

PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER 10, 2025

This **PRELIMINARY OFFICIAL STATEMENT** is subject to completion and amendment and is intended solely for the solicitation of initial bids to purchase the Bonds. Upon sale of the Bonds, the **OFFICIAL STATEMENT** will be completed and delivered to the Underwriter.

IN THE OPINION OF BOND COUNSEL, UNDER EXISTING LAW, INTEREST ON THE BONDS (I) IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER SECTION 103 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED, AND (II) IS NOT AN ITEM OF TAX PREFERENCE FOR PURPOSES OF THE ALTERNATIVE MINIMUM TAX ON INDIVIDUALS. SEE “TAX MATTERS” HEREIN, INCLUDING INFORMATION REGARDING POTENTIAL ALTERNATIVE MINIMUM TAX CONSEQUENCES FOR CORPORATIONS.

THE BONDS **HAVE** BEEN DESIGNATED “QUALIFIED TAX-EXEMPT OBLIGATIONS” FOR FINANCIAL INSTITUTIONS.

NEW ISSUE-Book-Entry Only

Underlying Rating: Moody’s “A3”
See “MUNICIPAL BOND RATING AND
MUNICIPAL BOND INSURANCE” herein.

\$3,675,000

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 89
(A political subdivision of the State of Texas located within Montgomery County)

UNLIMITED TAX BONDS

SERIES 2025

The bonds described above (the “Bonds”) are obligations solely of Montgomery County Municipal Utility District No. 89 (the “District”) and are not obligations of the State of Texas, Montgomery County, the City of Houston, or any entity other than the District.

The Bonds, when issued, will constitute valid and legally binding obligations of the District and will be payable from the proceeds of an annual ad valorem tax levied, without legal limitation as to rate or amount, against all taxable property within the District. THE BONDS ARE SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS DESCRIBED HEREIN. See “INVESTMENT CONSIDERATIONS.”

Dated Date: December 1, 2025

Due: September 1, as shown below

Interest Accrual Date: Date of Delivery

Principal of the Bonds is payable at maturity or earlier redemption 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”) upon surrender of the Bonds for payment. Interest on the Bonds accrues from the initial date of delivery (expected on or about December 18, 2025) (the “Date of Delivery”), and is payable each March 1 and September 1, commencing March 1, 2026, until maturity or prior redemption. The Bonds will be issued only in fully registered form in denominations of \$5,000 each or integral multiples thereof. The Bonds are subject to redemption prior to their maturity, as shown below.

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. See “BOOK-ENTRY-ONLY SYSTEM.”

MATURITY SCHEDULE

Due (September 1)	Principal Amount (a)	Interest Rate	Initial Reoffering Yield (b)	CUSIP Number (c)	Due (September 1)	Principal Amount (a)	Interest Rate	Initial Reoffering Yield (b)	CUSIP Number (c)
2033	\$ 175,000 (d)				2037	\$ 500,000 (d)			
2034	500,000 (d)				2038	500,000 (d)			
2035	500,000 (d)				2039	500,000 (d)			
2036	500,000 (d)				2040	500,000 (d)			

- (a) The Underwriter (as hereinafter defined) may designate one or more maturities of term bonds. See accompanying “OFFICIAL NOTICE OF SALE.”
- (b) Initial reoffering yield represents the initial offering yield to the public, which has been established by the Underwriter (as herein defined) for offers to the public and which subsequently may be changed.
- (c) 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 Underwriter (as herein defined) shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.
- (d) The Bonds are subject to redemption at the option of the District prior to their maturity dates in whole, or from time to time in part, on September 1, 2031, or on any date thereafter at a price of par value plus unpaid accrued interest from the most recent Interest Payment Date (as herein defined) to the date fixed for redemption. See “THE BONDS—Redemption Provisions.”

The Bonds are offered by the Underwriter subject to prior sale, when, as and if issued by the District and accepted by the respective Underwriter, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel. See “LEGAL MATTERS.” Delivery of the Bonds in book-entry form through the facilities of DTC is expected on or about December 18, 2025.

Bids Due: Thursday, November 20, 2025 at 9:15 A.M., Houston Time in Houston, Texas
Bid Award: Thursday, November 20, 2025 at 3:00 P.M., Houston Time in Spring, Texas

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

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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 representations must not be relied upon as having been authorized by the District.

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

All of the summaries of the statutes, resolutions, orders, contracts, audited financial statements, engineering and other related reports set forth in this OFFICIAL STATEMENT are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Allen Boone Humphries Robinson LLP, Bond Counsel, 3200 Southwest Freeway, Suite 2600, Houston, Texas, 77027, for further information.

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

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

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District accepted the bid resulting in the lowest net effective interest rate, which bid was tendered by _____ (the "Underwriter") paying the interest rates shown on the cover page hereof, at a price of _____% of the par value 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 from time-to-time by the Underwriter after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts. In connection with the offering of the Bonds, the Underwriter may over allot or effect transactions which stabilize or maintain the market prices of the Bonds at levels above those which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

The District has no control over trading of the Bonds in the secondary market. Moreover, there is no guarantee that a secondary market will be made in the Bonds. In such a secondary market, the difference between the bid and asked price of 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 and the Bonds have not been registered or qualified under the securities laws of any other jurisdiction. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any other jurisdiction in which the Bonds may be offered, sold or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdiction.

OFFICIAL STATEMENT SUMMARY

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

THE DISTRICT

<i>Description...</i>	The District is a political subdivision of the State of Texas, created by order of the Texas Natural Resource Conservation Commission, predecessor to the Texas Commission on Environmental Quality (“TCEQ”), on January 10, 2001, and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended. The District currently consists of approximately 464 acres of land. See “THE DISTRICT.”
<i>Location...</i>	The District is located in south Montgomery County, approximately 25 miles north of the central downtown business district of the City of Houston and lies wholly within the exclusive extraterritorial jurisdiction of the City of Houston and within the boundaries of the Conroe Independent School District. The District is located three miles east of Interstate Highway 45 along Rayford Road and is bounded on the north and east by Montgomery County Municipal Utility District No. 88 and on the south by Spring Creek Utility District. See “THE DISTRICT” and “AERIAL PHOTOGRAPH.”
<i>Status of Development...</i>	<p>The District has been developed as Legends Ranch, a predominately single-family residential community which includes a total of 1,595 developed lots on approximately 400 acres of land in the District and 20 acres of commercial development. Construction of underground utilities and streets to serve the entire District is complete.</p> <p>The residential subdivisions include single-family residential development in Canyon Gate at Legends Ranch, Sections One, Two, and Four through Eight, Canyon Lakes at Legends Ranch, Sections One through Five, Legends Ranch, Sections 10 and 11, and duplex development in Canyon Gate at Legends Ranch, Section Three. As of September 25, 2025, 1,573 homes were constructed (1,569 occupied and 4 vacant). For tax year 2025, the average home value was \$343,245.</p> <p>In addition to the single family residential development, there are approximately 20 acres of land served with underground utilities for commercial development, which includes a day care center, an automotive shop, an indoor sports facility, two fast food restaurants, and a gas station with fast food restaurant and other retail establishments attached. Additionally, approximately 44 acres are contained in various parks, pipelines, easements, rights-of-way, and utility sites. See “THE DISTRICT.”</p>
<i>Payment Record...</i>	The District has previously issued \$33,635,000 principal amount of unlimited tax bonds for water, wastewater and drainage purposes in eight series, of which \$12,645,000 collectively remains outstanding as of the date hereof (the “Outstanding Bonds”). The District will capitalize twelve (12) months of interest from Bond proceeds. The Bonds are the District’s ninth issuance of unlimited tax bonds for water, wastewater and drainage facilities. The District has never defaulted in the payment of principal and interest on the Outstanding Bonds. See “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds.

THE BONDS

<i>Description...</i>	The \$3,675,000 Unlimited Tax Bonds, Series 2025 (the “Bonds”) are being issued pursuant to a resolution authorizing the issuance of the Bonds (the “Bond Resolution”) adopted by the District’s Board of Directors. The Bonds are scheduled to mature serially on March 1 in each of the years 2033 through 2040, both inclusive, and in the principal amounts and accrue interest at the rates shown on the cover page hereof. Interest on the Bonds accrues from 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. The Bonds will be issued in denominations of \$5,000 or integral multiples of \$5,000. See “THE BONDS.”
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<i>Book-Entry-Only System...</i>	The Depository Trust Company (defined as “DTC”), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds and will be deposited with DTC. See “BOOK-ENTRY-ONLY SYSTEM.”
<i>Redemption...</i>	The Bonds 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 September 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>Use of Proceeds...</i>	Proceeds of the Bonds will be used to pay for the construction costs and engineering fees shown herein under “USE AND DISTRIBUTION OF BOND PROCEEDS;” to capitalize twelve (12) months of interest; and to pay administrative costs and certain other costs related to the issuance of the Bonds. See “USE AND DISTRIBUTION OF BOND PROCEEDS.”
<i>Authority for Issuance...</i>	The Bonds are the ninth series of bonds issued out of an aggregate of \$45,950,000 principal amount of unlimited tax bonds authorized by the District’s voters for the purpose of purchasing and constructing water, wastewater and/or storm drainage facilities. The Bonds are issued by the District pursuant to an order of the TCEQ, the terms and conditions of the Bond Resolution, Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, the general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas and an election held within the District. See “THE BONDS—Authority for Issuance,” “—Issuance of Additional Debt” and “INVESTMENT CONSIDERATIONS—Future Debt.”
<i>Source of Payment...</i>	Principal of and interest on the Bonds are payable from the proceeds of a continuing direct annual ad valorem tax levied, without legal limitation as to rate or amount, against all taxable property within the District. The Bonds are obligations of the District and are not obligations of the City of Houston, Montgomery County, the State of Texas or any entity other than the District. See “THE BONDS—Source of Payment.”
<i>Municipal Bond Rating and Municipal Bond Insurance...</i>	Application has been made to Moody’s Investors Service (“Moody’s”) for an underlying rating on the Bonds, and Moody’s has assigned an underlying rating of “A3” to the Bonds. Application has also been made to various municipal bond insurance companies for qualification of the Bonds for municipal bond insurance. If qualified, such insurance will be available at the option of the Underwriter at the Underwriter’s expense. The rating fee of Moody’s will be paid for by the District; payment of any other rating fee will be the responsibility of the Underwriter. See “INVESTMENT CONSIDERATIONS—Risk Factors on Municipal Bond Insurance” and “MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE.”
<i>Qualified Tax-Exempt Obligations...</i>	The Bonds will be designated “qualified tax-exempt obligations” for financial institutions. See “TAX MATTERS—Qualified Tax-Exempt Obligations.”
<i>Bond Counsel...</i>	Allen Boone Humphries Robinson LLP, Houston, Texas. See “MANAGEMENT OF THE DISTRICT,” “LEGAL MATTERS” and “TAX MATTERS.”
<i>Financial Advisor...</i>	Masterson Advisors LLC, Houston, Texas. See “MANAGEMENT OF THE DISTRICT.”
<i>Disclosure Counsel...</i>	McCall, Parkhurst & Horton L.L.P., Houston, Texas.
<i>Paying Agent/Registrar...</i>	The Bank of New York Mellon Trust Company, N.A., Houston, Texas. See “THE BONDS—Method of Payment of Principal and Interest.”

INVESTMENT CONSIDERATIONS

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

SELECTED FINANCIAL INFORMATION (UNAUDITED)

2025 Taxable Assessed Valuation.....	\$548,698,746	(a)
Gross Direct Debt Outstanding	\$ 16,320,000	(b)
Estimated Overlapping Debt	28,150,199	(c)
Gross Direct Debt and Estimated Overlapping Debt.....	<u>\$44,470,199</u>	
Ratio of Gross Direct Debt to:		
2025 Taxable Assessed Valuation.....	2.97%	
Ratio of Gross Direct Debt and Estimated Overlapping Debt to:		
2025 Taxable Assessed Valuation.....	8.10%	
Funds Available for Debt Service:		
Debt Service Funds Available as of October 10, 2025.....	\$1,881,999	(d)
Capitalized Interest from proceeds of the Bonds (Twelve (12) Months)	<u>156,187</u>	(e)
Total Funds Available for Debt Service	<u>\$2,038,186</u>	
Operating Funds Available as of October 10, 2025	\$7,344,614	
2025 Debt Service Tax Rate.....	\$0.335	
2025 Maintenance and Operations Tax Rate.....	<u>0.220</u>	
2025 Total Tax Rate	<u>\$0.555</u>	
Projected Average Annual Debt Service Requirement (2026-2040).....	\$1,358,538	(f)
Projected Maximum Annual Debt Service Requirement (2031).....	\$2,190,238	(f)
Tax Rates Required to Pay Average Annual Debt Service (2026-2040) at a 95% Collection Rate		
Based upon 2025 Taxable Assessed Valuation.....	\$0.27	(g)
Tax Rates Required to Pay Maximum Annual Debt Service (2031) at a 95% Collection Rate		
Based upon 2025 Taxable Assessed Valuation.....	\$0.43	(g)
Status of Development as of September 25, 2025 (h):		
Single-Family Residential – Completed and Occupied.....	1,569	
Single-Family Residential – Completed and Unoccupied.....	4	
Other (Irrigation, Rental and District).....	39	
Total	<u>1,612</u>	
Estimated 2025 Population.....	5,492	(i)

- (a) The 2025 Taxable Assessed Valuation shown herein includes \$532,470,604 of certified value and \$16,228,142 of uncertified value. The uncertified value is subject to change and downward revision prior to certification. No tax will be levied on said uncertified value until it is certified by the Montgomery Central Appraisal District (the "Appraisal District"). See "TAX PROCEDURES."
- (b) Includes the Bonds and the Outstanding Bonds. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds."
- (c) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Estimated Overlapping Debt."
- (d) Neither Texas law nor the Bond Resolution requires that the District maintain any particular balance in the Debt Service Fund.
- (e) The District will capitalize twelve (12) months of interest from the Bonds proceeds and deposit such funds in the Debt Service Fund. The amounts above are based on an estimated interest rate of 4.25%.
- (f) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements."
- (g) See "TAX DATA—Tax Adequacy for Debt Service."
- (h) See "THE DISTRICT—Status of Development."
- (i) Based upon 3.5 persons per occupied single-family residence.

PRELIMINARY OFFICIAL STATEMENT

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 89 *(A political subdivision of the State of Texas located within Montgomery County)*

\$3,675,000

UNLIMITED TAX BONDS SERIES 2025

This OFFICIAL STATEMENT provides certain information in connection with the issuance by Montgomery County Municipal Utility District No. 89 (the “District”) of its \$3,675,000 Unlimited Tax Bonds, Series 2025 (the “Bonds”).

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

This Official Statement includes descriptions, among others, of the Bonds and the Bond Resolution, and certain other information about the District, and development activity in the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of documents may be obtained from Allen Boone Humphries Robinson LLP, Bond Counsel, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027.

THE BONDS

Description

The Bonds will be dated December 1, 2025, with interest accruing from the Date of Delivery, payable each March 1 and September 1, beginning March 1, 2026 (each an “Interest Payment Date”), and will mature on the dates and in the principal amounts and accrue interest at the rates shown on the cover page hereof. The Bonds are issued in fully registered form, in denominations of \$5,000 or any integral multiple of \$5,000. Interest calculations are based on a 360-day year comprised of twelve 30-day months.

Method of Payment of Principal and Interest

In the Bond Resolution, the Board has appointed The Bank of New York Mellon Trust Company, N.A., Houston, Texas as the initial Paying Agent/Registrar for the Bonds. The principal of the Bonds shall be payable, without exchange or collection charges, in any coin or currency of the United States of America, which, on the date of payment, is legal tender for the payment of debts due the United States of America. In the event the book-entry system is discontinued, principal of the Bonds shall be payable upon presentation and surrender of the Bonds as they respectively become due and payable, at the principal payment office of the Paying Agent/Registrar in Houston, Texas and interest on each Bond shall be payable by check payable on each Interest Payment Date, mailed by the Paying Agent/Registrar on or before each Interest Payment Date to the Registered Owner of record as of the close of business on the February 15 or August 15 immediately preceding each Interest Payment Date (defined herein as the “Record Date”), to the address of such Registered Owner as shown on the Paying Agent/Registrar’s records (the “Register”) or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and the Registered Owners at the risk and expense of the Registered Owners.

