OFFICIAL STATEMENT DATED SEPTEMBER 28, 2026

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

Moody's Ratings (Underlying)..... "Baa2"
S&P Global Ratings (AG Insured) ..... "AA"
Moody's Ratings (AG Insured) ..... "A1"
See "MUNICIPAL BOND INSURANCE" and "RATING."

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 137

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

$2,220,000
UNLIMITED TAX PARK BONDS
SERIES 2026

Dated Date: October 1, 2026 **Due: September 1, on inside cover**
Interest Accrues from: Date of Delivery (defined herein)

The $2,220,000 Unlimited Tax Park Bonds, Series 2026 (the "Bonds") are obligations of Montgomery County Municipal Utility District No. 137 (the "District") and are not obligations of the State of Texas; Montgomery County, Texas; the City of Houston, Texas; or any other political subdivision or entity other than the District. Neither the faith and credit nor the taxing power of the State of Texas; Montgomery County, Texas; the City of Houston, Texas; nor any entity other than the District is pledged to the payment of the principal of or interest on the Bonds.

Principal of the Bonds is payable upon presentation at the principal payment office of the paying agent/registrar, initially, The Bank of New York Mellon Trust Company, N.A., Houston, Texas (the "Paying Agent/Registrar"). Interest accrues from the initial date of delivery (expected to be on or about October 28, 2026) (the "Date of Delivery"), and is payable on March 1, 2027, and on each September 1 and March 1 (each an "Interest Payment Date") thereafter until the earlier of maturity or redemption. Interest on the Bonds will be payable by check dated as of the Interest Payment Date, and mailed by the Paying Agent/Registrar to registered owners ("Registered Owners") as shown on the records of the Registrar at the close of business on the 15th calendar day of the month next preceding each Interest Payment Date (the "Record Date"). The Bonds are fully registered bonds in principal denominations of $5,000 or any integral multiple thereof.

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

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

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by **ASSURED GUARANTY INC. ("AG").**

The Bonds, when issued, will constitute valid and binding obligations of the District and will be payable from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District, as further described herein.

Investment in the Bonds is subject to special investment considerations as described herein. See "INVESTMENT CONSIDERATIONS."

The Bonds are offered when, as and if issued by the District and accepted by the winning bidder for the Bonds (the "Initial Purchaser"), subject 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, Bond Counsel. Delivery of the Bonds through the facilities of DTC is expected on or about October 28, 2026.

PRINCIPAL AMOUNTS, MATURITIES, INTEREST RATES AND INITIAL REOFFERING YIELDS

$2,220,000 Unlimited Tax Park Bonds, Series 2026

Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 61371G (b)	Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 61371G (b)
2027	$ 70,000	7.500%	4.300%	PD3	2032 (c)	$ 70,000	7.500%	4.700%	PJ0
2028	55,000	7.500%	4.400%	PE1	2033 (c)	70,000	7.500%	4.800%	PK7
2029	60,000	7.500%	4.500%	PF8	2034 (c)	75,000	7.500%	4.900%	PL5
2030	60,000	7.500%	4.550%	PG6	2035 (c)	80,000	6.000%	5.000%	PM3
2031	65,000	7.500%	4.650%	PH4					

$170,000	Term Bond Due September 1, 2037 (c)(d),	Interest Rate: 5.000% (Price: $98.758) (a),	CUSIP No. 61371G PP6	(b)
$185,000	Term Bond Due September 1, 2039 (c)(d),	Interest Rate: 5.250% (Price: $100.000) (a),	CUSIP No. 61371G PR2	(b)
$205,000	Term Bond Due September 1, 2041 (c)(d),	Interest Rate: 5.250% (Price: $98.977) (a),	CUSIP No. 61371G PT8	(b)
$225,000	Term Bond Due September 1, 2043 (c)(d),	Interest Rate: 5.500% (Price: $100.202) (a),	CUSIP No. 61371G PV3	(b)
$250,000	Term Bond Due September 1, 2045 (c)(d),	Interest Rate: 5.500% (Price: $100.000) (a),	CUSIP No. 61371G PX9	(b)
$275,000	Term Bond Due September 1, 2047 (c)(d),	Interest Rate: 5.500% (Price: $98.770) (a),	CUSIP No. 61371G PZ4	(b)
$305,000	Term Bond Due September 1, 2049 (c)(d),	Interest Rate: 5.500% (Price: $98.080) (a),	CUSIP No. 61371G QB6	(b)

(a) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Initial Purchaser. Initial reoffering yields represent the initial offering price, which may be changed for subsequent purchasers. The initial yield indicated above represents the lower of the yields resulting when priced to maturity or to the first call date.

(b) CUSIP numbers have been assigned to the Bonds by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association and are included solely for the convenience of the owners of the Bonds.

(c) Bonds maturing on September 1, 2032, and thereafter, shall be subject to redemption and payment at the option of the District, in whole, or from time to time in part, on September 1, 2031, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. See "THE BONDS—Redemption Provisions – *Optional Redemption*."

(d) Such Bonds are also subject to mandatory sinking fund redemption as more fully described herein under "THE BONDS – Redemption Provisions – *Mandatory Redemption*."

USE OF INFORMATION IN OFFICIAL STATEMENT

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

All of the summaries of the statutes, resolutions, orders, contracts, audits, 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 Bond Counsel, for further information.

AG makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AG has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AG supplied by AG and presented under "MUNICIPAL BOND INSURANCE" and "APPENDIX B."

This Official Statement is not to be used in connection with 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.

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. 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 such information actually comes to its attention, the other matters described in this Official Statement, until delivery of the Bonds to the Initial Purchaser and thereafter only as specified in "OFFICIAL STATEMENT—Updating of Official Statement."

References to web site addresses presented herein are for information 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.

TABLE OF CONTENTS

USE OF INFORMATION IN OFFICIAL STATEMENT 1
SALE AND DISTRIBUTION OF THE BONDS.....2
Award of the Bonds 2
Prices and Marketability 2
Securities Laws.....2
MUNICIPAL BOND INSURANCE.....2
RATING 4
OFFICIAL STATEMENT SUMMARY.....5
SELECTED FINANCIAL INFORMATION.....8
INTRODUCTION 10
THE BONDS 10
General.....10
Book-Entry-Only System 11
Successor Paying Agent/Registrar.....12
Registration, Transfer and Exchange.....12
Redemption Provisions 13
Mutilated, Lost, Stolen or Destroyed Bonds.....14
Authority for Issuance.....14
Source of Payment.....15
Funds 15
Outstanding Bonds.....15
Issuance of Additional Debt 16
No Arbitrage.....16
Annexation and Consolidation 17
Defeasance.....17
Legal Investment and Eligibility to Secure Public Funds in Texas.....18
Registered Owners' Remedies.....18
Use and Distribution of Bond Proceeds.....19
THE DISTRICT 20
Authority.....20
Description 20
Management of the District.....20
Investment Policy 20
Consultants.....21
Tax Assessor/Collector.....21
Bookkeeper 21
Utility System Operator.....21
Auditor.....21
Engineer 21
General/Bond Counsel.....21
Disclosure Counsel.....21
Financial Advisor.....21
DEVELOPMENT OF THE DISTRICT 22
Status of Development within the District.....22
DESCRIPTION OF THE DEVELOPER.....23
Role of the Developer.....23
The Developer.....23
Homebuilders within the District 23
LOCATION MAP.....24
PHOTOGRAPHS TAKEN WITHIN THE DISTRICT.....25
PHOTOGRAPHS TAKEN WITHIN THE DISTRICT.....26
DISTRICT DEBT.....27
Debt Service Requirement Schedule.....27
Bonded Indebtedness.....28
Estimated Direct and Overlapping Debt Statement.....30
Debt Ratios.....30
TAXING PROCEDURES 31
Authority to Levy Taxes 31
Property Tax Code and County-wide Appraisal District...31
Property Subject to Taxation by the District 31
Tax Abatement 32
Valuation of Property for Taxation 32
District and Taxpayer Remedies 33
Levy and Collection of Taxes 33
Tax Payment Installments After Disaster.....34
Rollback of Operation and Maintenance Tax Rate 34
District's Rights in the Event of Tax Delinquencies 35
TAX DATA.....36
General.....36
Tax Rate Limitation.....36
Debt Service Tax.....36
Maintenance Tax 36
Additional Penalties.....36
Tax Rate Calculations.....37
Estimated Overlapping Taxes 37
Historical Tax Collections.....37
Tax Rate Distribution.....38
Assessed Taxable Valuation Summary 38
Principal Taxpayers.....38
THE UTILITY SYSTEM 39
Regulation 39
Water Supply.....39
Subsidence District Requirements.....39
Wastewater Treatment.....39
Water Distribution, Wastewater Collection and Storm Drainage Facilities.....39
100-Year Flood Plain.....40
National Weather Service Atlas Rainfall Study.....40
General Fund Operating Statement 41
THE PARK SYSTEM 41
THE ROAD SYSTEM..... 41
INVESTMENT CONSIDERATIONS..... 42
General.....42
Factors Affecting Taxable Values and Tax Payments.....42
Increase in Costs of Building Materials.....42
Potential Impact of Natural Disaster.....43
Specific Flood Type Risks 43
National Weather Service Atlas Rainfall Study.....43
Competitive Nature of Houston Residential Housing Market.....43
Potential Effects of Oil Price Fluctuations on the Houston Area 44
Tax Collection Limitations 44
Registered Owners' Remedies and Bankruptcy 44
Marketability 44
Future Debt 44
Continuing Compliance with Certain Covenants.....45
Environmental Regulations.....45
Approval of the Bonds.....47
The 90th Texas Legislature 47
Bond Insurance Risk Factors.....47
LEGAL MATTERS..... 48
Legal Opinions 48
No-Litigation Certificate.....49
No Material Adverse Change 49
CONTINUING DISCLOSURE OF INFORMATION..... 52
Annual Reports.....52
Event Notices.....52
Availability of Information from EMMA.....53
Limitations and Amendments.....53
Compliance with Prior Undertakings 53
OFFICIAL STATEMENT..... 53
General.....53
Experts.....53
Certification as to Official Statement.....54
Updating of Official Statement.....54
CONCLUDING STATEMENT 55

APPENDIX A – FINANCIAL STATEMENTS OF THE DISTRICT

APPENDIX B – SPECIMEN MUNICIPAL BOND INSURANCE POLICY

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the bid of Hilltop Securities Inc. (the "Initial Purchaser") to purchase the Bonds at the interest rates shown on the inside cover page of this Official Statement at a price of 98.000000% of par, resulting in a net effective interest rate to the District of 5.737933%, as calculated pursuant to Chapter 1204, Texas Government Code, as amended.

No assurance can be given that any trading market will be developed for the Bonds after their sale by the District to the Initial Purchaser. The District has no control over the price at which the Bonds are subsequently sold, and the initial yields at which the Bonds are priced and reoffered are established by and are the sole responsibility of the Initial Purchaser.

Prices and Marketability

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

Subject to certain hold-the-offering-price requirements described in the Official Notice of Sale, the prices and other terms with respect to the offering and sale of the Bonds may be changed from time-to-time by the Initial Purchaser after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts.

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

Securities Laws

No registration statement relating to the Bonds has been filed with the United States Securities and Exchange Commission (the "SEC") under the Securities Act of 1933, as amended, in reliance upon exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities acts of any other jurisdictions. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be offered, sold, or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds should not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions.

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Assured Guaranty Inc. ("AG") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an appendix to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, Maryland, California, Connecticut or Florida insurance law.

Assured Guaranty Inc.

AG is a Maryland domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL" and together with its subsidiaries, "Assured Guaranty"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO." AGL, through its subsidiaries, provides credit enhancement products to the U.S. and non-U.S. public

finance (including infrastructure) and structured finance markets, and participates in the asset management business through ownership interests in Sound Point Capital Management, LP and certain of its investment management affiliates, and in the annuity reinsurance business through Assured Life Reinsurance Ltd. Only AG is obligated to pay claims under the insurance policies AG has issued, and not AGL or any of its shareholders or other affiliates.

AG's financial strength is rated "AA" (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("KBRA") and "A1" (stable outlook) by Moody's Ratings ("Moody's"). Each rating of AG should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AG in its sole discretion. In addition, the rating agencies may at any time change AG's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AG. AG only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AG on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On August 3, 2026, KBRA announced that it had affirmed AG's insurance financial strength rating of "AA+" (stable outlook).

On July 27, 2026, Moody's announced that it had affirmed AG's insurance financial strength rating of "A1" (stable outlook).

On July 17, 2026, S&P announced that it had affirmed AG's financial strength rating of "AA" (stable outlook).

AG can give no assurance as to any further ratings action that S&P, Moody's and/or KBRA may take. For more information regarding AG's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2025.

Capitalization of AG

At June 30, 2026:

- The policyholders' surplus of AG was approximately $3,088 million.
- The contingency reserve of AG was approximately $1,569 million.
- The net unearned premium reserves and net deferred ceding commission income of AG and its subsidiaries (as described below) were approximately $2,411 million. Such amount includes (i) 100% of the net unearned premium reserve and net deferred ceding commission income of AG and (ii) the net unearned premium reserves and net deferred ceding commissions of AG's wholly owned subsidiary Assured Guaranty UK Limited ("AGUK"), and its 99.9999% owned subsidiary Assured Guaranty (Europe) SA ("AGE").

The policyholders' surplus, contingency reserve, and net unearned premium reserves and net deferred ceding commission income of AG were determined in accordance with statutory accounting principles. The net unearned premium reserves and net deferred ceding commissions of AGUK and AGE were determined in accordance with accounting principles generally accepted in the United States of America.

Incorporation of Certain Documents by Reference

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AG are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

(i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2025 (filed by AGL with the SEC on February 27, 2026);

(ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2026 (filed by AGL with the SEC on May 8, 2026); and

(iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2026 (filed by AGL with the SEC on August 7, 2026).

All information relating to AG included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at http://www.sec.gov, at AGL's website at http://www.assuredguaranty.com, or will be provided upon request to Assured Guaranty Inc.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AG included herein under the caption "MUNICIPAL BOND INSURANCE – Assured Guaranty Inc." or included in a document incorporated by reference herein (collectively, the "AG Information") shall be modified or superseded to the extent that any subsequently included AG Information (either directly or through incorporation by reference) modifies or supersedes such previously included AG Information. Any AG Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters

AG makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AG has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AG supplied by AG and presented under the heading "MUNICIPAL BOND INSURANCE."

RATING

The Bonds are expected to receive an insured rating of "AA" (stable outlook) from S&P solely in reliance upon the issuance and delivery of the Policy by AG at the time of delivery of the Bonds. An explanation of the ratings of S&P may only be obtained from S&P. S&P is located at 55 Water Street, New York, New York 10041, telephone number (212) 208-8000 and has engaged in providing ratings for corporate bonds since 1923 and municipal bonds since 1940. Long-term debt ratings assigned by S&P reflect its analysis of the overall level of credit risk involved in financings. At present, S&P assigns long-term debt ratings with symbols "AAA" (the highest rating) through "D" (the lowest rating). The ratings express only the view of S&P at the time the ratings are given. Furthermore, a security rating is not a recommendation to buy, sell, or hold securities. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by S&P, if in its judgment, circumstances so warrant.

The Bonds are expected to receive an insured rating of "A1" (stable outlook) from Moody's solely in reliance upon the issuance and delivery of the Policy by AG at the time of delivery of the Bonds. Moody's has assigned an underlying rating of "Baa2" to the Bonds. An explanation of the ratings may be obtained from Moody's, 7 World Trade Center at 250 Greenwich Street, New York, New York 10007. Furthermore, a security rating is not a recommendation to buy, sell, or hold securities. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by Moody's, if in their judgment, circumstances so warrant. Any such revisions or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

The District is not aware of any rating assigned to the Bonds other than the rating of Moody's and S&P.

OFFICIAL STATEMENT SUMMARY

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

THE BONDS

The Issuer..... Montgomery County Municipal Utility District No. 137 (the "District"), a political subdivision of the State of Texas, is located in Montgomery County, Texas (the "County"), entirely within the extraterritorial jurisdiction of the City of Houston, Texas (the "City"). See "THE DISTRICT."

The Issue..... The $2,220,000 Unlimited Tax Park Bonds, Series 2026 (the "Bonds") (referred to herein as the "Bonds"), are dated October 1, 2026. Interest accrues from the initial date of delivery (expected to be on or about October 28, 2026) (the "Date of Delivery"), at the rates set forth on the inside cover page, and is payable on March 1, 2027, and each September 1 and March 1 thereafter until the earlier of stated maturity or redemption. The Bonds mature on September 1 in each of the years and in the principal amounts set forth on the inside cover page. See "THE BONDS."

Redemption..... The Bonds maturing on and after September 1, 2032, are subject to redemption, in whole, or from time to time in part, on September 1, 2031, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. See "THE BONDS – Redemption Provisions – *Optional Redemption.*"

The Bonds maturing on September 1, 2027, through September 1, 2035, both inclusive, are serial bonds. The Bonds maturing on September 1 in the years 2037, 2039, 2041, 2043, 2045, 2047, and 2049 are term bonds (the "Term Bonds") and are also subject to mandatory sinking fund redemption provisions set out herein under "THE BONDS – Redemption Provisions – *Mandatory Redemption*."

Book-Entry-Only System..... The Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in principal denominations of $5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the Beneficial Owners (herein defined) thereof. Principal of and interest on the Bonds will be payable by The Bank of New York Mellon Trust Company, N.A., Houston, Texas (the "Paying Agent/Registrar"), to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the Beneficial Owners of the Bonds. See "THE BONDS—Book-Entry-Only System."

Source of Payment..... Principal of and interest on the Bonds are payable from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. The Bonds are obligations of the District and are not obligations of the State of Texas; the County; the City; or any entity other than the District. See "THE BONDS—Source of Payment."

Use of Proceeds..... A portion of the proceeds from the sale of the Bonds will be used to reimburse the Developer (defined herein) for the following projects and related costs for sitework, grading, planting, and irrigation for Northgrove Phase 1C neighborhoods and streets, landscape architect fees, and land acquisition costs. Additionally, proceeds from the sale of the Bonds will be used to pay for developer interest, $116,550 of capitalized interest and certain other costs associated with the issuance of the Bonds. See "THE BONDS—Use and Distribution of Bond Proceeds."

Qualified Tax-Exempt Obligations..... The Bonds have been designated as "qualified tax-exempt obligations" for financial institutions.

Municipal Bond Insurance..... Assured Guaranty Inc. ("AG"). See "MUNICIPAL BOND INSURANCE."

Rating..... S&P Global Ratings (AG Insured): "AA." Moody's Ratings (AG Insured): "A1." Moody's Ratings (Underlying): "Baa2." See "RATING."

Outstanding Bonds..... The District has previously issued six series of unlimited tax bonds for the purpose of acquiring or constructing the Road System (defined herein), and, as of the Date of Delivery, $16,320,000 principal amount of such previously issued bonds for the Road System will remain outstanding (the "Outstanding Road System Bonds"). The District has previously issued seven series of unlimited tax bonds for the purpose of acquiring or constructing the Utility System (defined herein), and, as of the Date of Delivery, $45,375,000 principal amount of such previously issued bonds for the Utility System will remain outstanding (the "Outstanding Utility System Bonds"). The Outstanding Road System Bonds and the Outstanding Utility System Bonds with a combined total principal amount of $61,695,000 outstanding as of the Date of Delivery, are collectively referred to herein as the "Outstanding Bonds." See "THE BONDS – Outstanding Bonds."

Payment Record..... The District has timely made all payments of principal and interest due on its bond indebtedness.

Authority for Issuance..... The Bonds are the first series of bonds issued out of an aggregate of $56,000,000 principal amount of unlimited tax bonds authorized by the District's voters for the purpose of constructing parks and recreational facilities to serve the District (the "Park System") and for the refunding of such bonds. Following the issuance of the Bonds, $53,780,000 principal amount of unlimited tax park bonds for the purpose of constructing the Park System and for the refunding of such bonds will remain authorized but unissued.

The Bonds are issued pursuant to (i) Article XVI, Section 59 of the Texas Constitution, (ii) Chapter 8421 of the Texas Special District Local Laws Code, and the general laws of the State of Texas, including particularly Chapters 49 and 54 of the Texas Water Code, as amended, (iii) a resolution authorizing the issuance of the Bonds (the "Bond Resolution") adopted by the Board of Directors of the District, (iv) an election held within the District on November 5, 2013, and (v) an approving order of the Texas Commission on Environmental Quality.

Legal Opinion..... Allen Boone Humphries Robinson LLP, Houston, Texas. See "LEGAL MATTERS."

Financial Advisor..... Cedar Creek Municipal Advisors, LLC, Houston, Texas.

Disclosure Counsel..... McCall, Parkhurst & Horton L.L.P., Houston, Texas.

