIBUTION OF BOND PROCEEDS

The construction costs below were approved by the TCEQ in its order authorizing the issuance of the Bonds. Non-construction costs are based upon either contract amounts or estimates of various costs by LJA Engineering, Inc. (the “Engineer”) and Masterson Advisors LLC (the “Financial Advisor”). The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Bonds and agreed-upon procedures are completed by an independent accountant. The surplus funds, if any, may be expended for any lawful purpose for which surplus construction funds may be used, if approved by the TCEQ where required.

CONSTRUCTION COSTS

• Construction Costs Approved by the TCEQ.....	\$ 2,664,033
• Less: Surplus Construction Funds Applied (a).....	<u>(27,674)</u>
Total Construction Costs.....	\$ 2,636,359

NON-CONSTRUCTION COSTS

• Underwriter's Discount (b)	\$ 111,300
• Developer Interest (estimated).....	<u>655,798</u>
Total Non-Construction Costs.....	\$ 767,098

ISSUANCE COSTS AND FEES

• Issuance Costs and Professional Fees.....	\$ 228,558
• Bond Application Report Costs.....	65,000
• State Regulatory Fees.....	<u>12,985</u>
Total Issuance Costs and Fees.....	\$ 306,543

TOTAL BOND ISSUE REQUIREMENT	\$ 3,710,000
-------------------------------------	---------------------

- (a) The District will contribute \$27,674 of surplus Capital Projects Funds toward the issuance of the Bonds. See “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED).”
- (b) The TCEQ approved a maximum Underwriter’s Discount of 3.00%.

THE DISTRICT

General

The District is a municipal utility district created by House Bill 2322, Chapter 218, Acts of the 72nd Legislature, Regular Session, 1991, under Article XVI, Section 59 of the Texas Constitution, and operates under the provisions of Chapter 49 and Chapter 54 of the Texas Water Code, as amended, and other general statutes of Texas applicable to municipal utility districts. The District is subject to the continuing supervisory jurisdiction of the TCEQ.

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

The District is also required to obtain certain TCEQ approvals prior to acquiring, constructing and financing water, sewer, storm drainage, road, recreational, and fire-fighting facilities, as well as voter approval of the issuance of bonds for said purposes. Construction and operation of the District's system is subject to the regulatory jurisdiction of additional State of Texas and local agencies. See "THE SYSTEM."

Description and Location

The District currently consists of approximately 547 acres of land in northwest Montgomery County. The District is located approximately 32 miles northwest of the central downtown business district of the City of Houston and within the boundaries of the Tomball Independent School District. A small portion of the District is located within the extraterritorial jurisdiction of Stagecoach, Texas. The District is bounded on the north by Coe Road. Texas State Highway 249 is located to the east of the District at Decker Prairie Road. See "AERIAL LOCATION MAP."

Land Use

Development in the District consists of approximately 429 developed acres of single-family residential development (996 lots). In addition, there are approximately 75 undevelopable acres (easements, recreation, street rights-of-way and utility sites), and approximately 43 developable acres that have not been fully provided with water, sewer and storm drainage facilities. See "Future Development" herein. The following table represents a detailed breakdown of the current acreage and development in the District.

	Approximate <u>Acres</u>	<u>Lots</u>
<i><u>Single-Family Residential</u></i>		
Wood Trace, Section One	27	59
Wood Trace, Section Two	42	108
Wood Trace, Section Three	22	48
Wood Trace, Section Four	19	40
Wood Trace, Section Five-A	14	26
Wood Trace, Section Five-B	23	49
Wood Trace, Section Six	36	70
Wood Trace, Section Seven	19	55
Wood Trace, Section Eight-A	22	44
Wood Trace, Section Eight-B	18	48
Wood Trace, Section Nine	18	49
Wood Trace, Section Ten	40	41
Wood Trace, Section Eleven	13	39
Wood Trace, Section Twelve	21	46
Wood Trace, Section Thirteen	30	74
Wood Trace, Section Fourteen	19	41
Wood Trace, Section Fifteen	23	65
Arbor Trace	23	94
Subtotal.....	429	996
<i><u>Future Development</u></i>	43	--
<i><u>Non-Developable (a)</u></i>	75	--
Subtotal	118	--
Total.....	547	996

(a) Includes acreage related to easements, recreation, street rights-of-way and utility sites outside of single-family residential sections as described above.

Status of Development

As of August 1, 2025, 996 homes were complete and occupied. According to the 2025 tax rolls, homes in the District have an average taxable value of approximately \$558,401. The estimated population in the District is 3,486, based upon 3.5 persons per completed and occupied home.

Future Development

Approximately 43 developable acres of land in the District are not yet fully served with water, sewer and storm drainage and road facilities necessary for the construction of taxable improvements. While the District anticipates future development of this acreage, there can be no assurances when or if any of such undeveloped land will ultimately be developed. The District anticipates issuing additional bonds to fund water, sewer, storm drainage, and recreational facilities within the District necessary to serve the land at full development. The Engineer has stated that under current development plans, the authorized but unissued bonds remaining (\$25,850,000 for parks and recreational facilities and \$60,825,000 for water, sewer, and storm drainage facilities) should be sufficient to finance the construction of facilities to complete the District's water, sewer, storm drainage and recreational system for full development of the District. See "THE SYSTEM" and "INVESTMENT CONSIDERATIONS—Future Debt."

THE DEVELOPER

Role of a Developer

In general, the activities of a landowner or developer in a district such as the District include designing the project; defining a marketing program and setting building schedules; securing necessary governmental approvals and permits for development; arranging for the construction of streets and the installation of utilities; and selling or leasing improved tracts or commercial reserves to other developers or third parties. A developer is under no obligation to a district to undertake development activities according to any particular plan or schedule. Furthermore, there is no restriction on a developer's right to sell any or all of the land which the developer owns within a district. In addition, the developer is ordinarily the major taxpayer within the district during the early stages of development. The relative success or failure of a developer to perform in the above-described capacities may affect the ability of a district to collect sufficient taxes to pay debt service and retire bonds.

Investors in the Bonds should note that the prior real estate experience of the Developer and its affiliates should not be construed as an indication that further development within the District will occur, or that construction of additional 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. The District cautions that the development experience of the Developer or its affiliates was gained in different markets and under different circumstances than those that exist in the District, and the prior success of the Developer or its affiliates, if any, is no indication or guarantee that the Developer will be successful in the future development of land within the District.

Lennar Homes of Texas Land and Construction, Ltd.

The principal developer of land within the District is Lennar Homes of Texas Land and Construction, Ltd., a Texas limited partnership, d.b.a. Friendswood Development Company (the "Developer"). The Developer has completed all development activity in the District.

The Developer is wholly owned by Lennar Corporation ("Lennar"), a publicly traded corporation whose stock is listed on the New York Stock Exchange under the ticker symbol "LEN." Lennar Corporation's activities include homebuilding, real estate investments, residential and commercial developments and financial services operations throughout the United States.

Other Landowners

Primewood Investments LP ("Primewood") owns approximately 43 acres of developable land in the District. The District is not aware of any development plans for this land. See "TAX DATA—Principal Taxpayers."

MANAGEMENT OF THE DISTRICT

Board of Directors

The District is governed by the Board, consisting of five (5) directors, which has control over and management supervision of all affairs of the District. Directors are elected to four-year staggered terms and elections are held in May in even numbered years. Two of the Board members reside within the District; the remaining three Board members own land within the District, subject to a Deed of Trust in favor of the Developer. The current members and officers of the Board, along with their titles and terms, are listed as follows:

<u>Name</u>	<u>District Board Title</u>	<u>Term Expires</u>
James Art Nicholson	President	May 2026
Dexter Braband	Vice President	May 2028
David Ambrose	Secretary	May 2026
David Berenger	Assistant Secretary	May 2028
David Rieke	Assistant Secretary	May 2028

District Consultants

The District does not have a general manager or other full-time employees, but contracts for certain necessary services as described below.

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

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

Financial Advisor: Masterson Advisors LLC serves as the District’s Financial Advisor. The fee for services rendered in connection with the issuance of the Bonds is based on a percentage of the Bonds actually issued, sold and delivered and, therefore, such fee is contingent upon the sale and delivery of the Bonds.

Engineer: The District’s consulting engineer is LJA Engineering, Inc.

Auditor: The financial statements of the District as of August 31, 2024, and for the year then ended, included in this offering document, have been audited by Forvis Mazars LLP, independent auditors, as stated in their report appearing herein. See “APPENDIX A” for a copy of the District’s August 31, 2024, audited financial statements. The District has engaged Forvis Mazars, LLP, to audit its financial statements for the period ending August 31, 2025.

Bookkeeper: The District has contracted with Municipal Accounts & Consulting, L.P. (the “Bookkeeper”) for bookkeeping services.

Utility System Operator: Water District Management Company, Inc. operates the water and wastewater systems and plants of the District.

Tax Appraisal: The Montgomery Central Appraisal District has the responsibility of appraising all property within the District. See “TAX PROCEDURES.”

Tax Assessor/Collector: The District has appointed an independent tax assessor/collector to perform the tax collection function. Bob Leared Interests, Inc. (the “Tax Assessor/Collector”) has been employed by the District to serve in this capacity.

THE SYSTEM

According to the Engineer, the District's improvements have been designed and the corresponding plans prepared in accordance with accepted engineering practices and specifications and, as and if required for the particular improvements, the approval and permitting requirements of the TCEQ and Montgomery County, as applicable.

Surface Water Conversion

The District is located within the boundaries of the Lone Star Groundwater Conservation District ("Conservation District"), a county-wide regulatory agency that was created by the Texas legislature. The Conservation District was created to provide a regional entity to acquire surface water and build the necessary facilities to convert from groundwater to surface water in order to meet the future needs of Montgomery County. The Conservation District has adopted a regulatory plan which requires ground water users within Montgomery County to reduce ground water usage by 30% by January 1, 2016. In order to comply with said requirement, the San Jacinto River Authority ("SJRA") entered into a contract with the Conservation District to develop an overall groundwater reduction plan ("GRP"). In turn, the District entered into a contract with SJRA pursuant to which the District is included in the SJRA's GRP. Based on the SJRA's "Joint Water Reduction Plan" dated March 2011, the District is not part of the 2016 conversion area, but it is anticipated that surface water will be brought to the District as part of a future conversion. The SJRA instituted a groundwater pumpage fee commencing August 1, 2010. Said fee is currently \$2.67 per 1,000 gallons of water pumped by the District from its well. The amount billed per 1,000 gallons by the SJRA is subject to further increase in future years.

Water Supply

The District's water supply is provided by a water plant consisting of a 1,000 gallon per minute ("gpm") water well, a 700 gallon per minute ("gpm") water well, two 300,000 gallon ground storage tank, two 15,000 gallon pressure tanks and four booster pumps with 3,000 gpm of capacity and a generator. The District's water plant is capable of serving 1,607 equivalent single-family connections. As of August 1, 2025, the District was serving 996 active connections.

Wastewater Treatment

The District's wastewater is treated by a 270,000 gallon per day ("gpd") wastewater treatment plant. This wastewater treatment plant will adequately serve 1,148 equivalent single-family connections based on a 235 gpd permitted design criteria. As of August 1, 2025, the District was serving 996 active connections. Full build out of the District will require expansion of the District's facilities.

Internal Water Distribution, Wastewater Collection and Storm Drainage Facilities

Water distribution, wastewater collection, storm drainage facilities and related paving have been constructed in the District to serve 996 single-family residential lots. See "THE DISTRICT—Land Use," "—Status of Development," and "—Future Development."

100-Year Flood Plain

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

Decker Branch Tributary, Decker Branch Tributary No. 1 and Goodson's Branch Tributary run through the District and approximately 103 acres adjacent to these branches are officially within the 100-year floodplain according to the Federal Emergency Management Agency ("FEMA"). Improvements along these branches are proposed or are currently in place which reduce the 100-year flooding possibility in these areas. Areas within the District which are proposed for development are currently located within the flood plain according to FEMA. The aforementioned improvements and future letters of map revision propose to remove these areas from the effective flood plain. None of the developed residential lots in the District are within the 100-year flood plain according to the Engineer. See "THE DISTRICT—Land Use" and "INVESTMENT CONSIDERATIONS—Tropical Weather Events."

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 the application of more stringent floodplain regulations applying to a larger area and potentially leaving less developable property within the District. The application of 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.

Water and Wastewater Operations

The Bonds and Outstanding Bonds are payable solely from the levy of an ad valorem tax, without legal limitation as to rate or amount, upon all taxable property in the District. Net revenues from operations of the District's water and wastewater system, if any, is available for any legal purpose, including, upon Board action, the payment of debt service on the Bonds and Outstanding Bonds. It is anticipated that no significant operation revenues will be used for debt service on the Bonds and Outstanding Bonds in the foreseeable future.

The following statement sets forth in condensed form the General Operating Fund for the District as shown in the District's audited financial statements for the fiscal years ended August 31, 2021 through August 31, 2024, and an unaudited summary for the eleven-month period ended July 31, 2025, prepared by the Bookkeeper. Accounting principles customarily employed in the determination of net revenues have been observed and, in all instances, exclude depreciation. Reference is made to "APPENDIX A" for further and complete information.

		Fiscal Year Ended August 31			
	9/1/2024 to 7/31/2025 (Unaudited)	2024	2023	2022	2021
Revenues					
Property Taxes	\$ 1,571,842	\$ 1,632,349	\$ 1,285,105	\$ 917,717	\$ 746,144
Service Revenues	773,742	919,509	997,772	852,163	619,342
Regional Water Fee	344,012	463,314	525,066	422,920	246,926
Penalty and Interest	7,679	9,756	9,655	7,221	5,520
Tap Connections & Inspection Fees	-	7,022	110,031	366,921	300,645
Investment and other income	195,993	253,547	141,439	23,325	11,179
Total Revenues	\$ 2,893,267	\$ 3,285,497	\$ 3,069,068	\$ 2,590,267	\$ 1,929,756
Expenditures					
Professional Fees	\$ 221,217	\$ 188,726	\$ 140,853	\$ 120,524	\$ 123,525
Regional Water Authority Fees	355,708	389,976	561,396	448,488	263,066
Contracted Services	448,228	462,322	430,959	352,160	271,142
Utilities	134,455	167,758	152,999	129,970	111,138
Repairs and Maintenance	306,915	363,414	484,841	414,822	367,746
Other Expenditures	117,580	125,988	126,313	86,799	74,146
Tap Connections	-	600	34,200	144,410	113,600
Debt Service, Debt Issuance Costs	-	40,073	94,448	101,624	60,845
Capital Outlay	1,701,961	243,093	53,228	109,586	311,531
Total Expenditures	\$ 3,286,064	\$ 1,981,950	\$ 2,079,237	\$ 1,908,383	\$ 1,696,739
NET REVENUES	\$ (392,797)	\$ 1,303,547	\$ 989,831	\$ 681,884	\$ 233,017
Other Financing Sources					
Interfund Transfers In	\$ 266,955	\$ 109,421	\$ 114,647	\$ 71,745	\$ 52,085
Insurance Proceeds	\$ 50,668	\$ -	\$ -	\$ 8,734	\$ -
General Operating Fund Balance					
Beginning of Year	\$ 5,302,135	\$ 3,889,167	\$ 2,784,689	\$ 2,022,326	\$ 1,737,224
End of Year	\$ 5,226,961	\$ 5,302,135	\$ 3,889,167	\$ 2,784,689	\$ 2,022,326

FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)

2025 Taxable Assessed Valuation	\$542,382,734	(a)
Gross Direct Debt Outstanding (including the Bonds)	\$46,080,000	(b)
Estimated Overlapping Debt	<u>29,114,796</u>	(c)
Gross Direct Debt and Estimated Overlapping Debt	\$75,194,796	
Ratio of Gross Direct Debt to:		
2025 Taxable Assessed Valuation	8.50%	
Ratio of Gross Direct Debt and Estimated Overlapping Debt to:		
2025 Taxable Assessed Valuation	13.86%	
Funds Available for Debt Service as of August 13, 2025	\$3,996,259	(d)
Funds Available for Operations and Maintenance as of August 13, 2025	\$5,157,295	
Funds Available for Capital Projects as of August 13, 2025	\$1,139,663	(e)

- (a) The Appraisal District has certified \$533,316,960 of taxable value and an additional \$9,065,774 remains uncertified, subject to review and downward revision prior to certification. See "TAX PROCEDURES."
- (b) Includes the Bonds and the Outstanding Bonds. See "—Outstanding Bonds" herein.
- (c) See "—Estimated Overlapping Debt" herein.
- (d) Neither Texas law or the Bond Order requires the District to maintain any minimum balance in the Debt Service Fund. See "THE BONDS—Funds" and "—Debt Service Requirements" herein.
- (e) The District will contribute \$27,674 of surplus Capital Projects Funds toward the issuance of the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

Investments of the District

The District has adopted an Investment Policy as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended. 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.

