

PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 8, 2025

This Preliminary Official Statement is subject to completion and amendment and is intended solely for the purpose of soliciting initial bids on the Bonds. Upon the sale of the Bonds, the Official Statement will be completed and delivered to the Initial Purchaser.

IN THE OPINION OF BOND COUNSEL, UNDER EXISTING LAW, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES, AND INTEREST ON BONDS IS NOT SUBJECT TO THE ALTERNATIVE MINIMUM TAX ON INDIVIDUALS. SEE "TAX MATTERS" FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.

THE DISTRICT WILL NOT DESIGNATE THE BONDS AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS. SEE "TAX MATTERS—NOT QUALIFIED TAX-EXEMPT OBLIGATIONS FOR FINANCIAL INSTITUTIONS" HEREIN.

NEW ISSUE-Book-Entry Only

Underlying Rating: S&P "A"
See "MUNICIPAL BOND RATING AND
MUNICIPAL BOND INSURANCE" herein.

\$13,750,000
RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
(A political subdivision of the State of Texas located within Montgomery County)
UNLIMITED TAX BONDS
SERIES 2025

Dated Date: November 1, 2025

Due: March 1, as shown below

Interest Accrual Date: Date of Delivery

The bonds described above (the "Bonds") will be issued in fully registered form only, in denominations of \$5,000 or any integral multiple of \$5,000 for any one maturity. Principal of the Bonds will be payable at stated maturity or redemption upon presentation of the Bonds at the principal payment office of the paying agent/registrar, initially The Bank of New York Mellon Trust Company, N.A., Houston, Texas (the "Paying Agent/Registrar"). Interest accrues from the initial date of delivery (expected to be on or about November 25, 2025) (the "Date of Delivery") and is payable March 1, 2026, and each September 1 and March 1 thereafter until the earlier of maturity or redemption on the basis of a 360-day year of twelve 30-day months.

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

MATURITY SCHEDULE

Initial					Initial				
Due	Principal	Interest	Reoffering	CUSIP	Due	Principal	Interest	Reoffering	CUSIP
(March 1)	Amount (c)	Rate	Yield (a)	Number (d)	(March 1)	Amount (c)	Rate	Yield (a)	Number (d)
2030	\$ 300,000				2042	\$ 555,000 (b)			
2031	315,000				2043	580,000 (b)			
2032	330,000 (b)				2044	610,000 (b)			
2033	350,000 (b)				2045	645,000 (b)			
2034	365,000 (b)				2046	680,000 (b)			
2035	385,000 (b)				2047	715,000 (b)			
2036	405,000 (b)				2048	750,000 (b)			
2037	430,000 (b)				2049	790,000 (b)			
2038	450,000 (b)				2050	830,000 (b)			
2039	475,000 (b)				2051	875,000 (b)			
2040	500,000 (b)				2052	920,000 (b)			
2041	525,000 (b)				2053	970,000 (b)			

- (a) Initial reoffering yield represents the initial offering yield to the public which has been established by the Initial Purchaser (as herein defined) for offers to the public and which may be subsequently changed by the Initial Purchaser and is the sole responsibility of the Initial Purchaser. The initial reoffering yields indicated above represent the lower of the yields resulting when priced at maturity or to the first call date.
- (b) Bonds maturing on and after March 1, 2032, are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on March 1, 2031, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. See "THE BONDS—Redemption Provisions."
- (c) The Initial Purchaser may elect to designate one or more term bonds. See accompanying Official Notice of Sale and Official Bid Form.
- (d) CUSIP Numbers have been 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 Initial Purchaser shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.

The Bonds, when issued, will constitute valid and legally binding obligations of Rayford Road Municipal Utility District (the "District") and will be payable from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. The Bonds are obligations solely of the District and are not obligations of the State of Texas, Montgomery County, the City of Houston, the City of Conroe or any entity other than the District. The Bonds are subject to special investment risks described herein. See "INVESTMENT CONSIDERATIONS."

The Bonds are offered by the Initial Purchaser subject to prior sale, when, as and if issued by the District and accepted by the Initial Purchaser, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Smith, Murdaugh, Little & Bonham, L.L.P., Bond Counsel. Delivery of the Bonds through DTC is expected on or about November 25, 2025.

Bids Due: Thursday, October 30, 2025 at 9:15 A.M., Houston Time in Houston, Texas
Bid Award: Thursday, October 30, 2025 at 6:30 P.M., Houston Time in Spring, Texas

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USE OF INFORMATION IN OFFICIAL STATEMENT

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission, as amended and in effect on the date hereof, this document constitutes an Official Statement 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 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 representation 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, orders, resolutions, 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 Smith, Murdaugh, Little & Bonham, L.L.P., 2727 Allen Parkway, Suite 1100, Houston, Texas 77019, upon payment of duplication costs.

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 Initial Purchaser and thereafter only as specified in “PREPARATION OF OFFICIAL STATEMENT—Updating the Official Statement.”

OFFICIAL STATEMENT SUMMARY

The following information is qualified in its entirety by the more detailed information and financial statements appearing elsewhere in this Official Statement.

THE DISTRICT

<i>Description...</i>	The District is a political subdivision of the State of Texas created by the Texas Legislature on May 6, 1969. The District contains approximately 1,314 acres of land. The District is authorized to provide waterworks, sanitary sewage collection and treatment and drainage facilities to the land within its boundaries. Outfall drainage in the District is being provided by Montgomery County Drainage District No. 6 (“DD No. 6”) and Montgomery County Drainage District No. 10 (“DD No. 10”). See “THE DISTRICT—Storm Sewer and Drainage System.”
<i>Location...</i>	The District is located in southern Montgomery County, Texas between the cities of Houston and Conroe, approximately 30 miles north of downtown Houston, and 15 miles south of Conroe, Texas. Most of the District is within the extraterritorial jurisdiction of the City of Houston, and the balance of the District is within the extraterritorial jurisdiction of the City of Conroe. Approximately 976 acres of land in the District are located within the boundaries of DD No. 6, and the remaining approximately 338 acres of land are located within the boundaries of DD No. 10. See “THE DISTRICT” and “AERIAL PHOTOGRAPH.”
<i>Status of Development ...</i>	<p>Development of the District began in 1979. Approximately 1,125 acres of land within the District have been developed as the primarily single family residential subdivisions of Imperial Oaks, Sections 1 through 12 and 14; Imperial Oaks Village, Sections 1 through 3; Mapled Estates; Imperial Oaks Estates, Sections 1 through 4; Imperial Oaks Park, Sections 1 through 11; Enclave at Imperial Oaks; Imperial Oaks Forest, Sections 1 and 2 and Imperial Lakes, Section 1 (collectively, 3,619 single family lots). As of August 31, 2025, homes were constructed on all lots within the District (3,604 homes occupied). Based on the 2025 tax rolls, the average home value is \$301,000.</p> <p>The following commercial businesses are also located in the District: a day care center, a community center, and a strip shopping center (Imperial Oaks Plaza) that includes a Signature Kroger with a gas station, a Burger King, a Subway, a Little Caesars, three banks, and other service/retail businesses. Approximately 40 acres in the District have been developed or restricted for parks, recreation and open spaces and approximately 149 undevelopable acres consist of pipeline easements, drainage easements, streets, rights-of-way, wetlands, and a waste disposal site. There is no remaining developable acreage in the District. See “THE DISTRICT.”</p>
<i>Payment Record...</i>	The District has previously issued eleven series of waterworks and sewer system combination unlimited tax and revenue bonds, two series of unlimited tax bonds, and nine series of unlimited tax refunding bonds. The District has \$15,205,000 principal amount of such bonds outstanding (the “Outstanding Bonds”) as of September 1, 2025. The District has never defaulted in the timely payment of any previously issued bonds.

THE BONDS

<i>The Issuer...</i>	Rayford Road Municipal Utility District (the “District”), a political subdivision of the State of Texas, is located in Montgomery County, Texas. See “THE DISTRICT.”
<i>The Issue...</i>	Rayford Road Municipal Utility District \$13,750,000 Unlimited Tax Bonds, Series 2025 (the “Bonds”), dated November 1, 2025. The Bonds mature serially on March 1 in each year 2030 through 2053, both inclusive, in the principal amounts set forth on the cover page hereof. Interest on the Bonds will accrue from the Date of Delivery, with interest payable March 1, 2026, and each September 1 and March 1 thereafter until maturity. See “THE BONDS.”

<i>Redemption...</i>	Bonds maturing on or after March 1, 2032 are subject to redemption in whole, or from time to time in part, at the option of the District prior to their maturity dates on March 1, 2031, or on any date thereafter at a price of par value plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. See “THE BONDS—Redemption Provisions.”
<i>Book-Entry-Only System ...</i>	The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC, pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See “THE BONDS—Book-Entry-Only System.”
<i>Use of Proceeds...</i>	Proceeds from the sale of the Bonds will be used to finance (1) water line replacement and sanitary sewer rehabilitation in two sections of Imperial Oaks; (2) rehabilitation of the wastewater treatment plant; (3) rehabilitation of Lift Station No. 3; (4) rehabilitation of Lift Station No. 4; and (5) engineering fees. Bond proceeds will also be used to pay six (6) months of capitalized interest and certain costs associated with the issuance of the Bonds. See “USE AND DISTRIBUTION OF BOND PROCEEDS.”
<i>Authority for Issuance...</i>	The Bonds are the first series of bonds issued out of an aggregate of \$23,100,000 principal amount of unlimited tax bonds authorized by the District’s voters for the purpose of constructing and/or acquiring a water, wastewater and drainage system. The Bonds are issued by the District pursuant to an order of the Texas Commission on Environmental Quality (the “Commission”), an order authorizing the issuance of the Bonds (the “Bond Order”), an election held in the District, Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, and general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas. See “THE BONDS—Authority for Issuance.”
<i>Source of Payment ...</i>	The Bonds are payable from a continuing direct annual ad valorem tax, unlimited as to rate or amount, levied against all taxable property within the District. The Bonds are obligations solely of the District and are not obligations of the State of Texas, Montgomery County, the City of Houston, the City of Conroe or any entity other than the District. See “THE BONDS—Source of Payment.”
<i>Not Qualified Tax-Exempt Obligations ...</i>	The Bonds will not be designated as “Qualified Tax-Exempt Obligations” for financial institutions. See “TAX MATTERS—Not Qualified Tax-Exempt Obligations for Financial Institutions.”
<i>Municipal Bond Rating and Municipal Bond Insurance...</i>	Application has been made to S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”) for an underlying rating on the Bonds, and S&P has assigned an underlying rating of “A” 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 Initial Purchaser at the Initial Purchaser’s expense. The rating fee of S&P will be paid for by the District; payment of any other rating fee will be the responsibility of the Initial Purchaser. See “INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance” and “MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE.”
<i>Bond Counsel ...</i>	Smith, Murdaugh, Little & Bonham, L.L.P., Bond Counsel, Houston, Texas.
<i>Financial Advisor ...</i>	Masterson Advisors LLC, Houston, Texas.
<i>Disclosure Counsel ...</i>	McCall, Parkhurst & Horton L.L.P., Houston, Texas.
<i>Investment Considerations ...</i>	The purchase and ownership of the Bonds are subject to special investment considerations, and all prospective purchasers are urged to examine carefully the entire Official Statement for a discussion of investment risks, including particularly the section captioned “INVESTMENT CONSIDERATIONS.”

SELECTED FINANCIAL INFORMATION

2025 Taxable Assessed Valuation	\$1,085,515,570 (a)
Gross Debt Outstanding (after the issuance of the Bonds)	\$28,955,000 (b)
Estimated Overlapping Debt.....	<u>64,564,504 (c)</u>
Gross Debt and Estimated Overlapping Debt	\$93,519,504
Ratio of Gross Debt to:	
2025 Taxable Assessed Valuation	2.67%
Ratio of Gross Debt and Estimated Overlapping Debt to:	
2025 Taxable Assessed Valuation	8.62%
Debt Service Fund Balance as of September 8, 2025	\$1,586,331
Operating Fund Balance as of September 8, 2025	\$2,696,467
2025 Debt Service Tax Rate	\$0.264
2025 Maintenance Tax Rate	<u>0.150</u>
2025 Total Tax Rate	\$0.414/\$100 A.V.
Projected Average Annual Debt Service Requirements (2026-2053) of the Bonds at an assumed interest rate of 4.75% ("Average Requirement")	\$1,505,936
Projected Maximum Annual Debt Service Requirement (2027) of the Bonds at an assumed interest rate of 4.75% ("Maximum Requirement")	\$2,971,271
Tax Rate Required to Pay Average Requirement (2026-2053) at a 95% Collection Rate Based upon 2025 Taxable Assessed Valuation	\$0.15/\$100 A.V.
Tax Rate Required to Pay Maximum Requirement (2027) at a 95% Collection Rate Based upon 2025 Taxable Assessed Valuation	\$0.29/\$100 A.V.
Water and Sewer Connections as of August 31, 2025:	
Completed Homes – Occupied	3,604
Completed Homes – Vacant	20
Commercial Connections	17
Other Connections (Irrigation, School and Civic Club)	<u>188</u>
Total.....	3,829

Estimated 2025 Population – 12,614 (d)

- (a) The Montgomery Central Appraisal District (the "Appraisal District") has certified \$1,030,876,981 of value as of January 1, 2025. According to the Appraisal District, estimated final value with hearing loss of the properties remaining uncertified totals \$54,638,589. The above total represents the certified value plus the estimated final value with hearing loss of the uncertified value. See "TAX PROCEDURES."
- (b) See "FINANCIAL STATEMENT—Outstanding Bonds."
- (c) See "ESTIMATED OVERLAPPING DEBT AND TAX RATES STATEMENT."
- (d) Based upon 3.5 persons per occupied home.

PRELIMINARY OFFICIAL STATEMENT

\$13,750,000

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT

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

UNLIMITED TAX BONDS

SERIES 2025

This Official Statement provides certain information in connection with the issuance by Rayford Road Municipal Utility District (the “District”) of its \$13,750,000 Unlimited Tax 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 “Commission”), and an election held within the District on May 3, 2025.

This Official Statement includes descriptions, among others, of the Bonds and the Bond Order, and certain other information about the District, and development activity within the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of such documents may be obtained from the District upon payment of the costs of duplication therefor from Smith, Murdaugh, Little & Bonham, L.L.P., Bond Counsel, 2727 Allen Parkway, Suite 1100, Houston, Texas 77019.

THE BONDS

Description

The Bonds are dated November 1, 2025, and will accrue interest from the Date of Delivery with interest payable each March 1 and September 1 (each an “Interest Payment Date”), beginning March 1, 2026, and mature on the dates and in the principal amounts and pay interest at the rates shown on the cover page hereof. The definitive Bonds will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company (“DTC”) pursuant to the Book-Entry-Only System described herein. No physical delivery of the Bonds will be made to the owners thereof. Initially, principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See “Book-Entry-Only System” herein.

In the event the Book-Entry-Only System is discontinued, interest on the Bonds shall be payable by check on or before each interest payment date, mailed by the Paying Agent/Registrar to the registered owners (“Registered Owners”) as shown on the bond register (the “Register”) kept by the Paying Agent/Registrar at the close of business on the 15th calendar day of the month immediately preceding each interest payment date to the address of such Registered Owner as shown on the Register, or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and a Registered Owner at the risk and expense of such Registered Owner.

Use of Certain Terms in Other Sections of this Official Statement

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

Registration, Transfer and Exchange

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” herein. 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 bond register on behalf of the District.

Paying Agent/Registrar

Provisions are 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.

Redemption Provisions

The District reserves the right, at its option, to redeem the Bonds maturing on and after March 1, 2032, prior to their scheduled maturities, in whole or, from time to time in part, in integral multiples of \$5,000 on March 1, 2031, or any date thereafter, at a price of the principal amount of bonds to be redeemed plus accrued interest to the date fixed for redemption. If less than all of the Bonds of a given maturity are to be redeemed, the particular Bonds to be redeemed shall be selected by the Paying Agent/Registrar by random method selection (or by DTC in accordance with its procedures while the Bonds are in Book-Entry-Only form).

Notice of any redemption identifying the Bonds to be redeemed in whole or in part shall be given by the Paying Agent/Registrar at least thirty (30) days prior to the date fixed for redemption by sending written notice by first class mail to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the Register. Such notices shall state the redemption date, the redemption price, the place at which the Bonds are to be surrendered for payment and, if less than all the Bonds outstanding within any one maturity are to be redeemed, the numbers of the Bonds or the portions thereof to be redeemed. Any notice given shall be conclusively presumed to have been duly given, whether or not the Registered Owner receives such notice. By the date fixed for redemption, due provision shall be made with the Paying Agent/Registrar for payment of the redemption price of the Bonds or portions thereof to be redeemed, plus accrued interest to the date fixed for redemption. When Bonds have been called for redemption in whole or in part and due provision has been made to redeem the same as herein provided, the Bonds or portions thereof so redeemed shall no longer be regarded as outstanding except for the purpose of receiving payment solely from the funds so provided for redemption, and the rights of the Registered Owners to collect interest which would otherwise accrue after the redemption date on any Bond or portion thereof called for redemption shall terminate on the date fixed for redemption.

Source of Payment

The Bonds, when issued, will constitute valid and binding obligations of the District and are payable as to principal and interest from and are secured by the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. Tax proceeds, after deduction for collection costs, will be placed in the Debt Service Fund (as defined in the Bond Order) and used solely to pay principal of and interest on the Bonds, the Outstanding Bonds, and on any additional bonds issued by the District payable from taxes which may be levied. See "TAX DATA."

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

Funds

The Bond Order confirms the prior establishment of the District's Debt Service Fund and the Capital Projects Fund. The Debt Service Fund is to be kept separate from all other funds of the District and used for payment of debt service on the Bonds and any of the District's duly authorized additional bonds, together with interest thereon, as such becomes due. Amounts on deposit in the Debt Service Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar, and to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Bonds, the Outstanding Bonds, and any additional bonds.