THE DISTRICT

Description..... The District is a political subdivision of the State of Texas, created by the 83rd Texas Legislature on June 14, 2013, and operates pursuant to Chapter 8421, Special District Local Laws Code, and Chapters 49 and 54 of the Texas Water Code, as amended. At the time of creation, the District contained 501 acres. Subsequent to creation, the District annexed approximately 94 acres and currently includes approximately 595 acres. The District is located in the southern part of the County, east of Farm-to-Market 2978, south of Woodlands Parkway and north of Spring Creek, approximately 39 miles from the City's central downtown business district. Major access to the District is provided by Farm-to-Market 2978, Standard Road, Hufsmith-Conroe Road and NorthGrove Parkway. The District is located within the extraterritorial jurisdiction of the City and within the Magnolia Independent School District. See "THE DISTRICT—Authority" and "—Description."

The Developer..... The developer of the land in the District is Toll Houston TX LLC (the "Developer"), a Texas limited liability company wholly-owned by Toll Brothers, Inc. ("Toll Brothers"), a Delaware corporation. The Developer purchased the land within the District in 2013 and has completed the development of 988 lots on approximately 363 acres. Toll Brothers is a publicly traded corporation whose stock is listed on the New York Stock Exchange under the ticker of "TOL." See "DESCRIPTION OF THE DEVELOPER" and "DEVELOPMENT OF THE DISTRICT."

Development within the District..... The District is being developed as NorthGrove, a single-family residential master-planned community. The development in the District currently includes 988 single-family residential lots on approximately 363 acres developed as NorthGrove, Sections 2, 3, 4, 5, 7, 8 (Phase 1 & 2), 9, 12, 13, 14, 15, 16, 17,18, 19 and 20. As of August 1, 2026, 985 homes were completed (981 occupied and 4 unoccupied) and 3 homes were under construction. The remainder of the District consists of approximately 4 acres of commercial acreage and 228 undevelopable acres. Recreational facilities for residents of the District include a 6,800 square foot clubhouse with a twenty-four hour fitness room, resort-style pool along with open space and nature areas, a trail system, and community lakes. See "DESCRIPTION OF THE DEVELOPER," "DEVELOPMENT OF THE DISTRICT," and "THE DISTRICT."

Homebuilders Within the District..... The homebuilders active within the District are Toll Brothers and Tri-Pointe Homes. New homes being constructed within the District are being marketed in the price range of approximately $260,000 to $600,000 and range from approximately 1,800 square feet to 6,000 square feet. See "DESCRIPTION OF THE DEVELOPER—Homebuilders within the District."

INVESTMENT CONSIDERATIONS

THE BONDS ARE SUBJECT TO CERTAIN INVESTMENT CONSIDERATIONS. PROSPECTIVE PURCHASERS SHOULD REVIEW THE ENTIRE OFFICIAL STATEMENT BEFORE MAKING AN INVESTMENT DECISION, INCLUDING PARTICULARLY THE SECTION OF THE OFFICIAL STATEMENT ENTITLED "INVESTMENT CONSIDERATIONS."

SELECTED FINANCIAL INFORMATION
(UNAUDITED)

2026 Taxable Assessed Valuation	$ 487,344,220	(a)
See "TAX DATA" and "TAXING PROCEDURES."		
Estimated Taxable Assessed Valuation as of July 1, 2026	$ 499,465,618	(b)
See "TAX DATA" and "TAXING PROCEDURES."		
Direct Debt:		
Outstanding Bonds (as of Date of Delivery of the Bonds)	$ 61,695,000	
The Bonds	2,220,000	
Total Direct Debt	$ 63,915,000	
Estimated Overlapping Debt	$ 12,584,002	(c)
Total Direct and Estimated Overlapping Debt	$ 76,499,002	
Direct Debt Ratios:		
As a percentage of 2026 Taxable Assessed Valuation	13.11 %	
As a percentage of the Estimated Taxable Assessed Valuation as of July 15, 2025	12.80 %	
Direct and Estimated Overlapping Debt Ratios:		
As a percentage of 2026 Taxable Assessed Valuation	15.70 %	
As a percentage of the Estimated Taxable Assessed Valuation as of July 1, 2026	15.32 %	
General Fund Balance (as of August 24, 2026)	$ 2,465,500	
Utility System Debt Service Fund Balance (as of August 24, 2026)	$3,770,527	(d)
Road System Debt Service Fund Balance (as of August 24, 2026)	$1,321,237	(e)
Utility System Capital Projects Fund Balance (as of August 24, 2026)	$ 327,840	
Road System Capital Projects Fund Balance (as of August 24, 2026)	$ 239,673	
2025 Tax Rate per $100 of Taxable Assessed Valuation:		
Utility System and Park System Debt Service	$0.675	
Road System Debt Service	0.250	
Maintenance and Operations	0.195	
Total	$1.120	
Average Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2027-2049)	$4,248,236	(f)
Maximum Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2043)	$4,738,499	(f)

Tax Rate per $100 of Taxable Assessed Valuation Required to Pay Average Annual Debt Service Requirements on the Outstanding Bonds and the Bonds (2027-2049) at 95% Tax Collections:	
Based Upon 2026 Taxable Assessed Valuation ($487,344,220)	$ 0.92
Based Upon the Estimated Taxable Assessed Valuation as of July 1, 2026 ($492,877,413)	$ 0.90
Tax Rate per $100 of Taxable Assessed Valuation Required to Pay Maximum Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2043) at 95% Tax Collections:	
Based Upon 2026 Taxable Assessed Valuation ($487,344,220)	$ 1.03
Based Upon the Estimated Taxable Assessed Valuation as of July 1, 2026 ($492,877,413)	$ 1.00
Number of Single-Family Homes (including 3 homes in various stages of construction) as of July 31, 2026	988

(a) As certified by the Montgomery Central Appraisal District (the "Appraisal District") as of January 1, 2026. This value includes $456,117,326 of certified value and $31,226,894, which represents 90% of the uncertified value, provided by the Appraisal District . All property located in the District is valued on the tax rolls by the Appraisal District at 100% of estimated market value as of January 1 of each year.

(b) Provided by the Appraisal District for information purposes only. Represents new construction within the District from January 1, 2026, to July 1, 2026. The estimate is based upon the same unit value used in the assessed value. No taxes will be levied on this estimate.

(c) See "DISTRICT DEBT—Estimated Direct and Overlapping Debt Statement."

(d) Neither Texas law nor the Bond Resolution requires the District to maintain any particular sum in the Utility System Debt Service Fund (herein defined). Funds in the Utility System Debt Service Fund are pledged only to pay the debt service on the Outstanding Utility System Bonds (herein defined), the Bonds and any other bonds issued for the purpose of constructing the Utility System (herein defined) or the Park System (herein defined). Funds in the Utility System Debt Service Fund are not pledged to pay debt service on the Outstanding Road System Bonds (herein defined) or any other bonds issued for the purpose of acquiring or constructing the Road System (herein defined). An amount equal to $116,550 of capitalized interest will be deposited into the Utility System Debt Service Fund upon closing of the Bonds. Such amount is not included in the balance above.

(e) Neither Texas law nor the Bond Resolution requires the District to maintain any particular sum in the Road System Debt Service Fund (herein defined). Funds in the Road System Debt Service Fund are pledged only to pay the debt service on the Outstanding Road System Bonds, and any other bonds issued for the purpose of constructing the Road System. Funds in the Road System Debt Service Fund are not pledged to pay debt service on the Outstanding Utility System Bonds, the Bonds or any other bonds issued for the purpose of constructing the Utility System or the Park System.

(f) See "DISTRICT DEBT—Debt Service Requirement Schedule."

OFFICIAL STATEMENT

relating to

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 137
(A Political Subdivision of the State of Texas, located within Montgomery County, Texas)

$2,220,000
UNLIMITED TAX PARK BONDS
SERIES 2026

INTRODUCTION

This Official Statement provides certain information in connection with the issuance by Montgomery County Municipal Utility District No. 137 (the "District") of its $2,220,000 Unlimited Tax Park Bonds, Series 2026 (the "Bonds").

The Bonds are issued pursuant to (i) Article XVI, Section 59 of the Texas Constitution, (ii) Chapter 8421 of the Texas Special District Local Laws Code, and the general laws of the State of Texas, including particularly Chapters 49 and 54 of the Texas Water Code, as amended, (iii) a resolution authorizing the issuance of the Bonds (the "Bond Resolution") adopted by the Board of Directors of the District, (iv) an election held within the District on November 5, 2013, and (v) an approving order of the Texas Commission on Environmental Quality ("TCEQ").

Certain capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Bond Resolution, except as otherwise indicated herein.

There follows in this Official Statement descriptions of the Bonds, the Developer (herein defined), the Bond Resolution and certain information about the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, Texas, 77027, upon payment of the costs of duplication therefor. Certain capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Bond Resolution, except as otherwise indicated herein.

THE BONDS

General

The following is a description of some of the terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Bond Resolution.

The Bonds are dated October 1, 2026 with interest accruing from the initial delivery date (expected to be on or about October 28, 2026) (the "Date of Delivery"), with interest payable on March 1, 2027, and each September 1 and March 1 thereafter (each an "Interest Payment Date") until the earlier of maturity or redemption. The Bonds are fully-registered bonds maturing on September 1 in each of the years shown under "PRINCIPAL AMOUNTS, MATURITIES, INTEREST RATES AND INITIAL REOFFERING YIELDS" on the inside cover page of this Official Statement. The Bonds will be issued in fully registered form only, without coupons, in principal denominations of $5,000 or any integral multiple thereof, and when issued, will be registered in the name of Cede & Co., nominee for The Depository Trust Company, New York, New York ("DTC"), acting as securities depository for the Bonds until DTC resigns or is discharged. The Bonds initially will be available to purchasers in book-entry form only. So long as Cede & Co., as the nominee of DTC, is the registered owner of the Bonds, principal of and interest on the Bonds will be payable to DTC, which will be solely responsible for making such payment to the beneficial owners of the Bonds. Principal of the Bonds will be payable to the registered owners ("Registered Owners") at maturity or redemption upon presentation at the principal payment office of the paying agent/registrar, initially, The Bank of New York Mellon Trust Company, N.A., Houston, Texas (the "Paying Agent/Registrar"). Interest on the Bonds will be payable by check, dated as of the Interest Payment Date, and mailed by the Paying Agent/Registrar to Registered Owners as shown on the records of the Paying Agent/Registrar at the close of business on the 15th calendar day of the month next preceding the Interest Payment Date (the "Record Date") or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and a Registered Owner at the risk and expense of such Registered Owner.

Book-Entry-Only System

This section describes how ownership of the Bonds is to be transferred and how the principal of and interest on the Bonds are to be paid to and credited by the Depository Trust Company, New York, New York ("DTC"), while the Bonds are registered in its nominee's name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

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

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 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 from S&P Global Ratings of "AA+." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose

accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issue as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

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

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

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

Successor Paying Agent/Registrar

Provision is made in the Bond Resolution for replacing the Paying Agent/Registrar. If the District replaces the Paying Agent/Registrar, such Paying Agent/Registrar shall, promptly upon the appointment of a successor, deliver the Paying Agent/Registrar's records to the successor Paying Agent/Registrar, and the successor Paying Agent/Registrar shall act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar selected by the District shall be a commercial bank; a trust company organized under the laws of the State of Texas; or other entity duly qualified and legally authorized to serve and perform the duties of the Paying Agent/Registrar for the Bonds.

Registration, Transfer and Exchange

In the event the Book-Entry-Only system is discontinued, the Bonds are transferable only on the bond register kept by the Paying Agent/Registrar upon surrender at the corporate trust office of the Paying Agent/Registrar in Houston, Texas. A Bond may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. At any time after the date of initial delivery, any Bond may be transferred upon its presentation and surrender at the designated offices of the Paying Agent/Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the Bondholder. The Bonds are exchangeable upon presentation at the designated office(s) of the Paying Agent/Registrar, for an equal principal amount of Bonds of the same maturity in authorized denominations. To the extent possible, new Bonds issued in exchange or transfer of Bonds will be delivered to the Bondholder or assignee of the Bondholder within not more than three (3) business days after the receipt by the Paying

Agent/Registrar of the request in proper form to transfer or exchange the Bonds. New Bonds registered and delivered in an exchange or transfer shall be in the denomination of $5,000 in principal amount for a Bond, or any integral multiple thereof for any one maturity and shall bear interest at the same rate and be for a like aggregate principal or maturity amount as the Bond or Bonds surrendered for exchange or transfer. Neither the Paying Agent/Registrar nor the District is required to issue, transfer, or exchange any Bond during a period beginning at the opening of business on a Record Date and ending at the close of business on the next succeeding Interest Payment Date or to transfer or exchange any Bond selected for redemption, in whole or in part, beginning fifteen (15) calendar days prior to, and ending on the date of the mailing of notice of redemption, or where such redemption is scheduled to occur within thirty (30) calendar days. No service charge will be made for any transfer or exchange, but the District or Paying Agent/Registrar may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith.

Redemption Provisions

Mandatory Redemption

The Bonds maturing on September 1 in the years 2037, 2039, 2041, 2043, 2045, 2047, and 2049 are term bonds (the "Term Bonds"), and shall be redeemed, at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption, on September 1 in each of the years, and in the principal amount set forth in the following schedule (with each such scheduled principal amount reduced by the principal amount as may have been previously redeemed through the exercise of the District's reserved right of optional redemption, as provided under "Optional Redemption" below):

$170,000 Term Bonds Maturing on September 1, 2037

Mandatory Redemption Date	Principal Amount
September 1, 2036	$ 85,000
September 1, 2037 (Maturity)	$ 85,000

$185,000 Term Bonds Maturing on September 1, 2039

Mandatory Redemption Date	Principal Amount
September 1, 2038	$ 90,000
September 1, 2039 (Maturity)	$ 95,000

$205,000 Term Bonds Maturing on September 1, 2041

Mandatory Redemption Date	Principal Amount
September 1, 2040	$ 100,000
September 1, 2041 (Maturity)	$ 105,000

$225,000 Term Bonds Maturing on September 1, 2043

Mandatory Redemption Date	Principal Amount
September 1, 2042	$ 110,000
September 1, 2043 (Maturity)	$ 115,000

$250,000 Term Bonds Maturing on September 1, 2045

Mandatory Redemption Date	Principal Amount
September 1, 2044	$ 120,000
September 1, 2045 (Maturity)	$ 130,000

$275,000 Term Bonds Maturing on September 1, 2047

Mandatory Redemption Date	Principal Amount
September 1, 2046	$ 135,000
September 1, 2047 (Maturity)	$ 140,000

$305,000 Term Bonds Maturing on September 1, 2049

Mandatory Redemption Date	Principal Amount
September 1, 2048	$ 150,000
September 1, 2049 (Maturity)	$ 155,000

Notice of the mandatory redemption of the Term Bonds will be provided at least thirty (30) calendar days prior to the date fixed for redemption, with the particular portions of the Term Bonds to be redeemed to be selected by lot or other customary method in accordance with the procedures of DTC so long as the Bonds are registered in accordance with the Book-Entry-Only System. See "BOOK-ENTRY-ONLY SYSTEM."

Optional Redemption

The Bonds maturing on September 1, 2032, and thereafter shall be subject to redemption and payment at the option of the District, in whole or from time to time in part, on September 1, 2031, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. If fewer than all of the Bonds are to be redeemed, the particular maturity or maturities and the amounts thereof to be redeemed shall be determined by the District. If fewer than all of the serial Bonds of the same maturity are to be redeemed, the particular Bonds shall be selected by DTC in accordance with its procedures, so long as the Bonds are registered in accordance with the Book-Entry-Only System. See "BOOK-ENTRY-ONLY SYSTEM." If less than all of the entire outstanding principal amount of a Term Bond is to be redeemed, the District will notify the Paying Agent/Registrar of the reductions in the remaining mandatory redemption amounts to result from the optional redemption. Notice of each exercise of the reserved right of optional redemption shall be given at least thirty (30) calendar days prior to the redemption date, in the manner specified in the Bond Order.

Effects of Redemption

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

Mutilated, Lost, Stolen or Destroyed Bonds

In the event the book-entry-only system is discontinued, the District has agreed to replace mutilated, destroyed, lost or stolen Bonds upon surrender of the mutilated Bonds to the Paying Agent/Registrar, or receipt of satisfactory evidence of such destruction, loss or theft, and receipt by the District and Paying Agent/Registrar of security or indemnity as may be required by either of them to hold them harmless. The District may require payment of taxes, governmental charges and other expenses in connection with any such replacement.

Authority for Issuance

The Bonds are the first series of bonds issued out of an aggregate of $56,000,000 principal amount of unlimited tax bonds authorized by the District's voters for the purpose of constructing parks and recreational facilities to serve the District (the "Park System") and for the refunding of such bonds. Following the issuance of the Bonds, $53,780,000 principal amount of unlimited tax bonds will remain authorized but unissued for the purpose of constructing the Park System and for the refunding of such bonds.

Additionally, the District's voters have authorized $185,000,000 principal amount of unlimited tax bonds for the purpose of constructing water, wastewater, and storm drainage facilities to serve the District (the "Utility System") and for the refunding of such bonds, of which $136,140,000 remains authorized but unissued. The District's voters have also authorized $134,000,000 principal amount of unlimited tax bonds for the purpose of constructing roads to serve the District (the "Road System") and for the refunding of such bonds, of which $115,165,000 remains authorized but unissued.

The Bonds are issued pursuant to (i) Article XVI, Section 59 of the Texas Constitution, (ii) Chapter 8421 of the Texas Special District Local Laws Code, and the general laws of the State of Texas, including particularly Chapters 49 and 54 of the Texas Water Code, as amended, (iii) the Bond Resolution adopted by the Board of

Directors of the District, (iv) an election held within the District on November 5, 2013, and (v) an approving order of the TCEQ.

Source of Payment

The Bonds are payable from the proceeds of a continuing direct annual ad valorem tax, levied upon all taxable property within the District, without legal limitation as to rate or amount. In the Bond Resolution, the District covenants to levy a sufficient tax to pay principal of and interest on the Bonds, with full allowance being made for delinquencies, costs of collections, fees of the Paying Agent/Registrar and fees of appraisal district. Tax proceeds, after deduction for collection costs, will be placed in the Utility System Debt Service Fund and used solely to pay principal of and interest on the Bonds, the Outstanding Bonds issued for the Utility System, and additional bonds payable from taxes which may be issued for the Utility System or the Park System, and Paying Agent/Registrar fees.

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

Funds

The Bond Resolution confirms the District's debt service fund for payment of debt service on the Bonds and any other bonds issued by the District for the purpose of acquiring or constructing the Park System or the Utility System, or for the purpose of refunding such bonds (the "Utility System Debt Service Fund"). An amount equal to $116,550 of capitalized interest on the Bonds will be deposited from the proceeds from the sale of the Bonds into the Utility System Debt Service Fund. The Utility System Debt Service Fund, which constitutes a trust fund for the benefit of the owners of the Outstanding Bonds issued for the Utility System, the Bonds and any additional unlimited tax bonds issued by the District for the Utility System or the Park System, is to be kept separate from all other funds of the District and is to be used for payment of debt service on the Outstanding Bonds issued for the Utility System, the Bonds and any of the District's other duly authorized bonds issued for the Utility System or the Park System that are payable in whole or in part from taxes. Amounts on deposit in the Utility System Debt Service Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar, to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Bonds and any additional bonds for the Utility System or the Park System payable in whole or in part from taxes, and to pay any tax anticipation notes issued, together with interest thereon, as such tax anticipation notes become due. Amounts on deposit in the Utility System Debt Service Fund may not be used to pay debt service on bonds issued by the District for the Road System.

The District also maintains a debt service fund for payment of debt service on bonds issued by the District for the purpose of acquiring or constructing the Road System, or for the purpose of refunding such bonds (the "Road System Debt Service Fund"). Funds in the Road System Debt Service Fund are available only to pay debt service on the bonds issued by the District for the Road System, the Outstanding Bonds issued for the Road System, and any additional bonds issued by the District for the Road System and are not available to pay debt service on the bonds issued by the District for the Park System, including the Bonds, and the Utility System, or any additional bonds issued by the District for the Park System and the Utility System. Amounts on deposit in the Road System Debt Service Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar, to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Outstanding Bonds issued for the Road System and any additional bonds for the Road System payable in whole or in part from taxes, and to pay any tax anticipation notes issued, together with interest thereon, as such tax anticipation notes become due. Amounts on deposit in the Road System Debt Service Fund may not be used to pay debt service on bonds issued by the District for the Utility System or the Park System, including the Bonds.

Outstanding Bonds

The Bonds are the first series of bonds issued out of an aggregate of $56,000,000 principal amount of unlimited tax bonds authorized by the District's voters for the purpose of constructing the Park System and for the refunding of such bonds. Following the issuance of the Bonds, $53,780,000 principal amount of unlimited tax bonds will remain authorized but unissued for the purpose of constructing the Park System and for the refunding of such bonds.