Outstanding Bonds

The District has previously issued nine series of unlimited tax bonds for acquiring or constructing water, sewer, and drainage facilities and two series of unlimited tax park bonds. The following table lists the original principal amount of such bonds by series and the principal amount of such bonds that remain outstanding as of the date hereof (the "Outstanding Bonds").

Series	Original Principal Amount	Currently Outstanding Bonds
2016	\$ 3,670,000	\$ 2,820,000
2017	3,900,000	2,610,000
2017A	3,460,000	2,400,000
2018	3,580,000	2,720,000
2019	8,000,000	6,330,000
2020	4,400,000	3,620,000
2021	8,100,000	6,930,000
2022	2,420,000	2,170,000
2022A (a)	5,830,000	5,240,000
2023	4,495,000	4,255,000
2023A (a)	<u>3,460,000</u>	<u>3,275,000</u>
Total	\$ 51,315,000	\$42,370,000

- (a) Unlimited Tax Park Bonds.

Debt Service Requirements

The following sets forth the debt service on the Outstanding Bonds and the estimated debt service on the Bonds at an estimated interest rate per annum of 5.00%. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

Year	Outstanding Bonds Debt Service Requirements	Plus: Debt Service on the Bonds			Total Debt Service Requirements
		Principal	Interest	Total	
2025	\$ 1,846,587.50 (a)				\$ 1,846,587.50
2026	3,749,450.00	\$ 205,000	\$ 164,916.67	\$ 369,916.67	4,119,366.67
2027	3,665,840.00	210,000	170,000.00	380,000.00	4,045,840.00
2028	3,581,745.00	210,000	159,500.00	369,500.00	3,951,245.00
2029	3,507,103.75	210,000	149,000.00	359,000.00	3,866,103.75
2030	3,425,391.25	210,000	138,500.00	348,500.00	3,773,891.25
2031	3,354,613.75	205,000	128,125.00	333,125.00	3,687,738.75
2032	3,290,269.38	205,000	117,875.00	322,875.00	3,613,144.38
2033	3,214,512.50	205,000	107,625.00	312,625.00	3,527,137.50
2034	3,146,575.00	205,000	97,375.00	302,375.00	3,448,950.00
2035	3,072,353.13	205,000	87,125.00	292,125.00	3,364,478.13
2036	3,001,265.63	205,000	76,875.00	281,875.00	3,283,140.63
2037	2,923,618.75	205,000	66,625.00	271,625.00	3,195,243.75
2038	2,849,984.38	205,000	56,375.00	261,375.00	3,111,359.38
2039	2,779,903.13	205,000	46,125.00	251,125.00	3,031,028.13
2040	2,703,384.38	205,000	35,875.00	240,875.00	2,944,259.38
2041	1,885,428.13	205,000	25,625.00	230,625.00	2,116,053.13
2042	1,825,987.50	205,000	15,375.00	220,375.00	2,046,362.50
2043	1,766,287.50	205,000	5,125.00	210,125.00	1,976,412.50
Total	\$55,590,300.63	\$ 3,710,000	\$ 1,648,041.67	\$ 5,358,042	\$ 60,948,342.29

(a) Excludes the March 1, 2025 debt service payment of \$1,977,238.

Average Annual Debt Service (2026-2043)	\$ 3,283,431
Maximum Annual Debt Service (2026)	\$ 4,119,367

ESTIMATED OVERLAPPING DEBT STATEMENT

Estimated Overlapping Debt

The following table indicates the outstanding debt payable from ad valorem taxes of governmental entities within which the District is located and the estimated percentages and amounts of such indebtedness attributable to property within the District. Debt figures equated herein to outstanding obligations payable from ad valorem taxes are based upon data obtained from individual jurisdictions or Texas Municipal Reports compiled and published by the Municipal Advisory Council of Texas. Furthermore, certain entities listed below may have issued additional obligations since the date listed and may have plans to incur significant amounts of additional debt. Political subdivisions overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for the purposes of operation, maintenance and/or general revenue purposes in addition to taxes for the payment of debt service and the tax burden for operation, maintenance and/or general revenue purposes is not included in these figures. The District has no control over the issuance of debt or tax levies of any such entities.

<u>Taxing Jurisdiction</u>	<u>Outstanding Bonds</u>	<u>As of</u>	<u>Overlapping Percent</u>	<u>Amount</u>
Lone Star College System.....	\$ 439,870,000	7/31/2025	0.16%	\$ 703,792
Montgomery County.....	391,910,000	7/31/2025	0.50%	1,959,550
Tomball Independent School District.....	902,780,000	7/31/2025	2.93%	26,451,454
Total Estimated Overlapping Debt.....				\$ 29,114,796
The District's Total Direct Debt (a).....				46,080,000
Total Direct and Estimated Overlapping Debt.....				\$ 75,194,796
Direct and Estimated Overlapping Debt as a Percentage of: 2025 Taxable Assessed Valuation.....				13.86%

(a) Includes the Outstanding Bonds and the Bonds.

Overlapping Taxes

Property within the District is subject to taxation by several taxing authorities in addition to the District. On January 1 of each year a tax lien attaches to property to secure the payment of all taxes, penalties and interest imposed on such property. The lien exists in favor of each taxing unit, including the District, having the power to tax the property. The District's tax lien is on a parity with tax liens of taxing authorities shown below. In addition to ad valorem taxes required to pay debt service on bonded debt of the District and other taxing authorities, certain taxing jurisdictions, including the District, are also authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

Set forth below are all of the taxes levied for the 2024 tax year by all overlapping taxing jurisdictions and the District. None of the overlapping entities have levied a 2025 tax rate. No recognition is given to local assessments for civic association dues, fire department contributions, solid waste disposal charges or any other levy of entities other than political subdivisions.

	<u>2024 Tax Rate per \$100 of Taxable Assessed Valuation</u>
Montgomery County.....	\$ 0.37900
Montgomery County Hospital District.....	0.04970
Tomball Independent School District.....	1.06290
Montgomery County ESD No. 10.....	0.08730
Lone Star College System.....	0.10760
Total Overlapping Tax Rate.....	\$ 1.68650
The District (a).....	1.08000
Total Tax Rate.....	\$ 2.76650

(a) The District authorized publication of its intent to levy a total tax rate of \$1.00 per \$100 of taxable assessed valuation (consisting of \$0.70 for debt service and \$0.30 for maintenance and operations) and expects to adopt such rate in September 2025. Such rate is subject to change prior to levy. See "TAX DATA—Tax Rate Distribution."

TAX DATA

Debt Service Tax

The Board covenants in the Bond Order to levy and assess, for each year that all or any part of the Bonds and the Outstanding 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. See “Tax Rate Distribution” and “Tax Roll Information” below, and “TAX PROCEDURES.”

Maintenance and Operations Tax

The Board 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 held on May 10, 2014, 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 taxable assessed valuation for general operations and maintenance costs. At the same election, voters authorized the Board to levy a maintenance tax for operations and maintenance costs of recreational facilities at a rate not to exceed \$0.10 per \$100 taxable assessed valuation. A maintenance tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds. See “Debt Service Tax” above.

Tax Rate Distribution

	2021	2022	2023	2024	2025 (a)
Debt Service	\$ 0.90	\$ 0.85	\$ 0.80	\$ 0.77	\$ 0.70
Maintenance and Operations	0.38	0.37	0.35	0.31	0.30
Total	\$ 1.28	\$ 1.22	\$ 1.15	\$ 1.08	\$ 1.00

(a) The District authorized publication of its intent to levy a total tax rate of \$1.00 per \$100 of taxable assessed valuation (consisting of \$0.70 for debt service and \$0.30 for maintenance and operations) and expects to adopt such rate in September 2025. Such rate is subject to change prior to levy.

Historical Tax Collections

The following statement of tax collections sets forth in condensed form the historical tax experience of the District. Such table has been prepared for inclusion herein based upon information obtained from a report prepared by the Tax Assessor/Collector. Reference is made to such statements and records for further and complete information. See “Tax Roll Information” below.

Tax Year	Certified Taxable Assessed Valuation (a)	Tax Rate	Total Tax Levy	Total Collections as of July 31, 2025 (b)	
				Amount	Percent
2021	\$ 240,873,772	\$ 1.28	\$ 3,090,062	\$ 3,090,062	100.00%
2022	348,159,051	1.22	4,247,540	4,241,305	99.85%
2023	471,738,978	1.15	5,424,998	5,403,047	99.60%
2024	505,453,287	1.08	5,458,895	5,394,597	98.82%
2025	542,382,734	1.00	5,423,827	(c)	(c)

(a) As certified by the Appraisal District. See “Tax Roll Information” herein.

(b) Unaudited.

(c) The District authorized publication of its intent to levy a total tax rate of \$1.00 per \$100 of taxable assessed valuation (consisting of \$0.70 for debt service and \$0.30 for maintenance and operations) and expects to adopt such rate in September 2025. Taxes for 2025 are due by January 31, 2026.

Tax Roll Information

The District's taxable assessed value as of January 1 of each year is used by the District in establishing its tax rate. See "TAX PROCEDURES—Valuation of Property for Taxation." The following represents the composition of property comprising the 2021 through 2025 Taxable Assessed Valuations. A breakdown of the uncertified portion (\$9,065,774) of the 2025 Taxable Assessed Valuation, which is subject to review and downward revision prior to certification, is not available. Taxes are levied on taxable value certified by the Appraisal District as of January 1 of each year. See "TAX PROCEDURES."

Tax Year	Type of Property			Gross Assessed Valuations	Deferments and Exemptions	Uncertified Value	Net Assessed Valuations
	Land	Improvements	Personal Property				
2021	\$ 58,998,980	\$ 187,950,550	\$ 900,168	\$ 247,849,698	\$ (6,975,926)	\$ -	\$ 240,873,772
2022	84,275,397	307,017,851	1,151,450	392,444,698	(44,285,647)	-	348,159,051
2023	87,612,672	450,401,406	1,442,381	539,456,459	(67,717,481)	-	471,738,978
2024	88,755,384	468,916,981	1,779,397	559,451,762	(53,998,475)	-	505,453,287
2025	87,542,068	486,756,737	5,622,992	579,921,797	(46,604,837)	9,065,774	542,382,734

Principal Taxpayers

The following table represents the principal taxpayers, the taxable assessed value of such property, and such property's taxable assessed value as a percentage of the certified portion (\$533,316,960) of the 2025 Taxable Assessed Valuation, which represents ownership as of January 1, 2025. An accurate principal taxpayer list related to the uncertified portion (\$9,065,774) of the 2025 Taxable Assessed Valuation of \$542,382,734, is not available.

Taxpayer	2025 Certified Taxable Assessed Valuation	% of 2025 Certified Taxable Assessed Valuation
Primewood Investments LP (a)	\$ 5,757,805	1.08%
Individual	2,959,666	0.55%
Centerpoint Energy	1,342,220	0.25%
Individual	1,056,717	0.20%
Individual	1,024,870	0.19%
Individual	966,306	0.18%
Individual	961,914	0.18%
Individual	944,994	0.18%
Individual	940,781	0.18%
Individual	937,750	0.18%
Total	\$ 16,893,023	3.17%

(a) See "THE DEVELOPER—Other Landowners."

Tax Adequacy for Debt Service

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of taxable assessed valuation which would be required to meet average annual and maximum debt service requirements on the Bonds and the Outstanding Bonds if no growth in the District's taxable value occurred beyond the 2025 Taxable Assessed Valuation of \$542,382,734, (\$533,316,960 certified plus \$9,065,774 uncertified). The calculations contained in the following table merely represent the tax rates required to pay principal of and interest on the Bonds and the Outstanding Bonds when due, assuming no further increase or any decrease in the taxable value in the District, collection of ninety-five percent (95%) of taxes levied, the sale of no additional bonds, and no other funds available for the payment of debt service. See "INVESTMENT CONSIDERATIONS—Possible Impact on District Tax Rates" and "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements."

Average Annual Debt Service Requirement (2026-2043)	\$3,283,431
\$0.64 Tax Rate on the 2025 Taxable Assessed Valuation	\$3,297,687
Maximum Annual Debt Service Requirement (2026)	\$4,119,367
\$0.80 Tax Rate on the 2025 Taxable Assessed Valuation	\$4,122,109

No representation or suggestion is made that the uncertified portion of the 2025 Taxable Assessed Valuation will not be adjusted downward prior to certification, or will be certified as taxable value by the Appraisal District, and no person should rely upon such amounts or their inclusion herein as assurance of their attainment. See "TAX PROCEDURES."

TAX PROCEDURES

Property Tax Code and County-Wide Appraisal District

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

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property and tangible personal property in the District is subject to taxation by the District; however, it is expected that no effort will be made by the District to collect taxes on personal property other than on personal property rendered for taxation, business inventories and the property of privately owned utilities. Principal categories of exempt property include: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; farm products owned by the producer; all oil, gas and mineral interests owned by an institution of higher education; certain property owned by exclusively charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; solar and wind-powered energy devices; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years or older or under a disability for purposes of payment of disability insurance benefits under the Federal Old-Age Survivors and Disability Insurance Act to the extent deemed advisable by the Board. The District would be required to call an election on such residential homestead exemption upon petition by at least twenty percent (20%) of the number of qualified voters who voted in the District's preceding election and would be required to offer such an exemption if a majority of voters approve it at such election. For the 2025 tax year, the District has granted an exemption of \$10,000 of assessed valuation for persons 65 years of age and older and to individuals who are under a disability for purposes of payment of disability insurance benefits under the Federal Old Age, Survivors and Disability Insurance Act. The District must grant

exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between \$5,000 and \$12,000 of assessed valuation depending upon the disability rating of the veteran, if such rating is less than 100%. A veteran who receives a disability rating of 100% is entitled to an exemption for the full value of the veteran's residence homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if (i) the residence homestead was donated by a charitable organization at no cost to the disabled veteran or, (ii) the residence was donated by a charitable organization at some cost to the disabled veteran if such cost is less than or equal to fifty percent (50%) of the total good faith estimate of the market value of the residence as of the date the donation is made. Also, the surviving spouse of a member of the armed forces or, a first responder, as defined under Texas law, who was (i) killed in action, or (ii) fatally injured in the line of duty, is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

A "Freeport Exemption" applies to goods, wares, merchandise, other tangible personal property and ores, other than oil, natural gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining oil or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit" Exemption is applicable to certain tangible personal property, as defined by the Property Tax Code, acquired in or imported into Texas for storage purposes and which is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. The exemption excludes oil, natural gas, petroleum products, aircraft and certain special inventory including dealer's motor vehicles, dealer's vessel and outboard motor vehicle, dealer's heavy equipment and retail manufactured housing inventory. The exemption applies to covered property if it is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit personal property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. However, taxing units who took official action as allowed by prior law before October 1, 2011, to tax goods-in-transit property, and who pledged such taxes for the payment of debt, may continue to impose taxes against the goods-in-transit property until the debt is discharged without further action, if cessation of the imposition would impair the obligations of the contract by which the debt was created. The District has taken official action to allow taxation of all such goods-in-transit personal property, but may choose to exempt same in the future by further official action.

