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

PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER 13, 2026

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

IN THE OPINION OF BOND COUNSEL, THE BONDS ARE VALID OBLIGATIONS OF MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 111, AND INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR PURPOSES OF FEDERAL INCOME TAXATION UNDER STATUTES, REGULATIONS, PUBLISHED RULINGS AND COURT DECISIONS EXISTING ON THE DATE OF SUCH OPINION, SUBJECT TO THE MATTERS DESCRIBED UNDER "LEGAL MATTERS" HEREIN, INCLUDING THE ALTERNATIVE MINIMUM TAX ON CERTAIN CORPORATIONS. SEE "LEGAL MATTERS" HEREIN FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.

THE BONDS WILL BE DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS.

NEW ISSUE-Book-Entry-Only

$7,900,000
MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 111
(A political subdivision of the State of Texas located within Montgomery County)
UNLIMITED TAX ROAD BONDS
SERIES 2026

The bonds described above (the "Bonds") are obligations solely of Montgomery County Municipal Utility District No. 111 (the "District") and are not obligations of the State of Texas, Montgomery County, the City of Conroe or any entity other than the District. 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."

Dated: December 1, 2026 **Due: March 1, as shown below**
Interest Accrual Date: Date of Delivery

Principal of the Bonds is payable at maturity or earlier redemption at the principal payment office of the paying agent/registrar, initially The Bank of New York Mellon Trust Company, N.A. in Houston, Texas (the "Paying Agent/Registrar"). Interest on the Bonds accrues from the initial date of delivery, which is expected to be on or about December 10, 2026 (the "Date of Delivery"), and is payable each September 1 and March 1, commencing September 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 and delivered only 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 (as defined herein under "BOOK-ENTRY-ONLY SYSTEM") of the Bonds will not receive physical certificates representing the Bonds, but will receive a credit balance on the books of the DTC participants. 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, as herein defined, directly to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the Beneficial Owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM."

MATURITY SCHEDULE

Principal Amount(a)	Maturity (March 1)	Interest Rate	Initial Reoffering Yield(b)	CUSIP Number(c)	Principal Amount(a)	Maturity (March 1)	Interest Rate	Initial Reoffering Yield(b)	CUSIP Number(c)
$ 160,000	2029	%	%		$ 315,000	2041 (d)	%	%	
165,000	2030				330,000	2042 (d)			
175,000	2031				350,000	2043 (d)			
185,000	2032				370,000	2044 (d)			
200,000	2033 (d)				395,000	2045 (d)			
210,000	2034 (d)				420,000	2046 (d)			
220,000	2035 (d)				445,000	2047 (d)			
235,000	2036 (d)				470,000	2048 (d)			
250,000	2037 (d)				495,000	2049 (d)			
265,000	2038 (d)				525,000	2050 (d)			
280,000	2039 (d)				555,000	2051 (d)			
295,000	2040 (d)				590,000	2052 (d)			

(a) The Underwriter may designate one or more maturities as term bonds. See accompanying "OFFICIAL NOTICE OF SALE" and "OFFICIAL BID FORM."
(b) Initial reoffering yield represents the initial offering yield to the public, which has been established by the Underwriter for offers to the public and which may be subsequently changed by the Underwriter and is the sole responsibility of the Underwriter. The initial reoffering yields indicated above represent the lower of the yields resulting when priced to maturity or to the first call date.
(c) CUSIP Numbers have been assigned to the Bonds by CUSIP Global Services and are included solely for the convenience of the purchasers of the Bonds. Neither the District nor the Underwriter shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.
(d) Bonds maturing on or after March 1, 2033, are subject to redemption prior to maturity at the option of the District, in whole or, from time to time, in part, on March 1, 2032, or on any date thereafter, at a price equal to par plus accrued interest from the most recent interest payment date to the date fixed for redemption. See "THE BONDS—Redemption Provisions."

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, without legal limitation as to rate or amount, levied upon all taxable property within the District, as further described herein. The Bonds are obligations solely of the District and are not obligations of the State of Texas, Montgomery County, the City of Conroe or any entity other than the District. Investment in the Bonds is subject to special risk factors described herein. See "RISK FACTORS."

The Bonds are offered when, as and if issued by the District, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Schwartz, Page & Harding, L.L.P., Houston, Texas, Bond Counsel. Delivery of the Bonds in book-entry form through DTC is expected on or about December 10, 2026.

Bids Due: Tuesday, November 10, 2026, at 10:00 A.M., Houston Time in Houston, Texas
Bid Award: Tuesday, November 10, 2026, at 12:00 P.M., Houston Time in Houston, Texas

TABLE OF CONTENTS

MATURITY SCHEDULE **1**
USE OF INFORMATION IN OFFICIAL STATEMENT **3**
SALE AND DISTRIBUTION OF THE BONDS **4**
Award of the Bonds 4
Prices and Marketability 4
Securities Laws 4
OFFICIAL STATEMENT SUMMARY **5**
RISK FACTORS **7**
SELECTED FINANCIAL INFORMATION (UNAUDITED) **8**
THE BONDS **9**
General 9
Description 9
Authority for Issuance 9
Source and Security for Payment 10
Record Date 10
Funds 10
Redemption Provisions 10
Registration 11
Method of Payment of Principal and Interest 11
Replacement of Paying Agent/Registrar 11
Issuance of Additional Debt 11
Financing Road Facilities 11
Financing Recreational Facilities 12
Annexation 12
Consolidation 12
Remedies in Event of Default 12
Legal Investment and Eligibility to Secure Public Funds in Texas 13
Defeasance 13
BOOK-ENTRY-ONLY SYSTEM **14**
USE AND DISTRIBUTION OF BOND PROCEEDS **16**
ARTAVIA **17**
General 17
THE DISTRICT **17**
General 17
Description and Location 17
Land Use 18
Status of Development 18
Future Development 19
Strategic Partnership Agreement 19
MANAGEMENT OF THE DISTRICT **19**
Board of Directors 19
District Consultants 20
THE DEVELOPER **20**
Role of a Developer 20
Description of the Developer and Principal Landowner 20
WATER, WASTEWATER AND DRAINAGE **21**
Water Supply 21
Wastewater Treatment 21
Water Distribution, Wastewater, Collection and Storm Drainage 21
Flood Protection 21
Master District 21
Regulation 22
Lone Star Groundwater Conservation District 22
Waterworks and Sewer System Operating Statement 23
THE ROAD SYSTEM **24**
FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED) **24**
Investments of the District 24
Outstanding Bonds 25
Debt Service Requirements 26
Estimated Overlapping Debt 27
Overlapping Taxes 27
TAX DATA **28**
Debt Service Tax 28
Maintenance and Operations Tax 28
Tax Exemption 28
Tax Rate Distribution 28
Historical Tax Collections 28
Tax Roll Breakdown 29
Principal Taxpayers 29
Tax Adequacy for Debt Service 30
TAXING PROCEDURES **30**
Property Tax Code and County-Wide Appraisal District 30
Property Subject to Taxation by the District 30
General Residential Homestead Exemption 31
Valuation of Property for Taxation 31
District and Taxpayer Remedies 32
Agricultural, Open Space, Timberland and Inventory Deferment 32
Tax Abatement 32
Levy and Collection of Taxes 32
Rollback of Operation and Maintenance Tax Rate 33
District's Rights in the Event of Tax Delinquencies 33
RISK FACTORS **34**
General 34
Undeveloped Acreage and Vacant Lots 34
Increase in Costs of Building Materials 34
Economic Factors and Interest Rates 34
Credit Markets and Liquidity in the Financial Markets 35
Competition 35
Landowner Obligation to the District 35
Potential Effects of Oil Price Fluctuations on the Houston Area 35
Specific Flood Type Risks 35
Severe Weather 36
Atlas 14 36
Possible Impact on District Tax Rate 36
Tax Collection Limitations 36
Registered Owners' Remedies 37
Bankruptcy Limitation to Registered Owners' Rights 37
Future Debt 37
Environmental Regulations 38
Marketability of the Bonds 39
Continuing Compliance with Certain Covenants 39
Cybersecurity 40
Risk Factors Related to the Purchase of Municipal Bond Insurance 40
Future and Proposed Legislation 40
LEGAL MATTERS **40**
Legal Opinions 40
Legal Review 41
Tax Exemption 41
Qualified Tax-Exempt Obligations 41
Collateral Federal Income Tax Consequences 42
State, Local and Foreign Taxes 42
Tax Accounting Treatment of Original Issue Discount and Premium Bonds 42
REGISTRATION AND QUALIFICATION UNDER SECURITIES LAWS **43**
NO MATERIAL ADVERSE CHANGE **43**
NO LITIGATION CERTIFICATE **43**
MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE **44**
PREPARATION OF OFFICIAL STATEMENT **44**
Sources and Compilation of Information 44
Financial Advisor 44
Bond Counsel 44
Consultants 44
Updating the Official Statement 45
Certification of Official Statement 45
CONTINUING DISCLOSURE OF INFORMATION **45**
Annual Reports 45
Specified Event Notices 45
Availability of Information from MSRB 46
Limitations and Amendments 46
Compliance with Prior Undertakings 46
MISCELLANEOUS **46**

AERIAL PHOTOGRAPH
PHOTOGRAPHS OF THE DISTRICT
APPENDIX A—Independent Auditor's Report and Financial Statements of the District for the year ended April 30, 2026

USE OF INFORMATION IN OFFICIAL STATEMENT

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission, as amended and in effect on the date hereof, this document constitutes an OFFICIAL STATEMENT with respect to the Bonds that has been "deemed final" by the District as of its date except for the omission of no more than the information permitted by Rule 15c2-12.

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

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

All of the summaries of the statutes, orders, 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 Schwartz, Page & Harding, L.L.P., 1300 Post Oak Boulevard, Suite 2400, Houston, Texas, 77056 upon payment of the costs of duplication therefor.

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 THE OFFICIAL STATEMENT—Updating the Official Statement."

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District accepted the bid resulting in the lowest net effective interest rate, which bid was tendered by _____ (the "Underwriter") bearing the interest rates shown on the cover page hereof, at a price of _____% of the par value thereof which resulted in a net effective interest rate of_____% as calculated pursuant to Chapter 1204, Texas Government Code (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 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 municipal entities, as bonds of such entities are more generally bought, sold or traded in the secondary market.

Securities Laws

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

OFFICIAL STATEMENT SUMMARY

The following is a brief summary of certain information contained herein which is qualified in its entirety by the more detailed information and financial statements appearing elsewhere in this OFFICIAL STATEMENT. The summary should not be detached and should be used in conjunction with 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 operating as a municipal utility district pursuant to Article XVI, Section 59 of the Texas Constitution. The District was created by an order of the Texas Commission on Environmental Quality (the "TCEQ") dated March 13, 2006. The District is vested with all the rights, privileges, authority and functions conferred by the laws of the State of Texas applicable to municipal utility districts, including without limitation those conferred by Article XVI, Section 59, and Article III, Section 52 of the Texas Constitution, Senate Bill 2002, 84th Texas Legislature, Regular Session, 2015, codified as Chapter 8390, Texas Special District Local Laws Code (the "Act") and Chapters 49 and 54 of the Texas Water Code, as amended. The District annexed approximately 10 acres in May 2026, and currently consists of approximately 729 acres of land. See "THE DISTRICT" and "AERIAL PHOTOGRAPH."

Location... The District is located in Montgomery County, approximately 31 miles northeast of the central downtown business district of the City of Houston, approximately 10 miles from the central downtown business district of the City of Conroe, and within the extraterritorial jurisdiction of the City of Conroe and within the boundaries of the Conroe Independent School District. The District is generally bounded by Texas State Highway 242 on the north, Farm-to-Market 1314 to the west and Old Houston Road to the east. See "THE DISTRICT" and "AERIAL LOCATION MAP."

Artavia... The District is part of the development of an approximately 2,852 acre master-planned community known as "Artavia." Artavia is comprised of the District, Montgomery County Municipal Utility District No. 157 ("MUD 157" or the "Master District"), Montgomery County Municipal Utility District No. 106 ("MUD 106") and Montgomery County Municipal Utility District 158 ("MUD 158"). The District, MUD 157, MUD 106 and MUD 158 are collectively referred to as the "Artavia Districts." See"ARTAVIA."

The Developer and Principal Landowner… The developer of Artavia is Artavia Development Company, a Texas corporation ("ADC" or the "Developer"). A portion of the undeveloped land within the Artavia project boundaries is owned by Pilot Land Acquisitions, LLC, a Nevada limited liability company ("PLA"), which acts solely as a land holding company. PLA sells land to the Developer as needed for development. As of July 31, 2026, the Developer had purchased approximately 1,696 acres within the Artavia project boundaries, including all of the land in the District. AIRIA Development Company, a Texas corporation ("AIRIA") manages the development of Artavia for the Developer and PLA. The controlling interests in AIRIA, ADC, and PLA are primarily lineal descendants (or their trusts) of Lester Benny Binion and Phyllis Cope. See "THE DEVELOPER."

Status of Development… The land within the Artavia Districts is being developed primarily as a single-family residential community, of which 1,709 single-family residential lots on approximately 514 acres are located within the District. Single-family residential development in the District consists of Artavia, Sections One through Eighteen, Sections Twenty One, Twenty Two, Twenty Seven, and Twenty Eight. As of September 1, 2026, the District consisted of 1,534 completed homes (1,467 homes occupied and 67 homes complete but not occupied), 33 homes under construction or continue to be in a builder's name, and 142 vacant developed lots available for home construction. According to the Developer, homes within the District range in sales price from approximately $300,000 to over $1,000,000.

Approximately 71 acres within the District are undeveloped and developable, and the remaining approximately 134 acres are not developable (street easements, drainage detention, parks and recreation space, right-of-way and utility sites). Additionally, approximately 10 acres were annexed in May 2026 for a Conroe Independent School District school site which is exempt from ad valorem taxation. See "THE DISTRICT—Land Use" and "—Status of Development."

Homebuilding... Homebuilders active within the District include Beazer Homes, Chesmar Homes, David Weekley Homes, Highland Homes, J. Patrick Homes, Jamestown Estate Homes, Lennar Homes, Perry Homes, Ravenna Homes and Westin Homes. See "THE DISTRICT—Status of Development—Homebuilders."

Regional Facilities... The Master District has contracted with the Artavia Districts to provide water supply and wastewater treatment as well as regional water distribution, wastewater collection trunk lines and storm water collection trunk lines necessary to serve Artavia (collectively, the "Master District Facilities"). See "WATER, WASTEWATER AND DRAINAGE."

Payment Record... The District has previously issued five series of unlimited tax road bonds totaling $31,465,000 principal amount and five series of unlimited tax water, sewer and drainage bonds totaling $50,385,000, of which $75,785,000 is collectively outstanding as of the date hereof (the "Outstanding Bonds"). The District capitalized twelve (12) months of interest from the Series 2025 Bonds in November 2025, and the lesser of $592,500 or eighteen (18) months of interest will be capitalized from Bond proceeds for payment of debt service on the Bonds. The District has never defaulted on the Outstanding Bonds debt service payments. See "USE AND DISTRIBUTION OF BOND PROCEEDS" and "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)."

THE BONDS

Description... Montgomery County Municipal Utility District No. 111 Unlimited Tax Road Bonds, Series 2026, in the aggregate principal amount of $7,900,000 maturing serially on March 1 in each of the years 2029 through 2052, both inclusive. The Bonds are dated December 1, 2026, and interest on the Bonds accrues from the Date of Delivery at the rates per annum set forth on the cover page hereof, and is payable on September 1, 2027, and each March 1 and September 1 thereafter until the earlier of stated maturity or redemption. The Bonds will be issued as fully registered bonds, pursuant to an order authorizing the issuance of the Bonds (the "Bond Order"), adopted by the Board of Directors of the District (the "Board"), in fully registered form only, in denominations of $5,000 or any integral multiple of $5,000. See "THE BONDS—General."

Book-Entry-Only System... 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 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 March 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 March 1, 2032, or on any date thereafter, at a price of par 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 construction costs outlined herein under "USE AND DISTRIBUTION OF BOND PROCEEDS." In addition, Bond proceeds will be used to capitalize the lesser of $592,500 or eighteen (18) months of interest on the Bonds, to pay interest on funds that have been advanced by the Developer on behalf of the District; and to pay legal fees, financial advisory fees, administrative costs, and certain other costs and engineering fees related to the issuance of the Bonds.

Authority for Issuance... The Bonds are the sixth series of bonds issued out of an aggregate of $94,100,000 principal amount of unlimited tax bonds authorized by the District's voters on May 5, 2018, for the purpose of acquiring or constructing road facilities to serve the land within its boundaries. The Bonds are issued by the District pursuant to the terms and conditions of the Bond Order (herein defined), Article III, Section 52 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, the Act, and the 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" and "Issuance of Additional Debt" and "RISK FACTORS—Future Debt."