Additionally, the following bonds have previously been issued for the purpose of constructing the Utility System: $2,825,000 Unlimited Tax Bonds, Series 2019; $3,900,000 Unlimited Tax Bonds, Series 2020; $4,145,000 Unlimited Tax Bonds, Series 2021; $9,620,000 Unlimited Tax Bonds, Series 2022; $14,240,000 Unlimited Tax Bonds, Series 2023; $6,830,000 Unlimited Tax Bonds, Series 2024 and; $7,300,000 Unlimited Tax Bonds, Series 2025, of which $45,375,000 principal amount will remain outstanding as of delivery of the Bonds (the "Outstanding Utility System Bonds"). The following bonds have previously been issued for the purpose of constructing the Road System: $3,940,000 Unlimited Tax Road Bonds, Series 2017; $2,540,000 Unlimited Tax Road Bonds, Series 2018; $1,190,000 Unlimited Tax Road Bonds, Series 2019; $4,370,000 Unlimited Tax Road Bonds, Series 2021; $3,250,000 Unlimited Tax Road Bonds, Series 2022 and; $3,545,000 Unlimited Tax Road Bonds, Series 2025, of which $16,320,000 principal amount will remain outstanding as of delivery of the Bonds (the "Outstanding Road System Bonds" and collectively with the Outstanding Utility System Bonds, referred to as the "Outstanding Bonds"). A total of $61,695,000 principal amount of the Outstanding Bonds will remain outstanding as of delivery of the Bonds.

Issuance of Additional Debt

The District's voters have authorized the issuance of $185,000,000 principal amount of unlimited tax bonds for the purpose of constructing the Utility System and for the refunding of such bonds, $134,000,000 principal amount of unlimited tax bonds for the purpose of constructing the Road System and for the refunding of such bonds $56,000,000 principal amount of unlimited tax bonds for the purpose of constructing the Park System and for the refunding of such bonds. Following the issuance of the Bonds, $53,780,000 principal amount of unlimited tax bonds for the purpose of constructing the Park System and for the refunding of such bonds will remain authorized, but unissued. $136,140,000 principal amount of unlimited tax bonds for the purpose of constructing the Utility System and for the refunding of such bonds will remain authorized but unissued and $115,165,000 principal amount of unlimited tax bonds for the purpose of constructing the Road System and for the refunding of such bonds will remain authorized but unissued. The Bond Resolution imposes no limitation on the amount of additional parity bonds which may be issued by the District (if authorized by the District's voters).

After reimbursement to the Developer with the proceeds of the Bonds, the District will owe the Developer approximately $7,800,000 for the Park System. The Developer has been fully reimbursed for the Utility System and the Road System.

The District is authorized by statute to develop parks and recreational facilities, including the issuance of bonds payable from taxes for such purpose. Before the District could issue park bonds payable from taxes, approval of the bonds by the Attorney General of Texas would be required. If the District does issue park bonds, the outstanding principal amount of such bonds may not exceed an amount equal to one percent of the value of the taxable property in the District; however, if the District meets certain financial feasibility requirements under the TCEQ rules, the outstanding principal amount of such bonds issued by the District may exceed an amount equal to one percent but not greater than three percent (3%) of the value of the taxable property in the District.

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

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.

No Arbitrage

The District will certify, on the Date of Delivery of the Bonds, that based upon all facts and estimates now known or reasonably expected to be in existence on the date the Bonds are delivered and paid for, the District reasonably expects that the proceeds of the Bonds will not be used in a manner that would cause the Bonds, or any portion of the Bonds, to be "arbitrage bonds" under the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations prescribed thereunder. Furthermore, all officers, employees and agents of the District have been authorized and directed to provide certifications of facts and estimates that are material to the reasonable expectations of the District as of the date the Bonds are delivered and paid for. In particular, all or any officers of the District are authorized to certify to the facts and circumstances and reasonable expectations of the District on the date the Bonds are delivered and paid for regarding the amount and use of

the proceeds of the Bonds. Moreover, the District covenants that it shall make such use of the proceeds of the Bonds, regulate investment of proceeds of the Bonds and take such other and further actions and follow such

procedures, including, without limitation, calculating the yield on the Bonds, as may be required so that the Bonds shall not become "arbitrage bonds" under the Code and the regulations prescribed from time to time thereunder.

Annexation and Consolidation

The District lies within the extraterritorial jurisdiction of the City. The District may be annexed and dissolved by the City only if (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% of the land in the area, a petition has been signed by more than 50% of the land owners, consenting to annexation. If the District is annexed, the City must assume the assets, functions and obligations of the District, including the Bonds, and abolish the District within ninety (90) days of the date of annexation. 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 concerning the likelihood of annexation or the ability of the City to make debt service payments should annexation occur.

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

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 investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and which mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds.

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

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

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

Registered Owners' Remedies

Pursuant to Texas law, the Bond Resolution provides that, in the event the District defaults in the payment of the principal of or interest on any of the Bonds when due, fails to make payments required by the Bond Resolution into the Utility System Debt Service Fund, or defaults in the observance or performance of any of the other covenants, conditions or obligations set forth in the Bond Resolution, any Registered Owner shall be entitled to seek a writ of mandamus from a court of competent jurisdiction compelling and requiring the District to make such payments or to observe and perform such covenants, obligations or conditions. Such right is in addition to other rights the Registered Owners may be provided by the laws of the State of Texas.

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners may seek a writ of mandamus requiring the District to levy adequate taxes to make such payments. Except for the remedy of mandamus, the Bond Resolution does not specifically provide for remedies to a Registered Owner in the event of a District default, nor does it provide for the appointment of a trustee 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. Although the Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on the property of the District or sell property within the District in order to pay the principal of or interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may be further limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. For example, a Chapter 9 bankruptcy proceeding by the District could delay or eliminate payment of principal or interest to the Registered Owners.

[Remainder of Page Intentionally Left Blank]

Use and Distribution of Bond Proceeds

Proceeds from the sale of the Bonds will be used to pay: a portion of the proceeds from the sale of the Bonds will be used to reimburse the Developer (defined herein) for the following projects and related costs for sitework, grading, planting, and irrigation for Northgrove Phase 1C neighborhoods and streets, landscape architect fees, and land acquisition costs. Additionally, proceeds from the sale of the Bonds will be used to pay for developer interest, $116,550 of capitalized interest and certain other costs associated with the issuance of the Bonds.

Non-construction costs are based upon either contract amounts or estimates of various costs by the Engineer (herein defined) and the Financial Advisor (herein defined). The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Bonds and completion of agreed-upon procedures by the District's auditor.

Construction Costs	District's Share
A. Developer Contribution Items	
1. Northgrove Phase 1C Neighborhoods and Streets Sitework, Grading, Planting, and Irrigation	$ 797,516
2. Landscape Architect Fees	95,964
B. District Items	
1. Land Acquisition & Carry Costs for District Reserves ($20,000/acre)	$ 676,712
TOTAL CONSTRUCTION COSTS	$ 1,570,192
Non-Construction Costs	
A. Legal Fees	$ 66,600
B. Fiscal Agent Fees	44,400
C. Interest Costs	
1. Developer Interest	271,599
2. Capitalized Interest	116,550
D. Bond Discount	44,400
E. Bond Issuance Expenses	48,489
F. Bond Application Report Expense	50,000
G. Attorney General Fee (0.10%)	2,220
H. TCEQ Bond Issuance Fee (0.25%)	5,550
TOTAL NON-CONSTRUCTION COSTS	$ 649,808
TOTAL UTILITY BOND ISSUE REQUIREMENT	**$ 2,220,000**

In the instance that approved estimated amounts exceed actual costs, the difference comprises a surplus which may be expended for utility purposes. In the instance that actual costs exceed previously approved estimated amounts and contingencies, additional TCEQ approval and the issuance of additional bonds may be required.

THE DISTRICT

Authority

The District is a political subdivision of the State of Texas, created by the 83rd Texas Legislature on June 14, 2013, and operates pursuant to Chapter 8421, Texas Special District Local Laws Code, 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 for the supply and distribution of water; the collection, transportation, and treatment of wastewater; the control and diversion of storm water; and the construction of roads and related facilities.

The District also is authorized to construct, develop and maintain park and recreational facilities, including the issuance of bonds payable from taxes for such purposes. The District is also empowered to establish, operate and maintain fire-fighting facilities, independently or with one or more conservation and reclamation districts, after the approval by voters of the District.

The TCEQ exercises continuing supervisory jurisdiction over the District. Construction and operation of the District's Utility System is subject to the regulatory jurisdiction of additional governmental agencies. See "THE UTILITY SYSTEM—Regulation."

Description

At the time of creation, the District contained 501 acres. Subsequent to creation, the District annexed approximately 94 acres and currently includes approximately 595 acres. The District is located in the southern part of the County, east of Farm-to-Market 2978, south of Woodlands Parkway and north of Spring Creek, approximately 39 miles from the City's central downtown business district. Major access to the District is provided by Farm-to-Market 2978, Standard Road, Hufsmith-Conroe Road and NorthGrove Parkway. The District is located within the extraterritorial jurisdiction of the City and within the Magnolia Independent School District.

Management of the District

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

Name	Title	Term Expires May
Eric Hueneke	President	2030
Jared Fargo	Vice President	2028
Christina Ferguson	Secretary	2028
Siobhan Finders	Assistant Vice President	2030
Avi Elfezouaty	Assistant Secretary	2028

Investment Policy

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

Consultants

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

Tax Assessor/Collector

The District has appointed an independent tax assessor/collector to perform the tax collection function. Assessments of the Southwest (the "Tax Assessor/Collector") has been employed by the District to serve in this capacity.

Bookkeeper

The District has contracted with Municipal Accounts & Consulting, LP (the "Bookkeeper") for bookkeeping services.

Utility System Operator

The operator of the District's internal water and wastewater system is Municipal District Services, LLC.

Auditor

As required by the Texas Water Code, the District retains an independent auditor to audit the District's financial statements annually, which audited annual financial statements are filed with the TCEQ. The District's financial statements for the year ending February 28, 2026, were audited by McGrath & Co., PLLC, Certified Public Accountants. See "APPENDIX A" for a copy of the District's audited financial statements for the fiscal year ended February 28, 2026.

Engineer

The District's Engineer is Pape-Dawson Engineers, Inc.

General/Bond Counsel

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

Disclosure Counsel

The District has engaged McCall, Parkhurst & Horton L.L.P., Houston, Texas, ("Disclosure Counsel") as disclosure counsel in connection with the issuance of the Bonds. The fee to be paid to Disclosure Counsel in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds.

Financial Advisor

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

[Remainder of Page Intentionally Left Blank]

DEVELOPMENT OF THE DISTRICT

Status of Development within the District

The District is being developed as NorthGrove, a single-family residential master-planned community. The development in the District currently includes 988 single-family residential lots on approximately 363 acres developed as NorthGrove, Sections 2, 3, 4, 5, 7, 8 (Phase 1 & 2), 9, 12, 13, 14, 15, 16, 17,18, 19 and 20. As of August 1, 2026, 985 homes were completed (981 occupied and 4 unoccupied) and 3 homes were under construction. The remainder of the District consists of approximately 4 acres of commercial acreage and 228 undevelopable acres. Recreational facilities for residents of the District include a 6,800 square foot clubhouse with a twenty-four hour fitness room, resort-style pool along with open space and nature areas, a trail system, and community lakes.

The following is a status of construction of single-family housing within the District as of August 1, 2026:

Northgrove	Section Acreage	Section Lots	Homes Completed	Homes Under Construction	Vacant Lots
Section 2	20.00	47	47	-	-
Section 3	28.00	79	79	-	-
Section 4	16.00	26	26	-	-
Section 5	27.00	52	52	-	-
Section 7	29.00	71	71	-	-
Section 8 (Phase 1 & 2)	35.00	128	128	-	-
Section 9	49.00	88	88	-	-
Section 12	18.00	72	72	-	-
Section 13	11.00	29	29	-	-
Section 14	24.00	77	77	-	-
Section 15	12.00	38	38	-	-
Section 16	21.00	76	75	-	-
Section 17	15.00	36	36	1	-
Section 18	30.00	75	73	-	-
Section 19	19.00	70	70	2	-
Section 20	9.00	24	24	-	-
	20.00	47	47	-	-
Total Residential Developed	363.00	988	985	3	0
Commercial Acreage	4				
Undevelopable (a)	228				
District Total Acreage	595				

(a) Consist of parks, amenity center, detention, easements, and drill sites.

DESCRIPTION OF THE DEVELOPER

Role of the Developer

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

The Developer

The developer of land within the District is Toll Houston TX LLC (the "Developer"), a Texas limited liability company wholly-owned by Toll Brothers, Inc. ("Toll Brothers"), a Delaware corporation. The Developer purchased the land within the District in 2013 and has completed the development of 988 lots on approximately 363 acres. Toll Brothers is a publicly traded corporation whose stock is listed on the New York Stock Exchange under the ticker of "TOL."

There is no financing associated with the Developer's acquisition of the land or the development of the property in the District; the acquisition and development is paid with cash from Toll Brothers. "TAX DATA—Principal Taxpayers."

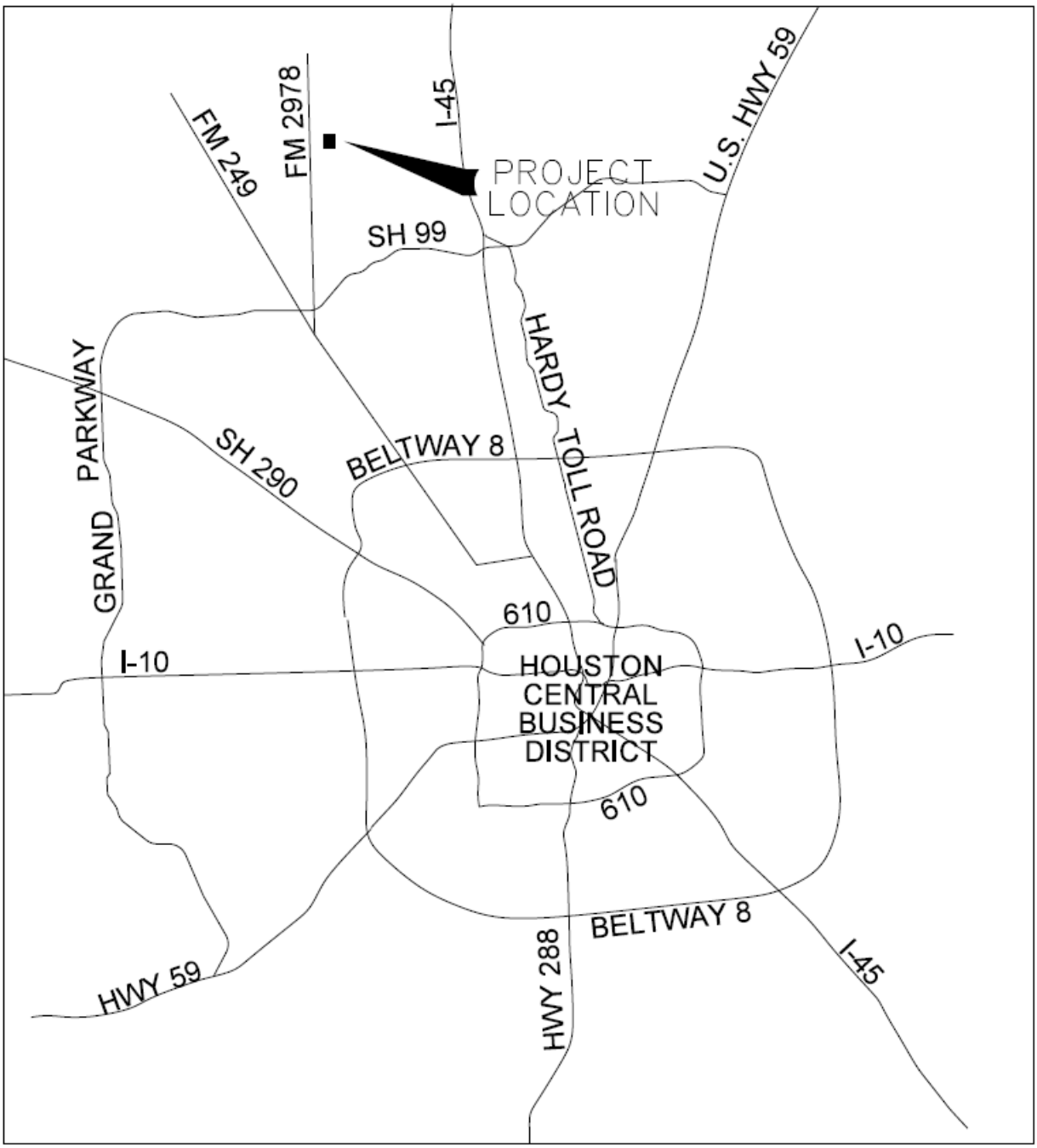
Financial Information Regarding Toll Brothers: Toll Brothers files annual, quarterly and current reports, proxy statements and other information with the SEC. Toll Brothers' SEC filings are available to the public over the internet at the SEC's website at http://www.sec.gov. You may also read and copy any document that has been filed with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information regarding the operation of the Public Reference Room. In addition, Toll Brothers makes available on its web site http://www.tollbrothers.com its annual reports on form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K (and any amendments to those reports) filed pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as soon as practicable after they have been electronically filed with the SEC. Unless otherwise specified, information contained on Toll Brothers' web site, available by hyperlink from Toll Brothers' web site or on the SEC's web site, is not incorporated into this OFFICIAL STATEMENT. The District has not obtained any representations from Toll Brothers concerning their publicly available filings or undertaken any review thereof and assumes no responsibility for the information contained therein.

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

Homebuilders within the District

The homebuilders active within the District are Toll Brothers and Tri-Pointe Homes. New homes being constructed within the District are being marketed in the price range of approximately $260,000 to $600,000 and range from approximately 1,800 square feet to 6,000 square feet.

LOCATION MAP



PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(taken August 2026)

PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(taken August 2026)

DISTRICT DEBT

Debt Service Requirement Schedule

The following schedule sets forth the debt service requirements on the Outstanding Bonds, as well as the principal and interest requirements for the Bonds. Totals may not sum due to rounding.