Tax Exemption Provided to Public Facility Corporations and Certain Lessees

Chapter 392 of the Texas Local Government Code authorizes a housing authority to exempt certain property from all taxes and special assessments of a political subdivision, including a municipal utility district, if certain conditions are met and Chapter 303 of the Texas Local Government Code (the "PFC Act") authorizes cities, counties, school districts, housing authorities and special districts (a "Sponsor") to create a sponsored Public Facility Corporation ("PFC") to acquire, construct, rehabilitate, renovate, repair, equip, furnish and place in service public facilities. These activities may be financed through certain obligations of either the Sponsor or the PFC. Under the PFC Act, a "public facility" includes any real, personal, or mixed property, or an interest in property devoted or to be devoted to public use, and authorized to be financed under the PFC Act. A public facility, including a leasehold estate in a public facility, that is owned by a PFC is exempt from taxation by the State or a municipality or other political subdivision of the State, including the District. This exemption applies to both ad valorem and sales taxes levied by such taxing authorities. Subject to certain restrictions, a leasehold or other possessory interest granted by the PFC to the user of a PFC-owned multifamily residential development entitles that user to this same exemption. The 88th Texas Legislature passed H.B. 2071, which became effective June 18, 2023, to amend the PFC Act. H.B. 2071 significantly revised the PFC Act's requirements for the lessee of a multi-family residential development to qualify for this exemption and provides that the exemption for such projects does not apply to taxes imposed by a conservation and reclamation district providing water, sewer, or drainage services to the development, unless an agreement is entered into with the district concerning payments in lieu of taxation. Projects for which PFC or Sponsor approval was received prior to the effective date of H.B. 2071 are governed by the prior law and are not subject to the same requirements. The District is not aware of any public facilities located within the boundaries of the District that are either owned or leased by a PFC.

Additionally, Chapter 394 of the Texas Local Government Code, known as the Texas Housing Finance Corporations Act (the "HFC Act") provides for the formation of housing finance corporations ("HFCs") by municipalities and counties for the purpose of providing decent, safe, and sanitary housing at affordable prices to residents of local governments. Historically, HFCs could receive certain tax exemptions on qualified projects under the HFC Act, provided certain conditions are met under the HFC Act. This exemption applies to both ad valorem and sales taxes levied by taxing authorities where the qualified project is located. Subject to certain restrictions, a leasehold or other possessory interest granted by the HFC to the user of an HFC-owned multifamily residential development entitles that user to this same exemption. Section 394.904(d) (as added by H.B. 21, 89th Texas Legislature, Regular Session) provides in part that such ad valorem tax exemptions do not apply to taxes levied by a conservation or reclamation district created under Section 52, Article III, or Section 59, Article XVI, Texas Constitution, that provides water, sewer, or drainage service to the multifamily residential development owned by the HFC, unless the applicable HFC has entered into a written agreement with the district to make a payment to the district in lieu of taxation, in the amount specified in the agreement. The District is not aware of any public facilities located within the boundaries of the District that are either owned or leased by an HFC.

The HFC Act provides that property acquired by an HFC after May 28, 2025, will, unless payment in lieu of tax is agreed upon, be subject to taxes imposed by conservation and reclamation district created under Section 52, Article III, or Section 59, Article XVI, Texas Constitution, and certain emergency services districts.

General Residential Homestead Exemption

Texas law authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the appraised value of residential homesteads, but not less than \$5,000 if any exemption is granted, from ad valorem taxation. The law provides, however, that where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. For the 2025 tax year, the District has not granted a general residential homestead exemption.

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Assessments under the Property Tax Code are to be based upon one hundred percent (100%) of market value. The appraised value of residential homestead property may be limited to the lesser of the market value of the property, or the sum of the appraised value of the property for the last year in which it was appraised, plus ten percent (10%) of such appraised value multiplied by the number of years since the last appraisal, plus the market value of all new improvements to the property. Once an appraisal roll is prepared and approved by the Appraisal Review Board, it is used by the District in establishing its tax rate. The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraised values. The plan must provide for appraisal of all real property by the Appraisal District at least once every three (3) years. It is not known what frequency of reappraisal will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county-wide basis.

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

District and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units, including the District, may appeal orders of the Appraisal Review Board by filing a petition for review in district court within forty-five (45) days after notice is received that a final order has been entered. In such event, the property value in question may be determined by the court, or by a jury, if requested by any party. Additionally, taxing units may bring suit against the Appraisal District to comply with the Property Tax Code. The District may challenge the exclusion of property from the appraisal rolls or the grant, in whole or in part, of an exemption.

Texas law provides for notice and hearing procedures prior to the adoption of an ad valorem tax rate by the District. Additionally, under certain circumstances, an election would be required to determine whether to approve the adopted total tax rate. See "Rollback of Operation and Maintenance Tax Rate." The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property values, appraisals that are higher than renditions and appraisals of property not previously on an appraisal roll.

Agricultural, Open Space, Timberland, and Inventory Deferment

The Property Tax Code permits land designated for agricultural use (including wildlife management), open space, or timberland to be appraised at its value based on the land's capacity to produce agriculture or timber products rather than at its fair market value. The Property Tax Code permits, under certain circumstances, that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of any of such designations must apply for the designation, and the Appraisal District is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions and not as to others. If a claimant receives the designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use for the three (3) years prior to the loss of the designation for agricultural, timberland or open space land. According to the District's Tax Assessor/Collector, as of January 1, 2025, no land within the District was designated for agricultural use, open space, inventory deferment, or timberland.

Tax Abatement

Montgomery County may designate all or part of the District as a reinvestment zone, and the District and Montgomery County may thereafter, enter into tax abatement agreements with the owners of property within the zone. The tax abatement agreements may exempt from ad valorem tax, by the applicable taxing jurisdictions, and by the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with a comprehensive plan. According to the District's Tax Assessor/Collector, to date, none of the area within the District has been designated as a reinvestment zone.

Levy and Collection of Taxes

The District is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. The District adopts its tax rate each year after it receives a tax roll certified by the Appraisal District. Taxes are due upon receipt of a bill therefor, and become delinquent after January 31 of the following year or 30 days after the date billed, whichever is later, or, if billed after January 10, they are delinquent on the first day of the month next following the 21st day after such taxes are billed. A delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month the tax remains unpaid beginning the first calendar month it is delinquent. A delinquent tax also incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent plus a one percent (1%) penalty for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. However, a tax delinquent on July 1 incurs a total penalty of twelve percent (12%) of the amount of the delinquent tax without regard to the number of months the tax has been delinquent, which penalty remains at such rate without further increase. If the tax is not paid by July 1, an additional penalty of up to the amount of the compensation specified in the District's contract with its delinquent tax collection attorney, but not to exceed twenty percent (20%) of the total tax, penalty and interest, may, under certain circumstances, be imposed by the District. With respect to personal property taxes that become delinquent on or after February 1 of a year and that remain delinquent sixty (60) days after the date on which they become delinquent, as an alternative to the penalty described in the foregoing sentence, an additional penalty on personal property of up to the amount specified in the District's contract with its delinquent tax attorney, but not to exceed twenty percent (20%) of the total tax, penalty and interest, may, under certain circumstances, be imposed by the District prior to July 1. The District's contract with its delinquent tax collection attorney currently specifies a twenty percent (20%) additional penalty. The District may waive penalties and interest on delinquent taxes only for the items specified in the Property Tax Code. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency of taxes under certain circumstances. The owner of a residential homestead property who is (i) a person sixty-five (65) years of age or older, (ii) under a disability for purpose of payment of disability insurance benefits under the Federal Old Age Survivors and Disability Insurance Act, or (iii) qualifies as a disabled veteran under Texas law, is also entitled by law to pay current taxes on a residential homestead in installments or to defer the payment of taxes without penalty during the time of ownership. Additionally, a person who is delinquent on taxes for a residential homestead is entitled to an agreement with the District to pay such taxes in installments over a period of between 12 and 36 months (as determined by the District) when such person has not entered into another installment agreement with respect to delinquent taxes with the District in the preceding 24 months.

Rollback of Operation and Maintenance Tax Rate

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

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

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

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

The District: A determination as to a district's status as a Low Tax Rate District, Developed District or Developing District will be made by the Board of Directors on an annual basis. For the 2025 tax year, the Board has designated the District as a Developing District. 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.

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property against which the tax is levied. In addition, on January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of other such taxing units. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Estimated Overlapping Debt." A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien. Further, personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalties, and interest.

Except with respect to (i) owners of residential homestead property who are sixty-five (65) years of age or older or under a disability as described above and who have filed an affidavit as required by law and (ii) owners of residential homesteads who have entered into an installment agreement with the District for payment of delinquent taxes as described above and who are not in default under said agreement, at any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, or by taxpayer redemption rights (a taxpayer may redeem property that is a residence homestead or was designated for agricultural use within two (2) years after the deed issued at foreclosure is filed of record and may redeem all other property within six (6) months after the deed issued at foreclosure is filed of record) or by bankruptcy proceedings which restrict the collection of taxpayer debt. The District's ability to foreclose its tax lien or collect penalties and interest may be limited on property owned by a financial institution which is under receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act, 12 U.S.C. 1825, as amended. Generally, the District's tax lien and a federal tax lien are on par with the ultimate priority being determined by applicable federal law. See "INVESTMENT CONSIDERATIONS—Tax Collection Limitations and Foreclosure Remedies."

INVESTMENT CONSIDERATIONS

General

The Bonds are obligations solely of the District and are not obligations of the State of Texas, Montgomery County, or any entity other than the District. Payment of the principal of and interest on the Bonds depends upon the ability of the District to collect taxes levied on taxable property within the District in an amount sufficient to service the District's bonded debt or, in the event of foreclosure, on the value of the taxable property in the District and the taxes levied by the District and other taxing authorities upon the property within the District. See "THE BONDS—Source and Security of Payment." The collection by the District of delinquent taxes owed to it and the enforcement by Registered Owners of the District's obligation to collect sufficient taxes may be a costly and lengthy process. Furthermore, the District cannot and does not make any representations that continued development of taxable property within the District will accumulate or maintain taxable values sufficient to justify continued payment of taxes by property owners or that there will be a market for the property or that owners of the property will have the ability to pay taxes. See "Registered Owners' Remedies" below.

Economic Factors and Interest Rates

A substantial percentage of the taxable value of the District results from the current market value of single-family residences and developed lots. The market value of such development is related to general economic conditions in the Houston region and the national economy. Demand for lots and the construction of taxable improvements thereon can be significantly affected by factors such as interest rates, credit availability, construction costs, energy availability and the prosperity and demographic characteristics of the urban center toward which the marketing of such property is directed. Decreased levels of construction activity would tend to restrict the growth of property values in the District or could adversely impact such values. See "Credit Markets and Liquidity in the Financial Markets."

Credit Markets and Liquidity in the Financial Markets

Interest rates and the availability of mortgage and development funding have a direct impact on the construction activity, particularly short-term interest rates at which developers are able to obtain financing for development costs. Interest rate levels may affect the ability of a landowner with undeveloped property to undertake and complete construction activities within the District. Because of the numerous and changing factors affecting the availability of funds, the District is unable to assess the future availability of such funds for continued construction within the District. In addition, since the District is located approximately 32 miles from the central downtown business district of the City of Houston, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the Houston metropolitan and regional economies and the national financial and credit markets. A downturn in the economic conditions of the City of Houston or the nation could adversely affect development plans in the District and restrain the growth or reduce the value of the District's property tax base.

Landowner Obligation to the District

There are no commitments from or obligations of any other landowner to the District to proceed at any particular rate or according to any specified plan with the development of land or the construction of improvements in the District, and there is no restriction on any landowner's right to sell its land. Failure to construct taxable improvements on developed tracts of land or developed lots could restrict the rate of growth of taxable values in the District. The District cannot and does not make any representations that over the life of the Bonds the District will increase or maintain its taxable value.

Tax Collections Limitations 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 local taxing authorities on the property against which taxes are levied, and such lien may be enforced by judicial foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedures against a taxpayer, or (c) market conditions affecting the marketability of taxable property within the District and limiting the proceeds from a foreclosure sale of such property. Moreover, the proceeds of any sale of property within the District available to pay debt service on the Bonds may be limited by the existence of other tax liens on the property (see "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Overlapping Taxes"), by the current aggregate tax rate being levied against the property, and by other factors (including the taxpayers' right to redeem property within two years of foreclosure for residential and agricultural use property and six months for other property). Finally, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes assessed against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two other ways: first, a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes, that have already been paid.

Specific Flood Type Risks

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

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

Potential Effects of Oil Price Fluctuations on the Houston Area

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

Tropical Weather Events

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

If 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.

Registered Owners' Remedies

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Order, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Order, the Registered Owners have the right to seek 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 Order. Except for mandamus, the Bond Order does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners.

Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages, so that in the absence of other waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the Bond Order may not be reduced to a 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.

Bankruptcy Limitation to Registered Owners' Rights

Subject to the requirements of Texas law, the District may voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Section 901-946, if the District: (1) is authorized to file for federal bankruptcy protection by Texas 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. Under Texas law, the District must also obtain the approval of the Commission prior to filing bankruptcy. Such law requires that the Commission investigate the financial conditions of the District and authorize the District to proceed only if the District has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

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 the District decides in the future to proceed voluntarily under the federal Bankruptcy Code, the District could develop and file a plan for the adjustment of its debts. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect the Registered Owners by reducing or eliminating the interest rate or the principal amount, modifying or abrogating collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of such Registered Owner's claim against the District.

A district may not be forced into bankruptcy involuntarily.

Future Debt

The District's voters have authorized the issuance of a total of \$38,850,000 in principal amount of unlimited tax bonds for acquiring or constructing parks and recreational facilities. After issuance of the Bonds, \$25,850,000 in principal amount of unlimited tax bonds for acquiring or constructing parks and recreational facilities will remain authorized but unissued. The District's voters have also authorized a total of \$102,850,000 in principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sewer and storm drainage facilities, \$60,825,000 of which remain authorized but unissued, and a total of \$141,700,000 in principal amount of unlimited tax refunding bonds authorized by the District for the purpose of refunding outstanding bonds of the District, all of which remains authorized but unissued. See "THE BONDS—Issuance of Additional Debt." The District's voters could authorize additional unlimited tax bonds for water, sewer, and storm drainage facilities, and recreational facilities, and for refunding outstanding bonds of the District. The principal amount of bonds issued to finance parks and recreational facilities may not exceed 1%, or in the event the District meets certain conditions, 3%, of either the District's certified value or an estimate of value as provided by a certificate of the Appraisal District. The issuance of bonds for road facilities, if approved by the voters, is currently not subject to approval by the TCEQ. The issuance of additional obligations may increase the District's tax rate and adversely affect the security for, and the investment quality and value of the Bonds.

After reimbursement with proceeds of the Bonds, the District will have fulfilled its reimbursement obligations to the Developer for engineering and construction of recreational facilities and advances made for the engineering and construction of water, sewer, and storm drainage facilities. The District intends to issue additional bonds in order to fully reimburse Primewood and to provide facilities to the remainder of the undeveloped but developable land (approximately 43 acres). In addition, future changes in health or environmental regulations could require the construction and financing of additional improvements without any corresponding increases in value of the taxable property in the District. The District does not employ any formula with respect to appraised valuations, tax collections or otherwise to limit the amount of parity bonds which it may issue. See "THE BONDS—Issuance of Additional Debt," "—Financing Recreational Facilities," and "—Financing Road Facilities."

Marketability of the Bonds

The District has no understanding with the Underwriter 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 of 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.

Environmental and Air Quality Regulations

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

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

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

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

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.

Future Legislation

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under Federal or state law and could affect the market price or marketability of the Bonds. Any such legislation, administrative action, or court decision could limit for certain individual taxpayers the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

2025 Legislative Session

The 89th Regular Legislative Session convened on January 14, 2025, and concluded on June 2, 2025. The Texas Legislature meets in regular session in odd numbered years for 140 days. When the Texas 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 Texas Legislature may enact laws that materially change current law as it relates to the District. On June 23, 2025, the Governor called the First Special Session to begin on July 21, 2025. On August 15, 2025, the Governor called the second special session which began on August 15, 2025. The District can make no representation regarding any actions the Texas Legislature may take or the effect of such actions.

Continuing Compliance with Certain Covenants

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

Risk Factors Related to the Purchase of Municipal Bond Insurance

The District has applied for a bond insurance policy (the “Policy”) to guarantee the scheduled payment of principal and interest on the Bonds. If the Policy is issued, investors should be aware of the following investment considerations:

The long-term ratings on the Bonds are dependent in part on the financial strength of the Bond Insurer (the “Insurer”) and its claim paying ability. The Insurer’s financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the Insurer and of the ratings on the Bonds insured by the Insurer will not be subject to downgrade and such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds. See description of “MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE.”

