OFFICIAL STATEMENT DATED OCTOBER 6, 2026

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

THE BONDS HAVE BEEN DESIGNATED "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS.

NEW ISSUE-Book-Entry Only

Insured Rating (BAM): S&P "AA" (stable outlook)
See "MUNICIPAL BOND RATING" and
"MUNICIPAL BOND INSURANCE" herein.

$4,000,000
MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 185
(A political subdivision of the State of Texas located within Montgomery County)
UNLIMITED TAX BONDS
SERIES 2026

The bonds described above (the "Bonds") are obligations solely of Montgomery County Municipal Utility District No. 185 (the "District") and are not obligations of the State of Texas, Montgomery County or any entity other than the District.

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

Dated Date: November 1, 2026 **Due: May 1, as shown below**
Interest Accrual Date: Date of Delivery

Principal of the Bonds is payable at maturity or earlier redemption at the principal payment office of the paying agent/registrar, initially BOKF, NA, Dallas, Texas (the "Paying Agent/Registrar") upon surrender of the Bonds for payment. Interest on the Bonds accrues from the date of delivery (expected on or about November 5, 2026) (the "Date of Delivery"), and is payable each May 1 and November 1, commencing May 1, 2027, until maturity or prior redemption. The Bonds will be issued only in fully registered form in denominations of $5,000 each or integral multiples thereof. The Bonds are subject to redemption prior to their maturity, as shown below.

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

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM" or the "Insurer"). See "MUNICIPAL BOND INSURANCE" herein.

MATURITY SCHEDULE

Principal Amount	Maturity (May 1)	CUSIP Number (b)	Interest Rate	Initial Reoffering Yield (c)	Principal Amount	Maturity (May 1)	CUSIP Number (b)	Interest Rate	Initial Reoffering Yield (c)
$ 75,000	2028	61374H BB7	7.500 %	4.05 %	$ 145,000	2041 (a)	61374H BQ4	5.000 %	5.18 %
80,000	2029	61374H BC5	7.500	4.15	155,000	2042 (a)	61374H BR2	5.125	5.25
85,000	2030	61374H BD3	7.500	4.25	160,000	2043 (a)	61374H BS0	5.125	5.30
90,000	2031	61374H BE1	7.500	4.35	170,000	2044 (a)	61374H BT8	5.250	5.35
95,000	2032	61374H BF8	7.500	4.45	180,000	2045 (a)	61374H BU5	5.250	5.40
100,000	2033 (a)	61374H BG6	7.500	4.55	185,000	2046 (a)	61374H BV3	5.250	5.45
105,000	2034 (a)	61374H BH4	7.500	4.60	195,000	2047 (a)	61374H BW1	5.250	5.50
110,000	2035 (a)	61374H BJ0	7.000	4.65	205,000	2048 (a)	61374H BX9	5.375	5.55
115,000	2036 (a)	61374H BK7	5.000	4.80	215,000	2049 (a)	61374H BY7	5.375	5.56
120,000	2037 (a)	61374H BL5	5.000	4.90	225,000	2050 (a)	61374H BZ4	5.375	5.57
125,000	2038 (a)	61374H BM3	5.000	5.00	240,000	2051 (a)	61374H CA8	5.375	5.59
135,000	2039 (a)	61374H BN1	5.000	5.06	550,000	2052 (a)	61374H CB6	5.375	5.60
140,000	2040 (a)	61374H BP6	5.000	5.12					

(a) Bonds maturing on or after May 1, 2033, are subject to redemption at the option of the District prior to their maturity dates in whole, or from time to time in part, on May 1, 2032, or on any date thereafter at a price of par value plus unpaid accrued interest from the most recent Interest Payment Date (as herein defined) to the date fixed for redemption. See "THE BONDS—Redemption Provisions."
(b) CUSIP Numbers have been assigned to the Bonds by CUSIP Global Services and are included solely for the convenience of the purchasers of the Bonds. Neither the District nor the Underwriter shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.
(c) Initial reoffering yield represents the initial offering yield to the public, which has been established by the Underwriter (as herein defined) for offers to the public and which subsequently may be changed.

The Bonds are offered by the Underwriter subject to prior sale, when, as and if issued by the District and accepted by the Underwriter, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel. See "LEGAL MATTERS." Delivery of the Bonds in book-entry form through the facilities of DTC is expected on or about November 5, 2026.

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

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

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

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

Build America Mutual Assurance Company ("BAM" or the "Insurer") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "MUNICIPAL BOND INSURANCE" and "APPENDIX B—Specimen Municipal Bond Insurance Policy."

OFFICIAL STATEMENT SUMMARY

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

THE DISTRICT

Description... The District is a political subdivision of the State of Texas, created by the Texas Commission on Environmental Quality ("TCEQ") on July 30, 2021, and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended and Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution. The District contains approximately 300 acres of land. See "THE DISTRICT—General."

Location... The District is located in eastern Montgomery County, Texas, and is bounded on the east by Canopies Parkway and East Montgomery County MUD No. 14, on the south by East Montgomery County MUD No. 13, on the west by undeveloped land and on the north by Farm-to-Market 2090. The District is approximately 40 miles northeast of the downtown business district of the City of Houston. The District is not located within the corporate city limits or extraterritorial jurisdiction of any city. The District is located wholly within Montgomery County and within the boundaries of the Splendora Independent School District. See "THE DISTRICT" and "AERIAL LOCATION MAP."

The Developer and Principal Property Owner... The Developer in the District is Townsend Reserve, Ltd., a Texas limited partnership, whose general partner is C.I.L. Holdings LLC and whose limited partner is Camcorp Interests, Ltd. Camillo Properties LLC is a principal taxpayer and owner of rental properties in the District. See "TAX DATA—Principal Taxpayers" and "RISK FACTORS—Rental Homes." All of the above-mentioned entities have common ownership. No landowner, developer or any of their respective affiliates, is obligated to pay any principal of or interest on the Bonds.

Horizon Park, LLC, a Texas limited liability company, owns approximately 8 acres of land within the District. No development activity has occurred on such acreage to date. See "THE DISTRICT," "THE DEVELOPER AND PRINCIPAL PROPERTY OWNER" and "RISK FACTORS—Dependence on Principal Taxpayers."

Status of Development... Single-family residential development in the District consists of Townsend Reserve, Sections One, Two and Four (1,147 single-family residential lots on approximately 182 acres). As of September 1, 2026, 538 homes were completed (531 occupied), 92 homes were under construction or in a builder's name and 517 vacant developed lots were available for home construction. There are 162 homes in the Townsend Reserve, Section One that are owned and leased by Camillo Properties LLC as rental properties. See "RISK FACTORS—Rental Homes."

A recreation center with a pool and covered pavilion has been constructed on approximately one acre of land in the District. There are an approximately 37 acres of undeveloped but developable land and approximately 80 acres of undevelopable land (public rights-of-way, detention, open spaces, easements, and utility sites) in the District. See "THE DISTRICT—Land Use" and "—Status of Development."

Homebuilding… Legend Classic Homes LLC is building homes in Townsend Reserve, Sections One and Two which have an average sales price of approximately $227,000. See "THE DISTRICT—Homebuilding."

Payment Record... The District has previously issued $4,000,000 principal amount of unlimited tax road bonds, all of which is outstanding as of the date hereof (the "Outstanding Bonds"). The District capitalized eighteen (18) months of interest from proceeds of the Outstanding Bonds in June 2025 and will capitalize $300,000 of interest from proceeds of the Bonds, which represents eighteen (18) months at a 5.00% interest rate and is the maximum amount approved by the TCEQ. See "USE AND DISTRIBUTION OF BOND PROCEEDS." The District has timely paid its debt service on the Outstanding Bonds.

THE BONDS

Description... The $4,000,000 Unlimited Tax Bonds, Series 2026 (the "Bonds") are being issued as fully registered bonds pursuant to a resolution authorizing the issuance of the Bonds (the "Bond Resolution") adopted by the District's Board of Directors (the "Board"). The Bonds are scheduled to mature serially on May 1 in each of the years 2028 through 2052, both inclusive, in the principal amounts and accruing interest at the rates shown on the cover page hereof. Interest on the Bonds accrues from the Date of Delivery and is payable May 1, 2027, and each November 1 and May 1 thereafter, until the earlier of maturity or redemption. The Bonds will be issued in denominations of $5,000 or integral multiples of $5,000. See "THE BONDS."

Book-Entry-Only System… The Depository Trust Company (defined as "DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds and will be deposited with DTC. See "BOOK-ENTRY-ONLY SYSTEM."

Redemption... Bonds maturing on or after May 1, 2033, are subject to redemption in whole, or from time to time in part, at the option of the District prior to their maturity dates on May 1, 2032, or on any date thereafter at a price of par value plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. See "THE BONDS—Redemption Provisions."

Use of Proceeds... Proceeds of the Bonds will be used to pay for the items shown herein under "USE AND DISTRIBUTION OF BOND PROCEEDS," including to pay interest on funds advanced by the Developer on behalf of the District; creation costs; operating advances; to capitalize $300,000 of interest on the Bonds, which represents eighteen (18) months at a 5.00% interest rate and is the maximum amount approved by the TCEQ; and to pay administrative costs and certain other costs and engineering fees related to the issuance of the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

Authority for Issuance... The Bonds are the first series of bonds issued out of an aggregate of $219,991,000 principal amount of unlimited tax bonds authorized by the District's voters for the purpose of constructing or acquiring waterworks, sanitary sewer and drainage facilities. The Bonds are issued by the District pursuant to an order of the Texas Commission on Environmental Quality (the "TCEQ"), the terms and conditions of the Bond Resolution, Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, and general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas. See "THE BONDS—Authority for Issuance," "—Issuance of Additional Debt" and "RISK FACTORS—Future Debt."

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

Municipal Bond Rating and Municipal Bond Insurance… S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, ("S&P") has assigned a municipal bond rating of "AA" (stable outlook) to the Bonds with the understanding that, upon issuance and delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by Build America Mutual Assurance Company ("BAM" or the "Insurer"). No application has been made to a municipal rating company for an underlying rating on the Bonds, nor is it expected that the District would have received an investment grade rating if application had been made. See "RISK FACTORS—Risk Factors Related to the Purchase of Municipal Bond Insurance," "MUNICIPAL BOND RATING," "MUNICIPAL BOND INSURANCE" and "APPENDIX B."

Qualified Tax-Exempt Obligations... The Bonds have been designated "qualified tax-exempt obligations" for financial institutions. See "TAX MATTERS—Qualified Tax-Exempt Obligations."

Bond Counsel... Allen Boone Humphries Robinson LLP, Houston, Texas. See "MANAGEMENT OF THE DISTRICT," "LEGAL MATTERS" and "TAX MATTERS."

Financial Advisor... Masterson Advisors LLC, Houston, Texas. See "MANAGEMENT OF THE DISTRICT."

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

Paying Agent/Registrar... BOKF, NA, Dallas, Texas. See "THE BONDS—Method of Payment of Principal and Interest."

RISK FACTORS

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

SELECTED FINANCIAL INFORMATION (UNAUDITED)

2026 Taxable Assessed Valuation	$120,632,794	(a)
Estimated Taxable Assessed Valuation as of July 1, 2026	$142,811,715	(b)
Gross Direct Debt Outstanding (after issuance of the Bonds)	$ 8,000,000	(c)
Estimated Overlapping Debt	14,866,449	(d)
Gross Direct Debt and Estimated Overlapping Debt	$22,866,449	
Ratios of Gross Direct Debt to:		
2026 Taxable Assessed Valuation	6.63%	
Estimated Taxable Assessed Valuation as of July 1, 2026	5.60%	
Ratios of Gross Direct Debt and Estimated Overlapping Debt to:		
2026 Taxable Assessed Valuation	18.96%	
Estimated Taxable Assessed Valuation as of July 1, 2026	16.01%	
Funds Available for Debt Service:		
Road Debt Service Fund Balance as of September 1, 2026	$260,494	(e)
Capitalized Interest from proceeds of the Bonds (WSD)	300,000	(e)(f)
Total Funds Available for Debt Service	$560,494	(e)
Operating Funds Available as of September 1, 2026	$845,748	
Capital Project Funds Available as of September 1, 2026	$ 55,243	
2026 Debt Service Tax Rate	$0.32	
2026 Maintenance and Operations Tax Rate	1.18	
2026 Total Tax Rate	$1.50	
Average Annual Debt Service Requirement (2027-2052)	$554,904	(g)
Maximum Annual Debt Service Requirement (2028)	$573,603	(g)
Tax Rates Required to Pay Average Annual Debt Service (2027-2052) at a 95% Collection Rate		
Based upon 2026 Taxable Assessed Valuation	$0.49	(h)
Based upon Estimated Taxable Assessed Valuation as of July 1, 2026	$0.41	(h)
Tax Rates Required to Pay Maximum Annual Debt Service (2028) at a 95% Collection Rate		
Based upon 2026 Taxable Assessed Valuation	$0.51	(h)
Based upon Estimated Taxable Assessed Valuation as of July 1, 2026	$0.43	(h)
Status of Development as of September 1, 2026 (i):		
Total Developed Lots	1,147	
Homes Completed (531 Occupied)	538	
Homes Under Construction or in a Builder's Name	92	
Lots Available for Home Construction	517	
Estimated Population	1,859	(j)

(a) The Montgomery Central Appraisal District (the "Appraisal District") has certified $117,393,964 of taxable value and an additional $3,238,830 of taxable value remains uncertified and is subject to review and downward adjustment. The 2026 Taxable Assessed Valuation shown throughout this Official Statement is the certified value plus the uncertified value. See "TAXING PROCEDURES."