Calendar Year	Outstanding Debt Service	Plus: The Bonds			Total Debt Service
		Principal	Interest	Debt Service	
2027	$ 4,485,450	$ 70,000	$ 110,406	$ 180,406	$ 4,665,856
2028	4,476,810	55,000	125,925	180,925	4,657,735
2029	4,463,445	60,000	121,800	181,800	4,645,245
2030	4,460,025	60,000	117,300	177,300	4,637,325
2031	4,452,830	65,000	112,800	177,800	4,630,630
2032	4,464,043	70,000	107,925	177,925	4,641,968
2033	4,466,766	70,000	102,675	172,675	4,639,441
2034	4,473,639	75,000	97,425	172,425	4,646,064
2035	4,486,331	80,000	91,800	171,800	4,658,131
2036	4,501,169	85,000	87,000	172,000	4,673,169
2037	4,515,249	85,000	82,750	167,750	4,682,999
2038	4,520,543	90,000	78,500	168,500	4,689,043
2039	4,534,416	95,000	73,775	168,775	4,703,191
2040	4,551,684	100,000	68,788	168,788	4,720,471
2041	4,557,228	105,000	63,538	168,538	4,725,765
2042	4,570,226	110,000	58,025	168,025	4,738,251
2043	4,571,524	115,000	51,975	166,975	4,738,499
2044	4,145,748	120,000	45,650	165,650	4,311,398
2045	3,911,125	130,000	39,050	169,050	4,080,175
2046	3,692,400	135,000	31,900	166,900	3,859,300
2047	3,188,775	140,000	24,475	164,475	3,353,250
2048	2,281,225	150,000	16,775	166,775	2,448,000
2049	–	155,000	8,525	163,525	163,525
Total	$ 93,770,645	$ 2,220,000	$ 1,718,781	$ 3,938,781	$ 97,709,429

Average Annual Debt Service Requirement (2027-2049) ..... $ 4,248,236
Maximum Annual Debt Service Requirement (2043) ..... $ 4,738,499

[Remainder of Page Intentionally Left Blank]

Bonded Indebtedness

2026 Taxable Assessed Valuation	$ 487,344,220	(a)
See "TAX DATA" and "TAXING PROCEDURES."		
Estimated Taxable Assessed Valuation as of July 15, 2026	$ 499,465,618	(b)
See "TAX DATA" and "TAXING PROCEDURES."		
Direct Debt:		
Outstanding Bonds (as of Date of Delivery of the Bonds)	$ 61,695,000	
The Bonds	2,220,000	
Total Direct Debt	$ 63,915,000	
Estimated Overlapping Debt	$ 12,584,002	(c)
Total Direct and Estimated Overlapping Debt	$ 76,499,002	
Direct Debt Ratios:		
As a percentage of 2026 Taxable Assessed Valuation	13.11 %	
As a percentage of the Estimated Taxable Assessed Valuation as of July 1, 2026	12.80 %	
Direct and Estimated Overlapping Debt Ratios:		
As a percentage of 2026 Taxable Assessed Valuation	15.70 %	
As a percentage of the Estimated Taxable Assessed Valuation as of July 1, 2026	15.32 %	
General Fund Balance (as of August 24, 2026)	$ 2,465,500	
Utility System Debt Service Fund Balance (as of August 24, 2026)	$ 3,770,527	(d)
Road System Debt Service Fund Balance (as of August 24, 2026)	$ 1,321,237	(e)
Utility System Capital Projects Fund Balance (as of August 24, 2026)	$ 327,840	
Road System Capital Projects Fund Balance (as of August 24, 2026)	$ 239,673	
2025 Tax Rate per $100 of Taxable Assessed Valuation		
Utility System Debt Service	$0.675	
Road System Debt Service	0.250	
Maintenance and Operations	0.195	
Total	$1.120	
Average Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2027-2049)	$4,248,236	(f)
Maximum Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2043)	$4,738,499	(f)

Tax Rate per $100 of Taxable Assessed Valuation Required to Pay Average Annual Debt Service Requirements on the Outstanding Bonds and the Bonds (2027-2049) at 95% Tax Collections:	
Based Upon 2026 Taxable Assessed Valuation ($487,344,220)	$ 0.92
Based Upon the Estimated Taxable Assessed Valuation as of July 15, 2026 ($499,465,618)	$ 0.90
Tax Rate per $100 of Taxable Assessed Valuation Required to Pay Maximum Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2043) at 95% Tax Collections:	
Based Upon 2026 Taxable Assessed Valuation ($487,344,220)	$ 1.03
Based Upon the Estimated Taxable Assessed Valuation as of July 15, 2026 ($499,465,618)	$ 1.00
Number of Single-Family Homes (including 3 homes in various stages of construction) as of July 31, 2026	988

((a) As certified by the Montgomery Central Appraisal District (the "Appraisal District") as of January 1, 2026. This value includes $456,117,326 of certified value and $31,226,894, which represents 90% of the uncertified value, provided by the Appraisal District . All property located in the District is valued on the tax rolls by the Appraisal District at 100% of estimated market value as of January 1 of each year.

(b) Provided by the Appraisal District for information purposes only. Represents new construction within the District from January 1, 2026, to July 1, 2026. The estimate is based upon the same unit value used in the assessed value. No taxes will be levied on this estimate.

(c) See "DISTRICT DEBT—Estimated Direct and Overlapping Debt Statement."

(d) Neither Texas law nor the Bond Resolution requires the District to maintain any particular sum in the Utility System Debt Service Fund (herein defined). Funds in the Utility System Debt Service Fund are pledged only to pay the debt service on the Outstanding Utility System Bonds (herein defined), the Bonds and any other bonds issued for the purpose of constructing the Utility System (herein defined) or the Park System (herein defined). Funds in the Utility System Debt Service Fund are not pledged to pay debt service on the Outstanding Road System Bonds (herein defined) or any other bonds issued for the purpose of acquiring or constructing the Road System (herein defined). An amount equal to $116,550 of capitalized interest will be deposited into the Utility System Debt Service Fund upon closing of the Bonds. Such amount is not included in the balance above.

(e) Neither Texas law nor the Bond Resolution requires the District to maintain any particular sum in the Road System Debt Service Fund (herein defined). Funds in the Road System Debt Service Fund are pledged only to pay the debt service on the Outstanding Road System Bonds, and any other bonds issued for the purpose of constructing the Road System. Funds in the Road System Debt Service Fund are not pledged to pay debt service on the Outstanding Utility System Bonds, the Bonds or any other bonds issued for the purpose of constructing the Utility System or the Park System.

(f) See "DISTRICT DEBT—Debt Service Requirement Schedule."

Estimated Direct and Overlapping Debt Statement

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

Taxing Jurisdiction	Outstanding Debt July 31, 2026	Overlapping Percent	Overlapping Amount
Montgomery County	$ 535,450,000	0.43%	$ 2,309,522
Magnolia Independent School District	250,580,000	3.91%	9,807,331
Lone Star College System	342,055,000	0.14%	467,148
Total Estimated Overlapping Debt			$12,584,002
The District (a)			$63,915,000
Total Direct & Estimated Overlapping Debt (a)			$76,499,002

(a) Includes the Outstanding Bonds and the Bonds.

Debt Ratios

	% of 2026 Taxable Assessed Valuation	% of Estimate of Taxable Assessed Valuation as of July 1, 2026
Direct Debt (a)	13.11 %	12.80 %
Direct and Estimated Overlapping Debt (a)	15.70 %	15.32 %

(a) Includes the Outstanding Bonds and the Bonds.

TAXING PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in sufficient amount to pay the principal of and interest on the Bonds, 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 taxes from year to year as described more fully above under "THE BONDS - Source of Payment." Under Texas law, the Board may also levy and collect annual ad valorem taxes for the operation and maintenance of the District, the Utility System and the Road System and for the payment of certain contractual obligations. See "TAX DATA - Maintenance 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 Texas, including the District. Provisions of the Property Tax Code are complex and are not fully summarized herein. The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county 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 of appraising property for all taxing units within the County, including the District. Such appraisal values will be subject to review and change by the Montgomery County Appraisal Review Board (the "Appraisal Review Board"). The appraisal roll, as approved by the Appraisal Review Board, will be used by the District in establishing its tax rolls and tax rate. See "TAXING PROCEDURES—Valuation of Property for Taxation" below.

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, and mobile homes, 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; most individually owned automobiles; and intangible personal property. In addition, the District may by its own action exempt residential homesteads of persons 65 years or older and of certain disabled persons, and travel trailers, to the extent deemed advisable by the Board. The District has adopted a $20,000 exemption for the 2026 tax year for residential homesteads of persons 65 years or older and of certain disabled persons. The District may be required to offer such an exemption if a majority of voters approve it at an election. The District would be required to call such an election upon petition by 20% of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax-supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans, or certain surviving dependents of disabled veterans if requested, but only to the maximum extent of $5,000 to $12,000 of assessed valuation depending upon the disability rating of the veteran, if such rating is less than 100%. A veteran who receives a disability rating of 100% is entitled to the exemption for the full amount of the residential homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran is entitled to an exemption for the full value of the veteran's residence homestead to which the disabled veterans' exemption applied including the surviving spouse of a disabled veteran who would have qualified for such exemption if it had been in effect on the date the disabled veteran died. 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 homesteads 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 in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence

homestead of the surviving spouse. The surviving spouse of a first responder who was killed or fatally injured in the line of duty is, subject to certain conditions, also entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to 20% of the appraised value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the assessor and collector 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. The District has never adopted an order granting a general residential homestead exemption.

Freeport Goods and Goods-in-Transit Exemptions: A "Freeport Exemption" applies to goods, wares, 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 that are destined to be forwarded outside of Texas and that are detained in Texas for assembling, storing, manufacturing, processing, or fabricating for fewer 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 that 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.

Tax Abatement

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

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are to be based on 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, as such is defined in the Property Tax Code. The Texas Constitution limits increases in the appraised value of residence homesteads to 10 percent 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 of 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 one political subdivision while claiming it for another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three years for agricultural use, open space land, and timberland.

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

The Property Tax Code provides for a temporary exemption from ad valorem taxation of a portion of the appraised value of certain property that is at least 15% physically damaged by a disaster and located within an area declared to be a disaster area by the governor of the State of Texas. This temporary exemption is automatic if the disaster is declared prior to a taxing unit, such as the District, adopting its tax rate for the tax year. A taxing unit, such as the District, may authorize the exemption at its discretion if the disaster is declared after the taxing unit has adopted its tax rate for the tax year. The amount of the exemption is based on the percentage of damage and is prorated based on the date of the disaster. Upon receipt of an application submitted within the eligible timeframe by a person who qualifies for a temporary exemption under the Property Tax Code, the

Appraisal District is required to complete a damage assessment and assign a damage assessment rating to determine the amount of the exemption. The temporary exemption amounts established in the Property Tax Code range from 15% for property less than 30% damaged to 100% for property that is a total loss. Any such temporary exemption granted for disaster-damaged property expires on January 1 of the first year in which the property is reappraised.

District and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units, including the District, may appeal orders of the Appraisal Review Board by filing a timely petition for review in district court. In such event, the property value in question may be determined by the court, or by a jury, if requested by any party. Additionally, taxing units may bring suit against the Appraisal District to 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 values, appraisals that 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

The Property Tax Code provides that the governing body of a taxing unit located within an area declared to be a disaster area by the governor of the State of Texas may authorize reappraisal of all property damaged in the disaster at its market value immediately after the disaster. For reappraised property, the taxes are pro-rated for the year in which the disaster occurred. The taxing unit assesses taxes prior to the date the disaster occurred based upon market value as of January 1 of that year. Beginning on the date of the disaster and for the remainder of the year, the taxing unit assesses taxes on the reappraised market value of the property.

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

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

Rollback of Operation and Maintenance Tax Rate

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

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

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

Developing Districts: Districts that do not meet the classification of a Special Taxing Unit or a Developed District can be classified as Developing Districts. The qualified voters of these districts, upon the Developing District's adoption of a total tax rate that would impose more than 1.08 times the amount of the total tax rate imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions, are authorized to petition for an election to reduce the 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: For the 2026 tax year, the Board made the determination of the District's status as a Developing District. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property as of January 1 of the year in which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties and interest ultimately imposed for the year on the property. The lien exists in favor of the State and each taxing unit, including the District, having the power to tax the property. The District's tax lien is on a parity with the tax liens of other such taxing units. A tax lien on real property takes priority over the claims of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by 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. 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 years for residential and agricultural property and six months for commercial property and all other types of property after the purchaser's deed at the foreclosure sale is filed in the county records.

TAX DATA

General

All taxable property within the District is subject to the assessment, levy and collection by the District of a continuing direct annual ad valorem taxes without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds (see "TAXING PROCEDURES"). The Board has in its Bond Resolution covenanted to assess and levy for each year that all or any part of the Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds. The District levied a total tax rate of $1.120 per $100 of assessed valuation for 2025, composed of a Road System debt service tax rate of $0.250, a Utility System debt service tax rate of $0.675 and a maintenance tax rate of $0.195.

Tax Rate Limitation

Debt Service Tax:	Unlimited (no legal limit as to rate or amount).
Maintenance Tax:	$1.50 per $100 of assessed valuation.
Road Maintenance Tax:	$0.25 per $100 of assessed valuation.

Debt Service Tax

The District covenants in the Bond Resolution to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Bonds. See "TAX DATA—Tax Rate Distribution" and "TAXING PROCEDURES."

In the Bond Resolution, the Board also covenants to deposit into the Utility System Debt Service Fund the proceeds from all taxes levied, appraised, and collected for payment of the Bonds authorized by the Bond Resolution. Proceeds of the Bonds will be deposited into the capital projects fund for the bonds issued for the Utility System (the "Utility System Capital Projects Fund") upon closing of the Bonds to be used for the purpose of reimbursing the Developer for certain construction costs and for paying the costs of issuance of the Bonds. Any monies remaining in the Utility System Capital Projects Fund after completion of construction of the Park System will be used as permitted by the Bond Resolution or ultimately transferred to the Utility System Debt Service Fund.

Maintenance Tax

The District has the statutory authority to levy and collect an annual ad valorem tax for the operation and maintenance of the District, if such a maintenance tax is authorized by the District's voters. A maintenance tax election was conducted on November 5, 2013, and voters of the District authorized, among other things, the Board to levy a maintenance tax at a rate not to exceed $1.50 per $100 of taxable assessed valuation. Voters in the District also authorized a road maintenance tax at a rate not to exceed $0.25 per $100 of assessed valuation. A maintenance tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds. See "TAX DATA—Debt Service Tax" and "TAX DATA—Tax Rate Distribution."

Additional Penalties

The District has contracted with a delinquent tax attorney to collect certain delinquent taxes. In connection with that contract, the District can establish 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 June 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 Property Tax Code.

[Remainder of Page Intentionally Left Blank]

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per $100 of Taxable Assessed Valuation which would be required to meet certain debt service requirements if no growth in the District's tax base occurs beyond the 2026 Taxable Assessed Valuation ($487,344,220) or the Estimated Taxable Assessed Valuation as of July 15, 2026 ($499,465,618). The calculations assume collection of 95% of taxes levied and the sale of the Bonds but not the sale of any additional bonds by the District.

Average Annual Debt Service Requirements (2027-2049)	$	4,248,236
Tax Rate of $0.92 on the 2026 Taxable Assessed Valuation produces	$	4,259,388
Tax Rate of $0.90 on the Estimated Taxable Assessed Valuation as of July 15, 2026, produces	$	4,270,431
Maximum Annual Debt Service Requirement (2043)	$	4,738,499
Tax Rate of $1.03 on the 2026 Taxable Assessed Valuation produces	$	4,768,663
Tax Rate of $1.00 on the Estimated Taxable Assessed Valuation as of July 15, 2026, produces	$	4,744,923

Estimated Overlapping Taxes

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

Set forth below is an estimation of all taxes per $100 of assessed valuation levied by such jurisdictions. No recognition is given to local assessments for civic association dues, emergency medical service contributions, fire department contributions or any other charges made by entities other than political subdivisions. The following chart includes the 2025 taxes per $100 of assessed valuation levied by all such taxing jurisdictions. These jurisdictions are currently in the process of levying their 2026 tax rates.

Taxing Jurisdiction	2025 Tax Rate
Montgomery ESD No. 10	$0.092200
Montgomery County	0.377000
Montgomery County Hospital District	0.047300
Lone Star College System	0.106000
Magnolia Independent School District	0.958300
The District	1.120000
Total Tax Rate	$2.700800

Historical Tax Collections

Tax Year	Assessed Valuation	Tax Rate (a)	Adjusted Levy	Collections Current Year	Current Year Ended 9/30	Collections 07/31/2026
2021	$150,926,860	$1.35	$2,037,513	99.86%	2022	100.00%
2022	249,594,945	1.25	3,119,937	99.81%	2023	100.00%
2023	356,639,226	1.19	4,244,007	99.87%	2024	99.80%
2024	418,311,124	1.13	4,726,916	99.17%	2025	98.82%
2025	471,116,895	1.12	5,276,509	98.88%	2026	98.88%

(a) See "Tax Rate Distribution."

Tax Rate Distribution

	2025	2024	2023	2022	2021
Utility Debt Service	$0.675	$0.645	$0.610	$0.450	$0.350
Road Debt Service	0.250	0.225	0.270	0.340	0.450
Maintenance	0.195	0.260	0.310	0.460	0.550
Total	$1.120	$1.130	$1.190	$1.250	$1.350

Assessed Taxable Valuation Summary

The following represents the type of property comprising the 2022-2026 tax rolls as certified by the Appraisal District.

Type of Property	2026 Assessed Taxable Valuation	2025 Assessed Taxable Valuation	2024 Assessed Taxable Valuation	2023 Assessed Taxable Valuation	2022 Assessed Taxable Valuation
Land	$ 85,826,709	$ 92,951,418	$ 91,014,832	$ 85,014,550	$ 69,741,980
Improvements	394,302,271	407,633,710	359,748,684	304,852,732	207,728,461
Personal Property	7,862,107	5,731,808	755,209	455,778	309,659
Exemptions	(31,873,761)	(35,200,041)	(33,207,601)	(33,683,834)	(28,185,155)
Total	$ 456,117,326	$ 471,116,895	$ 418,311,124	$ 356,639,226	$ 249,594,945

Principal Taxpayers

The following are the principal taxpayers in the District based upon the District's 2026 Taxable Assessed Valuation of the certified portion ($456,117,326) of $487,344,220.

Taxpayer (a)	Type of Property	Assessed Valuation 2026 Tax Roll	% of Total Assessed Valuation
STNL Northgrove LLC	Land & Improvements	$ 2,977,891	0.65%
Toll Houston TX LLC (a)	Land & Improvements	1,373,914	0.30%
Homeowner	Land & Improvements	1,236,498	0.27%
CYL Properties Texas LLC	Land & Improvements	1,222,359	0.27%
Centerpoint Energy Houston Electric	Land & Improvements	1,137,720	0.25%
Homeowner	Land & Improvements	1,052,000	0.23%
Homeowner	Land & Improvements	1,050,000	0.23%
Homeowner	Land & Improvements	1,037,708	0.23%
Homeowner	Land & Improvements	1,018,434	0.22%
Homeowner	Land & Improvements	1,013,173	0.22%
Total		$ 13,119,697	2.78%

(a) See "DESCRIPTION OF THE DEVELOPER—The Developer."

THE UTILITY SYSTEM

Regulation

Construction and operation of the District's water, wastewater and storm drainage system as it now exists or as it may be expanded from time to time is subject to regulatory jurisdiction of municipal, federal and state 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. The Texas Department of Health and the City also exercise regulatory jurisdiction over the District's water and wastewater system.

Water Supply

The District owns and operates a water supply plant that consists of a 1,000 gallon per minute ("gpm") water supply well (Water supply well No. 1), two 188,000-gallon ground storage tanks, four 500 gpm booster pumps and two 10,000-gallon hydropneumatic tank. The existing water plant facilities will adequately serve 1,000 equivalent single-family connections. The District has also constructed Water supply well No. 2, a backup well that provides 450 gpm in backup capacity, if necessary. As of August 1, 2026, the District was serving 988 active residential connections (including 3 homes under construction or in a builder's name).

Subsidence District Requirements

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 the 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, 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 has adopted its District Regulatory Plan which calls for the reduction of groundwater withdrawal throughout the County to volumes that do not exceed the recharge capabilities of aquifers in the County to prevent the long term depletion of the aquifers.

Large volume water users, including the District, were required to submit a Groundwater Reduction Plan (GRP) individually, or jointly with other large volume water users, to ensure that necessary progress is made by each participant to appropriately plan, finance, design, construct, and otherwise implement conservation measures and or develop an alternative water source so that, by the end of calendar year 2016, it will have met its initial conversion obligation.

On January 1, 2014, the District joined the Joint GRP administered by the San Jacinto River Authority ("SJRA"). The District is a participant by contract to this countywide, collaborative solution to groundwater reduction. As Administrator of the Joint GRP, SJRA delivers alternative water, namely surface water from Lake Conroe, to certain of its participants. SJRA completed a 24 million gallon per day surface water treatment plant and transmission system as of September 18, 2015. SJRA has begun delivery of treated surface water to meet the initial conversion obligation of January 1, 2016. The District is not currently receiving surface water from SJRA; however, the District pays a pumpage fee, which is $2.67 (effective September 1, 2024) per 1,000 gallons of water pumped.

Wastewater Treatment

The District's 200,000 gallons per day ("gpd") wastewater treatment plant provides adequate capacity for 1,000 equivalent single-family connections. As of August 1, 2026, the District was serving 988 active residential connections (including 3 homes under construction or in a builder's name).

Water Distribution, Wastewater Collection and Storm Drainage Facilities

Water distribution, wastewater collection and storm drainage facilities have been constructed to serve 988 single-family residential lots.

100-Year Flood Plain

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

According to the Engineer, approximately 135 non-developable acres within the District are within the 100-year flood plain. None of the developed lots or developable acreage within the District are located within the 100-year flood plain. All District facilities are constructed to elevations above the 100-year flood plain per regulatory requirements. See "INVESTMENT CONSIDERATIONS—Extreme Weather Events."

National Weather Service Atlas Rainfall Study

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.

[Remainder of Page Intentionally Left Blank]

General Fund Operating Statement

The following is a summary of the District's Operating Fund for the last five years. The amounts for the fiscal years ended February 28, 2022 through February 28, 2026, were obtained from the District's audited financial statements, reference to which is hereby made.

