MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 197

(Montgomery County, Texas)

PRELIMINARY OFFICIAL STATEMENT

DATED: SEPTEMBER 8, 2026

$4,500,000

UNLIMITED TAX BONDS

SERIES 2026

BIDS TO BE SUBMITTED BY: 9:30 A.M., CENTRAL TIME

TUESDAY, OCTOBER 13, 2026

BONDS TO BE AWARDED: 11:30 A.M., CENTRAL TIME

TUESDAY, OCTOBER 13, 2026

CEDAR CREEK

MUNICIPAL ADVISORS

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

PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 8, 2026

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

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

The Bonds will be designated as "qualified tax-exempt obligations" for financial institutions.

NEW ISSUE – Book-Entry-Only NOT RATED

$4,500,000
MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 197
(A political subdivision of the State of Texas located within Montgomery County)
UNLIMITED TAX BONDS, SERIES 2026

Dated: November 1, 2026
Interest Accrues From: Date of Delivery Due: September 1, as shown on inside cover

The $4,500,000 Unlimited Tax Bonds, Series 2026 (the "Bonds"), are obligations of Montgomery County Municipal Utility District No. 197 (the "District") and are not obligations of the State of Texas; Montgomery County, Texas; or any political subdivision or entity other than the District. Neither the full faith and credit nor the taxing power of the State of Texas; Montgomery County, Texas; nor any entity other than the District is pledged to the payment of the principal of or the interest on the Bonds.

Principal of the Bonds is payable upon presentation at the principal payment office of the paying agent/registrar, initially, BOKF, NA, Dallas, Texas (the "Paying Agent/Registrar"). The Bonds are dated November 1, 2026 (the "Dated Date"), and will accrue interest from the date of delivery, which is expected to be on or about November 12, 2026 (the "Date of Delivery"), with interest payable March 1, 2027, and on each September 1 and March 1 thereafter (each an "Interest Payment Date") until the earlier of maturity or redemption. Interest on the Bonds will be payable by check dated as of the Interest Payment Date and mailed by the Paying Agent/Registrar to registered owners as shown on the records of the Paying Agent/Registrar at the close of business on the 15th calendar day of the month next preceding each Interest Payment Date. The Bonds are fully registered bonds in principal denominations of $5,000 or any integral multiple thereof.

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

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

The Bonds are the second series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing water, sewer, and drainage facilities to serve the District (the "Utility System"). The Bonds, when issued, will constitute valid and binding obligations of the District payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. See "THE BONDS – Source of Payment."

Investment in the Bonds is subject to special risk factors as described herein. Prospective purchasers should review this entire Official Statement, including particularly the section of this Official Statement entitled "RISK FACTORS," before making an investment decision. See "RISK FACTORS."

The Bonds are offered subject to prior sale, when, as and if issued by the District and accepted by the initial purchaser of the Bonds (the "Initial Purchaser"), subject, among other things, to the approval of the Attorney General of Texas and of Allen Boone Humphries Robinson LLP, Bond Counsel. Delivery of the Bonds through the facilities of DTC is expected on or about November 12, 2026.

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL REOFFERING YIELDS, AND CUSIPS

$4,500,000 Unlimited Tax Bonds, Series 2026

Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. _____ (b)	Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. _____ (b)
2028	$100,000	___%	___%	___	2040 (c)	$185,000	___%	___%	___
2029	105,000	___%	___%	___	2041 (c)	190,000	___%	___%	___
2030	110,000	___%	___%	___	2042 (c)	200,000	___%	___%	___
2031	120,000	___%	___%	___	2043 (c)	210,000	___%	___%	___
2032 (c)	125,000	___%	___%	___	2044 (c)	215,000	___%	___%	___
2033 (c)	130,000	___%	___%	___	2045 (c)	230,000	___%	___%	___
2034 (c)	140,000	___%	___%	___	2046 (c)	245,000	___%	___%	___
2035 (c)	145,000	___%	___%	___	2047 (c)	255,000	___%	___%	___
2036 (c)	155,000	___%	___%	___	2048 (c)	260,000	___%	___%	___
2037 (c)	160,000	___%	___%	___	2049 (c)	275,000	___%	___%	___
2038 (c)	165,000	___%	___%	___	2050 (c)	290,000	___%	___%	___
2039 (c)	175,000	___%	___%	___	2051 (c)	315,000	___%	___%	___

(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 will be 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. See "THE BONDS – Redemption Provisions."

USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

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

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

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

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for any purpose.

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SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the bid of _____ (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 _____% of par, resulting in a net effective interest rate of _____%, as calculated pursuant to Chapter 1204, Texas Government Code, as amended.

Prices and Marketability

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

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

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

Securities Laws

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

MUNICIPAL BOND INSURANCE

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

MUNICIPAL BOND RATING

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

OFFICIAL STATEMENT SUMMARY

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

THE BONDS

The District	Montgomery County Municipal Utility District No. 197 (the "District"), a political subdivision of the State of Texas, is located in Montgomery County, Texas. See "THE DISTRICT."
The Bonds	The District is issuing $4,500,000 Unlimited Tax Bonds, Series 2026 (the "Bonds"). The Bonds are dated November 1, 2026, and mature on September 1 in each of the years and principal amounts set forth on the inside cover page hereof. Interest accrues from the date of delivery, which is expected to be on or about November 12, 2026 (the "Date of Delivery"), at the rates per annum set forth on the inside cover page hereof and is payable on March 1, 2027, and on each September 1 and March 1 thereafter until maturity or earlier redemption. The Bonds are offered in fully registered form in integral multiples of $5,000 for any one maturity. See "THE BONDS."
Redemption	Bonds maturing on and after September 1, 2032, are subject to redemption, in whole or from time to time in part, at the option of the District on September 1, 2031, and on any date thereafter at a price of par. See "THE BONDS – Redemption Provisions."
Source of Payment	Principal of and interest on the Bonds are payable from the proceeds of a continuing direct annual ad valorem tax levied upon all taxable property within the District without legal limitation as to rate or amount. The Bonds are obligations solely of the District and are not obligations of the State of Texas; Montgomery County, Texas; or any other political subdivision or entity other than the District. See "THE BONDS – Source of Payment."
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 (hereinafter defined) thereof. Principal of and interest on the Bonds will be payable by BOKF, NA, Dallas, 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."
Payment Record	The Bonds are the third issuance of bonded indebtedness by the District. The District has never defaulted on the timely payment of debt service on its bonded indebtedness.
Authority for Issuance	At an election held within the District on May 7, 2022, voters of the District authorized the District's issuance of: $181,680,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sewer, and drainage facilities to serve the District (the "Utility System"); $181,680,000 principal amount of

unlimited tax bonds for the purpose of refunding bonds issued by the District for the Utility System; $49,100,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing a road system to serve the District (the "Road System"); $49,100,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Road System; $28,800,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities to serve the District; and $28,800,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by District for parks and recreational facilities.

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

Outstanding Bonds ..... The District has previously issued one (1) series of unlimited tax bonds for the purpose of acquiring or constructing the Utility System and one (1) series of unlimited tax bonds for the purpose of acquiring or constructing the Road System, of which $8,130,000 principal amount will remain outstanding as of the Date of Delivery. See "THE BONDS—Outstanding Bonds."

Use of Proceeds ..... A portion of the proceeds from the sale of the Bonds will be used to pay certain costs related to acquiring or constructing the Utility System, as set out herein under the "THE BONDS – Use and Distribution of Bond Proceeds." Additionally, proceeds of the Bonds will be used to pay for engineering costs related to the financed facilities, operation expenses, developer interest, twelve (12) months of capitalized interest on the Bonds, and other costs associated with the issuance of the Bonds. 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. See "THE BONDS – Use and Distribution of Bond Proceeds."

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

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

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

Bond Counsel	Allen Boone Humphries Robinson LLP, Houston, Texas. See "LEGAL MATTERS" and "TAX MATTERS."
Disclosure Counsel	McCall, Parkhurst & Horton L.L.P., Houston, Texas.
Financial Advisor	Cedar Creek Municipal Advisors, LLC, Houston, Texas.

THE DISTRICT

Description	The District was created by order of the TCEQ dated September 2, 2021. The District comprises approximately 221.597 total acres and is situated entirely within Montgomery County, Texas, and within the boundaries of Magnolia Independent School District. See "THE DISTRICT."
Location	The District is in western Montgomery County, approximately one-half mile west of Montgomery/Waller County line along north side of Farm-to-Market Road 1488 ("FM 1488"). The District lies approximately three (3) miles southwest of City of Magnolia, and seven (7) miles southwest of State Highway 149. The District is located outside of the extraterrestrial jurisdiction and the city limits of the surrounding cities.
Developer and Principal Landowner	Magnolia 221 Development Partners LP ("Magnolia 221" or the "Developer"), a Delaware limited partnership, whose general partner is Magnolia 221 GP Texas LLC, a Delaware limited liability company, is the developer of approximately 186.20 acres in the District, being developed as Emory Glen, on which it has completed development of 345 single-family lots on approximately 61 acres. Magnolia 221 currently owns the remaining approximately 122 undeveloped but developable acres and approximately 38 vacant developed lots within the District. Magnolia 221 is a thinly capitalized limited partnership whose assets consist primarily of the land in the District and the receivables due from the District for development costs. Magnolia 221 is a single purpose entity formed for the purpose of developing the land it owns in the District. The Developer has entered into a management agreement with Precedent Land Company, a division of EHT of Texas LP, a Delaware limited partnership ("Precedent") and parent company of the Developer, for the purpose of managing the day-to-day development activities within the District. Precedent and the Developer are under common ownership and control. See "PRINCIPAL LANDOWNER/DEVELOPER."
Development within the District	To date, 345 single-family lots in the District have been developed within the following single-family residential subdivisions: Emory Glen, Sections 1, 2, 3, and 4. Said subdivisions encompass approximately 61.46 total acres within the District. As of July 1, 2026, the District included approximately 239 completed homes (approximately 174 occupied and 65 unoccupied), approximately 13 homes under construction and approximately 93 vacant, developed lots. The remainder of the lands within the District includes approximately 122.15 undeveloped but developable acres and approximately 37.99 undevelopable acres. See "DEVELOPMENT OF THE DISTRICT – Status of Development within the District."

Active Homebuilders	Homebuilders active in the District include: Empire Homes, Chesmar Homes, Ashton Woods, and Highland Homes. Prices of new homes being constructed in the District range from the high $200,000's to the $400,000's and in size from approximately 1,400 to 3,200 square feet.

RISK FACTORS

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

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SELECTED FINANCIAL INFORMATION
(UNAUDITED)

2026 Taxable Assessed Valuation	$	78,544,286	(a)
Estimated Taxable Assessed Valuation as of July 1, 2026	$	91,457,926	(b)
Direct Debt			
The Outstanding Bonds(as of Date of Delivery)	$	8,130,000	
The Bonds	$	4,500,000	
Total	$	12,630,000	
Estimated Overlapping Debt	$	5,206,053	(c)
Total Direct and Estimated Overlapping Debt	$	17,836,053	(c)
Direct Debt Ratio:			
As a Percentage of 2026 Taxable Assessed Valuation		16.08 %	
As a Percentage of Estimated Taxable Assessed Valuation as of July 1, 2026		13.81 %	
Direct and Estimated Overlapping Debt Ratio:			
As a Percentage of 2026 Taxable Assessed Valuation		22.71 %	
As a Percentage of Estimated Taxable Assessed Valuation as of July 1, 2026		19.50 %	
Utility Debt Service Fund Balance (as of Date of Delivery)	$	127,576	(d)
Road Debt Service Fund Balance (as of September 8, 2026)	$	162,813	(e)
Operating Fund Balance (as of September 8, 2026)	$	463,061	(f)
2026 Tax Rate:			
Road Debt Service		$ 0.425	
Utility Debt Service		0.305	
Maintenance and Operations		0.770	
Total		$ 1.500	
Estimated Average Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2027–2051)	$	862,189	(g)
Estimated Maximum Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2046)	$	916,831	(g)
Debt Service Tax Rate per $100 of Assessed Valuation Required to Pay Estimated Average Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2027–2051) at 95% Tax Collections			
Based on 2026 Taxable Assessed Valuation	$	1.16	
Based on Estimated Taxable Assessed Valuation as of July 1, 2026	$	1.00	
Debt Service Tax Rate per $100 of Assessed Valuation Required to Pay Estimated Maximum Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2046) at 95% Tax Collections			
Based on 2026 Taxable Assessed Valuation	$	1.23	
Based on Estimated Taxable Assessed Valuation as of July 1, 2026	$	1.06	

(a) Represents the taxable amount of the certified assessed valuation of taxable property in the District as of January 1, 2026, as provided by the Appraisal District. Such amount includes $4,869,858 of uncertified assessed valuation of taxable property in the District as of January 1, 2026. See "TAX DATA" and "TAXING PROCEDURES."