Six (6) months of capitalized interest will be deposited into the Debt Service Fund upon receipt. The remaining proceeds from sale of the Bonds including interest earnings thereon, will be deposited into the Capital Projects Fund to be used for the purpose of acquiring and constructing District facilities and for paying the costs of issuing the Bonds. See "THE SYSTEM—Use and Distribution of Bond Proceeds" for a complete description of the use of Bond proceeds.

The Bond Order also confirms the previous establishment of the District's General Fund. The District deposits, as collected, all revenues derived from operation of the District's water and wastewater system and from maintenance taxes into the General Fund. From the General Fund, the District pays all administration, operation, and maintenance expenses of the water and wastewater system and the District's storm drainage system, recreational facilities and streetlights in the District. Any funds remaining in the General Fund after payment of maintenance and operating expenses, and to the extent they are ever necessary, after any payments pledged pursuant to the requirements of the Bonds, may be used by the District for any lawful purposes.

Authority for Issuance

At an election held within the District on May 3, 2025, the voters of the District authorized the issuance of a total of \$23,100,000 principal amount of unlimited tax bonds for purposes of acquiring and constructing the District's water, wastewater and drainage facilities. After issuance of the Bonds, \$9,350,000 principal amount of unlimited tax bonds for purposes of acquiring and constructing the District's water, wastewater, and drainage facilities will remain authorized but unissued. See "Issuance of Additional Debt" below.

The Commission, pursuant to its order approving sale of the Bonds, has authorized the District to sell the Bonds for the purposes described in "THE SYSTEM—Use and Distribution of Bond Proceeds."

The Bonds are issued by the District pursuant to the terms and conditions of the Bond Order, the order of the Commission, Article XVI, Section 59 of the Texas Constitution, the general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas, and Chapters 49 and 54 of the Texas Water Code, as amended. Before the Bonds can be issued, the Attorney General of Texas must pass upon the legality of certain related matters. The Attorney General of Texas does not guarantee or pass upon the safety of the Bonds as an investment or upon the adequacy of the information contained in this Official Statement. See "LEGAL MATTERS—Legal Opinion."

Issuance of Additional Debt

The District's voters have authorized the issuance of \$23,100,000 in principal amount of unlimited tax bonds for purposes of acquiring and constructing the District's water, wastewater and drainage facilities to serve land within the District and \$39,500,000 for refunding outstanding Bonds of the District. The voters in the District could authorize additional amounts. After issuance of the Bonds, \$9,350,000 principal amount of unlimited tax bonds for purposes of acquiring and constructing the District's water, wastewater, and drainage facilities will remain authorized but unissued and \$35,914,119.62 principal amount of unlimited tax bonds authorized but unissued for refunding outstanding bonds of the District. The Bond Order imposes no limitation on the amount of additional parity bonds which may be subsequently authorized for issuance by the District's voters or the amount ultimately issued by the District.

The District is authorized to issue bonds payable from an ad valorem tax to pay for the development and maintenance of parks and recreational facilities if (i) the District duly adopts a plan for the facilities; (ii) the bonds are authorized at an election; (iii) the bonds payable from any source do not exceed 1% of the value of the taxable property in the District at the time of issuance of the bonds, or, in the event the District meets certain conditions, 3% of the value of the taxable property in the District at the time of issuance of the bonds, but in no event in an amount greater than the estimated cost in the plan; (iv) the District obtains any necessary governmental consents allowing the issuance of such bonds; (v) the issuance of the bonds is approved by the TCEQ in accordance with its rules with respect to same; and (vi) the bonds are approved by the Attorney General of Texas. At this time, the District's voters have not authorized the issuance of bonds for recreational facilities.

The District is authorized by law to establish, operate and maintain fire-fighting facilities, independently or with one or more conservation or reclamation districts, and to issue bonds payable from an ad valorem tax to finance such facilities, after approval by the City of Houston, the City of Conroe, the Commission and voters of the District. The District has not considered calling such an election at this time.

Pursuant to Chapter 54 of the Water Code, a municipal utility district may petition the Commission for the power to issue bonds supported by property taxes to finance roads. Before the District could issue such bonds, the District would be required to receive a grant of such power from the Commission, authorization from the District's voters to issue such bonds, and approval of the bonds by the Attorney General of Texas. The District has not considered filing an application to the Commission for "road powers" nor calling such an election at this time.

Issuance of additional bonds or other subsequently authorized bonds could affect the investment quality or security of the Bonds. See "INVESTMENT CONSIDERATIONS—Future Debt."

Defeasance

The District may defease the Bonds pursuant to provisions of the Bond Order and discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal of and interest on the Bonds in any manner permitted by law. Under current Texas law, such discharge may be accomplished as follows: (1) by paying or causing to pay principal and interest due on the Bonds (whether at maturity, redemption or otherwise) in accordance with the terms of the Bonds; (2) 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 (3) by depositing with any place of payment (paying agent) of the Bonds or other obligations of the District payable with revenues from ad valorem taxes or both, or with a commercial bank or trust company designated in the proceedings authorizing the discharge, moneys or investments which, together with interest earned on or profits to be realized from such investments, will be sufficient to pay principal, interest or redemption price to maturity or to the date fixed for redemption of the Bonds provided that such deposits may be invested and reinvested only in (a) direct obligations of the United States of America, (b) non-callable 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) non-callable 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, and which mature and /or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and /or redemption of the Bonds. Upon such payment or deposit, the Bonds shall no longer be regarded as outstanding and unpaid. However, if the maturity date on the Bonds shall not have then arrived, provision shall be made by the District for payment to the Registered Owners of the Bonds at the date of maturity or at a date fixed for redemption in full amount to which the Registered Owners would be entitled by way of principal, interest and redemption price to the date of such maturity or redemption as provided in the Bond Order, and further provided written notice thereof shall have been given as provided in the Bond Order.

Annexation

Most of the land within the District is located within the extraterritorial jurisdiction ("ETJ") of the City of Houston, and the balance of land within the District is located within the ETJ of the City of Conroe. Under Texas law, the land within a district that is within the ETJ of a city may be annexed by that city without the consent of the district. In addition, neither city can annex portions of the District in its ETJ unless (i) such annexation is approved by a majority of those voting in an election held for that purpose within the area to be annexed and (ii) if the registered voters in the area to be annexed do not own more than 50 percent of the land in the area, a petition has been signed by more than 50 percent of the landowners consenting to the annexation. In the event of such annexation of a portion of the District either by the City of Houston or the City of Conroe, there is no provision in the law for either city to dissolve the District or assume the District's obligations following annexation, and the District would retain the obligation to make debt service payments on the Bonds if annexation should occur.

Consolidation

A district (such as the District) has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its assets, such as cash and the utility system, with the assets of districts with which it is consolidating as well as its liabilities (which would include the Bonds). No representation is made concerning the likelihood of consolidation, although consolidation is not contemplated at this time.

Strategic Partnership

Texas law authorizes the District to enter into a strategic partnership agreement with the City of Houston to provide the terms and conditions under which services would be provided and funded by the parties and under which the district would continue to exist for an extended period if the land within the district were to be annexed for limited purposes by the City of Houston. Although the City of Houston has negotiated and entered into such agreements with several other districts in its ETJ, none is currently contemplated with respect to the District. No representation can be made regarding the future likelihood of an agreement or the terms thereof.

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.

Amendments

The District has reserved the right to amend the Bond Order without the consent of the Registered Owners as may be required (a) by the provisions of the Bond Order, (b) for the purpose of curing any ambiguity, inconsistency, or formal defect or omission in the Bond Order, or (c) in connection with any other change not to the prejudice of the Registered Owners, but the District may not otherwise amend the terms of the Bonds or of the Bond Order without the consent of the Registered Owners.

No Arbitrage

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

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 observance or performance of any other covenants, conditions, or obligations set forth in the Bond Order, the Registered Owners have the statutory right of a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond 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. See “INVESTMENT CONSIDERATIONS—Registered Owners’ Remedies and Bankruptcy Limitations.”

Book-Entry-Only System

The information in this section concerning DTC and DTC’s book-entry-only 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.

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered 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 3.6 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+” by 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).

Principal, premium, if any, interest payments and redemption proceeds 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 of principal, premium, if any, interest payments and redemption proceeds 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 DISTRICT

General

The District, located in Montgomery County, Texas, was created by the Texas Legislature on May 6, 1969, as a water control and improvement district. On April 26, 1973, the Texas Water Rights Commission, predecessor to the Commission, converted the District into a municipal utility district, and the District is currently operating under and governed by Chapters 49 and 54, Texas Water Code, as amended.

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation, and treatment of wastewater; the control and diversion of storm water; and the collection of solid waste. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District also is empowered to establish, operate, and maintain fire-fighting facilities, independently or with one or more conservation and reclamation districts, after approval by the City of Houston, the City of Conroe, the Commission and the voters of the District. The District has the power to contract for peace officers to prevent or abate the commission of certain offenses against the rules of the District and the laws of the State of Texas. The District is authorized by statute to develop parks and recreational facilities. Additionally, the District may develop and finance roads, subject to certain limitations and the granting of road powers by the Commission.

The Commission exercises continuing supervisory jurisdiction over the District. Construction and operation of the District's water, sewer and storm drainage system (the "System") is subject to the regulatory jurisdiction of the City of Houston, as to facilities located within the City of Houston ETJ, and of additional State of Texas agencies. See "THE SYSTEM—Regulation."

Description and Location

The District contains approximately 1,314 acres. The District is located approximately 30 miles north of the central downtown business district of the City of Houston and 15 miles south of the City of Conroe and lies within the boundaries of the Conroe Independent School District. Access to the District from Houston is currently provided by Interstate Highway 45 or the Hardy Toll Road to Rayford Road. See "AERIAL PHOTOGRAPH."

Status of Development

Development of the District began in 1979. Approximately 1,125 acres of land within the District have been developed as the primarily single family residential subdivisions of Imperial Oaks, Sections 1 through 12 and 14, Imperial Oaks Village, Sections 1 through 3, Mapled Estates, Imperial Oaks Estates, Sections 1 through 4, Imperial Oaks Park, Sections 1 through 11, Enclave at Imperial Oaks, Imperial Oaks Forest, Sections 1 and 2 and Imperial Lakes, Section 1 (collectively, 3,619 single family lots). As of August 31, 2025, homes were constructed on all lots within the District (3,604 homes occupied). Based on the 2025 tax rolls, the average home value is \$301,000.

In addition to residential development, the District has various small commercial properties, including a day care center, a community center, and a strip shopping center (Imperial Oaks Plaza) that includes a Signature Kroger with a gas station, a Burger King, a Subway, a Little Caesars, three banks, and other service/retail businesses. Approximately 40 acres in the District have been developed or restricted for parks, recreation and open spaces and approximately 149 undevelopable acres consist of pipeline easements, drainage easements, streets, rights-of-way, wetlands, and a waste disposal site. There is no remaining developable acreage in the District.

Storm Sewer and Drainage System

Approximately 976 acres of land in the District are located within the boundaries of Montgomery County Drainage District No. 6. DD No. 6 is a conservation and reclamation district initially created by the Montgomery County Commissioners Court to construct and maintain a series of storm sewers and drainage channels to provide area-wide outfall drainage within the Sam Bell Gully watershed. The District is partially within the drainage area served by the DD No. 6 system, and DD No. 6's Channel III D & F receive drainage from all developed areas of the District, except Imperial Oaks Park, Sections 6 through 11, Imperial Oaks Forest, Sections 1 and 2, Enclave at Imperial Oaks and a portion of Imperial Lakes Section 1. DD No. 6 levies annual ad valorem taxes on all taxable property within its boundaries, including approximately 976 acres of land in District, to provide funds for maintenance of the drainage system and pay debt service on DD No. 6's outstanding bonds. See "INVESTMENT CONSIDERATIONS—Overlapping Taxes."

The remaining land in the District, approximately 338 acres, is located within the boundaries of Montgomery County Drainage District No. 10. DD No. 10 is a conservation and reclamation district created by the Montgomery County Commissioners Court to construct and maintain drainage channels and stormwater detention facilities to provide outfall drainage within the Woodsons Gully watershed and the White Oak Creek watershed. DD No. 10 Facilities receive drainage from Imperial Oaks Park, Sections 6 through 11, Imperial Oaks Forest, Sections 1 and 2, Enclave at Imperial Oaks, and a portion of Imperial Lakes, Section 1. DD No. 10 levies annual ad valorem taxes on all taxable property within its boundaries, including the approximately 338 acres of land in the District, to provide funds for maintenance of the drainage system. See "INVESTMENT CONSIDERATIONS—Overlapping Taxes."

Community Facilities

The Imperial Oaks Park is a 40-acre recreational facility with amenities including a paved jogging trail, a wetlands nature area with observation decks, a picnic pavilion and various playground facilities. The District also operates and maintains soccer fields and T-ball fields. The Imperial Oaks Recreation Center is also located within the District and includes a swimming pool, bath house, and related facilities. Numerous neighborhood shopping facilities are located along Interstate 45 near the District and regional shopping facilities, including The Woodlands Mall, are located within a few miles of the District. The Conroe Independent School District has constructed 19 elementary schools, 7 intermediate schools, 5 junior high schools and 4 high schools to service the area within its boundaries, including the District.

Police protection is provided by the Montgomery County Constable's Office. The District also has an interlocal agreement with Montgomery County for supplemental law enforcement services provided by the Precinct No. 3 Constable. Fire protection is provided by the Montgomery County Emergency Services District No. 8. Medical care for District residents is available from Memorial Hermann The Woodlands Hospital, approximately four miles north of the District.

Waste Disposal Site

During original construction of DD No. 6's drainage Channel III-D in 1980, the contractor excavated a portion of an abandoned, unmarked waste disposal site within the boundaries of the District. The site, containing approximately 17.46 acres, located in an old oil field and adjacent to the Union Pacific Railroad right-of-way, was examined by the Texas Department of Water Resources, predecessor to the Commission (the "Department"), and at the Department's request, various engineering surveys and testing procedures were performed on waste materials at the site. The waste materials were found to be nontoxic, nonhazardous chemical waste materials that had been dumped into trenches on the site at undetermined times ten or more years prior to the drainage ditch construction. At the direction of the Department, DD No. 6, with participation of DD No. 6's engineers and contractor, the current and former owners of the site and certain adjoining property, and Rohm and Haas Texas Incorporated ("Rohm and Haas"), a chemical manufacturer located in Deer Park, Texas, conducted a series of tests of water in the drainage channel and of groundwater at locations around the site. The water and ground water were found not to be contaminated with any materials from the waste site. Under further direction of the Department, DD No. 6 and the other parties provided funds for construction of a permanent clay-lined containment pit at the site, and all waste materials that had been excavated and that could be collected from the area were placed into the containment pit. The pit was then backfilled, seeded and fenced, and following an inspection by the Department, the containment measures were approved.

In 1999 Rohm and Haas secured approval from the Commission and other agencies having jurisdiction and accomplished a voluntary cleanup program in which all waste materials were excavated from the site and hauled to a licensed disposal facility. The site was then backfilled with clean soil that was free from trash, debris, roots or other organic matter, and the site was returned to its natural grade. A series of test wells for sampling groundwater were installed around the site for future monitoring in accordance with the voluntary cleanup program. The site continues to be subject to Commission oversight and remains undeveloped.

MANAGEMENT OF THE DISTRICT

Board of Directors

The District is governed by the Board of Directors, 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 only. All of the directors reside within the District. The current members and officers of the Board, along with their titles and terms, are listed as follows:

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jon Vallery	President	May 2026
Frank Moore	Vice President	May 2026
Aaron Schoech	Secretary	May 2026
Renee Smith	Director	May 2028
Margaret Saxe	Director	May 2028

While the District does not employ any employees, it has contracted for certain services as follows:

Tax Appraisal

Land and improvements within the District are appraised for ad valorem taxation purposes by the Montgomery Central Appraisal District.

Tax Assessor/Collector

The Montgomery County Tax Assessor/Collector serves as Tax Assessor/Collector for the District.

Bookkeeper

The District contracts with Myrtle Cruz, Inc. for bookkeeping services.

Operator

The District contracts with Municipal Operations & Consulting for maintenance and operation of the District's system and parks.

Engineer

The consulting engineer for the District in connection with the design and construction of certain District facilities is IDS Engineering Group (the “Engineer”).

Attorney

The District has engaged Smith, Murdaugh, Little & Bonham, L.L.P. as general counsel and as Bond Counsel in connection with the issuance of the Bonds.

Financial Advisor

Masterson Advisors LLC (the “Financial Advisor”) serves as financial advisor to the District. The fee to be paid the Financial Advisor is contingent upon sale and delivery of the Bonds.

Auditor

As required by the Texas Water Code, the District retains an independent auditor to audit the District’s financial statements annually, which audit is filed with the Commission. The District’s audited financial statements for the fiscal year ending May 31, 2025 have been prepared by McCall Gibson Swedlund Barfoot Ellis PLLC. See “APPENDIX A” for a copy of the District’s May 31, 2025 audited financial statements.

THE SYSTEM

Regulation

Construction and operation of the District's water, sewer and storm drainage facilities as they now exist or as they may be expanded from time-to-time is subject to regulatory jurisdiction of several state and local authorities. The Commission exercises continuing supervisory authority over the District. Montgomery County and the City of Houston also exercise regulatory jurisdiction over the System. A portion of the District is also located in the ETJ of the City of Conroe, but that city does not review plans because the land is outside its planning area. In addition, the Lone Star Groundwater Conservation District, a groundwater conservation district, is responsible for regulation of groundwater supplies in Montgomery County, including the District’s water wells.

Water Supply

The District is served by Water Plant No. 1, Water Plant No. 2, and a 1,000 gpm remote well that serves Water Plant No. 2. Water Plant No. 1 consists of a 800-gpm well and pump, 572,200 gallons of ground storage tank capacity, 2,600 gpm of booster pump capacity and 30,000 gallons of pressure tank capacity. Water Plant No. 2 consists of a 1,176-gpm well and pump, 856,000 gallons of ground storage capacity, 4,000 gpm of booster pump capacity, and 30,000 gallons of pressure tank capacity. According to the Engineer, the District’s water supply facilities are sufficient to serve approximately 3,987 equivalent single family connections, which is in accordance with the limitation imposed by the Commission in their letter dated April 10, 2017 approving the District’s request for an exemption to the requirement for elevated storage. A portion of Bond proceeds will be used for water line replacements within the District. See “USE AND DISTRIBUTION OF BOND PROCEEDS.”