	Fiscal Year Ended February 28				
	2026	2025	2024	2023	2022
Revenues					
Water service	$ 351,008	$ 314,057	$ 380,523	$ 325,631	$ 240,827
Sewer service	601,822	556,903	497,805	414,785	357616
Property taxes	980,302	1,073,456	1,095,400	1,095,148	814618
Penalties and interest	16,798	21,038	20,228	16,135	8,432
Tap connection and inspection	380,202	387,182	452,540	378,660	218,741
Sales tax rebates	74,410	124,855	195,448	170,770	227,775
Miscellaneous	13,840	16,114	10,598	806	-
Investment earnings	106,021	105,066	81,112	17,214	220
Total Revenues	$ 2,524,403	$ 2,598,671	$ 2,733,654	$ 2,419,149	$ 1,918,229
Expenditures					
Professional fees	$ 166,368	$ 137,500	$ 138,775	$ 141,020	$ 184,225
Contract services	651,451	543,595	593,798	463,833	434,730
Repairs and maintenance	743,842	815,072	730,763	733,010	515,918
Utilities	179,316	180,461	157,511	123,455	113,766
Pumpage fees	376,130	327,337	441,034	379,008	213,368
Administrative	92,545	94,265	72,057	57,753	55,994
Other	30,813	33,946	34,800	28,478	9,503
Capital outlay	-	57,695	-	-	-
Total Expenditures	$ 2,240,465	$ 2,189,871	$ 2,168,738	$ 1,926,557	$ 1,527,504
Revenues Over Expenditures	$ 283,938	$ 408,800	$ 564,916	$ 492,592	$ 390,725
Other Financing Uses					
Internal Transfers	$ -	$ -	$ (18,854)	$ -	$ -
Net Change in Fund Balance	$ 283,938	$ 408,800	$ 546,062	$ 492,592	$ 390,725
Fund Balance, Beginning of the year	$ 2,393,326	$ 1,984,526	$ 1,438,464	$ 945,872	$ 555,147
End of the year	$ 2,677,264	$ 2,393,326	$ 1,984,526	$ 1,438,464	$ 945,872

THE PARK SYSTEM

The District prepared and approved a master park plan (the "Master Park Plan"), as may be amended from time to time. The Master Park Plan outlines projects related to parks and recreational facilities within the District, which includes neighborhood parks, trails, and landscaping (herein defined as the Park System). The Developer has constructed certain park and recreational facilities within the District and the District is issuing the Bonds to reimburse the Developer for several recreational facility projects, including but not limited to the landscaping, hardscaping, park land, and related appurtenances located within the District on District-owned property within public right-of-way. See "THE BONDS – Use and Distribution of Bond Proceeds."

THE ROAD SYSTEM

The District is primarily served by the Farm-to-Market 2978, Woodlands Parkway, Standard Road and Hufsmith-Conroe Road. The internal subdivision streets direct residents to NorthGrove Parkway. Both Standard Road and Hufsmith-Conroe Road are designated thoroughfares on the County thoroughfares plan. The County is responsible for ongoing maintenance of the public roads in the District, except for the decorative additions inside the road. The District is responsible for the replacement of any road or bridge features that exceed the minimum County standards and specifications for thoroughfares.

INVESTMENT CONSIDERATIONS

General

The Bonds are obligations solely of the District and are not obligations of the State; the County; the City; 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 Bonds ("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" below."

Factors Affecting Taxable Values and Tax Payments

Economic Factors: The rate of development of the District is directly related to the vitality of the residential housing industry. New residential housing construction can be significantly affected by factors such as interest rates, construction costs, and consumer demand. Decreased levels of home construction activity would restrict the growth of property values in the District. The District cannot predict the pace or magnitude of any future development or home construction in the District.

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

Maximum Impact on District Tax Rates: Assuming no further development or home construction, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of property owners to pay their taxes. The 2026 Taxable Assessed Valuation of property located within the District (see "TAX DATA") is $487,344,220 and the Estimated Taxable Assessed Valuation as of July 15, 2026, is $499,465,618. After issuance of the Bonds, the maximum annual debt service requirement on the Outstanding Bonds and the Bonds will be $4,738,499 (2043) and the average annual debt service requirements on the Outstanding Bonds and the Bonds will be $4,248,236 (2027-2049). Assuming no increase to nor decrease from the 2026 Taxable Assessed Valuation, tax rates of $1.03 and $0.92 per $100 of assessed valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirements, respectively. Assuming no increase to nor a decrease from the Estimated Taxable Assessed Valuation as of July 15, 2026, tax rates of $1.00 and $0.90 per $100 of assessed valuation at 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirements, respectively.

The District can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the proposed District tax rate or to justify continued payment of taxes by property owners. The District levied a total tax rate of $1.120 per $100 of assessed valuation for 2025, composed of a Road System debt service tax rate of $0.250, a Utility System debt service tax rate of $0.675 and a maintenance tax rate of $0.195.

Increase in Costs of Building Materials

As a result of supply issues, shipping constraints, and ongoing trade disputes (including tariffs), there have been recent substantial increases in the cost of lumber and other building materials, causing many homebuilders and general contractors to experience budget overruns. Further, the unpredictable nature of current trade policy (including the threatened imposition of tariffs) may impact the ability of the developers or homebuilders in the District to estimate costs. Additionally, immigration policies may affect the State's

workforce, and any labor shortages that could occur may impact the rate of construction within the District. Uncertainty surrounding availability and cost of materials may result in decreased levels of construction activity, and may restrict the growth of property values in the District. The District makes no representations regarding the probability of development or homebuilding continuing in a timely manner or the effects that current or future economic or governmental circumstances may have on any plans of the developers or homebuilders.

Potential Impact of Natural Disaster

The District could be impacted by a natural disaster such as wide-spread fires, earthquakes, or weather events such as hurricanes, tornadoes, tropical storms, or other severe weather events that could produce high winds, heavy rains, hail, and flooding. In the event that a natural disaster should damage or destroy improvements and personal property in the District, the assessed value of such taxable properties could be substantially reduced, resulting in a decrease in the taxable assessed value of the District or an increase in the District's tax rates. See "TAXING PROCEDURES – Valuation of Property for Taxation."

There can be no assurance that a casualty will be covered by insurance (certain casualties, including flood, are usually excepted unless specific insurance is purchased), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild, repair, or replace any taxable properties in the District that were damaged. Even if insurance proceeds are available and damaged properties are rebuilt, there could be a lengthy period in which assessed values in the District would be adversely affected. There can be no assurance the District will not sustain damage from such natural disasters.

Specific Flood Type Risks

The District may be subject to the following flood risks:

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

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

National Weather Service Atlas Rainfall Study

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

Competitive Nature of Houston Residential Housing Market

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

Potential Effects of Oil Price Fluctuations on the Houston Area

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

Tax Collection Limitations

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedures against a taxpayer, (c) market conditions limiting the proceeds from a foreclosure sale of taxable property, or (d) the taxpayer's right to redeem the property within two years of foreclosure for residential homestead and agricultural use property and within six (6) months of foreclosure for other property. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. Moreover, the value of property to be sold for delinquent taxes and thereby the potential sales proceeds available to pay debt service on the Bonds, may be limited by among other factors, the existence of other tax liens on the property, by the current aggregate tax rate being levied against the property, or by the taxpayers' right to redeem residential or agricultural use property within two (2) years of foreclosure and all other property within six (6) months of foreclosure. Finally, a bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes assessed against such taxpayer. See "TAXING PROCEDURES."

Registered Owners' Remedies and Bankruptcy

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners of the Bonds have a right to seek a writ of mandamus requiring the District to levy sufficient taxes each year to make such payments. 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. Although the Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by a 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 in order to pay the principal of and interest on the Bonds. Since there is no trust indenture or trustee, the Registered Owners would have to initiate and finance the legal process to enforce their remedies. The enforceability of the rights and remedies of the Registered Owners may be limited further 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. In this regard, should the District file a petition for protection from creditors under federal bankruptcy laws, the remedy of mandamus or the right of the District to seek judicial foreclosure of its tax lien would be automatically stayed and could not be pursued unless authorized by a federal bankruptcy judge.

Marketability

The District has no understanding (other than the initial reoffering yields) with the Initial Purchaser regarding the reoffering yields or prices of the Bonds and has no control over the trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made for the Bonds. If there is a secondary market, the difference between the bid and asked price of the Bonds may be greater than the bid and asked spread of other bonds generally bought, sold or traded in the secondary market. See "SALE AND DISTRIBUTION OF THE BONDS."

Future Debt

The District has the right to issue the remaining $136,140,000 principal amount of authorized but unissued unlimited tax bonds for the purpose of constructing the Utility System and for the refunding of such bonds, the $115,165,000 principal amount of authorized but unissued unlimited tax bonds for the purpose of constructing

the Road System and for the refunding of such bonds, and $53,780,000 principal amount of authorized but unissued unlimited tax bonds for the Park System and for the refunding of such bonds remaining after the issuance of the Bonds (see "THE BONDS—Issuance of Additional Debt"), and such additional bonds as may hereafter be approved by both the Board and voters of the District. The District also has the right to issue certain other additional bonds, revenue bonds, special project bonds, and other obligations described in the Bond Resolution.

After reimbursement to the Developer with the proceeds of the Bonds, the District will still owe the Developer approximately $7,800,000 for parks and recreation facilities. The Developer has been fully reimbursed for the Utility System and the Road System. If additional bonds are issued in the future and property values have not increased proportionately, such issuance may increase gross debt/property valuation ratios and thereby adversely affect the investment quality or security of the Bonds. The District is authorized by statute to develop parks and recreational facilities, including the issuance of bonds payable from taxes for such purpose. Before the District could issue park bonds payable from taxes, approval of the bonds by the Attorney General of Texas would be required. If the District does issue park bonds, the outstanding principal amount of such bonds may not exceed an amount equal to one percent of the value of the taxable property in the District; however, if the District meets certain financial feasibility requirements under the TCEQ rules, the outstanding principal amount of such bonds issued by the District may exceed an amount equal to one percent but not greater than three percent (3%) of the value of the taxable property in the District. See "THE BONDS—Issuance of Additional Debt."
The District's Engineer estimates that the aforementioned principal amounts of authorized unlimited tax bonds which will remain unissued following the issuance of the Bonds will be adequate to finance the Utility System, Road System and Park System to serve all of the currently undeveloped portions of the District.

Continuing Compliance with Certain Covenants

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

Environmental Regulations

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

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

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

Air Quality Issues: Air quality control measures required by the United States Environmental Protection Agency (the "EPA") and the 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 coverage under the MS4 Permit and is awaiting final approval 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.

Approval of the Bonds

The Attorney General of Texas must approve the legality of the Bonds prior to their delivery. The Attorney General of Texas does not pass upon or guarantee the security of the Bonds as an investment, nor has or will the Attorney General pass upon the adequacy or accuracy of the information contained in this Official Statement.

Cybersecurity

The District's consultants use digital technologies to collect taxes, hold funds and process disbursements. These systems necessarily hold sensitive protected information that is valued on the black market. As a result, the electronic systems and networks of organizations like the District's consultants are considered targets for cyber-attacks and other potential breaches of their systems. To the extent the District is determined to be the party responsible for various electronic systems or suffers a loss of funds due to a security breach, there could be a material adverse effect on the District's finances. Insurance to protect against such breaches may be limited.

The 90th Texas Legislature

The regular sessions of the 90th Texas Legislature (the "Legislature") is scheduled to commence on January 12, 2027. The Legislature meets in regular session in odd numbered years for 140 days. When the Legislature is not in session, the Governor may call one or more special sessions, at the Governor's discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. Texas Governor Greg Abbott has identified on his agenda property tax relief as a legislative priority. The District cannot predict the likelihood of legislative property tax reform at the legislative level or the impacts therefrom, if implemented.

Bond Insurance Risk Factors

In the event of default of the payment of principal or interest with respect to the Bonds when all or some becomes due, any owner of the Bonds shall have a claim under the applicable bond insurance policy (the "Policy") for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by the District which is recovered by the District from the bond owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy, however, such payments will be made by the bond insurer at such time and in such

amounts as would have been due absence such prepayment by the District unless the bond insurer chooses to pay such amounts at an earlier date.

Under most circumstances, default of payment of principal and interest does not obligate acceleration of the obligations of the bond insurer without appropriate consent. The bond insurer may direct and must consent to any remedies and the bond insurer's consent may be required in connection with amendments to any applicable bond documents.

In the event the bond insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Bonds are payable solely from the moneys received pursuant to the applicable bond documents. In the event the bond insurer becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds.

The long-term ratings on the Bonds are dependent in part on the financial strength of the bond insurer and its claim paying ability. The bond 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 bond insurer and of the ratings on the Bonds insured by the bond 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 "MUNICIPAL BOND INSURANCE" and "RATING."

The obligations of the bond insurer are contractual obligations and in an event of default by the bond insurer, the remedies available may be limited by applicable bankruptcy law or state law related to insolvency of insurance companies. Neither the District nor the Initial Purchaser have made independent investigation into the claims paying ability of the bond insurer and no assurance or representation regarding the financial strength or projected financial strength of the bond 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 bond insurer, particularly over the life of the investment. See "MUNICIPAL BOND INSURANCE" and "RATING" herein for further information provided by the bond insurer and the Policy, which includes further instructions for obtaining current financial information concerning the bond insurer.

LEGAL MATTERS

Legal Opinions

Delivery of the Bonds will be accompanied by the approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the District under the Constitution and laws of the State of Texas, payable from the proceeds of an annual ad valorem tax levied, without legal limitation 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 (i) is excludable from gross income for federal income tax purposes under section 103 of the Code (as defined herein), and (ii) is not an item of tax preference for purposes of the alternative minimum tax on individuals.

Bond Counsel has reviewed the information appearing in this Official Statement under "THE BONDS" (except for information under the subheadings "– Book-Entry-Only System" and "Use and Distribution of Proceeds of the Bonds"), "THE DISTRICT – Authority," "TAXING PROCEDURES," "LEGAL MATTERS," "TAX MATTERS" and "CONTINUING DISCLOSURE OF INFORMATION" solely to determine whether such information, insofar as it relates to matters of law, is true and correct and whether such information fairly summarizes matters of law and the provisions of the documents referred to therein. Bond Counsel has not, however, independently verified any of the factual information contained in this Official Statement nor has it conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon Bond Counsel's limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any information contained herein.

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

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

No-Litigation Certificate

The District will furnish the Initial Purchaser a certificate, executed by the President and Secretary of the Board, and dated as of the Date of Delivery of the Bonds, that to their knowledge, no litigation is pending or threatened 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.

No Material Adverse Change

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

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 has designated 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 2026 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 2026.

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

Additional Federal Income Tax Considerations

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

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

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

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

Tax Accounting Treatment of Original Issue Premium: If the issue price of any maturity of the Bonds exceeds the stated redemption price payable at maturity of such Bonds, such Bonds (the "Premium Bonds") are considered for federal income tax purposes to have "bond premium" equal to the amount of such excess. The basis of a Premium Bond in the hands of an initial owner is reduced by the amount of such excess that is amortized during the period such initial owner holds such Premium Bond in determining gain or loss for federal income tax purposes. This reduction in basis will increase the amount of any gain or decrease the amount of any loss recognized for federal income tax purposes on the sale or other taxable disposition of a Premium Bond by the

initial owner. No corresponding deduction is allowed for federal income tax purposes for the reduction in basis resulting from amortizable bond premium. The amount of bond premium on a Premium Bond that is amortizable each year (or shorter period in the event of a sale or disposition of a Premium Bond) is determined using the yield to maturity on the Premium Bond based on the initial offering price of such Premium Bond.

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

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

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

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

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

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

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

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The information to be updated with respect to the District includes all quantitative financial information and operating data of the general type included in this Official Statement under the headings "DISTRICT DEBT" (except under the subheading "Estimated Direct and Overlapping Debt Statement"), "TAX DATA," and "APPENDIX A" (Financial Statements of the District). The District will update and provide this information within six months after the end of each of its fiscal years ending in or after 2027. The District will provide the updated information to the MSRB through the EMMA system.

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

The District's current fiscal year end is February 28. Accordingly, it must provide updated information by the last day in August 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 information, data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information from EMMA

The District has agreed to provide the information only to the MSRB. The MSRB has prescribed that such information must be filed via EMMA. The MSRB makes the information available to the public without charge and investors will be able to access continuing disclosure information filed with the MSRB at www.emma.msrb.org.

Limitations and Amendments

The District has agreed to update information and to provide notices of events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement, or from any statement made pursuant to its agreement, although holders and 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 to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or operations of the District but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule, taking into account any amendments and interpretations of the Rule to the date of such amendment, as well as changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent 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 beneficial owners of the Bonds. The District may also amend or repeal the agreement if the SEC amends or repeals the applicable provisions of such rule or a court of final jurisdiction determines that such provisions are invalid, but in either case only to the extent that its right to do so would not prevent the Initial Purchaser from lawfully purchasing the Bonds in the offering described herein. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance with Prior Undertakings

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

OFFICIAL STATEMENT

General

The information contained in this Official Statement has been obtained primarily from the Developer, the District's records, the Engineer, the Tax Assessor/Collector and other sources believed to be reliable; however, no representation is made as to the accuracy or completeness of the information contained herein, except as described below. The summaries of the statutes, resolutions and engineering and other related reports set forth herein are included 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.

The District's audited financial statements for the year ended February 28, 2026, were audited by McGrath & Co., PLLC and have been included herein as "APPENDIX A." McGrath & Co., PLLC, has agreed to the publication of its audit opinion on such financial statements in this Official Statement.

Experts

The information contained in the Official Statement relating to engineering and to the description of the Utility System, the Road System and the Park System, and, in particular, that engineering information included in the sections entitled "THE DISTRICT - Description", "THE UTILITY SYSTEM","THE ROAD SYSTEM" and "THE PARK SYSTEM" has been provided by Pape-Dawson Engineers, Inc. and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

The information contained in the Official Statement relating to assessed valuations of property generally and, in particular, that information concerning collection rates and valuations contained in the sections captioned "TAX DATA" and "DISTRICT DEBT" was provided by B&A Municipal Tax Service, LLC and the Appraisal District. Such information has been included herein in reliance upon B&A Municipal Tax Service, LLC's authority as an expert in the field of tax collection and the Appraisal District's authority as an expert in the field of tax assessing.

Certification as to Official Statement

The District, acting by and through its Board in its official capacity and in reliance upon the experts listed above, hereby certifies, as of the date hereof, that to the best of its knowledge and belief, the information, statements and descriptions pertaining to the District and its affairs herein contain no untrue statements of a material fact and do not omit to state any material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading. The information, descriptions and statements concerning entities other than the District, including particularly other governmental entities, have been obtained from sources believed to be reliable, but the District has made no independent investigation or verification of such matters and makes no representation as to the accuracy or completeness thereof.

Updating of Official Statement

If, subsequent to the date of the Official Statement, the District learns, through the ordinary course of business and without undertaking any investigation or examination for such purposes, or is notified by the Initial Purchaser, of any adverse event which causes the Official Statement to be materially misleading, and unless the Initial Purchaser elects to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Initial Purchaser an appropriate amendment or supplement to the Official Statement satisfactory to the Initial Purchaser; provided, however, that the obligation of the District to so amend or supplement the Official Statement will terminate when the District delivers the Bonds to the Initial Purchaser, unless the Initial Purchaser notify the District in writing on or before such date that less than all of the Bonds have been sold to ultimate customers, in which case the District's obligations hereunder will extend for an additional period of time (but not more than 90 days after the date the District delivers the Bonds) until all of the Bonds have been sold to ultimate customers.

[Remainder of Page Intentionally Left Blank]

CONCLUDING STATEMENT

The information set forth herein has been obtained from the District's records, audited financial statements and other sources which are considered to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will ever be realized. All of the summaries of the statutes, documents and resolutions contained in this Official Statement are made subject to all of the provisions of the provisions of such statutes, documents and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such summarized documents for further information. Reference is made to official documents in all respects.

This Official Statement was approved by the Board of Directors of Montgomery County Municipal Utility District No. 137 as of the date shown on the first page hereof.

/s/ Eric Hueneke
President, Board of Directors
Montgomery County Municipal Utility District No. 137

ATTEST:

/s/ Christina Ferguson
Secretary, Board of Directors
Montgomery County Municipal Utility District No. 137

APPENDIX A

FINANCIAL STATEMENTS OF THE DISTRICT

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 137

MONTGOMERY COUNTY, TEXAS

FINANCIAL REPORT

February 28, 2026

Table of Contents

	Schedule	Page
Independent Auditor's Report		1
Management's Discussion and Analysis		7
BASIC FINANCIAL STATEMENTS		
Statement of Net Position and Governmental Funds Balance Sheet		16
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances		18
Notes to Financial Statements		21
REQUIRED SUPPLEMENTARY INFORMATION		
Budgetary Comparison Schedule – General Fund		36
Notes to Required Supplementary Information		37
TEXAS SUPPLEMENTARY INFORMATION		
Services and Rates	TSI-1	40
General Fund Expenditures	TSI-2	42
Investments	TSI-3	43
Taxes Levied and Receivable	TSI-4	44
Long-Term Debt Service Requirements by Years	TSI-5	45
Change in Long-Term Bonded Debt	TSI-6	60
Comparative Schedule of Revenues and Expenditures – General Fund	TSI-7a	64
Comparative Schedule of Revenues and Expenditures – Debt Service Fund	TSI-7b	66
Board Members, Key Personnel and Consultants	TSI-8	68

McGRATH & CO., PLLC
Certified Public Accountants
2950 North Loop West, Suite 810
Houston, Texas 77092

Independent Auditor's Report

Board of Directors
Montgomery County Municipal Utility District No. 137
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. 137 (the "District"), as of and for the year ended February 28, 2026, 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 Montgomery County Municipal Utility District No. 137, as of February 28, 2026, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

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

Supplementary Information

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

Houston, Texas
June 22, 2026

(This page intentionally left blank)

Management's Discussion and Analysis

(This page intentionally left blank)

Using this Annual Report

This section of the financial report of Montgomery County Municipal Utility District No. 137 (the "District") provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended February 28, 2026. This analysis should be read in conjunction with the independent auditor's report and the basic financial statements that follow this section.