If the date for payment of the principal of or interest on any Bond is not a business day, then the date for such payment shall be the next succeeding business day, as defined in the Bond Resolution.

Source of Payment

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

The Bonds are obligations of the District and are not the obligations of the State of Texas, Montgomery County, the City of Houston (the “City”), or any entity other than the District.

Funds

In the Bond Resolution, the Debt Service Fund is confirmed, and the proceeds from all taxes levied, appraised and collected for and on account of the Bonds authorized by the Bond Resolution shall be deposited, as collected, in such fund.

Twelve (12) months of capitalized interest shall be deposited into the Debt Service Fund upon receipt. The remaining proceeds of sale of the Bonds shall be deposited into the Capital Projects Fund, to be used for the purpose of funding certain construction costs and engineering fees and for paying the costs of issuance of the Bonds. Any monies remaining in the Capital Projects Fund will be used as described in the Bond Resolution or ultimately transferred to the Debt Service Fund. See "USE AND DISTRIBUTION OF BOND PROCEEDS" for a complete description of the use of Bond proceeds and the projects related thereto.

Redemption Provisions

The District reserves the right, at its option, to redeem the Bonds prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of \$5,000 on September 1, 2031, or any date thereafter, at a price of par value plus unpaid accrued interest on the principal amounts called for redemption from the most recent Interest Payment Date to the date fixed for redemption.

If less than all of the Bonds are redeemed at any time, the maturities of the Bonds to be redeemed will be selected by the District. If less than all of the Bonds of a certain maturity are to be redeemed, the particular Bonds to be redeemed shall be selected by the Paying Agent/Registrar by lot or other random method (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form).

If a Bond subject to redemption is in a denomination larger than \$5,000, a portion of such Bond may be redeemed, but only in integral multiples of \$5,000. Upon surrender of any Bond for redemption in part, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor a Bond or Bonds of like maturity and interest rate in an aggregate principal amount equal to the unredeemed portion of the Bond so surrendered.

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

Authority for Issuance

At a bond election held within the District, voters of the District authorized the issuance of \$45,950,000 principal amount of unlimited tax bonds for purchasing or constructing water, wastewater and/or storm drainage facilities. The Bonds are being issued pursuant to such authorization. See "Issuance of Additional Debt" below.

Additionally, the Bonds are issued by the District pursuant to an order of the TCEQ, the terms and conditions of the Bond Resolution, Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, and the general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas.

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.

Registration and Transfer

So long as any Bonds remain outstanding, the Paying Agent/Registrar shall keep the Register at its principal payment office and, subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar shall provide for the registration and transfer of Bonds in accordance with the terms of the Bond Resolution.

In the event the Book-Entry-Only System should be discontinued, each Bond shall be transferable only upon the presentation and surrender of such Bond at the principal payment office of the Paying Agent/Registrar, duly endorsed for transfer, or accompanied by an assignment duly executed by the Registered Owner or his authorized representative in form satisfactory to the Paying Agent/Registrar. Upon due presentation of any Bond in proper form for transfer, the Paying Agent/Registrar has been directed by the District to authenticate and deliver in exchange therefor, within three (3) business days after such presentation, a new Bond or Bonds, registered in the name of the transferee or transferees, in authorized denominations and of the same maturity and aggregate principal amount and paying interest at the same rate as the Bond or Bonds so presented.

All Bonds shall be exchangeable upon presentation and surrender thereof at the principal payment office of the Paying Agent/Registrar for a Bond or Bonds of the same maturity and interest rate and in any authorized denomination in an aggregate amount equal to the unpaid principal amount of the Bond or Bonds presented for exchange. The Paying Agent/Registrar is authorized to authenticate and deliver exchange Bonds. Each Bond delivered shall be entitled to the benefits and security of the Bond Resolution to the same extent as the Bond or Bonds in lieu of which such Bond is delivered.

Neither the District nor the Paying Agent/Registrar shall be required to transfer or to exchange any Bond during the period beginning on a Record Date and ending the next succeeding Interest Payment Date or to transfer or exchange any Bond called for redemption during the thirty (30) day period prior to the date fixed for redemption of such Bond.

The District or the Paying Agent/Registrar may require the Registered Owner of any Bond to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with the transfer or exchange of such Bond. Any fee or charge of the Paying Agent/Registrar for such transfer or exchange shall be paid by the District.

Lost, Stolen or Destroyed Bonds

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

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

Replacement of Paying Agent/Registrar

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

Issuance of Additional Debt

The District's voters have authorized the issuance of \$45,950,000 principal amount of unlimited tax bonds for the purpose of purchasing or constructing water, wastewater and/or storm drainage facilities and \$29,800,000 principal amount of unlimited tax bonds for refunding purposes and could authorize additional amounts. After issuance of the Bonds, the District will have \$8,640,000 principal amount of unlimited tax bonds authorized for purchasing or constructing water, wastewater and/or storm drainage facilities, and \$28,684,635.22 principal amount of unlimited tax bonds for refunding purposes authorized but unissued.

The District is authorized by statute to construct park and recreational facilities, including the issuing of bonds payable from taxes for such purpose. The principal amount of bonds sold by the District to construct park and recreational facilities is limited to one percent (1%) of the District's certified taxable assessed valuation, unless, the District meets certain financial feasibility requirements under the TCEQ rules, in which case the outstanding principal amount of such bonds issued by the District may not exceed an amount greater than three percent (3%) of the value of the taxable property in the District. Before the District could issue park bonds payable from taxes, the following actions would be required: (a) approval of the park bonds by the TCEQ; and (b) approval of the bonds by the Attorney General of Texas. The Board has not considered authorizing the preparation of a park plan or calling a park bond election at this time.

The District is authorized by statute to engage in fire-fighting activities, including the issuing of bonds payable from taxes for such purpose. Before the District could issue fire-fighting bonds payable from taxes, the following actions would be required: (a) amendments to existing city ordinances specifying the purposes for which the District may issue bonds; (b) authorization of a detailed master plan and bonds for such purpose by the qualified voters in the District; (c) approval of the master plan and issuance of bonds by the TCEQ; and (d) approval of bonds by the Attorney General of Texas. The Board has not considered calling an election for the issuance of fire-fighting bonds at this time.

Pursuant to Chapter 54 of the Water Code, a municipal utility district may petition the TCEQ 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 TCEQ, 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 TCEQ for "road powers" nor calling such an election at this time.

The Bond Resolution imposes no limitation on the amount of additional parity bonds which may be authorized for issuance by the District's voters or the amount ultimately issued by the District. If additional debt obligations are issued in the future by the District, such issuance may increase gross debt/property ratios and might adversely affect the investment security of the Bonds.

Annexation by the City of Houston

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston, Texas ("Houston" or the "City") the District must conform to a City consent ordinance. Generally, the District may be annexed by the City without the District's consent, and the City cannot annex territory within the District unless it annexes the entire District; however, the City may not annex the District unless (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed, and (ii) if the registered voters in the area to be annexed do not own more than 50 percent of the land in the area, a petition has been signed by more than 50 percent of the landowners consenting to the annexation. Notwithstanding the preceding sentence, the described election and petition process does not apply during the term of a strategic partnership agreement between the City and the District specifying the procedures for full purpose annexation of all or a portion of the District. See "Strategic Partnership Agreement" below.

If the District is annexed, the City will assume the District's assets and obligations (including the Bonds) and dissolve the District. Annexation of territory by the City is a policy-making matter within the discretion of the Mayor and City Council of the City, and therefore, the District makes no representation that the City will ever annex the District and assume its debt. Moreover, no representation is made concerning the ability of the City to make debt service payments should annexation occur.

Strategic Partnership

The District is authorized to enter into a strategic partnership agreement with the City of Houston to provide the terms and conditions under which the 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 annexed for full or limited purposes by the City. The terms of any such agreement would be determined by the City and the District, and could provide for the conversion of a limited purpose annexation to a general purpose annexation, the provision of municipal services in the District for a fee, the imposition of the City's sales taxes in the District, and other terms. Although the City has negotiated and entered into such an agreement with several other districts in its extraterritorial jurisdiction, no such agreement is currently contemplated with respect to the District, although no representation can be made regarding the future likelihood of an agreement or the terms thereof.

Consolidation

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

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 Resolution that it shall make such use of the proceeds of the Bonds, regulate investment of proceeds of the Bonds, and take such other and further actions and follow such procedures, including, without limitation, calculating the yield on the Bonds, as may be that the Bonds shall not become "arbitrage bonds" under the Code and the regulations prescribed from time to time thereunder.

Remedies in Event of Default

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

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 might 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.

Defeasance

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

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

There is no assurance that the current law will not be changed in the future in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds.

BOOK-ENTRY-ONLY SYSTEM

The information in this section concerning Depository Trust Company ("DTC"), New York, NY, and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy or completeness thereof.

The District cannot and does not give any assurances that DTC, DTC Direct Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) Bonds representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) prepayment or other notices sent to DTC or Cede & Co., its nominee, as the Registered Owner of the Bonds, or that they will do so on a timely basis or that DTC, DTC Direct Participants or DTC Indirect Participants will act in the manner described in this OFFICIAL STATEMENT. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedure" of DTC to be followed in dealing with DTC Direct Participants is on file with DTC.

The DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each stated 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 Owners") 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.

USE AND DISTRIBUTION OF BOND PROCEEDS

Proceeds from the sale of the Bonds will be used to pay the construction costs associated with the following items. See "THE SYSTEM."

The construction costs below were compiled by the District and were submitted to the TCEQ in the District's bond application. Non-construction costs are based upon either contract amounts, or estimates of various costs by Quiddity Engineering, LLC (the "Engineer") and Masterson Advisors LLC (the "Financial Advisor"). The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Bonds. Surplus funds, if any, may be expended for any lawful purpose for which surplus construction funds may be used, if approved by the TCEQ, where required.

CONSTRUCTION COSTS

Water Plant No. 2 - Ground Storage Tank No. 3 Addition.....	\$ 966,930
Water Plant No. 2 Surface Water Interconnection.....	627,920
Transmission Line Extension to Water Plant No. 2.....	820,638
Contingencies.....	241,816
Engineering.....	<u>449,564</u>

Total Construction Costs..... \$ 3,106,868

NON-CONSTRUCTION COSTS

Bond Discount (Estimated 3.00%)(a).....	\$ 110,250
Capitalized Interest (12 Months at 5.50%)(a).....	<u>202,125</u>

Total Non-Construction Costs..... \$ 312,375

ISSUANCE COSTS AND FEES

Issuance Costs and Professional Fees.....	\$ 192,894
Bond Application Report.....	50,000
State Regulatory Fees.....	<u>12,863</u>

Total Issuance Costs and Fees..... \$ 255,757

TOTAL BOND ISSUE REQUIREMENT \$ 3,675,000

(a) The TCEQ approved a maximum Underwriter's discount of 3.00% and twelve (12) months of capitalized interest at an estimated interest rate of 5.50%.

THE DISTRICT

General

The District is a municipal utility district created by an order of the TCEQ dated January 10, 2001. The rights, powers, privileges, authority and functions of the District are established by the general laws of the State of Texas pertaining to utility districts, particularly Article XVI, Section 59 of the Texas Constitution, and Chapters 49 and 54 of the 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 to provide water, sanitary sewer service, storm sewer drainage, irrigation, solid waste collection and disposal, including recycling, and 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.

The TCEQ exercises continuing supervisory jurisdiction over the District. In order to obtain the consent for creation of the District from the City of Houston, within whose extraterritorial jurisdiction the District lies, the District is required to observe certain requirements of the City of Houston which (1) limit the purposes for which the District may sell bonds for the acquisition, construction, and improvement of waterworks, wastewater, and drainage facilities, recreational facilities, and firefighting facilities, (2) require approval by the City of Houston of District construction plans, and (3) permit connections only to single-family lots and commercial or multi-family/commercial platted reserves which have been approved by the Planning Commission of the City of Houston. Construction and operation of the District's system is subject to the regulatory jurisdiction of additional governmental agencies. See "THE SYSTEM—Regulation."

Description and Location

At the time of creation, the District contained approximately 415 acres of land. Subsequent to creation, the District annexed approximately 318 acres and excluded approximately 270 acres and currently consists of approximately 464 acres of land. The District is located in south Montgomery County, approximately 25 miles north of the central downtown business district of the City of Houston and lies wholly within the exclusive extraterritorial jurisdiction of the City of Houston and within the boundaries of the Conroe Independent School District. The District is located three miles east of Interstate Highway 45 along Rayford Road and is bounded on the north and east by Montgomery County Municipal Utility District No. 88 and on the south by Spring Creek Utility District. The District was developed as Legends Ranch, a predominately single-family residential community.

Status of Development

The District has been developed as Legends Ranch, a predominately single-family residential community which includes a total of 1,595 developed lots on approximately 400 acres of land in the District and 20 acres of commercial development. Construction of underground utilities and streets to serve the entire District is complete.

The residential subdivisions include single-family residential development in Canyon Gate at Legends Ranch, Sections One, Two, and Four through Eight, Canyon Lakes at Legends Ranch, Sections One through Five, and Legends Ranch, Sections 10 and 11, and duplex development in Canyon Gate at Legends Ranch, Section Three. As of September 25, 2025, 1,573 homes were constructed (1,569 occupied and 4 vacant). For tax year 2025, the average home value was \$343,245. The estimated population within the District is 5,492, based upon 3.5 persons per occupied single-family residence.

In addition to the residential development in Legends Ranch, the development includes a recreation center, which includes a junior-olympic sized swimming pool, workout facilities and a splash pad.

In addition to the single family residential development, there are approximately 20 acres of land served with underground utilities for commercial development, which includes a day care center, an automotive shop, an indoor sports facility, two fast food restaurants, and a gas station with fast food restaurant and other retail establishments attached.

In addition to the development described above, the District presently contains approximately 44 undevelopable acres contained in various easements, rights-of-way, plant sites or otherwise undevelopable property.

MANAGEMENT OF THE DISTRICT

Board of Directors

The District is governed by the Board, consisting of five (5) directors, which has control over and management supervision of all affairs of the District. Directors are elected to staggered four-year terms and elections are held in May in even numbered years only. All of the Board members reside in the District. The current members and officers of the Board along with their titles and terms, are listed as follows:

<u>Name</u>	<u>District Board Title</u>	<u>Term Expires</u>
Paul Cote	Director	May 2026
Benjamin Slotnick	Director	May 2026
Shawn Goodman	Secretary	May 2026
Terrance Sookdeo	Director	May 2028
Jordan Greene	Authorized Signatory	May 2028

District Consultants

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

Bond Counsel/Attorney: The District has engaged Allen Boone Humphries Robinson LLP as general counsel to the District and as Bond Counsel in connection with the issuance of the District's bonds. The legal fees to be paid to Bond Counsel for services rendered in connection with the issuance of the Bonds is based on a percentage of the Bonds actually issued, sold and delivered, and therefore such fees are contingent upon the sale and delivery of the Bonds.

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

Auditor: The financial statements of the District as of August 31, 2024, and for the year then ended, included in this offering document, have been audited by McCall Gibson Swedlund Barfoot Ellis PLLC, independent auditors, as stated in their report appearing herein. See "APPENDIX A" for a copy of the District's audited financial statements for the fiscal year ended August 31, 2024. The District has engaged McCall Gibson Swedlund Barfoot Ellis PLLC to audit its financial statements for the fiscal year ended August 31, 2025.