As of September 24, 2015, the District began receiving surface water from the San Jacinto River Authority in the first phase of implementation of its groundwater reduction plan. See “—San Jacinto River Authority GRP Agreement” herein.

The District has emergency water interconnects with Southern Montgomery County Municipal Utility District, Montgomery County Municipal Utility District No. 115, and Montgomery County Municipal Utility District No. 99 (“MUD 99”). All interconnects are normally closed but will be opened to allow one of the districts to receive water during an emergency that substantially reduces the production capability of the receiving district’s water supply system.

The Interconnect Agreement with MUD 99 also provided for construction of a bypass line and valves (the “Bypass Facilities”) in the interconnect facilities to enable either the District or MUD 99 to receive water temporarily in the event of an emergency. The Bypass Facilities are normally closed, but in an emergency, the Bypass Facilities may be opened to allow water to flow freely without passing through the metering equipment. In an emergency, either party may utilize the interconnect facilities by giving notice to the providing district and then opening the Bypass Facilities. The receiving district will pay the providing district for water received through the Bypass Facilities, including any pumpage fees levied by the Lone Star Groundwater Conservation District and the San Jacinto River Authority on water pumped from district wells.

Lone Star Groundwater Conservation District

The District is located within the boundaries of the Lone Star Groundwater Conservation District (the “Conservation District”) which was created by the Texas Legislature to conserve, protect and enhance the groundwater resources of Montgomery County. The Conservation District adopted rules and a regulatory plan for the conservation, preservation, protection, recharge and prevention of waste of groundwater, groundwater reservoirs or their subdivisions and to control subsidence caused by the withdrawal of groundwater from those groundwater resources or their subdivisions.

The Conservation District initially required persons and entities, including the District, that pump groundwater from wells to apply for and obtain permits for the withdrawal of groundwater under terms and conditions provided in the Conservation District’s rules. The Conservation District adopted an initial District Regulatory Plan which called for the reduction of groundwater withdrawal throughout Montgomery County to volumes that do not exceed the recharge capabilities of aquifers in the County to prevent the long-term depletion of the aquifers.

Large water users, including the District, were required to prepare and submit a two-part Water Resources Assessment Plan (“WRAP”) that identified methods and plans for reduction of groundwater usage through the development of alternate water resources, including the design and construction of infrastructure facilities to purchase and transport surface water to affected areas within the County. The initial requirement and deadline for reduction of groundwater use by the District by 30% was January 1, 2016.

The District participated in a joint WRAP prepared by the San Jacinto River Authority as described below.

Upon passage of House Bill 1982 by the 85th Texas Legislature in 2017, the Conservation District board of directors was changed from a nine-member appointed board to a seven-member elected board. The first election was held on November 6, 2018, and the new board assumed office in on November 18, 2018. Since taking office, the new board members have made major changes to its groundwater management plan.

In August of 2015, dissatisfied with the production limits the Conservation District created through the rulemaking authority delegated to it by the Texas Legislature, a group of large water producers filed suit claiming that the rules the Conservation District created imposing per-producer yearly production limits on their production of groundwater were invalid because they purported to regulate the production limits on their production of groundwater in ways the Texas Legislature never authorized. On October 2, 2018, in *City of Conroe, Texas et al vs. Richard J. Tram, et al*, the 284th District Court of Montgomery County, Texas ruled that, as a matter of law, the core groundwater reduction regulation, which the Conservation District had imposed on large groundwater producers, was outside of the Conservation District’s authority under the Texas Water Code and was not valid. The Conservation District appealed directly to the Beaumont Court of Appeals for review of the decision. However, at the Conservation District board meeting held on January 23, 2019, the newly elected board announced that they unanimously agreed on a settlement offer with the large water producers, and the appeal was withdrawn. On May 17, 2019, as a result of the settlement, a Final Judgment was signed in the underlying suit, which held the key Conservation District regulations are “unlawful, void, and unenforceable.”

On February 5, 2019, the Conservation District issued its notice of impending regulatory changes to comply with that judgment. In addition, in March of 2019, the Conservation District adopted an amended Groundwater Management Plan and submitted the plan to the Texas Water Development Board for review and approval in accordance with the requirements of Chapter 36 of the Texas Water Code. In May of 2019, the Texas Water Development Board rejected the amended Groundwater Management Plan. The Conservation District appealed the rejection of the amended Groundwater Management Plan, and following mediation, the revised management plan was approved by the Texas Water Development Board on June 4, 2020. On September 9, 2020, the Conservation District adopted new rules that supersede the substantive requirements of the 2009 District Regulatory Plans in that such rules (a) no longer require a reduction in ground water pumpage and conversion to alternative source of water, and (b) no longer require participation in a groundwater reduction plan. Such new rules further provide, among other things, that the Conservation District may implement proportional reductions in groundwater pumpage in the future. The full impact of these matters on the District is not known at this time. Regulatory changes by the Conservation District may impact the District's production of groundwater from its wells. Regardless of the non-existence of the original regulations and uncertainty regarding future mandates (if any), the joint WRAP prepared by the SJRA is currently still in place.

The Conservation District currently bills permit holders \$0.085 per 1,000 gallons of water pumped from wells to finance the Conservation District's operations. This amount is subject to future increases.

San Jacinto River Authority GRP Agreement

In response to the then current Conservation District requirements, the San Jacinto River Authority ("SJRA") expressed a willingness to assume responsibility to construct and operate a surface water treatment plant at or near Lake Conroe and a water transmission system to major populated areas of Montgomery County, thus enabling the entire county to comply with the then current Conservation District requirements.

SJRA offered to enter into a contract for groundwater reduction planning, alternative water supply, and related goods and services (the "GRP Contract") with all large water users in the county to achieve the goals for reduction of groundwater pumpage for the entire county. Approximately 147 large volume water users in Montgomery County, including the District (collectively the "Participants"), approved and entered into the GRP Contract.

Pursuant to the GRP Contract, SJRA developed, implemented and enforced a groundwater reduction plan ("GRP") covering all Participants to achieve and maintain compliance with the Conservation District requirements. The initial focus of the GRP was the design and construction of a surface water treatment and transmission system (the "Project") to be owned and operated by SJRA for the benefit of all Participants.

The SJRA designed, permitted, financed, constructed, owned, operated and maintained the Project, to be constructed in phases. A group compliance approach was to be utilized. Certain large volume Participants may be wholly-converted to treated surface water while other users may continue to use groundwater. This approach was expected to minimize overall Project cost, equalize costs for Participants and avoid geographic advantages and disadvantages.

All Participants pay a monthly groundwater pumpage fee for groundwater pumped from wells. The pumpage fee was set so that Participants are neither benefitted nor penalized for utilizing groundwater, and allowances are made for Participant costs of operating and maintaining their wells.

Participants that receive treated surface water from the Project will pay the prevailing rate for water, which rate is set so that Participants are neither benefitted nor penalized for being required to take water from the Project under the GRP and allowances are made for Participant costs of operating on-site water facilities, as well as operating and maintaining their wells. The pumpage fees and water service fees received from the Project will be comparable, so that all Participants will be paying equivalent charges without preference for customers within or outside the areas converted to surface water.

SJRA issued \$554,555,358 principal amount of special project and water revenue bonds to finance the capital costs on the Project, and groundwater pumpage fees and water service fees will be used to cover costs of service on the bonds. Effective September 1, 2025 the rate is \$2.62 per 1,000 gallons of water pumped from wells. The District pays the pumpage fees based upon the amount of water pumped from its wells each month. The District passes these pumpage fees and Conservation District fees on to customers in the District.

In 2016, the City of Conroe and the City of Magnolia advised the SJRA that it they would not pay the rate increases that became effective September 1, 2016, of \$0.07 per thousand gallons for the Pumpage Fee and the Surface Water Fee. The Pumpage Fee and Surface Water Fee were further increased effective September 1, 2017. The City of Conroe and the City of Magnolia have not paid more than the rates set in 2015. On August 31, 2016, the SJRA filed suit in the District Court of Travis County, Texas, pursuant to Chapter 1205 of the Texas Government Code, seeking a declaratory judgment that (i) the SJRA is authorized to set rates for its GRP Participants pursuant to the procedures set forth in the GRP Contracts, (ii) the SJRA adopted its fiscal year 2017 Rate Order, including the setting of its fiscal year 2017 rates, in accordance with the procedures set forth in the GRP Contracts, (iii) the SJRA's fiscal year 2017 rates, the Rate Order, and the GRP Contract are legal and valid, and (iv) the City of Conroe's refusal to pay the fiscal year 2017 rate is a breach of its GRP Contract. The Cities of Conroe, Magnolia, and Splendora, Texas, along with two privately-owned water utilities, Quadvest, L.P. and Woodlands Oaks Utility, L.P. (collectively, the "Intervenors") have intervened in opposition to the SJRA's suit.

The Third Court of Appeals, Austin ruled in September 2018 that the suit was properly filed by the SJRA and should be sent back to the District Court for further proceedings on the first three declarations sought by the SJRA, as described above. The Third Court of Appeals ruled that the SJRA could not pursue the fourth declaration, as described above, under Chapter 1205 of the Texas Government Code. A separate suit would need to be filed to achieve such declaration. Since such ruling, the Intervenor filed a petition for review with the Texas Supreme Court, which was granted. In an opinion delivered on March 27, 2020, the Texas Supreme Court held that the SJRA can use the expedited Declaratory Judgment Act to determine whether the GRP contracts were validly executed, but claims regarding whether the SJRA complied with the terms of such contracts in establishing rates and changes to the GRP Participants (as well as claims regarding whether the Intervenor have breached the contract by withholding certain payments) will have to be litigated unless separate breach of contract actions, with venue likely lying in the District Court in Montgomery County. The EDJA suit has been remanded to the District Court for further proceedings. While the EDJA suit was pending before the Texas Supreme Court, Quadvest, L.P., Woodlands Oaks Utility, L.P., and certain other privately-owned water utilities filed suit against the Authority in District Court in Montgomery County, Texas, alleging breach of contract claims related to the GRP Fees (the “Rate Suit”). The Authority filed cross-claims against the Cities of Conroe, Magnolia, Texas, in the Rate Suit seeking to recover unpaid GRP Fees from such Cities. In response, the Cities of Conroe, Magnolia, Texas filed pleas arguing that immunity barred the Authority’s claims. The District Court granted the pleas, and the ruling was upheld by the Ninth Court of Appeals, Beaumont. SJRA and the City of Conroe settled their claims on August 16, 2025, and as a condition of the settlement, the SJRA will propose amendments to the SJRA contract. The Authority has filed a separate rate suit against Quadvest, L.P. and Woodlands Oaks Utility, L.P. to recover unpaid GRP Fees from such utilities and SJRA recovered fees from the private utilities. Quadvest, L.P. and Woodlands Oaks Utility, L.P. have also filed a suit against the Authority in the U.S. District Court for the Southern District of Texas, Houston Division, alleging violations of federal antitrust law when it entered into the GRP Contracts. At this time, no evaluation can be made as to the outcome of this matter or its impact on the SJRA and the resultant impact on GRP Participants such as the District.

In November 2010, the SJRA announced plans to provide up to 1.2 million gallons of surface water to the District. In September 2016, the District began receiving treated surface water. Effective September 1, 2025, the SJRA assesses surface water fees of \$3.21 per 1,000 gallons of surface water delivered. The SJRA pumpage fees and charges for surface water delivered to the District will increase as the costs of the Project are incurred but the District is unable to predict the magnitude of such increases.

Stormwater Discharge Permit

On August 13, 2007, the Commission issued a general permit for stormwater discharges associated with small municipal separate storm sewer systems in certain urbanized areas of the State of Texas, including the area of the District. That permit expired on August 12, 2012 and the renewed permits were adopted on December 11, 2013, January 24, 2019, and again on August 15, 2024.

The District joined DD No. 6, four other municipal utility districts, one other drainage district, and the City of Oak Ridge North, all located in The Woodlands Urbanized Area, in a series of Inter-Local Cooperation Agreements that formed and provided for operation of the South Montgomery County Storm Water Coalition (the “Coalition”) for the purpose of combining and sharing resources to file applications for municipal separate storm sewer system (“MS4”) permits as required by the Commission general permit.

The District and other Coalition participants each obtained MS4 permits under the 2007 permit and adopted storm water management plans to achieve six minimum control measures that are called for in the 2007 MS4 permits. The District and other Coalition participants applied for coverage under the renewed 2013, 2019 and 2024 general MS4 permits. The District and other Coalition participants are acting together to perform tasks to carry out certain best management practices and take actions to accomplish the minimum control measures and file annual reports with the Commission as required by the permits. Accordingly, the District is in compliance with the Commission general permit and the District’s MS4 permit.

Wastewater Treatment System

The District owns and operates a 950,000 gallon per day (“gpd”) wastewater treatment plant which, according to the engineer, is capable of providing wastewater treatment capacity for approximately 3,987 equivalent single family connections, under current regulatory criteria. A portion of Bond proceeds will be used for rehabilitation and improvements to the wastewater treatment plant. See “USE AND DISTRIBUTION OF BOND PROCEEDS.”

Storm Drainage System and 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 no 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 past several years. According to the Federal Emergency Management Agency Flood Insurance Rate Map Nos. 48339C0545G and 48339C0685G, both dated August 18, 2014, some of the 100-year flood plain is contained within varying width DD No. 6 easements for Sam Bell Gully. The other portion of the 100-year flood plain is contained within Montgomery County Drainage District No. 10 easements which drain to Woodson’s Gully. See “INVESTMENT CONSIDERATIONS—Severe Weather Events.”

Approximately 976 acres of land in the District are located within the boundaries of DD No. 6, and the remaining approximately 338 acres of land in the District are located within the boundaries of DD No. 10, whose systems of underground piping, drainage channels and storm water detention ponds serve to remove and protect the District from the 100-year floodplain. According to the most recent Federal Emergency Management Agency (FEMA) Floodplain Maps, effective December 19, 1996, there are no areas of the District that lie within the 100-year floodplain, except the area contained within the drainage facilities.

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USE AND DISTRIBUTION OF BOND PROCEEDS

The estimated use and distribution of Bond proceeds is shown below. Of proceeds to be received from sale of the Bonds, \$12,301,625 is for construction costs, and \$1,448,375 is for nonconstruction costs and issuance costs and fees. Surplus funds, if any, may be expended for any lawful purpose for which surplus construction funds may be used, if approved by the Commission, where required.

I. CONSTRUCTION COSTS

• Imperial Oaks Section Nine Water Line Replacement	\$ 1,029,700
• Imperial Oaks Section Thirteen Water Line Replacement	697,200
• Wastewater Treatment Plant Rehabilitation.....	7,290,600
• Lift Station No. 3 Rehabilitation.....	328,500
• Lift Station No. 4 Rehabilitation.....	360,300
• Contingency.....	1,038,130
• Engineering and Testing.....	1,557,195
Total Construction Costs.....	\$ 12,301,625

II. NON-CONSTRUCTION COSTS

• Underwriter's Discount (Estimated at 3.00%) (a).....	\$ 412,500
• Capitalized Interest (Six Months Estimated at 5.25%) (a).....	360,938
Total Non-Construction Costs.....	\$ 773,438

III. ISSUANCE COSTS AND FEES

• Issuance Costs and Professional Fees.....	\$ 561,062
• Bond Application Report Cost.....	70,000
• State Regulatory Fees.....	43,875
Total Issuance Costs and Fees.....	\$ 674,937
TOTAL BOND ISSUE.....	\$ 13,750,000

(a) In its order approving the Bonds, the Commission directed that any surplus bond proceeds resulting from the sale of the Bonds at a lower interest rate than that proposed, shall be shown as a contingency line item in the Official Statement and the use of such funds shall be subject to approval by the Commission.

BONDS AUTHORIZED BUT UNISSUED

<u>Date of</u> <u>Authorization</u>	<u>Purpose</u>	<u>Amount</u> <u>Authorized</u>	<u>Issued</u> <u>to Date</u>	<u>Amount</u> <u>Unissued</u>
5/3/2025	Water, Wastewater and Drainage Facilities	\$23,100,000	\$13,750,000*	\$9,350,000*

* Includes the Bonds.

FINANCIAL STATEMENT

2025 Taxable Assessed Valuation\$1,085,515,570 (a)

Direct Debt:

Outstanding Bonds (as of September 1, 2025)	\$15,205,000	(b)
Plus: The Bonds	<u>13,750,000</u>	
Gross Debt Outstanding.....	\$28,955,000	

Ratio of Gross Debt to:

2025 Taxable Assessed Valuation 2.67%

Area of District – 1,314 Acres
Estimated 2025 Population – 12,614 (c)

- (a) The Montgomery Central Appraisal District (the “Appraisal District”) has certified \$1,030,876,981 of value as of January 1, 2025. According to the Appraisal District, estimated final value with hearing loss of the properties remaining uncertified totals \$54,638,589. The above total represents the certified value plus the estimated final value with hearing loss of the uncertified value. See “TAX PROCEDURES.”
- (b) See “Outstanding Bonds” herein.
- (c) Based upon 3.5 persons per occupied home.

Cash and Investment Balances (unaudited as of September 8, 2025)

Operating Fund	Cash and Temporary Investments	\$2,696,467
Debt Service Fund	Cash and Temporary Investments	\$1,586,331 (a)
Capital Projects Fund	Cash and Temporary Investments	\$7,005,521 (b)

- (a) An amount equal to six (6) months of interest on the Bonds will be capitalized from proceeds of the issue and deposited to the Debt Service Fund. Neither Texas law nor the Bond Order requires the District to maintain any minimum balance in the Debt Service Fund.
- (b) Includes approximately \$6,420,000 in bond proceeds related to the Unlimited Tax Bonds, Series 2021.