(b) Provided by the Appraisal District for informational purposes only. This estimate reflects the addition of the taxable value from new construction within the District from January 1, 2026, to July 1, 2026. No taxes will be levied on this estimate. See "TAX DATA" and "TAXING PROCEDURES."

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

(d) In addition to this amount, twelve (12) months of capitalized interest to be deposited into the Utility Debt Service Fund (herein defined) upon closing of the Bonds. Neither Texas law nor the Bond Resolution (herein defined) requires that the District maintain any particular sum in the Utility Debt Service Fund (herein defined). Funds in the Utility Debt Service Fund are not available to pay debt service on bonds issued by the District for the Road System (herein defined).

(e) Neither Texas law nor the Bond Resolution (herein defined) requires that the District maintain any particular sum in the Road Debt Service Fund (herein defined). Funds in the Road Debt Service Fund are not available to pay debt service on bonds issued by the District for the Utility System (herein defined), including the Bonds.

(f) See "RISK FACTORS - Operating Funds."

(g) Includes debt service on the Outstanding Bonds and the estimated requirement of debt service on the Bonds, assuming an interest rate of 5.25%. See "DISTRICT DEBT – Debt Service Requirement Schedule."

$4,500,000

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 197

UNLIMITED TAX BONDS

SERIES 2026

This Official Statement provides certain information with respect to the issuance by Montgomery County Municipal Utility District No. 197 (the "District") of its $4,500,000 Unlimited Tax Bonds, Series 2026 (the "Bonds").

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

There follows herein 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 Bond Counsel (herein defined) at 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027, upon payment of the costs of duplication thereof. Certain capitalized terms used herein have the same meanings assigned to such terms in the Bond Resolution, except as otherwise indicated herein.

RISK FACTORS

General

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

Factors Affecting Taxable Values and Tax Payments

Economic Factors: The District is situated in the Houston, Texas metropolitan area, and the rate of development of the District is directly related to the vitality of the residential housing industry in said metropolitan area. 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.

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

Dependence on Principal Taxpayers: The ability of any principal landowner to make full and timely payments of taxes levied against its property by the District and similar taxing authorities will directly affect the District's ability to meet its debt-service obligations. As illustrated in this Official Statement under the caption "TAX DATA – Principal Taxpayers," as of January 1, 2026, the District's principal taxpayers owned property located within the District the aggregate taxable assessed valuation of which comprised approximately 24.05% of the District's total assessed valuation. The Developer and its related entities own approximately 12.44% of the District's 2026 Taxable Assessed Valuation. See "PRINCIPAL LANDOWNER/DEVELOPER."

In the event that the Developer, any other taxpayer, or any combination of taxpayers, should default in the payment of taxes in an amount which exceeds the District's debt service fund surplus, the ability of the District to make timely payment of debt service on the Bonds will be dependent on its ability to enforce and liquidate its tax liens, which is a time-consuming process. Failure to recover or borrow funds in a timely fashion could result in an excessive District tax rate. The District is not required by law or the Bond Resolution to maintain any specified amount of surplus in its interest and sinking fund. See "TAX DATA – Principal Taxpayers" and "TAXING PROCEDURES – Levy and Collection of Taxes."

Maximum Impact on District Tax Rates: Assuming no further development or home construction, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of property owners to pay their taxes. The 2026 Taxable Assessed Valuation is $78,544,286, and the Estimated Taxable Assessed Valuation as of July 1, 2026, is $91,457,926. See "TAX DATA."

After issuance of the Bonds, the estimated maximum annual debt service requirement on the Outstanding Bonds and the Bonds (2046) will be $916,831, and the estimated average annual debt service requirement on Outstanding Bonds and the Bonds (2027–2051) will be $862,189. Assuming no decrease to the District's 2026 Taxable Assessed Valuation, tax rates of $1.23 and $1.16 per $100 of taxable assessed valuation at a 95% tax collection rate would be necessary to pay the estimated maximum annual debt service requirement and the estimated average annual debt service requirement, respectively. Assuming no decrease to the District's Estimated Taxable Assessed Valuation as of July 1, 2026, tax rates of $1.06 and $1.00 per $100 of taxable assessed valuation at a 95% tax collection rate would be necessary to pay the estimated maximum annual debt service requirement and the estimated average annual debt service requirement, respectively. The District can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the proposed District tax rate or to justify continued payment of taxes by property owners.

Operating Funds

The District levied a 2026 maintenance tax of $0.77 per $100 of assessed valuation. The District's operating fund balance on September 8, 2026 was $463,061. Attaining and maintaining a positive Operating Fund balance will depend upon (1) continued development, (2) increased amounts of maintenance tax revenue, and (3) developer advances. In the event that funds are not made available by the Developer, the District will be required to levy a maintenance tax at a rate sufficient (in combination with net revenues from the District's utility operations) to fund its operating expenses. Such a tax, when added to the District's debt service tax, may result in a total District tax in excess of similar developments and could adversely affect continued development of the District, as well as the willingness of taxpayers to pay taxes on their property. See "THE UTILITY SYSTEM – General Fund Operating Statement."

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.

Vacant Developed Lots

As of July 1, 2026, approximately 93 developed lots within the District remained available for construction. Failure of the Developer and/or builders to construct taxable improvements on developed lots could result in substantial increases in the rate of taxation by the District during the term of the Bonds to pay debt service on the Bonds and any other tax supported debt of the District issued in the future. Future increases in value will result primarily from the construction of homes by builders. The District makes no representation that the lot sales and building program will be successful.

Competitive Nature of Residential Housing Market

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

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 (2) 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 taxpayer's 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 ("Registered Owners") 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 with the initial purchaser of the Bonds (the "Initial Purchaser") regarding the reoffering yields or prices of the Bonds (other than the hold-the-offering-price rule restrictions described in the Official Notice of Sale) and has no control over trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made in the Bonds. If there is a secondary market, the difference between the bid and asked price for the Bonds may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional issuers as such bonds are more generally bought, sold or traded in the secondary market. See "SALE AND DISTRIBUTION OF THE BONDS."

Future Debt

At an election held within the District on May 7, 2022, voters of the District authorized the District's issuance of: $181,680,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sewer, and drainage facilities to serve the District (the "Utility System"); $181,680,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Utility System; $49,100,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing a road system to serve the District (the "Road System"); $49,100,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Road System; $28,800,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities to serve the District; and $28,800,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by District for parks and recreational facilities.

The Bonds represent the third series of bonds issued by the District and the second series of bonds for construction of the Utility System. After issuance of the Bonds, the following principal amounts of unlimited tax bonds will remain authorized but unissued: $173,835,000 for the Utility System; $181,680,000 for the refunding of bonds issued for the Utility System; $44,100,000 for the Road System; $49,100,000 for the refunding of bonds issued for the Road System; $28,800,000 for parks and recreational facilities; and $28,800,000 for the refunding of bonds issued by the District for parks and recreational facilities. The District may also issue any additional bonds as may hereafter be approved by both the Board of Directors and voters of the District as well as certain additional bonds, revenue bonds, special project bonds, and other obligations as described in the Bond Resolution. See "THE BONDS – Issuance of Additional Debt."

According to the Engineer (herein defined), following reimbursement to the Developer with the proceeds of the Bonds, the District will owe the Developer approximately $8,602,169 for its expenditures to construct the Utility System, parks and recreational facilities in the District, and the Road System.

Approval of the Bonds

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

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 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 Polyflouroalkyl Substances ("PFAS"), which requires public water systems to perform certain monitoring and remediation measures. Public water systems may be subject to additional PFAS regulation in the future, which could increase the cost of constructing, operating, and maintaining water production and distribution facilities.

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

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

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

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

While the *Sackett* decision and subsequent regulatory action removed a great deal of uncertainty regarding the ultimate scope of "waters of the United States" and the extent of EPA and USACE jurisdiction, operations

of municipal utility districts, including the District, could potentially be subject to additional restrictions and requirements, including additional permitting requirements, in the future.

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.

Potential Impact of Natural Disaster

The District is located near the Texas Gulf Coast and, as it has in the past, could be impacted by high winds and flooding caused by a hurricane, tornado, tropical storm, or other adverse weather event. 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 rate.

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 meteorological events.

Changes in Tax Legislation

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

Atlas 14

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

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.

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

The District has applied for a bond insurance policy to guarantee the scheduled payment of principal and interest on the Bonds. THE PURCHASE OF SUCH INSURANCE IS MANDATORY. The following are risk factors relating to the purchase of bond insurance.

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 issuer which is recovered by the issuer 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 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 "MUNICIPAL BOND 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 or Initial Purchaser has 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 "MUNICIPAL BOND 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.

THE BONDS

General

The following is a description of some of the terms and conditions of the Bonds, which is qualified in its entirety by reference to the Bond Resolution adopted by the Board. Copies of the Bond Resolution may be obtained from the District upon written request made to Bond Counsel.

The Bonds are dated November 1, 2026 (the "Dated Date"), and will accrue interest from the date of delivery, which is expected to be on or about November 12, 2026 (the "Date of Delivery"), with interest payable March 1, 2027, and on 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 of the years shown on the inside cover page of this Official Statement. Principal of the Bonds will be payable to the Registered Owners at maturity or redemption upon presentation at the principal payment office of the paying agent/registrar, initially, BOKF, NA, Dallas, 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, premium, if any, 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 name. The information in this section concerning DTC and its book entry system (the "Book-Entry-Only System") has been provided by DTC for use in disclosure documents such as this Official Statement. The District and the Financial Advisor believe the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

The District and the Financial Advisor cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants (herein defined), (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 (herein defined), 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 issue, 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" together with the Direct Participants, the "Participants"). DTC has a rating of "AA+" by S&P Global Ratings. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

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

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

Redemption proceeds, principal, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or 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 the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of

redemption proceeds, principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

The District may decide to discontinue use of the Book-Entry-Only System for 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-Only System has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

Use of Certain Terms in Other Sections of this Official Statement

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

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.

Funds

The Bond Resolution confirms the District's fund for payment of debt service on the Bonds and any additional unlimited tax bonds that the District may hereafter issue for the Utility System (the "Utility Debt Service Fund"). Twelve (12) months of capitalized interest on the Bonds will be deposited from the proceeds from sale of the Bonds into the Utility Debt Service Fund. The Utility Debt Service Fund, which constitutes a trust fund for the benefit of the owners of the Bonds, the Outstanding Bonds issued for the Utility System and any additional unlimited tax bonds issued by the District for the Utility System, is to be kept separate from all other funds of the District and is to be used for payment of debt service on the Bonds, the Outstanding Bonds issued for the Utility System and any of the District's other duly authorized bonds issued for the Utility System that are payable in whole or in part from taxes.

Funds in the separate account confirmed for payment of unlimited tax bonds issued for the Road System (the "Road Debt Service Fund") are to be used for payment of debt service on the Outstanding Bonds issued for the Road System and any additional bonds issued for the Road System hereafter issued and payable in whole or part from taxes. Amounts on deposit in the Road 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 hereafter issued for the Road System and payable in whole or in part from taxes, and to pay any tax anticipation notes issued in respect of debt service due to or become due on such bonds, together with interest thereon, as such tax anticipation notes become due. Funds otherwise on deposit in the Road Debt Service Fund, will not be allocated to the payment of the Bonds.

Outstanding Bonds

The District has previously issued one (1) series of unlimited tax bonds for the purpose of acquiring or constructing the Utility System and one (1) series of unlimited tax bonds for the purpose of acquiring or constructing the Road System, of which $8,130,000 principal amount will remain outstanding as of the Date of Delivery.

Redemption Provisions

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. Notice of the exercise of the reserved right of redemption will be given at least thirty (30) days prior to the redemption date by sending such notice by first class mail to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the bond register. If less than all of the Bonds are redeemed at any time, the maturities of the Bonds to be redeemed shall be selected by the District. If less than all of the Bonds of a certain maturity are to be redeemed, the particular Bonds or portions thereof to be redeemed will be selected by the Paying Agent/Registrar prior to the redemption date by such random method as the Paying Agent/Registrar deems fair and appropriate in integral multiples of $5,000 within any one maturity. The Registered Owner of any Bond, all or a portion of which has been called for redemption, shall be required to present such Bond to the Paying Agent/Registrar for payment of the redemption price on the portion of the Bonds so called for redemption and issuance of a new Bond in the principal amount equal to the portion of such Bond not redeemed.