(b) Provided by the Appraisal District for informational purposes only. Such amount reflects an estimate of the taxable assessed value within the District on July 1, 2026. No tax will be levied on such amount until it is certified. Increases in value occurring between January 1, 2026 and July 1, 2026, will be certified as of January 1, 2027. See "TAXING PROCEDURES."

(c) Includes the Bonds and the Outstanding Bonds. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds."

(d) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Estimated Overlapping Debt."

(e) Funds in the Road Debt Service Fund are available to pay debt service on bonds issued for road facilities and are not available to pay debt service on bonds issued for water, sewer and drainage facilities (including the Bonds). Funds in the Water, Sewer and Drainage Debt Service Fund are available to pay debt service on bonds issued for water, sewer and drainage facilities (including the Bonds) and are not available to pay debt service on bonds for road facilities. See "THE BONDS—Funds."

(f) The District will capitalize $300,000 of interest from proceeds of the Bonds, which represents eighteen (18) months at a 5.00% interest rate, and is the maximum amount approved by the TCEQ. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

(g) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements."

(h) See "TAX DATA—Tax Adequacy for Debt Service" and "RISK FACTORS—Possible Impact on District Tax Rates."

(i) See "THE DISTRICT—Land Use" and "—Status of Development."

(j) Based upon 3.5 persons per occupied single-family residence.

OFFICIAL STATEMENT

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 185

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

$4,000,000

UNLIMITED TAX BONDS
SERIES 2026

This Official Statement provides certain information in connection with the issuance by Montgomery County Municipal Utility District No. 185 (the "District") of its $4,000,000 Unlimited Tax Bonds, Series 2026 (the "Bonds").

The Bonds are issued pursuant to an order of the Texas Commission on Environmental Quality (the "TCEQ"), 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; a resolution authorizing the issuance of the Bonds (the "Bond Resolution") adopted by the Board of Directors of the District (the "Board") and an election held within the District.

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

THE BONDS

Description

The Bonds will be dated November 1, 2026, and interest will accrue from the Date of Delivery with interest payable each May 1 and November 1 (each an "Interest Payment Date"), beginning May 1, 2027, and will mature on the dates and in the principal amounts and accrue interest at the rates shown on the cover page hereof. The Bonds are issued in fully registered form, in denominations of $5,000 or any integral multiple of $5,000. Interest calculations are based on a 360-day year comprised of twelve 30-day months.

Method of Payment of Principal and Interest

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

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

Source of Payment

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

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

No Arbitrage

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

Funds

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

The District also maintains a Road Debt Service Fund that is not pledged or available to pay principal or interest issued to finance water, sewer and drainage facilities, including the Bonds. Funds in the Water, Sewer and Drainage Debt Service Fund are not available to pay principal of and interest on bonds issued for road facilities.

$300,000 of capitalized interest, which represents eighteen (18) months at a 5.00% interest rate and is the maximum amount approved by the TCEQ, shall be deposited into the Water, Sewer and Drainage Debt Service Fund upon receipt. The remaining proceeds of sale of the Bonds shall be deposited into the Water, Sewer and Drainage Capital Projects Fund to be used for the purpose of reimbursing certain of the Developer for certain construction costs, to pay interest on funds advanced by the Developer, to pay creation costs, to pay operating advances and to pay the costs of issuance of the Bonds. Any monies remaining in the Water, Sewer and Drainage Capital Projects Fund after completion of construction of all water, sewer and drainage facilities will be used as described in the Bond Resolution or ultimately transferred to the Water, Sewer and Drainage Debt Service Fund. See "USE AND DISTRIBUTION OF BOND PROCEEDS" for a complete description of the use of Bond proceeds and the projects related thereto.

Redemption Provisions

The District reserves the right, at its option, to redeem the Bonds maturing on or after May 1, 2033, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of $5,000 on May 1, 2032, or any date thereafter, at a price of par value plus unpaid accrued interest on the principal amounts called for redemption from the most recent Interest Payment Date to the date fixed for redemption.

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

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

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

Authority for Issuance

At a bond election held within the District on November 2, 2021, voters of the District authorized the issuance of $219,991,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring waterworks, sanitary sewer and drainage facilities. The Bonds are issued pursuant to such authorization.

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

Before the Bonds can be issued, the Attorney General of Texas must pass upon the legality of certain related matters. The Attorney General of Texas does not guarantee or pass upon the safety of the Bonds as an investment or upon the adequacy of the information contained in this Official Statement.

Registration and Transfer

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

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

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

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

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

Lost, Stolen or Destroyed Bonds

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

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

Replacement of Paying Agent/Registrar

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

Issuance of Additional Debt

The District's voters have authorized a total of $219,991,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring waterworks, sanitary sewer and drainage facilities and $219,991,000 principal amount of unlimited tax bonds for refunding such obligations. The District's voters have also authorized a total of $86,051,800 principal amount of unlimited tax bonds for the purpose of constructing or acquiring roads and related facilities, a total of $86,051,800 principal amount of unlimited tax bonds for refunding such obligations, a total of $30,296,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring park and recreational facilities and a total of $30,296,000 principal amount of unlimited tax bonds for refunding such obligations. The District could authorize additional amounts. After the issuance of the Bonds, $215,991,000 principal amount of unlimited tax bonds for waterworks, sanitary sewer and drainage facilities, $82,051,800 principal amount of unlimited tax bonds for road facilities, all of the authorization for park and recreational facilities and all of the authorization for refunding bonds will remain authorized but unissued. The Bond Resolution imposes no limitation on the amount of additional parity bonds which may be authorized for issuance by the District's voters or the amount ultimately issued by the District. See "RISK FACTORS—Future Debt."

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, 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 greater than three percent (3%) of the value of the taxable property in the District. The District's voters have authorized a total of $30,296,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring park and recreational facilities, all of which remains authorized but unissued.

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

If additional debt obligations are issued in the future by the District, such issuance may increase gross debt/property ratios and might adversely affect the investment security of the Bonds.

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 utility system) and liabilities (such as the Bonds) with the assets and liabilities of districts with which it is consolidating. Although no consolidation is presently contemplated by the District, no representation is made concerning the likelihood of consolidation in the future.

Remedies in Event of Default

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

Legal Investment and Eligibility to Secure Public Funds in Texas

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

"(a) All bonds, notes, and other obligations issued by a district shall be legal and authorized investments for all banks, trust companies, building and loan associations, savings and loan associations, insurance companies of all kinds and types, fiduciaries, and trustees, and for all interest and sinking funds and other public funds of the state, and all agencies, subdivisions, and instrumentalities of the state, including all counties, cities, towns, villages, school districts, and all other kinds and types of districts, public agencies, and bodies politic."

"(b) A district's bonds, notes, and other obligations are eligible and lawful security for all deposits of public funds of the state, and all agencies, subdivisions, and instrumentalities of the state, including all counties, cities, towns, villages, school districts, and all other kinds and types of districts, public agencies, and bodies politic, to the extent of the market value of the bonds, notes, and other obligations when accompanied by any unmatured interest coupons attached to them."

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

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

Defeasance

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

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

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

BOOK-ENTRY-ONLY SYSTEM

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

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

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

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a rating from S&P Global Ratings of "AA+." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

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

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

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

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

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

USE AND DISTRIBUTION OF BOND PROCEEDS

The construction costs below were compiled by Elevation Land Solutions, the District's engineer (the "Engineer") and were submitted to the TCEQ in the District's bond application. Non-construction costs are based upon either contract amounts, or estimates of various costs by the Engineer and Masterson Advisors LLC (the "Financial Advisor"). The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Bonds and completion of certain agreed-upon procedures by the District's auditor. The surplus funds may be expended for any lawful purpose for which surplus construction funds may be used in accordance with the rules of the TCEQ.

CONSTRUCTION COSTS		
• Townsend Reserve Clearing & Grubbing	$	890,035
• Channel, Detention & Mass Grading for Townsend Reserve Phase 1		1,124,254
• Engineering		358,284
• Materials Testing		72,779
• Storm Water Pollution Prevention Plan		68,329
Total Construction Costs	**$**	**2,513,681**
NON-CONSTRUCTION COSTS		
• Bond Discount	$	120,000
• Capitalized Interest (a)		300,000
• Developer Interest (Estimated)		500,000
• Operating Advances		157,000
• Creation Costs		89,078
Total Non-Construction Costs	**$**	**1,166,078**
ISSUANCE COSTS AND FEES		
• Issuance Costs and Professional Fees	$	246,241
• Bond Application Report Costs		60,000
• State Regulatory Fees		14,000
Total Issuance Costs and Fees	**$**	**320,241**
TOTAL BOND ISSUE	**$**	**4,000,000**

(a) The District will capitalize $300,000 of interest from proceeds of the Bonds, which represents eighteen (18) months at a 5.00% interest rate, and is the maximum amount approved by the TCEQ.

In the event approved estimated amounts exceed actual costs, the difference comprises a surplus which may be expended for uses in accordance with the rules of the TCEQ. In the event actual costs exceed previously estimated amounts and contingencies, additional TCEQ approval and the issuance of additional bonds may be required.

THE DISTRICT

General

The District is a political subdivision of the State of Texas, created by the TCEQ on July 30, 2021, and operates pursuant to Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution and Chapters 49 and 54 of the Texas Water Code, as amended, and other general statutes of Texas applicable to municipal utility districts. The District currently contains approximately 300 acres of land.

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation, and treatment of wastewater; the control and diversion of storm water; and the construction of roads and related facilities. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District is also authorized to develop parks and recreational facilities, including the issuance of bonds payable from taxes for such purposes. The District is also empowered to establish, operate, and maintain fire-fighting facilities, independently or with one or more conservation and reclamation districts, after approval by the voters of the District.

The TCEQ exercises continuing supervisory jurisdiction over the District. Construction and operation of the District's waterworks, sanitary sewer and drainage system is subject to the regulatory jurisdiction of additional State of Texas and local agencies. See "THE SYSTEM—Regulation."

Description and Location

The District is located in eastern Montgomery County, Texas, and is bounded on the east by Canopies Parkway and East Montgomery County MUD No. 14, on the south by East Montgomery County MUD No. 13, on the west by undeveloped land and on the north by Farm-to-Market 2090. The District is approximately 40 miles northeast of the downtown business district of the City of Houston. The District is not located within the corporate city limits or extraterritorial jurisdiction of any city. The District is located wholly located within Montgomery County and within the boundaries of the Splendora Independent School District. See "AERIAL LOCATION MAP."

Land Use

The District's land plan currently includes 1,147 single-family residential lots developed on approximately 182 acres, a recreation center developed on approximately one acre, approximately 37 acres of undeveloped but developable land and approximately 80 acres of undevelopable land (public rights-of-way, detention, open spaces, easements, and utility sites). The table below represents a detailed breakdown of the current acreage and development in the District.

Single-Family Residential	Approximate Acres	Lots
Townsend Reserve		
Section One (a)	68	373
Section Two	82	473
Section Four	32	301
Subtotal	182	1,147
Recreation Center	1	--
Future Development	37	--
Undevelopable (b)	80	--
Totals	300	1,147

(a) Includes 162 homes that have been constructed as rental properties and owned by Camillo Properties LLC. See "RISK FACTORS—Rental Homes."
(b) Includes public rights-of-way, detention, open spaces, easements, and utility sites.

Status of Development

Single-family residential development in the District consists of Townsend Reserve, Sections One, Two and Four (1,147 single-family residential lots on approximately 182 acres). As of September 1, 2026, 538 homes were completed (531 occupied), 92 homes were under construction or in a builder's name and 517 vacant developed lots were available for home construction. There are 162 homes in Townsend Reserve, Section One that are owned and leased by Camillo Properties LLC as rental properties. See "RISK FACTORS—Rental Homes." The estimated population in the District based upon 3.5 persons per occupied single-family residence is 1,859.

A recreation center with a pool and covered pavilion has been constructed on approximately one acre of land in the District. There are an additional approximately 37 acres of undeveloped but developable land and approximately 80 acres of undevelopable land (public rights-of-way, detention, open spaces, easements, and utility sites) in the District.

Homebuilding

Legend Classic Homes LLC is building homes in Townsend Reserve, Sections One and Two, which have an average sales price of approximately $227,000.

Future Development

The District is currently being developed as a single-family residential development. Approximately 37 developable acres of land currently within the District are not yet served with water distribution and supply, wastewater collection and treatment, storm drainage facilities or roads. See "RISK FACTORS—Future Debt." The Engineer has stated that under regulatory criteria and current development plans, the remaining authorized but unissued bonds (after issuance of the Bonds) in the aggregate principal amount of $328,338,800 should be sufficient to finance the construction of facilities to complete the District's water, wastewater, drainage, road, and recreational system for full development of the District.

THE DEVELOPER AND PRINCIPAL PROPERTY OWNER

General

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

Prospective Bond purchasers should note that the prior real estate experience of the Developer should not be construed as an indication that further development within the District will occur, or that construction of taxable improvements upon property within the District will occur, or that marketing or leasing of taxable improvements constructed upon property within the District will be successful. See "RISK FACTORS."

None of the Developer, nor any affiliates of the Developer, are responsible for, liable for, or have made any commitment for payment of the Bonds or other obligations of the District. None of the Developer nor any affiliates of the Developer, have any legal commitment to the District or the holders of the Bonds to continue development of the land within the District, and the Developer may sell or otherwise dispose of property within the District, or any assets, at any time. See "TAX DATA—Principal Taxpayers" and "RISK FACTORS—Dependence on Principal Taxpayers and the Developer."

Townsend Reserve, Ltd.