The obligations of the Insurer are contractual obligations and in an event of default by the Insurer, the remedies available may be limited by applicable bankruptcy law or state law related to insolvency of insurance companies.

Neither the District nor the Underwriter has made independent investigation into the claims paying ability of the Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal and interest on the Bonds and the claims paying ability of the Insurer, particularly over the life of the investment. See “MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE” for further information provided by the Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Insurer.

LEGAL MATTERS

Legal Opinions

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

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

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

Legal Review

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

Tax Exemption

On the date of initial delivery of the Bonds, Bond Counsel will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof, and (2) the Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under Section 57(a)(5) of the Internal Revenue Code of 1986, as amended (the "Code"). Except as stated above, Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the ownership of, receipt of interest on or disposition of the Bonds.

In rendering its opinion, Bond Counsel will rely upon, and assume continuing compliance with, (a) certain information and representations of the District, including information and representations contained in the District's federal tax certificate issued in connection with the Bonds, and (b) covenants of the District contained in the Bond Order relating to certain matters, including arbitrage and the use of the proceeds of the Bonds and the property financed or refinanced therewith. Failure by the District to observe the aforementioned representations or covenants could cause the interest on the Bonds to become taxable retroactively to the date of issuance.

Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel's opinion is not a guarantee of a result. Existing Law, upon which Bond Counsel has based its opinion, is subject to change by Congress, administrative interpretation by the Department of the Treasury and to subsequent judicial interpretation. There can be no assurance that Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of ownership of the Bonds.

Qualified Tax-Exempt Obligations

Section 265(a) of the Code provides, in pertinent part, that interest paid or incurred by a taxpayer, including a "financial institution," on indebtedness incurred or continued to purchase or carry tax-exempt obligations is not deductible in determining the taxpayer's taxable income. Section 265(b) of the Code provides an exception to the disallowance of such deduction for any interest expense paid or incurred on indebtedness of a taxpayer that is a "financial institution" allocable to tax-exempt obligations, other than "private activity bonds," that are designated by a "qualified small issuer" as "qualified tax-exempt obligations." A "qualified small issuer" is any governmental issuer (together with any "on-behalf of" and "subordinate" issuers) who issues no more than \$10,000,000 of tax-exempt obligations during the calendar year. Section 265(b)(5) of the Code defines the term "financial institution" as any "bank" described in Section 585(a)(2) of the Code, or any person accepting deposits from the public in the ordinary course of such person's trade or business that is subject to federal or state supervision as a financial institution. Notwithstanding the exception to the disallowance of the deduction of interest on indebtedness related to "qualified tax-exempt obligations" provided by Section 265(b) of the Code, Section 291 of the Code provides that the allowable deduction to a "bank," as defined in Section 585(a)(2) of the Code, for interest on indebtedness incurred or continued to purchase "qualified tax-exempt obligations" shall be reduced by twenty-percent (20%) as a "financial institution preference item."

The District will designate the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b) of the Code. In furtherance of that designation, the District will covenant to take such action that would assure, or to refrain from such action that would adversely affect, the treatment of the Bonds as "qualified tax-exempt obligations." **Potential purchasers should be aware that if the issue price to the public exceeds \$10,000,000, there is a reasonable basis to conclude that the payment of a de minimis amount of premium in excess of \$10,000,000 is disregarded; however, the Internal Revenue Service could take a contrary view. If the Internal Revenue Service takes the position that the amount of such premium is not disregarded, then such obligations might fail to satisfy the aforementioned dollar limitation and the Bonds would not be "qualified tax-exempt obligations."**

Collateral Federal Income Tax Consequences

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on Existing Law which is subject to change or modification retroactively.

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences. The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, including financial institutions, life insurance and property and casualty insurance companies, owners of interests in a FASIT, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, certain S corporations with accumulated earnings and profits and excess passive investment income, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health-insurance premium assistance credit, and individuals allowed an earned income credit. THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIFIC PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP, AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

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

Under Section 6012 of the Code, holders of tax-exempt obligations, such as the Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Bonds, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount bonds" to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

State, Local and Foreign Taxes

Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the Bonds under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

Tax Accounting Treatment of Original Issue Discount and Premium Bonds

The initial public offering price to be paid for one or more maturities of the Bonds may be less than the principal amount thereof or one or more periods for the payment of interest on the Bonds may not be equal to the accrued period or be in excess of one year (the "Original Issue Discount Bonds"). The difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond constitutes original issue discount with respect to such Original Issue Discount Bond in the hands of any owner who has purchased such Original Issue Discount Bond in the initial public offering of the Bonds. The "stated redemption price at maturity" means the sum of all payments to be made on the Bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

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

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

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

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. ALL OWNERS OF ORIGINAL ISSUE DISCOUNT BONDS SHOULD CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE DETERMINATION FOR FEDERAL, STATE AND LOCAL INCOME TAX PURPOSES OF INTEREST ACCRUED UPON REDEMPTION, SALE OR OTHER DISPOSITION OF SUCH ORIGINAL ISSUE DISCOUNT BONDS AND WITH RESPECT TO THE FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP, REDEMPTION, SALE OR OTHER DISPOSITION OF SUCH ORIGINAL ISSUE DISCOUNT BONDS.

The initial public offering price to be paid for certain maturities of the Bonds may be greater than the amount payable on such Bonds at maturity (the "Premium Bonds"). An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such initial purchaser must be reduced each year by the amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity. PURCHASERS OF THE PREMIUM BONDS SHOULD CONSULT WITH THEIR OWN TAX ADVISORS WITH RESPECT TO THE DETERMINATION OF AMORTIZABLE BOND PREMIUM WITH RESPECT TO THE PREMIUM BONDS FOR FEDERAL INCOME TAX PURPOSES AND WITH RESPECT TO THE STATE AND LOCAL TAX CONSEQUENCES OF OWNING PREMIUM BONDS.

NO MATERIAL ADVERSE CHANGE

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

NO-LITIGATION CERTIFICATE

With the delivery of the Bonds, the President or Vice President and Secretary or Assistant Secretary of the Board will, on behalf of the District, execute and deliver to the Underwriter a certificate dated as of the date of delivery, to the effect that no litigation of any nature of which the District has notice is pending against or, to the knowledge of the District's certifying officers, threatened against the District, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the authorization, execution or delivery of the Bonds; affecting the provision made for the payment of or security for the Bonds; in any manner questioning the authority or proceedings for the authorization, execution or delivery of the Bonds; or affecting the validity of the Bonds, the corporate existence or boundaries of the District or the title of the then present officers and directors of the Board.

MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE

Moody's Investors Service ("Moody's") has assigned an underlying rating of "Baa1" to the Bonds. An explanation of the rating may be obtained from Moody's. The rating fees of Moody's will be paid by the District; however, the fees associated with any other rating will be the responsibility of the Underwriter.

Application has also been made for the qualification of the Bonds for municipal bond insurance. If qualified, such insurance will be available at the option of the Underwriter and at the Underwriter's expense. The underlying rating fee of Moody's will be paid by the District; any other rating fees associated with the insurance will be the responsibility of the Underwriter. See "INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance."

There is no assurance that such rating will continue for any given period of time or that it will not be revised or withdrawn entirely by Moody's, if in its judgment, circumstances so warrant. Any such revisions or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

PREPARATION OF OFFICIAL STATEMENT

Sources and Compilation of Information

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 sources other than the District, and its inclusion herein is not to be construed as a representation on the part of the District to such effect. 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.

Financial Advisor

Masterson 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, including the OFFICIAL NOTICE OF SALE and the OFFICIAL BID FORM for the sale of the Bonds. In its capacity as Financial Advisor, Masterson 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.

Consultants

In approving this OFFICIAL STATEMENT, the District has relied upon the following consultants. Each consultant has agreed to the use of information provided by such firms.

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" and "TAX PROCEDURES" has been provided by Bob Leared Interests, Inc. and is included herein in reliance upon the authority of said firm as experts in assessing property values and collecting taxes.

Engineer: The information contained in this OFFICIAL STATEMENT relating to engineering and to the description of the System and, in particular that information included in the sections entitled "THE DISTRICT" and "THE SYSTEM" has been provided by LJA Engineering, Inc., and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

Auditor: The District's financial statements of the District as of August 31, 2024, and for the year then ended, included in this offering document, have been audited by Forvis Mazars LLP, independent auditors, as stated in their report appearing herein. See "APPENDIX A" for a copy of the District's August 31, 2024, audited financial statements.

Bookkeeper: The information related to the "unaudited" summary of the District's General Operating Fund as it appears in "THE SYSTEM—Water and Wastewater Operations" has been provided by Municipal Accounts & Consulting, L.P., and is included herein in reliance upon the authority of such firm as experts in tracking and managing the various funds of utility districts.

Updating the 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 Underwriter, of any adverse event which causes the OFFICIAL STATEMENT to be materially misleading, and unless the Underwriter elects to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Underwriter an appropriate amendment or supplement to the OFFICIAL STATEMENT satisfactory to the Underwriter, provided, however, that the obligation of the District to the Underwriter to so amend or supplement the OFFICIAL STATEMENT will terminate when the District delivers the Bonds to the Underwriter, unless the Underwriter notifies the District on or before such date that less than all of the Bonds have been sold to ultimate customers, in which case the District's obligations hereunder will extend for an additional period of time (but not more than 90 days after the date the District delivers the Bonds) until all of the Bonds have been sold to an ultimate customer.

Certification of 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 official executing this certificate may state that he has relied in part on his examination of records of the District relating to matters within his own area of responsibility, and his discussions with, or certificates or correspondence signed by, certain other officials, employees, consultants and representatives of the District.

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Order, the District has made the following agreement for the benefit of the Registered Owners and Beneficial Owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (the “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 the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this OFFICIAL STATEMENT under the headings “THE SYSTEM,” “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements,” “TAX DATA” and “APPENDIX A” (Independent Auditor’s Report and Financial Statements and Supplemental Schedules). The District will update and provide this information within six (6) months after the end of each fiscal year ending in or after 2025.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12. The updated information will include audited financial statements, if the District commissions an audit and the audit is completed by the required time. If the audit of such financial statements is not complete within such period, then the District will provide unaudited financial statements by the District by the required time and audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in the Bond Order or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

The District’s current fiscal year end is August 31. Accordingly, it must provide updated information by the last day of February in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

Specified Event Notices

The District will provide timely notices of certain events to the MRSB, 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 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 within the meaning of CFR § 240.15c2-12 (the “Rule”); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material to a decision to purchase or sell Bonds; (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 “financial obligation” and “material” when used in this paragraph shall have the meanings ascribed to them under federal securities laws.

Neither the Bonds nor the Bond Order make any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under “Annual Reports.”

Availability of Information from the MSRB

The District has agreed to provide the foregoing information only to the MSRB. The MSRB makes the information available to the public without charge through its Electronic Municipal Market Access (“EMMA”) internet portal at www.emma.msrb.org.

Limitations and Amendments

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

The District may amend its continuing disclosure agreement from time to time to adapt 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 underwriter to purchase or sell Bonds in the offering made hereby in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and Beneficial Owners of the Bonds. The District may amend or repeal the agreement in the Bond Order if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction determines that such provisions are invalid or unenforceable, but only to the extent that its right to do so would not prevent the Underwriters 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

During the last five years, the District has complied in all material respects with all continuing disclosure agreements made by the District in accordance with SEC Rule 15c2-12.

MISCELLANEOUS

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.

/s/ _____
President, Board of Directors

ATTEST:

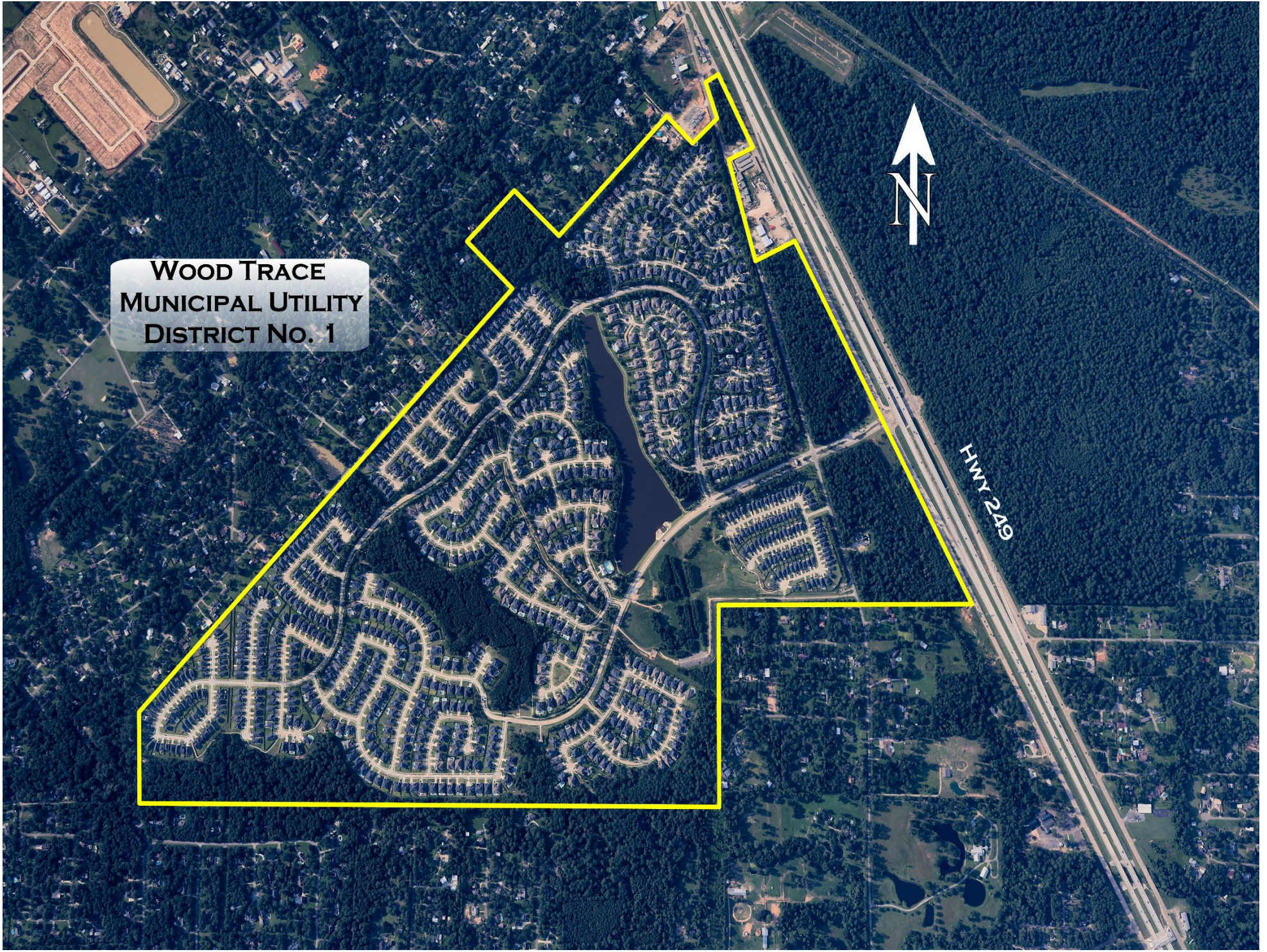
/s/ _____
Secretary, Board of Directors

AERIAL LOCATION MAP
(Approximate boundaries as of June 2025)

**WOOD TRACE
MUNICIPAL UTILITY
DISTRICT No. 1**



HWY 249



PHOTOGRAPHS OF THE DISTRICT
(Taken June 2025)













APPENDIX A

Independent Auditor's Report and Financial Statements of the District for the year ended August 31, 2024


The information contained in this appendix includes the audited financial statements of Wood Trace Municipal Utility District No. 1, of Montgomery County, Texas and certain supplemental information for the fiscal year ended August 31, 2024.