Engineer: The District's consulting engineer is Quiddity Engineering, LLC.

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

Tax Assessor/Collector: The District has appointed an independent tax assessor/collector to perform the tax collection function. Ms. Tammy McRae, Montgomery County Tax Assessor and Collector (the "Tax Assessor/Collector") has been engaged by the District to serve in this capacity.

Bookkeeper: The District has contracted with Myrtle Cruz, Inc. (the "Bookkeeper") for bookkeeping services.

Utility System Operator: The operator of the District's internal water and wastewater system is Municipal Operations & Consulting, Inc.

THE SYSTEM

Regulation

Construction and operation of the District's water, wastewater and storm drainage system (the "System") as it now exists or as it may be expanded from time to time is subject to regulatory jurisdiction of federal, state and local authorities. The TCEQ exercises continuing, supervisory authority over the District. Discharge of treated sewage into Texas waters is also subject to the regulatory authority of the TCEQ and the United States Environmental Protection Agency. Montgomery County, the City of Houston, and the Texas Department of Health also exercise regulatory jurisdiction over the District's System.

Water Supply

The District is a party to a water facilities contract (the "Water Facilities Contract") with Montgomery County Municipal Utility District No. 88 ("MCMUD 88") and Spring Creek Utility District ("Spring Creek UD") for the joint ownership of the Legends Ranch Water Plant Nos. 1 & 2 ("Water Plant Nos. 1 & 2"). Water Plant No. 1 consists of one 939 gallon per minute ("gpm") water well, two 212,000-gallon ground storage tanks, three 15,000 gallon hydropneumatic tanks, and four booster pumps. Water Plant No. 2 consists of a 1,000 gallon per minute ("gpm") well, a 1,700 gpm well, one 333,600-gallon ground storage tank and one 100,400-gallon ground storage tank, three 15,000-gallon pressure tanks and 5,150 gpm of booster pump capacity. A portion of the proceeds of the Bonds will be used to finance the design and construction of a third ground storage tank (333,600 gallons) at Water Plant No. 2. Pursuant to the Water Facilities Contract, a portion of the proceeds of the Bonds will also be used to finance the design and construction of a surface water interconnection system, along with a water transmission line to connect Water Plant No. 1 to the surface water treatment plant owned by the San Jacinto River Authority. Pursuant to the Supplemental Agreement (as defined herein), the District will receive a certain quantity of surface water from the San Jacinto River Authority, with payment for such water set at the prevailing rate of water provided to other Participants (as defined herein). See "THE SYSTEM—San Jacinto River Authority GRP Agreement." The District, MCMUD 88 and Spring Creek UD will jointly split the costs of the projects and will each own approximately one-third of the capacity in such facilities, respectively. Such projects are currently in design. Overall, the District owns approximately 44% of all the facilities at Water Plant No. 1, with the exception of hydropneumatic tank No. 1 which the District owns 100%. The remaining facilities at Water Plant No. 1 is jointly owned and shared with Spring Creek UD. At Water Plant No. 2, the District also owns 47.5% of ground storage tank No. 1, 35.4% of hydropneumatic tanks Nos 1 & 2, 54.9% of booster pumps Nos. 1-3, and 59.8% of Water Well No. 2. The remaining facilities at Water Plant No. 2 are owned and shared with both MCMUD 88 and Spring Creek UD. This existing ownership capacity of shared facilities is sufficient to serve approximately 1,749 single-family equivalent connections, of which approximately 1,633 are served by the District as of September 2025.

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 has 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 requires persons and entities, including the District, MCMUD 88 and Spring Creek UD 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 had adopted its District Regulatory Plan, which calls 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. The regulatory plan allows for the creation of management zones within the County to facilitate conservation of use of groundwater and development of other water resources from surface water or re-use of treated effluent.

Large water users, including the District, MCMUD 88 and Spring Creek UD, were required to prepare and submit a two-part Water Resources Assessment Plan ("WRAP") that identifies methods and plans for reduction of groundwater usage through the development of alternate water resources, including the design and construction of infrastructure and facilities to purchase and transport water to affected areas within the County. The initial requirement and deadline for reduction of groundwater use by 30% was January 1, 2016.

The District, MCMUD 88 and Spring Creek UD participated in a joint WRAP prepared by the San Jacinto River Authority, and the District is in compliance with Conservation District requirements.

On September 9, 2020, the Conservation District adopted new rules that superseded prior substantive requirements of the Conservation District's 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. 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, including the District, MCMUD 88 and Spring Creek UD, \$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 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 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 Montgomery County to achieve the goals for reduction of groundwater pumpage for the entire county. Approximately 130 larger volume water users in Montgomery County, including the District, MCMUD 88 and Spring Creek UD, approved and entered into the GRP Contract (collectively the "Participants") and are in compliance with SJRA and Conservation District requirements applicable to groundwater pumpage from the MUD 88 well and Spring Creek UD well.

Pursuant to the GRP Contract, SJRA has developed, implemented and is enforcing a groundwater reduction plan ("GRP") covering all Participants to achieve and maintain compliance with the Conservation District requirements. The initial focus of the GRP will be 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 is designing, permitting, financing, constructs, owns, operates and maintains the Project, and the Project is being constructed in phases. Certain large volume Participants are being wholly-converted to treated surface water while other users may continue to use groundwater. This approach is expected to minimize overall Project cost, equalize costs for Participants and avoid geographic advantages and disadvantages.

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

Participants that receive treated surface water from the Project are paying the prevailing rate for water, which rate has been set so the Participants are neither benefitted nor penalized for being required to take water from the Project under the GRP, and allowances have been 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 are comparable, so that all Participants are paying equivalent charges without preference for customers within or outside the areas converted to surface water.

SJRA issues bonds to finance the capital costs of the Project, and groundwater pumpage fees and water service fees are being used to cover costs of debt service on the bonds. The SJRA pumpage fees are currently \$2.62 per 1,000 gallons of water pumped from wells, and MCMUD 88 and Spring Creek UD are paying the pumpage fees based upon the amount of water utilized by each district each month. The District pays its share of groundwater pumpage and Conservation District fees indirectly through its Water Facilities Contract with MCMUD 88. The District, MCMUD 88 and Spring Creek UD pass these pumpage and Conservation District fees on to customers in the districts. The SJRA pumpage fees will increase as the costs of the Project are incurred, but the District cannot predict the magnitude of such increases.

Pursuant to Section 4.04 of the GRP Contract, the District, on behalf of itself, MCMUD 88, and Spring Creek UD, entered into a Supplemental Agreement with the SJRA effective as of February 25, 2025, that provides for non-mandatory connection to the Project (the "Supplemental Agreement"). Pursuant to the terms and conditions of the Supplemental Agreement, the District will: (i) design, permit construction of, acquire all necessary real property rights for, and finance a connection to, the Project; (ii) receive a certain quantity of water from the Project, with payment for such water set at the prevailing rate of water provided to other Participants; and (iii) retain rights to receive reimbursement from the SJRA, under certain conditions, for costs incurred with such connection to the Project.

Wastewater Treatment

The District has constructed a permanent wastewater treatment plant with a capacity of 380,000 gpd. The wastewater treatment plant currently has the capacity to serve approximately 1,688 equivalent single-family connections. As of September 2025, the District was serving approximately 1,633 equivalent single-family connections.

Storm Drainage Facilities

On April 15, 2003, the District entered into a cost sharing agreement with MCMUD 88 and Spring Creek UD for the construction and financing of drainage and detention facilities, which include a regional detention pond and pump station. The regional detention pond and drainage facilities are owned by Spring Creek UD with MCMUD 88 and the District each owning the beneficial right to the drainage capacity funded by it. The detention pond capacity is allocated based on each district's prorata share of the acreage served by the detention facilities. The pro-rata share of the detention pond facilities are as follows: the District (42.81%); MCMUD 88 (26.83%); and Spring Creek UD (30.36%). The pump station facilities are allocated based on each district's non-floodplain acreage. The pump station pro-rata shares are as follows: the District (41.63%); MCMUD 88 (31.25%); and Spring Creek UD (27.12%).

Water Distribution, Wastewater Collection and Storm Drainage Facilities

Water distribution, wastewater collection and storm drainage facilities have been constructed to serve 1,689 equivalent single family connections within the District.

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. The District's drainage system has been designed and constructed to all current standards.

According to Quiddity Engineering, LLC, the District's Engineer, none of the developed acreage within the District is located within the 100-year flood plain. See "INVESTMENT CONSIDERATIONS—Extreme Weather Events."

Atlas 14

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

Water and Wastewater Operations

The Bonds and the Outstanding Bonds are payable solely from the levy of an ad valorem tax, without legal limitation as to rate or amount, upon all taxable property in the District. Nevertheless, net revenues from District operations, if any, are available for any legal purpose, including the payment of debt service on the Bonds and the Outstanding Bonds, upon Board action. However, it is not anticipated that net revenues will be used or would be sufficient to pay debt service on the Outstanding Bonds and the Bonds.

The following statement sets forth in condensed form the historical results of the District's General Fund for the fiscal years ended August 31, 2021 through 2024, and an unaudited summary for the period ending August 31, 2025, provided by the District's bookkeeper. Reference is made to such records and statements for further and more complete information.

	Fiscal Year Ended August 31				
	2025 (a)	2024	2023	2022	2021
Revenues					
Property Taxes	\$ 1,127,725	\$ 1,118,665	\$ 1,155,695	\$ 988,981	\$ 876,765
Water service	513,237	566,905	499,690	314,620	354,399
Sewer Service	664,691	659,944	687,360	507,523	592,216
Regional Water Authority Fees	498,761	554,482	574,162	586,139	497,984
Penalty and Interest	15,106	16,737	12,784	16,816	9,413
Tap Connection & Inspection Fees	7,378	7,970	7,220	6,720	56,633
Investment Income	356,914	383,054	271,395	27,248	9,105
Other Income	20,069	51,849	18,153	22,345	18,727
Total revenues	<u>\$ 3,203,882</u>	<u>\$ 3,359,606</u>	<u>\$ 3,226,459</u>	<u>\$ 2,470,392</u>	<u>\$ 2,415,242</u>
Expenditures					
Professional Services	299,130	262,578	258,018	203,172	188,663
Purchased Services	1,391,581	793,166	713,828	983,757	711,821
Contracted services	502,418	451,810	431,149	410,859	404,658
Utilities	65,095	76,196	61,265	51,205	64,723
Repairs and Maintenance	411,828	327,198	160,977	348,796	259,856
Other Expenditures	244,167	275,324	296,290	217,812	189,240
Bond Principal and Interest	-	-	-	587,145	-
Capital Outlay	181,760	640,896	369,002	-	104,468
Total expenditures	<u>\$ 3,095,978</u>	<u>\$ 2,827,168</u>	<u>\$ 2,290,529</u>	<u>\$ 2,802,746</u>	<u>\$ 1,923,429</u>
Net Change in Fund Balances	\$ 107,904	\$ 532,438	\$ 935,930	\$ (332,354)	\$ 491,813
Interfund Transfers In (Out)	\$ -	\$ -	\$ 892,303 (b)	\$ -	\$ -
Contributed by Other Governmental Unit	\$ -	\$ 648 (c)	\$ 149,064 (c)	\$ -	\$ -
Beginning Fund Balance	<u>\$ 7,452,053</u>	<u>\$ 6,918,967</u>	<u>\$ 4,941,670</u>	<u>\$ 5,274,024 (d)</u>	<u>\$ 5,105,802</u>
Ending Fund Balance	<u>\$ 7,559,957</u>	<u>\$ 7,452,053</u>	<u>\$ 6,918,967</u>	<u>\$ 4,941,670</u>	<u>\$ 5,597,615</u>

(a) Unaudited. Provided by the District's bookkeeper.

(b) Represents an interfund transfer from the District's Capital Projects Fund.

(c) Reflects an adjustment due to contributions from a governmental unit.

(d) Restated.

FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)

2025 Taxable Assessed Valuation.....	\$548,698,746	(a)
Gross Direct Debt Outstanding	\$ 16,320,000	
Ratio of Gross Direct Debt to:		
2025 Taxable Assessed Valuation	2.97%	
Debt Service Funds Available as of October 10, 2025.....	\$1,881,999	(b)
Capitalized Interest from proceeds of the Bonds (Twelve (12) Months)	156,187	(c)
Total Funds Available for Debt Service.....	\$2,038,186	
Operating Funds Available as of October 10, 2025	\$7,344,614	

- (a) The 2025 Taxable Assessed Valuation shown herein includes \$532,470,604 of certified value and \$16,228,142 of uncertified value. The uncertified value is subject to change and downward revision prior to certification. No tax will be levied on said uncertified value until it is certified by the Appraisal District. See "TAX PROCEDURES."
- (b) Neither Texas law nor the Bond Resolution requires that the District maintain any particular balance in the Debt Service Fund.
- (c) The District will capitalize twelve (12) months of interest from the Bonds proceeds and deposit such funds in the Debt Service Fund. The amounts above are based on an estimated interest rate of 4.25%.

Investments of the District

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

Outstanding Bonds

The District has previously issued eight series of unlimited tax bonds in the principal amount of \$33,635,000, and four series of unlimited tax refunding bonds in the principal amount of \$21,850,000. An aggregate principal amount of \$12,645,000 of unlimited tax bonds is outstanding as of the date hereof (the "Outstanding Bonds"). The following table lists the original principal amount of the Outstanding Bonds and the principal amount of the Outstanding Bonds.

Series	Original Principal Amount	Outstanding Bonds
2014 (a)	\$ 3,960,000	\$ 1,700,000
2015 (a)	9,285,000	6,150,000
2016	4,060,000	2,260,000
2016A (a)	5,245,000	2,535,000
Total	\$ 22,550,000	\$ 12,645,000

- (a) Unlimited tax refunding bonds.

Debt Service Requirements

The following sets forth the debt service on the Outstanding Bonds (see “Outstanding Bonds” herein) and the estimated debt service on the Bonds at an estimated interest rate of 4.25%. This schedule does not reflect the fact that the District will capitalize twelve (12) months of interest from proceeds of the Bonds. See “USE AND DISTRIBUTION OF BOND PROCEEDS.”

Year	Outstanding Bonds Debt Service Requirements	The Bonds			Total Debt Service Requirements
		Principal	Interest	Total	
2026	\$ 1,815,806		\$ 117,141	\$ 117,141	\$ 1,932,947
2027	1,801,256		156,188	156,188	1,957,444
2028	1,790,050		156,188	156,188	1,946,238
2029	1,776,250		156,188	156,188	1,932,438
2030	1,755,850		156,188	156,188	1,912,038
2031	2,034,050		156,188	156,188	2,190,238
2032	1,983,850		156,188	156,188	2,140,038
2033	1,467,850	\$ 175,000	156,188	331,188	1,799,038
2034	472,650	500,000	148,750	648,750	1,121,400
2035	-	500,000	127,500	627,500	627,500
2036	-	500,000	106,250	606,250	606,250
2037	-	500,000	85,000	585,000	585,000
2038	-	500,000	63,750	563,750	563,750
2039	-	500,000	42,500	542,500	542,500
2040	-	500,000	21,250	521,250	521,250
Total	\$ 14,897,613	\$ 3,675,000	\$ 1,805,453	\$ 5,480,453	\$ 20,378,066

Average Annual Debt Service Requirements (2026-2040) \$1,358,538
Maximum Annual Debt Service Requirement (2031) \$2,190,238

Estimated Overlapping Debt

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

Taxing Jurisdiction	Outstanding Bonds	As of	Overlapping	
			Percent	Amount
Montgomery County.....	\$ 516,260,000	9/30/2025	0.50%	\$ 2,581,300
Conroe ISD.....	2,512,490,000	9/30/2025	0.99%	24,873,651
Lone Star College District.....	434,530,000	9/30/2025	0.16%	695,248
Total Estimated Overlapping Debt.....				\$ 28,150,199
The District.....	\$ 16,320,000 (a)		100.00%	16,320,000
Total Direct and Estimated Overlapping Debt.....				\$ 44,470,199

Ratio of Estimated Direct and Overlapping Debt to:

2025 Taxable Assessed Valuation of \$548,698,746..... 8.10%

(a) Includes the Bonds and the Outstanding Bonds.