The developer of Townsend Reserve, Sections One, Two and Four (1,147 single-family residential lots on approximately 182 acres) is Townsend Reserve, Ltd (the "Developer"). The Developer was created to develop land within the District and has not and is not engaged in any business other than the ownership, development, management and sale of land within the District, and all or substantially all of the Developer's assets are, or are derived from or in connection with, land within the District. The Developer continues to own approximately 29 acres of developable land in the District that has not yet been developed.

Camcorp Interests, Ltd. and Related Entities and Subsidiaries

C.I.L. Holdings LLC, a Texas limited liability company, is the general partner and Camcorp Interests, Ltd., a Texas limited partnership, is the limited partner of Townsend Reserve, Ltd. Legend Classic Homes LLC is building homes in the District. Camillo Properties LLC is a principal taxpayer and owner of rental properties in the District. See "RISK FACTORS—Rental Homes." All current development activities within the District, if any, are funded by Camcorp Interests, Ltd. All of the above-mentioned entities have common ownership. See "TAX DATA—Principal Taxpayers."

Obligations of the Developer

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

Principal Property Owner

Horizon Park, LLC, a Texas limited liability company, owns approximately 8 acres of land within the District. No development activity has occurred on such acreage to date.

MANAGEMENT OF THE DISTRICT

Board of Directors

The District is governed by the Board, consisting of five (5) directors, which has control over and management supervision of all affairs of the District. Directors are elected to four-year terms and elections are held in May in even numbered years only. None of the Board members reside within the District; however, each of the Board members owns land within the District. Directors have staggered four-year terms. The current members and officers of the Board along with their titles and terms, are listed as follows:

Name	District Board Title	Term Expires
Brenda Sheffield	President	May 2030
Jennifer Roussel	Vice President	May 2028
James Bailey	Secretary	May 2028
Steve Janda	Assistant Vice President	May 2028
Stanley McDonald	Assistant Secretary	May 2030

District Consultants

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

Bond Counsel/Attorney: The District has engaged Allen Boone Humphries Robinson LLP as general counsel to the District and as Bond Counsel in connection with the issuance of the District's bonds. The fees of the attorneys in their capacity as Bond Counsel are contingent upon the sale and delivery of the Bonds. Compensation to the attorneys for other services to the District is based on time charges actually incurred.

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

Auditor: The District's financial statements for the fiscal year ended July 31, 2025, were audited by McGrath & Co., PLLC, independent auditors. See "APPENDIX A" for a copy of the District's audited financial statements for the fiscal year ended July 31, 2025. The District has engaged McGrath & Co., PLLC to audit its financial statements for the fiscal year ended July 31, 2026.

Engineer: The District's consulting engineer is Elevation Land Solutions.

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

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

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

THE SYSTEM

Regulation

According to the Engineer, the District's water supply and distribution, wastewater collection, and storm drainage facilities (collectively, the "System") have been designed in accordance with accepted engineering practices and the then current requirements of various entities having regulatory or supervisory jurisdiction over the construction and operation of such facilities. The construction of the System was required to be accomplished in accordance with the standards and specifications of such entities and is subject to inspection by each such entity. The regulations and requirements of entities exercising regulatory jurisdiction over the System are subject to further development and revision which, in turn, could require additional expenditures by the District in order to achieve compliance. In particular, additional or revised requirements in connection with any permit for the wastewater treatment plant in which the District owns capacity beyond the criteria existing at the time of construction of the plant could result in the need to construct additional facilities in the future. The following descriptions are based upon information supplied by the District's Engineer.

Water Supply

The District's water supply is provided by one water plant (the "Water Plant"), which is leased from AUC Group, L.P. ("AUC"), and operated and maintained by the District. The Water Plant consists of two 500 gallon per minute ("gpm") water wells; two 15,578 gallon hydro-pneumatic tanks; one 247,217 gallon ground storage tank; one 150,000 gallon ground storage tank; and four 900 gpm booster pumps. The District's water supply is currently capable of serving 1,667 equivalent single-family connections ("ESFCs"). Pursuant to the lease agreements between the District and AUC, the District is obligated to make lease payments to AUC during the term of the lease. The current lease payment is $18,250 per month. The District must continue to expand the Water Plant and/or construct a permanent plant in order to complete the remainder of the development in the District. As of September 1, 2026, the District was serving 630 ESFCs (538 completed homes and 92 homes under construction or in the name of a builder).

Wastewater Treatment

The District's wastewater treatment is provided by a 150,000 gallons per day ("gpd") wastewater treatment plant facility, which is leased from AUC, and operated and maintained by the District. The District's wastewater treatment plant is currently capable of serving 1,167 ESFCs (assuming 300 gpd/ESFC). Pursuant to the lease agreements between the District and AUC, the District is obligated to make lease payments to AUC during the term of the lease. The current lease payment is $57,100 per month. The District must continue to expand the wastewater treatment plant facility and/or construct a permanent plant in order to complete the remainder of the development in the District. As of September 1, 2026, the District was serving 630 ESFCs (538 completed homes and 92 homes under construction or in the name of a builder).

Water Distribution, Wastewater Collection and Storm Drainage

Water distribution, wastewater collection and storm drainage facilities have been constructed to serve approximately 1,147 single-family residential lots on approximately 182 acres. See "THE DISTRICT—Land Use."

100-Year Flood Plain

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

The District ultimately outfalls storm water into Gully Branch Creek. According to the Engineer, approximately 15 undevelopable acres within the District are within the 100-year floodplain or floodway.

THE ROAD SYSTEM

A portion of the proceeds of the Outstanding Bonds have been used to finance the road system which serves the residents of the District by providing roads and thoroughfares within the District and the surrounding area. Upon completion, the District intends that the roads are or will be accepted by Montgomery County for operation and maintenance in accordance with the procedures of Montgomery County.

FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)

2026 Taxable Assessed Valuation	$120,632,794	(a)
Estimated Taxable Assessed Valuation as of July 1, 2026	$142,811,715	(b)
Gross Direct Debt Outstanding (after issuance of the Bonds)	$ 8,000,000	(c)
Estimated Overlapping Debt	14,866,449	(d)
Gross Direct Debt and Estimated Overlapping Debt	$22,866,449	
Ratios of Gross Direct Debt to:		
2026 Taxable Assessed Valuation	6.63%	
Estimated Taxable Assessed Valuation as of July 1, 2026	5.60%	
Ratios of Gross Direct Debt and Estimated Overlapping Debt to:		
2026 Taxable Assessed Valuation	18.96%	
Estimated Taxable Assessed Valuation as of July 1, 2026	16.01%	
Funds Available for Debt Service:		
Road Debt Service Fund Balance as of September 1, 2026	$260,494	(e)
Capitalized Interest from proceeds of the Bonds (WSD)	300,000	(e)(f)
Total Funds Available for Debt Service	$560,494	(e)
Operating Funds Available as of September 1, 2026	$845,748	
Capital Project Funds Available as of September 1, 2026	$ 55,243	

(a) The Appraisal District has certified $117,393,964 of taxable value and an additional $3,238,830 of taxable value remains uncertified and is subject to review and downward adjustment. The 2026 Taxable Assessed Valuation shown throughout this Official Statement is the certified value plus the uncertified value. See "TAXING PROCEDURES."

(b) Provided by the Appraisal District for informational purposes only. Such amount reflects an estimate of the taxable assessed value within the District on July 1, 2026. No tax will be levied on such amount until it is certified. Increases in value occurring between January 1, 2026 and July 1, 2026, will be certified as of January 1, 2027. See "TAXING PROCEDURES."

(c) See "—Outstanding Bonds" below.

(d) See "—Estimated Overlapping Debt."

(e) Funds in the Road Debt Service Fund are available to pay debt service on bonds issued for road facilities and are not available to pay debt service on bonds issued for water, sewer and drainage facilities (including the Bonds). Funds in the Water, Sewer and Drainage Debt Service Fund are available to pay debt service on bonds issued for water, sewer and drainage facilities (including the Bonds) and are not available to pay debt service on bonds for road facilities. See "THE BONDS—Funds."

(f) The District will capitalize $300,000 of interest from proceeds of the Bonds, which represents eighteen (18) months at a 5.00% interest rate, and is the maximum amount approved by the TCEQ. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

Investments of the District

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

Outstanding Bonds

The District has previously issued one series of unlimited tax bonds for the purpose of constructing or acquiring road facilities in the principal amount of $4,000,000, all of which remains outstanding as of the date hereof (the "Outstanding Bonds").

Debt Service Requirements

The following sets forth the debt service requirements on the Outstanding Bonds and the Bonds. This schedule does not reflect that the District capitalized eighteen (18) months of interest from the proceeds of the Outstanding Bonds in June 2025 and will capitalize $300,000 of interest from proceeds of the Bonds, which represents eighteen (18) months at a 5.00% interest rate, and is the maximum amount approved by the TCEQ. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

Year	Outstanding Bonds Debt Service Requirements	Plus: Debt Service on the Bonds			Total Debt Service Requirements
		Principal	Interest	Total	
2026	$ 99,643.75	(a) $ -	$ -	$ -	$ 99,643.75
2027	276,537.50	-	223,043.89	223,043.89	499,581.39
2028	275,865.63	75,000	222,737.50	297,737.50	573,603.13
2029	274,850.00	80,000	216,925.00	296,925.00	571,775.00
2030	273,490.63	85,000	210,737.50	295,737.50	569,228.13
2031	271,787.50	90,000	204,175.00	294,175.00	565,962.50
2032	269,740.63	95,000	197,237.50	292,237.50	561,978.13
2033	267,350.00	100,000	189,925.00	289,925.00	557,275.00
2034	264,759.38	105,000	182,237.50	287,237.50	551,996.88
2035	263,325.00	110,000	174,450.00	284,450.00	547,775.00
2036	267,856.25	115,000	167,725.00	282,725.00	550,581.25
2037	267,059.38	120,000	161,850.00	281,850.00	548,909.38
2038	266,043.75	125,000	155,725.00	280,725.00	546,768.75
2039	269,700.00	135,000	149,225.00	284,225.00	553,925.00
2040	268,028.13	140,000	142,350.00	282,350.00	550,378.13
2041	270,925.00	145,000	135,225.00	280,225.00	551,150.00
2042	273,275.00	155,000	127,628.13	282,628.13	555,903.13
2043	275,175.00	160,000	119,556.25	279,556.25	554,731.25
2044	276,625.00	170,000	110,993.75	280,993.75	557,618.75
2045	277,496.88	180,000	101,806.25	281,806.25	559,303.13
2046	277,784.38	185,000	92,225.00	277,225.00	555,009.38
2047	277,609.38	195,000	82,250.00	277,250.00	554,859.38
2048	276,971.88	205,000	71,621.88	276,621.88	553,593.75
2049	280,756.25	215,000	60,334.38	275,334.38	556,090.63
2050	283,846.88	225,000	48,509.38	273,509.38	557,356.25
2051	281,359.38	240,000	36,012.50	276,012.50	557,371.88
2052	-	550,000	14,781.25	564,781.25	564,781.25
Total	$ 6,927,862.50	$ 4,000,000	$ 3,599,287.64	$ 7,599,287.64	$ 14,527,150.14

(a) Excludes the District's May 1, 2026 debt service payment of $99,644.

Average Annual Debt Service Requirements (2027-2052) $554,904
Maximum Annual Debt Service Requirement (2028) $573,603

Estimated Overlapping Debt

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

Taxing Jurisdiction	Outstanding Bonds	As of	Overlapping Percent	Overlapping Amount
Montgomery County	$ 535,450,000	8/31/2026	0.10%	$ 535,450
Splendora Independent School District	232,505,000	8/31/2026	6.12%	14,229,306
Lone Star College System	338,975,000	8/31/2026	0.03%	101,693
Total Estimated Overlapping Debt				$ 14,866,449
The District's Total Direct Debt (a)				8,000,000
Total Direct and Estimated Overlapping Debt				$ 22,866,449

Direct and Estimated Overlapping Debt as a Percentage of:
2026 Taxable Assessed Valuation of $120,632,794 ..... 18.96%
Estimated Taxable Assessed Valuation as of July 1, 2026 of $142,811,715 ..... 16.01%

(a) Includes the Bonds and the Outstanding Bonds.

Overlapping Taxes

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

Set forth below are all of the taxes levied for the 2026 tax year by all taxing jurisdictions overlapping the District and the 2026 tax rate of the District. No recognition is given to local assessments for civic association dues, fire department contributions, solid waste disposal charges or any other levy of entities other than political subdivisions.

	Tax Rate per $100 of Taxable Assessed Valuation
Montgomery County	$ 0.3860
Montgomery County Hospital District	0.0458
Splendora Independent School District	1.2547
Montgomery County Emergency Services District No. 7	0.1000
Lone Star College System	0.1060
Total Overlapping Tax Rate	$ 1.8925
The District (a)	1.5000
Total Tax Rate	$ 3.3925

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

General Operating Fund

The following statement sets forth in condensed form the General Operating Fund as shown in the District's audited financial statements for the fiscal years ended July 31, 2023 through July 31, 2025, and an unaudited summary for the fiscal year ended July 31, 2026 provided by the Bookkeeper. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Reference is made to "APPENDIX A" for further and complete information.