Wood Trace Municipal Utility District No. 1, of Montgomery County, Texas

Independent Auditor's Report and Financial Statements

August 31, 2024



Wood Trace Municipal Utility District No. 1, of Montgomery County, Texas
Contents
August 31, 2024

Independent Auditor's Report.....	1
Management's Discussion and Analysis	3
Basic Financial Statements	
Statement of Net Position and Governmental Funds Balance Sheet	8
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances	10
Notes to Financial Statements	11
Required Supplementary Information	
Budgetary Comparison Schedule – General Fund	23
Notes to Required Supplementary Information	24
Supplementary Information	
Other Schedules Included Within This Report	25
Schedule of Services and Rates	26
Schedule of General Fund Expenditures	27
Schedule of Temporary Investments	28
Analysis of Taxes Levied and Receivable	29
Schedule of Long-Term Debt Service Requirements by Years	31
Changes in Long-Term Bonded Debt	43
Comparative Schedule of Revenues and Expenditures – General Fund and Debt Service Fund.....	45
Board Members, Key Personnel and Consultants	47

Independent Auditor's Report

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

Opinions

We have audited the financial statements of the governmental activities and each major fund of Wood Trace Municipal Utility District No. 1, of Montgomery County, Texas (the District), as of and for the year ended August 31, 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 accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of August 31, 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 (GAAS). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedules required by the Texas Commission on Environmental Quality listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Forvis Mazars, LLP

Houston, Texas
January 8, 2025

Overview of the Financial Statements

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

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

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

Governmental Funds

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

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

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

Notes to Financial Statements

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

Financial Analysis of the District as a Whole

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

Summary of Net Position

	<u>2024</u>	<u>2023</u>
Current and other assets	\$ 9,945,555	\$ 6,604,697
Capital assets	34,436,939	31,778,089
Total assets	<u>\$ 44,382,494</u>	<u>\$ 38,382,786</u>
Long-term liabilities	\$ 43,650,240	\$ 38,689,531
Other liabilities	827,154	796,018
Total liabilities	<u>44,477,394</u>	<u>39,485,549</u>
Net position:		
Net investment in capital assets	(6,596,673)	(6,908,910)
Restricted	2,669,252	1,912,799
Unrestricted	3,832,521	3,893,348
Total net position	<u>\$ (94,900)</u>	<u>\$ (1,102,763)</u>

Wood Trace Municipal Utility District No. 1, of Montgomery County, Texas
Management's Discussion and Analysis
August 31, 2024

(Continued)

The total net position of the District increased by \$1,007,863, or about 91%. The majority of the increase in net position is related to tax revenues intended to pay principal on the District's bonded indebtedness, which is shown as long-term liabilities in the government-wide financial statements. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Summary of Changes in Net Position

	2024	2023
Revenues:		
Property taxes	\$ 5,399,207	\$ 4,239,342
Charges for services	1,382,823	1,522,838
Other revenues	610,092	440,867
Total revenues	<u>7,392,122</u>	<u>6,203,047</u>
Expenses:		
Services	2,070,796	2,009,783
Depreciation	761,238	764,770
Conveyance of capital assets	1,484,680	-
Debt service	<u>2,067,545</u>	<u>1,806,511</u>
Total expenses	<u>6,384,259</u>	<u>4,581,064</u>
Change in net position	1,007,863	1,621,983
Net position, beginning of year	<u>(1,102,763)</u>	<u>(2,724,746)</u>
Net position, end of year	<u>\$ (94,900)</u>	<u>\$ (1,102,763)</u>

Financial Analysis of the District's Funds

The District's combined fund balances as of the end of the fiscal year ended August 31, 2024, were \$9,068,883, an increase of \$3,274,081 from the prior year.

The general fund's fund balance increased by \$1,412,968 due to property taxes and service revenues, investment income and a transfer from the capital projects fund exceeding service operations and capital outlay expenditures.

The debt service fund's fund balance increased by \$483,830 due to property tax revenues and investment income exceeding bond principal and interest requirements.

The capital projects fund's fund balance increased by \$1,377,283 due to net proceeds received from bond sales exceeding capital outlay expenditures, debt issuance costs and a transfer to the general fund.

General Fund Budgetary Highlights

There were several differences between the final budgetary amounts and actual amounts. The major differences between budget and actual were due to property tax revenues and investment income being greater than anticipated, as well as water service and regional water fee revenues and regional water authority, repairs and maintenance and capital outlay expenditures being less than anticipated. The fund balance as of August 31, 2024, was expected to be \$4,584,242 and the actual end-of-year fund balance was \$5,302,135.

Wood Trace Municipal Utility District No. 1, of Montgomery County, Texas
Management's Discussion and Analysis
August 31, 2024

(Continued)

Capital Assets and Related Debt

Capital Assets

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

Capital Assets (Net of Accumulated Depreciation)

	<u>2024</u>	<u>2023</u>
Land and improvements	\$ 9,930,925	\$ 8,349,787
Construction in progress	4,023,596	3,069,352
Water facilities	4,339,632	4,208,073
Wastewater facilities	5,446,442	5,621,439
Drainage facilities	7,603,397	7,798,863
Recreational facilities	<u>3,092,947</u>	<u>2,730,575</u>
Total capital assets	<u>\$ 34,436,939</u>	<u>\$ 31,778,089</u>

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

Construction in progress related to wastewater treatment plant, Phase 2, waterline extension along Coe and Wright roads, water plant No. 1, Phase 4 and lift station No. 1 expansion	\$ 1,200,127
Land acquisitions, including 6.024-acre tract to serve Decker Branch, 23.331-acre tract to serve Woodtrace, Section 10, Reserves B and C and 1.388-acre site for the Woodtrace Recreation Center	1,581,138
Water supply plant No. 1 hydropneumatic tank No. 2	29,522
Water well No. 1 motor replacement	55,668
Decker Lake culvert replacement	17,905
Recreational facilities, including landscape enhancements for Arbor Trace, Woodtrace, Phase 2, and Woodtrace, Sections 4, 5A, 5B, 6, 6A, 7, 8, 8B, 9, 9B, 11, and 12	<u>965,527</u>
Total additions to capital assets	<u>\$ 3,849,887</u>

Debt

The changes in the debt position of the District during the fiscal year ended August 31, 2024, are summarized as follows:

Long-term debt payable, beginning of year	\$ 38,689,531
Increases in long-term debt	8,776,849
Decreases in long-term debt	<u>(3,816,140)</u>
Long-term debt payable, end of year	<u>\$ 43,650,240</u>

At August 31, 2024, the District had \$60,825,000 of unlimited tax bonds authorized, but unissued, for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District and \$29,560,000 of unlimited tax bonds authorized, but unissued, for recreational facilities.

The District's bonds carry an underlying rating of "Baa1" from Moody's Investors Service, Inc. The Series 2018, Series 2020, Series 2021, Series 2022, Park Series 2022A and Park Series 2023A bonds carry a "AA" rating from Standard & Poor's by virtue of bond insurance issued by Build America Mutual Assurance Company. The Series 2019 and Series 2023 bonds carry a "AA" rating from Standard & Poor's and a "A1" rating from Moody's Investors Service, Inc. by virtue of bond insurance issued by Assured Guaranty Inc.

The developer of the District has constructed facilities on behalf of the District. The District's engineer estimates reimbursable costs for completed projects are \$993,673. The District has agreed to reimburse the developer for these construction costs, plus interest, to the extent approved by the Commission. These amounts have been recorded in the financial statements as long-term liabilities.

Wood Trace Municipal Utility District No. 1, of Montgomery County, Texas
Statement of Net Position and Governmental Funds Balance Sheet
August 31, 2024

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash	\$ 305,666	\$ 32,274	\$ 338	\$ 338,278	\$ -	\$ 338,278
Certificates of deposit	1,175,000	-	-	1,175,000	-	1,175,000
Short-term investments	3,939,212	2,009,936	2,161,868	8,111,016	-	8,111,016
Receivables:						
Property taxes	15,066	34,452	-	49,518	-	49,518
Service accounts	244,209	-	-	244,209	-	244,209
Accrued interest	27,338	-	-	27,338	-	27,338
Interfund receivables	19,860	-	-	19,860	(19,860)	-
Due from others	196	-	-	196	-	196
Capital assets (net of accumulated depreciation):						
Land and improvements	-	-	-	-	9,930,925	9,930,925
Construction in progress	-	-	-	-	4,023,596	4,023,596
Infrastructure	-	-	-	-	17,389,471	17,389,471
Recreational facilities	-	-	-	-	3,092,947	3,092,947
Total assets	\$ 5,726,547	\$ 2,076,662	\$ 2,162,206	\$ 9,965,415	\$ 34,417,079	\$ 44,382,494

Wood Trace Municipal Utility District No. 1, of Montgomery County, Texas
Statement of Net Position and Governmental Funds Balance Sheet
August 31, 2024

(Continued)

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Liabilities						
Accounts payable	\$ 185,444	\$ 6,892	\$ 202,260	\$ 394,596	\$ -	\$ 394,596
Retainage payable	16,952	-	208,656	225,608	-	225,608
Customer deposits	206,950	-	-	206,950	-	206,950
Interfund payables	-	19,860	-	19,860	(19,860)	-
Long-term liabilities:						
Due within one year	-	-	-	-	2,365,000	2,365,000
Due after one year	-	-	-	-	41,285,240	41,285,240
Total liabilities	409,346	26,752	410,916	847,014	43,630,380	44,477,394
Deferred Inflows of Resources						
Deferred property tax revenues	15,066	34,452	-	49,518	(49,518)	-
Fund Balances/Net Position						
Fund balances:						
Restricted:						
Unlimited tax bonds	-	2,015,458	-	2,015,458	(2,015,458)	-
Water, sewer and drainage	-	-	1,536,188	1,536,188	(1,536,188)	-
Recreational	-	-	215,102	215,102	(215,102)	-
Unassigned	5,302,135	-	-	5,302,135	(5,302,135)	-
Total fund balances	5,302,135	2,015,458	1,751,290	9,068,883	(9,068,883)	-
Total liabilities, deferred inflows of resources and fund balances	\$ 5,726,547	\$ 2,076,662	\$ 2,162,206	\$ 9,965,415		
Net position:						
Net investment in capital assets					(6,596,673)	(6,596,673)
Restricted for debt service					2,049,910	2,049,910
Restricted for capital projects					619,342	619,342
Unrestricted					3,832,521	3,832,521
Total net position					\$ (94,900)	\$ (94,900)

Wood Trace Municipal Utility District No. 1, of Montgomery County, Texas
Statement of Activities and Governmental Funds Revenues,
Expenditures and Changes in Fund Balances
Year Ended August 31, 2024

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues						
Property taxes	\$ 1,632,349	\$ 3,731,217	\$ -	\$ 5,363,566	\$ 35,641	\$ 5,399,207
Water service	385,319	-	-	385,319	-	385,319
Sewer service	534,190	-	-	534,190	-	534,190
Regional water fee	463,314	-	-	463,314	-	463,314
Penalty and interest	9,756	47,705	-	57,461	-	57,461
Tap connection and inspection fees	7,022	-	-	7,022	-	7,022
Investment income	252,947	161,887	130,175	545,009	-	545,009
Other income	600	-	-	600	-	600
Total revenues	3,285,497	3,940,809	130,175	7,356,481	35,641	7,392,122
Expenditures/Expenses						
Service operations:						
Regional water authority	389,976	-	-	389,976	-	389,976
Professional fees	188,726	3,351	-	192,077	125,972	318,049
Contracted services	462,322	46,548	-	508,870	847	509,717
Utilities	167,758	-	-	167,758	-	167,758
Repairs and maintenance	363,414	-	-	363,414	169,520	532,934
Other expenditures	125,988	25,694	80	151,762	-	151,762
Tap connections	600	-	-	600	-	600
Capital outlay	243,093	-	5,910,859	6,153,952	(6,153,952)	-
Depreciation	-	-	-	-	761,238	761,238
Conveyance of capital assets	-	-	-	-	1,484,680	1,484,680
Debt service:						
Principal retirement	-	1,935,000	-	1,935,000	(1,935,000)	-
Interest and fees	-	1,446,386	-	1,446,386	65,378	1,511,764
Debt issuance costs	40,073	-	515,708	555,781	-	555,781
Total expenditures/expenses	1,981,950	3,456,979	6,426,647	11,865,576	(5,481,317)	6,384,259
Excess (Deficiency) of Revenues Over Expenditures	1,303,547	483,830	(6,296,472)	(4,509,095)	5,516,958	
Other Financing Sources (Uses)						
Interfund transfers in (out)	109,421	-	(109,421)	-	-	
General obligation bonds issued	-	-	7,955,000	7,955,000	(7,955,000)	
Discount on debt issued	-	-	(171,824)	(171,824)	171,824	
Total other financing sources	109,421	-	7,673,755	7,783,176	(7,783,176)	
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	1,412,968	483,830	1,377,283	3,274,081	(3,274,081)	
Change in Net Position					1,007,863	1,007,863
Fund Balances/Net Position						
Beginning of year	3,889,167	1,531,628	374,007	5,794,802	-	(1,102,763)
End of year	\$ 5,302,135	\$ 2,015,458	\$ 1,751,290	\$ 9,068,883	\$ -	\$ (94,900)

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

Wood Trace Municipal Utility District No. 1, of Montgomery County, Texas (the District), was created by House Bill 2322, Chapter 218, Acts of the 72nd Texas Legislature, effective May 29, 1991, in accordance with the Texas Water Code, Chapter 54. The District operates in accordance with Chapters 49 and 54 of the Texas Water Code and is subject to the continuing supervision of the Commission. The principal functions of the District are to finance, construct, own and operate waterworks, wastewater and drainage facilities and to provide such facilities and services to the customers of the District. Section 8228 of the Texas Special District Local Laws Code authorizes the District, pursuant to the provisions of the Texas Constitution, to develop and finance with property taxes certain road facilities following a successful District election to approve the issuance of road bonds payable from taxes.

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

Reporting Entity

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

Government-Wide and Fund Financial Statements

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

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

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

The District presents the following major governmental funds.

Wood Trace Municipal Utility District No. 1, of Montgomery County, Texas
Notes to Financial Statements
August 31, 2024

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

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

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

Fund Balances – Governmental Funds

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

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

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

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

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

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

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

Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

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

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

Wood Trace Municipal Utility District No. 1, of Montgomery County, Texas
Notes to Financial Statements
August 31, 2024

Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and liabilities are generally included on the balance sheet. The statement of governmental funds revenues, expenditures and changes in fund balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in spendable resources. General capital asset acquisitions are reported as expenditures and proceeds of long-term debt are reported as other financing sources. Under the modified accrual basis of accounting, revenues are recognized when both measurable and available. The District considers revenues reported in the governmental funds to be available if they are collectible within 60 days after year-end. Principal revenue sources considered susceptible to accrual include taxes, charges for services and investment income. Other revenues are considered to be measurable and available only when cash is received by the District. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized as expenditures when payment is due.

Deferred Outflows and Inflows of Resources

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

Interfund Transactions

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

Pension Costs

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

Use of Estimates

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

Investments and Investment Income

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

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

Property Taxes

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

Wood Trace Municipal Utility District No. 1, of Montgomery County, Texas
Notes to Financial Statements
August 31, 2024

In the governmental funds, property taxes are initially recorded as receivables and deferred inflows of resources at the time the tax levy is billed. Revenues recognized during the fiscal year ended August 31, 2024, include collections during the current period or within 60 days of year-end related to the 2023 and prior years' tax levies.

In the government-wide statement of net position, property taxes are considered earned in the budget year for which they are levied. For the District's fiscal year ended August 31, 2024, the 2023 tax levy is considered earned during the current fiscal year. In addition to property taxes levied, any delinquent taxes are recorded net of amounts considered uncollectible.

Capital Assets

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

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

	<u>Years</u>
Water production and distribution facilities	10-45
Wastewater collection and treatment facilities	10-45
Drainage facilities	10-45
Recreational facilities	10-20

Debt Issuance Costs

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

Long-Term Obligations

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

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

Net Position/Fund Balances

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

Wood Trace Municipal Utility District No. 1, of Montgomery County, Texas
Notes to Financial Statements
August 31, 2024

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

Reconciliation of Government-Wide and Fund Financial Statements

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

Capital assets used in governmental activities are not financial financial resources and are not reported in the funds.	\$ 34,436,939
Property tax revenue recognition and the related reduction of deferred inflows of resources are subject to availability of funds in the fund financial statements.	49,518
Long-term debt obligations are not due and payable in the current period and are not reported in the funds.	<u>(43,650,240)</u>
Adjustment to fund balances to arrive at net position.	<u>\$ (9,163,783)</u>

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

Change in fund balances.	\$ 3,274,081
Governmental funds report capital outlays as expenditures. However, for government-wide financial statements, the cost of capitalized assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay expenditures exceeded depreciation expense, conveyance of capital assets and noncapitalized costs in the current period.	3,611,695
Governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	171,824
Governmental funds report proceeds from the sale of bonds because they provide current financial resources to governmental funds. Principal payments on debt are recorded as expenditures. None of these transactions, however have any affect on net position.	(6,020,000)
Revenues that do not provide current financial resources are not reported as revenues for the funds but are reported as revenues in the statement of activities.	35,641

Wood Trace Municipal Utility District No. 1, of Montgomery County, Texas
Notes to Financial Statements
August 31, 2024

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	\$ (65,378)
Change in net position of governmental activities.	<u>\$ 1,007,863</u>

Note 2. Deposits, Investments and Investment Income

Deposits

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

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

At August 31, 2024, none of the District’s bank balances were exposed to custodial credit risk.