Overlapping Taxes

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

Set forth below are all of the taxes levied for the 2025 tax year by all taxing jurisdictions overlapping the District and the District. No recognition is given to local assessments for civic association dues, fire department contributions, solid waste disposal charges or any other levy of entities other than political subdivisions.

	2025 Tax Rate per \$100 of Taxable Assessed Valuation
Montgomery County.....	\$ 0.3770
Conroe Independent School District.....	0.9496
Lone Star College System.....	0.1060
Total Overlapping Tax Rate.....	\$ 1.4326
The District.....	\$ 0.5550 (a)
Total Tax Rate.....	\$ 1.9876

(a) See "TAX DATA—Historical Tax Rate Distribution."

TAX DATA

Debt Service Tax

The Board covenants in the Bond Resolution to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Bonds. The District levied a debt service tax for 2025 in the amount of \$0.335 per \$100 of taxable assessed valuation.

Maintenance and Operations Tax

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements, if such maintenance tax is authorized by vote of the District's electors. On May 4, 2002, the Board was authorized to levy such a maintenance tax in an amount not to exceed \$1.50 per \$100 of taxable assessed valuation. Such tax is in addition to taxes which the District is authorized to levy for paying principal and interest on the District's bonds. For the 2025 tax year, the Board levied a maintenance tax in the amount of \$0.220 per \$100 of taxable assessed valuation. See "Debt Service Tax" above.

Historical Tax Rate Distribution

	2025	2024	2023	2022	2021
Debt Service	\$ 0.335	\$ 0.330	\$ 0.365	\$ 0.390	\$ 0.460
Maintenance and Operations	0.220	0.225	0.225	0.250	0.250
Total	\$ 0.555	\$ 0.555	\$ 0.590	\$ 0.640	\$ 0.710

Additional Penalties

The District has contracted with a delinquent tax attorney to collect certain delinquent taxes. In connection with that contract, the District established an additional penalty of twenty percent (20%) of the tax to defray the costs of collection. This 20% penalty applies to taxes that either: (1) become delinquent on or after February 1 of a year, 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.

Historical Tax Collections

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

Tax Year	Taxable Assessed Valuation (a)	Tax Rate	Total Tax Levy	Total Collections as of September 30, 2025 (b)	
				Amount	Percent
2020	\$ 379,863,436	\$ 0.7550	\$ 2,867,969	\$ 2,867,969	100.00%
2021	396,385,709	0.7100	2,814,339	2,814,335	100.00%
2022	461,761,922	0.6400	2,955,276	2,955,270	100.00%
2023	500,862,204	0.5900	2,955,087	2,955,087	100.00%
2024	535,482,294	0.5550	2,971,927	2,962,087	99.67%

(a) As certified by the Appraisal District.

(b) Unaudited.

Tax Roll Information

The following summary of the 2025, 2024, and 2023 Taxable Assessed Valuations is provided by the District's Tax Assessor/Collector based on information contained in the 2025, 2024, and 2023 tax rolls of the District. Differences in values from other information herein are due to differences in dates of information provided. A breakdown of the uncertified portion (\$16,228,142) of the 2025 Taxable Assessed Valuation is not available.

	2025 Taxable <u>Assessed Valuation</u>	2024 Taxable <u>Assessed Valuation</u>	2023 Taxable <u>Assessed Valuation</u>
Land	\$ 63,613,430	\$ 61,002,807	\$ 60,999,650
Improvements	509,886,091	531,183,644	516,403,413
Personal Property	10,579,295	7,656,541	6,672,562
Exemptions	<u>(51,608,212)</u>	<u>(64,360,698)</u>	<u>(83,213,421)</u>
Total Certified	532,470,604	535,482,294	500,862,204
Uncertified Value	<u>16,228,142</u>	<u>-</u>	<u>-</u>
Total	\$ 548,698,746	\$ 535,482,294	\$ 500,862,204

Principal Taxpayers

The following table represents the ten major taxpayers, the taxable assessed valuation of such property, and such property's taxable assessed valuation as a percentage of the certified portion (\$532,470,604) of the 2025 Taxable Assessed Valuation of \$548,698,746. This represents ownership as of January 1, 2025. An accurate principal taxpayer list in connection to the uncertified portion (\$16,228,142) of the 2025 Taxable Assessed Valuation is not available as of the date hereof.

<u>Taxpayer</u>	<u>2025 Certified Taxable Assessed Valuation</u>	<u>% of 2025 Certified Taxable Assessed Valuation</u>
Rayford Jubilee LLC	\$ 5,700,000	1.07%
2819 Canyon Ranch LLC	4,779,458	0.90%
Arida Management LLC	4,500,408	0.85%
UGK Holdings LLC	4,224,411	0.79%
SHFK II LLC	3,000,000	0.56%
4FACEB Investments LLC	2,777,000	0.52%
Roxy Property Spring LLC	2,295,578	0.43%
Centerpoint Energy Hou Elec	2,046,650	0.38%
30014 Aldine Westfield LLC	1,889,499	0.35%
American Homes 4 Rent Properties	<u>1,883,739</u>	<u>0.35%</u>
Total	\$ 33,096,743	6.22%

Tax Adequacy for Debt Service

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 taxable assessed valuation which would be required to meet average annual and maximum annual debt service requirements if no growth in the District's tax base occurred beyond the 2025 Taxable Assessed Valuation of \$548,698,746 (consisting of \$532,470,604 of certified value and \$16,228,142 of uncertified value). The calculations contained in the following table merely represent the tax rates required to pay principal of and interest on the Bonds and the Outstanding Bonds when due, assuming no further increase or any decrease in taxable values in the District, collection of ninety-five percent (95%) of taxes levied, the sale of no additional bonds, and no other funds available for the payment of debt service. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements" and "INVESTMENT CONSIDERATIONS—Possible Impact on District Tax Rates."

Average Annual Debt Service Requirement (2026-2040)	\$1,358,538
\$0.27 Tax Rate on the 2025 Taxable Assessed Valuation	\$1,407,412
Maximum Annual Debt Service Requirement (2031).....	\$2,190,238
\$0.43 Tax Rate on the 2025 Taxable Assessed Valuation	\$2,241,434

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

TAX PROCEDURES

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 Bonds, the Outstanding 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 Resolution to levy such a tax from year-to-year as described more fully herein under "THE BONDS—Source of Payment." Under Texas law, the District may also levy and collect an annual ad valorem tax for the operation and maintenance of the District. See "TAX DATA—Debt Service Tax" and "—Maintenance and Operations Tax."

Property Tax Code and County-Wide Appraisal District

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

The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas 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 (the "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 of age or older and of certain disabled persons to the extent deemed advisable by the Board. The District may be required to call such an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the previous election. For tax year 2025, the District granted a \$40,000 homestead exemption for individuals disabled and/or 65 years of age or older. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between \$5,000 and \$12,000 of taxable valuation depending upon the disability rating of the veteran claiming the exemption,

and qualifying surviving spouses of persons 65 years of age or older will be entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse. A veteran who receives a disability rating of 100% is entitled to an exemption for the full value of the veteran's residence homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces who was killed or fatally injured in the line of duty 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. See "TAX DATA."

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the appraised value of residential homesteads, but not less than \$5,000 if any exemption is granted, from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted before July 1. For the 2025 tax year, the District granted a 5% but not less than \$5,000 general residential homestead exemption. 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 may designate all or part of the area within the District as a reinvestment zone. Thereafter, Montgomery County and the District, under certain circumstances, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement, which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (10) years, all or any part of any increase in the appraised valuation of property covered by the agreement over its appraised valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement agreement. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions.

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Tax Code.

Nevertheless, certain land may be appraised at less than market value under the Property Tax Code. In November 1997, Texas voters approved a constitutional amendment to limit increases in the appraised value of residence homesteads to ten percent (10%) annually regardless of the market value of the property. The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its fair market value. The Property Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it as to another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three (3) years for agricultural use, open space land, and timberland.

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

District and Taxpayer Remedies

Under certain circumstances taxpayers and taxing units (such as the District) may appeal the orders of the Appraisal Review Board by filing a timely petition for review in State district court. In such event, the value of the property in question will be determined by the court or by a jury if requested by any party. Additionally, taxing units may bring suit against the Appraisal District to compel compliance with the Property Tax Code.

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

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes, and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the

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

Tax Payment Installments After Disaster

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

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

Rollback of Operation and Maintenance Tax Rate

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

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

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

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

The District: A determination as to a district's status as a Special Taxing Unit, Developed District or Developing District will be made by the Board of Directors on an annual basis. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation. For the 2025 tax year, the District was classified as a Developed 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 parity with tax liens of such other taxing units. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Overlapping Taxes." 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 parity with or takes priority over a tax lien of the District is determined by applicable federal law. Personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both subject to the restrictions on residential homesteads described 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 amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights or by bankruptcy proceedings which restrict the collection of taxpayer debts. A taxpayer may redeem property within two (2) years for residential and agricultural property and six (6) months for commercial and all other types of property after the purchaser's deed issued at the foreclosure sale is filed in the county records. The District's ability to foreclose its tax lien or collect penalties or interest on delinquent taxes may be limited on property owned by a financial institution which is under receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act, 12 U.S.C. 1825, as amended. See "INVESTMENT CONSIDERATIONS—General" and "—Tax Collections Limitations and Foreclosure Remedies."

INVESTMENT CONSIDERATIONS

General

The Bonds are obligations solely of the District and are not obligations of the City, 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.

Possible 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 owners of property within the District to pay their taxes. The 2025 Taxable Assessed Valuation is \$548,698,746 (\$532,470,604 of certified value plus \$16,228,142 of uncertified value). After issuance of the Bonds, the maximum annual debt service requirement will be \$2,190,238 (2031), and the average annual debt service requirement will be \$1,358,538 (2026-2040 inclusive). Assuming no increase or decrease from the 2025 Taxable Assessed Valuation, the issuance of no additional debt, and no other funds available for the payment of debt service, tax rates of \$0.43 and \$0.27 per \$100 of taxable assessed valuation at a ninety-five percent (95%) collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirements, respectively. 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 assessed valuation within the District. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements" and "TAX DATA—Tax Adequacy for Debt Service."

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

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 and gas industry could have on property values in the District.

Extreme Weather

The greater Houston area 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 several 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.

According to Quiddity Engineering (the “Engineer”) and Municipal Operations & Consulting, Inc. (the “Operator”), there was no interruption of water and sewer service as a result of Hurricane Harvey. Further, according to the District's Operator and Engineer, no homes within the District experienced significant flooding or other material damage 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 in the District's tax rate. Further, there can be no assurance that a casualty loss to taxable property within the District will be covered by insurance (or that property owners will even carry flood or other casualty insurance), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild or repair any damaged improvements within the District. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within the District could be adversely affected.

Specific Flood Type Risks

River (or Fluvial) Flood: 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 sheetflow overland. 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 floods are very dangerous and destructive not only because of the force of the water, but also the hurtling debris that is often swept up in the flow. They can occur within minutes or a few hours of excessive rainfall. They can also occur even if no rain has fallen, for instance, after a levee or dam has failed, or after a sudden release of water by a debris or ice jam. Controlled releases from a dam, levee, or reservoir also could potentially create a flooding condition in rivers, bayous, or man-made drainage systems (canals or channels) downstream.

Ponding (or Pluvial) Flood: occurs when heavy rainfall creates a flood event independent of an overflowing water body, typically in relatively flat areas. Intense rainfall can over capacitate a drainage system which becomes trapped and flows out into streets and nearby structures until it reaches a natural outlet. Ponding can also occur in a flood pool upstream or behind a dam, levee, or reservoir.

Tax Collections Limitations and Foreclosure Remedies

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on parity with the liens of all other local taxing authorities on the property against which taxes are levied, and such lien may be enforced by judicial foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedures against a taxpayer, or (c) market conditions affecting the marketability of taxable property within the District and limiting the proceeds from a foreclosure sale of such property. Moreover, the proceeds of any sale of property within the District available to pay debt service on the Bonds may be limited by the existence of other tax liens on the property (see “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Overlapping Taxes”), by the current aggregate tax rate being levied against the property, and by other factors (including the taxpayers' right to redeem property within two years of foreclosure for residential and agricultural use property and six months for commercial and other property). Finally, any

bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes assessed against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two other ways: first, a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid.

Registered Owners' Remedies and Bankruptcy Limitations

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

Subject to the requirements of Texas law discussed below, a political subdivision such as the District may voluntarily file a petition for relief from creditors under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Sections 901-946. The filing of such petition would automatically stay the enforcement of Registered 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 (1) is authorized to file for federal bankruptcy protection by applicable state law, (2) is insolvent or unable to meet its debts as they mature, (3) desires to effect a plan to adjust such debts, and (4) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiation is impracticable. Special districts such as the District must obtain the approval of the TCEQ as a condition to seeking relief under the Federal Bankruptcy Code. The TCEQ is required to investigate the financial condition of a financially troubled district and authorize such district to proceed under federal bankruptcy law only if such district has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

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

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

A district may not be forced into bankruptcy involuntarily.

Future Debt

The District has the right to issue obligations other than the Bonds, including tax anticipation notes and bond anticipation notes, and to borrow for any valid corporate purpose. A total of \$45,950,000 principal amount of unlimited tax bonds for the purpose of purchasing and constructing water supply and distribution, wastewater collection and treatment and storm drainage facilities and \$29,800,000 principal amount of unlimited tax refunding bonds for the purpose of refunding outstanding bonds of the District have been authorized by the District's voters. After the issuance of the Bonds, the District will have \$8,640,000 of unlimited tax bonds for the purpose of purchasing and constructing water supply and distribution, wastewater collection and treatment and storm drainage facilities authorized but unissued. The District currently has \$28,684,635.22 of unlimited tax refunding bonds will remain authorized but unissued. In addition, voters may authorize the issuance of additional bonds secured by ad valorem taxes. The issuance of additional obligations may increase the District's tax rate and adversely affect the security for, and the investment quality and value of, the Bonds.

The District does not employ any formula with respect to appraised valuations, tax collections or otherwise to limit the amount of parity bonds which it may issue. The issuance of additional bonds to finance utilities is subject to approval by the TCEQ pursuant to its rules regarding issuance and feasibility of bonds. In addition, future changes in health or environmental regulations could require the construction and financing of additional improvements without any corresponding increases in taxable value in the District. See "THE BONDS—Issuance of Additional Debt."

Environmental Regulations

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

- Requiring permits for construction and operation of water supply wells and wastewater treatment facilities;
- Restricting the manner in which wastes are released into the air, water, or soils;
- Restricting or regulating the use of wetlands or other property;
- Requiring action to prevent or mitigate pollution;
- Imposing substantial liabilities for pollution resulting from facility operations.

Compliance with environmental laws and regulations can increase the cost of planning, designing, constructing and operating water production and wastewater treatment facilities. Sanctions against a municipal utility district or other type of district ("Utility Districts") 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 injunctive relief as to future compliance of and the ability to operate the Utility District's water supply, wastewater treatment, and drainage facilities. Environmental laws and regulations can also impact an area's ability to grow and develop. The following is a discussion of certain environmental concerns that relate to Utility Districts, including the District. It should be noted that changes in environmental laws and regulations occur frequently, and any changes that result in more stringent and costly requirements could materially impact the District.

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

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

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

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

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

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

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

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

The District is subject to the TCEQ's General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the "MS4 Permit"), which was issued by the TCEQ on August 15, 2024. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. The District has applied for and received coverage under the MS4 Permit from the TCEQ. In order to maintain compliance with the MS4 Permit, the District continues to develop, implement, and maintain the required plans, as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff. Costs associated with these compliance activities could be substantial in the future.