	Fiscal Year Ended July 31				
	2026 (a)	2025	2024	2023	
Revenues:					
Water Service	$ 162,229	$ 111,430	$ 92,493	$ 8,732	
Sewer Service	455,527	376,490	232,474	20,551	
Property Taxes	1,562,951	1,094,133	368,942	24,002	
Penalty and Interest	18,442	21,943	18,186	333	
Tap Connection and Inspection Fees	155,642	252,909	364,360	301,375	
Miscellaneous	4,725	4,384	67,626	485	
Investment Earnings	16,907	3,106	581	-	
Total Revenues	$ 2,376,423	$ 1,864,395	$ 1,144,662	$ 355,478	
Expenditures:					
Professional Fees	$ 224,116	$ 161,329	$ 94,173	$ 66,830	
Contracted Services	397,580	282,557	600,338	111,369	
Repairs and Maintenance	367,280	416,710	350,302	22,748	
Utilities	42,472	35,350	14,773	2,811	
Administrative	39,072	55,050	48,370	19,235	
Other	2,705	38,893	53,135	11,472	
Capital Outlay	-	103,237	217,735	-	
Right-to-Use Leased Asset (b)	-	1,767,112	-	4,944,382	(c)
Lease - Principal and Interest (b)	625,350	568,500	507,000	329,750	
Total Expenditures	$ 1,698,574	$ 3,428,738	$ 1,885,826	$ 5,508,597	
NET REVENUES	$ 677,848	$ (1,564,343)	$ (741,164)	$ (5,153,119)	
Other Financing Sources					
Developer Advances	$ -	$ -	$ 714,000	$ 365,250	
Lease Financing (b)	-	1,767,112	-	4,944,382	(c)
Total Other Financing Sources	$ -	$ 1,767,112	$ 714,000	$ 5,309,632	
General Operating Fund Balance (Beginning of Year)	$ 287,012	$ 84,243	$ 111,407	$ (45,106)	
General Operating Fund Balance (End of Year)	$ 964,860	$ 287,012	$ 84,243	$ 111,407	

(a) Unaudited. Provided by the Bookkeeper.
(b) See "THE SYSTEM—Water Supply" and "—Wastewater Treatment."
(c) Represents the present value of the future payments due for the District's lease liabilities for their intangible right-to-used leased assets of the interim water plant and interim wastewater treatment plant. Under GASB Statement No. 87, the District is required to recognize capital outlay and any other financing source at the fund level upon execution of the lease. At the government wide level, the lease is recognized as a capital asset. See "THE SYSTEM—Water Supply" and "—Wastewater Treatment."

TAX DATA

Debt Service Tax

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

Maintenance and Operations Tax

The District has the statutory authority to levy and collect an annual ad valorem tax for the operation and maintenance of the District, if such a maintenance tax is authorized by the District's voters. A maintenance tax election was conducted on November 2, 2021, and voters of the District authorized, among other things, the Board to levy a maintenance tax at a rate not to exceed $1.50 per $100 of taxable assessed valuation and a road maintenance tax at a rate not to exceed $0.25 per $100 of taxable assessed valuation. A maintenance tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds.

Historical Tax Rate Distribution

	2026	2025	2024	2023	2022
Debt Service Tax	$ 0.32	$ 0.19	$ -	$ -	$ -
Maintenance Tax	1.18	1.31	1.50	1.50	1.50
Total District Tax Rate	$ 1.50	$ 1.50	$ 1.50	$ 1.50	$ 1.50

Additional Penalties

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

Historical Tax Collections

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

Tax Year	Taxable Assessed Valuation (a)	Tax Rate	Total Tax Levy	Total Collections as of August 31, 2026 (b) Amount	Percent
2022	$ 1,600,130	$ 1.50	$ 24,002	$ 24,002	100.00%
2023	24,779,275	1.50	371,689	371,689	100.00%
2024	79,998,138	1.50	1,199,972	1,192,336	99.36%
2025	113,462,771	1.50	1,701,942	1,599,713 (c)	93.99% (c)
2026	120,632,794	1.50	1,809,492	(d)	(d)

(a) As certified by the Appraisal District less any exemptions granted. See "—Tax Roll Information" herein.
(b) Unaudited.
(c) The Appraisal District added approximately $5,000,000 of taxable value to the District's 2025 tax roll after the January 31, 2026 property tax payment due date; therefore, the deadline for payment of such taxes has been extended to October 1, 2026. The District is in the process of collecting the tax revenue associated with such value.
(d) In process of collection. Taxes for 2026 are due by January 31, 2027.

Tax Roll Information

The District's assessed value as of January 1 of each year is used by the District in establishing its tax rate (see "TAXING PROCEDURES—Valuation of Property for Taxation"). The following represents the composition of property comprising the 2024 through 2026 Taxable Assessed Valuations. Accurate breakdowns related to the uncertified portion of the 2026 Taxable Assessed Valuation or the Estimated Taxable Assessed Valuation as of July 1, 2026 of $142,811,715 are not available as of the date hereof. Taxes are levied on taxable value certified by the Appraisal District as of January 1 of each year.

	2026	2025	2024
Land	$ 31,694,480	$ 36,223,228	$ 38,083,107
Improvements	90,447,567	81,792,121	44,554,364
Personal Property	1,815,916	130,964	20,833
Exemptions	(6,563,999)	(4,683,542)	(2,660,166)
Certified Value	$ 117,393,964	$ 113,462,771	$ 79,998,138
Uncertified Value	3,238,830	-	-
Total	$ 120,632,794	$ 113,462,771	$ 79,998,138

Principal Taxpayers

The following table represents the principal taxpayers, the taxable assessed valuation of such property, and such property's taxable assessed valuation as a percentage of the certified portion ($117,393,964) of the 2026 Taxable Assessed Valuation of $120,632,794, which represents ownership as of January 1, 2026. Accurate principal taxpayer lists related to the uncertified portion ($3,238,830) of the 2026 Taxable Assessed Valuation or the Estimated Taxable Assessed Valuation as of July 1, 2026, of $142,811,715, are not available as of the date hereof.

Taxpayer	2026 Certified Taxable Assessed Valuation	% of 2026 Certified Taxable Assessed Valuation
Camillo Properties LLC (a)(b)	$ 31,419,485	26.76%
Legend Classic Homes LLC (a)	5,934,905	5.06%
Townsend Reserve Ltd (a)(c)	4,672,525	3.98%
Entergy Texas Inc.	1,162,020	0.99%
Individual	330,872	0.28%
Individual	326,560	0.28%
Individual	324,463	0.28%
Individual	315,717	0.27%
Individual	314,005	0.27%
Individual	297,813	0.25%
Total	$ 45,098,365	38.42%

(a) Related entities. See "THE DEVELOPER AND PRINCIPAL PROPERTY OWNER" and "RISK FACTORS—Dependence on Principal Taxpayers and the Developer."
(b) Owner of rental properties in the District. See "RISK FACTORS—Rental Homes."
(c) The Developer. See "THE DEVELOPER AND PRINCIPAL PROPERTY OWNER."

Tax Adequacy for Debt Service

The tax rate calculations set forth below are presented to indicate the tax rates per $100 taxable assessed valuation which would be required to meet average annual and maximum annual debt service requirements if no growth in the District's tax base occurred beyond the 2026 Taxable Assessed Valuation of $120,632,794 ($117,393,964 of certified value and $3,238,830 of uncertified value) or the Estimated Taxable Assessed Valuation as of July 1, 2026, of $142,811,715. The calculations contained in the following table merely represent the tax rates required to pay principal of and interest on the Bonds and the Outstanding Bonds when due, assuming no further increase or any decrease in taxable values in the District, collection of ninety-five percent (95%) of taxes levied, the sale of no additional bonds, and no other funds available for the payment of debt service. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements" and "RISK FACTORS—Possible Impact on District Tax Rates."

Average Annual Debt Service Requirement (2027-2052)	$554,904
$0.49 Tax Rate on the 2026 Taxable Assessed Valuation	$561,546
$0.41 Tax Rate on the Estimated Taxable Assessed Valuation as of July 1, 2026	$556,252
Maximum Annual Debt Service Requirement (2028)	$573,603
$0.51 Tax Rate on the 2026 Taxable Assessed Valuation	$584,466
$0.43 Tax Rate on the Estimated Taxable Assessed Valuation as of July 1, 2026	$583,386

No representation or suggestion is made that the uncertified portion ($3,238,830) of the 2026 Taxable Assessed Valuation or the Estimated Taxable Assessed Valuation as of July 1, 2026 of $142,811,715, provided by the Appraisal District for the District, will be certified as taxable value by the Appraisal District, and no person should rely upon such amounts or their inclusion herein as assurance of their attainment. See "TAXING PROCEDURES."

TAXING PROCEDURES

Authority to Levy Taxes

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

Property Tax Code and County-Wide Appraisal District

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

The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district. The Montgomery Central Appraisal District (the "Appraisal District") has the responsibility for appraising property for all taxing units within Montgomery County, including the District. Such appraisal values are subject to review and change by the Montgomery Central Appraisal Review Board (the "Appraisal Review Board").

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, 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. See "TAX DATA."

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to 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. See "TAX DATA."

Freeport Goods and Goods-in-Transit Exemptions: A "Freeport Exemption" applies to goods, wares, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas that are destined to be forwarded outside of Texas and that are detained in Texas for assembling, storing, manufacturing, processing, or fabricating for fewer than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit" Exemption is applicable to the same categories of tangible personal property that are covered by the Freeport Exemption, if, for tax year 2011 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2012 and subsequent years, such Goods-in-Transit Exemption includes tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit personal property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law.

Tax Abatement

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

Valuation of Property for Taxation

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

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

The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraisal values. The plan must provide for appraisal of all real property in the Appraisal District at least once every three (3) years. It is not known what frequency of reappraisal will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county-wide basis. The District, however, at its expense has the right to obtain from the Appraisal District a current estimate of appraised values within the District or an estimate of any new property or improvements within the District. While such current estimate of appraised values may serve to indicate the rate and extent of growth of taxable values within the District, it cannot be used for establishing a tax rate within the District until such time as the Appraisal District chooses formally to include such values on its appraisal roll.

The Property Tax Code provides for a temporary exemption from ad valorem taxation of a portion of the appraised value of certain property that is at least 15% physically damaged by a disaster and located within an area declared to be a disaster area by the governor of the State of Texas. This temporary exemption is automatic if the disaster is declared prior to a taxing unit, such as the District, adopting its tax rate for the tax year. A taxing unit, such as the District, may authorize the exemption at its discretion if the disaster is declared after the taxing unit has adopted its tax rate for the tax year. The amount of the exemption is based on the percentage of damage and is prorated based on the date of the disaster. Upon receipt of an application submitted within the eligible timeframe by a person who qualifies for a temporary exemption under the Property Tax Code, the Appraisal District is required to complete a damage assessment and assign a damage assessment rating to determine the amount of the exemption. The temporary exemption amounts established in the Property Tax Code range from 15% for property less than 30% damaged to 100% for property that is a total loss. Any such temporary exemption granted for disaster-damaged property expires on January 1 of the first year in which the property is reappraised. For more information on the disaster exemption, reference is made to Section 11.35 of the Texas Tax Code.

District and Taxpayer Remedies

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

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

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes, and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, which may be rejected by taxing units. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties and interest, if the person requests an installment agreement and has not entered into an installment agreement with the collector in the preceding 24 months. The

installment agreement must provide for payments to be made in monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) sixty-five (65) years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continue to accrue during the period of deferral.

Certain qualified taxpayers, including owners of residential homesteads, located within a natural disaster area and whose property has been damaged as a direct result of the disaster, are entitled to enter into a tax payment installment agreement with a taxing jurisdiction such as the District if the tax payer 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.

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 judication such as the District if the taxpayer pays at least one-fourth of the tax bill imposed on the property by the delinquency date. The remaining taxes may be paid without penalty or interest in three equal installments within six months of the delinquency date.

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

Rollback of Operation and Maintenance Tax Rate

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

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

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

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

The District: A determination as to a district's status as a Special Taxing Unit, Developed District or Developing District is made by the Board of Directors on an annual basis. The Board of Directors designated the District as a "Developing District" for the 2026 tax year. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

District's Rights in the Event of Tax Delinquencies

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

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

RISK FACTORS

General

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

Dependence on Principal Taxpayers and the Developer

There is a large concentration of ownership of taxable value in the District. The ten principal taxpayers represent $45,098,365 or 38.42% of the certified portion ($117,393,964) of the 2026 Taxable Assessed Valuation of $120,632,794 within the District. The Developer and its affiliates represent $42,026,915 or 35.80% of the certified portion ($117,393,964) of the 2026 Taxable Assessed Valuation of $120,632,794. See "THE DEVELOPER AND PRINCIPAL PROPERTY OWNER" and "TAX DATA—Principal Taxpayers." Accurate principal taxpayer lists related to the uncertified portion ($3,238,830) of the 2026 Taxable Assessed Valuation of $120,632,794 or the Estimated Taxable Assessed Valuation as of July 1, 2026, of $142,811,715 are not available as of the date hereof. The ability of the Developer, its affiliates or any principal taxpayer 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. If, for any reason, any one or more principal taxpayers do not pay taxes due or do not pay in a timely manner, the District may need to levy additional taxes or use other funds available for debt service purposes. However, the District has not covenanted in the Bond Resolution, nor is it required by Texas law, to maintain any particular balance in its Debt Service Fund or any other funds to allow for any such delinquencies. Therefore, failure by one or more principal taxpayers to pay their taxes could have a material adverse effect upon the District's ability to pay debt service on the Bonds.

The Developer and its affiliates have informed the District that their current plans are to continue developing their property in the District and/or marketing lots and building homes. However, neither the Developer nor any future developer is obligated to implement development plans on any particular schedule or at all. Thus, the furnishing of any information related to any proposed development should not be interpreted as a commitment. The District makes no representation about the probability of development continuing in a timely manner or about the ability of the Developer to implement any plan of development. Furthermore, there is no restriction on any landowner's right to sell land. The District can make no prediction as to the effects that current or future economic conditions or governmental circumstances may have on any plans of the Developer, their affiliates, or any other landowners. See "THE DEVELOPER AND PRINCIPAL PROPERTY OWNER."