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

At an election held within the District on May 7, 2022, voters of the District authorized the District's issuance of: $49,100,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System; $49,100,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Road System: $181,680,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System; $181,680,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Utility System; $28,800,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities to serve the District; and $28,800,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by District for parks and recreational facilities. The District may issue additional bonds, with the approval of the TCEQ (with respect to the Utility System and parks), as necessary to provide improvements and facilities consistent with the purposes for which the District was created, and the Board and voters could authorize additional amounts.

Source of Payment

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 located within the District. 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, and certain fees. Tax proceeds, after deduction for collection costs, will be placed in the Utility Debt Service Fund and used solely to pay principal of and interest on the Bonds, the Outstanding Bonds issued for the Utility System any additional bonds payable from taxes that may be issued for the Utility System, and fees of the Paying Agent/Registrar.

Bonds issued for the Utility System and for the Road System are each supported by the proceeds of a separate unlimited tax levied annually by the District. Amounts on deposit in the Road Debt Service Fund may not be used to pay debt service on any bonds issued by the District for the Utility System, including the Bonds.

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

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 Dallas, 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 Registered Owner. 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 Registered Owner or assignee of the Registered Owner 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 the Paying Agent/Registrar may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith.

Issuance of Additional Debt

At an election held within the District on May 7, 2022, voters of the District authorized the District's issuance of: $181,680,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System; $181,680,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Utility System; $49,100,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System; $49,100,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Road System; $28,800,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities to serve the District; and $28,800,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by District for parks and recreational facilities.

The Bonds represent the third series of bonds issued by the District and the second issuance of bonds for construction of the Utility System. After issuance of the Bonds, the following principal amounts of unlimited tax bonds will remain authorized but unissued: $173,835,000 for the Utility System; $181,680,000 for the refunding of bonds issued for the Utility System; $44,100,000 for the Road System; $49,100,000 for the refunding of bonds issued for the Road System; $28,800,000 for parks and recreational facilities; and $28,800,000 for the refunding of bonds issued by the District for parks and recreational facilities. The District may also issue any additional bonds as may hereafter be approved by both the Board of Directors and voters of the District as well as certain additional bonds, revenue bonds, special project bonds, and other obligations as described in the Bond Resolution. The Bond Resolution imposes no limitation on the amount of additional parity bonds which may be issued by the District (if authorized by the District's voters and, in the case of bonds for the Utility System or for parks and recreation, approved by the TCEQ).

According to the Engineer, following reimbursement to the Developer with the proceeds of the Bonds, the District will owe the Developer approximately $8,602,169 for its expenditures to construct the Utility System, parks and recreational facilities in the District, and the Road System.

The District is also authorized by statute to engage in fire-fighting activities, including the issuing of bonds payable from taxes for such purposes. Before the District could issue such bonds, the following actions would be required: (a) authorization of a detailed fire protection plan; (b) approval of the fire plan by the TCEQ; (c) approval of the fire plan by the voters of the District; and (d) approval of bonds, if any, by the Attorney General of Texas. If additional debt obligations are issued in the future by the District, such issuance may increase gross debt/property ratios and might adversely affect the investment security of the Bonds.

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. Before the District could issue park bonds payable from taxes, the following actions would be required: (a) approval of the park bond application for the issuance of bonds by the TCEQ; and (b) approval of the bonds by the Attorney General of Texas. The District has not considered the preparation of a parks bond application at this time. If the District does issue park bonds, the outstanding principal amount of such bonds may not exceed an amount equal to one percent (1%) of the value of the taxable property in the District at the time of issuance; unless the District meets certain financial feasibility requirements under the TCEQ rules, in which case the outstanding principal amount of such bonds issued by the District may exceed an amount equal to one percent (1%) but not more than three percent (3%) of the value of the taxable property in the District.

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.

Consolidation

The District has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its assets (such as cash and the Road 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 Road System Debt Service Fund and 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.

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Use and Distribution of Bond Proceeds

A portion of the proceeds from the sale of the Bonds will be used to pay certain costs related to the construction of the Utility System as shown below. Additionally, proceeds of the Bonds will be used to pay for engineering costs related to the financed facilities, operation expenses, developer interest, twelve (12) months of capitalized interest on the Bonds, and 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 and the Financial Advisor. The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Bonds and completion of agreed-upon procedures by the District's auditor.

Construction Costs	District's Share
A. Developer Contribution Items	
1. Water and Sanitary Sewer Force Main FM1488 Offsite	$ 364,969
2. Emory Glen Detention Basin - Phase 1	963,787
3. Clearing and Grubbing to serve Emory Glen	95,099
4. Water, Wastewater and Strom Water Facilities to serve Emory Glen Boulevard and Harvest Bloom Drive - Phase 1	892,879
5. Special Engineering Reports	58,627
6. Engineering and Surveying (for Item Nos 1 to 4)	513,240
7. Storm Water Compliance (for Item No. 3)	6,886
Total Developer Items	$ 2,895,487
B. District Items	
Total Construction Costs	**$ 2,895,487**
Non-Construction Costs	
A. Legal Fees	$ 127,500
B. Fiscal Agent Fees	90,000
C. Interest	
1. Capitalized Interest (12 Months @ 5.25%)	236,250
2. Developer Interest	705,403
D. Bond Discount (estimated 3.00%)	135,000
E. Bond Issuance Expenses	55,250
F. Bond Application Report Costs	50,750
G. Operation Expenses	188,610
H. Attorney General Fee (0.10% or $9,500 max)	4,500
I. TCEQ Bond Issuance Fee	11,250
Total Non-Construction Costs	**$ 1,604,513**
TOTAL BOND ISSUE REQUIREMENT	**$ 4,500,000**

The construction costs described above were compiled by the Engineer, based, in some cases, on the estimated costs of facilities. Non-construction costs are based upon either contract amounts or estimates. In the instance that estimated amounts exceed the actual costs, the difference comprises a surplus which may be expended for roads or improvements in aid thereof. However, the District cannot and does not guarantee the sufficiency of such bonds for such purposes.

THE DISTRICT

Authority

The District was created by order of the TCEQ, dated September 2, 2021, and by a confirmation election held within the District on May 7, 2022. As a municipal utility district under Article XVI, Section 59 of the Texas Constitution and operates under 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 of water; the collection, transportation, and treatment of wastewater; and 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 using operating revenues or by issuing bonds payable from taxes. In addition, the District is authorized, upon TCEQ and voter approval, to establish, operate and maintain a fire department, independently or with one or more other conservation and reclamation districts, and provide such facilities and services to the customers 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

The District is in western Montgomery County, approximately one-half mile west of Montgomery/Waller County line along north side of Farm-to-Market Road 1488 ("FM 1488"). The District lies approximately three (3) miles southwest of City of Magnolia, and seven (7) miles southwest of State Highway 149. The District is located outside of the extraterritorial jurisdiction and the city limits of the surrounding cities.

Management of the District

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

Name	Position	Term Expires May
David Ward	President	2028
Heather Zayas	Vice President	2030
Erica Bogdan	Secretary	2028
Tim Duffy	Assistant Secretary	2030
Micheal Wang	Assistant Secretary	2030

Investment Policy

The District has adopted an Investment Policy (the "Investment Policy") as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code (the "Act"). The District's goal is to preserve principal and maintain liquidity in a diversified portfolio while securing a competitive yield on its portfolio. Funds of the District are to be invested only in accordance with the Investment Policy. The Investment Policy states that the funds of the District may be invested in short term obligations of the U.S. or its agencies or instrumentalities, in certificates of deposits insured by the Federal Deposit Insurance Corporation and secured by collateral authorized by the Act, and in TexPool and TexStar, which are 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 portfolio.

Consultants

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

Tax Assessor/Collector: The tax assessor/collector for the District is Assessments of the Southwest, Inc. (the "Tax Assessor/Collector").

Bookkeeper: The District's bookkeeper is Myrtle Cruz, Inc.

Auditor: The District engaged McGrath & Co., PLLC, to audit its financial statements for the fiscal year ended November 30, 2025. Said financial statements are attached hereto as "APPENDIX A."

Engineer: The District's engineer is EHRA Engineering (the "Engineer").

Bond Counsel: The District has engaged Allen Boone Humphries Robinson LLP, Houston, Texas, as bond counsel ("Bond Counsel") in connection with the issuance of the Bonds. The fees to be paid Bond Counsel in connection with the issuance of the Bonds are contingent upon the issuance and delivery of the Bonds. Allen Boone Humphries Robinson LLP, Houston, Texas, also serves as general counsel to the District on matters other than the issuance of bonds. See "LEGAL MATTERS."

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

Financial Advisor: Cedar Creek Municipal Advisors, LLC is engaged as financial advisor to the District in connection with the issuance of the Bonds (the "Financial Advisor"). 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.

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DEVELOPMENT OF THE DISTRICT

Status of Development within the District

To date, 345 single-family lots in the District have been developed within the following single-family residential subdivisions: Emory Glen, Sections 1, 2, 3, and 4. Said subdivisions encompass approximately 61.46 total acres within the District. As of July 1, 2026, the District included approximately 239 completed homes (approximately 174 occupied and 65 unoccupied) approximately 13 homes under construction and approximately 93 vacant, developed lots. The remainder of the lands within the District includes approximately 122.15 undeveloped but developable acres and approximately 37.99 undevelopable acres.

The table below summarizes the status of development and land use within the District as of July 1, 2026.

Emory Glen	Acreage	Section Lots	Homes Completed	Homes Under Construction	Vacant Lots
Sections 1	18.46	117	116	0	1
Sections 2	15.69	76	72	0	4
Sections 3	12.62	60	22	4	34
Sections 4	14.69	92	29	9	54
Totals	61.46	345	239	13	93
Undevelopable	37.99				
Remaining Developable	122.15				
District Total	221.597				

Active Homebuilders

Homebuilders active in the District include: Empire Homes, Chesmar Homes, Ashton Woods, and Highland Homes. Prices of new homes being constructed in the District range from the high $200,000's to the $400,000's and in size from approximately 1,400 to 3,200 square feet.

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PHOTOGRAPHS TAKEN IN THE DISTRICT

(August 2026)

PHOTOGRAPHS TAKEN IN THE DISTRICT

(August 2026)

PRINCIPAL LANDOWNER/DEVELOPER

Role of the Developer

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

The Developer

Magnolia 221 Development Partners LP ("Magnolia 221" or the "Developer"), a Delaware limited partnership, whose general partner is Magnolia 221 GP Texas LLC, a Delaware limited liability company, is the developer of approximately 186.20 acres in the District, being developed as Emory Glen, on which it has completed development of 345 single-family lots on approximately 61 acres. Magnolia 221 currently owns the remaining approximately 122 undeveloped but developable acres and approximately 38 vacant developed lots within the District. Magnolia 221 is a thinly capitalized limited partnership whose assets consist primarily of the land in the District and the receivables due from the District for development costs. Magnolia 221 is a single purpose entity formed for the purpose of developing the land it owns in the District. The Developer has entered into a management agreement with Precedent Land Company, a division of EHT of Texas LP, a Delaware limited partnership ("Precedent") and parent company of the Developer, for the purpose of managing the day-to-day development activities within the District. Precedent and the Developer are under common ownership and control.

The District makes no representation as to the likelihood of the planned development to occur or the pace at which the planned development might occur.

Development Financing

According to the Developer, its parent company, holds a corporate line of credit with RBC Bank, N.A. (the "LOC"), which provides a revolving credit facility for the company's development activities. The LOC is, in part, secured by the remaining developable land and developed lots within the District. The principal balance of the LOC is paid down over time with the proceeds from the sale of lots within the District. According to the Developer, it is in compliance with all material terms and conditions of the LOC.

THE ROAD SYSTEM

The roads within the District vary in width in accordance with standards adopted by Montgomery County, but are sized to accommodate the anticipated traffic demands of full build-out of the property within the District.

The Road System serves residents of the District by providing access to the major thoroughfares and collectors within Emory Glen and surrounding areas. The major thoroughfares and collectors serving the District include Emory Glen Boulevard and Harvest Bloom Drive. The District will finance, design and construct the Road System in phases as development progresses. The Road System will ultimately be owned, operated and maintained by Montgomery County as the phases are constructed and accepted by the County. The District does not intend to maintain or operate the roads once they are accepted by the County.

Montgomery County is responsible for ongoing maintenance of public roads in the District.

THE UTILITY SYSTEM

Regulation

Construction and operation of the water, sanitary sewer, and storm drainage system serving the District, as it now exists or as it may be expanded from time to time, is subject to regulatory jurisdiction of federal, state, and local authorities. The TCEQ exercises continuing, supervisory authority over the water and sanitary service serving the District. Construction of water, sanitary sewer, and storm drainage facilities is subject to the regulatory authority of the District and the County. The TCEQ also exercises regulatory jurisdiction over portions of the water and sanitary sewer facilities.