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

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

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

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

Financial Analysis of the District as a Whole

The District's net position at February 28, 2026, was negative $26,299,390. The District's net position is negative because the District incurs debt to construct road facilities which it conveys to Montgomery County. A comparative summary of the District's overall financial position, as of February 28, 2026 and 2025, is as follows:

	2026	2025
Current and other assets	$ 9,335,177	$ 8,673,510
Capital assets	35,757,636	36,876,447
Total assets	45,092,813	45,549,957
Current liabilities	2,659,189	2,261,622
Long-term liabilities	68,733,014	67,597,573
Total liabilities	71,392,203	69,859,195
Net position		
Net investment in capital assets	(15,157,833)	(13,415,671)
Restricted	5,218,574	4,410,007
Unrestricted	(16,360,131)	(15,303,574)
Total net position	$ (26,299,390)	$ (24,309,238)

The total net position of the District decreased during the current fiscal year by $1,990,152. A comparative summary of the District's *Statement of Activities* for the past two fiscal years is as follows:

	2026	2025
Revenues		
Property taxes, penalties and interest	$ 5,403,273	$ 4,887,609
Water and sewer service	952,830	870,960
Other	748,968	790,888
Total revenues	7,105,071	6,549,457
Expenses		
Current service operations	2,786,530	2,451,901
Debt interest and fees	2,391,491	2,084,951
Developer interest	1,293,003	698,428
Debt issuance costs	844,125	531,115
Depreciation	948,117	947,488
Total expenses	8,263,266	6,713,883
Change in net position before other item	(1,158,195)	(164,426)
Other item		
Transfers to other governments	(831,957)	
Change in net position	(1,990,152)	(164,426)
Net position, beginning of year	(24,309,238)	(24,144,812)
Net position, end of year	$ (26,299,390)	$ (24,309,238)

Financial Analysis of the District's Funds

The District's combined fund balances, as of February 28, 2026, were $8,151,018, which consists of $2,677,264 in the General Fund, $4,910,374 in the Debt Service Fund, and $563,380 in the Capital Projects Fund.

General Fund

A comparative summary of the General Fund's financial position as of February 28, 2026 and 2025, is as follows:

	2026	2025
Total assets	$ 3,545,126	$ 3,223,207
Total liabilities	$ 806,092	$ 728,157
Total deferred inflows	61,770	101,724
Total fund balance	2,677,264	2,393,326
Total liabilities, deferred inflows and fund balance	$ 3,545,126	$ 3,223,207

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

	2026	2025
Total revenues	$ 2,524,403	$ 2,598,671
Total expenditures	(2,240,465)	(2,189,871)
Revenues over expenditures	$ 283,938	$ 408,800

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

- Property tax revenues are dependent upon assessed values in the District and the maintenance tax rate set by the District. While assessed values in the District increased from the prior year, property tax revenues decreased because the District decreased the maintenance component of the levy.
- Water, sewer and groundwater pumpage fee revenues are dependent upon customer usage, which fluctuates from year to year as a result of factors beyond the District's control.
- Tap connection fees fluctuate with homebuilding activity within the District.

Debt Service Fund

A comparative summary of the Debt Service Fund's financial position as of February 28, 2026 and 2025, is as follows:

	2026	2025
Total assets	$ 5,259,129	$ 4,413,472
Total liabilities	$ 40,555	$ 3,465
Total deferred inflows	308,200	339,464
Total fund balance	4,910,374	4,070,543
Total liabilities, deferred inflows and fund balance	$ 5,259,129	$ 4,413,472

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

	2026	2025
Total revenues	$ 4,613,845	$ 3,717,538
Total expenditures	(4,023,455)	(3,113,737)
Revenues over expenditures	590,390	603,801
Other changes in fund balance	249,441	142,512
Net change in fund balance	$ 839,831	$ 746,313

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

Capital Projects Fund

A comparative summary of the Capital Projects Fund's financial position as of February 28, 2026 and 2025, is as follows:

	2026	2025
Total assets	$ 573,644	$ 1,036,831
Total liabilities	$ 10,264	$ -
Total fund balance	563,380	1,036,831
Total liabilities and fund balance	$ 573,644	$ 1,036,831

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

	2026	2025
Total revenues	$ 38,041	$ 31,670
Total expenditures	(11,107,051)	(6,119,597)
Revenues under expenditures	(11,069,010)	(6,087,927)
Other changes in fund balance	10,595,559	6,687,488
Net change in fund balance	$ (473,451)	$ 599,561

The District has had considerable capital asset activity in the last two fiscal years, which was financed with proceeds from the issuance of its Series 2025 Unlimited Tax Bonds and 2025 Unlimited Tax Road Bonds in the current fiscal year and the sale of its Series 2024 Unlimited Tax Bonds in the prior fiscal year.

General Fund Budgetary Highlights

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

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was $22,619 greater than budgeted. The *Budgetary Comparison Schedule* on page 36 of this report provides variance information per financial statement line item.

Capital Assets

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

Capital assets held by the District at February 28, 2026 and 2025, are summarized as follows:

	2026	2025
Capital assets not being depreciated		
Land and improvements	$ 7,682,399	$ 7,967,107
Capital assets being depreciated		
Infrastructure	29,523,832	29,409,818
Landscape improvements	3,688,112	3,688,112
Park and recreational facilities	1,177,936	1,177,936
	34,389,880	34,275,866
Less accumulated depreciation		
Infrastructure	(4,939,561)	(4,234,747)
Landscape improvements	(1,115,936)	(931,530)
Park and recreational facilities	(259,146)	(200,249)
	(6,314,643)	(5,366,526)
Depreciable capital assets, net	28,075,237	28,909,340
Capital assets, net	$ 35,757,636	$ 36,876,447

During the current fiscal year, the District revised its estimate of the amounts due to developers for certain capital assets constructed by the developers in previous years and adjusted the values of those assets accordingly.

Capital asset additions during the current fiscal year include land acquisition costs for detention pond Section 20.

Montgomery County assumes responsibility for all road facilities constructed within the county. Consequently, these projects are not recorded as capital assets on the District's financial statements, but are recorded as transfers to other governments upon completion of construction. For the year ended February 28, 2026, the District recorded transfers to other governments in the amount of $831,957 for adjustments to assets completed in previous fiscal years as a result of reimbursements during the current fiscal year. Additional information is presented in Note 9.

Long-Term Debt and Related Liabilities

As of February 28, 2026, the District owes approximately $7,038,014 to developers for completed projects. The initial cost of the completed project and related liability is estimated based on actual construction costs plus 10-15% for engineering and other fees and is recorded on the District's financial statements upon completion of construction. As discussed in Note 6, the District has an

additional commitment in the amount of $150,000 for a project under construction by the developers. As noted, the District will owe its developer for these projects upon completion of construction. The District intends to reimburse the developer from proceeds of future bond issues or other lawfully available funds. The estimated cost of amounts owed to the developer is trued up when the developer is reimbursed.

At February 28, 2026 and 2025, the District had total bonded debt outstanding as shown below:

Series	2026	2025
2017 Road	$ 3,235,000	$ 3,350,000
2018 Road	2,065,000	2,140,000
2019 Road	985,000	1,020,000
2019	2,415,000	2,505,000
2020	3,425,000	3,550,000
2021	3,795,000	3,915,000
2021 Road	3,965,000	4,105,000
2022	9,160,000	9,395,000
2022 Road	3,095,000	3,175,000
2023	13,910,000	14,240,000
2024	6,645,000	6,830,000
2025	7,300,000	
2025 Road	3,545,000	
	$ 63,540,000	$ 54,225,000

During the current fiscal year, the District issued $7,300,000 in unlimited tax bonds and $3,545,000 in unlimited tax road bonds. At February 28, 2026, the District had $136,140,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District and the refunding of such bonds; $56,000,000 for parks and recreational facilities and the refunding of such bonds; and $115,165,000 for road improvements and the refunding of such bonds.

Next Year's Budget

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

	2026 Actual	2027 Budget
Total revenues	$ 2,524,403	$ 2,480,726
Total expenditures	(2,240,465)	(2,439,460)
Revenues over expenditures	283,938	41,266
Beginning fund balance	2,393,326	2,677,264
Ending fund balance	$ 2,677,264	$ 2,718,530

(This page intentionally left blank)

Basic Financial Statements

Montgomery County Municipal Utility District No. 137
Statement of Net Position and Governmental Funds Balance Sheet
February 28, 2026

	General Fund	Debt Service Fund	Capital Projects Fund	Total
Assets				
Cash	$ 228,601	$ 372,672	$ 1,755	$ 603,028
Investments	3,064,324	4,578,257	571,889	8,214,470
Taxes receivable	61,770	308,200		369,970
Customer service receivables	131,970			131,970
Interfund receivables	42,722			42,722
Prepaid items	15,739			15,739
Capital assets not being depreciated				
Capital assets, net				
Total Assets	$ 3,545,126	$ 5,259,129	$ 573,644	$ 9,377,899
Liabilities				
Accounts payable	$ 297,649	$ -	1,264	$ 298,913
Other payables	2,733	6,833		9,566
Customer deposits	485,272			485,272
Builder deposits	20,438			20,438
Interfund payables		33,722	9,000	42,722
Due to developers				
Long-term debt				
Due within one year				
Due after one year				
Total Liabilities	806,092	40,555	10,264	856,911
Deferred Inflows of Resources				
Deferred property taxes	61,770	308,200		369,970
Fund Balances/Net Position				
Fund Balances				
Nonspendable	15,739			15,739
Restricted		4,910,374	563,380	5,473,754
Unassigned	2,661,525			2,661,525
Total Fund Balances	2,677,264	4,910,374	563,380	8,151,018
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 3,545,126	$ 5,259,129	$ 573,644	$ 9,377,899
Net Position				
Net investment in capital assets				
Restricted for debt service				
Unrestricted				
Total Net Position				

See notes to basic financial statements.

Adjustments	Statement of Net Position
$ -	$ 603,028
	8,214,470
	369,970
	131,970
(42,722)	
	15,739
7,682,399	7,682,399
28,075,237	28,075,237
35,714,914	45,092,813
	298,913
	9,566
	485,272
	20,438
(42,722)	
7,038,014	7,038,014
1,845,000	1,845,000
61,695,000	61,695,000
70,535,292	71,392,203
(369,970)	
(15,739)	
(5,473,754)	
(2,661,525)	
(8,151,018)	
(15,157,833)	(15,157,833)
5,218,574	5,218,574
(16,360,131)	(16,360,131)
$ (26,299,390)	$ (26,299,390)

Montgomery County Municipal Utility District No. 137
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances
For the Year Ended February 28, 2026

	General Fund	Debt Service Fund	Capital Projects Fund	Total
Revenues				
Water service	$ 351,008	$ -	$ -	$ 351,008
Sewer service	601,822			601,822
Property taxes	980,302	4,403,638		5,383,940
Penalties and interest	16,798	73,753		90,551
Pumpage fees	380,202			380,202
Tap connection and inspection	74,410			74,410
Miscellaneous	13,840	4,989		18,829
Investment earnings	106,021	131,465	38,041	275,527
Total Revenues	2,524,403	4,613,845	38,041	7,176,289
Expenditures/Expenses				
Current service operations				
Professional fees	166,368		441,274	607,642
Contracted services	651,451	95,085	2,692	749,228
Repairs and maintenance	743,842			743,842
Utilities	179,316			179,316
Pumpage fees	376,130			376,130
Administrative	92,545	4,524		97,069
Other	30,813	2,355	135	33,303
Capital outlay			8,525,822	8,525,822
Debt service				
Principal		1,530,000		1,530,000
Interest and fees		2,391,491		2,391,491
Developer interest			1,293,003	1,293,003
Debt issuance costs			844,125	844,125
Depreciation				
Total Expenditures/Expenses	2,240,465	4,023,455	11,107,051	17,370,971
Revenues Over (Under) Expenditures/ Expenses	283,938	590,390	(11,069,010)	(10,194,682)
Other Financing Sources				
Proceeds from sale of bonds		249,441	10,595,559	10,845,000
Other Items				
Transfers to other governments				
Net Change in Fund Balances	283,938	839,831	(473,451)	650,318
Change in Net Position				
Fund Balance/Net Position				
Beginning of the year	2,393,326	4,070,543	1,036,831	7,500,700
End of the year	$ 2,677,264	$ 4,910,374	$ 563,380	$ 8,151,018

See notes to basic financial statements.

Adjustments	Statement of Activities
$ -	$ 351,008
	601,822
(50,825)	5,333,115
(20,393)	70,158
	380,202
	74,410
	18,829
	275,527
(71,218)	7,105,071
	607,642
	749,228
	743,842
	179,316
	376,130
	97,069
	33,303
(8,525,822)	
(1,530,000)	
	2,391,491
	1,293,003
	844,125
948,117	948,117
(9,107,705)	8,263,266
9,036,487	(1,158,195)
(10,845,000)	
(831,957)	(831,957)
(650,318)	
(1,990,152)	(1,990,152)
(31,809,938)	(24,309,238)
$ (34,450,408)	$ (26,299,390)

(This page intentionally left blank)

Note 1 – Summary of Significant Accounting Policies

The accounting policies of Montgomery County Municipal Utility District No. 137 (the "District") conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board ("GASB"). The following is a summary of the most significant policies:

Creation

The District was created by an act by the Texas Legislature under Article XVI, Section 59 and Article III, Section 52, Senate Bill 624, Chapter 551, as passed by the eighty-third (83rd) Texas Legislature on June 14, 2013, and operates in accordance with the Special District Local Laws Code, Chapter 8421, and the Texas Water Code, Chapters 49 and 54. The District was created for the purpose of providing water, sewer and drainage facilities, parks, roads, and other public infrastructure to facilitate the development of land within its boundaries. The District is authorized to issue bonds for the purpose of acquiring and constructing the facilities. The Board of Directors held its first meeting on August 6, 2013 and the District issued its first bonds on October 30, 2017.

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

Reporting Entity

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

Government-Wide and Fund Financial Statements

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

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

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

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

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

Measurement Focus and Basis of Accounting

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

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

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

Use of Restricted Resources

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

Prepaid Items

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

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset, unless a legal right of offset exists. At February 28, 2026, an allowance for uncollectible accounts was not considered necessary.

Interfund Activity

During the course of operations, transactions occur between individual funds. This can include internal transfers, payables and receivables. This activity is eliminated in the government-wide financial statement presentation.

Capital Assets

Capital assets do not provide financial resources at the fund level, and, therefore, are reported only in the government-wide statements. The District defines capital assets as assets with an initial cost that exceeds the capitalization threshold for the asset class and an estimated useful life in excess of one year. Capital assets that individually are below the capitalization threshold but, in the aggregate, are above the threshold are capitalized. Subsequent replacements of these assets that do not exceed the threshold are not capitalized. The District's capitalization threshold for infrastructure assets is $50,000. The threshold for subscription-based information technology arrangements (SBITAs) is $100,000.

Capital assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at acquisition value, which is the price that would be paid to acquire the asset on the acquisition date. The District has not capitalized interest incurred during the construction of its capital assets. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

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

Assets	Useful Life
Infrastructure	10-45 years
Landscaping improvements	20 years
Parks and recreational facilities	20 years

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

Deferred Inflows and Outflows of Financial Resources

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

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

Net Position – Governmental Activities

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

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

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

Unrestricted – resources not included in the other components.

Fund Balances – Governmental Funds

Governmental accounting standards establish the following fund balance classifications:

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

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

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

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

Unassigned - all other spendable amounts in the General Fund.

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

Use of Estimates

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

Note 2 – Adjustment from Governmental to Government-wide Basis

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

Total fund balance, governmental funds		$ 8,151,018
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
Historical cost	$ 42,072,279	
Less accumulated depreciation	(6,314,643)	
		35,757,636
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. The difference consists of:		
Due to developers	(7,038,014)	
Bonds payable	(63,540,000)	
		(70,578,014)
Deferred inflows in the fund statements consist of property taxes receivable that have been levied and are due, but are not available to pay current period expenditures. These amounts are included in revenues in the government-wide statements.		369,970
Total net position - governmental activities		$ (26,299,390)

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

Net change in fund balances - total governmental funds		$ 650,318
Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the *Statement of Activities* when earned. The difference is for property taxes and related penalties and interest.		(71,218)
Financial reporting for capital assets varies significantly between the fund statements and the government-wide statements. Reporting at the fund level focuses on the impact of transactions on financial resources (i.e., cash), while reporting at the government-wide level seeks to allocate the cost of the acquisition of capital assets over their useful lives and to measure the economic impact of developer financing of capital assets used by the District or conveyed to other governmental entities. Differences during the current fiscal year are for the following:		
Capital outlays	$ 8,525,822	
Transfers to other governments	(831,957)	
Depreciation expense	(948,117)	
		6,745,748
Financial reporting for certain obligations varies between the fund statements and the government-wide statements. At the fund level, the focus is on increases and decreases of financial resources as debt is issued and repaid. At the government-wide level, the focus is on measuring and reporting on changes in the District's obligation to repay liabilities in the future. Differences during the current fiscal year are for the following:		
Issuance of long-term debt	(10,845,000)	
Principal payments	1,530,000	
		(9,315,000)
Change in net position of governmental activities		$ (1,990,152)

Note 3 – Deposits and Investments

Deposit Custodial Credit Risk

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

Investments

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

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

As of February 28, 2026, the District's investments consist of the following:

Type	Fund	Carrying Value	Rating	Weighted Average Maturity
Texas CLASS	General	$ 3,064,324		
	Debt Service	4,578,257		
	Capital Projects	571,889		
Total		$ 8,214,470	AAAm	49 days

Texas CLASS

The District participates in Texas Cooperative Liquid Assets Securities System (Texas CLASS). Texas CLASS is managed by an elected Board of Trustees consisting of members of the pool. Additionally, the Board of Trustees has established an advisory board, the function of which is to provide guidance on investment policies and strategies. The Board of Trustees has selected Public Trust Advisors, LLC as the program administrator and UMB Bank N.A., as the custodian.

The District's investment in Texas CLASS is reported at fair value because Texas CLASS uses fair value to report investments (other than repurchase agreements which are valued at amortized cost). Governmental accounting standards establish the following hierarchy of inputs used to measure fair value: Level 1 inputs are based on quoted prices in active markets, Level 2 inputs are based on significant other observable inputs, and Level 3 inputs are based on significant unobservable inputs. The District's investment in Texas CLASS is measured using published fair value per share (level 1 inputs).

Investments in Texas CLASS may be withdrawn via wire transfer on a same day basis, as long as the transaction is executed by 4 p.m. ACH withdrawals made by 4 p.m. will settle on the next business day.

Investment Credit and Interest Rate Risk

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

Note 4 – Interfund Balances and Transactions

Amounts due to/from other funds at February 28, 2026, consist of the following:

Receivable Fund	Payable Fund	Amounts	Purpose
General Fund	Debt Service Fund	$ 33,722	Maintenance tax collections not remitted as of year end
General Fund	Capital Projects Fund	9,000	Bond application costs paid by the General Fund

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

Note 5 – Capital Assets

A summary of changes in capital assets, for the year ended February 28, 2026, is as follows:

	Beginning Balances	Increases/ (Decreases)	Ending Balances
Capital assets not being depreciated			
Land and improvements	$ 7,967,107	$ (284,708)	$ 7,682,399
Capital assets being depreciated			
Infrastructure	29,409,818	114,014	29,523,832
Landscape improvemens	3,688,112		3,688,112
Park and recreational facilities	1,177,936		1,177,936
	34,275,866	114,014	34,389,880
Less accumulated depreciation			
Infrastructure	(4,234,747)	(704,814)	(4,939,561)
Landscape improvements	(931,530)	(184,406)	(1,115,936)
Park and recreational facilities	(200,249)	(58,897)	(259,146)
	(5,366,526)	(948,117)	(6,314,643)
Subtotal depreciable capital assets, net	28,909,340	(834,103)	28,075,237
Capital assets, net	$ 36,876,447	$ (1,118,811)	$ 35,757,636

Depreciation expense for the current fiscal year was $948,117.