Rental Homes

There are 162 homes in Townsend Reserve, Section One constructed as rental properties and owned by Camillo Properties LLC. It is anticipated that Camillo Properties LLC will continue to be a principal taxpayer as long as Camillo Properties LLC continues to own such rental homes. As a result, it is expected that title to completed lots and homes will remain in Camillo Properties LLC or another entity rather than being sold to homebuilders or individual homeowners. This is expected to result in a longer-term concentration of assessed valuation in a single property owner than would ordinarily be experienced in a development where lots and homes are developed and transferred to homebuilders or individual homeowners. On the 2026 certified tax roll, Camillo Properties LLC represents $31,419,485 or 26.76% of the certified portion ($117,393,964) of the 2026 Taxable Assessed Valuation of $120,632,794. See "TAX DATA—Principal Taxpayers" and "—Dependence on Principal Taxpayers and the Developer."

Camillo Properties LLC as the owner of such rental homes, is responsible for the payment of property taxes, maintenance of the homes and the landscape maintenance of the front yards. The ability of Camillo Properties LLC or another ultimate owner of rental homes to lease the rental properties may affect their ability to maintain the properties and the taxable assessed valuation of the properties. Additionally, the failure of Camillo Properties LLC or another ultimate owner of the rental homes to make full and timely payments of taxes levied against rental home properties by the District could have a material adverse effect on the District's ability to pay debt service on the Bonds.

Undeveloped Acreage, Vacant Land and Vacant Lots

There are approximately 37 developable acres of land in the District that have not been fully provided with water, sanitary sewer, storm sewer, road and other facilities necessary for the construction of taxable improvements and 517 developed lots that remain vacant as of September 1, 2026. Future increases in value will result primarily from the construction of homes by builders. The District makes no representation as to when or if development of the undeveloped acreage will occur or the success of any homebuilding program. Failure of the Developer to develop the developable land or to construct taxable improvements on developed lots could restrict the rate of growth of taxable values in the District. See "THE DISTRICT—Land Use" and "—Status of Development."

Developer Obligation to the District

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

Economic Factors and Interest Rates

The majority of the taxable value of the District results from the current market value of single-family residences and of developed lots. The market value of such homes and lots is related to general economic conditions in the Houston region and the national economy and those conditions can affect the demand for residences. Demand for residential lots of this type and the construction of homes thereon can be significantly affected by factors such as interest rates, credit availability (see "—Credit Market and Liquidity in the Financial Markets" below), construction costs and the prosperity and demographic characteristics of the urban center toward which the marketing of lots is directed. Decreased levels of construction activity could tend to restrict the growth of property values in the District or could adversely impact such values.

Credit Markets and Liquidity in the Financial Markets

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

Competition

The demand for and construction of single-family homes in the District could be affected by competition from other residential developments located in the northern portion of the Houston metropolitan area. Such homes could represent additional competition for new homes proposed to be sold within the District. The competitive position of the Developer and its affiliates in the sale of single-family residential homes within the District is affected by most of the factors discussed in this section. Such a competitive position directly affects the growth and maintenance of taxable values in the District. The District can give no assurance that building and marketing programs in the District by the Developer will be implemented or, if implemented, will be successful.

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 Developer or any other 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 Developer or any other homebuilders.

Possible Impact on District Tax Rates

Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of owners of property within the District to pay their taxes. The 2026 Taxable Assessed Valuation is $120,632,794 ($117,393,964 of certified value and $3,238,830 of uncertified value). After issuance of the Bonds, the maximum annual debt service requirement will be $573,603 (2028), and the average annual debt service requirement will be $554,904 (2027-2052 inclusive). Assuming no increase or decrease from the 2026 Taxable Assessed Valuation, the issuance of no additional debt, and no other funds available for the payment of debt service, a tax rate $0.51 per $100 of taxable assessed valuation at a ninety-five percent (95%) collection rate would be necessary to pay the maximum annual debt service requirement and $0.49 per $100 taxable assessed valuation at a ninety-five percent (95%) collection rate would be necessary to pay the average annual debt service requirements. The Estimated Taxable Assessed Valuation as of July 1, 2026, is $142,811,715. Assuming no increase or decrease from the Estimated Taxable Assessed Valuation as of July 1, 2026, the issuance of no additional debt, and no other funds available for the payment of debt service, a tax rate $0.43 per $100 of taxable assessed valuation at a ninety-five percent (95%) collection rate would be necessary to pay the maximum annual debt service requirement and $0.41 per $100 taxable assessed valuation at a ninety-five percent (95%) collection rate would be necessary to pay the average annual debt service requirements. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements" and "TAX DATA—Tax Adequacy for Debt Service."

No representation or suggestion is made that the uncertified portion ($3,238,830) of the 2026 Taxable Assessed Valuation or the Estimated Taxable Assessed Valuation as of July 1, 2026 will be the amounts finally certified by the Appraisal District and no person should rely upon such amounts or their inclusion herein as assurance of their attainment. See "TAXING PROCEDURES."

Potential Effects of Oil Price Volatility on the Houston Region

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 or homebuilding activity within the District. The District cannot predict the impact that negative conditions in the oil industry could have on property values within the District.

Extreme Weather

The greater Gulf Coast area, including the District, is subject to occasional severe weather events, including tropical storms and hurricanes. If the District were to sustain damage to its facilities requiring substantial repair or replacement, or if substantial damage were to occur to taxable property within the District as a result of such a weather event, the investment security of the Bonds could be adversely affected. The greater Houston area has experienced multiple storms exceeding a 0.2% probability (i.e. "500-year flood" events) since 2015, including Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 27, 2017, and brought historic levels of rainfall during the successive four days and Hurricane Beryl, which made landfall along the Texas Gulf Coast on July 8, 2024.

If a future weather event significantly damaged all or part of the improvements within the District, the assessed value of property within the District could be substantially reduced, which could result in a decrease in tax revenues and/or necessitate an increase the District's tax rate. Further, there can be no assurance that a casualty loss to taxable property within the District will be covered by insurance (or that property owners will even carry flood or other casualty insurance), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild or repair any damaged improvements within the District. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within the District could be adversely affected.

Specific Flood Type Risks

The District may be subject to the following flood risks:

River (or Fluvial) Flood: occurs when water levels rise over the top of river, bayou or channel banks due to excessive rain from tropical systems making landfall and/or persistent thunderstorms over the same area for extended periods of time. The damage from a riverine flood can be widespread. The overflow can affect smaller rivers and streams downstream, or may sheet flow overland. Flash flooding is a type of riverine flood that is characterized by an intense, high velocity torrent of water that occurs in an existing river channel with little to no notice. Flash floods are very dangerous and destructive not only because of the force of the water, but also the hurtling debris that is often swept up in the flow. They can occur within minutes or a few hours of excessive rainfall. They can also occur even if no rain has fallen, for instance, after a levee, dam or reservoir has failed, or after a sudden release of water by a debris or ice jam. Controlled releases from a dam, levee or reservoir also could potentially create a flooding condition in rivers, bayous or man-made drainage systems (canals or channels) downstream.

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

Tax Collections Limitations and Foreclosure Remedies

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

Registered Owners' Remedies and Bankruptcy Limitations

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

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

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

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

A district may not be forced into bankruptcy involuntarily.

Future Debt

The District has the right to issue obligations other than the Bonds, including tax anticipation notes and bond anticipation notes, and to borrow for any valid purpose. The District's voters have authorized a total of $219,991,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring waterworks, sanitary sewer and drainage facilities and $219,991,000 principal amount of unlimited tax bonds for refunding such obligations. The District's voters have also authorized a total of $86,051,800 principal amount of unlimited tax bonds for the purpose of constructing roads and related facilities, a total of $86,051,800 principal amount of unlimited tax bonds for refunding such obligations, a total of $30,296,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring park and recreational facilities and a total of $30,296,000 principal amount of unlimited tax bonds for refunding such obligations. After issuance of the Bonds, $215,991,000 principal amount of unlimited tax bonds for waterworks, sanitary sewer and drainage facilities, $82,051,800 principal amount of the unlimited tax bonds for road facilities, all of the authorization for park and recreational facilities and all of the authorization for refunding bonds will remain authorized but unissued. In addition, voters may authorize the issuance of additional bonds secured by ad valorem taxes. The issuance of additional obligations may increase the District's tax rate and could adversely affect the security for, and the investment quality and value of, the Bonds. See "THE BONDS—Issuance of Additional Debt."

To date, the Developer has advanced certain funds for engineering and construction of waterworks, sanitary sewer and drainage facilities, recreational facilities and roads and related facilities for which they have not been reimbursed. According to the Engineer, after the reimbursements are made with Bond proceeds, the District will owe approximately $11,800,000 plus interest to the Developer for the construction of waterworks, sanitary sewer and drainage facilities and $9,000,000 plus interest for road facilities. The District intends to issue additional bonds in order to reimburse the Developer and other landowners for existing development and to develop the remainder of undeveloped but developable land (approximately 37 acres). The District does not employ any formula with respect to appraised valuations, tax collections or otherwise to limit the amount of parity bonds which it may issue. Further, the outstanding principal amount of unlimited tax bonds issued by the District for constructing and/or acquiring park and recreational facilities may not exceed one percent (1%) of the District's taxable assessed valuation, unless the District meets certain financial feasibility requirements under the TCEQ rules, in which case the outstanding principal amount of such bonds issued by the District may exceed an amount equal to one percent (1%) but not greater than three percent (3%) of the value of the taxable property in the District. The District's voters have authorized a total of $30,296,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring park and recreational facilities, all of which remains authorized but unissued. The issuance of additional bonds for waterworks, sanitary sewer and drainage facilities and park and recreational facilities is subject to approval by the TCEQ (as defined herein) pursuant to its rules regarding issuance and feasibility of bonds. In addition, future changes in health or environmental regulations could require the construction and financing of additional improvements without any corresponding increases in taxable value in the District. See "THE BONDS—Issuance of Additional Debt."

Environmental Regulations

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

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

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

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

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

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

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

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

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

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

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

The 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.

Marketability of the Bonds

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

Changes in Tax Legislation

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

Continuing Compliance with Certain Covenants

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

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 is limited.

Risk Factors Related to the Purchase of Municipal Bond Insurance

The Underwriter has entered into an agreement with Build America Mutual Assurance Company ("BAM" or the "Insurer") for the purchase of a municipal bond insurance policy (the "Policy"). At the time of entering into the agreement, the Insurer was rated "AA" (stable outlook) by S&P. See "MUNICIPAL BOND INSURANCE" and "APPENDIX B."

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

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

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

MUNICIPAL BOND RATING

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, ("S&P") has assigned a municipal bond rating of "AA" (stable outlook) to the Bonds with the understanding that, upon issuance and delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by Build America Mutual Assurance Company ("BAM" or the "Insurer"). No application has been made to a municipal rating company for an underlying rating on the Bonds, nor is it expected that the District would have received an investment grade rating if application had been made. See "RISK FACTORS—Risk Factors Related to the Purchase of Municipal Bond Insurance," "MUNICIPAL BOND INSURANCE" and "APPENDIX B—Specimen Municipal Bond Insurance Policy."

The rating reflects only the view of such organization and the District makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised or withdrawn entirely by S&P, if in its judgment, circumstances so warrant. Any such revisions or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company ("BAM" or the "Insurer") will issue its municipal bond insurance policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as APPENDIX B to this Official Statement.

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

Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products to issuers in the U.S. public finance markets. BAM will only insure municipal bonds, as defined in Section 6901 of the New York Insurance Law, which are most often issued by states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 28 Liberty Street, 59th Floor, New York, New York 10005, its telephone number is: 212-235-2500, and its website is located at: https://bambonds.com.

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM's financial strength is rated "AA/Stable" by S&P. An explanation of the significance of the rating and current reports may be obtained from S&P at https://www.spglobal.com/en/. The rating of BAM should be evaluated independently. The rating reflects S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of June 30, 2026 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were $505.6 million, $295.6 million and $210.0 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at www.bambonds.com, is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

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

Additional Information Available from BAM

Credit Insights Videos: For certain BAM-insured issues, BAM produces and posts a brief credit insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at https://bambonds.com/insights/#video. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Credit Profiles: Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any presale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at https://bambonds.com/credit-profiles. BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Disclaimers: The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the Underwriter of the Bonds, and the issuer and Underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Bonds, whether at the initial offering or otherwise.

LEGAL MATTERS

Legal Proceedings

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

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

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

No Material Adverse Change

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

No-Litigation Certificate

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

TAX MATTERS

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

Tax Exemption

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

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

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

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

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

Qualified Tax-Exempt Obligations

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

The District has designated the Bonds "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% 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 Exemption," "—Additional Federal Income Tax Considerations—*Collateral Tax Consequences*" and "—*Tax Legislative Changes*" generally apply and should be considered in connection with the discussion in this portion of the Official Statement.

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

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

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

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

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

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District accepted the bid resulting in the lowest net effective interest rate, which bid was tendered by SAMCO Capital Markets, Inc. (the "Underwriter") bearing the interest rates shown on the cover page hereof, at a price of 97.00% of the par value thereof which resulted in a net effective interest rate of 5.574008%, as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended (the IBA method).

Prices and Marketability

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

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

Securities Laws

No registration statement relating to the offer and sale of the Bonds has been filed with the Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein and the Bonds have not been registered or qualified under the securities laws of any other jurisdiction. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any other jurisdiction in which the Bonds may be offered, sold or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdiction.