Wholesale Agreement for Water and Wastewater Service

Pursuant to an Agreement for Wholesale Water Supply and Wastewater Treatment Service (as amended, the "Agreement") between Utilities Investment Co., Inc. ("UICI") and the District, the District purchased wholesale water supply and wastewater treatment capacity to serve up to 850 equivalent single-family connections ("ESFCs") in the District (the "Capacity Reservation"). Under the terms of the Agreement, UICI is responsible for financing and constructing expansions of existing water supply and wastewater treatment plants (the "UICI System") with sufficient capacity to fulfill the Capacity Reservation to provide wholesale water and wastewater service to the District. The expansions of the UICI System may be constructed in phases in order to be available as needed by the District in accordance with the District's build-out schedule. The District is responsible for financing and constructing the facilities to deliver water and wastewater service to customers within the District. The term of the Agreement is 40 years and thereafter renews for a consecutive 40-year term, unless 3 years' prior written notice is given.

In exchange for expanding and operating the UICI System, UICI has received or will receive a payment from or on behalf of the District in the amount of $255,300. In addition, the District pays UICI amounts as set forth in the Agreement per 1,000 gallons of water pumped from the UICI System and conveyed to the District and per 1,000 gallons of wastewater conveyed from the District to the UICI System.

Source of Water Supply and Wastewater Treatment

The District obtains water capacity from UICI pursuant to the Agreement. UICI currently provides water supply to the District from a water plant which is operated and maintained by UICI, which has or will be expanded. The water plant consists of two (2) water wells providing 1,500 gallons per minute ("gpm"); two (2) 83,440 gallon ground storage tank; two (2) 9,980 hydro- pneumatic tanks with a total capacity of 186,840 gallons; and two (2) booster pumps providing 1,500 gpm of capacity. The water plant is currently serving 800 ESFCs in the District and has the capacity to serve a total of 850 ESFCs in the District.

The District obtains wastewater capacity from UICI through a 0.49 million gallons per day wastewater treatment facility, which has or will be expanded. The TCEQ issued UICI a wastewater discharge permit dated October 6, 2023, authorizing the treatment and disposal from the facility (Texas Pollutant Discharge Elimination System Permit No. WQ-0014113-001), which expires on October 4, 2028. The wastewater treatment plant is currently serving 500 ESFCs in the District and has the capacity to serve 1400 ESFCs in the District.

Internal Water Distribution, Wastewater Collection and Storm Drainage Facilities

The District constructs, owns, and operates its own internal water distribution, wastewater collection, and storm water drainage facilities as necessary to promote the development of the District. The construction of these facilities occurs in phases to serve areas of development as they occur. Internal water distribution, wastewater collection and storm drainage facilities have been constructed by the District to serve 332 single-family residential lots. See “DEVELOPMENT OF THE DISTRICT—Status of Development within the District.” Storm Water Drainage

Storm Water Drainage

All storm drainage improvements will be designed in accordance with the criteria established by Montgomery County. The storm drainage collection system will be sized to carry the run-off from a 5-year return frequency storm, at a minimum velocity of 3 feet per second.

The land in the District currently drains in three (3) different directions. Approximately 82 acres of land in the District consists of undeveloped acreage draining to an existing ditch to the west of the District. The existing ditch does receive some additional runoff from acreage offsite the District. The existing ditch discharges into Log Gully. Approximately 95 acres of land in the south portion of the District consists of undeveloped acreage and drains into an FM 1488 roadside ditch next to a TxDOT designed culvert crossing. Approximately 52 acres of land in the District consists of undeveloped acreage from the central portion of the District to the east of the District. The runoff is conveyed to an unnamed tributary of Mink Branch.

The District will construct internal storm water collection lines. The District's storm water collection system will consist of curbs and gutters with inlets and reinforced concrete storm sewers ranging in size from 24-inches to 60-inches in diameter. Detention basins will be designed to receive storm water from the storm sewer system. The detention facilities will drain through an existing development which currently receives the tract's undeveloped flow. The proposed detention facilities will release storm water run-off below or at the existing pre-developed run-off rate. This storm drainage collection system will serve the entire District drainage area.

100-Year Flood Plain

According to Federal Emergency Management Agency ("FEMA") Flood Insurance Rate Map No. 48339C0475G, Panel No. 0475G, no acreage of the District is currently within the 100-year floodplain.

National Weather Service Atlas 14 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 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.

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General Fund Operating Statement

The following is a summary of the District's general fund activity for the last three fiscal years. For the District's fiscal years which ended November 30, 2023, 2024, and 2025, the below summary has been prepared by the Financial Advisor based upon information obtained from the District's audited financial statements. The figures from December 1, 2022 and July 1, 2026, are unaudited and were provided by the bookkeeper. Reference is made to such statements for further and more complete information. See "APPENDIX A."

	Fiscal Year Ended November 30				
	2026 (a)	2025	2024	2023	2022 (b)
Revenues					
Water Service	$ 142,997	$ 148,765	$ 98,013	$ 69,643	$ -
Sewer Service	60,900	78,954	47,771	22,099	-
Property taxes	528,968	300,993	228,725	-	-
Penalties and Interest	67,165	5,278	7,190	3,220	-
Ground water Fees	66,375	83,427	67,269	61,680	-
Tap Connection and Inspection	4,439	141,906	146,142	77,670	24,375
Miscellaneous	2,016	553	-	-	600
Investment Earnings	9,871	4,136	373	160	29
Total Revenues	$ 882,731	$ 764,012	$ 595,483	$ 234,472	$ 25,004
Expenditures					
Current Service Operations					
Purchased Services	$ 169,658	$ 174,687	$ 170,073	$ 178,411	$ -
Professional Fees	84,803	146,051	99,038	104,272	166,810
Contracted Services	122,598	90,304	67,248	131,766	9,000
Repairs and Maintenance	63,087	120,919	43,961	19,530	-
Utilities	1,064	1,129	1,355	550	-
Administrative	43,093	26,315	32,867	13,027	15,657
Other	1,850	6,121	19,223	2,512	249
Capital Outlay	-	111,581	112,115	-	-
Total Expenditures	$ 486,152	$ 677,107	$ 545,880	$ 450,068	$ 191,716
Revenues Over (Under) Exp.	$ 396,579	$ 86,905	$ 49,603	$ (215,596)	$(166,712)
Other Financing Sources					
Developer Advances	$ -	$ -	$ 120,000	$ 140,000	$ 173,000
Internal Transfers	$ -	$ -	$ (8,549)	$ -	$ -
Beginning Fund Balance	$ 178,651	$ 91,746	$ (69,308)	$ 6,288	$ -
Ending Fund Balance	$ 575,230	$ 178,651	$ 91,746	$ (69,308)	$ 6,288

(a) Unaudited from January 1, 2026, to July 1, 2026. Provided by the bookkeeper.
(b) Unaudited.

DISTRICT DEBT

General

2026 Taxable Assessed Valuation	$ 78,544,286	(a)
Estimated Taxable Assessed Valuation as of July 1, 2026	$ 91,457,926	(b)
Direct Debt		
The Outstanding Bonds (as of Date of Delivery)	$ 8,130,000	
The Bonds	$ 4,500,000	
Total	$ 12,630,000	
Estimated Overlapping Debt	$ 5,206,053	(c)
Total Direct and Estimated Overlapping Debt	$ 17,836,053	(c)
Direct Debt Ratio:		
As a Percentage of 2026 Taxable Assessed Valuation	16.08 %	
As a Percentage of Estimated Taxable Assessed Valuation as of July 1, 2026	13.81 %	
Direct and Estimated Overlapping Debt Ratio:		
As a Percentage of 2026 Taxable Assessed Valuation	22.71 %	
As a Percentage of Estimated Taxable Assessed Valuation as of July 1, 2026	19.50 %	
Utility Debt Service Fund Balance (as of Date of Delivery)	$ 127,576	(d)
Road Debt Service Fund Balance (as of September 8, 2026)	$ 162,813	(e)
Operating Fund Balance (as of September 8, 2026)	$ 463,061	(f)
2026 Tax Rate:		
Road Debt Service	$ 0.425	
Utility Debt Service	0.305	
Maintenance and Operations	0.770	
Total	$ 1.500	
Estimated Average Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2027–2051)	$ 862,189	(g)
Estimated Maximum Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2046)	$ 916,831	(g)
Debt Service Tax Rate per $100 of Assessed Valuation Required to Pay Estimated Average Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2027–2051) at 95% Tax Collections		
Based on 2026 Taxable Assessed Valuation	$ 1.16	
Based on Estimated Taxable Assessed Valuation as of July 1, 2026	$ 1.00	
Debt Service Tax Rate per $100 of Assessed Valuation Required to Pay Estimated Maximum Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2046) at 95% Tax Collections		
Based on 2026 Taxable Assessed Valuation	$ 1.23	
Based on Estimated Taxable Assessed Valuation as of July 1, 2026	$ 1.06	

(a) Represents the taxable amount of the certified assessed valuation of taxable property in the District as of January 1, 2026, as provided by the Appraisal District. Such amount includes $4,869,858 of uncertified assessed valuation of taxable property in the District as of January 1, 2026. See "TAX DATA" and "TAXING PROCEDURES."

(b) Provided by the Appraisal District for informational purposes only. This estimate reflects the addition of the taxable value from new construction within the District from January 1, 2026, to July 1, 2026. No taxes will be levied on this estimate. See "TAX DATA" and "TAXING PROCEDURES."

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

(d) In addition to this amount, twelve (12) months of capitalized interest to be deposited into the Utility Debt Service Fund (herein defined) upon closing of the Bonds. Neither Texas law nor the Bond Resolution (herein defined) requires that the District maintain any particular sum in the Utility Debt Service Fund (herein defined). Funds in the Utility Debt Service Fund are not available to pay debt service on bonds issued by the District for the Road System (herein defined).

(e) Neither Texas law nor the Bond Resolution (herein defined) requires that the District maintain any particular sum in the Road Debt Service Fund (herein defined). Funds in the Road Debt Service Fund are not available to pay debt service on bonds issued by the District for the Utility System (herein defined), including the Bonds.

(f) See "RISK FACTORS - Operating Funds."

(g) Includes debt service on the Outstanding Bonds and the estimated requirement of debt service on the Bonds, assuming an interest rate of 5.25%. See "DISTRICT DEBT – Debt Service Requirement Schedule" herein.

Debt Service Requirement Schedule

The following schedule sets forth the annual debt service requirements on the Outstanding Bonds and the principal and estimated interest requirements for the Bonds, assuming the Bonds are issued at an estimated interest rate of 5.25%. Totals may not sum due to rounding.

Calendar Year	Outstanding Debt Service	Plus: The Bonds			Total Debt Service
		Principal	Interest	Debt Service	
2027	$ 560,530	$ –	$ 236,250	$ 236,250	$ 796,780
2028	555,255	100,000	236,250	336,250	891,505
2029	554,755	105,000	231,000	336,000	890,755
2030	553,705	110,000	225,488	335,488	889,193
2031	557,105	120,000	219,713	339,713	896,818
2032	555,455	125,000	213,413	338,413	893,868
2033	554,705	130,000	206,850	336,850	891,555
2034	558,505	140,000	200,025	340,025	898,530
2035	556,655	145,000	192,675	337,675	894,330
2036	560,285	155,000	185,063	340,063	900,348
2037	563,305	160,000	176,925	336,925	900,230
2038	570,565	165,000	168,525	333,525	904,090
2039	571,903	175,000	159,863	334,863	906,765
2040	572,450	185,000	150,675	335,675	908,125
2041	577,195	190,000	140,963	330,963	908,158
2042	575,785	200,000	130,988	330,988	906,773
2043	578,730	210,000	120,488	330,488	909,218
2044	580,599	215,000	109,463	324,463	905,061
2045	581,106	230,000	98,175	328,175	909,281
2046	585,731	245,000	86,100	331,100	916,831
2047	584,236	255,000	73,238	328,238	912,474
2048	591,286	260,000	59,850	319,850	911,136
2049	591,945	275,000	46,200	321,200	913,145
2050	246,456	290,000	31,763	321,763	568,219
2051	–	315,000	16,538	331,538	331,538
Total	$13,338,248	$ 4,500,000	$ 3,716,475	$ 8,216,475	$21,554,723

Estimated Average Annual Debt Service Requirement (2027–2051) $862,189

Estimated Maximum Annual Debt Service Requirement (2046) $916,831

[*Remainder of this page intentionally left blank.*]

Direct and Estimated Overlapping Debt Statement

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

Taxing Jurisdiction	Outstanding Debt August 31, 2026	Overlapping Debt Percent	Overlapping Debt Amount
Montgomery County	$ 535,450,000	0.08%	$ 429,878
Magnolia Independent School District	703,170,000	0.67%	4,698,994
Lone Star College System District	338,975,000	0.02%	77,181
Total Estimated Overlapping Debt			$ 5,206,053
Direct Debt (a)			$ 12,630,000
Total Direct and Estimated Overlapping Debt			$ 17,836,053

(a) Includes the Outstanding Bonds and the Bonds.