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.

Marketability of the Bonds

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

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.

Continuing Compliance with Certain Covenants

Failure of the District to comply with certain covenants contained in the Bond Resolution on a continuing basis prior to the maturity of the Bonds could result in interest on the Bonds becoming taxable retroactive to the date of original issuance. See "TAX MATTERS."

Risk Factors Related to the Purchase of Municipal Bond Insurance

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

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

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

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

MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE

Moody's Investor Service ("Moody's") has assigned an underlying rating of "A3" to the Bonds. An explanation of the rating may be obtained from Moody's. The rating fees of Moody's will be paid by the District; however, the fees associated with any other rating will be the responsibility of the Underwriter.

Application has also been made for the qualification of the Bonds for municipal bond insurance. If qualified, such insurance will be available at the option of the Underwriter and at the Underwriter's expense. The rating fees of Moody's will be paid by the District; any other rating fees associated with the insurance will be the responsibility of the Underwriter.

There is no assurance that such rating will continue for any given period of time or that it will not be revised or withdrawn entirely by Moody's, if in its judgment, circumstances so warrant. Any such revisions or withdrawal of the rating may have an adverse effect on the market price of the Bonds. See "INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance."

LEGAL MATTERS

Legal Proceedings

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

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

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

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

No Material Adverse Change

The obligations of the Underwriter to take up 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 be amended or supplemented through the date of the sale.

No-Litigation Certificate

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

TAX MATTERS

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

Tax Exemption

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

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

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

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

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

Qualified Tax-Exempt Obligations

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

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

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

Additional Federal Income Tax Considerations

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

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

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

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

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

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

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

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

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

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

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

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

PREPARATION OF OFFICIAL STATEMENT

Sources and Compilation of Information

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

Financial Advisor

Masterson Advisors LLC is employed as the Financial Advisor to the District to render certain professional services, including advising the District on a plan of financing and preparing the OFFICIAL STATEMENT, including the OFFICIAL NOTICE OF SALE and the OFFICIAL BID FORM for the sale of the Bonds. In its capacity as Financial Advisor, Masterson Advisors LLC has compiled and edited this OFFICIAL STATEMENT. The Financial Advisor has reviewed the information in this OFFICIAL STATEMENT in accordance with, and as a part of, its responsibilities to the District and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

Consultants

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

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

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 as experts in assessing the values of property in Montgomery County, including the District.

Engineer: The information contained in this OFFICIAL STATEMENT relating to engineering and to the description of the District's water, wastewater and storm drainage system and, in particular that information included in the sections entitled "THE DISTRICT" and "THE SYSTEM" has been provided by Quiddity Engineering, LLC and has been included herein in reliance upon the authority of said firm as the District's Engineer.

Auditor: The financial statements of the District as of August 31, 2024, and for the year then ended, included in this offering document, have been audited by McCall Gibson Swedlund Barfoot Ellis PLLC, independent auditors, as stated in their report appearing herein. See “APPENDIX A” for a copy of the audited financial statements of the District for the fiscal year ended August 31, 2024.

Bookkeeper: The information related to the “unaudited” summary of the District’s General Operating Fund as it appears in “THE SYSTEM—Water and Wastewater Operations” has been provided by Myrtle Cruz, Inc., and is included herein in reliance upon the authority of such firm as experts in the tracking and managing the various funds of municipal utility districts.

Updating the Official Statement

If subsequent to the date of the OFFICIAL STATEMENT, the District learns, through the ordinary course of business and without undertaking any investigation or examination for such purposes, or is notified by the Underwriter, of any adverse event which causes the OFFICIAL STATEMENT to be materially misleading, and unless the Underwriter elects to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Underwriter an appropriate amendment or supplement to the OFFICIAL STATEMENT satisfactory to the Underwriter; provided, however, that the obligation of the District to the Underwriter to so amend or supplement the OFFICIAL STATEMENT will terminate when the District delivers the Bonds to the Underwriter, unless the Underwriter notifies the District on or before such date that less than all of the bonds have been sold to ultimate customers, in which case the District’s obligations hereunder will extend for an additional period of time 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 in its official capacity, hereby certifies, as of the date hereof, that the information, statements, and descriptions or any addenda, supplement and amendment thereto pertaining to the District and its affairs contained herein, to the best of its knowledge and belief, contain no untrue statement of a material fact and do not omit to state any material fact necessary to make the statements herein, in the light of the circumstances under which they are made, not misleading. With respect to information included in this OFFICIAL STATEMENT other than that relating to the District, the District has no reason to believe that such information contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements herein, in the light of the circumstances under which they are made, not misleading; however, the Board has made no independent investigation as to the accuracy or completeness of the information derived from sources other than the District. In rendering such certificate, the Board has relied in part upon its examination of records of the District, and upon discussions with, or certificates or correspondence signed by, certain other officials, employees, consultants and representatives of the District.

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Resolution, the District has 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”). The MSRB has established the Electronic Municipal Market Access (“EMMA”) System.

Annual Reports

The District will provide certain financial information and operating data which is customarily prepared by the District and is publicly available, annually to the MSRB, or any successor, through its Electronic Municipal Market Access System (“EMMA”).

The District will provide certain financial information and operating data which is customarily prepared by the District and is publicly available, annually to the MSRB. The financial information and operating data which will be provided with respect to the District includes all quantitative financial information and operating data of the general type included in this OFFICIAL STATEMENT under the headings “THE SYSTEM,” “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED),” except for “Estimated Overlapping Debt,” “TAX DATA,” and in APPENDIX A (Financial Statements of the District). The District will update and provide this information to the MSRB within six months after the end of each of its fiscal years ending in or after 2025. Any information so provided shall be prepared in accordance with generally accepted auditing standards or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided.

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

Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person or the sale of all or substantially all of the assets of the District or other obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person, any of which reflect financial difficulties. The terms “obligated person” and “financial obligation” when used in this paragraph shall have the meanings ascribed to them under SEC Rule 15c2-12 (the “Rule”). The term “material” when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Resolution makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide 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 updated information only to the MSRB. The MSRB makes the information available to the public without charge through an internet portal 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; nor has the District agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although Registered or Beneficial Owners of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

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

Compliance With Prior Undertakings

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

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 Montgomery County Municipal Utility District No. 89, as of the date shown on the cover page.

/s/ _____
Director, Board of Directors
Montgomery County Municipal Utility District No. 89

ATTEST:

/s/ _____
Secretary, Board of Directors
Montgomery County Municipal Utility District No. 89

AERIAL PHOTOGRAPH
(As of August 2025)

**MONTGOMERY COUNTY MUNICIPAL
UTILITY DISTRICT No. 89**



ELAN BLVD

ALDINE WESTFIELD RD

RAYFORD RD

GRAND PKWY

PHOTOGRAPHS OF THE DISTRICT
(As of August 2025)











APPENDIX A

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

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 89

MONTGOMERY COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

AUGUST 31, 2024

McCALL GIBSON SWEDLUND BARFOOT ELLIS PLLC
Certified Public Accountants

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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
Montgomery County Municipal
Utility District No. 89
Montgomery County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Montgomery County Municipal Utility District No. 89 (the "District") as of and for the year ended August 31, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the 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 August 31, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

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 and Special Revenue 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.

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

February 6, 2025

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 89
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2024

Management's discussion and analysis of Montgomery County Municipal Utility District No. 89 (the "District") financial performance provides an overview of the District's financial activities for the year ended August 31, 2024. Please read it in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

The Statement of Net Position includes all of the District's assets, liabilities, and 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 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 Special Revenue accounts for financial resources collected and administered by the District for the operations of joint water facilities. 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.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 89
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2024

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. A budgetary comparison schedule is included as RSI for the General Fund and Special Revenue 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 \$14,559,779 as of August 31, 2024.

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

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

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 89
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2024

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2024	2023	Change Positive (Negative)
Current and Other Assets	\$ 10,520,440	\$ 9,381,313	\$ 1,139,127
Capital Assets (Net of Accumulated Depreciation)	18,996,315	18,995,212	1,103
Total Assets	\$ 29,516,755	\$ 28,376,525	\$ 1,140,230
Deferred Outflows of Resources	\$ 466,737	\$ 520,555	\$ (53,818)
Bonds Payable	\$ 14,418,344	\$ 15,756,043	\$ 1,337,699
Other Liabilities	1,005,369	499,089	(506,280)
Total Liabilities	\$ 15,423,713	\$ 16,255,132	\$ 831,419
Net Position:			
Net Investment in Capital Assets	\$ 5,044,708	\$ 3,759,724	\$ 1,284,984
Restricted	2,036,620	1,945,057	91,563
Unrestricted	7,478,451	6,937,167	541,284
Total Net Position	\$ 14,559,779	\$ 12,641,948	\$ 1,917,831

The following table provides a summary of the District's operations for the years ended August 31, 2024, and August 31, 2023. The District's net position increased by \$1,917,831.

	Summary of Changes in the Statement of Activities		
	2024	2023	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 2,948,572	\$ 2,979,883	\$ (31,311)
Charges for Services	2,844,869	2,901,579	(56,710)
Other Revenues	590,908	554,551	36,357
Total Revenues	\$ 6,384,349	\$ 6,436,013	\$ (51,664)
Expenses for Services	4,466,518	4,316,935	(149,583)
Change in Net Position	\$ 1,917,831	\$ 2,119,078	\$ (201,247)
Net Position, Beginning of Year	12,641,948	10,522,870	2,119,078
Net Position, End of Year	\$ 14,559,779	\$ 12,641,948	\$ 1,917,831

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 89
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2024

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of August 31, 2024, were \$9,395,694, an increase of \$604,838 from the prior year.

The General Fund fund balance increased by \$533,086, primarily due to service and tax revenues exceeding operating and capital expenditures.

The Debt Service Fund fund balance increased by \$91,904, primarily due to the structure of the District's debt service requirements.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors amended the General Fund budget to decrease projected capital outlay. The Special Revenue Fund is revenue neutral and the budget was not amended. For the General Fund, actual revenues were \$446,106 more than budgeted. Actual expenditures were \$272,623 less than budgeted. Contributions from other governmental units totaling \$648 were not budgeted for. This resulted in a positive budget variance of \$719,377. See the budget to actual comparison on page 32 for further information.

CAPITAL ASSETS

Capital assets as of August 31, 2024, total \$18,996,315 (net of accumulated depreciation). These capital assets include land, as well as the water, wastewater and drainage systems and other improvements. Significant capital asset activity completed during the current year included the water well no. 2 motor.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2024	2023	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 3,285,754	\$ 3,285,754	\$
Construction in Progress	711,906	92,200	619,706
Capital Assets, Net of Accumulated Depreciation:			
Water System	2,903,631	3,001,859	(98,228)
Wastewater System	6,282,414	6,569,819	(287,405)
Drainage System	5,662,999	5,885,825	(222,826)
Other Improvements	149,611	159,755	(10,144)
Total Net Capital Assets	<u>\$ 18,996,315</u>	<u>\$ 18,995,212</u>	<u>\$ 1,103</u>

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 89
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2024

LONG-TERM DEBT ACTIVITY

At the end of the current year, the District had total bond debt payable of \$13,955,000. The changes in the debt position of the District during the year ended August 31, 2024, are summarized as follows:

Bond Debt Payable, September 1, 2023	\$ 15,240,000
Less: Bond Principal Paid	<u>1,285,000</u>
Bond Debt Payable, August 31, 2024	<u><u>\$ 13,955,000</u></u>

The District's Series 2014 Refunding and Series 2015 Refunding Bonds carry an underlying rating of "BBB+" from Moody's. The Series 2016 and Series 2016A Refunding Bonds carry an underlying rating of "A3" from Moody's. All of the bonds carry an insured rating of "AA" from Standard and Poor's by virtue of bond insurance issued by Build America Mutual Assurance Company.

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Montgomery County Municipal Utility District No. 89, c/o Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 89
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
AUGUST 31, 2024

	<u>General Fund</u>	<u>Special Revenue Fund - Water</u>
ASSETS		
Cash	\$ 200,184	\$ 342,787
Investments	7,557,975	
Receivables:		
Property Taxes	26,398	
Penalty and Interest on Delinquent Taxes		
Service Accounts	143,340	
Accrued Interest	29,216	
Due from Other Funds	18,416	94,813
Prepaid Costs	4,296	
Due from Other Governmental Units		121,847
Advance for Water Plant Operations	207,520	
Advance for Stormwater Facilities	42,880	
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	<u>\$ 8,230,225</u>	<u>\$ 559,447</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charges on Refunding Bonds	<u>\$ - 0 -</u>	<u>\$ -0-</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 8,230,225</u>	<u>\$ 559,447</u>

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

<u>Debt Service Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$	\$	\$	\$
1,951,529	542,971 9,509,504		542,971 9,509,504
48,848	75,246		75,246
		44,131	44,131
	143,340		143,340
7,009	36,225		36,225
3,519	116,748	(116,748)	
	4,296		4,296
	121,847		121,847
	207,520	(207,520)	
	42,880		42,880
		3,285,754	3,285,754
		711,906	711,906
		14,998,655	14,998,655
<u>\$ 2,010,905</u>	<u>\$ 10,800,577</u>	<u>\$ 18,716,178</u>	<u>\$ 29,516,755</u>
<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ 466,737</u>	<u>\$ 466,737</u>
<u>\$ 2,010,905</u>	<u>\$ 10,800,577</u>	<u>\$ 19,182,915</u>	<u>\$ 29,983,492</u>

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

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 89
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
AUGUST 31, 2024

	<u>General Fund</u>	<u>Special Revenue Fund - Water</u>
LIABILITIES		
Accounts Payable	\$ 456,473	\$ 109,447
Due to Other Funds	98,332	
Security Deposits	196,969	
Reserved for Water Plant Operations		450,000
Long-Term Liabilities:		
Bonds Due Within One Year		
Bonds Due After One Year		
TOTAL LIABILITIES	<u>\$ 751,774</u>	<u>\$ 559,447</u>
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	<u>\$ 26,398</u>	<u>\$ -0-</u>
FUND BALANCES		
Nonspendable:		
Prepaid Costs	\$ 4,296	\$
For Water Plant Operations	207,520	
For Stormwater Facilities	42,880	
Restricted for Debt Service		
Committed for Construction	42,095	
Assigned to 2025 Budget Deficit	129,993	
Unassigned	<u>7,025,269</u>	
TOTAL FUND BALANCES	<u>\$ 7,452,053</u>	<u>\$ - 0 -</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u><u>\$ 8,230,225</u></u>	<u><u>\$ 559,447</u></u>
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

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

<u>Debt Service Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$	\$ 565,920	\$	\$ 565,920
18,416	116,748	(116,748)	
	196,969		196,969
	450,000	(207,520)	242,480
		1,310,000	1,310,000
		13,108,344	13,108,344
<u>\$ 18,416</u>	<u>\$ 1,329,637</u>	<u>\$ 14,094,076</u>	<u>\$ 15,423,713</u>
<u>\$ 48,848</u>	<u>\$ 75,246</u>	<u>\$ (75,246)</u>	<u>\$ - 0 -</u>
\$	\$ 4,296	\$ (4,296)	\$
	207,520	(207,520)	
	42,880	(42,880)	
1,943,641	1,943,641	(1,943,641)	
	42,095	(42,095)	
	129,993	(129,993)	
	7,025,269	(7,025,269)	
<u>\$ 1,943,641</u>	<u>\$ 9,395,694</u>	<u>\$ (9,395,694)</u>	<u>\$ - 0 -</u>
<u>\$ 2,010,905</u>	<u>\$ 10,800,577</u>		
		\$ 5,044,708	\$ 5,044,708
		2,036,620	2,036,620
		<u>7,478,451</u>	<u>7,478,451</u>
		<u>\$ 14,559,779</u>	<u>\$ 14,559,779</u>