PREPARATION OF OFFICIAL STATEMENT

Sources and Compilation of Information

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

Financial Advisor

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

Consultants

In approving this Official Statement the District has relied upon the following consultants.

Tax Assessor/Collector: The information contained in this Official Statement relating to the breakdown of the District's historical assessed value and principal taxpayers, including particularly such information contained in the section entitled "TAX DATA" has been provided by Assessments of the Southwest, Inc., and is included herein in reliance upon the authority of such firm as an expert in assessing property values and collecting taxes.

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

Auditor: The District's financial statements the fiscal year ended July 31, 2025 were audited by McGrath & Co., PLLC, independent auditors. See "APPENDIX A" for a copy of the District's July 31, 2025, financial statements.

Bookkeeper: The information related to the "unaudited" summary of the District's General Operating Fund as it appears in "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—General Operating Fund" has been provided by Municipal Accounts and Consulting, L.P. and is included herein in reliance upon the authority of such firm as experts in the tracking and managing the various funds of municipal utility districts.

Updating the Official Statement

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

Certification of Official Statement

The District, acting through its Board in its official capacity, hereby certifies, as of the date hereof, that the information, statements, and descriptions or any addenda, supplement and amendment thereto pertaining to the District and its affairs contained herein, to the best of its knowledge and belief, contain no untrue statement of a material fact and do not omit to state any material fact necessary to make the statements herein, in the light of the circumstances under which they are made, not misleading. With respect to information included in this Official Statement other than that relating to the District, the District has no reason to believe that such information contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements herein, in the light of the circumstances under which they are made, not misleading; however, the Board has made no independent investigation as to the accuracy or completeness of the information derived from sources other than the District. In rendering such certificate, the Board has relied in part upon its examination of records of the District, and upon discussions with, or certificates or correspondence signed by, certain other officials, employees, consultants and representatives of the District.

CONTINUING DISCLOSURE OF INFORMATION

The offering of the Bonds qualifies for the Rule 15c2-12(d)(2) exemption from Rule 15c2-12(b)(5) of the United States Securities and Exchange Commission ("SEC") regarding the District's continuing disclosure obligations because the District has not issued more than $10,000,000 in aggregate amount of outstanding bonds and no person is committed by contract or other arrangement with respect to payment of the Bonds as required by the exemption. As required by the exemption, in the Bond Resolution, the District has made 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 events, to the Municipal Securities Rulemaking Board (the "MSRB") or any successor to its functions as a repository through its Electronic Municipal Market Access ("EMMA") system.

Annual Reports

The District will provide certain financial information and operating data which is customarily prepared by the District and is publicly available, annually to the MSRB. The financial information and operating data which will be provided with respect to the District includes all quantitative financial information and operating data of the general type included in this Official Statement in "APPENDIX A—Financial Statement of the District." The District will update and provide this information within six months after the end of each fiscal year ending in or after 2026. Any financial statements 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 period to the MSRB within such six month period, and audited financial statements when the audit report becomes available.

The District's current fiscal year end is July 31. Accordingly, it must provide updated information by January 31 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person or the sale of all or substantially all of the assets of the District or other obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person, any of which reflect financial difficulties. The terms "obligated person" and "financial

obligation" when used in this paragraph shall have the meanings ascribed to them under SEC Rule 15c2-12 (the "Rule"). The term "material" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Resolution makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under "—Annual Reports."

Availability of Information from the MSRB

The District has agreed to provide the foregoing updated information only to the MSRB. The MSRB makes the information available to the public without charge through an internet portal at www.emma.msrb.org.

Limitations and Amendments

The District has agreed to update information and to provide notices of specified events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects; nor has the District agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although Registered or Beneficial Owners of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

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

Compliance With Prior Undertakings

The District issued its initial series of bonds in 2025, and since that time has complied in all material respects with all continuing disclosure agreements made by the District in accordance with SEC Rule 15c2-12.

MISCELLANEOUS

All estimates, statements and assumptions in this Official Statement and the APPENDICES hereto have been made on the basis of the best information available and are believed to be reliable and accurate. Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact, and no representation is made that any such statements will be realized.

This Official Statement was approved by the Board of Directors of Montgomery County Municipal Utility District No. 185, as of the date shown on the cover page.

/s/ Brenda Sheffield
President, Board of Directors

ATTEST:

/s/ James Bailey
Secretary, Board of Directors

AERIAL LOCATION MAP
(As of July 2026)

FM 2090
Montgomery County Municipal
Utility District No. 185
N

PHOTOGRAPHS OF THE DISTRICT
(As of July 2026)

SOLD
SOLD

LEGEND HOMES
SOLD

LEGEND HOMES
SOLD
FUTURE HOMEOWNER
PARKING
LEGEND HOMES

APPENDIX A

Financial Statement of the District for the fiscal year ended July 31, 2025

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 185

MONTGOMERY COUNTY, TEXAS

FINANCIAL REPORT

July 31, 2025

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McGRATH & CO., PLLC
Certified Public Accountants
2900 North Loop West, Suite 880
Houston, Texas 77092

Independent Auditor's Report

Board of Directors
Montgomery County Municipal Utility District No. 185
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. 185 (the "District"), as of and for the year ended July 31, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Montgomery County Municipal Utility District No. 185, as of July 31, 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.

McGrath & Co, PLLC

Houston, Texas
November 4, 2025

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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. 185 (the "District") provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended July 31, 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 July 31, 2025, was negative $10,149,009. The District's net position is negative because the District incurs debt to construct public road facilities which it conveys to Montgomery County. A comparative summary of the District's overall financial position, as of July 31, 2025 and 2024, is as follows:

	2025	2024
Current and other assets	$ 1,134,549	$ 372,978
Capital assets	20,308,901	19,234,103
Total assets	21,443,450	19,607,081
Current liabilities	778,608	480,528
Long-term liabilities	30,813,851	27,862,618
Total liabilities	31,592,459	28,343,146
Net position		
Net investment in capital assets	(2,244,832)	(2,163,387)
Restricted	300,994	
Unrestricted	(8,205,171)	(6,572,678)
Total net position	$ (10,149,009)	$ (8,736,065)

The total net position of the District decreased during the current fiscal year by $1,412,944. 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	$ 487,920	$ 324,967
Property taxes, penalties and interest	1,166,128	390,146
Other	262,613	432,567
Total revenues	1,916,661	1,147,680
Expenses		
Current service operations	996,473	1,161,091
Debt interest and fees	404,065	385,385
Developer interest	455,146	
Debt issuance costs	341,592	
Depreciation and amortization	795,551	785,227
Total expenses	2,992,827	2,331,703
Change in net position before other item	(1,076,166)	(1,184,023)
Other item		
Transfers to other governments	(336,778)	
Change in net position	(1,412,944)	(1,184,023)
Net position, beginning of year	(8,736,065)	(7,552,042)
Net position, end of year	$ (10,149,009)	$ (8,736,065)

Financial Analysis of the District's Funds

The District's combined fund balances, as of July 31, 2025, were $610,533, which consists of $287,012 in the General Fund, $300,994 in the Debt Service Fund, and $22,527 in the Capital Projects Fund.

General Fund

A comparative summary of the General Fund's financial position as of July 31, 2025 and 2024, is as follows:

	2025	2024
Total assets	$ 811,028	$ 372,978
Total liabilities	$ 470,946	$ 285,717
Total deferred inflows	53,070	3,018
Total fund balance	287,012	84,243
Total liabilities, deferred inflows and fund balance	$ 811,028	$ 372,978

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

	2025	2024
Total revenues	$ 1,864,395	$ 1,144,662
Total expenditures	(3,428,738)	(1,885,826)
Revenues under expenditures	(1,564,343)	(741,164)
Other changes in fund balance	1,767,112	714,000
Net change in fund balance	$ 202,769	$ (27,164)

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

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

Debt Service Fund

The District issued bonded debt during the current fiscal year pursuant to a Bond Resolution adopted by the Board. As required by the Bond Resolution, a Debt Service Fund was established to account for the accumulation of financial resources restricted for debt service purposes. A summary of the Debt Service Fund's financial position as of July 31, 2025 is as follows:

Total assets	$ 300,994
Total fund balance	$ 300,994

A summary of activities of the Debt Service Fund for the current fiscal year is as follows:

Total revenues	$ 2,063
Total expenditures	-
Revenues over expenditures	2,063
Other changes in fund balance	298,931
Net change in fund balance	$ 300,994

The District's financial resources in the Debt Service Fund in the current year are from capitalized interest from the sale of bonds.

Capital Projects Fund

A Capital Projects Fund was established to account for the expenditure of proceeds from the issuance of the District's Series 2025 Unlimited Tax Road Bonds. A summary of the financial position of the Capital Projects Fund as of July 31, 2025, is as follows:

Total assets	$ 22,527
Total fund balance	$ 22,527

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

Total revenues	$ 151
Total expenditures	(3,678,693)
Revenues under expenditures	(3,678,542)
Other changes in fund balance	3,701,069
Net change in fund balance	$ 22,527

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 did not amend the budget during the fiscal year.

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was $121,359 greater than budgeted. The *Budgetary Comparison Schedule* on page 36 of this report provides variance information per financial statement line item.

Capital Assets

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

Capital assets held by the District at July 31, 2025 and 2024, are summarized as follows:

	2025	2024
Capital assets not being depreciated		
Land and improvements	$ 4,498,723	$ 4,498,723
Capital assets being depreciated/amortized		
Infrastructure	10,434,978	10,331,741
Landscaping improvements	797,797	797,797
Right-to-use leased assets	6,711,494	4,944,382
	17,944,269	16,073,920
Less accumulated depreciation/amortization		
Infrastructure	(741,244)	(480,022)
Landscaping improvements	(79,780)	(39,890)
Right-to-use leased assets	(1,313,067)	(818,628)
	(2,134,091)	(1,338,540)
Depreciable/amortizable capital assets, net	15,810,178	14,735,380
Capital assets, net	$ 20,308,901	$ 19,234,103

Capital asset additions during the current fiscal year include the right-to-use leased asset for Wastewater Treatment Plant Phase 2 and 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 July 31, 2025, capital assets in the amount of $336,778 have been recorded as transfers to other governments in the government-wide statements.

Lease Obligations

The District has entered into various equipment lease obligations for an interim water plant and interim wastewater treatment plant. The District recognized right-to-use leased assets and lease obligations in the amount of $6,711,494 for these leases. The balance due for the leases as of July 31, 2025, was $6,322,930.

Long-Term Debt and Related Liabilities

As of July 31, 2025, the District owes approximately $20,768,207 to the developers 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 5, the District has an additional commitment of approximately $9,670,000 for projects under construction by the developers. As noted, the District will owe its developers for these projects upon

completion of construction. The District intends to reimburse the developers from proceeds of future bond issues or other lawfully available funds. The estimated cost of amounts owed to developers is trued up when the developers are reimbursed.

During the current fiscal year, the District issued $4,000,000 in unlimited tax road bonds, all of which were outstanding as of the end of the fiscal year. The District did not have any bonded debt as of July 31, 2024.

At July 31, 2025, the District had $219,991,000 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 $219,991,000 for the refunding of such bonds; $30,296,000 for parks and recreational facilities and $30,296,000 for the refunding of such bonds; and $82,051,800 for road improvements and $86,051,800 for the refunding of such bonds.

Property Taxes

The District's property tax base increased approximately $33,691,000 for the 2025 tax year from $75,751,947 to $109,443,348. This increase was primarily due to new construction in the District and increased property values. For the 2025 tax year, the District has levied a maintenance tax rate of $1.31 per $100 of assessed value and a debt service tax rate of $0.19 per $100 of assessed value, for a total combined tax rate of $1.50 per $100 of assessed value. Tax rate for the 2024 tax year was $1.50 per $100 of assessed value, all of which was allocated to maintenance and operations.

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	$ 1,864,395	$ 2,339,060
Total expenditures	(3,428,738)	(1,852,600)
Revenues over/(under) expenditures	(1,564,343)	486,460
Other changes in fund balance	1,767,112	
Net change in fund balance	202,769	486,460
Beginning fund balance	84,243	287,012
Ending fund balance	$ 287,012	$ 773,472

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Basic Financial Statements

Montgomery County Municipal Utility District No. 185
Statement of Net Position and Governmental Fund Balance Sheet
July 31, 2025

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash	$ 239,092	$ -	$ 415	$ 239,507	$ -	$ 239,507
Investments	330,153	300,994	22,112	653,259		653,259
Taxes receivable	53,070			53,070		53,070
Customer service receivables	66,531			66,531		66,531
Prepaid items	100,000			100,000		100,000
Other receivables	22,182			22,182		22,182
Capital assets not being depreciated					4,498,723	4,498,723
Capital assets, net					15,810,178	15,810,178
Total Assets	$ 811,028	$ 300,994	$ 22,527	$ 1,134,549	20,308,901	21,443,450
Liabilities						
Accounts payable	$ 109,563	$ -	$ -	$ 109,563		109,563
Other payables	16,037			16,037		16,037
Customer deposits	312,232			312,232		312,232
Due to other governments	33,114			33,114		33,114
Accrued interest payable					30,376	30,376
Due to developer					20,768,207	20,768,207
Obligations under lease						
Due within one year					277,286	277,286
Due after one year					6,045,644	6,045,644
Long-term debt						
Due after one year					4,000,000	4,000,000
Total Liabilities	470,946			470,946	31,121,513	31,592,459
Deferred Inflows of Resources						
Deferred property taxes	53,070			53,070	(53,070)	
Fund Balances/Net Position						
Fund Balances						
Nonspendable	100,000			100,000	(100,000)	
Restricted		300,994	22,527	323,521	(323,521)	
Unassigned	187,012			187,012	(187,012)	
Total Fund Balances	287,012	300,994	22,527	610,533	(610,533)	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 811,028	$ 300,994	$ 22,527	$ 1,134,549		
Net Position						
Net investment in capital assets					(2,244,832)	(2,244,832)
Restricted for debt service					300,994	300,994
Unrestricted					(8,205,171)	(8,205,171)
Total Net Position					$ (10,149,009)	$ (10,149,009)

See notes to basic financial statements.