Investments

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

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

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

At August 31, 2024, the District had the following investments and maturities:

Type	Maturities in Years				
	Fair Value	Less Than 1	1-5	6-10	More Than 10
Texas CLASS	<u>\$ 8,111,016</u>	<u>\$ 8,111,016</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Wood Trace Municipal Utility District No. 1, of Montgomery County, Texas
Notes to Financial Statements
August 31, 2024

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

Credit Risk. Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At August 31, 2024, the District's investments in Texas CLASS were rated "AAAm" by Standard & Poor's.

Summary of Carrying Values

The carrying values of deposits and investments shown previously are included in the balance sheet at August 31, 2024, as follows:

Carrying value:	
Deposits	\$ 1,513,278
Investments	<u>8,111,016</u>
Total	<u><u>\$ 9,624,294</u></u>

Included in the following statement of net position captions:

Cash	\$ 338,278
Certificates of deposit	1,175,000
Short-term investments	<u>8,111,016</u>
Total	<u><u>\$ 9,624,294</u></u>

Investment Income

Investment income of \$545,009 for the year ended August 31, 2024, consisted of interest income.

Fair Value Measurements

The District has the following recurring fair value measurements as of August 31, 2024:

- Pooled investments of \$8,111,016 are valued at fair value per share of the pool's underlying portfolio.

Note 3. Capital Assets

A summary of changes in capital assets for the year ended August 31, 2024, is presented as follows:

Governmental Activities	Balances, Beginning of Year	Additions	Retirements/ Reclass- ifications	Balances, End of Year
Capital assets, non-depreciable:				
Land and improvements	\$ 8,349,787	\$ 1,581,138	\$ -	\$ 9,930,925
Construction in progress	<u>3,069,352</u>	<u>1,200,127</u>	<u>(245,883)</u>	<u>4,023,596</u>
Total capital assets, non-depreciable	<u>11,419,139</u>	<u>2,781,265</u>	<u>(245,883)</u>	<u>13,954,521</u>

Wood Trace Municipal Utility District No. 1, of Montgomery County, Texas
Notes to Financial Statements
August 31, 2024

Governmental Activities (Continued)	Balances, Beginning of Year	Additions	Retirements/ Reclass- ifications	Balances, End of Year
Capital assets, depreciable:				
Water production and distribution facilities	\$ 7,301,536	\$ 85,190	\$ 245,883	\$ 7,632,609
Wastewater collection and treatment facilities	7,426,579	-	-	7,426,579
Drainage facilities	9,424,286	17,905	-	9,442,191
Recreational facilities	2,926,719	965,527	(452,420)	3,439,826
Total capital assets, depreciable	27,079,120	1,068,622	(206,537)	27,941,205
Less accumulated depreciation:				
Water production and distribution facilities	(3,093,463)	(199,514)	-	(3,292,977)
Wastewater collection and treatment facilities	(1,805,140)	(174,997)	-	(1,980,137)
Drainage facilities	(1,625,423)	(213,371)	-	(1,838,794)
Recreational facilities	(196,144)	(173,356)	22,621	(346,879)
Total accumulated depreciation	(6,720,170)	(761,238)	22,621	(7,458,787)
Total governmental activities, net	\$ 31,778,089	\$ 3,088,649	\$ (429,799)	\$ 34,436,939

Note 4. Long-Term Liabilities

Changes in long-term liabilities for the year ended August 31, 2024, were as follows:

Governmental Activities	Balances, Beginning of Year	Increases	Decreases	Balances, End of Year	Amounts Due in One Year
Bonds payable:					
General obligation bonds	\$ 37,585,000	\$ 7,955,000	\$ 1,935,000	\$ 43,605,000	\$ 2,365,000
Less discounts on bonds	812,443	171,824	35,834	948,433	-
	36,772,557	7,783,176	1,899,166	42,656,567	2,365,000
Due to developer	1,916,974	993,673	1,916,974	993,673	-
Total governmental activities long-term liabilities	\$ 38,689,531	\$ 8,776,849	\$ 3,816,140	\$ 43,650,240	\$ 2,365,000

General Obligation Bonds

	Series 2016	Series 2017
Amounts outstanding, August 31, 2024	\$2,820,000	\$2,610,000
Interest rates	2.00% to 4.00%	2.00% to 4.00%
Maturity dates, serially beginning/ending	September 1, 2025/2040	September 1, 2025/2040
Interest payment dates	March 1/September 1	March 1/September 1
Callable dates*	September 1, 2022	September 1, 2023

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

Wood Trace Municipal Utility District No. 1, of Montgomery County, Texas
Notes to Financial Statements
August 31, 2024

	Series 2017A	Series 2018
Amounts outstanding, August 31, 2024	\$2,400,000	\$2,720,000
Interest rates	2.00% to 4.00%	3.00% to 3.75%
Maturity dates, serially beginning/ending	September 1, 2025/2040	September 1, 2025/2040
Interest payment dates	March 1/September 1	March 1/September 1
Callable dates*	September 1, 2023	September 1, 2024
	Series 2019	Series 2020
Amounts outstanding, August 31, 2024	\$6,330,000	\$3,620,000
Interest rates	2.00% to 2.75%	1.00% to 2.00%
Maturity dates, serially beginning/ending	September 1, 2025/2043	September 1, 2025/2043
Interest payment dates	March 1/September 1	March 1/September 1
Callable dates*	September 1, 2024	September 1, 2025
	Series 2021	Series 2022
Amounts outstanding, August 31, 2024	\$7,320,000	\$2,295,000
Interest rates	2.00% to 2.25%	4.00% to 6.00%
Maturity dates, serially beginning/ending	March 1, 2025/2043	March 1, 2025/2043
Interest payment dates	March 1/September 1	March 1/September 1
Callable dates*	March 1, 2027	March 1, 2029
	Park Series 2022A	Series 2023
Amounts outstanding, August 31, 2024	\$5,535,000	\$4,495,000
Interest rates	4.00% to 6.00%	4.00% to 5.00%
Maturity dates, serially beginning/ending	March 1, 2025/2043	March 1, 2025/2043
Interest payment dates	March 1/September 1	March 1/September 1
Callable dates*	March 1, 2029	March 1, 2030

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

Wood Trace Municipal Utility District No. 1, of Montgomery County, Texas
Notes to Financial Statements
August 31, 2024

	Park Series 2023A
Amount outstanding, August 31, 2024	\$3,460,000
Interest rates	4.00% to 5.00%
Maturity dates, serially beginning/ending	March 1, 2025/2043
Interest payment dates	March 1/September 1
Callable date*	March 1, 2030

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

Annual Debt Service Requirements

The District has been paying the amount due September 1 within the fiscal year preceding this due date and the following schedule has been prepared assuming that this practice will be followed in future years. The schedule shows the annual debt service requirements to pay principal and interest on general obligation bonds outstanding at August 31, 2024.

Year	Principal	Interest	Total
2025	\$ 2,365,000	\$ 1,458,825	\$ 3,823,825
2026	2,370,000	1,379,450	3,749,450
2027	2,370,000	1,295,840	3,665,840
2028	2,370,000	1,211,744	3,581,744
2029	2,380,000	1,127,105	3,507,105
2030-2034	11,960,000	4,471,362	16,431,362
2035-2039	12,140,000	2,487,126	14,627,126
2040-2043	7,650,000	531,087	8,181,087
Total	<u>\$ 43,605,000</u>	<u>\$ 13,962,539</u>	<u>\$ 57,567,539</u>

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

Water, sanitary sewer and drainage facilities bonds voted	\$ 102,850,000
Water, sanitary sewer and drainage facilities bonds sold	42,025,000
Recreational facilities bonds voted	38,850,000
Recreational facilities bonds sold	9,290,000
Refunding bonds authorization voted	141,700,000

Due to Developer

The developer of the District has constructed facilities on behalf of the District. The District's engineer estimates reimbursable costs for completed projects are \$993,673. The District has agreed to reimburse the developer for these construction costs, plus interest, to the extent approved by the Commission from the proceeds of future bond sales. These amounts have been recorded in the financial statements as long-term liabilities.

Note 5. Significant Bond Orders and Commission Requirements

- (A) The Bond Orders require that the District levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due. During the year ended August 31, 2024, the District levied an ad valorem debt service tax at the rate of \$0.8000 per \$100 of assessed valuation, which resulted in a tax levy of \$3,752,083 on the taxable valuation of \$469,010,193 for the 2023 tax year. The interest and principal requirements paid from tax revenues and available debt service fund resources were \$3,372,686.
- (B) In accordance with the Park Series 2022A Bond Order, a portion of the bond proceeds was deposited into the debt service fund and reserved for the payment of bond interest during the construction period. This bond interest reserve is reduced as the interest is paid. The balance of \$52,862 in bond interest reserve was fully utilized in the current year.
- (C) During the current fiscal year, the District transferred \$109,421 from the capital projects fund to the general fund. The transfer was in accordance with the rules of the Commission.

Note 6. Maintenance Taxes

At an election held May 10, 2014, voters authorized a maintenance tax not to exceed \$1.50 per \$100 of assessed valuation on all property within the District subject to taxation. During the year ended August 31, 2024, the District levied an ad valorem maintenance tax at the rate of \$0.3500 per \$100 of assessed valuation, which resulted in a tax levy of \$1,641,537 on the taxable valuation of \$469,010,193 for the 2023 tax year. The maintenance tax is being used by the general fund to pay expenditures of operating the District.

Note 7. Regional Water Authority

The District is within the boundaries of the Lone Star Groundwater Conservation District (the Conservation District), which was created by the Texas Legislature. The Conservation District was created to provide a regional entity to acquire surface water and build the necessary facilities to convert from groundwater to surface water in order to meet conversion requirements mandated by the Harris-Galveston Subsidence District, which regulates groundwater withdrawal.

Note 8. Groundwater Reduction Agreement

The District has entered into a Contract for Groundwater Reduction Planning, Alternative Water Supply and Related Goods and Services (GRP Contract) with the San Jacinto River Authority (the Authority) in order to meet the Conservation District's requirements. As a participant in the Authority's Groundwater Reduction Plan, the District has complied with all current Conservation District requirements for surface water conversion and is obligated to pay to the Authority a groundwater withdrawal fee for all groundwater produced and used by the District and will be required to pay a water purchase fee for any water actually purchased from the Authority in the future. As of August 31, 2024, the Authority was billing the District \$2.99 per 1,000 gallons of water pumped. This amount is subject to future adjustments.

Note 9. Risk Management

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

Required Supplementary Information

Wood Trace Municipal Utility District No. 1, of Montgomery County, Texas
Budgetary Comparison Schedule – General Fund
Year Ended August 31, 2024

	Original Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property taxes	\$ 1,301,418	\$ 1,632,349	\$ 330,931
Water service	498,350	385,319	(113,031)
Sewer service	561,300	534,190	(27,110)
Regional water fee	542,100	463,314	(78,786)
Penalty and interest	11,000	9,756	(1,244)
Tap connection and inspection fees	7,500	7,022	(478)
Investment income	191,800	252,947	61,147
Other income	5,000	600	(4,400)
Total revenues	3,118,468	3,285,497	167,029
Expenditures			
Service operations:			
Purchased services	5,000	-	5,000
Regional water authority	542,100	389,976	152,124
Professional fees	207,500	188,726	18,774
Contracted services	464,400	462,322	2,078
Utilities	151,350	167,758	(16,408)
Repairs and maintenance	585,800	363,414	222,386
Other expenditures	127,243	125,988	1,255
Tap connections	15,000	600	14,400
Capital outlay	425,000	243,093	181,907
Debt service, debt issuance costs	-	40,073	(40,073)
Total expenditures	2,523,393	1,981,950	541,443
Excess of Revenues Over Expenditures	595,075	1,303,547	708,472
Other Financing Sources			
Interfund transfer in	100,000	109,421	9,421
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	695,075	1,412,968	717,893
Fund Balance, Beginning of Year	3,889,167	3,889,167	-
Fund Balance, End of Year	\$ 4,584,242	\$ 5,302,135	\$ 717,893

Wood Trace Municipal Utility District No. 1, of Montgomery County, Texas
Notes to Required Supplementary Information
August 31, 2024

Budgets and Budgetary Accounting

An annual operating budget is prepared for the general fund by the District's consultants. The budget reflects resources expected to be received during the year and expenditures expected to be incurred. The Board of Directors is required to adopt the budget prior to the start of its fiscal year. The budget is not a spending limitation (a legally restricted appropriation). The original budget of the general fund was not amended during fiscal 2024.

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

Supplementary Information

Wood Trace Municipal Utility District No. 1, of Montgomery County, Texas
Other Schedules Included Within This Report
August 31, 2024

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

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

Wood Trace Municipal Utility District No. 1, of Montgomery County, Texas
Schedule of Services and Rates
Year Ended August 31, 2024

1. Services provided by the District:

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

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 Levels	
Water:	\$ 13.00	5,000	N	\$ 1.50	5,001 to	10,000
				\$ 2.50	10,001 to	15,000
				\$ 3.25	15,001 to	20,000
				\$ 4.00	20,001 to	30,000
				\$ 4.75	30,001 to	No limit
Wastewater:	\$ 45.46	0	Y			
Regional water fee:	\$ 3.02	1	N	\$ 3.02	1 to	No limit
Does the District employ winter averaging for wastewater usage?					Yes	No <input checked="" type="checkbox"/>
Total charges per 10,000 gallons usage (including fees):				Water \$ 50.70	Wastewater	\$ 45.46

b. Water and wastewater retail connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC*
Unmetered	-	-	x1.0	-
≤ 3/4"	919	918	x1.0	918
1"	89	89	x2.5	223
1 1/2"	-	-	x5.0	-
2"	16	16	x8.0	128
3"	-	-	x15.0	-
4"	-	-	x25.0	-
6"	-	-	x50.0	-
8"	-	-	x80.0	-
10"	-	-	x115.0	-
Total water	1,024	1,023		1,269
Total wastewater	998	997	x1.0	997

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

Gallons pumped into the system:	159,796
Gallons billed to customers:	153,983
Water accountability ratio (gallons billed/gallons pumped):	96.36%

*"ESFC" means equivalent single-family connections

Wood Trace Municipal Utility District No. 1, of Montgomery County, Texas
Schedule of General Fund Expenditures
Year Ended August 31, 2024

Personnel (including benefits)		\$ -
Professional Fees		
Auditing	\$ 22,200	
Legal	75,555	
Engineering	90,971	
Financial advisor	-	188,726
Purchased Services for Resale		
Bulk water and wastewater service purchases		-
Regional Water Authority		389,976
Contracted Services		
Bookkeeping	67,528	
Appraisal district	-	
Tax collector	-	
Security	-	
Other contracted services	69,075	136,603
Utilities		167,758
Repairs and Maintenance		363,414
Administrative Expenditures		
Directors' fees	12,376	
Office supplies	6,661	
Insurance	27,209	
Other administrative expenditures	79,742	125,988
Capital Outlay		
Capitalized assets	73,573	
Expenditures not capitalized	169,520	243,093
Tap Connection Expenditures		600
Solid Waste Disposal		325,719
Fire Fighting		-
Parks and Recreation		-
Other Expenditures		40,073
Total expenditures		\$ 1,981,950

Wood Trace Municipal Utility District No. 1, of Montgomery County, Texas
Schedule of Temporary Investments
August 31, 2024