Investment Policies and Procedures

The District has adopted an Investment Policy as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code. The District's goal is to preserve principal and maintain liquidity while securing a competitive yield on its portfolio. Funds of the District are invested in short-term obligations of the U.S. Treasury and federal agencies, 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 or intend to purchase long-term securities or derivative products.

Outstanding Bonds (as of September 1, 2025)

Series	Original Principal Amount	Outstanding Bonds
2015 (a)	\$ 2,925,000	\$ 960,000
2019 (a)	7,885,000	3,745,000
2021	12,000,000	10,500,000
Total	\$ 22,810,000	\$ 15,205,000

(a) Unlimited tax refunding bonds.

ESTIMATED OVERLAPPING DEBT AND TAX RATES STATEMENT

Expenditures of the various taxing entities which include the territory in the District are paid out of ad valorem taxes levied by such entities on properties within the District. Such entities are independent of the District and may incur borrowings to finance their expenditures. This statement of direct and estimated overlapping ad valorem tax bonds ("Tax Debt") was developed from information contained in "Texas Municipal Reports" published by the Municipal Advisory Council of Texas. Except for the amounts relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed may have issued additional bonds since the date of such reports, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot be determined. The following table reflects the estimated share of overlapping Tax Debt allocable to the District.

Taxing Jurisdiction	Outstanding Bonds	As of	Overlapping	
			Percent	Amount
Montgomery County.....	\$ 516,260,000	9/30/2025	0.99%	\$ 5,110,974
Montgomery County Drainage District No. 10 (a)...	14,330,000	9/30/2025	73.81%	10,576,973
Lone Star College District.....	434,530,000	9/30/2025	0.32%	1,390,496
Conroe ISD.....	2,512,490,000	9/30/2025	1.89%	47,486,061
Total Estimated Overlapping Debt.....				\$ 64,564,504
The District.....	28,955,000 (b)	Current	100.00%	28,955,000
Total Direct and Estimated Overlapping Debt.....				\$ 93,519,504
Direct and Estimated Overlapping Debt as a Percentage of:				
2025 Taxable Assessed Valuation.....				8.62%

(a) Montgomery County Drainage District No. 6 also overlaps a portion of the District but has no general obligation debt currently outstanding.

(b) Includes the Bonds and the Outstanding Bonds.

Overlapping Tax Rates for 2025

	2025 Tax Rate per \$100 of Taxable <u>Assessed Valuation</u>
Montgomery County.....	\$ 0.37700
Montgomery County Hospital District	0.04730
Montgomery County Drainage District No. 10 (a).....	0.26500
Conroe Independent School District	0.94960
Montgomery County ESD No. 8.....	0.09370
Lone Star College System.....	<u>0.10600</u>
Total Overlapping Tax Rate.....	\$ 1.83860
The District	<u>0.41400</u>
Total Tax Rate.....	\$ 2.25260

- (a) Approximately 338 acres within the District lie within Montgomery County Drainage District No. 10. The remaining approximately 976 acres within the District lie within Montgomery County Drainage District No. 6 which set its 2025 rate at \$0.113 per \$100 assessed valuation.

TAX DATA

Debt Service Tax

The Board will covenant in the Bond Order to levy and collect, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax which, when added to other funds legally available to the District for payment of the District's outstanding debt obligations, is adequate to provide funds to pay the principal of and interest on the Bonds.

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, upon authorization of the District's voters. At a maintenance tax election conducted April 1, 1978, voters of the District authorized the Board to levy a maintenance tax at a rate not to exceed \$0.15 per \$100 assessed valuation. The maintenance tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds and the Outstanding Bonds.

Tax Rate Distribution

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Debt Service	\$ 0.264	\$ 0.264	\$ 0.264	\$ 0.295	\$ 0.344
Maintenance and Operations	<u>0.150</u>	<u>0.150</u>	<u>0.150</u>	<u>0.150</u>	<u>0.150</u>
Total	\$ 0.414	\$ 0.414	\$ 0.414	\$ 0.445	\$ 0.494

Historical Tax Collections

The following statement of tax collections sets forth in condensed form the historical tax collection experience of the District. This summary has been prepared for inclusion herein, based upon information from District records. Reference is made to such records for further and more complete information.

Tax Year	Certified Taxable Assessed Valuation	Tax Rate	Total Tax Levy	Total Collections as of August 31, 2025 (a)	
				Amount	Percent
2020	\$ 740,559,248	\$ 0.500	\$ 3,702,796	\$ 3,702,796	100.00%
2021	773,191,344	0.494	3,819,565	3,818,404	99.97%
2022	882,349,827	0.445	3,926,457	3,924,428	99.95%
2023	969,542,627	0.414	4,013,906	4,008,384	99.86%
2024	1,051,796,122	0.414	4,354,436	4,333,538	99.52%

(a) Unaudited.

Taxes are due October 1 (or when billed, if later) and are delinquent after January 31 of the following year. No split payments are allowed, and no discounts are allowed.

Tax Exemptions

As discussed in the section titled “TAXING PROCEDURES” herein, certain property in the District may be exempt from taxation by the District. For 2025, the District has adopted a \$45,000 exemption for persons who are 65 or older and/or disabled and a ten percent (10%) general residential homestead exemption.

Additional Penalties

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

Tax Roll Information

The District’s certified value as of January 1 of each year is used by the District in establishing its tax rate for the same year. See “TAXING PROCEDURES—Levy and Collection of Taxes.” The following represents the type of property comprising the District’s tax roll for the years 2023 through 2025. These values may differ slightly from values in other sections of the Official Statement due to different reporting dates. An accurate breakdown related to the uncertified portion (\$54,638,589) of the 2025 Taxable Assessed Valuation is not available.

	2025 Taxable Assessed Valuation	2024 Taxable Assessed Valuation	2023 Taxable Assessed Valuation
Land	\$ 218,449,906	\$ 229,266,383	\$ 221,712,460
Improvements	963,448,102	1,030,609,415	1,001,054,710
Personal Property	26,611,391	21,480,388	14,650,208
Exemptions	(177,632,418)	(229,560,064)	(267,874,751)
Certified Value	1,030,876,981	1,051,796,122	969,542,627
Uncertified Value	54,638,589	-	-
Total	\$ 1,085,515,570	\$ 1,051,796,122	\$ 969,542,627

Principal Taxpayers

The following table represents the principal taxpayers for 2025, the type of property, the certified taxable assessed value of such property, and such property's assessed value as a percentage of the certified portion (\$1,030,876,981) of the District's 2025 Taxable Assessed Valuation of \$1,085,515,570. An accurate principal taxpayer list related to the uncertified portion (\$54,638,589) of the 2025 Taxable Assessed Valuation, which is subject to change and downward adjustment, is not available. See "INVESTMENT CONSIDERATIONS—Dependence on Principal Taxpayers."

<u>Taxpayer</u>	<u>Type of Property</u>	<u>2025 Certified Taxable Assessed Valuation</u>	<u>% of 2025 Certified Taxable Assessed Valuation</u>
Rayford Land Inv Co. #2 Ltd	Strip Center	\$ 11,623,347	1.13%
Kroger Texas LP #34XX003	Grocery Store	7,915,853	0.77%
Centerpoint Energy Hou Elec	Electric Utility	4,323,500	0.42%
Kroger Signature Store #373	Grocery Store	3,858,404	0.37%
Kuehne and Nagel	Commercial	3,674,540	0.36%
Individual	Houses and Lots	3,327,649	0.32%
Rayford Land Investor's Company	Strip Center	3,312,205	0.32%
American Homes 4 Rent Properties	Houses and Lots	2,880,923	0.28%
AMH 2015-2 Borrower LLC	Commercial/Retail	2,670,327	0.26%
Centerpoint Energy Entex	Gas Utility	2,646,640	0.26%
Total		\$ 46,233,388	4.48%

Tax Adequacy for Debt Service

The calculations shown below assume, solely for purposes of illustration, no increase or decrease in assessed valuation over the 2025 Taxable Assessed Valuation of \$1,085,515,570, and a debt service tax rate necessary to pay the District's average annual debt service requirements on the District's Outstanding Bonds and the Bonds at a ninety-five percent (95%) collection rate. See "INVESTMENT CONSIDERATIONS—Impact on District Tax Rates."

Average Annual Debt Service Requirement (2026-2053).....	\$1,505,936
\$0.15 Tax Rate on the 2025 Taxable Assessed Valuation.....	\$1,546,860
Maximum Annual Debt Service Requirement (2027).....	\$2,971,271
\$0.29 Tax Rate on the 2025 Taxable Assessed Valuation.....	\$2,990,595

No representation or suggestion is made that the uncertified portion of the 2025 Taxable Assessed Valuation will be certified as taxable value by the Appraisal District, and no person should rely upon such amount or its inclusion herein as assurance of its attainment. See "TAXING PROCEDURES."

TAXING PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in an amount sufficient to pay the principal of and interest on the Outstanding Bonds, the Bonds and any additional bonds payable from taxes which the District may hereafter issue (see "INVESTMENT CONSIDERATIONS—Future Debt") and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Order to levy such a tax from year to year as described more fully herein under "THE BONDS—Source of Payment." Under Texas law, the Board may also levy and collect an annual ad valorem tax for the operation and maintenance of the District. See "TAX DATA—Maintenance and Operations Tax."

Tax Code and County-Wide Appraisal District

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

The 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 an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district. The Montgomery Central Appraisal District has the responsibility for appraising property for all taxing units 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”).

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; certain goods, wares and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years or older and of certain disabled persons to the extent deemed advisable by the Board. For tax year 2025, the District has adopted a residential homestead exemption in the amount of \$45,000 for persons age 65 and older and disabled persons. Additionally, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between \$5,000 and \$12,000 depending on the disability rating of the veteran. 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. See “TAX DATA.”

Partially disabled veterans or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. The surviving spouse of a member of the armed forces who was killed or 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. The surviving spouse of a first responder who was killed or fatally injured in the line of duty is, subject to certain conditions, also entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

Residential Homestead Exemptions: The Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) (not less than \$5,000) of the appraised value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The District has granted a general homestead exemption of ten percent (10%). See “TAX DATA.”

Freeport Goods and Goods-in-Transit Exemptions: A “Freeport Exemption” applies to goods, wares, ores, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A “Goods-in-Transit” Exemption is applicable to the same categories of tangible personal property which are covered by the Freeport Exemption, if, for tax year 2011 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded

to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2012 and subsequent years, such Goods-in-Transit Exemption includes tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit personal property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. The District has taken official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years.

Tax Abatement

Montgomery County or the City of Houston or the City of Conroe may designate all or part of the area within the District as a reinvestment zone. Thereafter, Montgomery County, the District, the City of Conroe and the City of Houston, under certain circumstances, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement, which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (10) years, all or any part of any increase in the 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 the terms of the tax abatement. Each taxing jurisdiction has discretion to determine certain terms for its tax abatement agreements without regard to such terms approved by the other taxing jurisdictions.

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Generally, assessments under the Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the Tax Code. In determining market value, either the replacement cost or the income or the market data method of valuation may be used, whichever is appropriate. Nevertheless, certain land may be appraised at less than market value under the Tax Code. Increases in the appraised value of residence homesteads are limited by the Texas Constitution to 10 percent annually regardless of the market value of the property.

The Tax Code permits land designated for agricultural or timber land use to be appraised at its value based on the land's capacity to produce agricultural products or, with respect to timber land, the value based upon accepted income capitalization methods. The 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 of such property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of the agricultural, timber land or residential real property appraisal must apply for such appraisal, and the Appraisal District is required to act on each claimant's application individually. If a claimant receives the agricultural or timber land appraisal on land and later changes the land use or sells the land to an unqualified owner, an additional tax is imposed on the land equal to the difference between the taxes imposed on the land for each of the three years preceding the year in which the change of use occurs that the land was appraised as agricultural or timber land and the tax that would have been imposed had the land been taxed on the basis on market value in each of those years, plus interest at an annual rate of seven percent (7%) calculated from the dates on which the differences would have become due. Provisions of the Tax Code are complex and are not fully summarized here.

The Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraisal values. The plan must provide for appraisal of all real property in the Appraisal District at least once every three (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 District, however, at its expense has the right to obtain from the Appraisal District a current estimate of appraised values within the District or an estimate of any new property or improvements within the District. While such current estimate of appraised values may serve to indicate the rate and extent of growth of taxable values within the District, it cannot be used for establishing a tax rate within the District until such time as the Appraisal District chooses formally to include such values on its appraisal roll.

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

District and Taxpayer Remedies

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

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes, and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. However, a person who is 65 years of age or older or disabled is entitled by law to pay current taxes on his residential homestead in installments or to receive a deferral or abatement of delinquent taxes without penalty during the time he owns or occupies his property as his residential homestead. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, which may be rejected by taxing units. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties and interest, if the person requests an installment agreement in writing and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in equal monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) sixty-five (65) years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continue to accrue during the period of deferral.

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

Rollback of Operation and Maintenance Tax Rate

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

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

Developed Districts: Developed Districts that adopt a total tax rate that would impose more than 1.035 times the amount of the total tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions for the preceding tax year, plus any unused increment rates, as calculated and described in Section 26.013 of the Tax Code, 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 operations and maintenance tax rate that would impose 1.035 times more operation and maintenance taxes on the average residential homestead. In addition, if any part of a Developed District lies within an area declared for disaster by the Governor of Texas or President of the United States, alternative procedures and rate limitations may apply for a temporary period. If a district qualifies as both a Special Taxing Unit and a Developed District, the district will be subject to the operation and maintenance tax threshold applicable to Special Taxing Units.

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

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

District’s Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State of Texas and each local taxing unit, including the District, having power to tax the property. The District’s tax lien is on a parity with tax liens of such other taxing units. See “ESTIMATED OVERLAPPING DEBT AND TAX RATES STATEMENT.” A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. Personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, among other collection methods available, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both, subject to the restrictions on residential homesteads described above under “Levy and Collection of Taxes”. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the cost of suit and sale, by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within six (6) months for commercial property and two (2) years for residential and all other types of property after the purchaser's deed issued at the foreclosure sale is filed in the county records) or by bankruptcy proceedings which restrict the collection of taxpayer debts. The District’s ability to foreclose its tax lien or collect penalties or interest on delinquent taxes may be limited on property owned by a financial institution which is under receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act, 12 U.S.C. 1825, as amended. See “INVESTMENT CONSIDERATIONS.”

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WATER AND SEWER OPERATIONS

General

The Bonds and Outstanding Bonds are payable from the levy of an ad valorem tax, without legal limitation as to rate or amount, upon all taxable property in the District.

Waterworks and Sewer System Operating Statement

The following statement sets forth in condensed from the General Operating Fund as shown on the District's audited financial statements for the fiscal years ending May 31, 2021 through 2025. Accounting principles customarily employed in the determination of net revenues of utility districts have been observed and in all instances exclude depreciation. Reference is made to "APPENDIX A" for a copy of the District's May 31, 2025 audited financial statements.

	Fiscal Year Ended May 31				
	2025	2024	2023	2022	2021
Revenues					
Property Taxes	\$ 1,565,967	\$ 1,446,940	\$ 1,330,936	\$ 1,159,151	\$ 1,109,109
Service Revenues	2,921,567	2,668,969	2,361,126	2,191,502	2,294,883
Groundwater Conservation District Fees	33,699	36,750	36,450	30,634	34,561
Surface Water Revenue	1,307,501	1,474,858	1,439,067	1,175,640	1,281,177
Penalty and Interest	56,228	53,660	47,536	46,066	43,055
Tap Connection/Inspection Fees	8,000	22,430	126,040	2,955	2,800
Investment Revenues	101,600	120,629	221,679	12,888	3,784
Miscellaneous	23,385	96,598	60,806	65,239	61,359
Total Revenues	\$ 6,017,947	\$ 5,920,834	\$ 5,623,640	\$ 4,684,075	\$ 4,830,728
Expenditures					
Professional Fees	\$ 157,781	\$ 141,467	\$ 138,526	\$ 111,107	\$ 121,465
Contracted Services	279,056	274,405	284,689	272,636	269,810
Security Services	739,130	874,448	739,297	725,248	637,342
Solid Waste Disposal	964,825	916,439	858,299	791,301	753,789
Utilities	159,053	216,322	267,961	243,004	189,583
Surface Water Fees	1,219,580	1,215,988	1,322,233	1,060,494	1,106,168
Repairs and Maintenance	1,343,774	1,354,710	1,205,289	846,037	786,865
Parks and Recreation	260,480	174,295	135,919	159,360	164,343
Other	658,218	704,914	634,320	502,833	440,560
Capital Outlay	-	382,972	123,886	345,508	250,209
Total Expenditures	\$ 5,781,897	\$ 6,255,960	\$ 5,710,419	\$ 5,057,528	\$ 4,720,134
Net Revenues	\$ 236,050	\$ (335,126)	\$ (86,779)	\$ (373,453)	\$ 110,594
Other Financing Sources:					
Contribution from Other Governments	\$ -	\$ 145,367	\$ -	\$ -	\$ -
Fund Balance (Beginning of Year)	\$ 2,803,900	\$ 2,993,659	\$ 3,080,438	\$ 3,453,891	\$ 3,343,297
Fund Balance (End of Year)	\$ 3,039,950	\$ 2,803,900	\$ 2,993,659	\$ 3,080,438	\$ 3,453,891
 Total Active Water Connections	 3,781	 3,785	 3,741	 3,772	 3,768

DEBT SERVICE REQUIREMENTS

The following sets forth the debt service requirements for the Outstanding Bonds and the estimated debt service requirements for the Bonds at an assumed interest rate of 4.75% per annum. This schedule does not reflect the fact that six (6) months of interest will be capitalized from Bond proceeds.