Source of Payment...	Principal of and interest on the Bonds, the Outstanding Bonds, and such additional tax bonds as may hereafter be issued by the District are payable from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. See "THE BONDS—Source of and Security for Payment."
Municipal Bond Rating and Municipal Bond Insurance…	The District has not applied for an underlying rating nor is it expected that the District would have received an investment grade rating had such application been made. Applications have been made to various municipal bond insurance companies for qualification of the Bonds for municipal bond insurance. If qualified, such insurance will be available at the option of the Underwriter at the Underwriter's expense, including any rating fees associated with the insurance. See "RISK FACTORS—Risk Factors Related to the Purchase of Municipal Bond Insurance" and "MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE."
Qualified Tax-Exempt Obligations...	The District will designate the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended. See "LEGAL MATTERS—Qualified Tax-Exempt Obligations."
Bond Counsel...	Schwartz, Page & Harding, L.L.P., Bond Counsel, Houston, Texas. See "MANAGEMENT OF THE DISTRICT" and "LEGAL MATTERS."
Disclosure Counsel...	McCall, Parkhurst & Horton L.L.P., Houston, Texas.
Financial Advisor...	Masterson Advisors LLC, Houston, Texas. See "MANAGEMENT OF THE DISTRICT" and "PREPARATION OF OFFICIAL STATEMENT."
Paying Agent/Registrar...	The Bank of New York Mellon Trust Company, N.A. in Houston, 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 Certified Taxable Assessed Valuation	$587,624,686	(a)
Estimated Taxable Assessed Valuation as of August 1, 2026	$631,647,608	(b)
Gross Direct Debt Outstanding	$ 83,685,000	(c)
Estimated Overlapping Debt	28,471,679	(d)
Gross Direct Debt and Estimated Overlapping Debt	$112,156,679	
Ratios of Gross Direct Debt to:		
2026 Certified Taxable Assessed Valuation	14.24%	
Estimated Taxable Assessed Valuation as of August 1, 2026	13.25%	
Ratios of Gross Direct Debt and Estimated Overlapping Debt to:		
2026 Certified Taxable Assessed Valuation	19.09%	
Estimated Taxable Assessed Valuation as of August 1, 2026	17.76%	
Funds Available for Debt Service as of October 13, 2026:		
Water, Sewer and Drainage Debt Service Fund	$ 994,955	(e)
Road Debt Service Fund	677,820	(e)
Capitalized Interest from Bond proceeds (Eighteen (18) Months)	592,500	(f)
Total Funds Available for Debt Service	$2,265,255	(e)
Available General Operating Funds as of October 13, 2026	$829,757	
Available Capital Projects Funds as of October 13, 2026	$ 48,699	
2026 Debt Service Tax Rate	$0.900	
2026 Maintenance and Operations Tax Rate	0.450	
2026 Total Tax Rate	$1.350	
Projected Average Annual Debt Service Requirement (2027-2052)	$5,040,678	(g)
Projected Maximum Annual Debt Service Requirement (2029)	$5,977,998	(g)
Tax Rate Required to Pay Average Annual Debt Service (2027-2052) at a 95% Collection Rate		
Based upon 2026 Certified Taxable Assessed Valuation	$0.91	(g)
Based upon Estimated Taxable Assessed Valuation as of August 1, 2026	$0.85	(g)
Tax Rate Required to Pay Maximum Annual Debt Service (2029) at a 95% Collection Rate		
Based upon 2026 Certified Taxable Assessed Valuation	$1.08	(g)
Based upon Estimated Taxable Assessed Valuation as of August 1, 2026	$1.00	(g)
Status of Development as of September 1, 2026 (h):		
Total Developed Lots	1,709	
Total Completed Homes (1,467 Occupied)	1,534	
Homes Under Construction or in builder's name	33	
Vacant Developed Lots Available for Home Construction	142	
Lots Under Construction	0	
Estimated Population	5,135	(i)

(a) As certified by the Montgomery Central Appraisal District (the "Appraisal District").
(b) As provided by the Appraisal District. Such amount is only an estimate of the taxable assessed value on August 1, 2026, and may be revised upward or downward once certified by the Appraisal District. Increases in value occurring between January 1, 2026 and August 1, 2026 will be certified as of January 1, 2027. See "TAXING PROCEDURES."
(c) After issuance of the Bonds. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)."
(d) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Estimated Overlapping Debt."
(e) Although all of the District's debt, including the Outstanding Bonds and the Bonds, is payable from an unlimited tax pledge on an equal basis, a pro rata portion of the District's ad valorem tax revenue will be allocated to bonds sold for water, sewer and drainage facilities ("WSD Bonds") and a pro rata portion will be allocated to bonds sold for road facilities ("Road Bonds"), including the Bonds. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements."
(f) The District will capitalize the lesser of $592,500 or eighteen (18) months of interest from the Bond proceeds and deposit such funds in the subaccount of the Debt Service Fund created in respect of Road Bonds. The amount above is based on an estimated interest rate of 5.00% per annum. See "USE AND DISTRIBUTION OF BOND PROCEEDS."
(g) The debt service calculations herein are based on an estimated interest rate of 5.75%. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements" and "TAX DATA—Tax Adequacy for Debt Service."
(h) See "THE DISTRICT—Land Use—Status of Development."
(i) Based upon 3.5 persons per occupied single-family residence.

PRELIMINARY OFFICIAL STATEMENT

$7,900,000

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 111
(A political subdivision of the State of Texas located within Montgomery County)

UNLIMITED TAX ROAD BONDS
SERIES 2026

This OFFICIAL STATEMENT provides certain information in connection with the issuance by Montgomery County Municipal Utility District No. 111 (the "District") of its $7,900,000 Unlimited Tax Road Bonds, Series 2026 (the "Bonds").

The District is a political subdivision of the State of Texas operating as a municipal utility district pursuant to Article XVI, Section 59 of the Texas Constitution. The District was created by an order of the Texas Commission on Environmental Quality (the "TCEQ") dated March 13, 2006. The Bonds are issued pursuant to Article III, Section 52 and Article XVI, Section 59 of the Texas Constitution, Senate Bill 2002, 84th Texas Legislature, Regular Session, 2015, codified as Chapter 8390, Texas Special District Local Laws Code (the "Act"), Chapters 49 and 54 of the Texas Water Code, as amended, the general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas, an order authorizing the issuance of the Bonds (the "Bond Order") adopted by the Board of Directors of the District (the "Board"), and an election held within the District.

This OFFICIAL STATEMENT includes descriptions, among others, of the Bonds and certain other information about AIRIA Development Company ("AIRIA"), Artavia Development Company ("ADC" or 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 Schwartz, Page & Harding, L.L.P. ("Bond Counsel"), 1300 Post Oak Boulevard, Suite 2400, Houston, Texas, 77056 upon payment of the costs of duplication therefore.

THE BONDS

General

The following is a description of some of the terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Bond Order. The Bond Order authorizes the issuance and sale of the Bonds and prescribes the terms, conditions, and provisions for the payment of the principal of and interest on the Bonds by the District.

Description

The Bonds will be dated December 1, 2026, with interest payable on September 1, 2027, and on each March 1 and September 1 thereafter (each an "Interest Payment Date") until the earlier of maturity or redemption. Interest on the Bonds initially accrues from the Date of Delivery, and thereafter, from the most recent Interest Payment Date. The Bonds mature on March 1 of the years and in the amounts shown under "MATURITY SCHEDULE" on the cover page hereof. The Bonds are issued in fully registered form only in denominations of $5,000 or any integral multiple of $5,000 for any one maturity. The Bonds will be registered and delivered only to The Depository Trust Company, New York, New York, in its nominee name of Cede & Co., pursuant to the book-entry system described herein ("Registered Owners"). No physical delivery of the Bonds will be made to the purchasers thereof. See "BOOK-ENTRY-ONLY SYSTEM." Interest calculations are based upon a three hundred sixty (360) day year comprised of twelve (12) thirty (30) day months.

Authority for Issuance

At an election held within the District on May 5, 2018, voters of the District authorized a total of $94,100,000 in bonds for the purpose of acquiring or constructing road facilities. The Bonds constitute the sixth issuance of bonds from such authorization. After the issuance of the Bonds, a total of $54,735,000 in principal amount of unlimited tax bonds for road facilities will remain authorized but unissued. The Bonds are issued by the District pursuant to the terms and provisions of the Bond Order; Article III, Section 52 of the Texas Constitution; the Act; Chapters 49 and 54 of the Texas Water Code, as amended; the general laws of the State of Texas relating to the issuance of the bonds by political subdivisions of the State of Texas.

Source and Security for Payment

The Bonds, together with the Outstanding Bonds (hereinafter defined) and any additional bonds payable from ad valorem taxes, are secured by and payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property located within the District. See "TAX PROCEDURES." Investment in the Bonds involves certain elements of risk, and all prospective purchasers are urged to examine carefully this OFFICIAL STATEMENT with respect to the investment security of the Bonds. See "RISK FACTORS." The Bonds are obligations solely of the District and are not obligations of the City of Conroe, Montgomery County, the State of Texas, or any political subdivision or entity other than the District.

Record Date

The record date for payment of the interest on any regularly scheduled Interest Payment Date is defined as the 15th day of the month (whether or not a business day) next preceding such Interest Payment Date.

Funds

The Bond Order confirms the prior creation of the District's Debt Service Fund, pursuant to the orders of the District authorizing the issuance of the Outstanding Bonds, including the sub-accounts which are used to separate funds received to pay debt service on bonds issued to finance water, wastewater and storm drainage or to refund such bonds ("WSD Bonds") from funds received to pay debt service on bonds issued to finance road facilities or to refund such bonds ("Road Bonds"), including the Bonds. The Bond Order also confirms the District's Construction Fund, including the sub-accounts which are used to separate proceeds from WSD Bonds and Road Bonds. The lesser of $592,500 or eighteen (18) months of capitalized interest on the Bonds will be deposited from the proceeds from sale of the Bonds into the sub-account of the Debt Service Fund created in respect of Road Bonds. All remaining proceeds of the Bonds will be deposited in the sub-account of the Construction Fund created in respect of Road Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS" for a more complete description of the use of Bond proceeds.

The proceeds from all taxes levied, appraised and collected for and on account of the Bonds authorized by the Bond Order shall be deposited, as collected, into the sub-account of the Debt Service Fund created in respect of Road Bonds. The Debt Service Fund, which constitutes a trust fund for the benefit of the owners of the Outstanding Bonds, the Bonds and any additional tax bonds issued by the District, is to be kept separate from all other funds of the District, and funds in the sub-accounts created in respect of Road Bonds are to be used for payment of debt service on the Bonds and any of the District's duly authorized Road Bonds, whether heretofore, hereunder, or hereafter issued, payable in whole or part from taxes. Amounts on deposit in the sub-accounts of the Debt Service Fund created in respect of Road Bonds may also be used to pay the fees and expenses of the Paying Agent/Registrar, to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Bonds and any of the Districts duly authorized Road Bonds, whether heretofore, hereunder, or hereafter issued, payable in whole or in part from taxes, and to pay any tax anticipation notes issued in respect of debt service due to or become due on Road Bonds, together with interest thereon, as such tax anticipation notes become due. Funds otherwise on deposit in the Debt Service Fund, including funds in a sub-account created in respect of WSD Bonds, will not be allocated to the payment of the Bonds.

Redemption Provisions

The District reserves the right, at its option, to redeem the Bonds maturing on and after March 1, 2033, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of $5,000, on March 1, 2032, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. If fewer than all of the Bonds are to be redeemed, the particular maturity or maturities and the amounts thereof to be redeemed shall be determined by the District. If fewer than all of the Bonds of the same maturity are to be redeemed, the particular Bonds shall be selected by DTC in accordance with its procedures. See "BOOK-ENTRY-ONLY SYSTEM." Notice of each exercise of the reserved right of optional redemption shall be given by the Paying Agent/Registrar at least thirty (30) calendar days prior to the redemption date, in the manner specified in the Bond Order.

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

Registration

Section 149(a) of the Internal Revenue Code of 1986, as amended, requires that all tax exempt obligations (with certain exceptions that do not include the Bonds) be in registered form in order for the interest payable on such obligations to be excludable from a Beneficial Owner's income for federal income tax purposes. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. pursuant to the Book-Entry-Only System described herein. One fully-registered Bond will be issued for each maturity of the Bonds and will be deposited with DTC. See "BOOK-ENTRY-ONLY SYSTEM." So long as any Bonds remain outstanding, the District will maintain at least one paying agent/registrar in the State of Texas for the purpose of maintaining the Register on behalf of the District.

Method of Payment of Principal and Interest

The Board has appointed The Bank of New York Mellon Trust Company, N.A., having its principal corporate trust office and its principal payment office in Houston, Texas, as the initial Paying Agent/Registrar for the Bonds. The principal of and interest on the Bonds shall be paid to DTC, which will make distribution of the amounts so paid. See "BOOK-ENTRY-ONLY SYSTEM."

Replacement of Paying Agent/Registrar

Provision is made in the Bond Order for replacement of the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the District, the new paying agent/registrar shall be required to accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any paying agent/registrar selected by the District shall be a duly qualified and competent trust or banking corporation or organization organized and doing business under the laws of the United States of America or of any State thereof, with a combined capital and surplus of at least $25,000,000, which is subject to supervision of or examination by federal or state banking authorities, and which is a transfer agent duly registered with the United States Securities and Exchange Commission.

Issuance of Additional Debt

The District's voters have authorized the issuance of a total of $94,100,000 unlimited tax road bonds for the purpose of acquiring or constructing road facilities and could authorize additional amounts. Following the issuance of the Bonds, the District will have $54,735,000 of unlimited tax bonds authorized but unissued for said improvements and facilities. The District's voters have also authorized issuance of a total of $179,900,000 unlimited tax bonds for the purpose of acquiring or constructing water, sewer and drainage facilities and could authorize additional amounts. $129,515,000 of unlimited tax bonds for said improvements and facilities remain authorized but unissued. The District's voters have also authorized issuance of a total of $51,450,000 unlimited tax bonds for the purpose of acquiring or constructing recreational facilities and could authorize additional amounts. No bonds have been issued from said recreational facilities authorization. The District's voters have also authorized refunding bonds in an amount not in excess of one and one-half times the amount of bonds or other evidence of indebtedness previously issued by the District for (i) water, sewer, and drainage facilities, (ii) road improvements, and (iii) recreational facilities, for the purpose of refunding outstanding bonds of the District and could authorize additional amounts.

The Bond Order 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.

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

Financing Road Facilities

Pursuant to the provisions of the Texas Constitution and the Act, as defined herein, the District is authorized to develop and finance with property taxes certain road facilities following a successful District election to approve the issuance of road bonds payable from taxes. At an election held within the District on May 5, 2018, voters of the District authorized a total of $94,100,000 unlimited tax bonds for financing and constructing road facilities. After the issuance of the Bonds, the District will have issued $39,365,000 in road bonds from said authorization and could issue additional amounts. See "Issuance of Additional Debt" herein and "RISK FACTORS–Future Debt." Issuance of additional bonds for road facilities may dilute the investment security for the Bonds.

Financing Recreational Facilities

Conservation and reclamation districts in certain counties are authorized to develop and finance with property taxes certain recreational facilities after a district election has been successfully held to approve the issuance of bonds payable from taxes and/or a maintenance tax to support recreational facilities.

The District is authorized to issue bonds payable from an ad valorem tax to pay for the development and maintenance of recreational facilities if (i) the District duly adopts a plan for the facilities; (ii) the bonds are authorized at an election; (iii) the bonds payable from any source do not exceed 1% of the value of the taxable property in the District at the time of issuance of the bonds, or, in the event the District meets certain conditions, 3% of the value of the taxable property in the District at the time of issuance of the bonds, but in no event in an amount greater than the estimated cost in the plan; (iv) the District obtains any necessary governmental consents allowing the issuance of such bonds; (v) the issuance of the bonds is approved by the TCEQ in accordance with its rules with respect to same; and (vi) the bonds are approved by the Attorney General of Texas. The District may issue bonds for such purposes payable solely from net operating revenues without an election. In addition, the District is authorized to levy an operation and maintenance tax to support recreational facilities at a rate not to exceed 10 cents per $100 of assessed valuation of taxable property in the District, after such tax is approved at an election. Said maintenance tax is in addition to any other maintenance tax authorized to be levied by the District.

At an election held within the District on May 5, 2018, voters of the District authorized a total of $51,450,000 in unlimited tax bonds for the purpose of acquiring or constructing recreational facilities and could authorize additional amounts.

Issuance of bonds for recreational facilities could dilute the investment security for the Bonds.

Annexation

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Conroe, the District may be annexed for full purposes by the City of Conroe, subject to compliance by the City of Conroe with various requirements of Chapter 43 of the Texas Local Government Code, as amended. Such requirements may include the requirement that the City of Conroe hold an election in the District whereby the qualified voters of the District approve the proposed annexation. If the District is annexed, the City of Conroe must assume the District's assets and obligations (including the Bonds and the Outstanding Bonds) and abolish the District within ninety (90) days of the date of annexation. Annexation of territory by the City of Conroe is a policy-making matter within the discretion of the Mayor and City Council of the City of Conroe, and, therefore, the District makes no representation that the City of Conroe will ever attempt to annex the District for limited or full purposes and assume its debt. Moreover, no representation is made concerning the ability of the City of Conroe to make debt service payments should annexation occur. Under the terms of the SPA (as hereinafter defined) between the District and the City of Conroe, the City of Conroe may annex the territory of the District for full purposes (a "full-purpose annexation") at any time on or after December 31, 2034, or at any earlier time that the District has achieved 90% build out as defined in the SPA. See "THE DISTRICT—Strategic Partnership Agreement." The District could consent to a full purpose annexation prior to that time by agreeing to amend the SPA to such effect, however, the District currently has no intention to do so.

Consolidation

The District has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its water and wastewater systems with the water and wastewater systems of the district or districts with which it is consolidating, subject to voter approval. In their consolidation agreement, the consolidating districts may agree to assume each other's bonds, notes and other obligations. If each district assumes the other's bonds, notes and other obligations, taxes may be levied uniformly on all taxable property within the consolidated district in payment of same. If the districts do not assume each other's bonds, notes and other obligations, each district's taxes are levied on property in each of the original districts to pay said debts created by the respective original district as if no consolidation had taken place. No representation is made concerning whether the District will consolidate with any other district, but the District currently has no plans to do so.

Remedies in Event of Default

If the District defaults in the payment of principal, interest, or the redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Order, or defaults in the observance or performance of any other covenants, conditions, or obligations set forth in the Bond Order, the Registered Owners have the right to seek a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Order. Except for mandamus, the Bond Order does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners. Certain traditional legal remedies may also not be available. See "RISK FACTORS—Registered Owners' Remedies and Bankruptcy Limitations to Registered Owners' Rights."