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

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 89
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
AUGUST 31, 2024

Total Fund Balances - Governmental Funds	\$ 9,395,694
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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 old debt or the life of the new debt, whichever is shorter.	466,737
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Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.	18,996,315
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Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2023 and prior tax levies became part of recognized revenue in the governmental activities of the District.	119,377
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Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:

Bonds Payable	<u>(14,418,344)</u>
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Total Net Position - Governmental Activities	<u>\$ 14,559,779</u>
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The accompanying notes to the financial
statements are an integral part of this report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 89
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED AUGUST 31, 2024

	General Fund	Special Revenue Fund - Water
REVENUES		
Property Taxes	\$ 1,118,665	\$
Water Service	566,905	1,701,950
Wastewater Service	659,944	
Water Authority Fees	554,482	
Penalty and Interest	16,737	
Tap Connection and Inspection Fees	7,970	
Investment Revenues	383,054	1,624
Miscellaneous Revenues	51,849	
TOTAL REVENUES	\$ 3,359,606	\$ 1,703,574
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 262,578	\$ 46,057
Contracted Services	451,810	21,829
Purchased Water Service	680,746	
Purchased Stormwater Service	112,420	
Utilities	76,196	150,039
SJRA Fees		1,072,178
Repairs and Maintenance	327,198	316,571
Depreciation		
Other	275,324	92,242
Capital Outlay	640,896	24,810
Debt Service:		
Bond Principal		
Bond Interest		
TOTAL EXPENDITURES/EXPENSES	\$ 2,827,168	\$ 1,723,726
EXCESS (DEFICIENCY) OF REVENUES OVER		
EXPENDITURES/EXPENSES	\$ 532,438	\$ (20,152)
OTHER FINANCING SOURCES (USES)		
Contributed by Other Governmental Unit	\$ 648	\$ -0-
NET CHANGE IN FUND BALANCES	\$ 533,086	\$ (20,152)
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - SEPTEMBER 1, 2023	6,918,967	20,152
FUND BALANCES/NET POSITION - AUGUST 31, 2024	\$ 7,452,053	\$ -0-

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

Debt Service Fund	Total	Adjustments	Statement of Activities
\$ 1,808,284	\$ 2,926,949	\$ 21,623	\$ 2,948,572
	2,268,855	(680,746)	1,588,109
	659,944		659,944
	554,482		554,482
11,241	27,978	6,386	34,364
	7,970		7,970
153,733	538,411		538,411
	51,849	648	52,497
<u>\$ 1,973,258</u>	<u>\$ 7,036,438</u>	<u>\$ (652,089)</u>	<u>\$ 6,384,349</u>
\$ 3,223	\$ 311,858	\$	\$ 311,858
28,081	501,720		501,720
	680,746	(680,746)	
	112,420		112,420
	226,235		226,235
	1,072,178		1,072,178
	643,769		643,769
		664,603	664,603
5,000	372,566		372,566
	665,706	(665,706)	
1,285,000	1,285,000	(1,285,000)	
560,050	560,050	1,119	561,169
<u>\$ 1,881,354</u>	<u>\$ 6,432,248</u>	<u>\$ (1,965,730)</u>	<u>\$ 4,466,518</u>
<u>\$ 91,904</u>	<u>\$ 604,190</u>	<u>\$ 1,313,641</u>	<u>\$ 1,917,831</u>
<u>\$ -0-</u>	<u>\$ 648</u>	<u>\$ (648)</u>	<u>\$ -0-</u>
\$ 91,904	\$ 604,838	\$ (604,838)	\$
		1,917,831	1,917,831
1,851,737	8,790,856	3,851,092	12,641,948
<u>\$ 1,943,641</u>	<u>\$ 9,395,694</u>	<u>\$ 5,164,085</u>	<u>\$ 14,559,779</u>

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

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 89
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2024

Net Change in Fund Balances - Governmental Funds	\$ 604,838
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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.	21,623
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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.	6,386
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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.	(664,603)
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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.	665,706
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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.	1,285,000
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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.	(1,119)
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Change in Net Position - Governmental Activities	<u>\$ 1,917,831</u>
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The accompanying notes to the financial
statements are an integral part of this report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 89
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2024

NOTE 1. CREATION OF DISTRICT

Montgomery County Municipal Utility District No. 89 (the “District”) was created by an order of the Texas Commission on Environmental Quality (the “Commission”) effective January 10, 2001. Pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code, 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; and the control and diversion of storm water. The District may also provide solid waste disposal and collection services. The District is also empowered to contract for or employ its own peace officers with power to make arrests. The District is authorized by statute to develop parks and recreational facilities, including the issuance of bonds payable from taxes for such purpose. But before the District could issue park bonds payable from taxes, a detailed park plan must be approved by the Commission and a majority of voters within the District. Additionally, the District, if approved by the Commission and by a majority of voters within the District in an election called for this purpose, could develop parks and recreational facilities with monies generated from a maintenance and operation tax. The District is also authorized by statute to engage in firefighting activities, provided that certain requirements are met.

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.

The District has entered into agreements with Montgomery County Municipal Utility District No. 88 (“District No. 88”) and Spring Creek Utility District (“Spring Creek”) for water service through two joint water plants. The District has oversight over the water plants. Additional disclosure concerning these agreements is provided in Note 9.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 89
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2024

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 89
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2024

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Governmental Funds

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

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

Special Revenue Fund - To account for financial activities of the joint water facilities.

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.

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. The District has applied a current accounting standard that provides for an exception to the basic concept that general long-term indebtedness is not reported as an expenditure until the amount becomes due and payable. This exception allows the district to record the September 1, 2024 debt service payments as expenditures during the current fiscal year.

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.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 89
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2024

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. As of August 31, 2024, the General Fund owed \$94,813 to the Special Revenue Fund for operating costs and \$3,519 to the Debt Service Fund for an excess reimbursement of bond issuance costs. The Debt Service Fund owed the General Fund \$18,416 for maintenance tax collections.

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>
Water System	10-45
Wastewater System	10-45
Drainage System	10-45
Other Improvements	5-40

Budgeting

An annual unappropriated budget is adopted for the General Fund and Special Revenue Fund by the District's Board of Directors. The budgets are prepared using the same method of accounting as for financial reporting. The General Fund budget for the current year was amended. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund and Special Revenue Fund presents the original and revised budget amounts, if revised, compared to the actual amounts of revenues and expenditures for the current year.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 89
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2024

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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. As of August 31, 2024, the District has committed \$42,095 of the General Fund fund balance for an uncompleted construction contract for lift stations nos.1 and 2 and onsite wastewater treatment plant lift station improvements.

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. As of August 31, 2024, the District has assigned \$129,993 of the General Fund fund balance for a projected budget deficit for the year ending August 31, 2025.

Unassigned: all other spendable amounts in the General Fund.

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

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 89
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2024

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Estimates

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

NOTE 3. LONG-TERM DEBT

	Refunding Series 2014	Refunding Series 2015	Series 2016
Amount Outstanding – August 31, 2024	\$1,940,000	\$6,755,000	\$2,460,000
Interest Rates	3.25% - 4.00%	4.00%	2.00% - 2.75%
Maturity Dates – Serially Beginning/Ending	September 1, 2025/2031	September 1, 2025/2033	September 1, 2025/2034
Interest Payment Dates	March 1/ September 1	March 1/ September 1	March 1 September 1
Callable Dates	September 1, 2022*	September 1, 2023*	September 1, 2023*
	Refunding Series 2016A		
Amount Outstanding – August 31, 2024	\$2,800,000		
Interest Rates	4.00%		
Maturity Dates – Serially Beginning/Ending	September 1, 2025/2033		
Interest Payment Dates	March 1/ September 1		
Callable Dates	September 1, 2023*		

- * Or any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. Refunding Series 2015 term bonds maturing on September 1, 2025 are subject to mandatory redemption beginning September 1, 2023. Refunding Series 2016A term bonds maturing on September 1, 2033 are subject to mandatory redemption beginning September 1, 2032.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 89
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2024

NOTE 3. LONG-TERM DEBT (Continued)

The following is a summary of transactions regarding long-term liabilities for the year ended August 31, 2024:

	September 1, 2023	Additions	Retirements	August 31, 2024
Bonds Payable	\$ 15,240,000	\$	\$ 1,285,000	\$ 13,955,000
Unamortized Premium	516,043		52,699	463,344
Bonds Payable, Net	<u>\$ 15,756,043</u>	<u>\$ -0-</u>	<u>\$ 1,337,699</u>	<u>\$ 14,418,344</u>
		Amount Due Within One Year		\$ 1,310,000
		Amount Due After One Year		13,108,344
		Bonds Payable, Net		<u>\$ 14,418,344</u>

As of August 31, 2024, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2025	\$ 1,310,000	\$ 517,406	\$ 1,827,406
2026	1,345,000	470,806	1,815,806
2027	1,380,000	421,256	1,801,256
2028	1,420,000	370,050	1,790,050
2029	1,460,000	316,250	1,776,250
2030-2034	<u>7,040,000</u>	<u>674,250</u>	<u>7,714,250</u>
	<u>\$ 13,955,000</u>	<u>\$ 2,770,018</u>	<u>\$ 16,725,018</u>

As of August 31, 2024, the District had authorized but unissued tax bonds in the amount of \$12,315,000 and refunding bonds authorized but unissued of \$28,684,635.

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.

During the year ended August 31, 2024, the District levied an ad valorem debt service tax rate of \$0.365 per \$100 of assessed valuation, which resulted in a tax levy of \$1,827,070 on the adjusted taxable valuation of \$500,512,252 for the 2023 tax year. The bond resolutions 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.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 89
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2024

NOTE 4. SIGNIFICANT BOND RESOLUTION AND LEGAL REQUIREMENTS

The Bond Resolutions state that the District is required by the Securities and Exchange Commission to provide continuing disclosure of certain general financial information and operating data 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.

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 \$2,873,717 and the bank balance was \$2,897,688. The District was not exposed to custodial credit risk at year-end.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at August 31, 2024, as listed below:

	Cash	Certificates of Deposit	Total
GENERAL FUND	\$ 200,184	\$ 1,634,520	\$ 1,834,704
SPECIAL REVENUE FUND	342,787		342,787
DEBT SERVICE FUND	<u> </u>	<u>696,226</u>	<u>696,226</u>
TOTAL DEPOSITS	<u>\$ 542,971</u>	<u>\$ 2,330,746</u>	<u>\$ 2,873,717</u>

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 89
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2024

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments

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

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

The District invests in TexSTAR, an external investment pool that is not SEC-registered. First Southwest Asset Management, Inc., and JP Morgan Chase manage the daily operations of TexSTAR. TexSTAR meets the criteria established in GASB No. 79 and measures all of their portfolio assets at amortized cost. As a result, the District also measures its investments in TexSTAR at amortized cost for financial reporting purposes. There are no limitation or restrictions on withdrawals from TexSTAR.

The District records certificates of deposit at acquisition cost.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 89
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2024

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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

Fund and Investment Type	Fair Value	Maturities of Less Than 1 Year
<u>GENERAL FUND</u>		
TexSTAR	\$ 5,923,455	\$ 5,923,455
Certificates of Deposit	1,634,520	1,634,520
<u>DEBT SERVICE FUND</u>		
TexSTAR	1,255,303	1,255,303
Certificates of Deposit	<u>696,226</u>	<u>696,226</u>
TOTAL INVESTMENTS	<u>\$ 9,509,504</u>	<u>\$ 9,509,504</u>

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The District manages credit risk by typically investing in certificates of deposit with balances below FDIC coverage. At August 31, 2024, the District's investments in TexSTAR were rated "AAAm" by Standard and Poor's.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District typically manages interest rate risk by investing in certificates of deposit with maturities of less than one year. 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 at the discretion of the District, unless there has been a significant change in value.

Restrictions

All cash and investments of the Special Revenue Fund are restricted for the water facilities operations.

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.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 89
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2024

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended August 31, 2024:

	September 1, 2023	Increases	Decreases	August 31, 2024
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 3,285,754	\$	\$	\$ 3,285,754
Construction in Progress	92,200	665,706	46,000	711,906
Total Capital Assets Not Being Depreciated	<u>\$ 3,377,954</u>	<u>\$ 665,706</u>	<u>\$ 46,000</u>	<u>\$ 3,997,660</u>
Capital Assets Subject to Depreciation				
Water System	\$ 5,309,683	\$ 46,000	\$	\$ 5,355,683
Wastewater System	10,955,476			10,955,476
Drainage System	9,962,769			9,962,769
Other Improvements	214,884			214,884
Total Capital Assets Subject to Depreciation	<u>\$ 26,442,812</u>	<u>\$ 46,000</u>	<u>\$ -0-</u>	<u>\$ 26,488,812</u>
Accumulated Depreciation				
Water System	\$ 2,307,824	\$ 144,228	\$ -0-	\$ 2,452,052
Wastewater System	4,385,657	287,405		4,673,062
Drainage System	4,076,944	222,826		4,299,770
Other Improvements	55,129	10,144		65,273
Total Accumulated Depreciation	<u>\$ 10,825,554</u>	<u>\$ 664,603</u>	<u>\$ -0-</u>	<u>\$ 11,490,157</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 15,617,258</u>	<u>\$ (618,603)</u>	<u>\$ -0-</u>	<u>\$ 14,998,655</u>
Total Capital Assets, Net of Accumulated Depreciation	<u><u>\$ 18,995,212</u></u>	<u><u>\$ 47,103</u></u>	<u><u>\$ 46,000</u></u>	<u><u>\$ 18,996,315</u></u>

NOTE 7. MAINTENANCE TAX

On May 4, 2002, the voters of the District authorized a maintenance tax rate not to exceed \$1.50 per \$100 of assessed valuation. This maintenance tax is to be used by the General Fund to pay expenditures of operating the District's waterworks system, sanitary sewer system, and drainage system.

During the year ended August 31, 2024, the District levied an ad valorem maintenance tax rate of \$0.225 per \$100 of assessed valuation, which resulted in a tax levy of \$1,126,276 on the adjusted taxable valuation of \$500,512,252 for the 2023 tax year.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 89
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2024

NOTE 8. STORMWATER FACILITIES

On April 15, 2003, the District entered into a Stormwater Facilities Contract (the “Contract”) with Spring Creek and District No. 88 to provide for the construction and operation of certain drainage and detention facilities to serve land within the districts. On April 2, 2020, the Contract was amended. The term of the Contract is for a period of 40 years from the original Contract execution date.

Each participant is responsible for its share of the operating costs of the facilities. Ownership of each participating district’s capacity in the pump station facilities at August 31, 2024, was as follows: District – 41.634%; District No. 88 – 31.248%; Spring Creek – 27.118%. Drainage and detention facilities maintenance costs are allocated based on each participating district’s capacity. As of August 31, 2024, the capacity allocations for drainage and detention facilities were as follows: District – 42.809%; District No. 88 – 26.834%; Spring Creek – 30.357%. Participants are billed a monthly amount which is equal to the actual costs incurred during the prior month.

Spring Creek operates the facilities and invoices the participants for their share of operating costs based on the applicable percentages. During the current fiscal year, the District incurred \$112,420 for operating costs and maintained an operating reserve of \$42,880.

Summary financial activities of the stormwater facilities for the year ended April 30, 2024 are as follows:

Total Assets	\$ 67,442
Total Liabilities	<u>7,442</u>
Total Fund Balance	<u>\$ 60,000</u>
Total Revenues	\$ 178,612
Total Expenditures	<u>178,612</u>
Net Change in Fund Balance	\$ -0-
Fund Balance - May 1, 2023	<u>60,000</u>
Fund Balance - April 30, 2024	<u><u>\$ 60,000</u></u>

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 89
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2024

NOTE 9. WATER SUPPLY CONTRACTS

On February 25, 2003, as amended August 15, 2008, the District entered into an agreement with Spring Creek for the purpose of sharing the cost of construction and operating the District Water Plant Facilities (“Water Plant No. 1”). The contract is for a period of forty years from the original contract execution date.