Montgomery County Municipal Utility District No. 185
Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balances
For the Year Ended July 31, 2025

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues						
Water service	$ 111,430	$ -	$ -	$ 111,430	$ -	$ 111,430
Sewer service	376,490			376,490		376,490
Property taxes	1,094,133			1,094,133	41,875	1,136,008
Penalties and interest	21,943			21,943	8,177	30,120
Tap connection and inspection	252,909			252,909		252,909
Miscellaneous	4,384			4,384		4,384
Investment earnings	3,106	2,063	151	5,320		5,320
Total Revenues	1,864,395	2,063	151	1,866,609	50,052	1,916,661
Expenditures/Expenses						
Current service operations						
Professional fees	161,329		6,500	167,829		167,829
Contracted services	282,557			282,557		282,557
Repairs and maintenance	416,710			416,710		416,710
Utilities	35,350			35,350		35,350
Administrative	55,050			55,050		55,050
Other	38,893		84	38,977		38,977
Capital						
Capital outlay	103,237		2,875,371	2,978,608	(2,978,608)	
Right-to-use leased asset	1,767,112			1,767,112	(1,767,112)	
Debt service						
Interest and fees					30,376	30,376
Developer interest			455,146	455,146		455,146
Debt issuance costs			341,592	341,592		341,592
Leases - principal	194,811			194,811	(194,811)	
Leases - interest	373,689			373,689		373,689
Depreciation and amortization					795,551	795,551
Total Expenditures/Expenses	3,428,738		3,678,693	7,107,431	(4,114,604)	2,992,827
Revenues Over (Under) Expenditures/Expense	(1,564,343)	2,063	(3,678,542)	(5,240,822)	4,164,656	(1,076,166)
Other Financing Sources						
Proceeds from sale of bonds		298,931	3,701,069	4,000,000	(4,000,000)	
Lease financing	1,767,112			1,767,112	(1,767,112)	
Other Item						
Transfers to other governments					(336,778)	(336,778)
Net Change in Fund Balance	202,769	300,994	22,527	526,290	(526,290)	
Change in Net Position					(1,412,944)	(1,412,944)
Fund Balance/Net Position						
Beginning of the year	84,243			84,243	(8,820,308)	(8,736,065)
End of the year	$ 287,012	$ 300,994	$ 22,527	$ 610,533	$ (10,759,542)	$ (10,149,009)

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. 185 (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 July 30, 2021, and operates in accordance with the Texas Water Code, Chapters 49 and 54. The Board of Directors held its first meeting on August 11, 2021 and the first bonds were issued on June 5, 2025.

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

Reporting Entity

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

Government-Wide and Fund Financial Statements

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

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

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

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

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

Measurement Focus and Basis of Accounting

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

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

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

Use of Restricted Resources

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

Prepaid Items

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

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset unless a legal right of offset exists. At July 31, 2025, an allowance for uncollectible accounts was not considered necessary.

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 is $100,000.

Capital assets are recorded at historical cost or estimated historical cost. Right-to-use leased assets are valued at the present value of future lease payments. 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
Landscaping improvements	20 years
Right-to-use leased assets	10 years

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

Deferred Inflows and Outflows of Financial Resources

A deferred inflow of financial resources is the acquisition of resources in one period that is applicable to a future period, while a deferred outflow of financial resources is the consumption of financial resources in one period that is applicable to a future period. A deferred inflow results from the

acquisition of an asset without a corresponding revenue or assumption of a liability. A deferred outflow results from the use of an asset without a corresponding expenditure or reduction of a liability.

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

Net Position – Governmental Activities

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

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

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

Unrestricted – resources not included in the other components.

Fund Balances – Governmental Funds

Governmental accounting standards establish the following fund balance classifications:

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

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

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

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

Unassigned - all other spendable amounts in the General Fund.

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

Use of Estimates

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

Note 2 – Adjustment from Governmental to Government-wide Basis

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

Total fund balance, governmental funds		$ 610,533
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
Historical cost	$ 22,442,992	
Less accumulated depreciation/amortization	(2,134,091)	
		20,308,901
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:		
Accrued interest payable	(30,376)	
Lease obligations	(6,322,930)	
Due to developer	(20,768,207)	
Bonds payable, net	(4,000,000)	
		(31,121,513)
Deferred inflows in the fund statements consist of property taxes receivable and related penalties and interest that have been levied and are due, but are not available to pay current period expenditures. These amounts are included in revenues in the government-wide statements.		53,070
Total net position - governmental activities		$ (10,149,009)

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		$ 526,290
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.		50,052
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	$ 2,978,608	
Transfers to other governments	(336,778)	
Depreciation/amortization expense	(795,551)	
Right-to-use leased asset	1,767,112	
		3,613,391
Financial reporting for certain obligations varies between the fund statements and the government-wide statements. At the fund level, the focus is on increases and decreases of financial resources as debt is issued and repaid. At the government-wide level, the focus is on measuring and reporting on changes in the District's obligation to repay liabilities in the future. Differences during the current fiscal year are for the following:		
Principal payments - leases	194,811	
Lease financing	(1,767,112)	
Issuance of long-term debt	(4,000,000)	
Interest expense accrual	(30,376)	
		(5,602,677)
Change in net position of governmental activities		$ (1,412,944)

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 July 31, 2025, the District's investments consist of the following:

Type	Fund	Carrying Value	Rating	Weighted Average Maturity
Texas CLASS	General	$ 330,153		
	Debt Service	300,994		
	Capital Projects	22,112		
		$ 653,259	AAAm	34 days

Texas CLASS

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

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

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

Investment Credit and Interest Rate Risk

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

Note 4 – Capital Assets

A summary of changes in capital assets, for the year ended July 31, 2025, is as follows:

	Beginning Balances	Additions	Ending Balances
Capital assets not being depreciated			
Land and improvements	$ 4,498,723	$ -	$ 4,498,723
Capital assets being depreciated/amortized			
Infrastructure	10,331,741	103,237	10,434,978
Landscaping improvements	797,797		797,797
Right-to-use leased assets	4,944,382	1,767,112	6,711,494
	16,073,920	1,870,349	17,944,269
Less accumulated depreciation/amortization			
Infrastructure	(480,022)	(261,222)	(741,244)
Landscaping improvements	(39,890)	(39,890)	(79,780)
Right-to-use leased assets	(818,628)	(494,439)	(1,313,067)
	(1,338,540)	(795,551)	(2,134,091)
Subtotal depreciable/amortizable capital assets, net	14,735,380	1,074,798	15,810,178
Capital assets, net	$ 19,234,103	$ 1,074,798	$ 20,308,901

Depreciation/amortization expense for the current fiscal year was $795,551.

Note 5 – Due to Developer

The District has entered into financing agreements with its developers for the financing of the construction of water, sewer, drainage, and park and recreational facilities and road improvements. Under the agreements, the developers will construct facilities on behalf of the District. The 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 developers during the fiscal year are as follows:

Due to developers, beginning of year	$ 23,306,800
Developer reimbursements	(2,875,371)
Adjustments to developer funded capital assets	336,778
Due to developers, end of year	$ 20,768,207

In addition, the District will owe the developers approximately $9,670,000, which is included in the following schedule of contractual commitments. 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 developers is not known until approved by the TCEQ and verified by the District's auditor.

	Contract Amount*
Townsend Reserve, Section 4 - utilities and paving	$ 5,810,000
Wastewater Treatment Plant Phase 2	2,000,000
Water Plant Phase 2	960,000
FM 2090 improvements and traffic signal	900,000
	$ 9,670,000

* Rounded to the nearest $10,000.

Note 6 – Lease Obligations

The District has entered into multiple equipment lease agreements for an interim water plant and interim wastewater treatment plant. The terms of certain of these leases resulted in the recognition of right-to-use leased assets and lease obligations in the government-wide statements measured at the present value of future lease payments.

The following table summarizes the key terms of the District's lease obligations:

Description	Remaining Balance	Original Liability	Monthly Payment**	Commencement Date	Term	Interest Rate
WP Phase 1*	$ 1,697,891	$ 1,847,275	$ 18,250	09/01/22	10 years	8.00%
WWTP Phase 1**	2,857,927	3,097,107	31,750	02/01/23	10 years	8.00%
WWTP Phase 2***	1,767,112	1,767,112	25,350	06/04/26	10 years	12.25%
	$ 6,322,930					

**WP Phase 1 monthly payment changed from $15,250 to $18,250 on September 1, 2024.
**WWTP Phase 1 monthly payment changed from $27,000 to $31,750 on February 1, 2025.
***Based on expected commencement date.

Annual requirements to amortize long-term lease obligations and related interest are as follows:

Year	Principal	Interest	Total
2026	$ 277,286	$ 373,414	$ 650,700
2027	361,745	542,455	904,200
2028	396,293	507,907	904,200
2029	434,299	469,901	904,200
2030	476,125	428,075	904,200
2031-2035	4,137,352	1,014,894	5,152,246
2036	239,830	13,670	253,500
	$ 6,322,930	$ 3,350,316	$ 9,673,246
Due within one year	$ 277,286	$ 373,414	$ 650,700

All leases contain standard lease terms that state that the leases shall automatically be extended for successive 90-day periods after the initial term of the lease, unless otherwise terminated.

The District is responsible for all ordinary expenses related to repairing and maintaining the equipment under all leases.

The allocation of lease payments between principal and interest for the current fiscal year is as follows:

Description	Annual Payment	Principal	Interest
WP Phase 1	$ 216,000	$ 76,694	$ 139,306
WWTP Phase 1	352,500	118,117	234,383
	$ 568,500	$ 194,811	$ 373,689

Note 7 – Long-Term Debt

Long-term debt is comprised of the following:

Bonds payable	$ 4,000,000
Due within one year	$ -

The District's bonds payable at July 31, 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
2025 Road	$ 4,000,000	$ 4,000,000	4.375% - 6.875%	May 1, 2027/2051	November 1, May 1	May 1, 2032

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 July 31, 2025, the District had $219,991,000 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 $219,991,000 for the refunding of such bonds; $30,296,000 for parks and recreational facilities and $30,296,000 for the refunding of such bonds; and, $82,051,800 for road improvements and $86,051,800 for the refunding of such bonds.

On June 5, 2025, the District issued its $4,000,000 Series 2025 Unlimited Tax Road Bonds at a net effective interest rate of 4.890426%. Proceeds of the bonds were used to reimburse a developer for the cost of capital assets constructed within the District plus interest expense at the net effective interest rate of the bonds; and 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	$ 4,000,000
Due within one year	$ -

As of July 31, 2025, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2026	$ -	$ 180,466	$ 180,466
2027	80,000	199,288	279,288
2028	85,000	193,788	278,788
2029	90,000	187,944	277,944
2030	95,000	181,756	276,756
2031	100,000	175,225	275,225
2032	105,000	168,350	273,350
2033	110,000	161,131	271,131
2034	115,000	153,568	268,568
2035	120,000	145,950	265,950
2036	130,000	140,700	270,700
2037	135,000	135,012	270,012
2038	140,000	129,106	269,106
2039	150,000	122,982	272,982
2040	155,000	116,418	271,418
2041	165,000	109,638	274,638
2042	175,000	102,212	277,212
2043	185,000	94,338	279,338
2044	195,000	86,012	281,012
2045	205,000	77,238	282,238
2046	215,000	67,756	282,756
2047	225,000	57,812	282,812
2048	235,000	47,406	282,406
2049	250,000	36,538	286,538
2050	265,000	24,976	289,976
2051	275,000	12,718	287,718
	$ 4,000,000	$ 3,108,328	$ 7,108,328

Note 8 – Property Taxes

On November 2, 2021, 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 and a rate limited to $0.25 per $100 of assessed value for use in financing road maintenance. The District's bond resolutions require that property taxes be levied for use in paying interest and principal on long term debt and for use in paying the cost of assessing and collecting taxes. Taxes levied to finance debt service requirements on long-term debt are without limitation as to rate or amount.

All property values and exempt status, if any, are determined by the Montgomery Central Appraisal District. Assessed values are determined as of January 1 of each year, at which time a tax lien attaches

to the related property. Taxes are levied around October/November, are due upon receipt and are delinquent the following February 1. Penalties 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, all of which was allocated to maintenance and operations. The resulting tax levy was $1,136,279 on the adjusted taxable value of $75,751,947.

Property taxes receivable, at July 31, 2025, consisted of the following:

Current year taxes receivable	$ 44,091
Prior years taxes receivable	802
	44,893
Penalty and interest receivable	8,177
Property taxes receivable	$ 53,070

Note 9 – Transfers to Other Governments

Montgomery County assumes responsibility for the maintenance of public roads constructed within the county limits. Accordingly, road facilities are considered to be capital assets of Montgomery County, not the District and are recorded as transfers to other governments on the *Statement of Activities* upon completion of construction. This cost is trued-up when the developer is subsequently reimbursed. For the year ended July 31, 2025, the District recorded transfers to other governments in the amount of $336,778 for developer reimbursements for road facilities completed in previous fiscal years.