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

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

Defeasance

The Bond Order 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) for obligations of the District payable from revenues or from ad valorem taxes or both, or a commercial bank or trust company designated in the proceedings authorizing such discharge 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, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent; and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The foregoing obligations may be in book entry form and shall 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. If any of such Bonds are to be redeemed prior to their respective dates of maturity, provision must have been made for giving notice of redemption as provided in the Bond Order.

Upon such deposit as described above, such Bonds shall no longer be regarded to be 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 a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Bond Order does not contractually limit such investments, Registered Owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under Texas law.

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

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a rating of "AA+" from S&P Global Ratings. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owners") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owners 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).

Payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or Paying Agent, 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 to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent. Disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

The 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 thereof.

USE AND DISTRIBUTION OF BOND PROCEEDS

The construction costs below were prepared by LJA, Inc. (the "Engineer"). Non-construction costs are based upon either contract amounts or estimates of various costs from 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 agreed-upon procedures are completed by an independent accountant. The surplus funds, if any, may be expended for any lawful purpose for which surplus construction funds may be used.

I.	**CONSTRUCTION COSTS**		
	• Road Construction Costs	$	3,970,314
	• Land Acquisition & Land Carry Costs		1,760,734
	• Engineering, Geotechnical and Construction Phase Services		395,938
	Total Construction Costs	**$**	**6,126,986**
II.	**NON-CONSTRUCTION COSTS**		
	• Underwriter's Discount (Estimated at 3.00%) (b)	$	237,000
	• Capitalized Interest (18 Months Estimated at 5.00%) (b)		592,500
	• Developer Interest		517,499
	Total Non-Construction Costs	**$**	**1,346,999**
III.	**ISSUANCE COSTS AND FEES**		
	• Issuance Costs and Professional Fees	$	398,115
	• Bond Engineering Report Cost		20,000
	• State Regulatory Fees		7,900
	Total Issuance Costs and Fees	**$**	**426,015**
	TOTAL BOND ISSUE	**$**	**7,900,000**

ARTAVIA

General

Artavia is an approximately 2,852 acre master-planned community located 31 miles northeast of downtown Houston, Texas. Artavia includes four (4) municipal utility districts: the District, Montgomery County Municipal Utility District No. 157 ("MUD 157" or the "Master District"), Montgomery County Municipal Utility District No. 106 ("MUD 106") and Montgomery County Municipal Utility District No. 158 ("MUD 158") (collectively, the "Artavia Districts"). Development within Artavia is currently occurring within the District and MUD 158. Each of the Artavia Districts has the authority to provide water, wastewater, drainage and recreational facilities as well as the roads within its boundaries. MUD 157 also acts as the "Master District" and has additional powers related to providing regional water, wastewater and drainage services to the Artavia Districts. See "WATER, WASTEWATER AND DRAINAGE—Master District."

THE DISTRICT

General

The District is a political subdivision of the State of Texas operating as a municipal utility district pursuant to Article XVI, Section 59 of the Texas Constitution. The District was created by an order of the TCEQ dated March 13, 2006. The District is vested with all the rights, privileges, authority and functions conferred by the laws of the State of Texas applicable to municipal utility districts, including without limitation those conferred by Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution, the Act, and Chapters 49 and 54 of the Texas Water Code, as amended. The District is empowered to, among other things, purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply of water; the collection, transportation and treatment of wastewater; the control and diversion of storm water; to finance, develop and maintain parks and recreational facilities, and to acquire, construct, finance, improve and operate road facilities, among other things. The District may also provide solid waste collection and disposal service and contract for or employ peace officers. The District may operate and maintain a fire department, independently or with one or more other conservation and reclamation districts or other political subdivision, if approved by the voters and the TCEQ. The District is subject to the continuing supervision of the TCEQ.

The District is required to observe certain requirements of the City of Conroe which limit the purposes for which the District may sell bonds for the acquisition, construction, and improvement of waterworks, wastewater, drainage, recreational, road and firefighting facilities and the refunding of outstanding debt obligations; limit the net effective interest rate on such bonds and other terms of such bonds; require approval by the City of Conroe of District construction plans; and permit connections only to lots and reserves described in plats which have been approved by the City of Conroe and filed in the real property records of Montgomery County, Texas. The District is also required to obtain TCEQ approvals prior to acquiring, constructing and financing water, wastewater, drainage, recreation and fire-fighting facilities. See "WATER, WASTEWATER AND DRAINAGE—Regulation."

Description and Location

The District annexed approximately 10 acres, in May of 2026, and currently consists of approximately 729 acres of land. The District is located in Montgomery County, entirely in the extraterritorial jurisdiction of the City of Conroe and within the boundaries of Conroe Independent School District. The District is located approximately 31 miles northeast of the central downtown business district of the City of Houston and 10 miles from the central downtown business district of the City of Conroe. The District is generally bounded by Texas State Highway 242 on the north, Farm-to-Market 1314 to the west and south and Old Houston Road to the east. See "AERIAL LOCATION MAP" herein.

Land Use

The following table has been provided by the Engineer and represents the current land use within the District.

Single-Family Residential	Approximate Acres	Total Lots
Artavia, Section One	27	102
Artavia, Section Two	38	108
Artavia, Section Three	28	97
Artavia, Section Four	20	60
Artavia, Section Five	22	60
Artavia, Section Six	10	31
Artavia, Section Seven	26	89
Artavia, Section Eight	22	120
Artavia, Section Nine	34	81
Artavia, Section Ten	36	95
Artavia, Section Eleven	32	90
Artavia, Section Twelve	18	89
Artavia, Section Thirteen	17	52
Artavia, Section Fourteen	22	95
Artavia, Section Fifteen	19	61
Artavia, Section Sixteen	11	29
Artavia, Section Seventeen	29	114
Artavia, Section Eighteen	16	46
Artavia, Section Twenty One	13	34
Artavia, Section Twenty Two	19	18
Artavia, Section Twenty Seven	28	137
Artavia, Section Twenty Eight	27	101
Subtotal	514	1,709
Future Development	71	---
Conroe ISD School (Tax Exempt)	10	
Undevelopable Acreage (a)	134	---
Total District Acreage	729	1,709

(a) Consists of street easements, drainage detention, parks and recreation space, right-of-way and utility sites.

Status of Development

Single Family Residential: The development in the District consists of Artavia, Sections One through Eighteen, Sections Twenty One, Twenty Two, Twenty Seven, and Twenty Eight (1,709 single-family residential lots on approximately 514 acres). As of September 1, 2026, the District consisted of 1,534 completed homes (1,467 homes occupied and 67 homes complete but not occupied), 33 homes under construction or continue to be in a builder's name, and 142 vacant developed lots available for home construction. Homes within the District range in price from approximately $300,000 to over $1,000,000. The estimated population within the District is 5,135 based upon 3.5 persons per occupied single-family residence.

Approximately 71 acres within the District are undeveloped and developable, and the remaining approximately 134 acres are not developable (street easements, drainage detention, parks and recreation space, right-of-way and utility sites). Additionally, approximately 10 acres were annexed in May 2026 for a Conroe Independent School District school site which is exempt from ad valorem taxation.

Homebuilders

Homebuilders active within the District include: Beazer Homes, Chesmar Homes, David Weekley Homes, Highland Homes, J. Patrick Homes, Jamestown Estate Homes, Lennar Homes, Perry Homes, Ravenna Homes and Westin Homes. Pursuant to lot sales agreements with the homebuilders in the District, each builder that is required to make an earnest money deposit is subject to lot takedown requirements of generally four lots per quarter. Each builder is also required to build models and/or speculative homes. According to the Developer, each of the homebuilders is in substantial compliance with all of the terms of its respective lot sales contract.

Future Development

Approximately 71 developable acres of land in the District are not yet fully served with water, wastewater, and drainage facilities, park and recreational facilities, and roads necessary for the construction of taxable improvements. While the District anticipates future development of this acreage, there can be no assurances if and when any of such undeveloped land will ultimately be developed. The District anticipates issuing additional bonds to fund water, wastewater, drainage, roads, and park and recreational facilities within the District necessary to serve the land at full development. The Engineer has stated that under current development plans, the remaining authorized but unissued bonds ($235,700,000) should be sufficient to finance the construction of water, wastewater, and drainage facilities, park and recreational facilities, and roads for the District. See "THE ROAD SYSTEM," "WATER, WASTEWATER AND DRAINAGE" and "RISK FACTORS—Future Debt."

Strategic Partnership Agreement

The District and the City of Conroe entered into a Strategic Partnership ("SPA") on or about November 8, 2018, pursuant to Chapter 43 of the Texas Local Government Code. The SPA provides for the terms and conditions for annexation of the District by the City of Conroe and controls over any other law. The SPA terminates on the earlier of (i) 40 years from the effective date of the Agreement, or (ii) the date the District ceases to exist.

Under the SPA the City of Conroe may at any time annex the territory of the District for limited purposes (a "limited purpose annexation"). After a limited purpose annexation, the City of Conroe may impose a sales and use tax within the District but the District is not subject to property taxation by the City of Conroe.

Under the SPA the City of Conroe may annex the territory of the District for full purposes (a "full-purpose annexation") at any time on or after December 31, 2034, or at any earlier time that the District has achieved 90% build out as defined in the SPA. Upon full-purpose annexation the City of Conroe may either (i) abolish and District and assume its debts and obligations or (ii) continue the District as a limited district under the terms of the SPA. The District cannot be abolished until it achieves 90% build out. The term "90% build out" means that the public water, sewer and drainage facilities and roads for 90% of the developable land in the District have been constructed and the District has fully reimbursed the Developer for such infrastructure.

If the District is continued as a limited district after full-purpose annexation, the District may operate and remain responsible for its obligations. It will continue to have the power to levy and collect taxes to pay its debt and operating expenses. Upon 90% build out, the City of Conroe may dissolve the limited district, take over its assets, assume its obligations, and perform its functions.

MANAGEMENT OF THE DISTRICT

Board of Directors

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

Name	District Board Title	Term Expires
Brett D. Beardsley	President	May 2030
Kurt Granhold	Vice President	May 2030
Kim Stephens	Secretary	May 2028
Weston Harlan	Assistant Secretary	May 2028
Ryan Lesikar	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 and General Counsel: Schwartz, Page & Harding, L.L.P. serves as Bond Counsel to the District. The fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds. In addition, Schwartz, Page & Harding, L.L.P. serves as general counsel to the District on matters other than the issuance of bonds.

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

Auditor: The financial statements of the District as of April 30, 2026, and for the year then ended, included in this offering document, have been audited by Forvis Mazars, LLP, independent auditors, as stated in their report appearing herein. See "APPENDIX A."

Engineer: The District's consulting engineer is LJA, Inc.

Tax Appraisal and Collections: 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 & Consulting, LP (the "Bookkeeper") for bookkeeping services.

Operator: The operation and maintenance of the District's water and wastewater systems are overseen by Si Environmental, LLC (the "Operator").

Disclosure Counsel: McCall, Parkhurst & Horton L.L.P. serves as Disclosure Counsel to the District in connection with the issuance of the Bonds. The fees to be paid to Disclosure Counsel for services rendered in connection with the issuance of the Bonds are contingent on the issuance, sale and delivery of the Bonds.

THE DEVELOPER

Role of a Developer

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 being financed with bond proceeds, 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.

Description of the Developer and Principal Landowner

The developer of Artavia is Artavia Development Company, a Texas corporation ("ADC" or the "Developer"). A portion of the undeveloped land within the Artavia project boundaries is owned by Pilot Land Acquisitions, LLC, a Nevada limited liability company ("PLA"), which acts solely as a land holding company. PLA sells land to the Developer as needed for development. As of July 31, 2026, the Developer had purchased approximately 1,696 acres within the Artavia project boundaries, including all of the land in the District. AIRIA Development Company, a Texas corporation ("AIRIA") manages the development of Artavia for the Developer and PLA. The controlling interests in AIRIA, ADC, and PLA are primarily lineal descendants (or their trusts) of Lester Benny Binion and Phyllis Cope.

Neither 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. Neither the Developer, nor any affiliates of the Developer have any legal commitment to the District or the owners 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. Further, the financial condition of the Developer is subject to change.

Acquisition and Development Financing

The Developer is currently funding land acquisition through a loan from PLA in the amount of $35,787,820 that has an outstanding balance of $11,642,014 as of July 31, 2026. The loan is secured by a lien on the property, which is released by PLA as the Developer sells parcels to third parties. According to the Developer, the Developer is in material compliance with the terms of the loan.

According to the Developer, its source of construction funding is a $120,000,000 note with SR Lender, LLC, a Nevada limited liability company, which is due on June 1, 2029. According to the Developer, the outstanding principal balance of the loan as of July 31, 2026 was $69,118,480 and the Developer is in material compliance with all terms.

WATER, WASTEWATER AND DRAINAGE

Water Supply

The District's water supply is provided by MUD 157, which serves as the Master District. Water Plant No. 1 consists of a 1,511 gallon per minute ("gpm") water well, a 1,200 gpm water well, 50,000 gallons of pressure tank capacity, 500,000 gallons of ground storage tank capacity and 5,600 gpm of booster pump capacity. A second 550,000 gallon ground storage tank is under construction as of July 2026. Upon completion, the Master District's water supply facilities will adequately serve 2,500 equivalent single-family connections. As of September 2026, the Master District was servicing approximately 1,855 active connections (including 1,669 active residential connections and 186 under construction or in a builder's name) of which 1,534 are located within the District and the remainder are located in MUD 158.

Wastewater Treatment

The District's wastewater is treated by the Master District's 250,000-gallon Wastewater Treatment Plant No. 1 ("WWTP No. 1"). The District's current capacity in WWTP No. 1 will adequately serve approximately 2,500 equivalent single-family connections. As of September 2026, the Master District was servicing approximately 1,855 active connections (including 1,669 which are active residential connections and 186 homes under construction or in a builder's name) of which 1,534 are located within the District and the remainder are located in MUD 158.

Water Distribution, Wastewater, Collection and Storm Drainage

Water distribution, wastewater collection and storm drainage facilities have been constructed to serve 2,500 equivalent single-family connections. See "THE DISTRICT – Land Use."

Flood Protection

"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 rainstorm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes must be built above the 100-year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. An engineering or regulatory determination that an area is above the 100-year flood plain is not an assurance that homes built in such area will not be flooded, and a number of neighborhoods in the greater Houston area that are above the 100-year flood plain have flooded multiple times in the last several years. According to the Engineer, none of the land within the District is within the 100-year flood plain. See "RISK FACTORS—Severe Weather."

Master District

As of February 2, 2018, the District entered into a contract for financing, operation and maintenance of Regional Facilities (the "Contract") between the District, MUD 157, MUD 158, and MUD 106. Under the terms of the Contract, MUD 157 serves as the "Master District" and provides or causes to be provided the regional water supply and delivery facilities, the regional waste collection, treatment and disposal facilities, and the regional drainage facilities to serve the Artavia Districts. Under the terms of the Contract, the Master District will charge the participants a monthly operational fee based on connections. The Master District will assess a master district connection fee to the District to pay for its pro-rata share of regional capital projects.

Regulation

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

Lone Star Groundwater Conservation District

The District is included in the boundaries of the Lone Star Groundwater Conservation District ("LSGCD"), a Montgomery County-wide regulatory agency. LSGCD has adopted a regulatory plan which requires groundwater users within Montgomery County to develop a groundwater reduction plan and reduce their groundwater usage. Currently the Master District, which owns two groundwater wells and provides water to the District, is exempt from having to enter into a groundwater reduction plan because of the small amount of water it pumps. The Master District and the District are currently exploring various options for complying with the LSGCD plan in the future when their groundwater usage increases. The District expects to pass through any fee charged for groundwater usage under a groundwater reduction plan to its customers in their water bills.

Waterworks and Sewer System Operating Statement

The Bonds and the Outstanding Bonds are payable from the levy of an ad valorem tax, without legal limitation as to rate or amount, upon all taxable property in the District. Net revenues, if any, derived from the operation of the District's water and wastewater operations are not pledged to the payment of the Bonds or Outstanding Bonds but are available for any lawful purpose including payment of debt service on the Bonds and the Outstanding Bonds, at the discretion and upon action of the Board. It is not anticipated that any significant revenues will be available for the payment of debt service on the Bonds and the Outstanding Bonds. The following statement sets forth in condensed form the historical results of operation of the District's General Fund as derived from the District's audited financial statements for the fiscal years ended April 30, 2022 through 2026. 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				
	4/30/2026	4/30/2025	4/30/2024	4/30/2023	4/30/2022
Revenues:					
Property Taxes	$ 2,490,905	$ 2,133,148	$ 1,935,763	$ 1,250,822	$ 802,092
Water Service	452,713	392,051	448,844	252,797	136,976
Sewer Service	957,315	754,326	662,941	439,478	262,637
Penalty and Interest	66,372	46,282	40,499	28,136	11,842
Investment Income	57,322	41,294	17,652	7,178	402
Tap Connection & Inspection	309,881	449,064	613,354	505,458	448,427
Miscellaneous	15,941	14,387	14,122	9,875	4,683
Total Revenue	$ 4,350,449	$ 3,830,553	$ 3,733,175	$ 2,493,744	$1,667,059
Expenditures:					
Professional Fees	$ 137,942	$ 122,212	$ 123,951	$ 99,484	$ 75,397
Purchased Services	2,701,701	1,577,514	1,381,232	1,515,594	910,562
Tap Connections	142,814	220,624	325,773	285,949	199,921
Repairs and Maintenance	506,803	565,034	820,084	618,581	338,565
Capital Outlay	22,566	-	362,426	789,798	-
Contracted Services	664,581	500,544	402,131	283,427	168,408
Other Expenses	65,348	67,689	46,105	34,348	42,080
Debt issuance costs	-	27,046	10,700	9,900	30,000
Total Expenditures	$ 4,241,755	$ 3,080,663	$ 3,472,402	$ 3,637,081	$1,764,933
NET REVENUES	$ 108,694	$ 749,889	$ 260,773	$ (1,143,337)	$ (97,874)
Other Financing Sources	$ 27,046 (a)	$ 9,000 (a)	$ 996,034 (b)	$ 675,000 (c)	$ 196,145 (d)
General Operating Fund Balance (Beginning of Year)	$ 1,791,840	$ 1,032,951	$ (223,856)	$ 244,481	$ 146,210
General Operating Fund Balance (End of Year)	$ 1,927,580	$ 1,791,840	$ 1,032,951	$ (223,856)	$ 244,481

(a) Interfund transfer.
(b) Includes developer advances totaling $986,134 and an interfund transfer of $9,900.
(c) Includes a developer advance of $645,000 and an interfund transfer of $30,000.
(d) Includes developer advances totaling $154,000 and an interfund transfer of $42,145.