The District is the operator of Water Plant No. 1 and holds title for the benefit of the participants. Construction costs of Water Plant No. 1 are funded by the contribution of funds from each participating district. Water Plant No. 1 issues no debt.

On October 7, 2004, as amended August 15, 2008, September 19, 2011, December 6, 2012, April 5, 2018, and October 4, 2018, and supplemented on September 1, 2022, the District entered into an agreement with District No. 88 and Spring Creek for the purpose of constructing and operating District Water Plant Facilities (“Water Plant No. 2”). The contract is for a period of forty years from the original contract execution date.

The District is the operator of Water Plant No. 2 and holds title for the benefit of the participants. Construction costs of Water Plant No. 2 are funded by the contribution of funds from each participating district. Water Plant No. 2 issues no debt.

Monthly operating costs of the joint water facilities are shared based on the pro rata share of metered usage for variable costs and capacity acquired for capital costs. During the fiscal year ended August 31, 2024, the District recorded \$680,746 for operating expenditures under the terms of the agreement. At August 31, 2024, the District’s share of the Plant’s operating reserve of \$450,000 was \$207,520.

NOTE 10. 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. The District carries commercial insurance for its fidelity bonds and participates in the Texas Municipal League Intergovernmental Risk Pool (TML) to provide property, general liability, automobile, boiler and machinery, errors and omissions and workers compensation coverage. The District, along with other participating entities, contributes annual amounts determined to TML’s management. As claims arise they are submitted and paid by TML. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 89
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2024

NOTE 11. 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 1842 (the “Act”), as passed by the 77th Texas Legislature, in 2001. The Act empowers the Conservation District for purposes including the acquisition and provision of surface water and groundwater for residential, commercial, industrial, agricultural, and other uses, the reduction of groundwater withdrawals, the conservation, preservation, protection, recharge, and prevention of waste of groundwater, and of groundwater reservoirs or their subdivisions, and the control of subsidence caused by withdrawal of water from those groundwater reservoirs or their subdivisions. The Conservation District is overseeing that its participants comply with subsidence district pumpage requirements. The District is required to convert its water supply to surface water over a period of time.

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 49.055 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 current permit fee is \$0.085 per 1,000 gallons of water pumped from each well.

NOTE 12. SAN JACINTO RIVER AUTHORITY

The District has entered into a Contract for Groundwater Reduction Planning, Alternative Water Supply, and Related Goods and Services with the San Jacinto River Authority (the “Authority”). The Authority operates within the boundaries of the Lone Star Conservation District (“the Conservation District”). See Note 11. The Authority has developed supplies of surface water that, when taken together with groundwater withdrawals to be permitted by the Conservation District, are reasonably believed to be adequate to satisfy the total water demands of Montgomery County. A surface water treatment and transmission system is proposed to be designed, constructed, operated, and maintained by the Authority in order to provide phased treatment, transmission, and delivery of the Authority’s surface water to regulated users for blending with groundwater supplies, so that regulated users may continue to pump groundwater. The Authority will develop a Groundwater Reduction Plan (the “GRP”) for all participants. The Authority charges a fee, currently \$2.99 per 1,000 gallons for groundwater used and \$3.41 per 1,000 gallons for surface water used. This fee enables the Authority to achieve, maintain and implement the GRP. During the current fiscal year, the District recorded expenditures of \$1,072,178 for groundwater used in the joint water facilities.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 89

REQUIRED SUPPLEMENTARY INFORMATION

AUGUST 31, 2024

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 89
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2024

	Original Budget	Final Amended Budget	Actual	Variance Positive (Negative)
REVENUES				
Property Taxes	\$ 1,125,000	\$ 1,125,000	\$ 1,118,665	\$ (6,335)
Water Service	450,000	450,000	566,905	116,905
Wastewater Service	575,000	575,000	659,944	84,944
Water Authority Fee	545,000	545,000	554,482	9,482
Penalty and Interest	15,000	15,000	16,737	1,737
Tap Connection and Inspection Fees	3,500	3,500	7,970	4,470
Investment Revenues	200,000	200,000	383,054	183,054
Miscellaneous Revenues	<u>51,849</u>	<u>51,849</u>	<u>51,849</u>	<u>51,849</u>
TOTAL REVENUES	<u>\$ 2,913,500</u>	<u>\$ 2,913,500</u>	<u>\$ 3,359,606</u>	<u>\$ 446,106</u>
EXPENDITURES				
Service Operations:				
Professional Fees	\$ 192,500	\$ 192,500	\$ 262,578	\$ (70,078)
Contracted Services	469,500	469,500	451,810	17,690
Purchased Water Service	763,426	763,426	680,746	82,680
Purchased Stormwater Service	245,617	245,617	112,420	133,197
Utilities	62,000	62,000	76,196	(14,196)
Repairs and Maintenance	265,000	265,000	327,198	(62,198)
Other	306,748	306,748	275,324	31,424
Capital Outlay	<u>965,000</u>	<u>795,000</u>	<u>640,896</u>	<u>154,104</u>
TOTAL EXPENDITURES	<u>\$ 3,269,791</u>	<u>\$ 3,099,791</u>	<u>\$ 2,827,168</u>	<u>\$ 272,623</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (356,291)</u>	<u>\$ (186,291)</u>	<u>\$ 532,438</u>	<u>\$ 718,729</u>
OTHER FINANCING SOURCES(USES)				
Contributed by Other Governmental Unit	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 648</u>	<u>\$ 648</u>
NET CHANGE IN FUND BALANCE	\$ (356,291)	\$ (186,291)	\$ 533,086	\$ 719,377
FUND BALANCE - SEPTEMBER 1, 2023	<u>6,918,967</u>	<u>6,918,967</u>	<u>6,918,967</u>	<u></u>
FUND BALANCE - AUGUST 31, 2024	<u>\$ 6,562,676</u>	<u>\$ 6,732,676</u>	<u>\$ 7,452,053</u>	<u>\$ 719,377</u>

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 89
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL – SPECIAL REVENUE FUND
FOR THE YEAR ENDED AUGUST 31, 2024

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Water Service	2,084,614	1,701,950	(382,664)
Investment Revenues	<u>300</u>	<u>1,624</u>	<u>1,324</u>
TOTAL REVENUES	<u>\$ 2,084,914</u>	<u>\$ 1,703,574</u>	<u>\$ (381,340)</u>
EXPENDITURES			
Service Operations:			
Professional Fees	\$ 53,000	\$ 46,057	\$ 6,943
Contracted Services	23,500	21,829	1,671
Utilities	140,500	150,039	(9,539)
SJRA Fees	1,350,000	1,072,178	277,822
Repairs and Maintenance	115,000	316,571	(201,571)
Other	102,914	92,242	10,672
Capital Outlay	<u>300,000</u>	<u>24,810</u>	<u>275,190</u>
TOTAL EXPENDITURES	<u>\$ 2,084,914</u>	<u>\$ 1,723,726</u>	<u>\$ 361,188</u>
NET CHANGE IN FUND BALANCE	\$ -0-	\$ (20,152)	\$ (20,152)
FUND BALANCE - SEPTEMBER 1, 2023	<u>20,152</u>	<u>20,152</u>	<u></u>
FUND BALANCE - AUGUST 31, 2024	<u><u>\$ 20,152</u></u>	<u><u>\$ -0-</u></u>	<u><u>\$ (20,152)</u></u>

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 89

SUPPLEMENTARY INFORMATION REQUIRED BY THE

WATER DISTRICT FINANCIAL MANAGEMENT GUIDE

AUGUST 31, 2024

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 89
SCHEDULE OF SERVICES AND RATES
FOR THE YEAR ENDED AUGUST 31, 2024

1. SERVICES PROVIDED BY THE DISTRICT DURING THE CURRENT 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> </u>	Parks/Recreation	<u> </u>	Fire Protection	<u> </u>	Security
<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 emergency interconnect)				
<u> X </u>	Other (specify):				
<u> </u>					

2. RETAIL SERVICE PROVIDERS

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

Based on the rate order approved October 5, 2023.

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons over Minimum Use</u>	<u>Usage Levels</u>
WATER:	\$ 12.00	6,999	N	\$ 1.50 \$ 1.75 \$ 5.00	7,000 to 12,999 13,000 to 19,999 20,000 and up
WASTEWATER:	\$ 32.11	N/A	Y		
SURCHARGE:					
San Jacinto River Authority Fees			N	\$ 3.29	0,001 and up
LSGCD Fee			N	\$ 0.085	0,001 and up
District employs winter averaging for wastewater usage?					<u> </u> <u> X </u> Yes No

Total monthly charges per 10,000 gallons usage: Water: \$16.50 Wastewater: \$32.11 Surcharge: \$33.75 Total: \$82.36

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 89
SCHEDULE OF SERVICES AND RATES
FOR THE YEAR ENDED AUGUST 31, 2024

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered			x 1.0	
≤¾"	<u>1,571</u>	<u>1,565</u>	x 1.0	<u>1,565</u>
1"	<u>12</u>	<u>12</u>	x 2.5	<u>30</u>
1½"	<u>6</u>	<u>6</u>	x 5.0	<u>30</u>
2"	<u>21</u>	<u>21</u>	x 8.0	<u>168</u>
3"			x 15.0	
4"	<u>1</u>	<u>1</u>	x 25.0	<u>25</u>
6"	<u>1</u>	<u>1</u>	x 50.0	<u>50</u>
8"			x 80.0	
10"			x 115.0	
Total Water Connections	<u><u>1,612</u></u>	<u><u>1,606</u></u>		<u><u>1,868</u></u>
Total Wastewater Connections	<u><u>1,588</u></u>	<u><u>1,582</u></u>	x 1.0	<u><u>1,582</u></u>

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

Gallons pumped into system:	410,849,000	Water Accountability Ratio: 97.8 % (Gallons billed/Gallons pumped and purchased)
Gallons billed to customers:	153,898,000	
Gallons sold:	247,912,000	To: Montgomery County Municipal Utility District No. 88 and Spring Creek Utility District
Leaks and flushing:	60,000	

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 89
SCHEDULE OF SERVICES AND RATES
FOR THE YEAR ENDED AUGUST 31, 2024

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 in which District is located:

City of Houston, Texas

Are Board Members appointed by an office outside the District?

Yes ☐ No ☒

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 89
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED AUGUST 31, 2024

PROFESSIONAL FEES:

Auditing	\$ 16,250
Engineering	122,473
Legal	<u>123,855</u>

TOTAL PROFESSIONAL FEES	<u>\$ 262,578</u>
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PURCHASED SERVICES FOR RESALE:

Purchased Water Service	\$ 680,746
Purchased Stormwater Service	<u>112,420</u>

TOTAL PURCHASED SERVICES FOR RESALE	<u>\$ 793,166</u>
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CONTRACTED SERVICES:

Bookkeeping	\$ 24,794
Operations and Billing	70,311
Solid Waste Disposal	<u>356,705</u>

TOTAL CONTRACTED SERVICES	<u>\$ 451,810</u>
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UTILITIES	<u>\$ 76,196</u>
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REPAIRS AND MAINTENANCE	<u>\$ 327,198</u>
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ADMINISTRATIVE EXPENDITURES:

Director Fees	\$ 27,532
Dues	1,500
Insurance	24,687
Legal Notices	1,580
Office Supplies and Postage	49,884
Payroll Taxes	1,600
Travel and Meetings	<u>10,000</u>

TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 116,783</u>
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See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 89
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED AUGUST 31, 2024

CAPITAL OUTLAY	\$ <u>640,896</u>
OTHER EXPENDITURES:	
Chemicals	\$ 15,010
Laboratory Fees	35,406
Permit Fees	6,316
Reconnection Fees	7,100
Regulatory Assessment	5,816
Sludge Hauling	75,364
Other	<u>13,529</u>
TOTAL OTHER EXPENDITURES	<u>\$ 158,541</u>
TOTAL EXPENDITURES	<u><u>\$ 2,827,168</u></u>

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 89
INVESTMENTS
AUGUST 31, 2024

<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	\$ 5,923,455	\$
Certificate of Deposit	XXXX5018	5.50%	01/10/25	230,000	8,110
Certificate of Deposit	XXXX4399	5.30%	01/10/25	230,000	7,815
Certificate of Deposit	XXXX3481	5.40%	09/20/24	240,934	5,775
Certificate of Deposit	XXXX7922	5.25%	06/24/25	224,774	2,198
Certificate of Deposit	XXXX1823	5.37%	01/14/25	236,570	1,810
Certificate of Deposit	XXXX5559	5.31%	10/08/24	236,147	1,786
Certificate of Deposit	XXXX9675	5.22%	01/11/25	236,095	1,722
TOTAL GENERAL FUND				<u>\$ 7,557,975</u>	<u>\$ 29,216</u>
<u>DEBT SERVICE FUND</u>					
TexSTAR	XXXX7900	Varies	Daily	\$ 73,062	\$
TexSTAR	XXXX3330	Varies	Daily	1,182,241	
Certificate of Deposit	XXXX7852	5.25%	08/07/25	230,000	794
Certificate of Deposit	XXXX6827	5.26%	09/07/24	236,226	5,957
Certificate of Deposit	XXXX1764	5.11%	02/21/25	230,000	258
TOTAL DEBT SERVICE FUND				<u>\$ 1,951,529</u>	<u>\$ 7,009</u>
TOTAL - ALL FUNDS				<u><u>\$ 9,509,504</u></u>	<u><u>\$ 36,225</u></u>

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 89
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2024

	<u>Maintenance Taxes</u>		<u>Debt Service Taxes</u>	
TAXES RECEIVABLE -				
SEPTEMBER 1, 2023	\$ 18,200		\$ 35,423	
Adjustments to Beginning				
Balance	<u>587</u>	\$ 18,787	<u>(5,361)</u>	\$ 30,062
Original 2023 Tax Levy	\$ 1,035,159		\$ 1,679,258	
Adjustment to 2023 Tax Levy	<u>91,117</u>	<u>1,126,276</u>	<u>147,812</u>	<u>1,827,070</u>
TOTAL TO BE				
ACCOUNTED FOR		\$ 1,145,063		\$ 1,857,132
TAX COLLECTIONS:				
Prior Years	\$ 2,547		\$ (2,307)	
Current Year	<u>1,116,118</u>	<u>1,118,665</u>	<u>1,810,591</u>	<u>1,808,284</u>
TAXES RECEIVABLE -				
AUGUST 31, 2024		<u>\$ 26,398</u>		<u>\$ 48,848</u>
TAXES RECEIVABLE BY				
YEAR:				
2023		\$ 10,158		\$ 16,479
2022		1,933		3,015
2021		1,222		2,249
2020		1,617		3,691
2019		1,199		2,945
2018 and prior		<u>10,269</u>		<u>20,469</u>
TOTAL		<u>\$ 26,398</u>		<u>\$ 48,848</u>

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 89
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2024

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
PROPERTY VALUATIONS:				
Land	\$ 60,975,750	\$ 61,100,500	\$ 60,746,070	\$ 60,365,030
Improvements	515,742,040	429,429,220	360,755,920	339,629,140
Personal Property	6,672,562	4,956,457	4,647,831	5,228,806
Exemptions	<u>(82,878,100)</u>	<u>(32,277,674)</u>	<u>(29,298,218)</u>	<u>(25,359,540)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 500,512,252</u>	<u>\$ 463,208,503</u>	<u>\$ 396,851,603</u>	<u>\$ 379,863,436</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.365	\$ 0.39	\$ 0.46	\$ 0.525
Maintenance	<u>0.225</u>	<u>0.25</u>	<u>0.25</u>	<u>0.230</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.590</u>	<u>\$ 0.64</u>	<u>\$ 0.71</u>	<u>\$ 0.755</u>
ADJUSTED TAX LEVY*	<u>\$ 2,953,346</u>	<u>\$ 2,964,851</u>	<u>\$ 2,817,646</u>	<u>\$ 2,867,969</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>99.10 %</u>	<u>99.83 %</u>	<u>99.88 %</u>	<u>99.81 %</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 \$1.50 per \$100 of assessed valuation approved by voters on May 4, 2002.