Year	Outstanding Bonds Debt Service Requirements	Plus: Debt Service on the Bonds			Total Debt Service Requirements
		Principal	Interest	Total	
2026	\$ 2,387,548		\$ 500,729	\$ 500,729	\$ 2,888,277
2027	2,318,146		653,125	653,125	2,971,271
2028	2,210,985		653,125	653,125	2,864,110
2029	2,153,583		653,125	653,125	2,806,708
2030	1,127,500	\$ 300,000	646,000	946,000	2,073,500
2031	1,110,000	315,000	631,394	946,394	2,056,394
2032	1,090,000	330,000	616,075	946,075	2,036,075
2033	1,070,000	350,000	599,925	949,925	2,019,925
2034	1,050,000	365,000	582,944	947,944	1,997,944
2035	1,030,000	385,000	565,131	950,131	1,980,131
2036	1,010,000	405,000	546,369	951,369	1,961,369
2037	-	430,000	526,538	956,538	956,538
2038	-	450,000	505,638	955,638	955,638
2039	-	475,000	483,669	958,669	958,669
2040	-	500,000	460,513	960,513	960,513
2041	-	525,000	436,169	961,169	961,169
2042	-	555,000	410,519	965,519	965,519
2043	-	580,000	383,563	963,563	963,563
2044	-	610,000	355,300	965,300	965,300
2045	-	645,000	325,494	970,494	970,494
2046	-	680,000	294,025	974,025	974,025
2047	-	715,000	260,894	975,894	975,894
2048	-	750,000	226,100	976,100	976,100
2049	-	790,000	189,525	979,525	979,525
2050	-	830,000	151,050	981,050	981,050
2051	-	875,000	110,556	985,556	985,556
2052	-	920,000	67,925	987,925	987,925
2053	-	970,000	23,038	993,038	993,038
Total	\$ 16,557,761	\$ 13,750,000	\$ 11,858,454	\$ 25,608,454	\$ 42,166,215

Maximum Annual Debt Service Requirement (2027)..... \$2,971,271
Average Annual Debt Service Requirement (2026-2053)..... \$1,505,936

INVESTMENT CONSIDERATIONS

General

The Bonds are obligations solely of the District and are not obligations of the City of Houston, the City of Conroe, Montgomery County, the State of Texas, 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 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 and Bankruptcy Limitations" below.

Specific Flood Type Risks

The District is subject to the following flood risks:

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

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

Impact on District Tax Rates

Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of District property owners to pay their taxes. The 2025 Taxable Assessed Valuation of the District (see "FINANCIAL STATEMENT") is \$1,085,515,570. After issuance of the Bonds, the maximum annual debt service requirement will be \$2,971,271 (2027) and the average annual debt service requirement will be \$1,505,936 (2026-2053). Assuming no increase or decrease from the 2025 Taxable Assessed Valuation, a tax rate of \$0.29 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the maximum annual debt service requirement and a tax rate of \$0.15 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the average annual debt service requirement. See "DEBT SERVICE REQUIREMENTS." Although calculations have been made regarding average and maximum tax rates necessary to pay the debt service on the Bonds and the Outstanding Bonds based upon the 2025 Taxable Assessed Valuation, the District can make no representations regarding the future level of taxable assessed valuation within the District. The District makes no representations that over the term of the Bonds the property within the District will maintain a value sufficient to justify continued payment of taxes by property owners. See "TAX DATA—Tax Adequacy for Debt Service."

Overlapping Taxes

Approximately 976 acres of land within the District is also located within and is provided outfall storm drainage by DD No. 6, and the remaining approximately 338 acres of land within the District is also located within and is provided outfall storm drainage by DD No. 10. The debt service on bonds issued by DD No. 6 and DD No. 10 is paid from ad valorem taxes levied by DD No. 6 and DD No. 10, respectively, which taxes are in addition to the taxes levied by the District. To compare the relative tax burden on property within the District as contrasted with property located in other real estate developments, the tax rates of the District, DD No. 6, and DD No. 10 and other taxing jurisdictions must be combined for the land that falls within each drainage district. The 2025 tax rate of DD No. 6 is \$0.113 and of DD No. 10 is \$0.265 per \$100 of taxable assessed valuation. Such combined rates are higher than tax rates presently being levied in utility districts in the general vicinity of the District. The District can make no representation that taxable property values in the District, DD No. 6 and DD No. 10 will maintain value sufficient to support the continued payment of taxes by property owners. See "FINANCIAL STATEMENT" and "TAX DATA—Tax Adequacy for Debt Service."

Potential Effects of Oil Price Volatility on the Houston Area

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

Severe Weather Events

The greater Houston area, including the District, is subject to occasional severe weather events, including tropical storms and hurricanes. If the District were to sustain damage to its facilities requiring substantial repair or replacement, or if substantial damage were to occur to taxable property within the District as a result of such a weather event, the investment security of the Bonds could be adversely affected. The greater Houston area has experienced multiple storms exceeding a 0.2% probability (i.e. “500-year flood” events) since 2015, including Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 26, 2017 and brought historic levels of rainfall during the successive four days.

To the best knowledge of the District, the District’s System (as defined herein) did not sustain any material damage and there was no interruption of water and sewer service as a result of Hurricane Harvey. The District was not notified of any structural flooding or other material damage to homes or commercial businesses as a result of Hurricane Harvey.

If a future weather event significantly damaged all or part of the improvements within the District, the assessed value of property within the District could be substantially reduced, which could result in a decrease in tax revenues and/or necessitate an increase 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.

Future Debt

The District has reserved in the Bond Order the right to issue obligations other than the Bonds and the Outstanding Bonds, including tax anticipation notes, bond anticipation notes, and to borrow for any valid corporate purpose. After issuance of the Bonds, \$9,350,000 principal amount of unlimited tax bonds for purposes of acquiring and constructing the District’s water, wastewater, and drainage facilities will remain authorized but unissued. Voters have authorized the issuance of \$39,500,000 principal amount in unlimited tax bonds for the purpose of refunding bonds of the District, of which \$35,914,119.62 principal amount remains authorized but unissued. The future issuance of additional obligations may adversely affect the security for the Bonds and the investment quality and value of the Bonds. The District does not employ any formula with respect to assessed valuation or tax collections and does not otherwise limit the amount of additional bonds or other obligations which may be issued. The issuance of additional unlimited tax and revenue bonds (other than refunding bonds), if any, however, is subject to approval by the Commission under guidelines of feasibility established by the Commission. See “THE BONDS—Authority for Issuance and “—Issuance of Additional Debt” and “THE DISTRICT—General.”

Tax Collections Limitations

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by market conditions limiting the proceeds from a foreclosure sale of taxable property and collection procedures. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. The costs of collecting any such taxpayer's delinquencies could substantially reduce the net proceeds to the District from a tax foreclosure sale. Finally, a bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes against such taxpayer. 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. See “TAXING PROCEDURES—District's Rights in the Event of Tax Delinquencies.”

Registered Owners' Remedies and Bankruptcy Limitations

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond 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 statutory right of a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond 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.

Subject to the requirements of Texas law discussed below, a political subdivision such as the District may voluntarily file a petition for relief from creditors under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Sections 901-946. The filing of such petition would automatically stay the enforcement of Registered Owner's remedies, including mandamus. The automatic stay would remain in effect until the federal bankruptcy judge hearing the case dismisses the petition, enters an order granting relief from the stay or otherwise allows creditors to proceed against the petitioning political subdivision. A political subdivision such as the District may qualify as a debtor eligible to proceed in a Chapter 9 case only if it is (1) authorized to file for federal bankruptcy protection by applicable state law, (2) is insolvent or unable to meet its debts as they mature, (3) desires to effect a plan to adjust such debts, and (4) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiation is impracticable. Special districts such as the District must obtain the approval of the Commission as a condition to seeking relief under the Federal Bankruptcy Code. The Commission is required to investigate the financial condition of a financially troubled district and authorize such district to proceed under federal bankruptcy law only if such district has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

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

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

A district may not be forced into bankruptcy involuntarily.

Environmental Regulation and Air Quality

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

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

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

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

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

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

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

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

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

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

Texas Pollutant Discharge Elimination System (“TPDES”) permits set limits on the type and quantity of discharge, in accordance with state and federal laws and regulations. The TCEQ reissued the TPDES Construction General Permit (TXR150000), 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. It 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.

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.

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 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 Initial Purchaser 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.

Changes in Tax Legislation

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

Marketability of the Bonds

The District has no agreement with the Initial Purchaser 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 generally bought, sold or traded in the secondary market.

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 “TAX MATTERS.”

MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE

S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”) has assigned an underlying rating of “A” (stable outlook) to the Bonds. An explanation of the rating may be obtained from S&P.

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 Underwriters and at the Underwriters’ expense. The rating fees of S&P 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 S&P, 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.

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 interest cost, which bid was tendered by _____ (the “Initial Purchaser”) bearing the interest rates shown on the cover page hereof, at a price of \$_____, representing _____% of the principal amount thereof which resulted in a net effective interest rate of _____% as calculated pursuant to Chapter 1204 of the Texas Government Code.

Prices and Marketability

The prices and other terms with respect to the offering and sale of the Bonds may be changed at any time by the Initial Purchaser after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts. In connection with the offering of the Bonds, the Initial Purchaser may over-allot or effect transactions that stabilize or maintain the market prices of the Bonds at levels above those that 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 utility district bonds may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional municipal entities, as bonds of such entities are more generally bought, sold, or traded in the secondary market.

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; nor have the Bonds been registered or qualified under the securities laws of any other jurisdiction. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any other jurisdiction in which the Bonds may be offered, sold or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdiction.

LEGAL MATTERS

Legal Opinion

The District will furnish the Initial Purchaser a transcript of certain certified proceedings incident to the authorization and issuance of the Bonds. Such transcript will include a certified copy of the approving opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Bonds are valid and binding obligations of the District, payable from the proceeds of an annual ad valorem tax levied without limitation as to rate or amount upon all taxable property within the District. The District also will furnish the approving legal opinion of Smith, Murdaugh, Little & Bonham, L.L.P., Houston, Texas, Bond Counsel to the District ("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 the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium or other similar laws of general application affecting rights of creditors of political subdivisions such as the District. The legal opinion of Bond Counsel will further state that the Bonds, including principal of and interest thereon, are payable from ad valorem taxes, without legal limitation as to rate or amount, upon all taxable property located within the District and that interest on the Bonds is excludable from gross income for federal income tax purposes under existing laws subject to the matters described under the caption which follows entitled "TAX MATTERS."

Legal Review

In its capacity as Bond Counsel, Smith, Murdaugh, Little & Bonham, L.L.P. has reviewed the information appearing in this Official Statement under the captions "THE BONDS" (except for "Book-Entry-Only System"), "THE DISTRICT—General," "MANAGEMENT OF THE DISTRICT—Attorney," "TAXING PROCEDURES," "LEGAL MATTERS," "TAX MATTERS," and "CONTINUING DISCLOSURE OF INFORMATION" to determine whether such information fairly summarizes the procedures, law and documents referred to therein. Bond Counsel has not, however, independently verified any of the other factual information contained in this Official Statement nor has it conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon Bond Counsel's limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any of the information contained herein. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued, sold and delivered. Bond Counsel acts as general counsel for the District on matters other than the issuance of bonds.

No-Litigation Certificate

The District will furnish to the Initial Purchaser a certificate, dated as of the date of delivery of the Bonds, to the effect that no litigation of any nature has been filed or is then pending or threatened, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the issuance, execution or delivery of the Bonds; affecting the provisions made for the payment of or security for the Bonds; in any manner questioning the authority or proceedings for the issuance, execution, or delivery of the Bonds; or affecting the validity of the Bonds.

No Material Adverse Change

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

TAX MATTERS

Opinion

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 (the “Code”). Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds.

In rendering its opinion, Bond Counsel will rely upon (a) certain information and representations of the District, including information and representations contained in the District's federal tax certificate, and (b) covenants of the District contained in the Bond documents 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.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The opinion of Bond Counsel is conditioned on compliance by the District with such requirements, and Bond Counsel has not been retained to monitor compliance with these requirements subsequent to the issuance of the Bonds.

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 is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. 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 the purchase, ownership or disposition of the Bonds.

A ruling was not sought from the Internal Revenue Service by the District with respect to the Bonds or the property financed or refinanced with proceeds of the Bonds. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an Internal Revenue Service audit is commenced, under current procedures the Internal Revenue Service is likely to treat the District as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

Federal Income Tax Accounting Treatment of Original Discount 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 accrual period or be in excess of one year (the “Original Issue Discount Bonds”). In such event, 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 would constitute original issue discount. 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, any owner who has purchased such Original Issue Discount Bond in the initial public offering 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 accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

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 the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Original Issue Discount 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 the treatment 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.

Federal Income Tax Accounting Treatment of Premium Bonds

The initial public offering price of certain Bonds (the "Premium Bonds") may be greater than the amount payable on such Bonds at maturity. 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 the 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.

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 statutes, regulations, published rulings and court decisions, all of which are subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with accumulated earnings and profits and excess passive investment income, taxpayers qualifying for the health-insurance premium assistance credit, foreign corporations subject to the branch profits tax and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

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

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.

Future and Proposed 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 proposal could limit 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.

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.

Not Qualified Tax-Exempt Obligations for Financial Institutions

The Bonds are NOT designated as “qualified tax-exempt obligations” within the meaning of Section 265(b) of the Internal Revenue Code of 1986.

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 Engineer, the Tax Assessor/Collector, the Appraisal District and information from certain other sources. All of these sources are believed to be reliable, but no guarantee is made by the District as to the accuracy or completeness of the information derived from such sources, and its inclusion herein is not to be construed as a representation on the part of the District except as described below under “Certification of Official Statement.” Furthermore, there is no guarantee that any of the assumptions or estimates contained herein will be realized. The summaries of the agreements, reports, statutes, resolutions, engineering and other related information set forth in this Official Statement are included herein subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents for further information.

Financial Advisor

Masterson Advisors LLC is engaged 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. In addition to compiling and editing, the Financial Advisor has obtained the information set forth herein under the caption indicated from the following sources:

“THE DISTRICT” - IDS Engineering Group (“Engineer”) and Records of the District (“Records”); “THE SYSTEM” - Engineer; “FINANCIAL STATEMENT” - Montgomery Central Appraisal District and Records; “ESTIMATED OVERLAPPING DEBT AND TAX RATES STATEMENT” - Municipal Advisory Council of Texas and Financial Advisor; “TAX DATA” - Montgomery Central Appraisal District and Montgomery County Tax Assessor/Collector.; “MANAGEMENT OF THE DISTRICT” - District Directors; “WATER AND SEWER OPERATIONS” - Records; “DEBT SERVICE REQUIREMENTS” - Financial Advisor; “THE BONDS” (except for “Book-Entry-Only System”), “TAXING PROCEDURES,” “LEGAL MATTERS,” “TAX MATTERS” and “CONTINUING DISCLOSURE OF INFORMATION” - Smith, Murdaugh, Little & Bonham, L.L.P.

The Financial Advisor has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as 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.

Appraisal District: The information contained in this Official Statement relating to the assessed valuations has been provided by the Montgomery Central Appraisal District and has been included herein in reliance upon the authority of such entity to establish the taxable value of property in Montgomery County, including the District.

Tax Assessor/Collector: The information contained in this Official Statement relating to the historical tax collections of the District's and particularly the section entitled "TAX DATA—Historical Tax Collections" has been provided by the Montgomery County Tax Office and is included herein in reliance upon the authority of such entity as an expert in assessing and collecting taxes.

Engineer: The information contained in this Official Statement relating to engineering matters and to the description of the District's water and sewer system and, in particular that information included in the sections entitled "THE DISTRICT" and "THE SYSTEM," has been provided by IDS Engineering Group, 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 audited financial statements for the year ended May 31, 2025, were prepared by McCall Gibson Swedlund Barfoot Ellis PLLC, Certified Public Accountant. See "APPENDIX A" for a copy of the District's May 31, 2025, audited financial statements.

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

Certification of Official Statement

The District, acting through its Board of Directors 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 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.

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Order, the District has made the following agreement for the benefit of the registered 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"). This information will be available to the public without charge through its Electronic Municipal Market Access ("EMMA") internet portal at www.emma.msrb.org.

Annual Reports

The District will provide annually to the MSRB certain updated financial information and operating data. The information to be updated includes the quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under the headings “FINANCIAL STATEMENT,” “THE SYSTEM,” “TAX DATA,” “WATER AND SEWER OPERATIONS” and “DEBT SERVICE REQUIREMENTS” (most of which information is contained in the District's annual audit report and supplemental schedules) and in APPENDIX A. The District will update and provide this information to the MSRB within six (6) months after the end of each fiscal year ending in or after 2026.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12 (the “Rule”). The updated information will include audited financial statements, if 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 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 May 31. Accordingly, it must provide updated information by November 30 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB via EMMA of the change.

Specified Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other 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 an definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person within the meaning of the Rule, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person within the meaning of the Rule, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the District or other obligated person within the meaning of the Rule, any of which reflect financial difficulties. The term “material” when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Order makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under “Annual Reports.”

Availability of Information from the MSRB

The District has agreed to provide the foregoing information only to the MSRB. Investors will be able to access, without charge from the MSRB, continuing disclosure information filed with the MSRB at www.emma.msrb.org.

Limitations and Amendments

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

The District may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if but only if (1) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with SEC Rule 15c2-12, taking into account any amendments or interpretations of SEC Rule 15c2-12 to the date of such amendment, as well as such changed circumstances, and (2) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the Registered Owners and Beneficial Owners of the Bonds. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described 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 so provided.

Compliance With Prior Undertakings

During the last five years, the District has complied in all material respects with its previous continuing disclosure agreements.

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.