Debt Ratios

Ratio of Direct Debt (a):

As a Percentage of 2026 Taxable Assessed Valuation	16.08 %
As a Percentage of Estimated Taxable Assessed Valuation as of July 1, 2026	13.81 %

Ratio of Direct and Estimated Overlapping Debt (a):

As a Percentage of 2026 Taxable Assessed Valuation	22.71 %
As a Percentage of Estimated Taxable Assessed Valuation as of July 1, 2026	19.50 %

(a) Includes the Outstanding Bonds and the Bonds.

TAXING PROCEDURES

Authority to Levy Taxes

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

Property Tax Code and County-Wide Appraisal District

Title 1 of the Texas Property Tax Code (the "Property Code") specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Property Code are complex and are not fully summarized herein.

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

Property Subject to Taxation by the District

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 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. The District has taken official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years.

Tax Abatement

The County may designate all or part of the area within the District as a reinvestment zone. Thereafter, the County 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 Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Code. Nevertheless, certain land may be appraised at less than market value, as such is defined in the Property Code. The Texas Constitution limits increases in the appraised value of residence homesteads to ten percent (10%) annually regardless of the market value of the property.

The Property 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 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 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 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 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 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 Code.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the District and provides for taxpayer referenda that could result in the repeal of certain tax increases. The Property 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.

Tax Payment Installments after Disaster

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

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the District and provides for taxpayer referenda that 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.

Rollback of Operation and Maintenance Tax Rate

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

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 in the district, 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 the maintenance and operations tax rate that would impose 1.08 times the amount of maintenance and operations tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a resident homestead in the district in that year, subject to certain homestead exemptions.

Developed Districts

Developed Districts that adopt a total tax rate that would impose more than 1.035 times the amount of the total tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead in the district, subject to certain homestead exemptions, plus any unused increment rates, as calculated and described in Section 26.013 of the Property 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 the maintenance and operations tax rate that would impose 1.035 times the amount of maintenance and operations tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the district in that year, subject to certain homestead exemptions, plus any unused increment rates. In addition, if any part of a Developed District lies within an area declared for disaster by the Governor or the President of the United States (the "President"), 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 maintenance and operations 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 imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead in the district, subject to certain homestead exemptions, are authorized to petition for an election to reduce the maintenance and operations tax rate. If an election is called and passes, the total tax rate for Developing Districts is the current year's debt service and contract tax rate the maintenance and operations tax rate that would impose 1.08 times the amount of maintenance and operations tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a resident homestead in the district in that year, subject to certain homestead exemptions.

The District

For the 2026 tax year, the District made the determination of its 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.

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, 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.

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 tax without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds. For the 2026 tax year, the District levied a total tax rate of $1.50 per $100 of taxable assessed valuation, of which $0.305 per $100 of taxable assessed valuation is allocated to Utility System debt service, $0.425 per $100 of taxable assessed valuation is allocated to Road System debt service, and $0.770 per $100 of taxable assessed valuation is allocated to maintenance and operations. See "TAXING PROCEDURES." In the Bond Resolution, the Board covenants 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. See "THE BONDS" and "RISK FACTORS."

Tax Rate Limitation

Debt Service: ..... Unlimited (no legal limit as to rate or amount).
Maintenance and Operation – General: ..... $1.50 per $100 taxable assessed valuation.
Maintenance and Operation – Road: ..... $0.25 per $100 taxable assessed valuation.

Maintenance and Operations Taxes

The Board has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements if such maintenance and operations tax is authorized by vote of the District's electors. The Board is authorized by the District's voters to levy such maintenance and operations tax in an amount not to exceed $1.50 per $100 of assessed valuation. For the 2026 tax year, the District levied a tax in the amount of $0.770 for maintenance and operations purposes. Such tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds and any parity bonds which may be issued in the future. See "Tax Rate Distribution" below.

Road Maintenance and Operations Taxes

The Board has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's road improvements if such maintenance and operations tax is authorized by vote of the District's electors. The Board is authorized by the District's voters to levy such maintenance and operations tax in an amount not to exceed $0.25 per $100 of assessed valuation. The District has not levied any Road Maintenance tax.

Tax Exemption

As discussed in the section entitled "TAXING PROCEDURES" herein, certain property in the District may be exempt from taxation by the District. The District does not exempt any percentage of the market value of any residential homesteads from taxation.

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 twenty percent (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 Texas Tax Code.

Historical Tax Collections

The following table illustrates the tax collection history of the District for the 2023-2026 tax years. The 2023 tax year was the first tax year in which the District levied a tax rate.

Tax Year	Certified Taxable Value	Tax Rate	Adjusted Tax Levy	Collections Current Year	Current Year Ending 9/30	Collections 07/31/26
2023	$ 15,661,080	$ 1.50	$ 228,724	100.00%	2024	100,00%
2024	$ 29,819,514	1.50	454,767	98.46%	2025	98.88%
2025	$ 62,737,501	1.50	941,063	96.14%	2026	96.14%
2026	$ 73,674,428	1.50	1,105,116	(a)	2027	(a)

(a) In process of collections

Tax Rate Distribution

The following table sets out the components of the District's tax levy for each of the 2023-2026 tax year.

	2026	2025	2024	2023
Utility Debt Service	$ 0.305	$ 0.100	$ 0.000	$ 0.000
Road Debt Service	0.425	0.530	0.500	0.000
Maintenance & Operation	0.770	0.870	1.000	1.500
Total	$ 1.500	$ 1.500	$ 1.500	$ 1.500

Analysis of Tax Base

The following represents the types of property comprising the District's taxable assessed value from 2023-2026 tax years.

Type of Property	2026 Taxable Assessed Valuation (a)	2025 Taxable Assessed Valuation	2024 Taxable Assessed Valuation	2023 Taxable Assessed Valuation
Land	$ 31,928,982	$ 30,678,582	$ 19,014,961	$ 16,713,010
Improvements	45,954,128	35,128,595	13,624,244	353,853
Personal Property	1,443,074	1,129,132	75,336	50,143
Exemptions	(5,651,756)	(4,198,808)	(2,895,027)	(1,455,926)
Total	$ 73,674,428	$ 62,737,501	$ 29,819,514	$ 15,661,080

(a) This value listed above does not include $4,869,858 of uncertified value.

Principal Taxpayers

The following represents the principal taxpayers, type of property, and their assessed values as of January 1, 2026 as a percentage of the certified portion ($73,674,428) of the 2026 Taxable Assessed Valuation of $78,544,286:

Top Taxpayer	Type of Property	Assessed Valuation 2026 Tax Roll	Percent of District 2026 Value
EHT of Texas LP (a,b,c)	Land & Improvement	$ 4,592,687	6.23%
Magnolia 221 Development Partners LP (a,b)	Land & Improvement	4,577,095	6.21%
Ashton Houston Residential LLC (c)	Land & Improvement	2,466,314	3.35%
Highland Homes Houston LLC (c)	Land & Improvement	1,671,290	2.27%
Chesmar Homes LLC (c)	Land & Improvement	1,506,510	2.04%
Homeowner	Land & Improvement	859,000	1.17%
Homeowner	Land & Improvement	547,263	0.74%
Homeowner	Land & Improvement	539,433	0.73%
Homeowner	Land & Improvement	497,301	0.67%
Homeowner	Land & Improvement	461,312	0.63%
Totals		$ 17,718,205	24.05%

(a) See "PRINCIPAL LANDOWNER/ DEVELOPER."
(b) Precedent Land Company is the parent company of the Developer and EHT of Texas LP, also known as Empire Homes, a homebuilder within the District.
(c) See "DEVELOPMENT OF THE DISTRICT – Active Homebuilders."

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per $100 of taxable assessed valuation that would be required to meet certain debt service requirements on the Outstanding Bonds and the Bonds if no growth in the District's tax base occurs beyond the District's 2026 Taxable Assessed Valuation ($78,544,286), and the Estimated Taxable Assessed Valuation as of July 1, 2026 ($91,457,926).The calculations assume collection of 95% of taxes levied, the sale of the Bonds but not the sale of any additional bonds by the District.

Estimated Average Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2027–2051) $862,189
Debt Service Tax Rate of $1.16 on the 2026 Taxable Assessed Valuation produces $865,558
Debt Service Tax Rate of $1.00 on the Estimated Taxable Assessed Valuation as of July 1, 2026, produces $868,850

Estimated Maximum Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2046) $916,831
Debt Service Tax Rate of $1.23 on the 2026 Taxable Assessed Valuation produces $917,790
Debt Service Tax Rate of $1.06 on the Estimated Taxable Assessed Valuation as of July 1, 2026, produces $920,981

Estimated Overlapping Taxes

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

Set forth below is an estimation of all 2025 Tax Rates 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. No prediction can be made of the tax rates that will be levied in future years by the respective taxing jurisdictions.

Taxing Jurisdiction	2025 Tax Rate
Montgomery County	$0.377000
Montgomery County Hospital District	0.047300
Montgomery County Emergency Services District No. 10	0.092200
Magnolia Independent School District	0.958300
Lone Star College System District	0.106000
The District (a)	1.500000
Total	$3.080800

(a) Represents the District's 2026 levied tax rate. See "TAX DATA – Tax Rate Distribution" herein.

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," "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 or Vice President and Secretary or any Assistant Secretary of the Board, concurrently with delivery of the Bonds, that to their knowledge, no litigation is pending or threatened affecting the validity of the Bonds, or the levy and 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 will designate the Bonds as "qualified tax-exempt obligations" and has represented that the aggregate amount of tax-exempt bonds (including the Bonds) issued by the District and entities aggregated with the District under the Code during calendar year 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 "Direct and Estimated Overlapping Debt Statement"), "TAX DATA," and in "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 2026. 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 November 30. Accordingly, it must provide updated information by May 31 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB via EMMA of the change.

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

The Bonds are the third series of bonded indebtedness issued by the District. The District has complied in all material respects with its previous continuing disclosure undertakings made pursuant to 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, the Appraisal District, 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.

Experts

The information contained in this Official Statement relating to engineering and to the description of the Road System and the Utility System, and, in particular, that engineering information included in the sections entitled "THE BONDS – Use and Distribution of Bond Proceeds," "THE DISTRICT – Description," "DEVELOPMENT OF THE DISTRICT – Status of Development within the District," "THE ROAD SYSTEM" and "THE UTILITY SYSTEM," has been provided by the Engineer and has been included herein in reliance upon the authority of said firm as an expert in the field of civil engineering.

The information contained in this 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 the Tax Assessor/Collector and the Appraisal District. Such information has been included herein in reliance upon the Tax Assessor/Collector's authority as an expert in the field of tax collection and the Appraisal District's authority as an expert in the field of property appraisal.

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 notifies 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.

CONCLUDING STATEMENT

The information set forth herein has been obtained from the District's records, audited financial statements, and other sources that 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 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. 197 as of the date shown on the cover page hereof.

/s/ _____
President, Board of Directors
Montgomery County Municipal Utility District No. 197

ATTEST:

/s/ _____
Secretary, Board of Directors
Montgomery County Municipal Utility District No. 197

APPENDIX A

Financial Statements of the District

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 197

MONTGOMERY COUNTY, TEXAS

FINANCIAL REPORT

November 30, 2025

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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. 197
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. 197 (the "District"), as of and for the year ended November 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Montgomery County Municipal Utility District No. 197, as of November 30, 2025, 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
March 10, 2026

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Management's Discussion and Analysis

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Using this Annual Report

This section of the financial report of Montgomery County Municipal Utility District No. 197 (the "District") provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended November 30, 2025. 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 November 30, 2025, was negative $8,845,644. 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 November 30, 2025 and 2024, is as follows:

	2025	2024
Current and other assets	$ 1,865,624	$ 976,346
Capital assets	14,272,342	11,465,969
Total assets	16,137,966	12,442,315
Current liabilities	338,428	215,529
Long-term liabilities	23,709,608	18,473,441
Total liabilities	24,048,036	18,688,970
Total deferred inflows of resources	935,574	429,296
Net position		
Net investment in capital assets	(2,448,655)	(1,340,058)
Restricted	357,293	282,374
Unrestricted	(6,754,282)	(5,618,267)
Total net position	$ (8,845,644)	$ (6,675,951)

The total net position of the District decreased during the current fiscal year by $2,169,693. A comparative summary of the District's *Statement of Activities* for the past two fiscal years is as follows:

	2025	2024
Revenues		
Water and sewer service	$ 227,719	$ 145,784
Property taxes, penalties and interest	469,289	236,291
Other	245,193	218,303
Total revenues	942,201	600,378
Expenses		
Current service operations	700,116	504,476
Debt interest and fees	233,228	38,370
Developer interest	426,951	395,403
Debt issuance costs	298,796	392,130
Depreciation and amortization	379,551	290,435
Total expenses	2,038,642	1,620,814
Change in net position before other item	(1,096,441)	(1,020,436)
Other item		
Transfers to other governments	(1,073,252)	(1,675,385)
Change in net position	(2,169,693)	(2,695,821)
Net position, beginning of year	(6,675,951)	(3,980,130)
Net position, end of year	$ (8,845,644)	$ (6,675,951)

Financial Analysis of the District's Funds

The District's combined fund balances, as of November 30, 2025, were $770,250, which consists of $178,651 in the General Fund, $412,178 in the Debt Service Fund and $179,421 in the Capital Projects Fund.