THE ROAD SYSTEM

The road system (the "Roads") serves the residents of the District by providing access to major thoroughfares and collectors within Artavia and the surrounding area. The internal subdivision streets provide access to several collectors including Artavia Parkway, Astaire Parkway and Aspire Way. These internal streets and collectors convey the residents of the District to Texas State Highway 242 and Farm-to-Market 1314. All Roads are maintained or will be maintained by Montgomery County. See 'USE AND DISTRIBUTION OF BOND PROCEEDS."

FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)

2026 Certified Taxable Assessed Valuation	$ 587,624,686	(a)
Estimated Taxable Assessed Valuation as of August 1, 2026	$ 631,647,608	(b)
Gross Direct Debt Outstanding	$83,685,000	(c)
Estimated Overlapping Debt	28,471,679	(d)
Gross Direct Debt and Estimated Overlapping Debt	$112,156,679	
Ratios of Gross Direct Debt to:		
2026 Certified Taxable Assessed Valuation	14.24%	
Estimated Taxable Assessed Valuation as of August 1, 2026	13.25%	
Ratios of Gross Direct Debt and Estimated Overlapping Debt to:		
2026 Certified Taxable Assessed Valuation	19.09%	
Estimated Taxable Assessed Valuation as of August 1, 2026	17.76%	
Funds Available for Debt Service as of October 13, 2026:		
Water, Sewer and Drainage Debt Service Fund	$ 994,955	(e)
Road Debt Service Fund	677,820	(e)
Capitalized Interest from Bond proceeds (Eighteen (18) Months)	592,500	(f)
Total Funds Available for Debt Service	$2,265,255	(e)
Available General Operating Funds as of October 13, 2026	$829,757	
Available Capital Projects Funds as of October 13, 2026	$ 48,699	

(a) As certified by the Appraisal District.
(b) As provided by the Appraisal District. Such amount is only an estimate of the taxable assessed value on August 1, 2026, and may be revised upward or downward once certified by the Appraisal District. Increases in value occurring between January 1, 2026 and August 1, 2026 will be certified as of January 1, 2027. See "TAXING PROCEDURES."
(c) After issuance of the Bonds. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)."
(d) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Estimated Overlapping Debt."
(e) Although all of the District's debt, including the Outstanding Bonds and the Bonds, is payable from an unlimited tax pledge on an equal basis, a pro rata portion of the District's ad valorem tax revenue will be allocated to bonds sold for water, sewer and drainage facilities ("WSD Bonds") and a pro rata portion will be allocated to bonds sold for road facilities ("Road Bonds"), including the Bonds. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements."
(f) The District will capitalize the lesser of $592,500 or eighteen (18) months of interest from the Bond proceeds and deposit such funds in the subaccount of the Debt Service Fund created in respect of Road Bonds. The amount above is based on an estimated interest rate of 5.00% per annum. 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, as amended. 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's investment portfolio.

Outstanding Bonds

The District has previously issued five series of unlimited tax road bonds totaling $31,465,000 principal amount and five series of unlimited tax water, sewer and drainage bonds totaling $50,385,000, of which $75,785,000 is collectively outstanding as of the date hereof (the "Outstanding Bonds"). The following table lists the original principal amount of the bonds issued by the District and the Outstanding Bonds.

Series		Original Principal Amount	Outstanding Bonds
2020	(a)	$ 8,000,000	$ 6,865,000
2021		10,030,000	8,910,000
2022	(a)	9,565,000	8,025,000
2022		9,355,000	8,695,000
2023	(a)	3,900,000	3,405,000
2023		9,500,000	9,050,000
2024	(a)	5,000,000	4,795,000
2024		14,700,000	14,345,000
2025	(a)	5,000,000	4,895,000
2025		6,800,000	6,800,000
Total		$ 81,850,000	$ 75,785,000

(a) Road Bonds.

Debt Service Requirements

The following sets forth the debt service on the Outstanding Bonds and the estimated debt service on the Bonds at an estimated interest rate per annum of 5.75%. This schedule does not reflect the fact that the District capitalized twelve (12) months of interest from the Series 2025 Bonds in November 2025, and will capitalize the lesser of $592,500 or eighteen (18) months of interest from proceeds of the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

Year	Outstanding Bonds Debt Service Requirements	The Bonds			Total Debt Service Requirements
		Principal	Interest	Total	
2027	$ 5,481,800.00	$ -	$ 340,687.50	$ 340,687.50	$ 5,822,487.50
2028	5,423,475.00	-	454,250.00	454,250.00	5,877,725.00
2029	5,368,347.50	160,000	449,650.00	609,650.00	5,977,997.50
2030	5,333,425.00	165,000	440,306.25	605,306.25	5,938,731.25
2031	5,304,462.50	175,000	430,531.25	605,531.25	5,909,993.75
2032	5,278,718.75	185,000	420,181.25	605,181.25	5,883,900.00
2033	5,266,300.00	200,000	409,112.50	609,112.50	5,875,412.50
2034	5,266,987.50	210,000	397,325.00	607,325.00	5,874,312.50
2035	5,245,900.00	220,000	384,962.50	604,962.50	5,850,862.50
2036	5,239,368.75	235,000	371,881.25	606,881.25	5,846,250.00
2037	5,227,631.25	250,000	357,937.50	607,937.50	5,835,568.75
2038	5,225,287.50	265,000	343,131.25	608,131.25	5,833,418.75
2039	5,211,056.25	280,000	327,462.50	607,462.50	5,818,518.75
2040	5,206,771.88	295,000	310,931.25	605,931.25	5,812,703.13
2041	5,191,593.75	315,000	293,393.75	608,393.75	5,799,987.50
2042	5,185,009.38	330,000	274,850.00	604,850.00	5,789,859.38
2043	5,182,228.13	350,000	255,300.00	605,300.00	5,787,528.13
2044	5,177,140.63	370,000	234,600.00	604,600.00	5,781,740.63
2045	5,169,503.13	395,000	212,606.25	607,606.25	5,777,109.38
2046	5,154,956.25	420,000	189,175.00	609,175.00	5,764,131.25
2047	4,672,703.13	445,000	164,306.25	609,306.25	5,282,009.38
2048	2,857,212.50	470,000	138,000.00	608,000.00	3,465,212.50
2049	2,196,146.88	495,000	110,256.25	605,256.25	2,801,403.13
2050	832,996.88	525,000	80,931.25	605,931.25	1,438,928.13
2051	-	555,000	49,881.25	604,881.25	604,881.25
2052	-	590,000	16,962.50	606,962.50	606,962.50
Total	$ 115,699,022.50	$ 7,900,000	$ 7,458,612.50	$ 15,358,612.50	$ 131,057,635.00

Average Annual Debt Service Requirements (2027-2052) $5,040,678
Maximum Annual Debt Service Requirement (2029) $5,977,998

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	9/30/2026	0.601%	$ 3,216,105
Conroe Independent School District	2,844,260,000	9/30/2026	0.868%	24,682,438
Lone Star College System	336,455,000	9/30/2026	0.170%	573,135
Total Overlapping Debt				$ 28,471,679
The District	83,685,000	(a)	100.00%	83,685,000
Total Direct and Estimated Overlapping Debt				$ 112,156,679

Direct and Estimated Overlapping Debt as a Percentage of:
2026 Certified Taxable Assessed Valuation of $587,624,686 ..... 19.09%
Estimated Taxable Assessed Valuation as of August 1, 2026 of $631,647,608 ..... 17.76%

(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 the taxes levied for the 2026 tax year by all entities 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 or any other levy of entities other than political subdivisions.

	Tax Rate per $100 of Taxable Assessed Valuation
Montgomery County	$ 0.38600
Montgomery County Hospital District	0.04580
Conroe Independent School District	0.94710
Lone Star College System	0.10580
Montgomery County ESD No. 9	0.10000
Total Overlapping Tax Rate	$ 1.58470
The District (a)	1.35000
Total Tax Rate	$ 2.93470

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

TAX DATA

Debt Service Tax

The Board covenants in the Bond Order to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, the tax adequate to provide funds to pay the principal of and interest on the Bonds. See "Tax Rate Distribution" and "Tax Roll Breakdown" below.

Maintenance and Operations Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for the operation and maintenance of the District, if such a maintenance tax is authorized by the District's voters. A maintenance tax election was conducted May 13, 2006, and voters of the District authorized the Board, among other things, to levy a maintenance tax at a rate not to exceed $1.35 per $100 appraised valuation. A maintenance tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds. See "Debt Service Tax" above.

Tax Exemption

For the tax year 2026, the District has adopted an exemption of $10,000 of the appraised value of residential homesteads of individuals who are sixty-five (65) years of age or older, or residential homesteads of individuals who are under a disability for purposes of payment of disability insurance benefits under the Federal Old-Age Survivors and Disability Insurance Act. See "TAXING PROCEDURES—Property Subject to Taxation by the District."

Tax Rate Distribution

	2026	2025	2024	2023	2022
Debt Service Tax	$ 0.900	$ 0.895	$ 0.880	$0.800	$ 0.760
Maintenance Tax	0.450	0.455	0.470	0.550	0.590
Total District Tax Rate	$ 1.350	$ 1.350	$ 1.350	$1.350	$ 1.350

Historical Tax Collections

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

	Certified Taxable Assessed Valuation (a)	Tax Rate	Total Tax Levy	Total Collections As of September 30, 2026 (b)	
				Amount	Percent
2021	$ 92,431,322	$ 1.35	$1,254,719	$ 1,254,719	100.00%
2022	211,523,759	1.35	2,863,625	2,863,625	100.00%
2023	356,055,144	1.35	4,816,367	4,812,069	99.91%
2024	463,391,427	1.35	6,255,784	6,244,462	99.82%
2025	546,561,045	1.35	7,378,574	7,307,043	99.03%
2026	587,624,686	1.35	7,932,933	(c)	(c)

(a) As certified by the Appraisal District.
(b) Unaudited.
(c) In process of collections. Taxes for the 2026 tax year are due on January 31, 2027.

Tax Roll Breakdown

The District's appraised 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 2022 through 2026 Certified Taxable Assessed Valuations. An accurate breakdown related to the Estimated Taxable Assessed Valuation as of August 1, 2026 of $631,647,608 is not available from the Appraisal District.

	2026 Certified Taxable Assessed Valuation	2025 Certified Taxable Assessed Valuation	2024 Certified Taxable Assessed Valuation	2023 Certified Taxable Assessed Valuation	2022 Certified Taxable Assessed Valuation
Land	$ 166,110,651	$ 159,662,098	$ 136,730,367	$ 94,065,426	$ 71,596,298
Improvements	509,550,214	454,317,757	391,489,807	307,689,661	166,175,860
Personal Property	10,515,699	2,435,475	3,299,157	2,154,324	1,206,029
Gross Assessed Valuation	$ 686,176,564	$ 616,415,330	$ 531,519,331	$ 403,909,411	$ 238,978,187
Exemptions(a)	(98,551,878)	(69,854,285)	(68,127,904)	(47,854,267)	(27,454,428)
Total Certified Taxable Assessed Valuation	$ 587,624,686	$ 546,561,045	$ 463,391,427	$ 356,055,144	$ 211,523,759

(a) See "TAXING PROCEDURES."

Principal Taxpayers

The following table represents the ten principal taxpayers and their taxable appraised value as a percentage of the 2026 Certified Taxable Assessed Valuation of $587,624,686. This represents certified ownership as of January 1, 2026. An accurate principal taxpayer list related to the Estimated Taxable Assessed Valuation as of August 1, 2026 of $631,647,608 are not available.

Taxpayer	2026 Certified Taxable Assessed Valuation	% of 2026 Certified Taxable Assessed Valuation
Artavia Development Company (a)	$ 6,447,447	1.10%
Weekley Homes LLC (b)	5,260,703	0.90%
J. Patrick Homes Ltd. (b)	4,551,931	0.77%
Perry Homes LLC (b)	3,085,731	0.53%
Beazer Homes Texas LP (b)	2,056,965	0.35%
Ravenna Homes LLC (b)	2,005,129	0.34%
Lennar Homes of Texas Land & Construction LTD (b)	1,503,000	0.26%
Highland Homes Houston LLC (b)	1,206,074	0.21%
Chesmar Homes LLC (b)	1,199,492	0.20%
Individual	998,059	0.17%
Total	$ 28,314,531	4.82%

(a) See "THE DEVELOPER."
(b) See "THE DISTRICT—Homebuilders."

Tax Adequacy for Debt Service

The tax rate calculations set forth below are presented to indicate the tax rates per $100 of taxable assessed valuation which would be required to meet average annual and maximum annual debt service requirements on the Bonds and the Outstanding Bonds if no growth in the District's tax base occurred beyond the 2026 Certified Taxable Assessed Valuation of $587,624,686, and the Estimated Taxable Assessed Valuation as of August 1, 2026, of $631,647,608. The calculations contained in the following table merely represent the tax rates required to pay principal 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, and the sale of no additional bonds. 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)	$5,040,678
$0.91 Tax Rate on 2026 Certified Taxable Assessed Valuation	$5,080,015
$0.85 Tax Rate on Estimated Taxable Assessed Valuation as of August 1, 2026	$5,100,554
Maximum Annual Debt Service Requirement (2029)	$5,977,998
$1.08 Tax Rate on 2026 Certified Taxable Assessed Valuation	$6,029,029
$1.00 Tax Rate on Estimated Taxable Assessed Valuation as of August 1, 2026	$6,000,652

No representation or suggestion is made that the Estimated Taxable Assessed Valuation as of August 1, 2026, will be certified as taxable value by the Appraisal District, and no person should rely upon such amount or its inclusion herein as assurance of its attainment. See "TAXING PROCEDURES."

TAXING PROCEDURES

Property Tax Code and County-Wide Appraisal District

The Texas Tax Code (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 a single appraisal district with the responsibility for recording and appraising property for all taxing units within a county and a single appraisal review board with the 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 wholly within Montgomery County, including the District. Such appraisal values are subject to review and change by the Montgomery County Appraisal Review Board (the "Appraisal Review Board"). Under certain circumstances, taxpayers and taxing units (such as the District) may appeal the orders of the Appraisal Review Board by filing a 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. Absent any such appeal, the appraisal roll, as prepared by the Appraisal District and approved by the Appraisal Review Board, must be used by each taxing jurisdiction in establishing its tax roll and tax rate. The District is eligible, along with all other conservation and reclamation districts within Montgomery County, to participate in the nomination of and vote for a member of the Board of Directors of the Appraisal District.

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property and tangible personal property in the District is subject to taxation by the District; however, it is expected that no effort will be made by the District to collect taxes on personal property other than on personal property rendered for taxation, business inventories and the property of privately owned utilities. Principal categories of exempt property include: 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; farm products owned by the producer; all oil, gas and mineral interests owned by an institution of higher education; certain property owned by exclusively charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; solar and wind-powered energy devices; most individually owned automobiles and intangible personal property. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years or older or under a disability for purposes of payment of disability insurance benefits under the Federal Old-Age Survivors and Disability Insurance Act to the extent deemed advisable by the Board. The District would be required to call an election on such residential homestead exemption upon petition by at least twenty percent (20%) of the number of qualified voters who voted in the District's preceding election and would be required to offer such an exemption if a majority of voters approve it at such election. For the 2026 tax year, the District has granted an exemption of $10,000 of assessed valuation for persons 65 years of age and older and to individuals who are under a disability for the purposes of payment of disability insurance benefits under the Federal Old-Age Survivors and Disability Insurance Act. The District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between $5,000 and $12,000 of 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 an exemption for the full value of the veteran's residence homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain

surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if (i) the residence homestead was donated by a charitable organization at no cost to the disabled veteran or, (ii) the residence was donated by a charitable organization at some cost to the disabled veteran if such cost is less than or equal to fifty percent (50%) of the total good faith estimate of the market value of the residence as of the date the donation is made. Also, the surviving spouse of a member of the armed forces or, a first responder, as defined under Texas law, who was (i) killed in action, or (ii) fatally injured in the line of duty, is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

A "Freeport Exemption" applies to goods, wares, merchandise, other tangible personal property and ores, other than oil, natural gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining oil or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit" Exemption is applicable to certain tangible personal property, as defined by the Property Tax Code, acquired in or imported into Texas for storage purposes and which 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. The exemption excludes oil, natural gas, petroleum products, aircraft and certain special inventory including dealer's motor vehicles, dealer's vessel and outboard motor vehicle, dealer's heavy equipment and retail manufactured housing inventory. The exemption applies to covered property if it 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. 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. However, taxing units who took official action as allowed by prior law before October 1, 2011, to tax goods-in-transit property, and who pledged such taxes for the payment of debt, may continue to impose taxes against the goods-in-transit property until the debt is discharged without further action, if cessation of the imposition would impair the obligations of the contract by which the debt was created. The District has taken official action to allow taxation of all such goods-in-transit personal property, but may choose to exempt same in the future by further official action.

General Residential Homestead Exemption

Texas law authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the appraised value of residential homesteads, but not less than $5,000 if any exemption is granted, from ad valorem taxation. The law provides, however, that where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. For the 2026 tax year, the District did not grant a general residential homestead exemption.