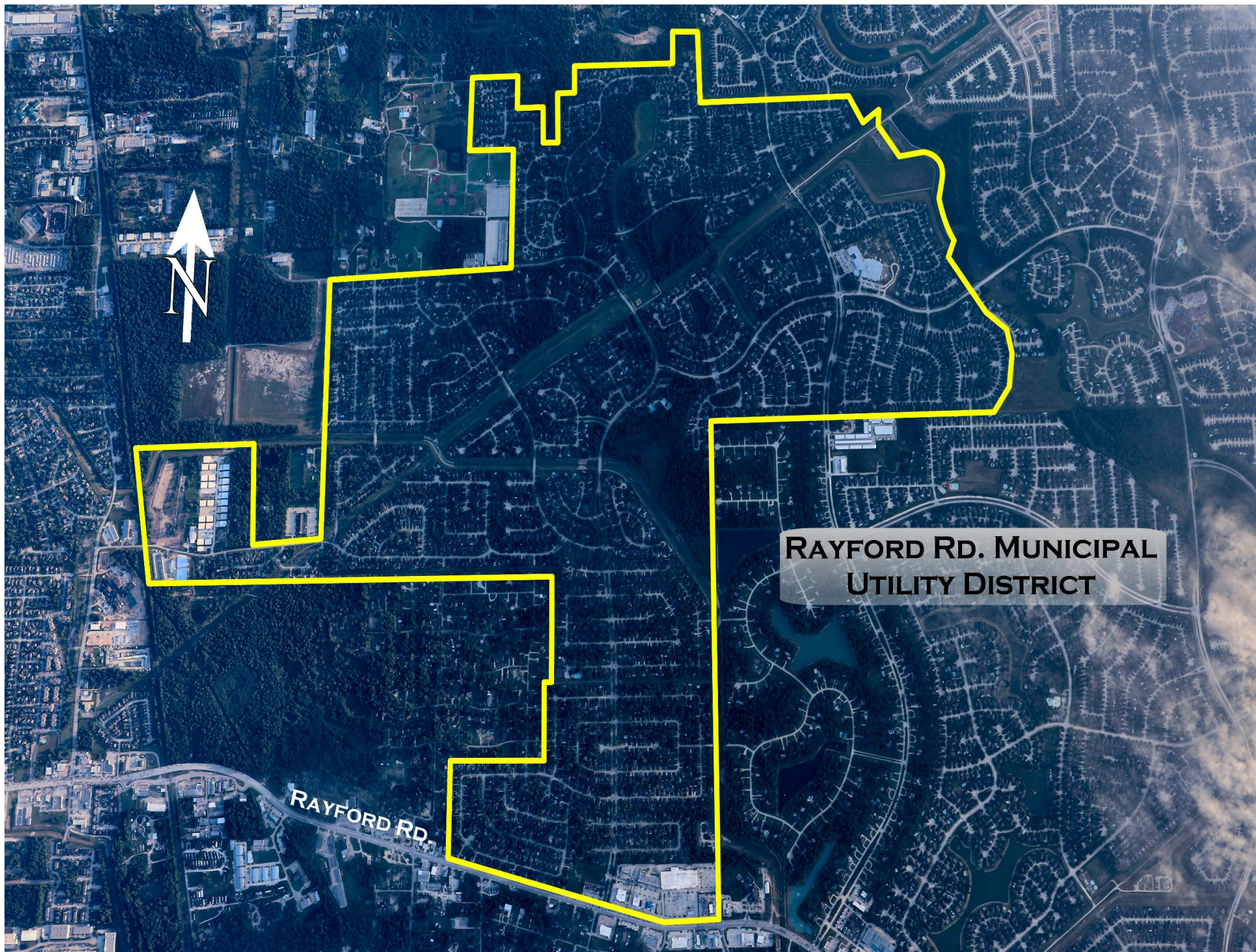
This Official Statement was approved by the Board of Directors of Rayford Road Municipal Utility District, as of the date shown on the cover page.

/s/ _____
President, Board of Directors

ATTEST:

/s/ _____
Secretary, Board of Directors

AERIAL PHOTOGRAPH
(As of August 2025)



**RAYFORD RD. MUNICIPAL
UTILITY DISTRICT**

RAYFORD RD.

PHOTOGRAPHS OF THE DISTRICT
(As of August 2025)













APPENDIX A

District Audited Financial Statements for the fiscal year ended May 31, 2025

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
MONTGOMERY COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
MAY 31, 2025

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McCall Gibson Swedlund Barfoot Ellis PLLC

Certified Public Accountants

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

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

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Rayford Road Municipal Utility District
Montgomery County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Rayford Road Municipal Utility District (the "District") as of and for the year ended May 31, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of May 31, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Board of Directors
Rayford Road Municipal Utility District

Supplementary Information

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

McCall Gibson Swedlund Barfoot Ellis PLLC

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

September 8, 2025

**RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2025**

Management's discussion and analysis of Rayford Road Municipal Utility District's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended May 31, 2025. Please read it in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

FUND FINANCIAL STATEMENTS

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

**RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2025**

FUND FINANCIAL STATEMENTS (Continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities by \$20,750,370 as of May 31, 2025.

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

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

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2025

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2025	2024	Change Positive (Negative)
Current and Other Assets	\$ 13,422,207	\$ 14,240,793	\$ (818,586)
Capital Assets (Net of Accumulated Depreciation)	23,897,971	23,335,156	562,815
Total Assets	\$ 37,320,178	\$ 37,575,949	\$ (255,771)
Deferred Outflows of Resources	\$ 31,847	\$ 39,520	\$ (7,673)
Bonds Payable	\$ 15,429,394	\$ 17,626,278	\$ 2,196,884
Other Liabilities	1,172,261	1,168,408	(3,853)
Total Liabilities	\$ 16,601,655	\$ 18,794,686	\$ 2,193,031
Net Position:			
Net Investment in Capital Assets	\$ 15,782,618	\$ 14,346,713	\$ 1,435,905
Restricted	1,899,213	1,643,316	255,897
Unrestricted	3,068,539	2,830,754	237,785
Total Net Position	\$ 20,750,370	\$ 18,820,783	\$ 1,929,587

The following table provides a summary of the District's operations for the years ending May 31, 2025, and May 31, 2024. The District's net position increased by \$1,929,587, accounting for a 10.3% increase in net position.

	Summary of Changes in the Statement of Activities		
	2025	2024	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 4,326,376	\$ 3,998,122	\$ 328,254
Charges for Services	4,347,694	4,278,936	68,758
Other Revenues	599,066	786,466	(187,400)
Total Revenues	\$ 9,273,136	\$ 9,063,524	\$ 209,612
Expenses for Services	7,343,549	7,302,325	(41,224)
Change in Net Position	\$ 1,929,587	\$ 1,761,199	\$ 168,388
Net Position, Beginning of Year	18,820,783	17,059,584	1,761,199
Net Position, End of Year	\$ 20,750,370	\$ 18,820,783	\$ 1,929,587

**RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2025**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of May 31, 2025, were \$12,223,944, a decrease of \$829,575 from the prior year.

The General Fund fund balance increased by \$236,050, primarily due to tax and service revenues exceeding operating expenditures.

The Debt Service Fund fund balance increased by \$250,496, primarily due to the structure of the District's outstanding debt.

The Capital Projects Fund decreased by \$1,316,121, primarily due to capital costs from proceeds of the Series 2021 bonds.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors did not amend the budget during the current fiscal year. Actual revenues were \$487,053 less than budgeted revenues. Actual expenditures were \$232,803 less than budgeted expenditures. This resulted in a negative budget variance of \$254,250. See the budget to actual comparison on page 31 for further information.

CAPITAL ASSETS

Capital assets as of May 31, 2025, amount to \$23,897,971 (net of accumulated depreciation). These capital assets include land, buildings and equipment as well as the water, wastewater and drainage systems.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2025	2024	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 494,962	\$ 494,962	\$
Construction in Progress	2,046,278	2,579,746	(533,468)
Capital Assets, Net of Accumulated Depreciation:			
Buildings and Improvements	21,850	23,165	(1,315)
Equipment	4,661	5,811	(1,150)
Water System	6,871,616	5,861,405	1,010,211
Wastewater System	7,965,221	7,570,619	394,602
Drainage System	6,424,595	6,727,505	(302,910)
Impact Fees	68,788	71,943	(3,155)
Total Net Capital Assets	<u>\$ 23,897,971</u>	<u>\$ 23,335,156</u>	<u>\$ 562,815</u>

**RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2025**

LONG-TERM DEBT ACTIVITY

As of May 31, 2025, the District had total bond debt payable of \$15,205,000. The changes in the debt position of the District during the fiscal year ended May 31, 2025, are summarized as follows:

Bond Debt Payable, June 1, 2024	\$ 17,380,000
Less: Bond Principal Paid	<u>2,175,000</u>
Bond Debt Payable, May 31, 2025	<u>\$ 15,205,000</u>

The District's bonds, with the exception of the Series 2015 Refunding bonds, carry an underlying rating of "A" by Standard and Poor's. The District's Series 2019 Refunding bonds carry an insured rating of "AA" by virtue of bond insurance issued by Assured Guaranty. The District's Series 2021 bonds carry on insured rating of "AA" by virtue of bond insurance issued by Build America Mutual Assurance Company. The District's Series 2015 Refunding bonds are not insured. Credit enhanced ratings provided through bond insurance policies are subject to change based on the ratings of the bond insurance company. The above ratings reflect any rating changes during the year ended May 31, 2025.

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Rayford Road Municipal Utility District, c/o Smith, Murdaugh, Little & Bonham, LLP, 2727 Allen Parkway, Suite 1100, Houston, TX 77019.

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
MAY 31, 2025

	<u>General Fund</u>	<u>Debt Service Fund</u>
ASSETS		
Cash	\$ 1,043,727	\$ 83,230
Investments	2,636,704	1,734,998
Receivables:		
Property Taxes	28,589	56,252
Penalty and Interest on Delinquent Taxes		
Service Accounts	304,976	
Accrued Interest		4,270
Due from Other Funds	29,468	108,770
Prepaid Costs	52,668	
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	<u>\$ 4,096,132</u>	<u>\$ 1,987,520</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charges on Refunding Bonds	<u>\$ -0-</u>	<u>\$ -0-</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 4,096,132</u>	<u>\$ 1,987,520</u>

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

<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 207,037	\$ 1,333,994	\$	\$ 1,333,994
7,248,943	11,620,645		11,620,645
	84,841		84,841
		20,813	20,813
	304,976		304,976
	4,270		4,270
	138,238	(138,238)	
	52,668		52,668
		494,962	494,962
		2,046,278	2,046,278
		<u>21,356,731</u>	<u>21,356,731</u>
<u>\$ 7,455,980</u>	<u>\$ 13,539,632</u>	<u>\$ 23,780,546</u>	<u>\$ 37,320,178</u>
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 31,847</u>	<u>\$ 31,847</u>
<u>\$ 7,455,980</u>	<u>\$ 13,539,632</u>	<u>\$ 23,812,393</u>	<u>\$ 37,352,025</u>

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

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
MAY 31, 2025

	<u>General Fund</u>	<u>Debt Service Fund</u>
LIABILITIES		
Accounts Payable	\$ 561,865	\$
Accrued Interest Payable		
Due to Developers	29,424	
Due to Other Funds	108,770	29,468
Security Deposits	327,534	
Long-Term Liabilities:		
Bonds Payable Within One Year		
Bonds Payable After One Year		
TOTAL LIABILITIES	<u>\$ 1,027,593</u>	<u>\$ 29,468</u>
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	<u>\$ 28,589</u>	<u>\$ 56,252</u>
FUND BALANCES		
Nonspendable:		
Prepaid Costs	\$ 52,668	\$
Restricted for Authorized Construction		
Restricted for Debt Service		1,901,800
Unassigned	<u>2,987,282</u>	
TOTAL FUND BALANCES	<u>\$ 3,039,950</u>	<u>\$ 1,901,800</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 4,096,132</u>	<u>\$ 1,987,520</u>
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

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

<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 173,786	\$ 735,651	\$	\$ 735,651
		79,652	79,652
	29,424		29,424
	138,238	(138,238)	
	327,534		327,534
		2,100,000	2,100,000
		13,329,394	13,329,394
<u>\$ 173,786</u>	<u>\$ 1,230,847</u>	<u>\$ 15,370,808</u>	<u>\$ 16,601,655</u>
<u>\$ -0-</u>	<u>\$ 84,841</u>	<u>\$ (84,841)</u>	<u>\$ -0-</u>
\$	\$ 52,668	\$ (52,668)	\$
7,282,194	7,282,194	(7,282,194)	
	1,901,800	(1,901,800)	
	2,987,282	(2,987,282)	
<u>\$ 7,282,194</u>	<u>\$ 12,223,944</u>	<u>\$ (12,223,944)</u>	<u>\$ - 0 -</u>
<u>\$ 7,455,980</u>	<u>\$ 13,539,632</u>		
		\$ 15,782,618	\$ 15,782,618
		1,899,213	1,899,213
		3,068,539	3,068,539
		<u>\$ 20,750,370</u>	<u>\$ 20,750,370</u>

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

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
MAY 31, 2025

Total Fund Balances - Governmental Funds	\$	12,223,944
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Interest paid in advance as part of a refunding bond sale is recorded as a deferred outflow in the governmental activities and systematically charged to interest expense over the remaining life of the new debt or the old debt, whichever is shorter.		31,847
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Capital assets used in governmental activities are not a financial resource and, therefore, are not reported as assets in governmental funds.		23,897,971
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Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2024 and prior tax levies became part of recognized revenue in the governmental activities of the District.		105,654
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Certain liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:

Accrued Interest Payable	\$ (79,652)	
Bonds Payable	<u>(15,429,394)</u>	<u>(15,509,046)</u>

Total Net Position - Governmental Activities	\$	<u>20,750,370</u>
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The accompanying notes to financial
statements are an integral part of this report.

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MAY 31, 2025

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	\$ 1,565,967	\$ 2,760,257
Water Service	1,050,185	
Wastewater Service	1,871,382	
Groundwater Conservation District Fees	33,699	
Surface Water Revenues	1,307,501	
Penalty and Interest	56,228	29,802
Tap Connection and Inspection Fees	8,000	
Investment Revenues	101,600	73,485
Miscellaneous Revenues	23,385	
TOTAL REVENUES	\$ 6,017,947	\$ 2,863,544
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 157,781	\$ 6,692
Contracted Services	279,056	32,868
Security Services	739,130	
Solid Waste Disposal	964,825	
Utilities	159,053	
Surface Water Fees/Pumpage Fees	1,219,580	
Repairs and Maintenance	1,343,774	
Parks and Recreation	260,480	
Depreciation		
Other	658,218	15,531
Capital Outlay		
Debt Service:		
Bond Principal		2,175,000
Bond Interest		382,957
TOTAL EXPENDITURES/EXPENSES	\$ 5,781,897	\$ 2,613,048
NET CHANGE IN FUND BALANCES	\$ 236,050	\$ 250,496
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION -		
JUNE 1, 2024	2,803,900	1,651,304
FUND BALANCES/NET POSITION -		
MAY 31, 2025	\$ 3,039,950	\$ 1,901,800

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 4,326,224	\$ 152	\$ 4,326,376
	1,050,185		1,050,185
	1,871,382		1,871,382
	33,699		33,699
	1,307,501		1,307,501
	86,030	(9,103)	76,927
	8,000		8,000
400,596	575,681		575,681
	23,385		23,385
<u>\$ 400,596</u>	<u>\$ 9,282,087</u>	<u>\$ (8,951)</u>	<u>\$ 9,273,136</u>
\$ 733	\$ 165,206	\$	\$ 165,206
	311,924		311,924
	739,130		739,130
	964,825		964,825
	159,053		159,053
	1,219,580		1,219,580
	1,343,774		1,343,774
	260,480		260,480
		1,152,432	1,152,432
737	674,486		674,486
1,715,247	1,715,247	(1,715,247)	
	2,175,000	(2,175,000)	
	382,957	(30,298)	352,659
<u>\$ 1,716,717</u>	<u>\$ 10,111,662</u>	<u>\$ (2,768,113)</u>	<u>\$ 7,343,549</u>
\$ (1,316,121)	\$ (829,575)	\$ 829,575	\$
		1,929,587	1,929,587
<u>8,598,315</u>	<u>13,053,519</u>	<u>5,767,264</u>	<u>18,820,783</u>
<u>\$ 7,282,194</u>	<u>\$ 12,223,944</u>	<u>\$ 8,526,426</u>	<u>\$ 20,750,370</u>

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

**RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MAY 31, 2025**

Net Change in Fund Balances - Governmental Funds	\$	(829,575)
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.		152
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Governmental funds report penalty and interest revenue on property taxes when collected. However, in the Statement of Activities, revenue is recorded when penalties and interest are assessed.		(9,103)
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Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.		(1,152,432)
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Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected.		1,715,247
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Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Position, bond principal payments are reported as decreases in long-term liabilities.		2,175,000
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Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.		30,298
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Change in Net Position - Governmental Activities	\$	1,929,587
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The accompanying notes to financial
statements are an integral part of this report.

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2025

NOTE 1. CREATION OF DISTRICT

The District was created on May 6, 1969, under the terms and provisions of Section 59 of Article 16 of the Constitution of the State of Texas by the Legislature as a Water Control and Improvement District. The District was converted into a Municipal Utility District on April 26, 1974, by the Texas Water Rights Commission, presently known as the Texas Commission on Environmental Quality (the "Commission"). The Board of Directors held its first meeting on December 21, 1971. Pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code, the District is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water, sanitary sewer service, storm sewer drainage, irrigation, solid waste collection and disposal, including recycling, and to construct parks and recreational facilities for the residents of the District. The District is also empowered to contract for or employ its own peace officers with powers to make arrests and to establish, operate and maintain a fire department to perform all fire-fighting activities within the District.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

Financial Statement Presentation

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

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

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2025

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

- Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

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

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2025

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds

The District has three governmental funds and considers these funds to be major funds.

General Fund - To account for resources not required to be accounted for in another fund, customer service revenues, costs and general expenditures.

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

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

Basis of Accounting

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

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

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis.

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2025

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

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

Assets are capitalized, including infrastructure assets, if they have an original cost greater than \$5,000 and a useful life over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation. Estimated useful lives are as follows:

	<u>Years</u>
Buildings	40
Water System	10-45
Wastewater System	10-45
Drainage System	20-40
All Other Equipment	3-20

Budgeting

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

Pensions

The District has not established a pension plan as the District does not have employees. The Internal Revenue Service has determined that fees of office received by Directors are considered to be wages subject to federal income tax withholding for payroll purposes only.