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Face Amount</u>	<u>Accrued Interest Receivable</u>
General Fund				
Certificates of deposit				
No. 91300012226433	5.25%	08/13/25	\$ 235,000	\$ 608
No. 440058518	5.50%	10/13/24	235,000	4,851
No. 6000039310	5.50%	09/20/24	235,000	9,880
No. 9009005886	5.01%	07/08/25	235,000	613
No. 6550131839	5.65%	10/23/24	235,000	11,386
Texas CLASS	5.43%	Demand	<u>3,939,212</u>	<u>-</u>
			<u>5,114,212</u>	<u>27,338</u>
Debt Service Fund				
Texas CLASS	5.43%	Demand	<u>2,009,936</u>	<u>-</u>
Capital Projects Fund				
Texas CLASS	5.43%	Demand	177,464	-
Texas CLASS	5.43%	Demand	27,020	-
Texas CLASS	5.43%	Demand	1,769,302	-
Texas CLASS	5.43%	Demand	<u>188,082</u>	<u>-</u>
			<u>2,161,868</u>	<u>-</u>
Totals			<u><u>\$ 9,286,016</u></u>	<u><u>\$ 27,338</u></u>

Wood Trace Municipal Utility District No. 1, of Montgomery County, Texas
Analysis of Taxes Levied and Receivable
Year Ended August 31, 2024

	Maintenance Taxes	Debt Service Taxes
Receivable, Beginning of Year	\$ 4,181	\$ 9,696
Additions and corrections to prior years' taxes	1,697	3,890
Adjusted receivable, beginning of year	5,878	13,586
2023 Original Tax Levy	1,577,099	3,604,797
Additions and corrections	64,438	147,286
Adjusted tax levy	1,641,537	3,752,083
Total to be accounted for	1,647,415	3,765,669
Tax collections: Current year	(1,627,481)	(3,719,956)
Prior years	(4,868)	(11,261)
Receivable, end of year	\$ 15,066	\$ 34,452
Receivable, by Years		
2023	\$ 14,056	\$ 32,127
2022	948	2,177
2021	62	148
Receivable, end of year	\$ 15,066	\$ 34,452

Wood Trace Municipal Utility District No. 1, of Montgomery County, Texas
Analysis of Taxes Levied and Receivable
Year Ended August 31, 2024

(Continued)

	2023	2022	2021	2020
Property Valuations				
Land	\$ 87,553,900	\$ 83,818,320	\$ 58,998,950	\$ 49,219,330
Improvements	446,203,650	306,264,810	187,950,520	146,641,200
Personal property	1,442,381	1,151,450	900,168	1,468,184
Exemptions	(66,189,738)	(43,201,624)	(6,438,545)	(5,633,285)
Total property valuations	<u>\$ 469,010,193</u>	<u>\$ 348,032,956</u>	<u>\$ 241,411,093</u>	<u>\$ 191,695,429</u>
Tax Rates per \$100 Valuation				
Debt service tax rates	\$ 0.8000	\$ 0.8500	\$ 0.9000	\$ 0.9400
Maintenance tax rates*	<u>0.3500</u>	<u>0.3700</u>	<u>0.3800</u>	<u>0.3900</u>
Total tax rates per \$100 valuation	<u>\$ 1.1500</u>	<u>\$ 1.2200</u>	<u>\$ 1.2800</u>	<u>\$ 1.3300</u>
Tax Levy	<u>\$ 5,393,620</u>	<u>\$ 4,246,002</u>	<u>\$ 3,090,062</u>	<u>\$ 2,549,549</u>
Percent of Taxes Collected to Taxes Levied**	<u>99%</u>	<u>99%</u>	<u>99%</u>	<u>100%</u>

*Maximum tax rate approved by voters: \$1.50 on May 10, 2014

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

Wood Trace Municipal Utility District No. 1, of Montgomery County, Texas
Schedule of Long-Term Debt Service Requirements by Years
August 31, 2024

Due During Fiscal Years Ending August 31	Series 2016		
	Principal Due September 1	Interest Due March 1, September 1	Total
2025	\$ 115,000	\$ 108,419	\$ 223,419
2026	125,000	104,968	229,968
2027	130,000	100,906	230,906
2028	135,000	96,356	231,356
2029	145,000	91,463	236,463
2030	150,000	86,025	236,025
2031	160,000	80,400	240,400
2032	170,000	74,400	244,400
2033	175,000	67,600	242,600
2034	185,000	60,600	245,600
2035	195,000	53,200	248,200
2036	205,000	45,400	250,400
2037	215,000	37,200	252,200
2038	225,000	28,600	253,600
2039	240,000	19,600	259,600
2040	250,000	10,000	260,000
Totals	<u>\$ 2,820,000</u>	<u>\$ 1,065,137</u>	<u>\$ 3,885,137</u>

The District pays the amount due September 1 prior to that date. This schedule shows the amounts due within the fiscal year assuming the practice will continue in the future.

Wood Trace Municipal Utility District No. 1, of Montgomery County, Texas
Schedule of Long-Term Debt Service Requirements by Years
August 31, 2024

(Continued)

Due During Fiscal Years Ending August 31	Series 2017		
	Principal Due September 1	Interest Due March 1, September 1	Total
2025	\$ 165,000	\$ 95,737	\$ 260,737
2026	165,000	90,788	255,788
2027	165,000	85,590	250,590
2028	165,000	80,145	245,145
2029	165,000	74,535	239,535
2030	165,000	68,760	233,760
2031	165,000	62,820	227,820
2032	165,000	56,798	221,798
2033	165,000	50,775	215,775
2034	165,000	44,587	209,587
2035	160,000	38,400	198,400
2036	160,000	32,000	192,000
2037	160,000	25,600	185,600
2038	160,000	19,200	179,200
2039	160,000	12,800	172,800
2040	160,000	6,400	166,400
Totals	<u>\$ 2,610,000</u>	<u>\$ 844,935</u>	<u>\$ 3,454,935</u>

The District pays the amount due September 1 prior to that date. This schedule shows the amounts due within the fiscal year assuming the practice will continue in the future.

Wood Trace Municipal Utility District No. 1, of Montgomery County, Texas
Schedule of Long-Term Debt Service Requirements by Years
August 31, 2024

(Continued)

Due During Fiscal Years Ending August 31	Series 2017A		
	Principal Due September 1	Interest Due March 1, September 1	Total
2025	\$ 150,000	\$ 84,375	\$ 234,375
2026	150,000	79,875	229,875
2027	150,000	75,375	225,375
2028	150,000	70,875	220,875
2029	150,000	66,188	216,188
2030	150,000	61,312	211,312
2031	150,000	56,250	206,250
2032	150,000	51,000	201,000
2033	150,000	45,750	195,750
2034	150,000	40,313	190,313
2035	150,000	34,875	184,875
2036	150,000	29,250	179,250
2037	150,000	23,625	173,625
2038	150,000	18,000	168,000
2039	150,000	12,000	162,000
2040	150,000	6,000	156,000
Totals	<u>\$ 2,400,000</u>	<u>\$ 755,063</u>	<u>\$ 3,155,063</u>

The District pays the amount due September 1 prior to that date. This schedule shows the amounts due within the fiscal year assuming the practice will continue in the future.

Wood Trace Municipal Utility District No. 1, of Montgomery County, Texas
Schedule of Long-Term Debt Service Requirements by Years
August 31, 2024

(Continued)

Due During Fiscal Years Ending August 31	Series 2018		
	Principal Due September 1	Interest Due March 1, September 1	Total
2025	\$ 170,000	\$ 91,375	\$ 261,375
2026	170,000	86,275	256,275
2027	170,000	81,175	251,175
2028	170,000	76,075	246,075
2029	170,000	70,975	240,975
2030	170,000	65,450	235,450
2031	170,000	59,925	229,925
2032	170,000	54,400	224,400
2033	170,000	48,875	218,875
2034	170,000	42,925	212,925
2035	170,000	36,975	206,975
2036	170,000	31,025	201,025
2037	170,000	25,075	195,075
2038	170,000	18,913	188,913
2039	170,000	12,750	182,750
2040	170,000	6,375	176,375
Totals	<u>\$ 2,720,000</u>	<u>\$ 808,563</u>	<u>\$ 3,528,563</u>

The District pays the amount due September 1 prior to that date. This schedule shows the amounts due within the fiscal year assuming the practice will continue in the future.

Wood Trace Municipal Utility District No. 1, of Montgomery County, Texas
Schedule of Long-Term Debt Service Requirements by Years
August 31, 2024

(Continued)

Due During Fiscal Years Ending August 31	Series 2019		
	Principal Due September 1	Interest Due March 1, September 1	Total
2025	\$ 335,000	\$ 147,300	\$ 482,300
2026	335,000	140,600	475,600
2027	335,000	133,900	468,900
2028	335,000	127,200	462,200
2029	335,000	120,500	455,500
2030	335,000	113,800	448,800
2031	335,000	107,100	442,100
2032	335,000	100,400	435,400
2033	335,000	93,281	428,281
2034	335,000	85,744	420,744
2035	335,000	78,206	413,206
2036	335,000	70,250	405,250
2037	330,000	61,875	391,875
2038	330,000	53,625	383,625
2039	330,000	44,963	374,963
2040	330,000	36,300	366,300
2041	330,000	27,225	357,225
2042	330,000	18,150	348,150
2043	330,000	9,075	339,075
Totals	<u>\$ 6,330,000</u>	<u>\$ 1,569,494</u>	<u>\$ 7,899,494</u>

The District pays the amount due September 1 prior to that date. This schedule shows the amounts due within the fiscal year assuming the practice will continue in the future.

Wood Trace Municipal Utility District No. 1, of Montgomery County, Texas
Schedule of Long-Term Debt Service Requirements by Years
August 31, 2024

(Continued)

Due During Fiscal Years Ending August 31	Series 2020		
	Principal Due September 1	Interest Due March 1, September 1	Total
2025	\$ 195,000	\$ 70,450	\$ 265,450
2026	195,000	68,500	263,500
2027	190,000	64,600	254,600
2028	190,000	60,800	250,800
2029	190,000	57,000	247,000
2030	190,000	53,200	243,200
2031	190,000	49,400	239,400
2032	190,000	45,600	235,600
2033	190,000	41,800	231,800
2034	190,000	38,000	228,000
2035	190,000	34,200	224,200
2036	190,000	30,400	220,400
2037	190,000	26,600	216,600
2038	190,000	22,800	212,800
2039	190,000	19,000	209,000
2040	190,000	15,200	205,200
2041	190,000	11,400	201,400
2042	190,000	7,600	197,600
2043	190,000	3,800	193,800
Totals	<u>\$ 3,620,000</u>	<u>\$ 720,350</u>	<u>\$ 4,340,350</u>

The District pays the amount due September 1 prior to that date. This schedule shows the amounts due within the fiscal year assuming the practice will continue in the future.

Wood Trace Municipal Utility District No. 1, of Montgomery County, Texas
Schedule of Long-Term Debt Service Requirements by Years
August 31, 2024

(Continued)

Due During Fiscal Years Ending August 31	Series 2021		
	Principal Due March 1	Interest Due March 1, September 1	Total
2025	\$ 390,000	\$ 149,719	\$ 539,719
2026	385,000	141,969	526,969
2027	385,000	134,269	519,269
2028	385,000	126,568	511,568
2029	385,000	118,869	503,869
2030	385,000	111,169	496,169
2031	385,000	103,469	488,469
2032	385,000	95,769	480,769
2033	385,000	88,069	473,069
2034	385,000	80,368	465,368
2035	385,000	72,669	457,669
2036	385,000	64,728	449,728
2037	385,000	56,306	441,306
2038	385,000	47,644	432,644
2039	385,000	38,981	423,981
2040	385,000	30,319	415,319
2041	385,000	21,656	406,656
2042	385,000	12,994	397,994
2043	385,000	4,331	389,331
Totals	<u>\$ 7,320,000</u>	<u>\$ 1,499,866</u>	<u>\$ 8,819,866</u>

The District pays the amount due September 1 prior to that date. This schedule shows the amounts due within the fiscal year assuming the practice will continue in the future.

Wood Trace Municipal Utility District No. 1, of Montgomery County, Texas
Schedule of Long-Term Debt Service Requirements by Years
August 31, 2024

(Continued)

Due During Fiscal Years Ending August 31	Series 2022		
	Principal Due March 1	Interest Due March 1, September 1	Total
2025	\$ 125,000	\$ 104,550	\$ 229,550
2026	125,000	97,050	222,050
2027	125,000	89,550	214,550
2028	120,000	82,200	202,200
2029	120,000	75,000	195,000
2030	120,000	69,000	189,000
2031	120,000	64,200	184,200
2032	120,000	59,400	179,400
2033	120,000	54,600	174,600
2034	120,000	49,650	169,650
2035	120,000	44,550	164,550
2036	120,000	39,450	159,450
2037	120,000	34,350	154,350
2038	120,000	29,250	149,250
2039	120,000	24,150	144,150
2040	120,000	18,900	138,900
2041	120,000	13,500	133,500
2042	120,000	8,100	128,100
2043	120,000	2,700	122,700
Totals	<u>\$ 2,295,000</u>	<u>\$ 960,150</u>	<u>\$ 3,255,150</u>

The District pays the amount due September 1 prior to that date. This schedule shows the amounts due within the fiscal year assuming the practice will continue in the future.

Wood Trace Municipal Utility District No. 1, of Montgomery County, Texas
Schedule of Long-Term Debt Service Requirements by Years
August 31, 2024

(Continued)

Due During Fiscal Years Ending August 31	Park Series 2022A		
	Principal Due March 1	Interest Due March 1, September 1	Total
2025	\$ 295,000	\$ 250,725	\$ 545,725
2026	295,000	234,500	529,500
2027	295,000	216,800	511,800
2028	295,000	199,100	494,100
2029	295,000	181,400	476,400
2030	290,000	166,750	456,750
2031	290,000	155,150	445,150
2032	290,000	143,550	433,550
2033	290,000	131,950	421,950
2034	290,000	119,988	409,988
2035	290,000	107,662	397,662
2036	290,000	95,338	385,338
2037	290,000	83,012	373,012
2038	290,000	70,688	360,688
2039	290,000	58,362	348,362
2040	290,000	45,675	335,675
2041	290,000	32,625	322,625
2042	290,000	19,575	309,575
2043	290,000	6,525	296,525
Totals	<u>\$ 5,535,000</u>	<u>\$ 2,319,375</u>	<u>\$ 7,854,375</u>

The District pays the amount due September 1 prior to that date. This schedule shows the amounts due within the fiscal year assuming the practice will continue in the future.

Wood Trace Municipal Utility District No. 1, of Montgomery County, Texas
Schedule of Long-Term Debt Service Requirements by Years
August 31, 2024

(Continued)

Due During Fiscal Years Ending August 31	Series 2023		
	Principal Due March 1	Interest Due March 1, September 1	Total
2025	\$ 240,000	\$ 202,300	\$ 442,300
2026	240,000	190,300	430,300
2027	240,000	178,300	418,300
2028	240,000	166,300	406,300
2029	240,000	154,300	394,300
2030	240,000	142,300	382,300
2031	235,000	131,600	366,600
2032	235,000	122,053	357,053
2033	235,000	112,212	347,212
2034	235,000	102,225	337,225
2035	235,000	92,091	327,091
2036	235,000	81,662	316,662
2037	235,000	71,088	306,088
2038	235,000	60,366	295,366
2039	235,000	49,497	284,497
2040	235,000	38,628	273,628
2041	235,000	27,759	262,759
2042	235,000	16,744	251,744
2043	235,000	5,581	240,581
Totals	<u>\$ 4,495,000</u>	<u>\$ 1,945,306</u>	<u>\$ 6,440,306</u>

The District pays the amount due September 1 prior to that date. This schedule shows the amounts due within the fiscal year assuming the practice will continue in the future.