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. Assessments under the Property Tax Code are to be based upon one hundred percent (100%) of market value. The appraised value of residential homestead property may be limited to the lesser of the market value of the property, or the sum of the appraised value of the property for the last year in which it was appraised, plus ten percent (10%) of such appraised value multiplied by the number of years since the last appraisal, plus the market value of all new improvements to the property. Once an appraisal roll is prepared and approved by the Appraisal Review Board, it is used by the District in establishing its tax rate. The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraised values. The plan must provide for appraisal of all real property by 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 Property Tax Code provides for a temporary exemption from ad valorem taxation of a portion of the appraised value of certain property that is at least 15% damaged by a disaster and located within an area declared to be a disaster area by the governor of the State of Texas. This temporary exemption is automatic if the disaster is declared prior to a taxing unit, such as the District, adopting its tax rate for the tax year. A taxing unit, such as the District, may authorize the exemption at its discretion if the disaster is declared after the taxing unit has adopted its tax rate for the tax year. The amount of the exemption is based on the percentage of damage and is prorated based on the date of the disaster. Upon receipt of an application submitted within the eligible timeframe by a person who qualifies for a temporary exemption under the Property Tax Code, the Appraisal District is required to complete a damage assessment and assign a damage assessment rating to determine the amount of the exemption. The temporary exemption amounts established in the Property Tax Code range from 15% for property less than 30% damaged to 100% for property that is a total loss. Any such temporary exemption granted for disaster-damaged property expires on January 1 of the first year in which the property is reappraised.

District and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units, including the District, may appeal orders of the Appraisal Review Board by filing a petition for review in district court within forty-five (45) days after notice is received that a final order has been entered. In such event, the property value in question may be determined by the court, or by a jury, if requested by any party. Additionally, taxing units may bring suit against the Appraisal District to comply with the Property Tax Code. The District may challenge the exclusion of property from the appraisal rolls or the grant, in whole or in part, of an exemption.

Texas law provides for notice and hearing procedures prior to the adoption of an ad valorem tax rate by the District. Additionally, under certain circumstances, an election would be required to determine whether to approve the adopted total tax rate. See "TAXING PROCEDURES—Rollback of Operations and Maintenance Tax Rate." The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property values, appraisals that are higher than renditions and appraisals of property not previously on an appraisal roll.

Agricultural, Open Space, Timberland and Inventory Deferment

The Property Tax Code permits land designated for agricultural use (including wildlife management), open space, or timberland to be appraised at its value based on the land's capacity to produce agriculture 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. Landowners wishing to avail themselves of any of such designations must apply for the designation, and the Appraisal District 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 and not as to others. If a claimant receives the 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 for the three (3) years prior to the loss of the designation for agricultural, timberland or open space land. According to the District's Tax Assessor/Collector, as of January 1, 2026, approximately 46 acres of the land within the District are designated for timberland. See "TAX DATA—Tax Roll Breakdown."

Tax Abatement

The City of Conroe and Montgomery County may designate all or part of the District as a reinvestment zone, and the District, Montgomery County, and (if it were to annex the area) the City of Conroe may thereafter enter into tax abatement agreements with the owners of property within the zone. The tax abatement agreements may exempt from ad valorem tax, by the applicable taxing jurisdictions, and by the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with a comprehensive plan. According to the District's Tax Assessor/Collector, to date, none of the area within the District has been designated as a reinvestment zone.

Levy and Collection of Taxes

The District is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. The District adopts its tax rate each year after it receives a tax roll certified by the Appraisal District. Taxes are due upon receipt of a bill therefor, and become delinquent after January 31 of the following year or 30 days after the date billed, whichever is later, or, if billed after January 10, they are delinquent on the first day of the month next following the 21st day after such taxes are billed. A delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month the tax remains unpaid beginning the first calendar month it is delinquent. A delinquent tax also incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent plus a one percent (1%) penalty 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. However, a tax delinquent on July 1 incurs a total penalty of twelve percent (12%) of the amount of the delinquent tax without regard to the number of months the tax has been delinquent, which penalty remains at such rate without further increase. If the tax is not paid by July 1, an additional penalty of up to the amount of the compensation specified in the District's contract with its delinquent tax collection attorney, but not to exceed twenty percent (20%) of the total tax, penalty and interest, may, under certain circumstances, be imposed by the District. With respect to personal property taxes that become delinquent on or after February 1 of a year and that remain delinquent sixty (60) days after the date on which they become delinquent, as an alternative to the penalty described in the foregoing sentence, an additional penalty on personal property of up to the amount specified in the District's contract with its delinquent tax attorney, but not to exceed twenty percent (20%) of the total tax, penalty and interest, may, under certain circumstances, be imposed by the District prior to July 1. The District's contract with its delinquent tax collection attorney currently specifies a twenty percent (20%) additional penalty. The District may waive penalties and interest on delinquent taxes only for the items specified in the Texas Property Tax Code. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency of taxes under certain circumstances. The owner of a residential homestead property who is (i) a person sixty-five (65) years of age or older, (ii) under a disability for purpose of payment of disability insurance benefits under the Federal Old Age Survivors and Disability Insurance Act, or (iii) qualifies as a disabled veteran under Texas law, is also entitled by law to pay current taxes on a residential homestead in installments or to defer the payment of taxes without penalty during the time of ownership. Additionally, a person who is delinquent on taxes for a residential homestead is entitled to an agreement with the District to pay such taxes in installments over a period of between 12 and 36 months (as determined by the District) when such person has not entered into another installment agreement with respect to delinquent taxes with the District in the preceding 24 months.

Rollback of Operation and Maintenance Tax Rate

Chapter 49 of the Texas Water Code classifies municipal utility districts differently based on their current operation and maintenance tax rate or on the percentage of projected build-out that a 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 herein as "Low Tax Rate Districts." Districts that have financed, completed, and issued bonds to pay for all land, improvements and facilities necessary to serve at least 95% of the projected build-out of the district are classified as "Developed Districts." Districts that do not meet either of the classifications previously discussed can be classified herein as "Developing Districts." The impact each classification has on the ability of a district to increase its maintenance and operations tax rate is described for each classification below. Debt service and contract tax rates cannot be reduced by a rollback election held within any of the districts described below. See "TAX DATA" for a description of the District's current total tax rate.

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

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

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

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

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property against which the tax is levied. In addition, on January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of other such taxing units. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Estimated Overlapping Debt." 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. Further, personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalties, and interest.

Except with respect to (i) owners of residential homestead property who are sixty-five (65) years of age or older or under a disability as described above and who have filed an affidavit as required by law and (ii) owners of residential homesteads who have entered into an installment agreement with the District for payment of delinquent taxes as described above and who are not in default under said agreement, at any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all

or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, or by taxpayer redemption rights (a taxpayer may redeem property that is a residence homestead or was designated for agricultural use within two (2) years after the deed issued at foreclosure is filed of record and may redeem all other property within six (6) months after the deed issued at foreclosure is filed of record) or by bankruptcy proceedings which restrict the collection of taxpayer debt. The District's ability to foreclose its tax lien or collect penalties and interest 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. Generally, the District's tax lien and a federal tax lien are on par with the ultimate priority being determined by applicable federal law. See "RISK FACTORS—Tax Collection Limitations."

RISK FACTORS

General

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

Undeveloped Acreage and Vacant Lots

There are approximately 71 developable acres that have not been fully provided with water, wastewater and storm drainage facilities and paving necessary to the construction of taxable improvements. In addition, 142 developed single-family residential lots remain vacant. The District makes no representation as to when or if development of this acreage will occur or the timing of new home construction. Future increases in value will result primarily from the construction of homes by builders. Failure of the Developer to develop the developable land or of builders to construct homes on the developed lots could impact the rate of growth of taxable values in the District. See "THE DISTRICT—Land Use—Status of Development."

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 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 homebuilders.

Operating Funds

The District's current primary source of operating revenue is maintenance tax revenue and advances from the Developer. The District levied a tax rate in 2026 consisting of a maintenance tax in the amount of $0.45 per $100 of taxable assessed valuation within the District for the tax year 2026, and a debt service tax in the amount of $0.90 per $100 of taxable assessed valuation within the District for the tax year 2026. The District's unaudited General Fund balance as of October 13, 2026 was $829,757. The revenue produced from the maintenance tax rate may not be sufficient to offset the operating expenses of the District. Continued maintenance of a positive General Fund balance may depend upon (1) cash subsidies from the Developer, and (2) continued development and increased amounts of maintenance tax revenue. If funds from these sources are not forthcoming, the District would have to increase its maintenance tax rate. See "THE DEVELOPER," and "THE SYSTEM—Water and Wastewater Operations."

Economic Factors and Interest Rates

A substantial percentage of the taxable value of the District results from the current market value of single-family residences, undeveloped land and developed lots. The market value of such development is related to general economic conditions in the Houston region and the national economy. Demand for lots and the construction of taxable improvements thereon can be significantly affected by factors such as interest rates, credit availability, construction costs, energy availability and the prosperity and demographic characteristics of the urban center toward which the marketing of such property is directed. Decreased levels of construction activity would tend to restrict the growth of property values in the District or could adversely impact such values. See "Credit Markets and Liquidity in the Financial Markets" below and "THE DEVELOPER."

Credit Markets and Liquidity in the Financial Markets

Interest rates and the availability of mortgage and development funding have a direct impact on the construction activity, 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 the 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, since the District is located approximately 31 miles from the central downtown business district of the City of Houston, 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 and 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, which is 31 miles from downtown Houston, could be affected by competition from other residential developments, including other residential developments located in Montgomery County and the greater Houston metropolitan area and within Artavia. In addition to competition for new home sales from other developments, there are numerous previously owned homes in the area of the District and in more established neighborhoods closer to downtown Houston. Such homes could represent additional competition for new homes proposed to be sold within the District.

The competitive position of the Developer or any other landowner in the sale of developed lots 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.

Landowner 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 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. The District can make no prediction as to the effects that current or future economic or governmental circumstances may have on any plans of the Developer and other landowners. See "THE DEVELOPER."

Potential Effects of Oil Price Fluctuations on the Houston Area

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

Specific Flood Type Risks

The District is subject to the following flood risks:

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

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

Severe Weather

The greater Houston area, including the District, is subject to occasional severe weather events, including tropical storms and hurricanes. If the District were to sustain damage to its facilities requiring substantial repair or replacement, or if substantial damage were to occur to taxable property within the District as a result of such a weather event, the investment security of the Bonds could be adversely affected.

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.

Atlas 14

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

Possible Impact on District Tax Rate

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 Certified Taxable Assessed Valuation is $587,624,686. After issuance of the Bonds, the maximum debt service requirement will be $5,977,998 (2029), and the average annual debt service requirement will be $5,040,678 (2027-2052 inclusive). Assuming no increase or decrease from the 2026 Certified Taxable Assessed Valuation, the issuance of no additional debt, and no other funds available for the payment of debt service, tax rates of $1.08 and $0.91 per $100 of appraised valuation at a ninety-five percent (95%) collection rate would be necessary to pay the maximum debt service requirement and the average annual debt service requirement, respectively. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements" and "TAX DATA—Tax Adequacy for Debt Service."

The Estimated Taxable Assessed Valuation as of August 1, 2026 is $631,647,608, which reduces the above tax calculations to $1.00 and $0.85 per $100 of taxable assessed valuation, respectively. No representation or suggestion is made that the Estimated Taxable Assessed Valuation as of August 1, 2026 will be certified by the Appraisal District and no person should rely upon such amount or its inclusion herein as assurance of its attainment. See "TAXING PROCEDURES."

Tax Collection Limitations

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time consuming and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedure against a taxpayer, or (c) market conditions limiting the proceeds from a foreclosure sale of taxable property. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. Attorney's fees and other costs of collecting any such taxpayer's delinquencies could substantially reduce the net proceeds to the District from a tax foreclosure sale. Finally, a bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two other ways: first, a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid. See "TAXING PROCEDURES—District's Rights in the Event of Tax Delinquencies."

Registered Owners' Remedies

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Order, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Order, the Beneficial Owners have the right to seek a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Order. Except for mandamus, the Bond Order does not specifically provide for remedies to protect and enforce the interests of the Beneficial 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 Beneficial Owners.

Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages so that in the absence of other waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the Bond Order may not be reduced to a judgment for money damages. Even if a judgment against the District for money damages could be obtained, it could not be enforced by direct levy and execution against the District's property. Further, the Beneficial 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 Beneficial 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.

Bankruptcy Limitation to Registered Owners' Rights

Subject to the requirements of Texas law, the District may voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Section 901-946, if the District: (1) is authorized to file for federal bankruptcy protection by Texas 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. Under Texas law, the District must also obtain the approval of the Commission prior to filing bankruptcy. Such law requires that the Commission investigate the financial conditions of the District and authorize the District to proceed only if the 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 the District decides in the future to proceed voluntarily under the federal Bankruptcy Code, the District could develop and file a plan for the adjustment of its debts. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect the Registered Owners by reducing or eliminating the interest rate or the principal amount, modifying or abrogating collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of such Registered Owner's claim against the District.

A district may not be forced into bankruptcy involuntarily.

Future Debt

The District has the right to issue obligations other than the Bonds, including tax anticipation notes and bond anticipation notes, and to borrow for any valid corporate purpose. After reimbursements are made with proceeds of the Bonds, the District will continue to owe the Developer approximately $55,200,000 plus interest for advances made for engineering and construction of water, wastewater, drainage, road and park facilities, which will be financed with future bond issues. A total of $179,900,000 principal amount of unlimited tax bonds for acquiring or constructing water, wastewater and drainage facilities, $94,100,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing road facilities, and $51,450,000 principal amount of unlimited tax bonds for acquiring or constructing park and recreational facilities has been authorized by the District's voters. After issuance of the Bonds, $54,735,000 principal amount of road bonds, $129,515,000 principal amount of water, wastewater and drainage bonds, and all of the park bonds will remain authorized but unissued.

In addition, voters may authorize the issuance of additional bonds secured by ad valorem taxes. The District is authorized to issue bonds to refund or redeem its outstanding debt. The District does not employ any formula with respect to appraised valuations, tax collections or otherwise to limit the amount of parity bonds which it may issue. The issuance of bonds for water, wastewater and drainage facilities and park and recreational facilities is subject to approval by the TCEQ pursuant to its rules regarding issuance and feasibility of bonds, but the issuance of road bonds is not. 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." The issuance of additional obligations may increase the District's tax rate and adversely affect the security for, and the investment quality and value of, the Bonds.

Environmental Regulations

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

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

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

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

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

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

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

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

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

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

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

The District's stormwater discharges currently maintain permit coverage through the Municipal Separate Storm System Permit (the "Current Permit") issued to the City of Conroe. In the event that at any time in the future the District is not included in the Current Permit, it may be required to seek independent coverage under the TCEQ's General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the "MS4 Permit"), which authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. If the District's inclusion in the MS4 Permit 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.

Flood Protection: According to the Engineer, none of the land within the District is located within the 100-year floodplain.

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.

Continuing Compliance with Certain Covenants

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

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

When a Policy is issued, the long-term ratings on the Bonds will be 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 have made independent investigation into the claims paying ability of the Insurer and no assurance or representation regarding the financial strength or projected financial 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.

Future and Proposed Legislation

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under Federal or state law and could affect the market price or marketability of the Bonds. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

LEGAL MATTERS

Legal Opinions

The District will furnish to the Underwriter a transcript of certain certified proceedings incident to the issuance and authorization of the Bonds, including a certified copy of the approving legal opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Attorney General has examined a transcript of proceedings authorizing the issuance of the Bonds, and that based upon such examination, the Bonds are valid and binding obligations of the District payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. The District will also furnish the approving legal opinion of Schwartz, Page & Harding, L.L.P., Houston, Texas, Bond Counsel, to the effect that, based upon an examination of such transcript, the Bonds are valid and binding obligations of the District under the Constitution and laws of the State of Texas, except to the extent that enforcement of the rights and remedies of the Registered Owners of the Bonds may be limited by laws relating to bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District and to the effect that interest on the Bonds is excludable from gross income for federal income tax purposes under the statutes, regulations, published rulings and court decisions existing on the date of such opinion, assuming compliance by the District with certain covenants relating to the use and investment of the proceeds of the Bonds. See "Tax Exemption" below. The legal opinion of Bond Counsel will further state that the Bonds are payable, both as to principal and interest, from the levy of ad valorem taxes, without legal limitation as to rate or amount, upon all taxable property within the District. Bond Counsel's opinion will also address the matters described below.

In addition to serving as Bond Counsel, Schwartz, Page & Harding, L.L.P. also serves as counsel to the District on matters not related to the issuance of bonds. The legal fees to be paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are based upon a percentage of bonds actually issued, sold and delivered, and, therefore, such fees are contingent upon the sale and delivery of the Bonds. Certain legal matters will be passed upon for the District by McCall, Parkhurst & Horton L.L.P., Houston, Texas, as Disclosure Counsel.

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.

Legal Review

In its capacity as Bond Counsel, Schwartz, Page & Harding, L.L.P., has reviewed the information appearing in this OFFICIAL STATEMENT under the captioned sections "THE BONDS," "THE DISTRICT—General," "MANAGEMENT OF THE DISTRICT—Bond Counsel and General Counsel," "TAXING PROCEDURES," and "LEGAL MATTERS" solely to determine whether such information fairly summarizes the law and documents referred to therein. Such firm has not independently verified factual information contained in this Official Statement, nor has such firm 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 such firm's limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of any of the other information contained herein.

Tax Exemption

On the date of initial delivery of the Bonds, Bond Counsel will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof, and (2) the Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under Section 57(a)(5) of the Internal Revenue Code of 1986, as amended (the "Code"). Except as stated above, Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the ownership of, receipt of interest on or disposition of the Bonds.