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2025

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus

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

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

Nonspendable: amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

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

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

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

Unassigned: all other spendable amounts in the General Fund.

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

Accounting Estimates

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

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2025

NOTE 3. LONG-TERM DEBT

	Refunding Series 2015	Refunding Series 2019	Series 2021
Amount Outstanding - May 31, 2025	\$960,000	\$3,745,000	\$10,500,000
Interest Rates	2.64%	2.25% - 3.00%	1.00% - 3.00%
Maturity Dates – Serially Beginning/Ending	March 1, 2026/2029	March 1, 2026/2029	March 1, 2026/2036
Interest Payment Dates	September 1/ March 1	September 1/ March 1	September 1/ March 1
Callable Dates	March 1, 2020*	March 1, 2025*	March 1, 2027*

* Callable for redemption at a price equal to the principal amount of the bonds called for redemption plus accrued interest. Series 2015 Refunding bonds are private placement bonds with term bonds maturing March 1, 2029, which are subject to mandatory redemption beginning March 1, 2016. Series 2019 Refunding term bonds maturing March 1, 2027, are subject to mandatory redemption beginning March 1, 2026.

The following is a summary of transactions regarding long-term liabilities for the year ended May 31, 2025:

	June 1, 2024	Additions	Retirements	May 31, 2025
Bonds Payable	\$ 17,380,000	\$	\$ 2,175,000	\$ 15,205,000
Unamortized Premiums	246,278		21,884	224,394
Bonds Payable, Net	<u>\$ 17,626,278</u>	<u>\$ -0-</u>	<u>\$ 2,196,884</u>	<u>\$ 15,429,394</u>
		Amount Due Within One Year		\$ 2,100,000
		Amount Due After One Year		<u>13,329,394</u>
		Bonds Payable, Net		<u>\$ 15,429,394</u>

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2025

NOTE 3. LONG-TERM DEBT (Continued)

As of May 31, 2025, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2026	\$ 2,100,000	\$ 318,607	\$ 2,418,607
2027	2,085,000	256,489	2,341,489
2028	2,020,000	209,803	2,229,803
2029	2,000,000	172,167	2,172,167
2030	1,000,000	135,000	1,135,000
2031-2035	5,000,000	400,000	5,400,000
2036	1,000,000	20,000	1,020,000
	<u>\$ 15,205,000</u>	<u>\$ 1,512,066</u>	<u>\$ 16,717,066</u>

At an election held on May 3, 2025, voters authorized the issuance of bonds in the amount of \$23,100,000 for the purposes of water, sewer and drainage system improvements.

The bonds are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount, and the revenue bonds are further payable from and secured by a lien on and pledge of the net revenues to be received from the operation of the District's waterworks and wastewater system. During the year ended May 31, 2025, the District levied an ad valorem debt service tax rate of \$0.264 per \$100 of assessed valuation, which resulted in a tax levy of \$2,774,809 on the adjusted taxable valuation of \$1,051,021,447 for the 2024 tax year. The bond orders require the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 7 for the maintenance tax levy.

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

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2025

NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS

The bond orders state that so long as any of the bonds are outstanding, the District agrees to maintain insurance for the benefit of the holders of bonds, on the system of a kind and in an amount which usually would be carried by municipal corporations and political subdivisions operating in Texas.

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

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

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

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

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District's deposits was \$1,451,990 and the bank balance was \$1,617,203. The District was not exposed to custodial credit risk at year-end.

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2025

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at May 31, 2025, as listed below:

	Cash	Certificate of Deposit	Total
GENERAL FUND	\$ 1,043,727	\$	\$ 1,043,727
DEBT SERVICE FUND	83,230	117,996	201,226
CAPITAL PROJECTS FUND	207,037		207,037
TOTAL DEPOSITS	<u>\$ 1,333,994</u>	<u>\$ 117,996</u>	<u>\$ 1,451,990</u>

Investments

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

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

The District invests in the Texas Short Term Asset Reserve Program ("TexSTAR"), an external public funds investment pool that is not SEC-registered. J. P. Morgan Investment Management Inc. provides investment management and Hilltop Securities Inc. provides participant services and marketing under an agreement with the TexSTAR Board of Directors. Custodial, fund accounting and depository services are provided by JPMorgan Chase Bank, N.A. and/or its subsidiary J.P. Morgan Investors Services Co. Investments held by TexSTAR are marked to market daily. The investments are considered Level I investments because their fair value is measured by quoted prices in active markets. The fair value of the District's position in the pool is the same as the value of the pool shares. There are no limitations or restrictions on withdrawals from TexSTAR.

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2025

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Certificates of deposit are recorded at acquisition cost.

As of May 31, 2025, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities of Less Than 1 Year
<u>GENERAL FUND</u>		
TexSTAR	\$ 2,636,704	\$ 2,636,704
<u>DEBT SERVICE FUND</u>		
TexSTAR	1,617,002	1,617,002
Certificate of Deposit	117,996	117,996
<u>CAPITAL PROJECTS FUND</u>		
TexSTAR	<u>7,248,943</u>	<u>7,248,943</u>
TOTAL INVESTMENTS	<u>\$ 11,620,645</u>	<u>\$ 11,620,645</u>

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At May 31, 2025, the District's investments in TexSTAR were rated AAAM by Standard and Poor's. The District also manages credit risk by investing in certificates of deposit with balances below FDIC coverage.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investments in TexSTAR to have a maturity of less than one year due to the fact the share position can usually be redeemed each day at the discretion of the District, unless there has been a significance change in value. The District also manages interest rate risk by investing in certificates of deposit with maturities of one year or less.

Restrictions

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

All cash and investments of the Capital Projects Fund are restricted for the purchase of capital assets.

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2025

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended May 31, 2025:

	June 1, 2024	Increases	Decreases	May 31, 2025
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 494,962	\$	\$	\$ 494,962
Construction in Progress	2,579,746	1,715,247	2,248,715	2,046,278
Total Capital Assets Not Being Depreciated	<u>\$ 3,074,708</u>	<u>\$ 1,715,247</u>	<u>\$ 2,248,715</u>	<u>\$ 2,541,240</u>
Capital Assets Subject to Depreciation				
Buildings and Improvements	\$ 53,371	\$	\$	\$ 53,371
Equipment	120,022			120,022
Water System	12,242,107	1,413,457		13,655,564
Wastewater System	15,668,780	835,258		16,504,038
Drainage System	13,850,619			13,850,619
Impact Fees	132,126			132,126
Total Capital Assets Subject to Depreciation	<u>\$ 42,067,025</u>	<u>\$ 2,248,715</u>	<u>\$ - 0 -</u>	<u>\$ 44,315,740</u>
Less Accumulated Depreciation				
Buildings and Improvements	\$ 30,206	\$ 1,315	\$	\$ 31,521
Equipment	114,211	1,150		115,361
Water System	6,380,702	403,246		6,783,948
Wastewater System	8,098,161	440,656		8,538,817
Drainage System	7,123,114	302,910		7,426,024
Impact Fees	60,183	3,155		63,338
Total Accumulated Depreciation	<u>\$ 21,806,577</u>	<u>\$ 1,152,432</u>	<u>\$ - 0 -</u>	<u>\$ 22,959,009</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 20,260,448</u>	<u>\$ 1,096,283</u>	<u>\$ - 0 -</u>	<u>\$ 21,356,731</u>
Total Capital Assets, Net of Accumulated Depreciation	<u><u>\$ 23,335,156</u></u>	<u><u>\$ 2,811,530</u></u>	<u><u>\$ 2,248,715</u></u>	<u><u>\$ 23,897,971</u></u>

NOTE 7. MAINTENANCE TAX

On March 9, 1978, the voters of the District approved the levy and collection of a maintenance tax not to exceed \$0.15 per \$100 of assessed valuation of taxable property within the District. During the fiscal year ended May 31, 2025, the District levied an ad valorem maintenance tax at the rate of \$0.15 per \$100 of assessed valuation, which resulted in a tax levy of \$1,576,596 on the adjusted taxable valuation of \$1,051,021,447 for the 2024 tax year. The maintenance tax is to be used by the General Fund to pay expenditures of operating the District's waterworks and wastewater system.

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2025

NOTE 8. 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 from which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

NOTE 9. LONE STAR GROUNDWATER CONSERVATION DISTRICT

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

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

The Conservation District charges production fees based on the amount of water authorized by permit to be withdrawn from a well. This fee enables the Conservation District to fulfill its purpose and regulatory functions. The 2025 permit fee is \$0.085 per 1,000 gallons water pumped from each well.

NOTE 10. EMERGENCY WATER SUPPLY AGREEMENTS

Montgomery County Municipal Utility District No. 99

On July 24, 2012, the District entered into an Emergency Water Supply Agreement with Montgomery County Municipal Utility District No. 99. During an emergency, the price to be paid for water by either district is \$1.00 per 1,000 gallons of water supplied plus pumpage fees charged by a regional water authority or groundwater conservation district. The term of the agreement is 40 years.

Montgomery County Municipal Utility District No. 115

On November 1, 2008, the District entered into an Emergency Water Supply Agreement with Montgomery County Municipal Utility District No. 115. During an emergency, the price to be paid for water by either district is \$1.00 per 1,000 gallons plus pumpage fees charged by a regional water authority or groundwater conservation district. The term of the agreement is 40 years.

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2025

NOTE 11. INTERFUND PAYABLES/RECEIVABLES AND TRANSFERS

As of May 31, 2025, the District had the following significant interfund liabilities: the Debt Service Fund owed the General Fund a total of \$29,468 for arbitrage, continuing disclosure and bond issuance costs and the General Fund owed the Debt Service Fund \$108,770 for an excess transfer of maintenance tax collections.

NOTE 12. SAN JACINTO RIVER AUTHORITY

On June 14, 2010, the District entered into the Contract for Groundwater Reduction Planning, Alternative Water Supply, and Related Goods and Services with the San Jacinto River Authority (the "Authority"). The District and the Authority operate within the boundaries of Lone Star Groundwater Conservation District (the "Conservation District"). See Note 9. The Authority has developed supplies of surface water that, when taken together with groundwater withdrawals to be permitted by the Conservation District, are reasonably believed to be adequate to satisfy the total water demands of Montgomery County. On December 13, 2012, the District and the Authority executed a supplemental agreement to the Contract calling for the District to design and construct a surface water treatment and transmission system (the "Project") to provide phased treatment, transmission and delivery of Authority's surface water to regulated users for blending with groundwater supplies, so that regulated users may continue to pump groundwater. The project has been completed and the facilities have been conveyed to the Authority for operation and maintenance. The Authority contributed \$1,588,990 to the District to finance the Project.

The Authority will develop a Groundwater Reduction Plan (the "GRP") for all participants. The Authority charges a fee, currently \$2.67 per 1,000 gallons, based on the amount of groundwater used. The fee for surface water used is \$3.26 per 1,000 gallons. These fees enable the Authority to achieve, maintain and implement the GRP. The term of this contract expires on December 31, 2045. During the current fiscal year, the District recorded an expenditure of \$1,219,580 in relation to this contract.

NOTE 13. PENDING BOND SALE

On October 14, 2025, subsequent to year-end, the District anticipates closing on the sale of its Series 2025 Unlimited Tax Bonds in the amount of \$13,750,000. Proceeds of the bonds will be used to fund construction and engineering for the following: Imperial Oaks, Sections 9 and 13 water line replacement; wastewater treatment plant rehabilitation and lift station nos. 3 and 4 rehabilitation. Proceeds of the bonds will also be used to pay for six months of capitalized interest and bond issuance costs.

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

MAY 31, 2025

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED MAY 31, 2025

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	\$ 1,500,000	\$ 1,565,967	\$ 65,967
Water Service	1,300,000	1,050,185	(249,815)
Wastewater Service	1,600,000	1,871,382	271,382
Groundwater Conservation District Fees	50,000	33,699	(16,301)
Surface Water Revenues	1,700,000	1,307,501	(392,499)
Penalty and Interest	60,000	56,228	(3,772)
Tap Connection and Inspection Fees	2,500	8,000	5,500
Investment Revenues	120,000	101,600	(18,400)
Miscellaneous Revenues	172,500	23,385	(149,115)
TOTAL REVENUES	<u>\$ 6,505,000</u>	<u>\$ 6,017,947</u>	<u>\$ (487,053)</u>
EXPENDITURES			
Service Operations:			
Professional Fees	\$ 166,000	\$ 157,781	\$ 8,219
Contracted Services	299,200	279,056	20,144
Security Services	800,000	739,130	60,870
Solid Waste Disposal	875,000	964,825	(89,825)
Utilities	275,000	159,053	115,947
Surface Water Fees/Pumpage Fees	1,526,000	1,219,580	306,420
Repairs and Maintenance	1,230,000	1,343,774	(113,774)
Parks and Recreation	150,000	260,480	(110,480)
Other	633,500	658,218	(24,718)
Capital Outlay	60,000		60,000
TOTAL EXPENDITURES	<u>\$ 6,014,700</u>	<u>\$ 5,781,897</u>	<u>\$ 232,803</u>
NET CHANGE IN FUND BALANCE	<u>\$ 490,300</u>	<u>\$ 236,050</u>	<u>\$ (254,250)</u>
FUND BALANCE - JUNE 1, 2024	<u>2,803,900</u>	<u>2,803,900</u>	<u></u>
FUND BALANCE - MAY 31, 2025	<u><u>\$ 3,294,200</u></u>	<u><u>\$ 3,039,950</u></u>	<u><u>\$ (254,250)</u></u>

See accompanying independent auditor's report.

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT

SUPPLEMENTARY INFORMATION REQUIRED BY THE

WATER DISTRICT FINANCIAL MANAGEMENT GUIDE

MAY 31, 2025

FOR THE YEAR ENDED MAY 31, 2025

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

<u> X </u>	Retail Water	<u> </u>	Wholesale Water	<u> X </u>	Drainage
<u> X </u>	Retail Wastewater	<u> </u>	Wholesale Wastewater	<u> </u>	Irrigation
<u> X </u>	Parks/Recreation	<u> </u>	Fire Protection	<u> X </u>	Law Enforcement
<u> X </u>	Solid Waste/Garbage	<u> </u>	Flood Control	<u> </u>	Roads
<u> </u>	Participates in joint venture, regional system and/or wastewater service (other than				
<u> X </u>	emergency interconnect)				
<u> </u>	Other (specify):				

2. RETAIL SERVICE PROVIDERS

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

Based on the fee schedule effective November 1, 2023.

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1,000 Gallons over Minimum Use	Usage Levels
WATER:	\$ 15.23	6,000	N	\$ 1.73	6,001 to 12,000
				\$ 2.36	12,001 to 22,000
				\$ 3.15	22,001 to 32,000
				\$ 3.68	32,001 to 42,000
				\$ 3.94	42,001 and up
WASTEWATER:	\$ 37.65	6,000	N	\$ 1.78	6,001 and up
SURCHARGE:					
Solid Waste/ Garbage	Included as part of minimum charge above				
Commission					
Regulatory Assessments					
Regional Water Authority Fees					
(Groundwater Use Fee)	\$0.094 per 1,000 gallons of water used (LSGCD)				
	\$3.59 per 1,000 gallons of water used (SJRA)				

District employs winter averaging for wastewater usage?	<u>Yes</u>	<u>X</u> No
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Total monthly charges per 10,000 gallons usage: Water: \$22.15 Wastewater: \$44.77 Surcharge: \$36.80 Total: \$103.72

See accompanying independent auditor's report.

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED MAY 31, 2025

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFCs
Unmetered			x 1.0	
≤¾"	<u>3,736</u>	<u>3,693</u>	x 1.0	<u>3,693</u>
1"	<u>46</u>	<u>41</u>	x 2.5	<u>103</u>
1½"	<u>10</u>	<u>10</u>	x 5.0	<u>50</u>
2"	<u>36</u>	<u>36</u>	x 8.0	<u>288</u>
3"			x 15.0	
4"			x 25.0	
6"			x 50.0	
8"	<u>1</u>	<u>1</u>	x 80.0	<u>80</u>
10"			x 115.0	
Total Water Connections	<u><u>3,829</u></u>	<u><u>3,781</u></u>		<u><u>4,214</u></u>
Total Wastewater Connections	<u><u>3,646</u></u>	<u><u>3,621</u></u>	x 1.0	<u><u>3,621</u></u>

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

Gallons pumped into system:	318,326,000	Water Accountability Ratio: 93.1 % (Gallons billed and sold/Gallons pumped and purchased)
Gallons billed to customers:	372,898,000	
Loss, leaks or flushing:	15,955,000	
Gallons purchased:	103,950,000	From: San Jacinto River Authority
Gallons sold:	4,400,000	To: Montgomery County Municipal Utility District No. 99

See accompanying independent auditor's report.

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED MAY 31, 2025

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

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

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

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes ☒ No ☐

County in which District is located:

Montgomery County, Texas

Is the District located within a city?

Entirely ☐ Partly ☐ Not at all ☒

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

Entirely ☐ Partly ☒ Not at all ☐

ETJ's in which District is located:

City of Houston, Texas

City of Conroe, Texas

Are Board Members appointed by an office outside the District?

Yes ☐ No ☒

See accompanying independent auditor's report.

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED MAY 31, 2025

PROFESSIONAL FEES:	
Auditing	\$ 17,500
Engineering	65,009
Legal	<u>75,272</u>
TOTAL PROFESSIONAL FEES	<u>\$ 157,781</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 49,228
Operations and Billing	<u>229,828</u>
TOTAL CONTRACTED SERVICES	<u>\$ 279,056</u>
UTILITIES	<u>\$ 159,053</u>
REPAIRS AND MAINTENANCE	<u>\$ 1,343,774</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 9,800
Dues	750
Insurance	61,149
Office Supplies and Postage	117,139
Payroll Taxes	727
Surface Water Fees/Pumpage Fees	1,219,580
Other	<u>13,560</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 1,422,705</u>
TAP CONNECTIONS	<u>\$ 352</u>
SOLID WASTE DISPOSAL	<u>\$ 964,825</u>
SECURITY	<u>\$ 739,130</u>
PARKS AND RECREATION	<u>\$ 260,480</u>

See accompanying independent auditor's report.