General Fund

A comparative summary of the General Fund's financial position as of November 30, 2025 and 2024, is as follows:

	2025	2024
Total assets	$ 878,077	$ 455,102
Total liabilities	$ 151,036	$ 77,159
Total deferred inflows	548,390	286,197
Total fund balance	178,651	91,746
Total liabilities, deferred inflows and fund balance	$ 878,077	$ 455,102

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

	2025	2024
Total revenues	$ 764,012	$ 595,483
Total expenditures	(677,107)	(545,880)
Revenues over expenditures	86,905	49,603
Other changes in fund balance		111,451
Net change in fund balance	$ 86,905	$ 161,054

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 and developer advances. Financial resources are influenced by a variety of factors each year:

- Property tax revenues are dependent upon assessed values in the District and the maintenance tax rate set by the District. The 2024 levy was recognized as revenues in the 2025 fiscal year, while the 2023 levy was recognized in the 2024 fiscal year (to the extent that these amounts were collected). While the District decreased its maintenance tax levy, property tax revenues increased because assessed values in the District increased from the prior year.
- Water, sewer and groundwater 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.
- The District's developer advances funds to the District as needed to pay operating costs.

Debt Service Fund

A comparative summary of the Debt Service Fund's financial position as of November 30, 2025 and 2024, is as follows:

	2025	2024
Total assets	$ 824,485	$ 463,843
Total liabilities	$ 16,380	$ -
Total deferred inflows	395,927	143,099
Total fund balance	412,178	320,744
Total liabilities, deferred inflows and fund balance	$ 824,485	$ 463,843

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

	2025	2024
Total revenues	$ 167,003	$ 3,683
Total expenditures	(319,169)	(9,461)
Revenues under expenditures	(152,166)	(5,778)
Other changes in fund balance	243,600	326,522
Net change in fund balance	$ 91,434	$ 320,744

The District's financial resources in the Debt Service Fund in the current fiscal year are from property tax revenues and capitalized interest from the sale of bonds. During the previous fiscal year, financial resources were from 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 November 30, 2025 and 2024, is as follows:

	2025	2024
Total assets	$ 186,899	$ 57,401
Total liabilities	$ 7,478	$ -
Total fund balance	179,421	57,401
Total liabilities and fund balance	$ 186,899	$ 57,401

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

	2025	2024
Total revenues	$ 2,443	$ 1,212
Total expenditures	(2,844,373)	(4,625,838)
Revenues under expenditures	(2,841,930)	(4,624,626)
Other changes in fund balance	2,963,950	4,682,027
Net change in fund balance	$ 122,020	$ 57,401

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

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was $35,505 less than budgeted. The *Budgetary Comparison Schedule* on page 36 of this report provides variance information per financial statement line item.

Capital Assets

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

Capital assets held by the District at November 30, 2025 and 2024, are summarized as follows:

	2025	2024
Capital assets not being depreciated		
Land and improvements	$ 2,397,528	$ 2,216,251
Capital assets being depreciated/amortized		
Infrastructure	8,544,580	5,819,567
Recreational facilities	2,482,574	2,509,191
Capacity charges	255,300	255,300
Landscaping improvements	1,632,131	1,325,880
	12,914,585	9,909,938
Less accumulated depreciation/amortization		
Infrastructure	(577,976)	(363,430)
Recreational facilities	(150,019)	(100,368)
Capacity charges	(26,184)	(19,638)
Landscaping improvements	(285,592)	(176,784)
	(1,039,771)	(660,220)
Depreciable capital assets, net	11,874,814	9,249,718
Capital assets, net	$ 14,272,342	$ 11,465,969

Capital asset additions during the current fiscal year include the following:

- Emory Glen Sections 3 and 4 – utilities and landscape reserves
- Emory Glen Phase 3 – clearing and grubbing
- Water meters

Additionally, Montgomery County assumes responsibility (after a one-year maintenance period) for road facilities constructed within the boundaries of the County. Accordingly, these facilities are not considered assets of the District. The estimated value of these assets is recorded as transfers to other governments upon completion of construction. This estimated cost is trued-up when the developer is reimbursed. For the year ended November 30, 2025, capital assets in the amount of $1,073,252 have been recorded as transfers to other governments in the government-wide statements.

Long-Term Debt and Related Liabilities

As of November 30, 2025, the District owes approximately $15,579,608 to its developer for completed projects and operating advances. The initial cost of the completed project and related liability is estimated based on actual construction costs plus 10-15% for engineering and other fees and is recorded on the District's financial statements upon completion of construction. As discussed in Note 6, the District has an additional commitment in the amount of approximately $2,100,000 for projects under construction by the developer. As noted, the District will owe its developer for these projects upon completion of construction. The District intends to reimburse the developer from proceeds of future bond issues or other lawfully available funds. The estimated cost of amounts owed to the developer is trued up when the developer is reimbursed.

At November 30, 2025 and 2024, the District had total bonded debt outstanding as shown below:

Series	2025	2024
2024 Road	$ 4,900,000	$ 5,000,000
2025	3,345,000	
	$ 8,245,000	$ 5,000,000

During the current fiscal year, the District issued $3,345,000 in unlimited tax bonds. At November 30, 2025, the District had $178,335,000 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 $181,680,000 for the refunding of such bonds; $28,800,000 for parks and recreational facilities and $28,800,000 for the refunding of such bonds; and $44,100,000 for road improvements and $49,100,000 for 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:

	2025 Actual	2026 Budget
Total revenues	$ 764,012	$ 623,000
Total expenditures	(677,107)	(481,840)
Revenues over expenditures	86,905	141,160
Beginning fund balance	91,746	178,651
Ending fund balance	$ 178,651	$ 319,811

Basic Financial Statements

Montgomery County Municipal Utility District No. 197
Statement of Net Position and Governmental Funds Balance Sheet
November 30, 2025

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash	$ 80,833	$ 26,025	$ 131,025	$ 237,883	$ -	$ 237,883
Investments	142,057	407,385	55,874	605,316		605,316
Taxes receivable	541,690	391,075		932,765		932,765
Customer service receivables	69,576			69,576		69,576
Interfund receivables	23,837			23,837	(23,837)	
Other receivables	11,974			11,974		11,974
Prepaid items	8,110			8,110		8,110
Capital assets not being depreciated					2,397,528	2,397,528
Capital assets, net					11,874,814	11,874,814
Total Assets	$ 878,077	$ 824,485	$ 186,899	$ 1,889,461	14,248,505	16,137,966
Liabilities						
Accounts payable	$ 111,839	$ -	$ -	$ 111,839		111,839
Other payables	866	21		887		887
Cash overdraft	1,336			1,336		1,336
Customer deposits	35,364			35,364		35,364
Unearned revenue	1,631			1,631		1,631
Interfund payables		16,359	7,478	23,837	(23,837)	
Accrued interest payable					72,371	72,371
Due to developer					15,579,608	15,579,608
Long-term debt						
Due within one year					115,000	115,000
Due after one year					8,130,000	8,130,000
Total Liabilities	151,036	16,380	7,478	174,894	23,873,142	24,048,036
Deferred Inflows of Resources						
Deferred property taxes	548,390	395,927		944,317	(8,743)	935,574
Fund Balances/Net Position						
Fund Balances						
Nonspendable	8,110			8,110	(8,110)	
Restricted		412,178	179,421	591,599	(591,599)	
Unassigned	170,541			170,541	(170,541)	
Total Fund Balances	178,651	412,178	179,421	770,250	(770,250)	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 878,077	$ 824,485	$ 186,899	$ 1,889,461		
Net Position						
Net investment in capital assets					(2,448,655)	(2,448,655)
Restricted for debt service					357,293	357,293
Unrestricted					(6,754,282)	(6,754,282)
Total Net Position					$ (8,845,644)	$ (8,845,644)

See notes to basic financial statements.

Montgomery County Municipal Utility District No. 197
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances
For the Year Ended November 30, 2025

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues						
Water service	$ 148,765	$ -	$ -	$ 148,765	$ -	$ 148,765
Sewer service	78,954			78,954		78,954
Property taxes	300,993	149,230		450,223	6,807	457,030
Penalties and interest	5,278	5,045		10,323	1,936	12,259
Groundwater fees	83,427			83,427		83,427
Tap connection and inspection	141,906			141,906		141,906
Miscellaneous	553	20		573		573
Investment earnings	4,136	12,708	2,443	19,287		19,287
Total Revenues	764,012	167,003	2,443	933,458	8,743	942,201
Expenditures/Expenses						
Current service operations						
Purchased services	174,687			174,687		174,687
Professional fees	146,051		114,623	260,674		260,674
Contracted services	90,304	15,930		106,234		106,234
Repairs and maintenance	120,919			120,919		120,919
Utilities	1,129			1,129		1,129
Administrative	26,315	4,012		30,327		30,327
Other	6,121		25	6,146		6,146
Capital outlay	111,581		2,003,978	2,115,559	(2,115,559)	
Debt service						
Principal		100,000		100,000	(100,000)	
Interest and fees		199,227		199,227	34,001	233,228
Developer interest			426,951	426,951		426,951
Debt issuance costs			298,796	298,796		298,796
Depreciation and amortization					379,551	379,551
Total Expenditures/Expenses	677,107	319,169	2,844,373	3,840,649	(1,802,007)	2,038,642
Revenues Over/(Under) Expenditures/Expenses	86,905	(152,166)	(2,841,930)	(2,907,191)	1,810,750	(1,096,441)
Other Financing Sources/(Uses)						
Proceeds from sale of bonds		243,600	3,101,400	3,345,000	(3,345,000)	
Repayment of operating advances			(137,450)	(137,450)	137,450	
Other Item						
Transfers to other governments					(1,073,252)	(1,073,252)
Net Change in Fund Balances	86,905	91,434	122,020	300,359	(300,359)	
Change in Net Position					(2,169,693)	(2,169,693)
Fund Balances/Net Position						
Beginning of the year	91,746	320,744	57,401	469,891	(7,145,842)	(6,675,951)
End of the year	$ 178,651	$ 412,178	$ 179,421	$ 770,250	$ (9,615,894)	$ (8,845,644)

See notes to basic financial statements.

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Note 1 – Summary of Significant Accounting Policies

The accounting policies of Montgomery County Municipal Utility District No. 197 (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 organized, created and established pursuant to an order of the Texas Commission on Environmental Quality, dated September 2, 2021, and operates in accordance with the Texas Water Code, Chapters 49 and 54. The District also operates under Section 52, Article III of the Texas Constitution The Board of Directors held its first meeting on October 12, 2021 and the first bonds were issued on September 26, 2024.

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

Reporting Entity

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

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, drainage, park and recreational facilities and road improvements.

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

Measurement Focus and Basis of Accounting

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

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 November 30, 2025, 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 (or amortized in the case of intangible assets) using the straight-line method as follows:

Assets	Useful Life
Infrastructure	10-45 years
Recreational facilities	50 years
Capacity charges	Remaining life of contract
Landscape improvements	15 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. Additionally, collections of the 2025 property tax levy are not considered current year revenues and, consequently, are also reported as deferred property taxes.

Deferred inflows of financial resources at the government-wide level consist of the 2025 property tax levy, which was levied to finance the 2026 fiscal year.

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 developer; the value of capital assets transferred to Montgomery County and the value of capital assets for which the developer has not been fully reimbursed. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from the estimates.