Wood Trace Municipal Utility District No. 1, of Montgomery County, Texas
Schedule of Long-Term Debt Service Requirements by Years
August 31, 2024

(Continued)

Due During Fiscal Years Ending August 31	Park Series 2023A		
	Principal Due March 1	Interest Due March 1, September 1	Total
2025	\$ 185,000	\$ 153,875	\$ 338,875
2026	185,000	144,625	329,625
2027	185,000	135,375	320,375
2028	185,000	126,125	311,125
2029	185,000	116,875	301,875
2030	185,000	107,625	292,625
2031	185,000	99,300	284,300
2032	185,000	91,900	276,900
2033	180,000	84,600	264,600
2034	180,000	77,175	257,175
2035	180,000	69,525	249,525
2036	180,000	61,762	241,762
2037	180,000	53,888	233,888
2038	180,000	45,900	225,900
2039	180,000	37,800	217,800
2040	180,000	29,587	209,587
2041	180,000	21,263	201,263
2042	180,000	12,825	192,825
2043	180,000	4,275	184,275
Totals	<u>\$ 3,460,000</u>	<u>\$ 1,474,300</u>	<u>\$ 4,934,300</u>

The District pays the amount due September 1 prior to that date. This schedule shows the amounts due within the fiscal year assuming the practice will continue in the future.

Wood Trace Municipal Utility District No. 1, of Montgomery County, Texas
Schedule of Long-Term Debt Service Requirements by Years
August 31, 2024

(Continued)

Due During Fiscal Years Ending August 31	All Requirements For All Series		
	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2025	\$ 2,365,000	\$ 1,458,825	\$ 3,823,825
2026	2,370,000	1,379,450	3,749,450
2027	2,370,000	1,295,840	3,665,840
2028	2,370,000	1,211,744	3,581,744
2029	2,380,000	1,127,105	3,507,105
2030	2,380,000	1,045,391	3,425,391
2031	2,385,000	969,614	3,354,614
2032	2,395,000	895,270	3,290,270
2033	2,395,000	819,512	3,214,512
2034	2,405,000	741,575	3,146,575
2035	2,410,000	662,353	3,072,353
2036	2,420,000	581,265	3,001,265
2037	2,425,000	498,619	2,923,619
2038	2,435,000	414,986	2,849,986
2039	2,450,000	329,903	2,779,903
2040	2,460,000	243,384	2,703,384
2041	1,730,000	155,428	1,885,428
2042	1,730,000	95,988	1,825,988
2043	1,730,000	36,287	1,766,287
Totals	<u>\$ 43,605,000</u>	<u>\$ 13,962,539</u>	<u>\$ 57,567,539</u>

Wood Trace Municipal Utility District No. 1, of Montgomery County, Texas
Changes in Long-Term Bonded Debt
Year Ended August 31, 2024

Bond

	Series 2016	Series 2017	Series 2017A	Series 2018
Interest rates	2.00% to 4.00%	2.00% to 4.00%	2.00% to 4.00%	3.00% to 3.75%
Dates interest payable	March 1/ September 1	March 1/ September 1	March 1/ September 1	March 1/ September 1
Maturity dates	September 1, 2025/2040	September 1, 2025/2040	September 1, 2025/2040	September 1, 2025/2040
Bonds outstanding, beginning of current year	\$ 2,930,000	\$ 2,775,000	\$ 2,550,000	\$ 2,890,000
Bonds sold during current year	-	-	-	-
Retirements, principal	110,000	165,000	150,000	170,000
Bonds outstanding, end of current year	<u>\$ 2,820,000</u>	<u>\$ 2,610,000</u>	<u>\$ 2,400,000</u>	<u>\$ 2,720,000</u>
Interest paid during current year	<u>\$ 111,718</u>	<u>\$ 100,688</u>	<u>\$ 88,875</u>	<u>\$ 96,475</u>

Paying agent's name and address:

Series 2016 - The Bank of New York Mellon Trust Company, N.A., Houston, Texas
Series 2017 - The Bank of New York Mellon Trust Company, N.A., Houston, Texas
Series 2017A - The Bank of New York Mellon Trust Company, N.A., Houston, Texas
Series 2018 - The Bank of New York Mellon Trust Company, N.A., Houston, Texas
Series 2019 - The Bank of New York Mellon Trust Company, N.A., Houston, Texas
Series 2020 - The Bank of New York Mellon Trust Company, N.A., Houston, Texas
Series 2021 - The Bank of New York Mellon Trust Company, N.A., Houston, Texas
Series 2022 - The Bank of New York Mellon Trust Company, N.A., Houston, Texas
Series 2022A - The Bank of New York Mellon Trust Company, N.A., Houston, Texas

	Tax Bonds	Recreational Facilities Bonds	Refunding Bonds
Bond authority:			
Amount authorized by voters	\$ 102,850,000	\$ 38,850,000	\$ 141,700,000
Amount of authorization issued	\$ 42,025,000	\$ 9,290,000	\$ -
Remaining authorization to be issued	<u>\$ 60,825,000</u>	<u>\$ 29,560,000</u>	<u>\$ 141,700,000</u>
Debt service fund cash and temporary investment balances as of August 31, 2024:			<u>\$ 2,042,210</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:			<u>\$ 3,029,870</u>

Issues

Series 2019	Series 2020	Series 2021	Series 2022	Park Series 2022A
2.00% to 2.75%	1.00% to 2.00%	2.00% to 2.25%	4.00% to 6.00%	4.00% to 6.00%
March 1/ September 1	March 1/ September 1	March 1/ September 1	March 1/ September 1	March 1/ September 1
September 1, 2025/2043	September 1, 2025/2043	March 1, 2025/2043	March 1, 2025/2043	March 1, 2025/2043
\$ 6,665,000	\$ 3,815,000	\$ 7,710,000	\$ 2,420,000	\$ 5,830,000
-	-	-	-	-
335,000	195,000	390,000	125,000	295,000
<u>\$ 6,330,000</u>	<u>\$ 3,620,000</u>	<u>\$ 7,320,000</u>	<u>\$ 2,295,000</u>	<u>\$ 5,535,000</u>
<u>\$ 154,000</u>	<u>\$ 72,400</u>	<u>\$ 157,519</u>	<u>\$ 112,050</u>	<u>\$ 266,950</u>

Wood Trace Municipal Utility District No. 1, of Montgomery County, Texas
Changes in Long-Term Bonded Debt
Year Ended August 31, 2024

(Continued)

	Bond Issues		Totals
	Series 2023	Park Series 2023A	
Interest rates	4.00% to 5.00%	4.00% to 5.00%	
Dates interest payable	March 1/ September 1	March 1/ September 1	
Maturity dates	March 1, 2025/2043	March 1, 2025/2043	
Bonds outstanding, beginning of current year	\$ -	\$ -	\$ 37,585,000
Bonds sold during current year	4,495,000	3,460,000	7,955,000
Retirements, principal	-	-	1,935,000
Bonds outstanding, end of current year	<u>\$ 4,495,000</u>	<u>\$ 3,460,000</u>	<u>\$ 43,605,000</u>
Interest paid during current year	<u>\$ 166,061</u>	<u>\$ 110,950</u>	<u>\$ 1,437,686</u>

Paying agent's name and address:

Series 2023 - The Bank of New York Mellon Trust Company, N.A., Houston, Texas

Series 2023A - The Bank of New York Mellon Trust Company, N.A., Houston, Texas

Wood Trace Municipal Utility District No. 1, of Montgomery County, Texas
Comparative Schedule of Revenues and Expenditures – General Fund
Five Years Ended August 31,

	Amounts				
	2024	2023	2022	2021	2020
General Fund					
Revenues					
Property taxes	\$ 1,632,349	\$ 1,285,105	\$ 917,717	\$ 746,144	\$ 764,630
Water service	385,319	480,035	421,930	287,175	230,305
Sewer service	534,190	517,737	430,233	332,167	237,901
Regional water fee	463,314	525,066	422,920	246,926	260,257
Penalty and interest	9,756	9,655	7,221	5,520	4,335
Tap connection and inspection fees	7,022	110,031	366,921	300,645	114,312
Investment income	252,947	141,301	18,624	11,129	28,616
Other income	600	138	4,701	50	2,710
Total revenues	<u>3,285,497</u>	<u>3,069,068</u>	<u>2,590,267</u>	<u>1,929,756</u>	<u>1,643,066</u>
Expenditures					
Service operations:					
Regional water authority	389,976	561,396	448,488	263,066	269,705
Professional fees	188,726	140,853	120,524	123,525	192,285
Contracted services	462,322	430,959	352,160	271,142	204,600
Utilities	167,758	152,999	129,970	111,138	103,523
Repairs and maintenance	363,414	484,841	414,822	367,746	315,538
Other expenditures	125,988	126,313	86,799	74,146	61,682
Tap connections	600	34,200	144,410	113,600	61,570
Capital outlay	243,093	53,228	109,586	311,531	41,909
Debt service, debt issuance costs	40,073	94,448	101,624	60,845	56,250
Total expenditures	<u>1,981,950</u>	<u>2,079,237</u>	<u>1,908,383</u>	<u>1,696,739</u>	<u>1,307,062</u>
Excess of Revenues Over Expenditures	<u>1,303,547</u>	<u>989,831</u>	<u>681,884</u>	<u>233,017</u>	<u>336,004</u>
Other Financing Sources					
Interfund transfers in	109,421	114,647	71,745	52,085	-
Insurance proceeds	-	-	8,734	-	-
Total other financing sources	<u>109,421</u>	<u>114,647</u>	<u>80,479</u>	<u>52,085</u>	<u>-</u>
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>1,412,968</u>	<u>1,104,478</u>	<u>762,363</u>	<u>285,102</u>	<u>336,004</u>
Fund Balance, Beginning of Year	<u>3,889,167</u>	<u>2,784,689</u>	<u>2,022,326</u>	<u>1,737,224</u>	<u>1,401,220</u>
Fund Balance, End of Year	<u>\$ 5,302,135</u>	<u>\$ 3,889,167</u>	<u>\$ 2,784,689</u>	<u>\$ 2,022,326</u>	<u>\$ 1,737,224</u>
Total Active Retail Water Connections	<u>1,023</u>	<u>1,023</u>	<u>1,006</u>	<u>761</u>	<u>599</u>
Total Active Retail Wastewater Connections	<u>997</u>	<u>996</u>	<u>977</u>	<u>753</u>	<u>572</u>

Percent of Fund Total Revenues				
2024	2023	2022	2021	2020
49.7 %	41.9 %	35.4 %	38.6 %	46.5 %
11.7	15.6	16.3	14.9	14.0
16.3	16.9	16.6	17.2	14.5
14.1	17.1	16.3	12.8	15.8
0.3	0.3	0.3	0.3	0.3
0.2	3.6	14.2	15.6	7.0
7.7	4.6	0.7	0.6	1.7
0.0	0.0	0.2	0.0	0.2
100.0	100.0	100.0	100.0	100.0
11.9	18.3	17.3	13.6	16.4
5.7	4.6	4.7	6.4	11.7
14.1	14.1	13.6	14.1	12.5
5.1	5.0	5.0	5.7	6.3
11.1	15.8	16.0	19.1	19.2
3.8	4.1	3.4	3.8	3.8
0.0	1.1	5.6	5.9	3.8
7.4	1.7	4.2	16.1	2.5
1.2	3.1	3.9	3.2	3.4
60.3	67.8	73.7	87.9	79.6
39.7 %	32.2 %	26.3 %	12.1 %	20.4 %

Wood Trace Municipal Utility District No. 1, of Montgomery County, Texas
Comparative Schedule of Revenues and Expenditures – Debt Service Fund
Five Years Ended August 31,

	Amounts				
	2024	2023	2022	2021	2020
Debt Service Fund					
Revenues					
Property taxes	\$ 3,731,217	\$ 2,952,287	\$ 2,172,869	\$ 1,797,907	\$ 1,433,418
Penalty and interest	47,705	11,311	23,635	11,857	8,817
Investment income	161,887	120,650	13,032	3,798	19,106
Other income	-	-	-	14	30
Total revenues	<u>3,940,809</u>	<u>3,084,248</u>	<u>2,209,536</u>	<u>1,813,576</u>	<u>1,461,371</u>
Expenditures					
Current:					
Professional fees	3,351	4,121	2,600	376	1,268
Contracted services	46,548	44,997	33,710	29,253	26,643
Other expenditures	25,694	7,853	10,481	8,576	4,357
Debt service:					
Principal retirement	1,935,000	1,510,000	1,115,000	1,115,000	915,000
Interest and fees	<u>1,446,386</u>	<u>1,138,706</u>	<u>845,137</u>	<u>701,138</u>	<u>635,700</u>
Total expenditures	<u>3,456,979</u>	<u>2,705,677</u>	<u>2,006,928</u>	<u>1,854,343</u>	<u>1,582,968</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>483,830</u>	<u>378,571</u>	<u>202,608</u>	<u>(40,767)</u>	<u>(121,597)</u>
Other Financing Sources					
Interfund transfers in	-	1,977	-	4,165	-
General obligation bonds issued	<u>-</u>	<u>275,800</u>	<u>169,219</u>	<u>39,125</u>	<u>180,700</u>
Total other financing sources	<u>-</u>	<u>277,777</u>	<u>169,219</u>	<u>43,290</u>	<u>180,700</u>
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>483,830</u>	<u>656,348</u>	<u>371,827</u>	<u>2,523</u>	<u>59,103</u>
Fund Balance, Beginning of Year	<u>1,531,628</u>	<u>875,280</u>	<u>503,453</u>	<u>500,930</u>	<u>441,827</u>
Fund Balance, End of Year	<u>\$ 2,015,458</u>	<u>\$ 1,531,628</u>	<u>\$ 875,280</u>	<u>\$ 503,453</u>	<u>\$ 500,930</u>

Percent of Fund Total Revenues				
2024	2023	2022	2021	2020
94.7 %	95.7 %	98.3 %	99.1 %	98.1 %
1.2	0.4	1.1	0.7	0.6
4.1	3.9	0.6	0.2	1.3
-	-	-	0.0	0.0
100.0	100.0	100.0	100.0	100.0
0.1	0.1	0.1	0.0	0.1
1.2	1.5	1.5	1.6	1.8
0.6	0.2	0.5	0.5	0.3
49.1	49.0	50.5	61.5	62.6
36.7	36.9	38.2	38.7	43.5
87.7	87.7	90.8	102.3	108.3
12.3 %	12.3 %	9.2 %	(2.3) %	(8.3) %

Wood Trace Municipal Utility District No. 1, of Montgomery County, Texas
Board Members, Key Personnel and Consultants
Year Ended August 31, 2024

Complete District mailing address:	Wood Trace Municipal Utility District No. 1, of Montgomery County, Texas c/o Schwartz, Page & Harding, L.L.P. 1300 Post Oak Boulevard, Suite 2400 Houston, Texas 77056
District business telephone number:	713.623.4531
Submission date of the most recent District Registration Form (TWC Sections 36.054 and 49.054):	May 9, 2024
Limit on fees of office that a director may receive during a fiscal year:	\$ 7,200

Board Members	Term of Office Elected & Expires	Fees*	Expense Reimbursements	Title at Year-End
James Art Nicholson	Elected 05/22- 05/26	\$ 2,431	\$ -	President
Dexter Braband	Elected 05/24- 05/28	2,210	-	Vice President
David Ambrose	Elected 05/22- 05/26	1,989	-	Secretary
David Berenger	Elected 05/24- 05/28	1,105	182	Assistant Secretary
David Ricke	Elected 05/24- 05/28	884	210	Assistant Secretary
Mercedes C. Burns	Elected 05/20- 05/24	1,989	-	Term Expired
Elias Hinojosa	Elected 05/20- 05/24	1,768	-	Term Expired

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

Wood Trace Municipal Utility District No. 1, of Montgomery County, Texas
Board Members, Key Personnel and Consultants
Year Ended August 31, 2024

(Continued)

Consultants	Date Hired	Fees and Expense Reimbursements	Title
Bob Leared Interests	03/15/01	\$ 38,780	Tax Assessor/ Collector
Forvis Mazars, LLP	11/06/03	52,100	Auditor
LJA Engineering, Inc.	10/23/13	289,574	Engineer
Masterson Advisors LLC	05/08/18	167,122	Financial Advisor
Montgomery Central Appraisal District	Legislative Action	30,464	Appraiser
Municipal Accounts & Consulting, L.P.	03/15/01	80,143	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	04/04/02	3,351	Delinquent Tax Attorney
Schwartz, Page & Harding, L.L.P.	03/15/01	223,946 87,760	Bond Counsel General Counsel
Water District Management Company, Inc.	04/03/09	478,851	Operator
Investment Officers			
Mark M. Burton and Ghia Lewis	03/26/03	N/A	Bookkeepers