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 89
LONG-TERM DEBT SERVICE REQUIREMENTS
AUGUST 31, 2024

REFUNDING SERIES - 2014			
Due During Fiscal Years Ending August 31	Principal Due September 1	Interest Due March 1/ September 1	Total
2025	\$ 240,000	\$ 73,556	\$ 313,556
2026	250,000	65,756	315,756
2027	265,000	57,006	322,006
2028	275,000	47,400	322,400
2029	290,000	36,400	326,400
2030	300,000	24,800	324,800
2031	320,000	12,800	332,800
2032			
2033			
2034			
	<u>\$ 1,940,000</u>	<u>\$ 317,718</u>	<u>\$ 2,257,718</u>

The District records the amount due September 1 as an expenditure in the prior fiscal year. See Note 2. This schedule shows the amounts expended within the fiscal years assuming this practice will continue in the future.

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 89
LONG-TERM DEBT SERVICE REQUIREMENTS
AUGUST 31, 2024

REFUNDING SERIES - 2015			
Due During Fiscal Years Ending August 31	Principal Due September 1	Interest Due March 1/ September 1	Total
2025	\$ 605,000	\$ 270,200	\$ 875,200
2026	630,000	246,000	876,000
2027	650,000	220,800	870,800
2028	680,000	194,800	874,800
2029	705,000	167,600	872,600
2030	735,000	139,400	874,400
2031	865,000	110,000	975,000
2032	1,025,000	75,400	1,100,400
2033	860,000	34,400	894,400
2034			
	<u>\$ 6,755,000</u>	<u>\$ 1,458,600</u>	<u>\$ 8,213,600</u>

The District records the amount due September 1 as an expenditure in the prior fiscal year. See Note 2. This schedule shows the amounts expended within the fiscal years assuming this practice will continue in the future.

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 89
LONG-TERM DEBT SERVICE REQUIREMENTS
AUGUST 31, 2024

S E R I E S - 2 0 1 6			
Due During Fiscal Years Ending August 31	Principal Due September 1	Interest Due March 1/ September 1	Total
2025	\$ 200,000	\$ 61,650	\$ 261,650
2026	200,000	57,650	257,650
2027	200,000	52,650	252,650
2028	200,000	47,650	247,650
2029	200,000	42,650	242,650
2030	200,000	37,650	237,650
2031	200,000	32,650	232,650
2032	200,000	27,650	227,650
2033	400,000	22,650	422,650
2034	460,000	12,650	472,650
	<u>\$ 2,460,000</u>	<u>\$ 395,500</u>	<u>\$ 2,855,500</u>

The District records the amount due September 1 as an expenditure in the prior fiscal year. See Note 2. This schedule shows the amounts expended within the fiscal years assuming this practice will continue in the future.

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 89
LONG-TERM DEBT SERVICE REQUIREMENTS
AUGUST 31, 2024

REFUNDING SERIES - 2016 A			
Due During Fiscal Years Ending August 31	Principal Due September 1	Interest Due March 1/ September 1	Total
2025	\$ 265,000	\$ 112,000	\$ 377,000
2026	265,000	101,400	366,400
2027	265,000	90,800	355,800
2028	265,000	80,200	345,200
2029	265,000	69,600	334,600
2030	260,000	59,000	319,000
2031	445,000	48,600	493,600
2032	625,000	30,800	655,800
2033	145,000	5,800	150,800
2034			
	<u>\$ 2,800,000</u>	<u>\$ 598,200</u>	<u>\$ 3,398,200</u>

The District records the amount due September 1 as an expenditure in the prior fiscal year. See Note 2. This schedule shows the amounts expended within the fiscal years assuming this practice will continue in the future.

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 89
LONG-TERM DEBT SERVICE REQUIREMENTS
AUGUST 31, 2024

ANNUAL REQUIREMENTS FOR ALL SERIES			
Due During Fiscal Years Ending August 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2025	\$ 1,310,000	\$ 517,406	\$ 1,827,406
2026	1,345,000	470,806	1,815,806
2027	1,380,000	421,256	1,801,256
2028	1,420,000	370,050	1,790,050
2029	1,460,000	316,250	1,776,250
2030	1,495,000	260,850	1,755,850
2031	1,830,000	204,050	2,034,050
2032	1,850,000	133,850	1,983,850
2033	1,405,000	62,850	1,467,850
2034	460,000	12,650	472,650
	<u>\$ 13,955,000</u>	<u>\$ 2,770,018</u>	<u>\$ 16,725,018</u>

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 89
CHANGE IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED AUGUST 31, 2024

Description	Original Bonds Issued	Bonds Outstanding September 1, 2023
Montgomery County Municipal Utility District No. 89 Unlimited Tax Refunding Bonds - Series 2014	\$ 3,960,000	\$ 2,175,000
Montgomery County Municipal Utility District No. 89 Unlimited Tax Refunding Bonds - Series 2015	9,285,000	7,335,000
Montgomery County Municipal Utility District No. 89 Unlimited Tax Bonds - Series 2016	4,060,000	2,660,000
Montgomery County Municipal Utility District No. 89 Unlimited Tax Refunding Bonds - Series 2016A	5,245,000	3,070,000
TOTAL	\$ 22,550,000	\$ 15,240,000

Bond Authority:	Tax Bonds *	Refunding Bonds
Amount Authorized by Voters	\$ 45,950,000	\$ 29,800,000
Amount Issued	33,635,000	1,115,365
Remaining to be Issued	<u>\$ 12,315,000</u>	<u>\$ 28,684,635</u>

Debt Service Fund cash, investments and cash with paying agent balances as of
August 31, 2024: \$ 1,951,529

Average annual debt service payment (principal and interest) for remaining term
of all debt: \$ 1,672,502

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 Sold	Retirements		Bonds Outstanding August 31, 2024	Paying Agent
	Principal	Interest		
\$	\$ 235,000	\$ 80,900	\$ 1,940,000	The Bank Of New York Mellon Trust Company, N.A. Dallas, TX
	580,000	293,400	6,755,000	The Bank Of New York Mellon Trust Company, N.A. Dallas, TX
	200,000	65,650	2,460,000	The Bank Of New York Mellon Trust Company, N.A. Dallas, TX
	270,000	120,100	2,800,000	The Bank Of New York Mellon Trust Company, N.A. Dallas, TX
<u>\$ - 0 -</u>	<u>\$ 1,285,000</u>	<u>\$ 560,050</u>	<u>\$ 13,955,000</u>	

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 89
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS

	Amounts		
	2024	2023	2022
REVENUES			
Property Taxes	\$ 1,118,665	\$ 1,155,695	\$ 988,981
Water Service	566,905	499,690	314,620
Wastewater Service	659,944	687,360	507,523
Water Authority Fee	554,482	574,162	586,139
Penalty and Interest	16,737	12,784	16,816
Tap Connection and Inspection Fees	7,970	7,220	6,720
Investment Revenues	383,054	271,395	27,248
Miscellaneous Revenues	51,849	18,153	22,345
TOTAL REVENUES	<u>\$ 3,359,606</u>	<u>\$ 3,226,459</u>	<u>\$ 2,470,392</u>
EXPENDITURES			
Professional Fees	\$ 262,578	\$ 258,018	\$ 203,172
Contracted Services	451,810	431,149	410,859
Purchased Stormwater Service	112,420	52,493	428,235
Utilities	76,196	61,265	51,205
Purchased Water Service	680,746	661,335	555,522
Repairs and Maintenance	327,198	160,977	348,796
Other	275,324	296,290	217,812
Bond Principal and Interest			587,145
Capital Outlay	640,896	369,002	
TOTAL EXPENDITURES	<u>\$ 2,827,168</u>	<u>\$ 2,290,529</u>	<u>\$ 2,802,746</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 532,438</u>	<u>\$ 935,930</u>	<u>\$ (332,354)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In (Out)	\$	\$ 892,303	\$
Contributed by Other Governmental Unit	648	149,064	
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ 648</u>	<u>\$ 1,041,367</u>	<u>\$ -0-</u>
NET CHANGE IN FUND BALANCE	\$ 533,086	\$ 1,977,297	\$ (332,354)
PRIOR PERIOD ADJUSTMENT			(323,591)
BEGINNING FUND BALANCE	<u>6,918,967</u>	<u>4,941,670</u>	<u>5,597,615</u>
ENDING FUND BALANCE	<u>\$ 7,452,053</u>	<u>\$ 6,918,967</u>	<u>\$ 4,941,670</u>

See accompanying independent auditor's report.

		Percentage of Total Revenue					
2021	2020	2024	2023	2022	2021	2020	
\$ 876,765	\$ 841,296	33.4 %	35.8 %	40.1 %	36.3 %	33.9 %	
354,399	380,197	16.9	15.5	12.7	14.7	15.3	
592,216	594,064	19.6	21.3	20.5	24.5	23.9	
497,984	543,841	16.5	17.8	23.7	20.6	21.9	
9,413	9,679	0.5	0.4	0.7	0.4	0.4	
56,633	4,375	0.2	0.2	0.3	2.3	0.2	
9,105	91,750	11.4	8.4	1.1	0.4	3.7	
18,727	17,977	1.5	0.6	0.9	0.8	0.7	
<u>\$ 2,415,242</u>	<u>\$ 2,483,179</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	
\$ 188,663	\$ 220,427	7.8 %	8.0 %	8.2 %	7.8 %	8.9 %	
404,658	382,310	13.4	13.4	16.6	17.0	15.4	
236,484	138,467	3.3	1.6	17.3	9.8	5.6	
64,723	53,942	2.3	1.9	2.1	2.7	2.2	
475,337	532,164	20.3	20.5	22.5	19.7	21.4	
259,856	265,111	9.7	5.0	14.1	10.8	10.7	
189,240	187,643	8.2	9.2	8.8	7.8	7.6	
	1,446,519			23.8		58.3	
104,468	6,000	19.1	11.4		4.3	0.2	
<u>\$ 1,923,429</u>	<u>\$ 3,232,583</u>	<u>84.1 %</u>	<u>71.0 %</u>	<u>113.4 %</u>	<u>79.9 %</u>	<u>130.3 %</u>	
<u>\$ 491,813</u>	<u>\$ (749,404)</u>	<u>15.9 %</u>	<u>29.0 %</u>	<u>(13.4) %</u>	<u>20.1 %</u>	<u>(30.3) %</u>	
\$	\$						
<u>\$ - 0 -</u>	<u>\$ - 0 -</u>						
\$ 491,813	\$ (749,404)						
<u>5,105,802</u>	<u>5,855,206</u>						
<u>\$ 5,597,615</u>	<u>\$ 5,105,802</u>						

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 89
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS

	Amounts		
	2024	2023	2022
REVENUES			
Property Taxes	\$ 1,808,284	\$ 1,821,216	\$ 1,819,587
Penalty and Interest	11,241	10,616	10,721
Investment Revenues	153,733	113,813	13,946
Miscellaneous Revenues			479
TOTAL REVENUES	<u>\$ 1,973,258</u>	<u>\$ 1,945,645</u>	<u>\$ 1,844,733</u>
EXPENDITURES			
Tax Collection Expenditures	\$ 33,454	\$ 23,827	\$ 40,429
Debt Service Principal	1,285,000	1,245,000	1,225,000
Debt Service Interest and Fees	562,900	603,750	635,750
TOTAL EXPENDITURES	<u>\$ 1,881,354</u>	<u>\$ 1,872,577</u>	<u>\$ 1,901,179</u>
NET CHANGE IN FUND BALANCE	\$ 91,904	\$ 73,068	\$ (56,446)
BEGINNING FUND BALANCE	<u>1,851,737</u>	<u>1,778,669</u>	<u>1,835,115</u>
ENDING FUND BALANCE	<u><u>\$ 1,943,641</u></u>	<u><u>\$ 1,851,737</u></u>	<u><u>\$ 1,778,669</u></u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>1,606</u>	<u>1,611</u>	<u>1,609</u>
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>1,582</u>	<u>1,582</u>	<u>1,567</u>

See accompanying independent auditor's report.

		Percentage of Total Revenue				
2021	2020	2024	2023	2022	2021	2020
\$ 2,000,718	\$ 2,066,378	91.6 %	93.7 %	98.6 %	98.6 %	97.7 %
17,783	12,512	0.6	0.5	0.6	0.9	0.6
9,127	36,801	7.8	5.8	0.8	0.5	1.7
<u>\$ 2,027,628</u>	<u>\$ 2,115,691</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 31,108	\$ 48,077	1.7 %	1.2 %	2.2 %	1.5 %	2.3 %
1,365,000	1,335,000	65.1	64.0	66.4	67.3	63.1
689,900	751,019	28.5	31.0	34.5	34.0	35.5
<u>\$ 2,086,008</u>	<u>\$ 2,134,096</u>	<u>95.3 %</u>	<u>96.2 %</u>	<u>103.1 %</u>	<u>102.8 %</u>	<u>100.9 %</u>
\$ (58,380)	\$ (18,405)	4.7 %	3.8 %	(3.1) %	(2.8) %	(0.9) %
<u>1,893,495</u>	<u>1,911,900</u>					
<u>\$ 1,835,115</u>	<u>\$ 1,893,495</u>					
<u>1,608</u>	<u>1,604</u>					
<u>1,565</u>	<u>1,579</u>					

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 89
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
AUGUST 31, 2024

District Mailing Address - Montgomery County Municipal Utility District No. 89
 Allen Boone Humphries Robinson LLP
 3200 Southwest Freeway, Suite 2600
 Houston, Texas 77027

District Telephone Number - (713) 860-6400

Board Members	Term of Office (Elected or Appointed)	Fees of Office for the year ended <u>August 31, 2024</u>	Expense Reimbursements for the year ended <u>August 31, 2024</u>	<u>Title</u>
Paul Cote	05/2022 05/2026 (Elected)	\$ 7,200	\$ 1,963	President
Benjamin Slotnick	05/2022 05/2026 (Elected)	\$ 5,525	\$ 698	Vice President
Shawn Goodman	05/2022 05/2026 (Elected)	\$ 3,536	\$ 731	Secretary
Terrance Sookdeo	05/2024 05/2028 (Elected)	\$ 2,210	\$ 2,184	Assistant Vice President
Jordan Greene	05/2024 05/2028 (Elected)	\$ 2,210	\$ 1,426	Assistant Secretary

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 16, 2024

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200 as set by Board Resolution (TWC Section 49.060). Fees of Office are the amounts actually paid to a Director during the District's fiscal year.

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 89
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
AUGUST 31, 2024

Consultants:	<u>Date Hired</u>	<u>District Fees for the fiscal year ended August 31, 2024</u>	<u>Water Facilities Fees for the fiscal year ended August 31, 2024</u>	<u>Title</u>
Allen Boone Humphries Robinson LLP	08/07/03	\$ 123,855	\$ -0-	General Counsel
McCall Gibson Swedlund Barfoot Ellis PLLC	08/03/23	\$ 16,250	\$ 4,000	Auditor
Myrtle Cruz, Inc.	04/01/10	\$ 32,511	\$ 11,646	Bookkeeper
Quiddity Engineering, LLC	11/01/01	\$ 202,996	\$ 122,134	Engineer
Masterson Advisors LLC	05/03/18	\$ -0-	\$ -0-	Financial Advisor
Mary Jarmon	04/01/10	\$ -0-	\$ -0-	Investment Officer
Municipal Operations & Consultants, Inc.	05/03/12	\$ 315,695	\$ 78,134	Operator
Montgomery County Tax Office		\$ 670	\$ -0-	Tax Assessor/ Collector

See accompanying independent auditor's report.