In rendering its opinion, Bond Counsel will rely upon, and assume continuing compliance with, (a) certain information and representations of the District, including information and representations contained in the District's federal tax certificate issued in connection with the Bonds, and (b) covenants of the District contained in the Bond Order relating to certain matters, including arbitrage and the use of the proceeds of the Bonds and the property financed or refinanced therewith. Failure by the District to observe the aforementioned representations or covenants could cause the interest on the Bonds to become taxable retroactively to the date of issuance.

Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel's opinion is not a guarantee of a result. Existing Law, upon which Bond Counsel has based its opinion, is subject to change by Congress, administrative interpretation by the Department of the Treasury and to subsequent judicial interpretation. There can be no assurance that Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of ownership of the Bonds.

Qualified Tax-Exempt Obligations

Section 265(a) of the Code provides, in pertinent part, that interest paid or incurred by a taxpayer, including a "financial institution," on indebtedness incurred or continued to purchase or carry tax-exempt obligations is not deductible in determining the taxpayer's taxable income. Section 265(b) of the Code provides an exception to the disallowance of such deduction for any interest expense paid or incurred on indebtedness of a taxpayer that is a "financial institution" allocable to tax-exempt obligations, other than "private activity bonds," that are designated by a "qualified small issuer" as "qualified tax-exempt obligations." A "qualified small issuer" is any governmental issuer (together with any "on-behalf of" and "subordinate" issuers) who issues no more than $10,000,000 of tax-exempt obligations during the calendar year. Section 265(b)(5) of the Code defines the term "financial institution" as any "bank" described in Section 585(a)(2) of the Code, or any person accepting deposits from the public in the ordinary course of such person's trade or business that is subject to federal or state supervision as a financial institution. Notwithstanding the exception to the disallowance of the deduction of interest on indebtedness related to "qualified tax-exempt obligations" provided by Section 265(b) of the Code, Section 291 of the Code provides that the allowable deduction to a "bank," as defined in Section 585(a)(2) of the Code, for interest on indebtedness incurred or continued to purchase "qualified tax-exempt obligations" shall be reduced by twenty-percent (20%) as a "financial institution preference item."

The District will designate the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b) of the Code. In furtherance of that designation, the District will covenant to take such action that would assure, or to refrain from such action that would adversely affect, the treatment of the Bonds as "qualified tax-exempt obligations." Potential purchasers should be aware that if the issue price to the public exceeds $10,000,000, there is a reasonable basis to conclude that the payment of a de minimis amount of premium in excess of $10,000,000 is disregarded; however, the Internal Revenue Service could take a contrary view. If the Internal Revenue Service takes the position that the amount of such premium is not disregarded, then such obligations might fail to satisfy the aforementioned dollar limitation and the Bonds would not be "qualified tax-exempt obligations."

Collateral Federal Income Tax Consequences

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on Existing Law which is subject to change or modification retroactively.

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences. The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, including financial institutions, life insurance and property and casualty insurance companies, owners of interests in a FASIT, 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, certain S corporations with accumulated earnings and profits and excess passive investment income, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health-insurance premium assistance credit, and individuals allowed an earned income credit. THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIFIC PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP, AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

Interest on the Bonds may be includable in certain corporation's "adjusted financial statement income" determined under Section 56A of the Code to calculate the alternative minimum tax imposed by Section 55 of the Code.

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

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Bonds, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount bonds" to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

State, Local and Foreign Taxes

Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the Bonds under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

Tax Accounting Treatment of Original Issue Discount and Premium Bonds

The initial public offering price to be paid for one or more maturities of the Bonds may be less than the principal amount thereof or one or more periods for the payment of interest on the Bonds may not be equal to the accrued period or be in excess of one year (the "Original Issue Discount Bonds"). The difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond constitutes original issue discount with respect to such Original Issue Discount Bond in the hands of any owner who has purchased such Original Issue Discount Bond in the initial public offering of the Bonds. The "stated redemption price at maturity" means the sum of all payments to be made on the Bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, 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 Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Bond continues to be owned by such owner. See "Tax Exemption" herein for a discussion of certain collateral federal tax consequences.

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

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

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. ALL OWNERS OF ORIGINAL ISSUE DISCOUNT BONDS SHOULD CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE DETERMINATION FOR FEDERAL, STATE AND LOCAL INCOME TAX PURPOSES OF INTEREST ACCRUED UPON REDEMPTION, SALE OR OTHER DISPOSITION OF SUCH ORIGINAL ISSUE DISCOUNT BONDS AND WITH RESPECT TO THE FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP, REDEMPTION, SALE OR OTHER DISPOSITION OF SUCH ORIGINAL ISSUE DISCOUNT BONDS.

The initial public offering price to be paid for certain maturities of the Bonds may be greater than the amount payable on such Bonds at maturity (the "Premium Bonds"). An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such initial purchaser must be reduced each year by the amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity. PURCHASERS OF THE PREMIUM BONDS SHOULD CONSULT WITH THEIR OWN TAX ADVISORS WITH RESPECT TO THE DETERMINATION OF AMORTIZABLE BOND PREMIUM WITH RESPECT TO THE PREMIUM BONDS FOR FEDERAL INCOME TAX PURPOSES AND WITH RESPECT TO THE STATE AND LOCAL TAX CONSEQUENCES OF OWNING PREMIUM BONDS.

REGISTRATION AND QUALIFICATION UNDER SECURITIES LAWS

The offer and sale of the Bonds have not been registered or qualified 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 jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated 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 provisions.

NO MATERIAL ADVERSE CHANGE

The obligations of the Underwriter to take and pay for the Bonds, and 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 financial condition of the District subsequent to the date of sale from that set forth or contemplated in the Preliminary Official Statement, as it may have been supplemented or amended through the date of the sale.

NO LITIGATION CERTIFICATE

With the delivery of the Bonds, the President or Vice President and Secretary or Assistant Secretary of the Board will, on behalf of the District, execute and deliver to the Underwriter a certificate dated as of the date of delivery, to the effect that no litigation of any nature of which the District has notice is pending against or, to the knowledge of the District's certifying officers, threatened against the District, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the authorization, execution or delivery of the Bonds; affecting the provision made for the payment of or security for the Bonds; in any manner questioning the authority or proceedings for the authorization, execution or delivery of the Bonds; or affecting the validity of the Bonds, the corporate existence or boundaries of the District or the title of the then present officers and directors of the Board.

MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE

The District has not applied for an underlying rating nor is it expected that the District would have received an investment grade rating had such application been made.

Application has been made to various municipal bond insurance companies for qualification of the Bonds for municipal bond insurance. If qualified, such insurance will be available at the option of the Underwriter and at the Underwriter's expense. See "RISK FACTORS—Risk Factors Related to the Purchase of Municipal Bond Insurance."

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 to such effect except as described below under "Certification of Official Statement." Furthermore, there is no guarantee that any of the assumptions or estimates contained herein will be realized. The summaries of the agreements, reports, statutes, orders, 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, 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.

Bond Counsel

Schwartz, Page & Harding, L.L.P. is employed as Bond Counsel for the District and has reviewed the information appearing in this OFFICIAL STATEMENT under the captions "THE BONDS," "THE DISTRICT-General," "TAXING PROCEDURES," "LEGAL MATTERS," AND "CONTINUING DISCLOSURE OF INFORMATION." Bond Counsel has reviewed the information under the aforementioned sections solely to determine whether such information fairly summarizes the law or documents referred to in such sections. Bond Counsel has not independently verified other factual information contained in this OFFICIAL STATEMENT nor 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 the limited participation of such firm as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of any of the other information contained herein.

Consultants

In approving this OFFICIAL STATEMENT, the District has relied upon the following consultants that have provided information used herein.

Engineer: The information contained in this OFFICIAL STATEMENT relating to engineering and to the description of the System and, in particular that information included in the sections entitled "THE DISTRICT," "ROAD SYSTEM," and "WATER, WASTEWATER AND DRAINAGE" has been provided by LJA, Inc., consulting engineers and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

Auditor: The financial statements of the District as of April 30, 2026, and for the year then ended, included in this offering document, have been audited by Forvis Mazars, LLP, independent auditors, as stated in their report appearing herein. See "APPENDIX A."

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

Tax Assessor/Collector: The information contained in this OFFICIAL STATEMENT relating to the historical breakdown of the District's assessed valuations and certain other historical data concerning tax rates and tax collections 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.

Updating the Official Statement

For the period beginning on the date of the award of the sale of the Bonds to the Underwriter and ending on the ninety-first (91st) day after the "end of the underwriting period," (as defined in Rule 15c(2)-12(f)(2) of the United States Securities and Exchange Commission (the "SEC")), if any event shall occur of which the District has knowledge and as a result of which it is necessary to amend or supplement this OFFICIAL STATEMENT in order to make the statements herein, in light of the circumstances when this OFFICIAL STATEMENT is delivered to a prospective purchaser, not materially misleading, the District will promptly notify the Underwriter of the occurrence of such event and will cooperate in the preparation of a revised OFFICIAL STATEMENT, or amendments or supplements hereto, so that the statements in this Official Statement, as revised, amended or supplemented, will not, in light of the circumstances when this OFFICIAL STATEMENT is delivered to a prospective purchaser, be materially misleading. The District assumes no responsibility for supplementing this OFFICIAL STATEMENT thereafter.

Certification of Official Statement

The District, acting through its Board in its official capacity and in reliance upon the experts listed above, 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.

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide certain financial information and operating data annually to the MSRB through EMMA. The financial information and operating data which will be provided with respect to the District includes all quantitative financial information and operating data of the general type included in this OFFICIAL STATEMENT under the headings "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)," except for "Estimated Overlapping Debt" and "Overlapping Taxes," "TAX DATA," and in APPENDIX A (Independent Auditor's Report and Financial Statements 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 2027. 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 April 30. Accordingly, it must provide updated information by October 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.

Specified Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other events affecting the tax-exempt status of the Bonds; (7) modifications to rights of Beneficial Owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of CFR § 240.15c2-12 (the "Rule"); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of an definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional

trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, 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 obligated person, any of which reflect financial difficulties. The terms "financial obligation" and "material" when used in this paragraph shall have the meanings ascribed to them under federal securities laws.

Neither the Bonds nor the Bond Order makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information from MSRB

The District has agreed to provide the foregoing information only to the MSRB. The MSRB makes the information available to the public without charge through its Electronic Municipal Market Access 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 or agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although Holders and beneficial owners of the Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

The District may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or operations of the District, but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with SEC Rule 15c2-12, taking into account any amendments and interpretations of SEC Rule 15c2-12 to the date of such amendment, as well as changed circumstances, and either the Holders of a majority in aggregate principal amount of the outstanding Bonds consent or any person unaffiliated with the District (such as a nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of the Bonds. The District may also amend or repeal the agreement if the SEC amends or repeals the applicable provisions of SEC Rule 15c2-12 or a court of final jurisdiction determines that such provisions are invalid but in either case, only to the extent that its right to do so would not prevent the Underwriter from lawfully purchasing the Bonds in the offering described herein. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reason for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance with Prior Undertakings

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

MISCELLANEOUS

All estimates, statements and assumptions in this OFFICIAL STATEMENT and the APPENDIX 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.

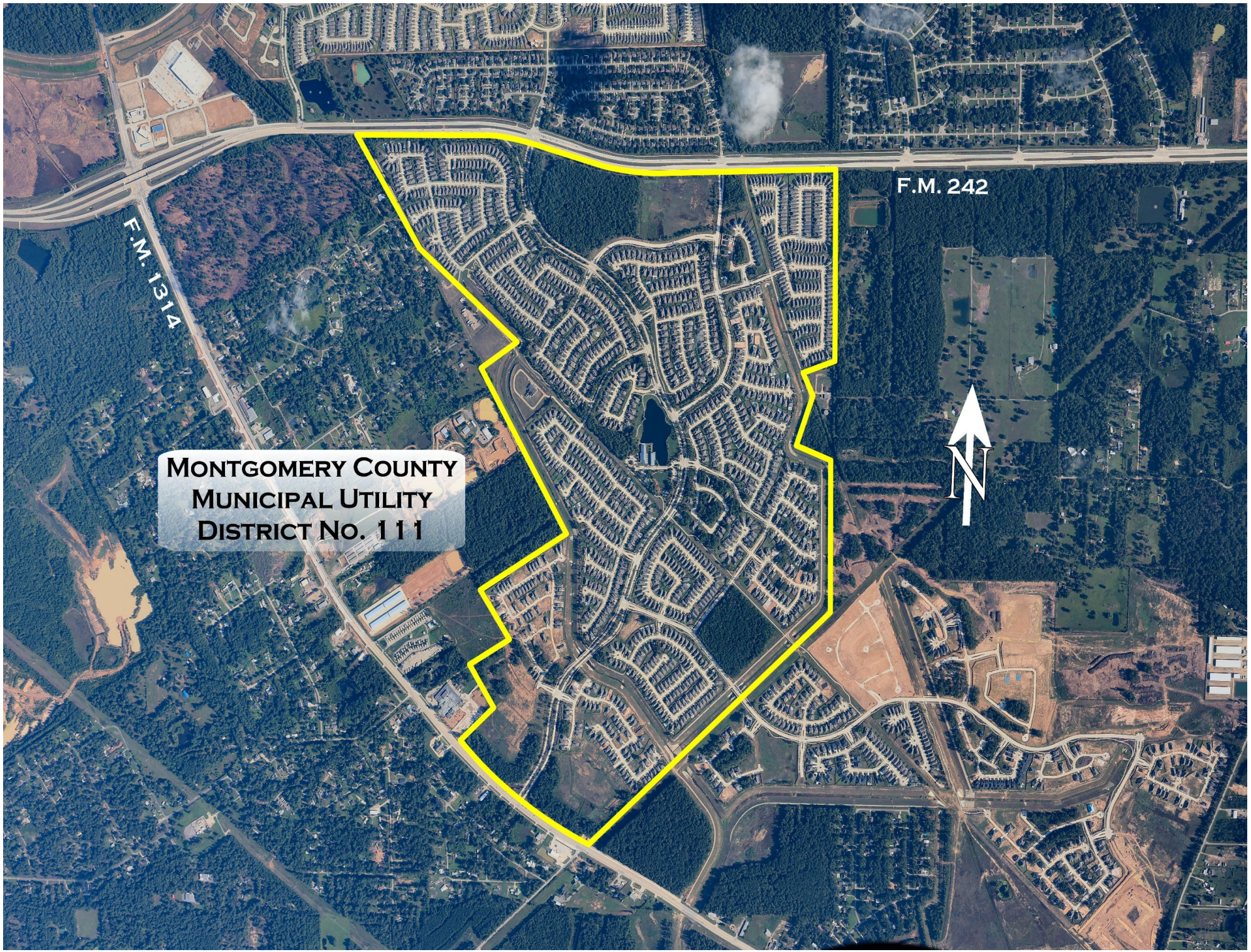
This OFFICIAL STATEMENT was approved by the Board of Directors of Montgomery County Municipal Utility District No. 111, as of the date shown on the cover page.

/s/ _____
President, Board of Directors

ATTEST:

/s/ _____
Secretary, Board of Directors

AERIAL LOCATION MAP
(Approximate Boundaries as of August 2026)


F.M. 242
F.M. 1314
MONTGOMERY COUNTY
MUNICIPAL UTILITY
DISTRICT NO. 111
N

PHOTOGRAPHS OF THE DISTRICT
(Taken August 2026)
















FOR SALE
RAVENNA


AVAILABLE


AVAILABLE


LENNAR


J. PATRICK
HOMES
AVAILABLE

APPENDIX A

Independent Auditor's Report and Financial Statements of the District for the year ended April 30, 2026

Montgomery County Municipal Utility District No. 111

Montgomery County, Texas

Independent Auditor's Report, Financial Statements, and Supplementary Information

April 30, 2026

Montgomery County Municipal Utility District No. 111
Contents
April 30, 2026

Independent Auditor's Report 1

Management's Discussion and Analysis 3

Basic Financial Statements

Statement of Net Position and Governmental Funds Balance Sheet 8

Statement of Activities and Governmental Funds Revenues, Expenditures, and Changes in Fund Balances 9

Notes to Financial Statements 10

Required Supplementary Information

Budgetary Comparison Schedule – General Fund 23

Notes to Required Supplementary Information 24

Supplementary Information

Other Schedules Included Within This Report 25

Schedule of Services and Rates 26

Schedule of General Fund Expenditures 27

Schedule of Temporary Investments 28

Analysis of Taxes Levied and Receivable 29

Schedules of Long-Term Debt Service Requirements by Years 31

Changes in Long-Term Bonded Debt 42

Comparative Schedules of Revenues and Expenditures – General Fund and Debt Service Fund – Five Years 43

Board Members, Key Personnel, and Consultants 45

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Independent Auditor's Report

Board of Directors
Montgomery County Municipal Utility District No. 111
Montgomery County, Texas

Opinions

We have audited the financial statements of the governmental activities and each major fund of Montgomery County Municipal Utility District No. 111 (District), as of and for the year ended April 30, 2026, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of April 30, 2026, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 these 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 12 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 GAAS 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 GAAS, 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 schedule, as listed in the table of contents, 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 GAAS, 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 accompanying schedules required by the Texas Commission on Environmental Quality listed in the table of contents 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. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Forvis Mazars, LLP

Houston, Texas
September 8, 2026

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. This report also contains supplementary information required by the Governmental Accounting Standards Board and by the District's state oversight agency, the Texas Commission on Environmental Quality (Commission).

In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities that engage in a single governmental program, such as the provision of water, sanitary sewer, and drainage services. Other activities, such as the provision of recreation facilities and solid waste collection, are minor activities and are not budgeted or accounted for as separate programs. The financial statements of special-purpose governments combine two types of financial statements into one statement. These two types of financial statements are the government-wide financial statements and the fund financial statements. The fund financial statements are presented on the left side of the statements, a column for adjustments is to the right of the fund financial statements, and the government-wide financial statements are presented to the right side of the adjustments column. The following sections describe the measurement focus of the two types of statements and the significant differences in the information they provide.