During the current fiscal year, the District revised its estimate of the amounts due to developers for certain capital assets constructed by the developers in previous years and adjusted the values of those assets accordingly.

Note 6 – Due to Developers

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

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

Due to developers, beginning of year	$ 14,902,573
Developer reimbursements	(8,525,822)
Developer funded construction and adjustments	661,263
Due to developers, end of year	$ 7,038,014

In addition, the District will owe the developers approximately $150,000 for the construction of the Northgrove Recreational Pavilion. The exact amount due to the developers is not known until approved by the TCEQ and verified by the District's auditor.

Note 7 – Long-Term Debt

Long-term debt is comprised of the following:

Bonds payable	$ 63,540,000
Due within one year	$ 1,845,000

The District's bonds payable at February 28, 2026, consists of unlimited tax bonds as follows:

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2017 Road	$ 3,235,000	$ 3,940,000	2.00% - 4.15%	September 1, 2019/2043	September 1, March 1	September 1, 2023
2018 Road	2,065,000	2,540,000	2.25% - 4.30%	September 1, 2019/2043	September1, March 1	September 1, 2024
2019 Road	985,000	1,190,000	1.90% - 3.30%	September 1, 2020/2044	September 1, March 1	September 1, 2025
2019	2,415,000	2,825,000	2.00% - 3.375%	September 1, 2021/2044	September 1, March 1	September 1, 2025
2020	3,425,000	3,900,000	1.50% - 3.00%	September 1, 2022/2045	September 1, March 1	September 1, 2025
2021	3,795,000	4,145,000	2.00% - 3.00%	September 1, 2023/2046	September 1, March 1	September 1, 2027
2021 Road	3,965,000	4,370,000	2.00% - 2.50%	September 1, 2023/2046	September 1, March 1	September 1, 2027
2022	9,160,000	9,620,000	4.00% - 6.50%	September 1, 2024/2047	September 1, March 1	September 1, 2028
2022 Road	3,095,000	3,250,000	4.75% - 7.00%	September 1, 2024/2047	September 1, March 1	September 1, 2028
2023	13,910,000	14,240,000	4.75% - 7.00%	September 1, 2025/2048	September 1, March 1	September 1, 2029
2024	6,645,000	6,830,000	3.00% - 5.50%	September 1, 2025/2048	September 1, March 1	September 1, 2030
2025	7,300,000	7,300,000	4.00% - 6.50%	September 1, 2026/2048	September 1, March 1	September 1, 2030
2025 Road	3,545,000	3,545,000	4.00% - 6.50%	September 1, 2026/2048	September 1, March 1	September 1, 2030
	$ 63,540,000					

Payments of principal and interest on all series of bonds are to be provided from taxes levied on all properties within the District. Investment income realized by the Debt Service Fund from investment of idle funds will be used to pay outstanding bond principal and interest. The District is in compliance with the terms of its bond resolutions.

At February 28, 2026, the District had authorized but unissued bonds in the amount of $136,140,000 for water, sewer and drainage facilities and the refunding of such bonds; $56,000,000 for park and recreational facilities and the refunding of such bonds; and $115,165,000 for road facilities and the refunding of such bonds.

On October 28, 2025, the District issued its $7,300,000 Series 2025 Unlimited Tax Bonds at a net effective interest rate of 4.546716%. Proceeds of the bonds were used (1) to reimburse developers for the following: the construction of capital assets within the District; engineering, clearing and grubbing and other costs associated with the construction of capital assets; and the acquisition of land for certain

District facilities; (2) to pay developer interest at the net effective interest rate of the bonds and (3) to pay capitalized interest into the Debt Service Fund.

Additionally, on October 28, 2025, the District issued its $3,545,000 Series 2025 Unlimited Tax Road Bonds at a net effective interest rate of 4.549881%. Proceeds of the bonds were used (1) to reimburse developers for the following: the construction of capital assets within the District; engineering, clearing and grubbing and other costs associated with the construction of capital assets; (2) to pay developer interest at the net effective interest rate of the bonds and (3) to pay capitalized interest into the Debt Service Fund.

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

Bonds payable, beginning of year	$	54,225,000
Bonds issued		10,845,000
Bonds retired		(1,530,000)
Bonds payable, end of year	$	63,540,000

The debt service payment due March 1 was made during the current fiscal year. The following schedule was prepared presuming this practice will continue. As of February 28, 2026, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2027	$ 1,845,000	$ 2,630,758	$ 4,475,758
2028	1,900,000	2,538,631	4,438,631
2029	1,985,000	2,442,629	4,427,629
2030	2,070,000	2,341,733	4,411,733
2031	2,170,000	2,241,429	4,411,429
2032	2,260,000	2,150,936	4,410,936
2033	2,355,000	2,062,903	4,417,903
2034	2,450,000	1,970,203	4,420,203
2035	2,550,000	1,874,985	4,424,985
2036	2,660,000	1,773,751	4,433,751
2037	2,780,000	1,665,711	4,445,711
2038	2,905,000	1,552,897	4,457,897
2039	3,025,000	1,434,979	4,459,979
2040	3,160,000	1,310,552	4,470,552
2041	3,305,000	1,179,455	4,484,455
2042	3,445,000	1,041,228	4,486,228
2043	3,600,000	895,876	4,495,876
2044	3,750,000	743,637	4,493,637
2045	3,480,000	593,437	4,073,437
2046	3,390,000	449,264	3,839,264
2047	3,315,000	305,589	3,620,589
2048	2,955,000	165,000	3,120,000
2049	2,185,000	48,113	2,233,113
	$ 63,540,000	$ 33,413,694	$ 96,953,694

Note 8 – Property Taxes

On November 13, 2013, the voters of the District authorized the District's Board of Directors to levy taxes annually for use in financing general operations limited to $1.50 per $100 of assessed value. In addition, the voters of the District authorized the District's Board of Directors to levy taxes annually for road maintenance limited to $.25 per $100 of assessed value. The District's bond resolutions require that property taxes be levied for use in paying interest and principal on long-term debt and for use in paying the cost of assessing and collecting taxes. Taxes levied to finance debt service requirements on long-term debt are without limitation as to rate or amount.

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

Property taxes are collected based on rates adopted in the year of the levy. The District's 2026 fiscal year was financed through the 2025 tax levy, pursuant to which the District levied property taxes of $1.12 per $100 of assessed value, of which $0.195 was allocated to maintenance and operations, $0.675 was allocated to utility debt service, and $0.25 was allocated to road debt service. The resulting tax levy was $5,274,989 on the adjusted taxable value of $470,981,134.

Property taxes receivable, at February 28, 2026, consisted of the following:

Current year taxes receivable	$ 305,964
Prior years taxes receivable	34,491
	340,455
Penalty and interest receivable	29,515
Property taxes receivable	$ 369,970

Note 9 – Transfers to Other Governments

Montgomery County assumes responsibility for the maintenance of public roads constructed within the county limits. Accordingly, road facilities are considered to be capital assets of Montgomery County, not the District and are recorded as transfers to other governments on the *Statement of Activities* upon completion of construction. This cost is trued-up when the developers are subsequently reimbursed. For the year ended February 28, 2026, the District recorded transfers to other governments in the amount of $831,957 for adjustments to assets completed in previous fiscal years as a result of reimbursements during the current fiscal year.

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 personal injuries. The risk of loss is covered by commercial insurance. There have been no significant reductions in insurance coverage from the prior year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

(This page intentionally left blank)

Required Supplementary Information

Montgomery County Municipal Utility District No. 137
Required Supplementary Information - Budgetary Comparison Schedule - General Fund
For the Year Ended February 28, 2026

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Water service	$ 375,000	$ 375,000	$ 351,008	$ (23,992)
Sewer service	585,000	585,000	601,822	16,822
Property taxes	1,065,973	1,065,973	980,302	(85,671)
Penalties and interest	23,000	23,000	16,798	(6,202)
Tap connection and inspection	56,500	56,500	74,410	17,910
Pumpage fees	450,000	450,000	380,202	(69,798)
Miscellaneous	7,000	7,000	13,840	6,840
Investment earnings	75,125	75,125	106,021	30,896
Total Revenues	2,637,598	2,637,598	2,524,403	(113,195)
Expenditures				
Current service operations				
Professional fees	147,300	147,300	166,368	(19,068)
Contracted services	555,220	581,720	651,451	(69,731)
Repairs and maintenance	820,459	842,759	743,842	98,917
Utilities	206,000	206,000	179,316	26,684
Pumpage fees	450,000	450,000	376,130	73,870
Administrative	100,200	100,200	92,545	7,655
Other	22,300	22,300	30,813	(8,513)
Capital outlay	26,000	26,000		26,000
Total Expenditures	2,327,479	2,376,279	2,240,465	135,814
Revenues Over Expenditures	310,119	261,319	283,938	22,619
Fund Balance				
Beginning of the year	2,393,326	2,393,326	2,393,326	
End of the year	$ 2,703,445	$ 2,654,645	$ 2,677,264	$ 22,619

Budgets and Budgetary Accounting

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

(This page intentionally left blank)

Texas Supplementary Information

Montgomery County Municipal Utility District No. 137
TSI-1. Services and Rates
February 28, 2026

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

[X] Retail Water	[ ] Wholesale Water	[X] Solid Waste / Garbage	[X] Drainage
[X] Retail Wastewater	[ ] Wholesale Wastewater	[ ] Flood Control	[ ] Irrigation
[X] Parks / Recreation	[ ] Fire Protection	[X] Roads	[ ] Security

[ ] Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)

[ ] Other (Specify): _____

2. Retail Service Providers

a. Retail Rates for a 3/4" meter (or equivalent):

	Minimum Charge	Minimum Usage	Flat Rate (Y / N)	Rate per 1,000 Gallons Over Minimum Usage	Usage Levels		
Water:	$ 15.00	6,000	N	$ 1.75	6,001	to	10,000
				$ 2.50	10,001	to	15,000
				$ 3.25	15,001	to	20,000
				$ 4.00	20,001	to	30,000
				$ 5.00	30,000		No limit
Wastewater:	$ 51.58	N	Y			to	
Surcharge	$ 2.84	N	N	$ 2.84	-0-	to	No limit

District employs winter averaging for wastewater usage? [ ] Yes [X] No

Total charges per 10,000 gallons usage: Water $ 50.36 Wastewater $ 51.58

b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC'S
Unmetered	1	1	x 1.0	1
less than 3/4"	920	917	x 1.0	917
1"	97	97	x 2.5	243
1.5"	1	1	x 5.0	5
2"	15	15	x 8.0	120
3"			x 15.0	
4"			x 25.0	
6"	2	2	x 50.0	100
8"			x 80.0	
10"			x 115.0	
Total Water	1,036	1,033		1,386
Total Wastewater	988	985	x 1.0	985

See accompanying auditor's report.

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

Gallons pumped into system:	142,315,000	Water Accountability Ratio: (Gallons billed / Gallons pumped)
Gallons billed to customers:	133,658,000	93.92%

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

Does the District have Debt Service standby fees? Yes [ ] No [X]

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

Does the District have Operation and Maintenance standby fees? Yes [ ] No [X]

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

5. Location of District

Is the District located entirely within one county? Yes [X] No [ ]

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

Is the District located within a city? Entirely [ ] Partly [ ] Not at all [X]

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

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

Entirely [X] Partly [ ] Not at all [ ]

ETJs in which the District is located: City of Houston

Are Board members appointed by an office outside the district? Yes [ ] No [X]

If Yes, by whom? _____

See accompanying auditor's report.

Montgomery County Municipal Utility District No. 137
TSI-2. General Fund Expenditures
For the Year Ended February 28, 2026

Professional fees		
Legal	$	92,833
Audit		19,000
Engineering		54,535
		166,368
Contracted services		
Bookkeeping		48,948
Operator		92,720
Garbage collection		366,036
Sludge removal		24,040
Tap connection and inspection		96,487
Tax accessor/collector fees		4,500
Security		18,720
		651,451
Repairs and maintenance		743,842
Utilities		179,316
Pumpage fees		376,130
Administrative		
Directors fees		14,144
Printing and office supplies		12,548
Insurance		27,678
Other		38,175
		92,545
Other		30,813
Total expenditures	$	2,240,465

See accompanying auditor's report.

Montgomery County Municipal Utility District No. 137
TSI-3. Investments
February 28, 2026

Fund	Interest Rate	Maturity Date	Balance at End of Year
General			
Texas CLASS	Variable	N/A	$ 3,064,324
Debt Service			
Texas CLASS	Variable	N/A	1,219,744
Texas CLASS	Variable	N/A	3,358,513
			4,578,257
Capital Projects			
Texas CLASS	Variable	N/A	18,902
Texas CLASS	Variable	N/A	82,687
Texas CLASS	Variable	N/A	153,382
Texas CLASS	Variable	N/A	316,918
			571,889
Total - All Funds			$ 8,214,470

See accompanying auditor's report.

Montgomery County Municipal Utility District No. 137
TSI-4. Taxes Levied and Receivable
February 28, 2026

	Maintenance Taxes	Road Debt Service Taxes	Utility Debt Service Taxes	Totals
Taxes Receivable, Beginning of Year	$ 101,724	$ 84,485	$ 205,071	$ 391,280
Adjustments to Prior Year Tax Levy	21,936	16,151	20,041	58,128
Adjusted Receivable	123,660	100,636	225,112	449,408
2025 Original Tax Levy	924,912	1,185,784	3,201,618	5,312,314
Adjustments	(6,499)	(8,331)	(22,495)	(37,325)
Adjusted Tax Levy	918,413	1,177,453	3,179,123	5,274,989
Total to be accounted for	1,042,073	1,278,089	3,404,234	5,724,397
Tax collections:				
Current year	865,143	1,109,157	2,994,724	4,969,024
Prior years	115,160	93,373	206,384	414,917
Total Collections	980,303	1,202,530	3,201,109	5,383,942
Taxes Receivable, End of Year	$ 61,770	$ 75,559	$ 203,126	$ 340,455
Taxes Receivable, By Years				
2025	$ 53,271	$ 68,295	$ 184,398	$ 305,964
2024	5,489	4,750	13,616	23,855
2023	2,189	1,907	4,308	8,404
2022	821	607	804	2,232
Taxes Receivable, End of Year	$ 61,770	$ 75,559	$ 203,126	$ 340,455

	2025	2024	2023	2022
Property Valuations:				
Land	$ 92,951,418	$ 91,014,832	$ 85,014,550	$ 69,741,980
Improvements	407,404,796	359,748,684	304,852,732	207,810,763
Personal Property	5,696,155	755,209	455,778	309,659
Exemptions	(35,071,235)	(33,375,512)	(33,683,834)	(28,185,155)
Total Property Valuations	$ 470,981,134	$ 418,143,213	$ 356,639,226	$ 249,677,247
Tax Rates per $100 Valuation:				
Maintenance tax rates	$ 0.195	$ 0.260	$ 0.31	$ 0.46
Road debt service tax rates	0.250	0.225	0.27	0.34
WSD debt service tax rates	0.675	0.645	0.61	0.45
Total Tax Rates per $100 Valuation	$ 1.120	$ 1.130	$ 1.19	$ 1.25
Adjusted Tax Levy:	$ 5,274,989	$ 4,725,018	$ 4,244,007	$ 3,120,966
Percentage of Taxes Collected to Taxes Levied **	94.20%	99.50%	99.80%	99.93%

* Maximum Maintenance Tax Rate Approved by Voters: $1.50 on November 13, 2013
* Maximum Road Maintenance Tax Rate Approved by Voters: $0.25 on November 13, 2013
** Calculated as taxes collected for a tax year divided by taxes levied for that tax year.

See accompanying auditor's report.

Montgomery County Municipal Utility District No. 137
TSI-5. Long-Term Debt Service Requirements
Series 2017 Road--by Years
February 28, 2026

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2027	$ 120,000	$ 122,641	$ 242,641
2028	125,000	118,781	243,781
2029	130,000	114,636	244,636
2030	135,000	110,196	245,196
2031	145,000	105,364	250,364
2032	150,000	100,108	250,108
2033	155,000	94,579	249,579
2034	165,000	88,635	253,635
2035	170,000	82,270	252,270
2036	180,000	75,440	255,440
2037	185,000	68,140	253,140
2038	195,000	60,540	255,540
2039	205,000	52,540	257,540
2040	215,000	44,140	259,140
2041	225,000	35,171	260,171
2042	235,000	25,626	260,626
2043	245,000	15,666	260,666
2044	255,000	5,291	260,291
	$ 3,235,000	$ 1,319,764	$ 4,554,764

See accompanying auditor's report.

Montgomery County Municipal Utility District No. 137
TSI-5. Long-Term Debt Service Requirements
Series 2018 Road--by Years
February 28, 2026

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2027	$ 80,000	$ 82,740	$ 162,740
2028	80,000	79,900	159,900
2029	85,000	76,888	161,888
2030	90,000	73,605	163,605
2031	95,000	69,995	164,995
2032	95,000	66,195	161,195
2033	100,000	62,295	162,295
2034	105,000	58,195	163,195
2035	110,000	53,895	163,895
2036	115,000	49,338	164,338
2037	120,000	44,520	164,520
2038	125,000	39,498	164,498
2039	130,000	34,270	164,270
2040	135,000	28,703	163,703
2041	140,000	22,790	162,790
2042	145,000	16,663	161,663
2043	155,000	10,213	165,213
2044	160,000	3,440	163,440
	$ 2,065,000	$ 873,143	$ 2,938,143

See accompanying auditor's report.

Montgomery County Municipal Utility District No. 137
TSI-5. Long-Term Debt Service Requirements
Series 2019 Road--by Years
February 28, 2026

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2027	$ 35,000	$ 30,268	$ 65,268
2028	40,000	29,310	69,310
2029	40,000	28,250	68,250
2030	40,000	27,150	67,150
2031	45,000	25,938	70,938
2032	45,000	24,610	69,610
2033	45,000	23,260	68,260
2034	45,000	21,888	66,888
2035	50,000	20,415	70,415
2036	50,000	18,840	68,840
2037	55,000	17,160	72,160
2038	55,000	15,386	70,386
2039	55,000	13,599	68,599
2040	60,000	11,715	71,715
2041	60,000	9,735	69,735
2042	65,000	7,673	72,673
2043	65,000	5,528	70,528
2044	65,000	3,383	68,383
2045	70,000	1,155	71,155
	$ 985,000	$ 335,263	$ 1,320,263

See accompanying auditor's report.

Montgomery County Municipal Utility District No. 137
TSI-5. Long-Term Debt Service Requirements
Series 2019--by Years
February 28, 2026

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2027	$ 90,000	$ 74,658	$ 164,658
2028	95,000	72,298	167,298
2029	100,000	69,713	169,713
2030	100,000	66,963	166,963
2031	105,000	63,988	168,988
2032	110,000	60,763	170,763
2033	110,000	57,463	167,463
2034	115,000	54,088	169,088
2035	120,000	50,488	170,488
2036	125,000	46,659	171,659
2037	130,000	42,594	172,594
2038	135,000	38,288	173,288
2039	140,000	33,819	173,819
2040	145,000	29,188	174,188
2041	145,000	24,384	169,384
2042	155,000	19,322	174,322
2043	160,000	14,006	174,006
2044	165,000	8,522	173,522
2045	170,000	2,869	172,869
	$ 2,415,000	$ 830,073	$ 3,245,073

See accompanying auditor's report.

Montgomery County Municipal Utility District No. 137
TSI-5. Long-Term Debt Service Requirements
Series 2020--by Years
February 28, 2026

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2027	$ 130,000	$ 89,457	$ 219,457
2028	130,000	86,923	216,923
2029	135,000	84,273	219,273
2030	140,000	81,451	221,451
2031	145,000	78,387	223,387
2032	150,000	75,067	225,067
2033	155,000	71,482	226,482
2034	155,000	67,685	222,685
2035	160,000	63,668	223,668
2036	165,000	59,402	224,402
2037	170,000	54,921	224,921
2038	175,000	50,219	225,219
2039	180,000	45,292	225,292
2040	185,000	40,136	225,136
2041	195,000	34,575	229,575
2042	200,000	28,650	228,650
2043	205,000	22,575	227,575
2044	210,000	16,350	226,350
2045	215,000	9,975	224,975
2046	225,000	3,375	228,375
	$ 3,425,000	$ 1,063,863	$ 4,488,863

See accompanying auditor's report.