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 fund		$ 770,250
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
Historical cost	$ 15,312,113	
Less accumulated depreciation/amortization	(1,039,771)	
		14,272,342
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. The difference consists of:		
Bonds payable	(8,245,000)	
Due to developer	(15,579,608)	
Interest payable on bonds	(72,371)	
		(23,896,979)
Deferred inflows in the fund statements consist of the unavailable portion of property taxes, as well as collections of the District's 2025 property tax levy. In the *Statement of Net Position*, deferred inflows consist of the entire 2025 property tax levy.		
Fund level deferred property taxes	944,317	
Government-wide level deferred property taxes	(935,574)	
		8,743
Total net position - governmental activities		$ (8,845,644)

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		$ 300,359
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.		8,743
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	$ 2,115,559	
Transfers to other governments	(1,073,252)	
Depreciation/amortization expense	(379,551)	
		662,756
Financial reporting for long-term 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 liabilities are acquired 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	(3,345,000)	
Repayment of developer advances	137,450	
Principal payments	100,000	
Interest expense accrual	(34,001)	
		(3,141,551)
Change in net position of governmental activities		$ (2,169,693)

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 November 30, 2025, the District's investments consist of the following:

Type	Fund	Carrying Value	Rating	Weighted Average Maturity
TexSTAR	General	$ 142,057		
	Debt Service	407,385		
	Capital Projects	55,874		
		$ 605,316	AAAm	41 days

TexSTAR

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

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

Investment Credit and Interest Rate Risk

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

Note 4 – Interfund Balances and Transactions

Amounts due to/from other funds at November 30, 2025, consist of the following:

Receivable Fund	Payable Fund	Amounts	Purpose
General Fund	Debt Service Fund	$ 16,359	Maintenance tax collections not remitted as of year end
General Fund	Capital Projects Fund	7,478	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 November 30, 2025, is as follows:

	Beginning Balances	Increases/ Decreases	Ending Balances
Capital assets not being depreciated			
Land and improvements	$ 2,216,251	$ 181,277	$ 2,397,528
Capital assets being depreciated/amortized			
Infrastructure	5,819,567	2,725,013	8,544,580
Recreational facilities	2,509,191	(26,617)	2,482,574
Capacity charges	255,300		255,300
Landscaping improvements	1,325,880	306,251	1,632,131
	9,909,938	3,004,647	12,914,585
Less accumulated depreciation/amortization			
Infrastructure	(363,430)	(214,546)	(577,976)
Recreational facilities	(100,368)	(49,651)	(150,019)
Capacity charges	(19,638)	(6,546)	(26,184)
Landscaping improvements	(176,784)	(108,808)	(285,592)
	(660,220)	(379,551)	(1,039,771)
Subtotal depreciable capital assets, net	9,249,718	2,625,096	11,874,814
Capital assets, net	$ 11,465,969	$ 2,806,373	$ 14,272,342

Depreciation/amortization expense for the current fiscal year was $379,551.

Note 6 – Due to Developer

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

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

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

Due to developer, beginning of year	$ 13,573,441
Developer reimbursements	(2,003,978)
Developer funded construction and adjustments	4,147,595
Repayment of operating advances	(137,450)
Due to developer, end of year	$ 15,579,608

In addition, the District will owe the developers approximately $2,100,000, which is included in the schedule of contractual commitments below. The projects in this schedule are in varying stages of completion and, as previously noted, will be reported in the government-wide financial statements upon completion of construction. The exact amount due to the developer is not known until approved by the TCEQ and verified by the District's auditor.

	Contract Amount *
Detention Basin Phase II to serve Emory Glen	$ 1,450,000
FM 1488 state highway improvements at Emory Glen Boulevard	650,000
	$ 2,100,000

* Rounded to the nearest $10,000

Note 7 – Long-Term Debt

Long-term debt is comprised of the following:

Bonds payable	$ 8,245,000
Due within one year	$ 115,000

The District's bonds payable at November 30, 2025, consists of unlimited tax bonds as follows:

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2024 Road	$ 4,900,000	$ 5,000,000	4.00% - 5.00%	September 1, 2025/2049	March 1, September 1	September 1, 2030
2025	3,345,000	3,345,000	4.00% - 6.50%	September 1, 2027/2050	March 1, September 1	September 1, 2030
	$ 8,245,000					

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 November 30, 2025, the District had authorized but unissued bonds in the amount of $178,335,000 for water, sewer and drainage facilities and $181,680,000 for the refunding of such bonds; $28,800,000 for parks and recreational facilities and $28,800,000 for the refunding of such bonds; and $44,100,000 for road improvements and $49,100,000 for the refunding of such bonds.

On October 16, 2025, the District issued its $3,345,000 Series 2025 Unlimited Tax Bonds at a net effective interest rate of 4.919559%. Proceeds of the bonds were used (1) to reimburse the developer 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; the acquisition of land for certain District facilities; operating advances; and creation costs, (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	$ 5,000,000
Bonds issued	3,345,000
Bonds retired	(100,000)
Bonds payable, end of year	$ 8,245,000

As of November 30, 2025, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2026	$ 115,000	$ 350,980	$ 465,980
2027	195,000	365,530	560,530
2028	200,000	355,255	555,255
2029	210,000	344,755	554,755
2030	220,000	333,705	553,705
2031	235,000	322,105	557,105
2032	245,000	310,455	555,455
2033	255,000	299,705	554,705
2034	270,000	288,505	558,505
2035	280,000	276,655	556,655
2036	295,000	265,285	560,285
2037	310,000	253,305	563,305
2038	330,000	240,565	570,565
2039	345,000	226,903	571,903
2040	360,000	212,450	572,450
2041	380,000	197,195	577,195
2042	395,000	180,785	575,785
2043	415,000	163,730	578,730
2044	435,000	145,599	580,599
2045	455,000	126,107	581,107
2046	480,000	105,731	585,731
2047	500,000	84,236	584,236
2048	530,000	61,286	591,286
2049	555,000	36,945	591,945
2050	235,000	11,456	246,456
	$ 8,245,000	$ 5,559,228	$ 13,804,228

Note 8 – Property Taxes

On May 7, 2022, the voters of the District authorized the District's Board of Directors to levy taxes annually for use in financing general operations limited to $1.50 per $100 of assessed value. In addition, the voters of the District authorized the District's Board of Directors to levy taxes annually for road maintenance limited to $0.25 per $100 of assessed value. 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 2025 fiscal year was financed through the 2024 tax levy, pursuant to which the District levied property taxes of $1.50 per $100 of assessed value, of which $1.00 was allocated to maintenance and operations and $0.50 was allocated to road debt service. The resulting tax levy was $450,838 on the adjusted taxable value of $30,055,866.

Property taxes levied each October are intended to finance the next fiscal year and are, therefore, not considered available for the District's use during the current fiscal year. Consequently, 2025 levy collections in the amount of $11,552 have been included with deferred property taxes and are recorded as deferred inflows of resources on the *Governmental Funds Balance Sheet*. On the government-wide *Statement of Net Position*, the full 2025 tax levy of $935,574 is reported as deferred inflows. These amounts will be recognized as revenue in 2026.

Property taxes receivable, at November 30, 2025, consisted of the following:

Current year taxes receivable	$ 924,022
Prior years taxes receivable	6,807
	930,829
Penalty and interest receivable	1,936
Property taxes receivable	$ 932,765

Note 9 – Transfers to Other Governments

Montgomery County assumes responsibility (after a one-year maintenance period) for road facilities constructed within the boundaries of the County. Accordingly, road facilities are considered to be capital assets of Montgomery County, not the District and are recorded as transfers to other governments on the *Statement of Activities* upon completion of construction. This cost is trued-up when the developer is subsequently reimbursed. For the year ended November 30, 2025, the District recorded transfers to other governments in the amount of $1,073,252 for road facilities constructed by a developer within the District.

Note 10 – Wholesale Water Supply and Wastewater Treatment Service

Pursuant to an Agreement for Wholesale Water Supply and Wastewater Treatment Service (as amended, the "Agreement") between Utilities Investment Co., Inc. ("UICI") and the District, the District purchased wholesale water supply and wastewater treatment capacity to serve up to 850 equivalent single-family connections ("ESFCs") in the District. Under the terms of the Agreement, UICI is responsible for financing and constructing expansions of existing water supply and wastewater treatment plants (the "UICI System") with sufficient capacity to provide wholesale water and wastewater service to the District. The District is responsible for financing and constructing the facilities to deliver water and wastewater service to customers within the District. The term of the Agreement is 40 years and thereafter renews for a consecutive 40-year term, unless 3 years' prior written notice is given. As of November 30, 2025, the District has paid $255,300 for capacity charges pursuant to the Agreement.

The District is required to pay for wholesale water and sewer service based on rates set by UICI, which consist of a capacity charge and a volume charge. In addition to the wholesale water service rates, the District is responsible for all applicable charges imposed by the San Jacinto River Authority and the Lone Star Groundwater Conservation District for water produced within their jurisdictions. As of November 30, 2025, the wholesale water service charge was $3.59 per 1,000 gallons of metered water flow and $4.62 per 1,000 gallons of wastewater flow. During the current year, the District paid $174,687 for wholesale water and wastewater services.

Note 11 – 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.

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Required Supplementary Information

Montgomery County Municipal Utility District No. 197
Required Supplementary Information - Budgetary Comparison Schedule - General Fund
For the Year Ended November 30, 2025

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Water service	$ 45,000	$ 45,000	$ 148,765	$ 103,765
Sewer service	10,000	10,000	78,954	68,954
Property taxes	280,000	300,000	300,993	993
Penalties and interest	8,000	8,000	5,278	(2,722)
Ground water fees	20,000	20,000	83,427	63,427
Tap connection and inspection	89,000	89,000	141,906	52,906
Miscellaneous			553	553
Investment earnings	250	250	4,136	3,886
Total Revenues	452,250	472,250	764,012	291,762
Expenditures				
Current service operations				
Purchased services	130,000	130,000	174,687	(44,687)
Professional fees	92,000	92,000	146,051	(54,051)
Contracted services	44,000	44,000	90,304	(46,304)
Repairs and maintenance	42,000	42,000	120,919	(78,919)
Utilities	5,000	5,000	1,129	3,871
Administrative	55,840	55,840	26,315	29,525
Other	1,000	1,000	6,121	(5,121)
Capital outlay	60,000	60,000	111,581	(51,581)
Total Expenditures	429,840	429,840	677,107	(247,267)
Revenues Over Expenditures	22,410	42,410	86,905	44,495
Other Financing Sources				
Developer advances	80,000	80,000		(80,000)
Net Change in Fund Balance	102,410	122,410	86,905	(35,505)
Fund Balance				
Beginning of the year	91,746	91,746	91,746	
End of the year	$ 194,156	$ 214,156	$ 178,651	$ (35,505)

Budgets and Budgetary Accounting

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

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Texas Supplementary Information

Montgomery County Municipal Utility District No. 197
TSI-1. Services and Rates
November 30, 2025

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	[ ] 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 5/8" meter (or equivalent):

	Minimum Charge	Minimum Usage	Flat Rate (Y / N)	Rate per 1,000 Gallons Over Minimum Usage	Usage Levels		
Water:	$ 27.00	1,000	N	$ 4.00	1,001	to	no limit
Wastewater:	$ 5.00	1,000	N	$ 5.00	0	to	no limit
SJRA Fee*:	$ 2.88	1,000	N	$ 2.88	1,001	to	no limit
LSGCD Fee*:	$ 0.094	1,000	N	$ 0.094	1,001	to	no limit

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

Total charges per 10,000 gallons usage: Water $ 92.76 Wastewater $ 50.00

*The District bills its customers at 110% of the San Jacinto River Authority and the Lone Star Groundwater Conservation District ("LSGCD") fee, which is subject to change.

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"	242	242	x 1.0	242
1"	2	2	x 2.5	5
1.5"			x 5.0	
2"	2	2	x 8.0	16
3"			x 15.0	
4"			x 25.0	
6"			x 50.0	
8"	1	1	x 80.0	80
10"			x 115.0	
Total Water	248	248		344
Total Wastewater	204	204	x 1.0	204

See accompanying auditor's report.

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

* Gallons purchased into system:	55,079,000	Water Accountability Ratio: (Gallons billed / Gallons pumped)
Gallons billed to customers:	55,079,000	100.00%

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 [ ] Partly [ ] Not at all [X]

ETJs in which the District is located: _____

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

If Yes, by whom? _____

*Purchased from Utilities Investment Co., Inc.

See accompanying auditor's report.

Montgomery County Municipal Utility District No. 197
TSI-2 General Fund Expenditures
For the Year Ended November 30, 2025

Purchased services	$ 174,687
Professional fees	
Legal	78,195
Audit	26,500
Engineering	41,356
	146,051
Contracted services	
Bookkeeping	9,275
Operator	6,561
Garbage collection	40,017
Tap connection and inspection	34,451
	90,304
Repairs and maintenance	120,919
Utilities	1,129
Administrative	
Directors fees	9,795
Printing and office supplies	6,376
Insurance	8,957
Other	1,187
	26,315
Other	6,121
Capital outlay	111,581
Total expenditures	$ 677,107

See accompanying auditor's report.