Note 10 – Risk Management

The District is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; and personal injuries. The risk of loss is covered by commercial insurance. There have been no significant reductions in insurance coverage from the prior year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Note 11 – Concentration of Risk

Approximately 53% of the taxable property within the District is owned by the top 10 taxpayers. Since property taxes are the primary source of revenue for both the General Fund and the Debt Service Fund, the ability of these taxpayers to continue to pay their property taxes is an important factor in the District's ability to meet its future obligations.

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Required Supplementary Information

Montgomery County Municipal Utility District No. 185
Required Supplementary Information - Budgetary Comparison Schedule - General Fund
For the Year Ended July 31, 2025

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Water service	$ 140,000	$ 111,430	$ (28,570)
Sewer service	282,700	376,490	93,790
Property taxes	896,000	1,094,133	198,133
Penalties and interest	18,900	21,943	3,043
Tap connection and inspection	332,100	252,909	(79,191)
Miscellaneous	1,700	4,384	2,684
Investment earnings	60	3,106	3,046
Total Revenues	1,671,460	1,864,395	192,935
Expenditures			
Current service operations			
Professional fees	123,500	161,329	(37,829)
Contracted services	308,700	282,557	26,143
Repairs and maintenance	262,900	416,710	(153,810)
Utilities	14,200	35,350	(21,150)
Administrative	51,100	55,050	(3,950)
Other	72,650	38,893	33,757
Capital			
Capital outlay	250,000	103,237	146,763
Right-to-use leased assets		1,767,112	(1,767,112)
Debt service			
Leases - principal	507,000	194,811	312,189
Leases - interest		373,689	(373,689)
Total Expenditures	1,590,050	3,428,738	(1,838,688)
Revenues Over/(Under) Expenditures	81,410	(1,564,343)	(1,645,753)
Other Financing Sources			
Lease financing		1,767,112	1,767,112
Net Change in Fund Balance	81,410	202,769	121,359
Fund Balance			
Beginning of the year	84,243	84,243	
End of the year	$ 165,653	$ 287,012	$ 121,359

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. There were no amendments to the budget during the year.

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Texas Supplementary Information

Montgomery County Municipal Utility District No. 185
TSI-1. Services and Rates
July 31, 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	[X] Irrigation
[ ] Parks / Recreation	[ ] Fire Protection	[X] Roads	[ ] Security

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

[ ] Other (Specify): _____

2. Retail Service Providers

a. Retail Rates for a 5/8" meter (or equivalent):

	Minimum Charge	Minimum Usage	Flat Rate (Y / N)	Rate per 1,000 Gallons Over Minimum Usage	Usage Levels		
Water:	$ 15.00	6,000	N	$ 1.75	6,001	to	10,000
				$ 2.50	10,001	to	15,000
				$ 3.25	15,001	to	20,000
				$ 4.00	20,001	to	30,000
				$ 5.00	30,001	to	no limit
Wastewater:	$ 65.80	N/A	Y				
*LSGCD Fee:	$ 0.0935	1,000	N	$ 0.085	1,001	to	no limit

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

Total charges per 10,000 gallons usage: Water $ 22.94 Wastewater $ 65.80

*Lone Star Groundwater Conservation District ("LSGCD") fee

b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC'S
Unmetered			x 1.0	
less than 3/4"	567	562	x 1.0	562
1"			x 2.5	
1.5"			x 5.0	
2"	4	4	x 8.0	32
3"			x 15.0	
4"			x 25.0	
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water	571	566		594
Total Wastewater	565	560	x 1.0	560

See accompanying auditor's report.

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

Gallons pumped into system:	40,478,000	Water Accountability Ratio: (Gallons billed / Gallons pumped)
Gallons billed to customers:	37,049,000	91.53%

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? _____

See accompanying auditor's report.

Montgomery County Municipal Utility District No. 185
TSI-2. General Fund Expenditures
For the Year Ended July 31, 2025

Professional fees	
Legal	$ 75,037
Audit	13,500
Engineering	72,792
	161,329
Contracted services	
Bookkeeping	54,825
Operator	60,511
Garbage collection	106,021
Inspection	52,980
Tax assessment and collection	8,220
	282,557
Repairs and maintenance	416,710
Utilities	35,350
Administrative	
Directors fees	13,650
Printing and office supplies	5,007
Insurance	18,944
Other	17,449
	55,050
Other	38,893
Capital	
Capital outlay	103,237
Right-to-use leased asset	1,767,112
	1,870,349
Debt service	
Leases - principal	194,811
Leases - interest	373,689
	568,500
Total expenditures	$ 3,428,738

See accompanying auditor's report.

Montgomery County Municipal Utility District No. 185
TSI-3. Investments
July 31, 2025

Fund	Interest Rate	Maturity Date	Balance at End of Year
General			
Texas CLASS	Variable	N/A	$ 330,153
Debt Service			
Texas CLASS	Variable	N/A	300,994
Capital Projects			
Texas CLASS	Variable	N/A	22,112
Total - All Funds			$ 653,259

See accompanying auditor's report.

Montgomery County Municipal Utility District No. 185
TSI-4. Taxes Levied and Receivable
July 31, 2025

	Maintenance Taxes
Taxes Receivable, Beginning of Year	$ 3,018
Adjustments to Prior Year Tax Levy	(271)
Adjusted Receivable	2,747
2024 Original Tax Levy	935,839
Adjustments	200,440
Adjusted Tax Levy	1,136,279
Total to be accounted for	1,139,026
Tax collections:	
Current year	1,092,188
Prior years	1,945
Total Collections	1,094,133
Taxes Receivable, End of Year	$ 44,893
Taxes Receivable, By Years	
2024	$ 44,091
2023	802
Taxes Receivable, End of Year	$ 44,893

	2024	2023	2022
Property Valuations:			
Land	$ 38,487,518	$ 24,628,550	$ 1,600,130
Improvements	39,356,448	173,960	
Personal Property	20,833	1,029	
Exemptions	(2,112,852)	(24,264)	
Total Property Valuations	$ 75,751,947	$ 24,779,275	$ 1,600,130
Tax Rates per $100 Valuation:			
Maintenance tax rate	$ 1.50	$ 1.50	$ 1.50
Adjusted Tax Levy:	$ 1,136,279	$ 371,689	$ 24,002
Percentage of Taxes Collected to Taxes Levied **	96.12%	99.78%	100.00%

* Maximum Maintenance Tax Rate Approved by Voters: $1.50 on November 2, 2021

* Maximum Road Maintenance Tax Rate Approved by Voters: $0.25 on November 2, 2021

** 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. 185
TSI-5. Long-Term Debt Service Requirements
Series 2025 Road--by Years
July 31, 2025

Due During Fiscal Years Ending	Principal Due May 1	Interest Due November 1, May 1	Total
2026	$ -	$ 180,466	$ 180,466
2027	80,000	199,288	279,288
2028	85,000	193,788	278,788
2029	90,000	187,944	277,944
2030	95,000	181,756	276,756
2031	100,000	175,225	275,225
2032	105,000	168,350	273,350
2033	110,000	161,131	271,131
2034	115,000	153,568	268,568
2035	120,000	145,950	265,950
2036	130,000	140,700	270,700
2037	135,000	135,012	270,012
2038	140,000	129,106	269,106
2039	150,000	122,982	272,982
2040	155,000	116,418	271,418
2041	165,000	109,638	274,638
2042	175,000	102,212	277,212
2043	185,000	94,338	279,338
2044	195,000	86,012	281,012
2045	205,000	77,238	282,238
2046	215,000	67,756	282,756
2047	225,000	57,812	282,812
2048	235,000	47,406	282,406
2049	250,000	36,538	286,538
2050	265,000	24,976	289,976
2051	275,000	12,718	287,718
	$ 4,000,000	$ 3,108,328	$ 7,108,328

See accompanying auditor's report.

Montgomery County Municipal Utility District No. 185
TSI-6. Change in Long-Term Bonded Debt
July 31, 2025

	Bond Issue
	Series 2025 Road
Interest rate	4.375% - 6.875%
Dates interest payable	11/1; 5/1
Maturity dates	5/1/27 - 5/1/51
Beginning bonds outstanding	$ -
Bonds issued	4,000,000
Ending bonds outstanding	$ 4,000,000
Interest paid during fiscal year	$ -
Paying agent's name and city	
Series 2025 Road	BOKF, NA, Dallas, Texas

Bond Authority:	Water, Sewer and Drainage Bonds	Road Bonds	Park and Recreational Bonds
Amount Authorized by Voters	$ 219,991,000	$ 86,051,800	$ 30,296,000
Amount Issued		(4,000,000)	
Remaining To Be Issued	$ 219,991,000	$ 82,051,800	$ 30,296,000

Bond Authority:	Water, Sewer and Drainage Refunding Bonds	Road Refunding Bonds	Park and Recreational Refunding Bonds
Amount Authorized by Voters	$ 219,991,000	$ 86,051,800	$ 30,296,000
Amount Issued			
Remaining To Be Issued	$ 219,991,000	$ 86,051,800	$ 30,296,000

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

Debt Service Fund cash and investments balance as of July 31, 2025:	$ 300,994
Average annual debt service payment (principal and interest) for remaining term of all debt:	$ 273,397

See accompanying auditor's report.

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Montgomery County Municipal Utility District No. 185
TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund
For the Last Four Fiscal Years

	Amounts			
	2025	2024	2023	2022**
Revenues				
Water service	$ 111,430	$ 92,493	$ 8,732	$ -
Sewer service	376,490	232,474	20,551	
Property taxes	1,094,133	368,942	24,002	
Penalties and interest	21,943	18,186	333	
Tap connection and inspection	252,909	364,360	301,375	
Miscellaneous	4,384	67,626	485	
Investment earnings	3,106	581		
Total Revenues	1,864,395	1,144,662	355,478	
Expenditures				
Current service operations				
Professional fees	161,329	94,173	66,830	96,222
Contracted services	282,557	600,338	111,369	13,375
Repairs and maintenance	416,710	350,302	22,748	
Utilities	35,350	14,773	2,811	
Administrative	55,050	48,370	19,235	30,816
Other	38,893	53,135	11,472	4,693
Capital				
Capital outlay	103,237	217,735		
Right-to-use lease asset	1,767,112		4,944,382	
Debt service				
Leases - principal	194,811	121,615	72,138	
Leases - interest	373,689	385,385	257,612	
Total Expenditures	3,428,738	1,885,826	5,508,597	145,106
Revenues Under Expenditures	$ (1,564,343)	$ (741,164)	$ (5,153,119)	$ (145,106)
Total Active Retail Water Connections	566	416	194	N/A
Total Active Retail Wastewater Connections	560	410	188	N/A

*Percentage is negligible
** Unaudited
See accompanying auditor's report.

Percent of Fund Total Revenues			
2025	2024	2023	2022**
6%	8%	2%	-%
20%	20%	6%	-
59%	32%	7%	-
1%	2%	*	-
14%	32%	85%	-
*	6%	*	-
*	*		-
100%	100%	100%	-
9%	8%	19%	-
15%	52%	31%	-
22%	31%	6%	-
2%	1%	1%	-
3%	4%	5%	-
2%	5%	3%	-
6%	19%		-
95%		1391%	-
10%	11%	20%	-
20%	34%	72%	-
184%	165%	1548%	-
(84%)	(65%)	(1448%)	-%

Montgomery County Municipal Utility District No. 185
TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fund
For the Current Fiscal Year

	Amounts	Percent of Fund Total Revenues
	2025	2025
Revenues		
Investment earnings	$ 2,063	100%
Expenditures	-	-
Revenues Over Expenditures	$ 2,063	100%

See accompanying auditor's report.

Montgomery County Municipal Utility District No. 185
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended July 31, 2025

Complete District Mailing Address:	3200 Southwest Freeway, Suite 2600, Houston, Texas 77027
District Business Telephone Number:	713-860-6400
Submission Date of the most recent District Registration Form (TWC Sections 36.054 and 49.054):	May 6, 2025
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				
Robert Bois	05/22 - 05/26	$ 3,094	$ 68	President
Jennifer Roussel	05/25 - 05/28	1,105	30	Vice President
Brenda Sheffield	05/22 - 05/26	2,652	248	Secretary
Steve Janda	05/24 - 05/28	2,652	127	Assistant Vice President
James Bailey	05/24 - 05/28	3,094	124	Assistant Secretary
Kevin Reynolds	05/24 - 05/25	221	42	Former Director

Consultants		Amounts Paid	
Allen Boone Humphries Robinson LLP	2021		Attorney
General legal fees		$ 79,197	
Bond counsel		119,002	
Municipal District Services, LLC	2021	474,494	Operator
Municipal Accounts & Consulting, L.P.	2021	59,336	Bookkeeper
Assessments of the Southwest, Inc.	2021	8,220	Tax Collector
Montgomery Central Appraisal District	Legislation	750	Property Valuation
Perdue, Brandon, Fielder, Collins, & Mott, LLP	2022	638	Delinquent Tax Attorney
Elevation Land Solutions, LLC	2021	62,716	Engineer
McGrath & Co., PLLC	2023	21,500	Auditor
Masterson Advisors LLC	2021	82,940	Financial Advisor

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

See accompanying auditor's report.

APPENDIX B

Specimen Municipal Bond Insurance Policy

MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

BONDS: $_____ in aggregate principal amount of [NAME OF TRANSACTION] [and maturing on]

Effective Date: _____

Risk Premium: $_____
Member Surplus Contribution: $ _____
Total Insurance Payment: $_____

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

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

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

SPECIMEN

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

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

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

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Notices (Unless Otherwise Specified by BAM)

Email:
claims@buildamerica.com
Address:
200 Liberty Street, 27th floor
New York, New York 10281
Telecopy:
212-962-1524 (attention: Claims)

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