Montgomery County Municipal Utility District No. 137
TSI-5. Long-Term Debt Service Requirements
Series 2021--by Years
February 28, 2026

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2027	$ 125,000	$ 86,225	$ 211,225
2028	130,000	83,675	213,675
2029	135,000	81,025	216,025
2030	140,000	78,275	218,275
2031	145,000	75,425	220,425
2032	150,000	72,475	222,475
2033	155,000	69,425	224,425
2034	160,000	66,275	226,275
2035	165,000	63,025	228,025
2036	170,000	59,462	229,462
2037	175,000	55,472	230,472
2038	185,000	51,197	236,197
2039	190,000	46,625	236,625
2040	195,000	41,812	236,812
2041	205,000	36,812	241,812
2042	210,000	31,625	241,625
2043	215,000	26,313	241,313
2044	225,000	20,813	245,813
2045	230,000	15,125	245,125
2046	240,000	9,250	249,250
2047	250,000	3,125	253,125
	$ 3,795,000	$ 1,073,456	$ 4,868,456

See accompanying auditor's report.

Montgomery County Municipal Utility District No. 137
TSI-5. Long-Term Debt Service Requirements
Series 2021 Road--by Years
February 28, 2026

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2027	$ 140,000	$ 89,656	$ 229,656
2028	145,000	86,806	231,806
2029	150,000	83,856	233,856
2030	155,000	80,806	235,806
2031	160,000	77,656	237,656
2032	165,000	74,406	239,406
2033	170,000	71,056	241,056
2034	170,000	67,656	237,656
2035	175,000	64,206	239,206
2036	180,000	60,432	240,432
2037	185,000	56,210	241,210
2038	190,000	51,756	241,756
2039	195,000	47,063	242,063
2040	200,000	42,125	242,125
2041	210,000	37,000	247,000
2042	215,000	31,688	246,688
2043	220,000	26,250	246,250
2044	225,000	20,688	245,688
2045	230,000	15,000	245,000
2046	240,000	9,125	249,125
2047	245,000	3,063	248,063
	$ 3,965,000	$ 1,096,504	$ 5,061,504

See accompanying auditor's report.

Montgomery County Municipal Utility District No. 137
TSI-5. Long-Term Debt Service Requirements
Series 2022--by Years
February 28, 2026

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2027	$ 245,000	$ 435,875	$ 680,875
2028	255,000	419,625	674,625
2029	270,000	402,562	672,562
2030	280,000	384,687	664,687
2031	295,000	369,687	664,687
2032	310,000	357,587	667,587
2033	325,000	344,481	669,481
2034	340,000	330,350	670,350
2035	355,000	315,581	670,581
2036	370,000	299,250	669,250
2037	390,000	281,200	671,200
2038	410,000	262,200	672,200
2039	425,000	242,368	667,368
2040	450,000	221,588	671,588
2041	470,000	199,738	669,738
2042	490,000	176,938	666,938
2043	515,000	153,069	668,069
2044	540,000	128,013	668,013
2045	565,000	101,769	666,769
2046	590,000	74,338	664,338
2047	620,000	45,600	665,600
2048	650,000	15,438	665,438
	$ 9,160,000	$ 5,561,944	$ 14,721,944

See accompanying auditor's report.

Montgomery County Municipal Utility District No. 137
TSI-5. Long-Term Debt Service Requirements
Series 2022 Road--by Years
February 28, 2026

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2027	$ 85,000	$ 146,056	$ 231,056
2028	85,000	140,531	225,531
2029	90,000	134,844	224,844
2030	95,000	128,831	223,831
2031	100,000	123,744	223,744
2032	105,000	119,644	224,644
2033	110,000	115,206	225,206
2034	115,000	110,425	225,425
2035	120,000	105,431	225,431
2036	125,000	100,147	225,147
2037	130,000	94,488	224,488
2038	140,000	88,413	228,413
2039	145,000	81,819	226,819
2040	150,000	74,813	224,813
2041	160,000	67,450	227,450
2042	165,000	59,731	224,731
2043	175,000	51,656	226,656
2044	180,000	43,225	223,225
2045	190,000	34,438	224,438
2046	200,000	25,175	225,175
2047	210,000	15,438	225,438
2048	220,000	5,225	225,225
	$ 3,095,000	$ 1,866,730	$ 4,961,730

See accompanying auditor's report.

Montgomery County Municipal Utility District No. 137
TSI-5. Long-Term Debt Service Requirements
Series 2023--by Years
February 28, 2026

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2027	$ 345,000	$ 713,250	$ 1,058,250
2028	365,000	688,400	1,053,400
2029	380,000	662,325	1,042,325
2030	400,000	635,025	1,035,025
2031	415,000	607,538	1,022,538
2032	435,000	583,175	1,018,175
2033	460,000	560,800	1,020,800
2034	480,000	537,300	1,017,300
2035	500,000	512,800	1,012,800
2036	525,000	487,175	1,012,175
2037	550,000	460,300	1,010,300
2038	575,000	432,894	1,007,894
2039	605,000	404,869	1,009,869
2040	635,000	375,419	1,010,419
2041	665,000	344,544	1,009,544
2042	695,000	311,375	1,006,375
2043	730,000	275,750	1,005,750
2044	760,000	238,500	998,500
2045	800,000	199,500	999,500
2046	835,000	158,625	993,625
2047	875,000	115,875	990,875
2048	920,000	71,000	991,000
2049	960,000	24,000	984,000
	$ 13,910,000	$ 9,400,438	$ 23,310,438

See accompanying auditor's report.

Montgomery County Municipal Utility District No. 137
TSI-5. Long-Term Debt Service Requirements
Series 2024--by Years
February 28, 2026

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2027	$ 165,000	$ 270,313	$ 435,313
2028	175,000	260,963	435,963
2029	180,000	251,200	431,200
2030	190,000	241,025	431,025
2031	200,000	230,300	430,300
2032	210,000	220,600	430,600
2033	220,000	212,000	432,000
2034	230,000	203,000	433,000
2035	240,000	193,600	433,600
2036	250,000	183,800	433,800
2037	265,000	173,500	438,500
2038	275,000	162,700	437,700
2039	290,000	151,400	441,400
2040	300,000	139,600	439,600
2041	315,000	127,300	442,300
2042	330,000	114,400	444,400
2043	345,000	100,900	445,900
2044	365,000	86,700	451,700
2045	380,000	71,800	451,800
2046	400,000	56,200	456,200
2047	420,000	39,800	459,800
2048	440,000	22,600	462,600
2049	460,000	6,900	466,900
	$ 6,645,000	$ 3,520,601	$ 10,165,601

See accompanying auditor's report.

Montgomery County Municipal Utility District No. 137
TSI-5. Long-Term Debt Service Requirements
Series 2025--by Years
February 28, 2026

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2027	$ 175,000	$ 329,719	$ 504,719
2028	185,000	318,019	503,019
2029	195,000	305,669	500,669
2030	205,000	292,669	497,669
2031	215,000	279,019	494,019
2032	225,000	267,531	492,531
2033	235,000	257,156	492,156
2034	250,000	246,281	496,281
2035	260,000	236,081	496,081
2036	275,000	225,381	500,381
2037	285,000	214,181	499,181
2038	300,000	202,481	502,481
2039	315,000	189,984	504,984
2040	330,000	176,475	506,475
2041	350,000	162,025	512,025
2042	365,000	146,831	511,831
2043	385,000	130,894	515,894
2044	405,000	113,853	518,853
2045	425,000	95,697	520,697
2046	445,000	76,388	521,388
2047	470,000	55,800	525,800
2048	490,000	34,200	524,200
2049	515,000	11,588	526,588
	$ 7,300,000	$ 4,367,922	$ 11,667,922

See accompanying auditor's report.

Montgomery County Municipal Utility District No. 137
TSI-5. Long-Term Debt Service Requirements
Series 2025 Road--by Years
February 28, 2026

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2027	$ 110,000	$ 159,900	$ 269,900
2028	90,000	153,400	243,400
2029	95,000	147,388	242,388
2030	100,000	141,050	241,050
2031	105,000	134,388	239,388
2032	110,000	128,775	238,775
2033	115,000	123,700	238,700
2034	120,000	118,425	238,425
2035	125,000	113,525	238,525
2036	130,000	108,425	238,425
2037	140,000	103,025	243,025
2038	145,000	97,325	242,325
2039	150,000	91,331	241,331
2040	160,000	84,838	244,838
2041	165,000	77,931	242,931
2042	175,000	70,706	245,706
2043	185,000	63,056	248,056
2044	195,000	54,859	249,859
2045	205,000	46,109	251,109
2046	215,000	36,788	251,788
2047	225,000	26,888	251,888
2048	235,000	16,537	251,537
2049	250,000	5,625	255,625
	$ 3,545,000	$ 2,103,994	$ 5,648,994

See accompanying auditor's report.

Montgomery County Municipal Utility District No. 137
TSI-5. Long-Term Debt Service Requirements
All Bonded Debt Series--by Years
February 28, 2026

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2027	$ 1,845,000	$ 2,630,758	$ 4,475,758
2028	1,900,000	2,538,631	4,438,631
2029	1,985,000	2,442,629	4,427,629
2030	2,070,000	2,341,733	4,411,733
2031	2,170,000	2,241,429	4,411,429
2032	2,260,000	2,150,936	4,410,936
2033	2,355,000	2,062,903	4,417,903
2034	2,450,000	1,970,203	4,420,203
2035	2,550,000	1,874,985	4,424,985
2036	2,660,000	1,773,751	4,433,751
2037	2,780,000	1,665,711	4,445,711
2038	2,905,000	1,552,897	4,457,897
2039	3,025,000	1,434,979	4,459,979
2040	3,160,000	1,310,552	4,470,552
2041	3,305,000	1,179,455	4,484,455
2042	3,445,000	1,041,228	4,486,228
2043	3,600,000	895,876	4,495,876
2044	3,750,000	743,637	4,493,637
2045	3,480,000	593,437	4,073,437
2046	3,390,000	449,264	3,839,264
2047	3,315,000	305,589	3,620,589
2048	2,955,000	165,000	3,120,000
2049	2,185,000	48,113	2,233,113
	$ 63,540,000	$ 33,413,694	$ 96,953,694

See accompanying auditor's report.

(This page intentionally left blank)

TSI-6. Change in Long-Term Bonded Debt
February 28, 2026

	Bond Issue			
	Series 2017 Road	Series 2018 Road	Series 2019 Road	Series 2019
Interest rate	2.00% - 4.15%	2.25% - 4.30%	1.90% - 3.30%	2.00% - 3.375%
Dates interest payable	9/1; 3/1	9/1; 3/1	9/1; 3/1	9/1; 3/1
Maturity dates	9/1/19 - 9/1/43	9/1/19 - 9/1/43	9/1/20 - 9/1/44	9/1/21 - 9/1/44
Beginning bonds outstanding	$ 3,350,000	$ 2,140,000	$ 1,020,000	$ 2,505,000
Bonds issued				
Bonds retired	(115,000)	(75,000)	(35,000)	(90,000)
Ending bonds outstanding	$ 3,235,000	$ 2,065,000	$ 985,000	$ 2,415,000
Interest paid during fiscal year	$ 126,226	$ 85,396	$ 31,125	$ 76,863

Paying agent's name and city	
Series 2024, 2025 and 2025 Road	The Bank of New York Mellon Trust Company, N.A., Houston, Texas
All other Series	The Bank of New York Mellon Trust Company, N.A., Dallas, Texas

Bond Authority:	Water, Sewer, Drainage and Refunding Bonds	Park and Recreational and Refunding Bonds	Road and Refunding Bonds
Amount Authorized by Voters	$ 185,000,000	$ 56,000,000	$ 134,000,000
Amount Issued	(48,860,000)		(18,835,000)
Remaining To Be Issued	$ 136,140,000	$ 56,000,000	$ 115,165,000

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

Debt Service Fund cash and investments balance as of February 28, 2026:	$ 4,950,929
Average annual debt service payment (principal and interest) for remaining term of all debt:	$ 4,215,378

See accompanying auditor's report.

Bond Issue				
Series 2020	Series 2021	Series 2021 Road	Series 2022	Series 2022 Road
1.50% - 3.00% 9/1; 3/1 9/1/22 - 9/1/45	2.00% - 3.00% 9/1; 3/1 9/1/23 - 9/1/46	2.00% - 2.50% 9/1; 3/1 9/1/23 - 9/1/46	4.00% - 6.50% 9/1; 3/1 9/1/24 - 9/1/47	4.00% - 6.50% 9/1; 3/1 9/1/24 - 9/1/47
$ 3,550,000	$ 3,915,000	$ 4,105,000	$ 9,395,000	$ 3,175,000
(125,000)	(120,000)	(140,000)	(235,000)	(80,000)
$ 3,425,000	$ 3,795,000	$ 3,965,000	$ 9,160,000	$ 3,095,000
$ 91,818	$ 88,675	$ 92,456	$ 451,475	$ 151,419

TSI-6. Change in Long-Term Bonded Debt
February 28, 2026

	Bond Issue			
	Series 2023	Series 2024	Series 2025	Series 2025 Road
Interest rate	4.75% - 7.00%	3.00% - 5.50%	4.00% - 6.50%	4.00% - 6.50%
Dates interest payable	9/1; 3/1	9/1; 3/1	9/1; 3/1	9/1; 3/1
Maturity dates	9/1/25 - 9/1/48	9/1/25 - 9/1/48	9/1/26 - 9/1/48	9/1/26 - 9/1/48
Beginning bonds outstanding	$ 14,240,000	$ 6,830,000	$ -	$ -
Bonds issued			7,300,000	3,545,000
Bonds retired	(330,000)	(185,000)		
Ending bonds outstanding	$ 13,910,000	$ 6,645,000	$ 7,300,000	$ 3,545,000
Interest paid during fiscal year	$ 736,875	$ 279,938	$ 114,597	$ 55,854

See accompanying auditor's report.

	Totals
$	54,225,000
	10,845,000
	(1,530,000)
$	63,540,000
$	2,382,717

Montgomery County Municipal Utility District No. 137
TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund
For the Last Five Fiscal Years

	Amounts				
	2026	2025	2024	2023	2022
Revenues					
Water service	$ 351,008	$ 314,057	$ 380,523	$ 325,631	$ 240,827
Sewer service	601,822	556,903	497,805	414,785	357,616
Property taxes	980,302	1,073,456	1,095,400	1,095,148	814,618
Penalties and interest	16,798	21,038	20,228	16,135	8,432
Pumpage fees	380,202	387,182	452,540	378,660	218,741
Tap connection and inspection	74,410	124,855	195,448	170,770	277,775
Miscellaneous	13,840	16,114	10,598	806	
Investment earnings	106,021	105,066	81,112	17,214	220
Total Revenues	2,524,403	2,598,671	2,733,654	2,419,149	1,918,229
Expenditures					
Current service operations					
Professional fees	166,368	137,500	138,775	141,020	184,225
Contracted services	651,451	543,595	593,798	463,833	434,730
Repairs and maintenance	743,842	815,072	730,763	733,010	515,918
Utilities	179,316	180,461	157,511	123,455	113,766
Pumpage fees	376,130	327,337	441,034	379,008	213,368
Administrative	92,545	94,265	72,057	57,753	55,994
Other	30,813	33,946	34,800	28,478	9,503
Capital outlay		57,695			
Total Expenditures	2,240,465	2,189,871	2,168,738	1,926,557	1,527,504
Revenues Over Expenditures	283,938	408,800	564,916	492,592	390,725
Other Financing Uses					
Internal transfers			(18,854)		
Net Change in Fund Balance	283,938	408,800	546,062	492,592	390,725
Fund Balance, Beginning of the year	2,393,326	1,984,526	1,438,464	945,872	555,147
End of the year	$ 2,677,264	$ 2,393,326	$ 1,984,526	$ 1,438,464	$ 945,872
Total Active Retail Water Connections	1,033	999	939	817	694
Total Active Retail Wastewater Connections	985	957	897	775	658

*Percentage is negligible

See accompanying auditor's report.

Percent of Fund Total Revenues				
2026	2025	2024	2023	2022
14%	12%	14%	13%	13%
24%	21%	18%	17%	19%
38%	41%	40%	45%	42%
1%	1%	1%	1%	*
15%	15%	17%	16%	12%
3%	5%	7%	7%	14%
1%	1%	*	*	
4%	4%	3%	1%	*
100%	100%	100%	100%	100%
7%	5%	5%	6%	10%
26%	21%	22%	19%	23%
29%	31%	27%	30%	27%
7%	7%	6%	5%	6%
15%	13%	16%	16%	11%
4%	4%	3%	2%	3%
1%	1%	1%	1%	*
	2%			
89%	84%	80%	79%	80%
11%	16%	20%	21%	20%

Montgomery County Municipal Utility District No. 137
TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fund
For the Last Five Fiscal Years

	Amounts				
	2026	2025	2024	2023	2022
Revenues					
Property taxes	$ 4,403,638	$ 3,563,901	$ 3,057,719	$ 1,868,915	$ 1,170,811
Penalties and interest	73,753	27,636	28,236	11,754	4,901
Miscellaneous	4,989			25	
Investment earnings	131,465	126,001	77,951	18,554	170
Total Revenues	4,613,845	3,717,538	3,163,906	1,899,248	1,175,882
Expenditures					
Tax collection services	99,609	57,007	48,145	34,752	33,928
Other	2,355	1,779	3,354		
Debt service					
Principal	1,530,000	970,000	650,000	395,000	265,000
Interest and fees	2,391,491	2,084,951	1,522,236	863,854	519,917
Total Expenditures	4,023,455	3,113,737	2,223,735	1,293,606	818,845
Revenues Over Expenditures	590,390	603,801	940,171	605,642	357,037
Other Financing Sources					
Proceeds from sale of bonds	249,441	142,512	374,213	216,450	
Net Change in Fund Balance	839,831	746,313	1,314,384	822,092	357,037
Fund Balance, Beginning of the year	4,070,543	3,324,230	2,009,846	1,187,754	830,717
End of the year	$ 4,910,374	$ 4,070,543	$ 3,324,230	$ 2,009,846	$ 1,187,754

*Percentage is negligible

See accompanying auditor's report.

Percent of Fund Total Revenues				
2026	2025	2024	2023	2022
95%	96%	97%	98%	100%
2%	1%	1%	1%	*
*			*	
3%	3%	2%	1%	*
100%	100%	100%	100%	100%
2%	2%	2%	2%	3%
*	*	*		
33%	26%	21%	21%	23%
52%	56%	48%	45%	44%
87%	84%	71%	68%	70%
13%	16%	29%	32%	30%

Montgomery County Municipal Utility District No. 137
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended February 28, 2026

Complete District Mailing Address:	3200 Southwest Freeway, Suite 2600, Houston, TX 77027
District Business Telephone Number:	(713) 860-6400
Submission Date of the most recent District Registration Form (TWC Sections 36.054 and 49.054):	June 10, 2024
Limit on Fees of Office that a Director may receive during a fiscal year: (Set by Board Resolution -- TWC Section 49.060)	$ 7,200

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimburse-ments	Title at Year End
Board Members				
Richard Martinez	05/22 - 05/26	$ 2,431	$ 442	President
Jared Fargo	05/24 - 05/28	1,989		Vice President
Christina Cole	05/24 - 05/28	5,746	1,033	Secretary
Avi Elfezouaty	05/24 - 05/28	1,989	95	Assistant Vice President
Deborah Arterburn	05/22 - 05/26	1,989	377	Assistant Secretary

Consultants		Amounts Paid	
Allen Boone Humphries Robinson LLP	2013		Attorney
General legal fees		$ 112,603	
Bond counsel		300,511	
Municipal District Services, LLC.	2013	579,908	Operator
Municipal Accounts & Consulting, L.P.	2022	61,031	Bookkeeper
Assessments of the Southwest, Inc.	2013	24,281	Tax Collector
Montgomery Central Appraisal District	Legislation	45,177	Property Valuation
Perdue, Brandon, Fielder, Collins & Mott, LLP.	2015	29,421	Delinquent Tax Attorney
Pape- Dawson Consulting, Inc.	2013	122,448	Engineer
TBG Partners	2013		Landscape Architect
McGrath & Co., PLLC	Annual	43,725	Auditor
Robert W. Baird & Co., Inc.	2018	220,839	Financial Advisor

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

See accompanying auditor's report.

APPENDIX B

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

MUNICIPAL BOND INSURANCE POLICY

ISSUER: Policy No.: -N

BONDS: $ in aggregate principal amount of Effective Date:

Premium: $

ASSURED GUARANTY INC. ("AG"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AG, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AG shall have received Notice of Nonpayment, AG will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AG, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AG. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AG is incomplete, it shall be deemed not to have been received by AG for purposes of the preceding sentence and AG shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AG shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AG hereunder. Payment by AG to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AG under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AG shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AG which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

SPECIMEN

AG may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AG pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AG and shall not be deemed received until received by both and (b) all payments required to be made by AG under this Policy may be made directly by AG or by the Insurer's Fiscal Agent on behalf of AG. The Insurer's Fiscal Agent is the agent of AG only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AG to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AG agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AG to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AG, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY INC. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY INC.

By _____
Authorized Officer

1633 Broadway, New York, N.Y. 10019 (212) 974-0100

Form 500 (8/24)

SPECIMEN