Montgomery County Municipal Utility District No. 197
TSI-3. Investments
November 30, 2025

Fund	Interest Rate	Maturity Date	Balance at End of Year
General			
TexSTAR	Variable	N/A	$ 142,057
Debt Service			
TexSTAR	Variable	N/A	162,545
TexSTAR			244,840
			407,385
Capital Projects			
TexSTAR	Variable	N/A	55,874
Total - All Funds			$ 605,316

See accompanying auditor's report.

Montgomery County Municipal Utility District No. 197
TSI-4. Taxes Levied and Receivable
November 30, 2025

	Maintenance Taxes	WSD Debt Service Taxes	Road Debt Service Taxes	Totals
Taxes Receivable, Beginning of Year	$ 274,901	$ -	$ 137,451	$ 412,352
Adjustments	20,554		7,181	27,735
Adjusted Receivable	295,455		144,632	440,087
2025 Original Tax Levy	484,987	55,746	295,452	836,185
Adjustments	57,646	6,626	35,117	99,389
Adjusted Tax Levy	542,633	62,372	330,569	935,574
Total to be accounted for	838,088	62,372	475,201	1,375,661
Tax collections:				
Current year	6,700	770	4,082	11,552
Prior years	289,698		143,582	433,280
Total Collections	296,398	770	147,664	444,832
Taxes Receivable, End of Year	$ 541,690	$ 61,602	$ 327,537	$ 930,829
Taxes Receivable, By Year				
2025	$ 535,933	$ 61,602	$ 326,487	924,022
2024	2,099		1,050	3,149
2023	3,658			3,658
Taxes Receivable, End of Year	$ 541,690	$ 61,602	$ 327,537	$ 930,829

	2025	2024	2023
Property Valuations:			
Land	$ 30,435,482	$ 19,014,961	$ 16,713,010
Improvements	34,154,210	13,624,244	353,853
Personal Property	1,079,682	75,336	50,143
Exemptions	(3,297,807)	(2,658,675)	(1,455,926)
Total Property Valuations	$ 62,371,567	$ 30,055,866	$ 15,661,080
Tax Rates per $100 Valuation:			
Maintenance tax rate	$ 0.87	$ 1.00	$ 1.50
WSD debt service tax rates	0.10		
Road debt service tax rates	0.53	0.50	
Debt service tax rates	$ 1.50	$ 1.50	$ 1.50
Adjusted Tax Levy:	$ 935,574	$ 450,838	$ 234,916
Percentage of Taxes Collected to Taxes Levied ***	1.23%	99.30%	98.44%

* Maximum Maintenance Tax Rate Approved by Voters: $1.50 on May 7, 2022

** Maximum Road Maintenance Tax Rate Approved by Voters: $0.25 on May 7, 2022

*** 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. 197
TSI-5. Long-Term Debt Service Requirements
Series 2024 Road--by Years
November 30, 2025

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2026	$ 115,000	$ 208,880	$ 323,880
2027	120,000	203,130	323,130
2028	125,000	197,730	322,730
2029	130,000	192,105	322,105
2030	135,000	186,255	321,255
2031	145,000	180,180	325,180
2032	150,000	174,380	324,380
2033	155,000	168,380	323,380
2034	165,000	162,180	327,180
2035	170,000	155,580	325,580
2036	180,000	148,610	328,610
2037	190,000	141,230	331,230
2038	200,000	133,440	333,440
2039	210,000	125,140	335,140
2040	220,000	116,425	336,425
2041	230,000	107,295	337,295
2042	240,000	97,635	337,635
2043	250,000	87,555	337,555
2044	260,000	77,055	337,055
2045	275,000	65,875	340,875
2046	290,000	54,050	344,050
2047	300,000	41,580	341,580
2048	315,000	28,380	343,380
2049	330,000	14,520	344,520
	$ 4,900,000	$ 3,067,590	$ 7,967,590

See accompanying auditor's report.

Montgomery County Municipal Utility District No. 197
TSI-5. Long-Term Debt Service Requirements
Series 2025--by Years
November 30, 2025

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2026	$ -	$ 142,100	$ 142,100
2027	75,000	162,400	237,400
2028	75,000	157,525	232,525
2029	80,000	152,650	232,650
2030	85,000	147,450	232,450
2031	90,000	141,925	231,925
2032	95,000	136,075	231,075
2033	100,000	131,325	231,325
2034	105,000	126,325	231,325
2035	110,000	121,075	231,075
2036	115,000	116,675	231,675
2037	120,000	112,075	232,075
2038	130,000	107,125	237,125
2039	135,000	101,763	236,763
2040	140,000	96,025	236,025
2041	150,000	89,900	239,900
2042	155,000	83,150	238,150
2043	165,000	76,175	241,175
2044	175,000	68,544	243,544
2045	180,000	60,232	240,232
2046	190,000	51,681	241,681
2047	200,000	42,656	242,656
2048	215,000	32,906	247,906
2049	225,000	22,425	247,425
2050	235,000	11,456	246,456
	$ 3,345,000	$ 2,491,638	$ 5,836,638

See accompanying auditor's report.

Montgomery County Municipal Utility District No. 197
TSI-5. Long-Term Debt Service Requirements
All Bonded Debt Series--by Years
November 30, 2025

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2026	$ 115,000	$ 350,980	$ 465,980
2027	195,000	365,530	560,530
2028	200,000	355,255	555,255
2029	210,000	344,755	554,755
2030	220,000	333,705	553,705
2031	235,000	322,105	557,105
2032	245,000	310,455	555,455
2033	255,000	299,705	554,705
2034	270,000	288,505	558,505
2035	280,000	276,655	556,655
2036	295,000	265,285	560,285
2037	310,000	253,305	563,305
2038	330,000	240,565	570,565
2039	345,000	226,903	571,903
2040	360,000	212,450	572,450
2041	380,000	197,195	577,195
2042	395,000	180,785	575,785
2043	415,000	163,730	578,730
2044	435,000	145,599	580,599
2045	455,000	126,107	581,107
2046	480,000	105,731	585,731
2047	500,000	84,236	584,236
2048	530,000	61,286	591,286
2049	555,000	36,945	591,945
2050	235,000	11,456	246,456
	$ 8,245,000	$ 5,559,228	$ 13,804,228

See accompanying auditor's report.

Montgomery County Municipal Utility District No. 197
TSI-6. Change in Long-Term Bonded Debt
November 30, 2025

	Bond Issue		
	Series 2024 Road	Series 2025	Totals
Interest rate	4.00% - 5.00%	4.00% - 6.50%	
Dates interest payable	3/1; 9/1	3/1; 9/1	
Maturity dates	9/1/25 - 9/1/49	9/1/27 - 9/1/50	
Beginning bonds outstanding	$ 5,000,000	$ -	$ 5,000,000
Bonds issued		3,345,000	3,345,000
Bonds retired	(100,000)		(100,000)
Ending bonds outstanding	$ 4,900,000	$ 3,345,000	$ 8,245,000
Interest paid during fiscal year	$ 199,027	$ -	$ 199,027
Paying agent's name and city			
All Series	BOKF, NA, Dallas, Texas		

Bond Authority:	Water, Sewer and Drainage Bonds	Recreational Facilities Bonds	Road Facilities Bonds
Amount Authorized by Voters	$ 181,680,000	$ 28,800,000	$ 49,100,000
Amount Issued	(3,345,000)		(5,000,000)
Remaining To Be Issued	$ 178,335,000	$ 28,800,000	$ 44,100,000

Bond Authority:	Water, Sewer and Drainage Refunding Bonds	Recreational Facilities Refunding Bonds	Road Facilities Refunding Bonds
Amount Authorized by Voters	$ 181,680,000	$ 28,800,000	$ 49,100,000
Amount Issued			
Remaining To Be Issued	$ 181,680,000	$ 28,800,000	$ 49,100,000

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

Debt Service Fund cash and investment balances as of November 30, 2025:	$ 433,410
Average annual debt service payment (principal and interest) for remaining term of all debt:	$ 552,169

See accompanying auditor's report.

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Montgomery County Municipal Utility District No. 197
TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund
For the Last Four Fiscal Years

	Amounts			
	2025	2024	2023	2022**
Revenues				
Water service	$ 148,765	$ 98,013	$ 69,643	$ -
Sewer service	78,954	47,771	22,099	
Property taxes	300,993	228,725		
Penalties and interest	5,278	7,190	3,220	
Groundwater fees	83,427	67,269	61,680	
Tap connection and inspection	141,906	146,142	77,670	24,375
Miscellaneous	553			600
Investment earnings	4,136	373	160	29
Total Revenues	764,012	595,483	234,472	25,004
Expenditures				
Current service operations				
Purchased services	174,687	170,073	178,411	
Professional fees	146,051	99,038	104,272	166,810
Contracted services	90,304	67,248	131,766	9,000
Repairs and maintenance	120,919	43,961	19,530	
Utilities	1,129	1,355	550	
Administrative	26,315	32,867	13,027	15,657
Other	6,121	19,223	2,512	249
Capital outlay	111,581	112,115		
Total Expenditures	677,107	545,880	450,068	191,716
Revenues Over/(Under) Expenditures	86,905	49,603	(215,596)	(166,712)
Other Financing Sources/(Uses)				
Developer advances		120,000	140,000	173,000
Internal transfers		(8,549)		
Net Change in Fund Balance	86,905	161,054	(75,596)	6,288
Fund Balance, Beginning of the year	91,746	(69,308)	6,288	-
End of the year	$ 178,651	$ 91,746	$ (69,308)	$ 6,288
Total Active Retail Water Connections	248	165	71	N/A
Total Active Retail Wastewater Connections	204	161	68	N/A

*Percentage is negligible
**Unaudited

See accompanying auditor's report.

Percent of Fund Total Revenues			
2025	2024	2023	2022**
19%	17%	30%	
10%	8%	9%	
39%	38%		
1%	1%	1%	
11%	11%	26%	
19%	25%	34%	98%
*			2%
1%	*	*	*
100%	100%	100%	100%
23%	29%	76%	
19%	17%	44%	667%
12%	11%	56%	36%
16%	7%	8%	
*	*	*	
3%	6%	6%	63%
1%	3%	1%	1%
15%	19%		
89%	92%	191%	767%
11%	8%	(91%)	(667%)

Montgomery County Municipal Utility District No. 197
TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fund
For the Last Two Fiscal Years

	Amounts		Percent of Fund Total Revenues	
	2025	2024	2025	2024
Revenues				
Property taxes	$ 149,230	$ -	89%	
Penalties and interest	5,045	376	3%	10%
Miscellaneous	20		*	
Investment earnings	12,708	3,307	8%	90%
Total Revenues	167,003	3,683	100%	100%
Expenditures				
Tax collection services	19,942	9,461	12%	257%
Debt service				
Principal	100,000		60%	
Interest and fees	199,227		119%	
Total Expenditures	319,169	9,461	191%	257%
Revenues Under Expenditures	(152,166)	(5,778)	(91%)	(157%)
Other Financing Sources				
Proceeds from sale of bonds	243,600	317,973		
Internal transfers		8,549		
Net Change in Fund Balance	91,434	320,744		
Fund Balance, Beginning of the year	320,744	-		
End of the year	$ 412,178	$ 320,744		

*Percentage is negligible

See accompanying auditor's report.

Montgomery County Municipal Utility District No. 197
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended November 30, 2025

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 12, 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				
David Ward	05/24 - 05/28	$ 1,768	$ 76	President
Heather Zayas	05/22 - 05/26	1,176	136	Vice President
Erica Bogdan	05/24 - 05/28	2,210	61	Secretary
Michael Wang	06/24 - 05/26	2,431	230	Assistant Vice President
Tim Duffy	05/22 - 05/26	2,431	233	Assistant Secretary

Consultants		Amounts Paid	
Allen Boone Humphries Robinson, LLP	2021		Attorney
General legal fees		$ 75,068	
Bond counsel		102,011	
Municipal District Services, LLC	2022	185,568	Operator
Myrtle Cruz, Inc.	2021	10,373	Bookkeeper
Assessments of the Southwest, Inc.	2021	7,544	Tax Collector
Montgomery Central Appraisal District	Legislation	5,768	Property Valuation
Perdue Brandon Fielder Collins & Mott, LLP	2022	2,597	Delinquent Tax Attorney
EHRA Engineering	2021	54,469	Engineer
McGrath & Co., PLLC	2023	33,500	Auditor
Robert W. Baird & Co., Inc.	2022	70,090	Financial Advisor

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

See accompanying auditor's report.