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED MAY 31, 2025

OTHER EXPENDITURES:

Chemicals	\$ 44,556
Laboratory Fees	107,863
Permit Fees	49,120
Reconnection Fees	11,580
Inspection Fees	139
Regulatory Assessment	13,896
Sludge Hauling	<u>227,587</u>

TOTAL OTHER EXPENDITURES	<u>\$ 454,741</u>
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TOTAL EXPENDITURES	<u>\$ 5,781,897</u>
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See accompanying independent auditor's report.

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
INVESTMENTS
MAY 31, 2025

<u>Funds</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Accrued Interest Receivable at End of Year</u>
<u>GENERAL FUND</u>					
TexSTAR	XXXX2220	Varies	Daily	\$ 2,636,704	\$ -0-
<u>DEBT SERVICE FUND</u>					
TexSTAR	XXXX3330	Varies	Daily	\$ 1,617,002	\$
Certificate of Deposit	XXXX1003	4.91%	09/04/25	117,996	4,270
TOTAL DEBT SERVICE FUND				\$ 1,734,998	\$ 4,270
<u>CAPITAL PROJECTS FUND</u>					
TexSTAR	XXXX4440	Varies	Daily	\$ 7,248,943	\$ -0-
TOTAL - ALL FUNDS				\$ 11,620,645	\$ 4,270

See accompanying independent auditor's report.

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED MAY 31, 2025

	<u>Maintenance Taxes</u>		<u>Debt Service Taxes</u>	
TAXES RECEIVABLE -				
JUNE 1, 2024	\$	26,854	\$	57,835
Adjustments to Beginning				
Balance		<u>(8,894)</u>		<u>(16,135)</u>
	\$	17,960	\$	41,700
Original 2024 Tax Levy	\$	1,492,165	\$	2,626,211
Adjustment to 2024 Tax Levy		<u>84,431</u>		<u>148,598</u>
		<u>1,576,596</u>		<u>2,774,809</u>
TOTAL TO BE				
ACCOUNTED FOR		\$ 1,594,556		\$ 2,816,509
TAX COLLECTIONS:				
Prior Years	\$	12,498	\$	26,152
Current Year		<u>1,553,469</u>		<u>2,734,105</u>
		<u>1,565,967</u>		<u>2,760,257</u>
TAXES RECEIVABLE -				
MAY 31, 2025		<u>\$ 28,589</u>		<u>\$ 56,252</u>
TAXES RECEIVABLE BY				
YEAR:				
2024	\$	23,127	\$	40,704
2023		1,916		3,372
2022		684		1,345
2021		353		808
2020		288		672
2019 and Prior		<u>2,221</u>		<u>9,351</u>
TOTAL		<u>\$ 28,589</u>		<u>\$ 56,252</u>

See accompanying independent auditor's report.

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
ANALYSIS OF TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED MAY 31, 2025

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
PROPERTY VALUATIONS:				
Land	\$ 227,158,500	\$ 221,599,960	\$ 79,798,090	\$ 76,671,950
Improvements	1,032,475,580	1,000,965,720	1,037,034,310	800,910,790
Personal Property	21,480,388	14,650,208	14,386,849	13,072,418
Exemptions	<u>(230,093,021)</u>	<u>(263,375,416)</u>	<u>(242,713,623)</u>	<u>(114,560,504)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 1,051,021,447</u>	<u>\$ 973,840,472</u>	<u>\$ 888,505,626</u>	<u>\$ 776,094,654</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.264	\$ 0.264	\$ 0.295	\$ 0.344
Maintenance	<u>0.150</u>	<u>0.150</u>	<u>0.150</u>	<u>0.150</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.414</u>	<u>\$ 0.414</u>	<u>\$ 0.445</u>	<u>\$ 0.494</u>
ADJUSTED TAX LEVY*	<u>\$ 4,351,405</u>	<u>\$ 4,032,201</u>	<u>\$ 3,959,735</u>	<u>\$ 3,834,134</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>98.53 %</u>	<u>99.87 %</u>	<u>99.95 %</u>	<u>99.97 %</u>

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

Maintenance Tax – Maximum tax rate of \$0.15 per \$100 of assessed valuation approved by voters on March 9, 1978.

See accompanying independent auditor's report.

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2025

REFUNDING SERIES - 2015			
Due During Fiscal Years Ending May 31	Principal Due March 1	Interest Due September 1/ March 1	Total
2026	\$ 245,000	\$ 25,344	\$ 270,344
2027	240,000	18,876	258,876
2028	240,000	12,540	252,540
2029	235,000	6,204	241,204
2030			
2031			
2032			
2033			
2034			
2035			
2036			
	<u>\$ 960,000</u>	<u>\$ 62,964</u>	<u>\$ 1,022,964</u>

See accompanying independent auditor's report.

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2025

REFUNDING SERIES - 2019			
Due During Fiscal Years Ending May 31	Principal Due March 1	Interest Due September 1/ March 1	Total
2026	\$ 1,105,000	\$ 100,763	\$ 1,205,763
2027	1,095,000	67,613	1,162,613
2028	780,000	34,763	814,763
2029	765,000	17,213	782,213
2030			
2031			
2032			
2033			
2034			
2035			
2036			
	<u>\$ 3,745,000</u>	<u>\$ 220,352</u>	<u>\$ 3,965,352</u>

See accompanying independent auditor's report.

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2025

S E R I E S - 2 0 2 1			
Due During Fiscal Years Ending May 31	Principal Due March 1	Interest Due September 1/ March 1	Total
2026	\$ 750,000	\$ 192,500	\$ 942,500
2027	750,000	170,000	920,000
2028	1,000,000	162,500	1,162,500
2029	1,000,000	148,750	1,148,750
2030	1,000,000	135,000	1,135,000
2031	1,000,000	120,000	1,120,000
2032	1,000,000	100,000	1,100,000
2033	1,000,000	80,000	1,080,000
2034	1,000,000	60,000	1,060,000
2035	1,000,000	40,000	1,040,000
2036	1,000,000	20,000	1,020,000
	<u>\$ 10,500,000</u>	<u>\$ 1,228,750</u>	<u>\$ 11,728,750</u>

See accompanying independent auditor's report.

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2025

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending May 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2026	\$ 2,100,000	\$ 318,607	\$ 2,418,607
2027	2,085,000	256,489	2,341,489
2028	2,020,000	209,803	2,229,803
2029	2,000,000	172,167	2,172,167
2030	1,000,000	135,000	1,135,000
2031	1,000,000	120,000	1,120,000
2032	1,000,000	100,000	1,100,000
2033	1,000,000	80,000	1,080,000
2034	1,000,000	60,000	1,060,000
2035	1,000,000	40,000	1,040,000
2036	1,000,000	20,000	1,020,000
	<u>\$ 15,205,000</u>	<u>\$ 1,512,066</u>	<u>\$ 16,717,066</u>

See accompanying independent auditor's report.

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
CHANGE IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED MAY 31, 2025

Description	Original Bonds Issued	Bonds Outstanding June 1, 2024
Rayford Road Municipal Utility District Unlimited Tax Refunding Bonds - Series 2015	\$ 2,925,000	\$ 1,210,000
Rayford Road Municipal Utility District Unlimited Tax Refunding Bonds - Series 2019	7,885,000	5,045,000
Rayford Road Municipal Utility District Unlimited Tax Bonds - Series 2021	<u>12,000,000</u>	<u>11,125,000</u>
TOTAL	<u>\$ 22,810,000</u>	<u>\$ 17,380,000</u>
Bond Authority:	<u>Tax Bonds*</u>	<u>Refunding Bonds</u>
Amount Authorized by Voters	\$ 78,450,000	\$ 39,500,000
Amount Issued	<u>55,350,000</u>	<u>3,585,880</u>
Remaining to be Issued	<u>\$ 23,100,000</u>	<u>\$ 35,914,120</u>
Debt Service Fund cash and investment balances as of May 31, 2025:		<u>\$ 1,818,228</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:		<u>\$ 1,519,733</u>

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

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

See accompanying independent auditor's report.

Current Year Transactions				Bonds Outstanding May 31, 2025	Paying Agent
Bonds Sold	Retirements				
	Principal	Interest			
\$	\$ 250,000	\$ 31,944	\$ 960,000	The Bank of New York Mellon Trust Company, N.A Dallas, TX	
	1,300,000	139,763	3,745,000	The Bank of New York Mellon Trust Company, N.A Dallas, TX	
	625,000	211,250	10,500,000	The Bank of New York Mellon Trust Company, N.A Dallas, TX	
\$ - 0 -	\$ 2,175,000	\$ 382,957	\$ 15,205,000		

See accompanying independent auditor's report.

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS

	Amounts		
	2025	2024	2023
REVENUES			
Property Taxes	\$ 1,565,967	\$ 1,446,940	\$ 1,330,936
Water Service	1,050,185	1,052,338	1,014,441
Wastewater Service	1,871,382	1,616,631	1,346,685
Groundwater Conservation District Fees	33,699	36,750	36,450
Surface Water Revenues	1,307,501	1,474,858	1,439,067
Penalty and Interest	56,228	53,660	47,536
Tap Connection and Inspection Fees	8,000	22,430	126,040
Investment Revenues	101,600	120,629	221,679
Miscellaneous Revenues	23,385	96,598	60,806
TOTAL REVENUES	<u>\$ 6,017,947</u>	<u>\$ 5,920,834</u>	<u>\$ 5,623,640</u>
EXPENDITURES			
Professional Fees	\$ 157,781	\$ 141,467	\$ 138,526
Contracted Services	279,056	274,405	284,689
Security Services	739,130	874,448	739,297
Solid Waste Disposal	964,825	916,439	858,299
Utilities	159,053	216,322	267,961
Surface Water Fees/Pumpage Fees	1,219,580	1,215,988	1,322,233
Repairs and Maintenance	1,343,774	1,354,710	1,205,289
Park and Recreation	260,480	174,295	135,919
Other	658,218	704,914	634,320
Capital Outlay	382,972	123,886	
TOTAL EXPENDITURES	<u>\$ 5,781,897</u>	<u>\$ 6,255,960</u>	<u>\$ 5,710,419</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 236,050</u>	<u>\$ (335,126)</u>	<u>\$ (86,779)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	<u>\$ -0-</u>	<u>\$ 145,367</u>	<u>\$ -0-</u>
NET CHANGE IN FUND BALANCE	\$ 236,050	\$ (189,759)	\$ (86,779)
BEGINNING FUND BALANCE	<u>2,803,900</u>	<u>2,993,659</u>	<u>3,080,438</u>
ENDING FUND BALANCE	<u>\$ 3,039,950</u>	<u>\$ 2,803,900</u>	<u>\$ 2,993,659</u>

See accompanying independent auditor's report.

		Percentage of Total Revenue				
2022	2021	2025	2024	2023	2022	2021
\$ 1,159,151	\$ 1,109,109	26.0 %	24.5 %	23.9 %	24.6 %	22.9 %
913,606	971,703	17.5	17.8	18.0	19.5	20.1
1,277,896	1,323,180	31.1	27.3	23.9	27.3	27.4
30,634	34,561	0.6	0.6	0.6	0.7	0.7
1,175,640	1,281,177	21.7	24.9	25.6	25.1	26.5
46,066	43,055	0.9	0.9	0.8	1.0	0.9
2,955	2,800	0.1	0.4	2.2	0.1	0.1
12,888	3,784	1.7	2.0	3.9	0.3	0.1
65,239	61,359	0.4	1.6	1.1	1.4	1.3
<u>\$ 4,684,075</u>	<u>\$ 4,830,728</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 111,107	\$ 121,465	2.6 %	2.4 %	2.5 %	2.4 %	2.5 %
272,636	269,810	4.6	4.6	5.1	5.8	5.6
725,248	637,342	12.3	14.8	13.1	15.5	13.2
791,301	753,789	16.0	15.5	15.3	16.9	15.6
243,004	189,583	2.6	3.7	4.8	5.2	3.9
1,060,494	1,106,168	20.3	20.5	23.5	22.6	22.9
846,037	786,865	22.3	22.9	21.4	18.1	16.3
159,360	164,343	4.3	2.9	2.4	3.4	3.4
502,833	440,560	10.9	11.9	11.3	10.7	9.1
345,508	250,209		6.5	2.2	7.4	5.2
<u>\$ 5,057,528</u>	<u>\$ 4,720,134</u>	<u>95.9 %</u>	<u>105.7 %</u>	<u>101.6 %</u>	<u>108.0 %</u>	<u>97.7 %</u>
\$ (373,453)	\$ 110,594	4.1 %	(5.7) %	(1.6) %	(8.0) %	2.3 %
\$ -0-	\$ -0-					
\$ (373,453)	\$ 110,594					
3,453,891	3,343,297					
<u>\$ 3,080,438</u>	<u>\$ 3,453,891</u>					

See accompanying independent auditor's report.

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS

	Amounts		
	2025	2024	2023
REVENUES			
Property Taxes	\$ 2,760,257	\$ 2,547,721	\$ 2,621,644
Penalty and Interest	29,802	20,192	20,200
Investment Revenues	73,485	79,832	48,549
Miscellaneous Revenues	<u>14,264</u>	<u>14,264</u>	<u>14,264</u>
TOTAL REVENUES	<u>\$ 2,863,544</u>	<u>\$ 2,662,009</u>	<u>\$ 2,690,393</u>
EXPENDITURES			
Tax Collection Expenditures	\$ 52,616	\$ 42,197	\$ 55,646
Debt Service Principal	2,175,000	2,165,000	2,165,000
Debt Service Interest and Fees	<u>385,432</u>	<u>449,839</u>	<u>515,503</u>
TOTAL EXPENDITURES	<u>\$ 2,613,048</u>	<u>\$ 2,657,036</u>	<u>\$ 2,736,149</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 250,496</u>	<u>\$ 4,973</u>	<u>\$ (45,756)</u>
OTHER FINANCING SOURCES (USES)			
Long-Term Debt Issued	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
NET CHANGE IN FUND BALANCE	\$ 250,496	\$ 4,973	\$ (45,756)
BEGINNING FUND BALANCE	<u>1,651,304</u>	<u>1,646,331</u>	<u>1,692,087</u>
ENDING FUND BALANCE	<u><u>\$ 1,901,800</u></u>	<u><u>\$ 1,651,304</u></u>	<u><u>\$ 1,646,331</u></u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>3,781</u>	<u>3,785</u>	<u>3,741</u>
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>3,621</u>	<u>3,624</u>	<u>3,577</u>

See accompanying independent auditor's report.

		Percentage of Total Revenue				
2022	2021	2025	2024	2023	2022	2021
\$ 2,660,136	\$ 2,587,920	96.4 %	95.7 %	97.4 %	98.8 %	98.7 %
23,619	14,995	1.0	0.8	0.8	0.9	0.6
3,347	10,339	2.6	3.0	1.8	0.1	0.4
5,172	8,422		0.5		0.2	0.3
<u>\$ 2,692,274</u>	<u>\$ 2,621,676</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 50,153	\$ 40,529	1.8 %	1.6 %	2.1 %	1.9 %	1.5 %
2,110,000	2,055,000	76.0	81.3	80.5	78.4	78.4
405,924	422,888	13.5	16.9	19.2	15.1	16.1
<u>\$ 2,566,077</u>	<u>\$ 2,518,417</u>	<u>91.3 %</u>	<u>99.8 %</u>	<u>101.8 %</u>	<u>95.4 %</u>	<u>96.0 %</u>
\$ 126,197	\$ 103,259	8.7 %	0.2 %	(1.8) %	4.6 %	4.0 %
\$ 118,750	\$ -0-					
\$ 244,947	\$ 103,259					
1,447,140	1,343,881					
<u>\$ 1,692,087</u>	<u>\$ 1,447,140</u>					
3,772	3,768					
3,612	3,605					

See accompanying independent auditor's report.

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
MAY 31, 2025

District Mailing Address - Rayford Road Municipal Utility District
c/o Smith, Murdaugh, Little & Bonham, LLP
2727 Allen Parkway, Suite 1100
Houston, TX 77019

District Telephone Number - (713) 652-6500

Board Members	Term of Office (Elected or Appointed)	Fees of Office for the year ended May 31, 2025	Expense Reimbursements for the year ended May 31, 2025	Title
Jon Vallery	05/22 – 05/26 (Elected)	\$ 1,925	\$ -0-	President
Frank Moore	05/22 – 05/26 (Elected)	\$ 1,750	\$ -0-	Vice President
Aaron Schoech	05/22 – 05/26 (Elected)	\$ 2,275	\$ -0-	Secretary
Renee Smith	05/24 – 05/28 (Elected)	\$ 1,925	\$ -0-	Director
Margaret Saxe	05/24 – 05/28 (Elected)	\$ 1,750	\$ -0-	Director

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

Submission date of most recent District Registration Form: May 23, 2024

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200 as set by Board Resolution on March 11, 2025. Fees of Office are the amounts actually paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
MAY 31, 2025

	<u>Date Hired</u>	<u>Fees for the year ended May 31, 2025</u>	<u>Title</u>
Consultants:			
Smith, Murdaugh, Little & Bonham, LLP	05/84	\$ 75,272	General Counsel
McCall Gibson Swedlund Barfoot Ellis PLLC	05/10/99	\$ 17,500	Auditor
Myrtle Cruz, Inc.	12/80	\$ 53,453	Bookkeeper
Linebarger Goggan Blair & Sampson, LLP	07/01/08	\$ 6,692	Delinquent Tax Attorney
IDS Engineering Group	12/14/98	\$ 382,148	Engineer
Masterson Advisors LLC	06/11/18	\$ 3,500	Financial Advisor
Mary Jarmon	05/08/23	\$ -0-	Investment Officer
Municipal Operations & Consulting	05/13/02	\$ 1,675,461	Operator
Montgomery County		\$ 739,130	Security

See accompanying independent auditor's report.