Government-Wide Financial Statements

The focus of government-wide financial statements is on the overall financial position and activities of the District. The District's government-wide financial statements include the statement of net position and statement of activities, which are prepared using accounting principles that are similar to commercial enterprises. The purpose of the statement of net position is to attempt to report all of the assets, liabilities, and deferred inflows and outflows of resources of the District. The District reports all of its assets when it acquires or begins to maintain the assets and reports all of its liabilities when they are incurred.

The difference between the District's assets, liabilities, and deferred inflows and outflows of resources is labeled as net position, and this difference is similar to the total stockholders' equity presented by a commercial enterprise.

The purpose of the statement of activities is to present the revenues and expenses of the District. Again, the items presented on the statement of activities are measured in a manner similar to the approach used by a commercial enterprise in that revenues are recognized when earned or established criteria are satisfied and expenses are reported when incurred by the District. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues are reported even when they may not be collected for several months or years after the end of the accounting period, and expenses are recorded even though they may not have used cash during the current year.

Although the statement of activities looks different from a commercial enterprise's statement of income, the financial statement is different only in format, not substance. Whereas the bottom line in a commercial enterprise is its net income, the District reports an amount described as change in net position, essentially the same thing.

Fund Financial Statements

Unlike government-wide financial statements, the focus of fund financial statements is directed to specific activities of the District rather than the District as a whole. 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 or governmental statutes or regulations.

Governmental Funds

Governmental-fund financial statements consist of a balance sheet and a statement of revenues, expenditures, and changes in fund balances and are prepared on an accounting basis that is significantly different from that used to prepare the government-wide financial statements.

In general, these financial statements have a short-term emphasis and, for the most part, measure and account for cash and other assets that can easily be converted into cash. For example, amounts reported on the balance sheet include items such as cash and receivables collectible within a very short period of time but do not include capital assets such as land and water, sewer, and drainage systems. Fund liabilities include amounts that are to be paid within a very short period after the end of the fiscal year. The difference between a fund's assets, liabilities, and deferred inflows and outflows of resources is labeled the fund balance and generally indicates the amount that can be used to finance the next fiscal year's activities. Likewise, the operating statement for governmental funds reports only those revenues and expenditures that were collected in cash or paid with cash, respectively, during the current period or very shortly after the end of the fiscal year.

Because the focus of the government-wide and fund financial statements is different, there are significant differences between the totals presented in these financial statements. For this reason, there is an analysis in the notes to financial statements that describes the adjustments to fund balances to arrive at net position presented in the governmental activities column on the statement of net position. Also, there is an analysis in the notes to financial statements that reconciles the total change in fund balances for all governmental funds to the change in net position, as reported in the governmental activities column in the statement of activities.

Notes to Financial Statements

The notes to financial statements provide additional information that is essential to a full understanding of the data found in the government-wide and fund financial statements.

Financial Analysis of the District as a Whole

The District's overall financial position and activities for the past two years are summarized as follows, based on the information included in the government-wide financial statements:

Summary of Net Position

	2026	2025
Current and other assets	$ 8,151,887	$ 7,355,766
Capital assets	47,106,033	48,132,939
Total assets	$ 55,257,920	$ 55,488,705
Long-term liabilities	$ 117,398,671	$ 112,457,364
Other liabilities	1,221,507	1,169,113
Total liabilities	118,620,178	113,626,477

Summary of Net Position (Continued)

	2026	2025
Net position		
Net investment in capital assets	$ (33,095,982)	$ (27,279,296)
Restricted	4,639,299	3,668,811
Unrestricted	(34,905,575)	(34,527,287)
Total net position	$ (63,362,258)	$ (58,137,772)

The total net position of the District decreased by $5,224,486, or approximately 9%. The majority of the decrease in net position is related to master connection fees paid to Montgomery County Municipal Utility District No. 157 (District No. 157) and the conveyance of capital assets to another governmental entity for maintenance. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Summary of Changes in Net Position

	2026	2025
Revenues		
Property taxes	$ 7,503,415	$ 6,085,379
Charges for services	1,410,028	1,146,377
Other revenues	663,117	775,270
Total revenues	9,576,560	8,007,026
Expenses		
Services	4,360,235	3,183,318
Connection fees	5,459,856	6,242,703
Conveyance of capital assets	322,751	9,857,109
Depreciation	1,026,906	1,026,905
Debt service	3,631,298	3,732,235
Total expenses	14,801,046	24,042,270
Change in net position	(5,224,486)	(16,035,244)
Net position, beginning of year	(58,137,772)	(42,102,528)
Net position, end of year	$ (63,362,258)	$ (58,137,772)

Financial Analysis of the District's Funds

The District's combined fund balances as of the end of the fiscal year ended April 30, 2026 were $7,193,243, an increase of $667,374 from the prior year.

The general fund's fund balance increased by $135,740 primarily due to property taxes and services revenues, investment income, and tap connection and inspection fees revenues exceeding service operations expenditures.

The debt service fund's fund balance increased by $489,280 due to property tax revenues, investment income, and proceeds received from the sale of bonds exceeding contracted services expenditures and bond principal and interest requirements.

The capital projects fund's fund balance increased by $42,354 due to net proceeds received from the sale of bonds exceeding capital outlay and connection fees expenditures, debt issuance costs, and repayment of developer advances.

General Fund Budgetary Highlights

There were several differences between the final budgetary amounts and actual amounts. The major differences between budget and actual were due to property taxes and sewer service revenues and purchased services and contracted services expenditures being higher than anticipated, as well as repairs and maintenance expenditures being lower than anticipated. The fund balance as of April 30, 2026, was expected to be $2,560,516, and the actual end-of-year fund balance was $1,927,580.

Capital Assets and Related Debt

Capital Assets

Capital assets held by the District at the end of the current and previous fiscal years are summarized below:

Capital Assets (Net of Accumulated Depreciation)

	2026	2025
Land and improvements	$ 7,617,357	$ 7,617,357
Water facilities	5,532,522	5,671,812
Wastewater facilities	8,935,021	9,158,842
Drainage facilities	24,375,721	24,990,378
Parks and recreational facilities	645,412	694,550
Total capital assets	$ 47,106,033	$ 48,132,939

During the current year, there were no additions to capital assets.

The developer within the District has constructed facilities on behalf of the District under the terms of the contracts with the District. The District has agreed to purchase these facilities from the proceeds of future bond issues subject to the approval of the Commission, if required. As of April 30, 2026, a liability for developer constructed capital assets of $40,902,951 was recorded in the government-wide financial statements.

Debt

The changes in the debt position of the District during the fiscal year ended April 30, 2026, are summarized as follows:

Long-term debt payable, beginning of year	$ 112,457,364
Increases in long-term debt	6,918,978
Decreases in long-term debt	(1,977,671)
Long-term debt payable, end of year	$ 117,398,671

At April 30, 2026, the District had $129,515,000 of unlimited tax bonds authorized, but unissued, for the purpose of acquiring, constructing, and improving the water, sanitary sewer, and drainage systems within the District; $51,450,000 of unlimited tax bonds authorized, but unissued, for the purposes of constructing parks and recreational facilities; and $62,635,000 of unlimited tax bonds authorized, but unissued, for the purpose of constructing road and paving facilities.

The District's bonds do not carry an underlying rating. The Series 2021, Road Series 2022, Road Series 2023, Series 2024, and Road Series 2025 bonds carry a "AA" rating from Standard and Poor's by virtue of bond insurance issued by Build America Mutual Assurance Company. The Series 2022, Series 2023, Road Series 2024, and Series 2025 bonds carry a "AA" rating from Standard and Poor's by virtue of bond insurance issued by Assured Guaranty Inc.

Developer Advances

Since inception, the developer has advanced $875,384 to the District for operations and construction, net of repayments. These advances have been recorded as long-term liabilities in the government-wide financial statements.

Other Relevant Factors

Relationship to the City of Conroe

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Conroe (City), the District must conform to the City ordinance consenting to the creation, which required that the District enter into a Strategic Partnership Agreement (Agreement) between the District and the City. The District consented to limited-purpose annexation at any time and to full-purpose annexation of the District by the City on or after December 31, 2034, or at any earlier time after the District has achieved 90% build out as defined in the Agreement.

Subsequent Events

Subsequent to year-end, the District authorized preparation of a summary of costs for the issuance of unlimited tax road bonds. The bonds will be issued to reimburse the developer for road construction projects within the District.

Montgomery County Municipal Utility District No. 111
Statement of Net Position and Governmental Funds Balance Sheet
April 30, 2026

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash	$ 242,579	$ 244,187	$ 70	$ 486,836	$ -	$ 486,836
Certificates of deposit	-	235,000	-	235,000	-	235,000
Short-term investments	1,814,671	4,812,052	51,415	6,678,138	-	6,678,138
Receivables						
Property taxes	95,763	186,847	-	282,610	-	282,610
Service accounts	84,012	-	-	84,012	-	84,012
Accrued interest	-	7,353	-	7,353	-	7,353
Interfund receivables	55,666	-	-	55,666	(55,666)	-
Due from others	2,495	-	-	2,495	-	2,495
Operating reserve	375,443	-	-	375,443	-	375,443
Capital assets (net of accumulated depreciation)						
Land and improvements	-	-	-	-	7,617,357	7,617,357
Infrastructure	-	-	-	-	38,843,264	38,843,264
Parks and recreation	-	-	-	-	645,412	645,412
Total Assets	$ 2,670,629	$ 5,485,439	$ 51,485	$ 8,207,553	$ 47,050,367	$ 55,257,920
Liabilities						
Accounts payable	$ 479,846	$ 28,748	$ -	$ 508,594	$ -	$ 508,594
Accrued interest payable	-	-	-	-	545,473	545,473
Customer deposits	167,440	-	-	167,440	-	167,440
Interfund payables	-	51,013	4,653	55,666	(55,666)	-
Long-term liabilities						
Due within one year	-	-	-	-	2,265,000	2,265,000
Due after one year	-	-	-	-	115,133,671	115,133,671
Total Liabilities	647,286	79,761	4,653	731,700	117,888,478	118,620,178
Deferred Inflows of Resources						
Deferred property tax revenues	95,763	186,847	-	282,610	(282,610)	-
Fund Balances/Net Position						
Fund balances						
Restricted						
Water, sewer, and drainage bonds	-	3,176,956	-	3,176,956	(3,176,956)	-
Road bonds	-	2,041,875	-	2,041,875	(2,041,875)	-
Water, sewer, and drainage	-	-	46,832	46,832	(46,832)	-
Assigned						
Operating reserve	375,443	-	-	375,443	(375,443)	-
Future expenditures	327,840	-	-	327,840	(327,840)	
Unassigned	1,224,297	-	-	1,224,297	(1,224,297)	-
Total fund balances	1,927,580	5,218,831	46,832	7,193,243	(7,193,243)	-
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 2,670,629	$ 5,485,439	$ 51,485	$ 8,207,553		
Net position						
Net investment in capital assets					(33,095,982)	(33,095,982)
Restricted for debt service					4,633,605	4,633,605
Restricted for capital projects					5,694	5,694
Unrestricted					(34,905,575)	(34,905,575)
Total net position					$ (63,362,258)	$ (63,362,258)

Montgomery County Municipal Utility District No. 111
Statement of Activities and Governmental Funds Revenues, Expenditures, and Changes in Fund Balances
Year Ended April 30, 2026

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues						
Property taxes	$ 2,490,905	$ 4,891,089	$ -	$ 7,381,994	$ 121,421	$ 7,503,415
Water service	452,713	-	-	452,713	-	452,713
Sewer service	957,315	-	-	957,315	-	957,315
Penalty and interest	66,372	64,987	-	131,359	-	131,359
Tap connection and inspection fees	309,881	-	-	309,881	-	309,881
Investment income	57,322	147,188	1,426	205,936	-	205,936
Other income	15,941	-	-	15,941	-	15,941
Total Revenues	4,350,449	5,103,264	1,426	9,455,139	121,421	9,576,560
Expenditures/Expenses						
Service operations						
Purchased services	2,701,701	-	-	2,701,701	-	2,701,701
Professional fees	137,942	24,069	-	162,011	1,044	163,055
Contracted services	664,581	79,334	-	743,915	783	744,698
Repairs and maintenance	506,803	-	-	506,803	22,566	529,369
Other expenditures	65,348	13,040	210	78,598	-	78,598
Tap connections	142,814	-	-	142,814	-	142,814
Capital outlay	22,566	-	34,450	57,016	(57,016)	-
Connection fees	-	-	5,459,856	5,459,856	-	5,459,856
Conveyance of capital assets	-	-	-	-	322,751	322,751
Depreciation	-	-	-	-	1,026,906	1,026,906
Debt service						
Principal retirement	-	1,715,000	-	1,715,000	(1,715,000)	-
Interest and fees	-	3,095,541	-	3,095,541	134,820	3,230,361
Debt issuance costs	-	-	400,937	400,937	-	400,937
Total Expenditures/Expenses	4,241,755	4,926,984	5,895,453	15,064,192	(263,146)	14,801,046
Excess (Deficiency) of Revenues Over Expenditures	108,694	176,280	(5,894,027)	(5,609,053)	384,567	
Other Financing Sources (Uses)						
Interfund transfers in (out)	27,046	-	(27,046)	-	-	
Repayment of developer advances	-	-	(319,800)	(319,800)	319,800	
General obligation bonds issued	-	313,000	6,487,000	6,800,000	(6,800,000)	
Discount on debt issued	-	-	(203,773)	(203,773)	203,773	
Total Other Financing Sources	27,046	313,000	5,936,381	6,276,427	(6,276,427)	
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	135,740	489,280	42,354	667,374	(667,374)	
Change in Net Position					(5,224,486)	(5,224,486)
Fund Balances/Net Position						
Beginning of year	1,791,840	4,729,551	4,478	6,525,869	-	(58,137,772)
End of year	$ 1,927,580	$ 5,218,831	$ 46,832	$ 7,193,243	$ -	$ (63,362,258)

Note 1. Nature of Operations and Summary of Significant Accounting Policies

Montgomery County Municipal Utility District No. 111 (District) was created by an order of the Texas Commission on Environmental Quality (Commission), effective March 13, 2006, in accordance with the provisions of Article XVI, Section 59, of the Texas Constitution. The District operates in accordance with Chapters 49 and 54 of the Texas Water Code and is subject to the continuing supervision of the Commission. The principal functions of the District are to finance, construct, own, and operate waterworks, wastewater, drainage, parks and recreational, and road and paving facilities and to provide such facilities and services to the customers of the District.

The District is governed by a Board of Directors (Board) consisting of five individuals who are residents or owners of property within the District and are elected by voters within the District. The Board sets the policies of the District. The accounting and reporting policies of the District conform to accounting principles generally accepted in the United States of America for state and local governments, as defined by the Governmental Accounting Standards Board. The following is a summary of the significant accounting and reporting policies of the District:

Reporting Entity

The accompanying government-wide financial statements present the financial statements of the District. There are no component units that are legally separate entities for which the District is considered to be financially accountable. Accountability is defined as the District's substantive appointment of the voting majority of the component unit's governing board. Furthermore, to be financially accountable, the District must be able to impose its will upon the component unit or there must be a possibility that the component unit may provide specific financial benefits to, or impose specific financial burdens on, the District.

Government-Wide and Fund Financial Statements

In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities that engage in a single governmental program, such as the provision of water, wastewater, drainage, and other related services. The financial statements of special-purpose governments combine two types of financial statements into one statement. These two types of financial statements are the government-wide financial statements and the fund financial statements. The fund financial statements are presented with a column for adjustments to convert to the government-wide financial statements.

The government-wide financial statements report information on all of the activities of the District. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Governmental activities generally are financed through taxes, charges for services, and intergovernmental revenues. The statement of activities reflects the revenues and expenses of the District.

The fund financial statements provide information about the District's governmental funds. Separate statements for each governmental fund are presented. The emphasis of fund financial statements is directed to specific activities of the District.

The District presents the following major governmental funds:

General Fund – The general fund is the primary operating fund of the District, which accounts for all financial resources not accounted for in another fund. Revenues are derived primarily from property taxes, charges for services, and interest income.

Debt Service Fund – The debt service fund is used to account for financial resources that are restricted, committed, or assigned to expenditures for principal and interest related costs, as well as the financial resources being accumulated for future debt service.

Capital Projects Fund – The capital projects fund is used to account for financial resources that are restricted, committed, or assigned to expenditures for capital outlays.

Fund Balances – Governmental Funds

The fund balances for the District's governmental funds can be displayed in up to five components:

Nonspendable – Amounts that are not in a spendable form or are required to be maintained intact.

Restricted – Amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally, or through enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers.

Committed – Amounts that can be used only for the specific purposes determined by resolution of the Board. Commitments may be changed or lifted only by issuance of a resolution by the District's Board.

Assigned – Amounts intended to be used by the District for specific purposes as determined by management. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

Unassigned – The residual classification for the general fund and includes all amounts not contained in the other classifications.

The District considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance are available. The District applies committed amounts first, followed by assigned amounts, and then unassigned amounts when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows.

Nonexchange transactions, in which the District receives (or gives) value without directly giving (or receiving) equal value in exchange, include property taxes and donations. Recognition standards are based on the characteristics and classes of nonexchange transactions. Revenues from property taxes are recognized in the period for which the taxes are levied. Donations are recognized as revenues, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met. Amounts received before all eligibility requirements have been met are reported as liabilities. Intergovernmental revenues are recognized as revenues, net of estimated refunds and uncollectible amounts, in the accounting period when an enforceable legal claim to the assets arises and the use of resources is required or is first permitted.

Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and liabilities are generally included on the balance sheet. The statement of governmental funds revenues, expenditures, and changes in fund balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in spendable resources. General capital asset acquisitions are reported as expenditures, and proceeds of long-term debt are reported as other financing sources. Under the modified accrual basis of

accounting, revenues are recognized when both measurable and available. The District considers revenues reported in the governmental funds to be available if they are collectible within 60 days after year-end. Principal revenue sources considered susceptible to accrual include taxes, charges for services, and investment income. Other revenues are considered to be measurable and available only when cash is received by the District. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized as expenditures when payment is due.

Deferred Outflows and Inflows of Resources

A deferred outflow of resources is a consumption of net position that is applicable to a future reporting period, and a deferred inflow of resources is an acquisition of net position that is applicable to a future reporting period.

Interfund Transactions

Transfers from one fund to another fund are reported as interfund receivables and payables if there is intent to repay the amount and if there is the ability to repay the advance on a timely basis. Transfers represent legally authorized transfers from the fund receiving resources to the fund through which the resources are to be expended.

Pension Costs

The District does not participate in a pension plan and, therefore, has no pension costs.

Use of Estimates

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

Investments and Investment Income

Investments in certificates of deposit, U.S. Government and agency securities, and certain pooled funds, which have a remaining maturity of one year or less at the date of purchase, are recorded at amortized cost. All other investments are carried at fair value. Fair value is determined using quoted market values.

Investment income includes dividends and interest income and the net change for the year in the fair value of investments carried at fair value. Investment income is credited to the fund in which the investment is recorded.

Property Taxes

An appraisal district annually prepares appraisal records listing all property within the District and the appraised value of each parcel or item as of January 1. Additionally, on January 1, a tax lien attaches to property to secure the payment of all taxes and penalty and interest ultimately imposed for the year on the property. After the District receives its certified appraisal roll from the appraisal district, the rate of taxation is set by the Board of the District based upon the aggregate appraisal value. Taxes are due and payable October 1 or when billed, whichever is later, and become delinquent after January 31 of the following year.

In the governmental funds, property taxes are initially recorded as receivables and deferred inflows of resources at the time the tax levy is billed. Revenues recognized during the fiscal year ended April 30, 2026 include collections during the current period or within 60 days of year-end related to the 2025 and prior years' tax levies.

In the government-wide statement of net position, property taxes are considered earned in the budget year for which they are levied. For the District's fiscal year ended April 30, 2026, the 2025 tax levy is considered earned during the current fiscal year. In addition to property taxes levied, any delinquent taxes are recorded net of amounts considered uncollectible.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an individual cost of $5,000 or more and an estimated useful life of two years or more. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset lives is not capitalized.

Capital assets are depreciated using the straight-line method over their estimated useful lives as follows:

Water production and distribution facilities	10–45 years
Wastewater collection and treatment facilities	10–45 years
Drainage facilities	10–45 years
Park and recreational facilities	10–30 years

The District conveys ownership of road and paving facilities constructed by the District to another governmental entity upon completion for maintenance.

Debt Issuance Costs

Debt issuance costs, do not meet the definition of an asset or deferred outflows of resources since the costs are not applicable to a future period and, therefore, are recognized as an expense/expenditure in the period incurred.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Premiums and discounts on bonds are recognized as a component of long-term liabilities and amortized over the life of the related debt using the effective interest rate method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Net Position/Fund Balances

Fund balances and net position are reported as restricted when constraints placed on them are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or are imposed by law through constitutional provisions or enabling legislation.

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

Reconciliation of Government-Wide and Fund Financial Statements

Amounts reported for net position of governmental activities in the statement of net position and fund balances in the governmental funds balance sheet are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds.	$ 47,106,033
Property tax revenue recognition and the related reduction of deferred inflows of resources are subject to availability of funds in the fund financial statements.	282,610
Accrued interest on long-term liabilities is not payable with current financial resources and is not reported in the funds.	(545,473)
Long-term liabilities are not due and payable in the current period and are not reported in the funds.	(117,398,671)
Adjustment to fund balances to arrive at net position.	$ (70,555,501)

Amounts reported for change in net position of governmental activities in the statement of activities are different from change in fund balances in the governmental funds statement of revenues, expenditures, and changes in fund balances because:

Change in fund balances.	$ 667,374
Governmental funds report capital outlays as expenditures. However, for government-wide financial statements, the cost of capitalized assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which conveyance of capital assets, depreciation expense, and noncapitalized costs exceeded capital outlay expenditures in the current period.	(1,317,034)
Governmental funds report developer advances as other financing sources or uses as amounts are received or paid. However, for government-wide financial statements, these amounts are recorded as an increase or decrease in due to developer.	319,800
Governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	203,773
Governmental funds report proceeds from the sale of bonds because they provide current financial resources to governmental funds. Principal payments on debt are recorded as expenditures. None of these transactions, however, have any effect on net position.	(5,085,000)

Revenues that do not provide current financial resources are not reported as revenues for the funds but are reported as revenues in the statement of activities.	$ 121,421
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	(134,820)
Change in net position of governmental activities.	$ (5,224,486)

Note 2. Deposits, Investments, and Investment Income

Deposits

Custodial credit risk is the risk that, in the event of a bank failure, a government's deposits may not be returned to it. The District's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance; a surety bond; bonds and other obligations of the U.S. Treasury, U.S. agencies, or instrumentalities of the State of Texas; or certain collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States.

At April 30, 2026, none of the District's bank balances were exposed to custodial credit risk.

Investments

The District may legally invest in obligations of the United States or its agencies and instrumentalities; direct obligations of Texas or its agencies or instrumentalities; collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; other obligations guaranteed as to principal and interest by the State of Texas or the United States or their agencies and 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; obligations of states, agencies, and counties and other political subdivisions with an investment rating not less than "A"; insured or collateralized certificates of deposit; and certain bankers' acceptances, repurchase agreements, mutual funds, commercial paper, guaranteed investment contracts, and investment pools.

The District's investment policy may be more restrictive than the Public Funds Investment Act.

The District invests in Texas CLASS, an external investment pool that is not registered with the Securities and Exchange Commission. A Board of Trustees, elected by the participants, has oversight of Texas CLASS. The District's investments may be redeemed at any time. Texas CLASS attempts to minimize its exposure to market and credit risk through the use of various strategies and credit monitoring techniques and limits its investments in any issuer to the top two ratings issued by nationally recognized statistical rating organizations. The District's investments in Texas CLASS are reported at fair value.

At April 30, 2026, the District had the following investments and maturities:

Type	Fair Value	Maturities in Years: Less Than 1	1–5	6–10	More Than 10
Texas CLASS	$ 6,678,138	$ 6,678,138	$ -	$ -	$ -

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy does not allow investments in certain mortgage-backed securities, collateralized mortgage obligations with a final maturity date in excess of 10 years, and interest rate indexed collateralized mortgage obligations. The external investment pool is presented as an investment with a maturity of less than one year because it is redeemable in full immediately.

Credit Risk. Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At April 30, 2026, the District's investments in Texas CLASS were rated "AAAm" by Standard & Poor's.

Summary of Carrying Values

The carrying values of deposits and investments shown previously are included in the balance sheet at April 30, 2026 as follows:

Carrying value	
Deposits	$ 721,836
Investments	6,678,138
Total	$ 7,399,974

Included in the following statement of net position captions:

Cash	$ 486,836
Certificates of deposit	235,000
Short-term investments	6,678,138
Total	$ 7,399,974

Investment Income

Investment income of $205,936 for the year ended April 30, 2026, consisted of interest income.

Fair Value Measurements

The District has the following recurring fair value measurements as of April 30, 2026:

- Pooled investments of $6,678,138 are valued at fair value per share of the pool's underlying portfolio.

Note 3. Capital Assets

A summary of changes in capital assets for the year ended April 30, 2026, is presented as follows.

Governmental Activities	Balances, Beginning of Year	Additions	Balances, End of Year
Capital assets, non-depreciable			
Land and improvements	$ 7,617,357	$ -	$ 7,617,357
Capital assets, depreciable			
Water production and distribution facilities	6,129,076	-	6,129,076
Wastewater collection and treatment facilities	9,913,097	-	9,913,097
Drainage facilities	27,236,016	-	27,236,016
Parks and recreational facilities	982,750	-	982,750
Total capital assets, depreciable	44,260,939	-	44,260,939
Less accumulated depreciation			
Water production and distribution facilities	(457,264)	(139,290)	(596,554)
Wastewater collection and treatment facilities	(754,255)	(223,821)	(978,076)
Drainage facilities	(2,245,638)	(614,657)	(2,860,295)
Parks and recreational facilities	(288,200)	(49,138)	(337,338)
Total accumulated depreciation	(3,745,357)	(1,026,906)	(4,772,263)
Total governmental activities, net	$ 48,132,939	$ (1,026,906)	$ 47,106,033

Note 4. Long-Term Liabilities

Changes in long-term liabilities for the year ended April 30, 2026, were as follows:

Governmental Activities	Balances, Beginning of Year	Increases	Decreases	Balances, End of Year	Amounts Due in One Year
Bonds payable					
General obligation bonds	$ 72,705,000	$ 6,800,000	$ 1,715,000	$ 77,790,000	$ 2,265,000
Less discounts on bonds	2,023,020	203,773	57,129	2,169,664	-
	70,681,980	6,596,227	1,657,871	75,620,336	2,265,000
Due to developer, operations advances	550,184	-	319,800	230,384	-
Due to developer, construction advances	645,000	-	-	645,000	-
Due to developer, construction	40,580,200	322,751	-	40,902,951	-
Total governmental activities long-term liabilities	$ 112,457,364	$ 6,918,978	$ 1,977,671	$ 117,398,671	$ 2,265,000

General Obligation Bonds

	Road Series 2020	Series 2021
Amounts outstanding, April 30, 2026	$7,105,000	$9,205,000
Interest rates	2.000% to 3.125%	2.50% to 5.00%
Maturity dates, serially beginning/ending	September 1, 2026/2046	September 1, 2026/2047
Interest payment dates	September 1/March 1	September 1/March 1
Callable dates*	September 1, 2026	September 1, 2027

	Road Series 2022	Series 2022
Amounts outstanding, April 30, 2026	$8,410,000	$8,925,000
Interest rates	4.00% to 6.50%	4.25% to 6.75%
Maturity dates, serially beginning/ending	September 1, 2026/2047	September 1, 2026/2047
Interest payment dates	September 1/March 1	September 1/March 1
Callable dates*	September 1, 2028	September 1, 2029

	Road Series 2023	Series 2023
Amounts outstanding, April 30, 2026	$3,570,000	$9,280,000
Interest rates	3.00% to 5.50%	4.50% to 7.00%
Maturity dates, serially beginning/ending	September 1, 2026/2047	September 1, 2026/2048
Interest payment dates	September 1/March 1	September 1/March 1
Callable dates*	September 1, 2029	September 1, 2030

*Or any date thereafter; callable at par plus accrued interest to the date of redemption

	Road Series 2024	Series 2024
Amounts outstanding, April 30, 2026	$4,900,000	$14,700,000
Interest rates	4.00% to 5.50%	3.50% to 6.00%
Maturity dates, serially beginning/ending	September 1, 2026/2049	September 1, 2026/2049
Interest payment dates	September 1/March 1	September 1/March 1
Callable dates*	September 1, 2030	September 1, 2030

	Road Series 2025	Series 2025
Amounts outstanding, April 30, 2026	$4,895,000	$6,800,000
Interest rates	4.00% to 6.50%	4.00% to 6.50%
Maturity dates, serially beginning/ending	March 1, 2027/2050	March 1, 2027/2050
Interest payment dates	September 1/March 1	September 1/March 1
Callable dates*	March 1, 2031	March 1, 2031

*Or any date thereafter; callable at par plus accrued interest to the date of redemption

Annual Debt Service Requirements

The following schedule shows the annual debt service requirements to pay principal and interest on general obligation bonds outstanding at April 30, 2026:

Year	Principal	Interest	Total
2027	$ 2,265,000	$ 3,216,546	$ 5,481,546
2028	2,345,000	3,085,382	5,430,382
2029	2,415,000	2,953,573	5,368,573
2030	2,495,000	2,826,131	5,321,131
2031	2,585,000	2,704,186	5,289,186
2032–2036	14,345,000	11,826,254	26,171,254
2037–2041	17,075,000	8,812,514	25,887,514
2042–2046	20,560,000	5,089,093	25,649,093
2047–2050	13,705,000	1,036,763	14,741,763
Total	$ 77,790,000	$ 41,550,442	$ 119,340,442

The bonds are payable from the proceeds of an ad valorem tax levied upon all property within the District subject to taxation, without limitation as to rate or amount.

Bonds voted	
Water, sewer, and drainage facilities	$ 179,900,000
Parks and recreational facilities	51,450,000
Road and paving facilities	94,100,000
Bonds sold	
Water, sewer, and drainage facilities	50,385,000
Road and paving facilities	31,465,000

Due to Developer – Construction

The developer of the District has constructed facilities on behalf of the District. The District is maintaining and operating the facilities and has agreed to reimburse the developer for these construction costs and interest to the extent approved by the Commission, if required, from the proceeds of future bond sales. The District's engineer estimates reimbursable costs for completed projects are $40,902,951. These amounts have been recorded in the financial statements as long-term liabilities.

Due to Developer – Advances

Since inception, the developer has advanced $875,384 to the District for operations and construction, net of repayments. These advances have been recorded as long-term liabilities in the government-wide financial statements.

Note 5. Significant Bond Order and Commission Requirements

(A) The Bond Orders require that the District levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due. During the year ended April 30, 2026, the District levied an ad valorem debt service tax at the rate of $0.5300 per $100 of assessed valuation, which resulted in a tax levy of $2,898,565 on the taxable valuation of $546,899,082 for the 2025 tax year. The principal and interest requirements to be paid from the tax revenues and available resources are $3,181,519, of which $1,004,460 has been paid and $2,177,059 is due September 1, 2026.

(B) The Road Bond Orders require that the District levy and collect an ad valorem road debt service tax sufficient to pay interest and principal on road bonds when due. During the year ended April 30, 2026, the District levied an ad valorem road debt service tax at the rate of $0.3650 per $100 of assessed valuation, which resulted in a tax levy of $1,996,182 on the taxable valuation of $546,899,082 for the 2025 tax year. The road bond principal and interest requirements to be paid from the tax revenues and available resources are $2,142,134, of which $677,773 has been paid and $1,464,361 is due September 1, 2026.

(C) In accordance with the Road Series 2024, Series 2024, Road Series 2025, and Series 2025 Bond Orders, a portion of the bond proceeds were deposited into the debt service fund and reserved for the payment of bond interest during the construction period. This bond interest reserve is reduced as the interest is paid.

Bond interest reserve, beginning of year		$ 669,346
Additions – Interest appropriated from bond sale Series 2025		313,000
Deductions – Appropriation from bond interest paid		
Road Series 2024	$ 7,550	
Series 2024	436,808	
Road Series 2025	217,488	
Series 2025	93,900	755,746
Bond interest reserve, end of year		$ 226,600

(D) During the current year, the District transferred $27,046 from the capital projects fund to the general fund. The transfer was in accordance with the rules of the Commission.

Note 6. Maintenance Taxes

At an election held May 13, 2006, voters authorized a maintenance tax not to exceed $1.35 per $100 of assessed valuation on all property within the District subject to taxation. During the year ended April 30, 2026, the District levied an ad valorem maintenance tax at the rate of $0.4550 per $100 of assessed valuation, which resulted in a tax levy of $2,488,391 on the taxable valuation of $546,899,082 for the 2025 tax year. The maintenance tax will be used by the general fund to pay expenditures of operating the District.

At an election held May 5, 2018, voters authorized a road maintenance tax not to exceed $1.50 per $100 of assessed valuation on all property within the District subject to taxation. During the year ended April 30, 2026, the District did not levy an ad valorem road maintenance tax for the 2025 tax year. The road maintenance tax will be used by the general fund to pay expenditures of operating and maintaining roads and paving facilities within the District.

At an election held May 5, 2018, voters authorized a parks and recreational maintenance tax not to exceed $0.10 per $100 of assessed valuation on all property within the District subject to taxation. During the year ended April 30, 2026, the District did not levy an ad valorem parks and recreational maintenance tax for the 2025 tax year. The parks and recreational maintenance tax will be used by the general fund to pay expenditures of operating and maintaining parks and recreational facilities within the District.

Note 7. Strategic Partnership Agreement

Effective November 8, 2018, the District and the City of Conroe (City) entered into a Strategic Partnership Agreement (Agreement). Under the terms of the Agreement, the District consented to limited-purpose annexation at any time and to full-purpose annexation of the District by the City on or after December 31, 2034, or at any earlier time after the District has achieved 90% build out as defined in the Agreement.

Note 8. Financing and Operation of Regional Facilities

On February 8, 2018, the District entered into a regional facilities contract with Montgomery County Municipal Utility District No. 157 (District No. 157), Montgomery County Municipal Utility District No. 106 (District No. 106), and Montgomery County Municipal Utility District No. 158 (District No. 158), whereby District No. 157 will act as

the master district and provide, or cause to be provided, the regional water supply and distribution; waste collection and treatment; and storm sewer, drainage, and detention facilities necessary to serve the District.

Under the terms of the regional facilities contract, which is in effect for 50 years, monthly operating charges will be determined by multiplying the total number of actual equivalent single-family residential connections within the District on the first day of the previous month by the budgeted monthly unit cost per equivalent single-family residential connection. The District incurred $2,701,701 of operating costs attributable to this contract for the year ended April 30, 2026. District No. 157 is to maintain an operation and maintenance reserve equivalent to three months of budgeted operation and maintenance expenses.

In addition, District No. 157 plans to acquire, construct, extend, own, operate, and maintain the regional facilities and intends to finance the capital costs of the regional facilities from connection charges paid by each participant district. The connection fee charge per equivalent single-family connection is currently $20,073. As of April 30, 2026, the District has purchased 1,085 master connections for a total value of $21,779,205. In addition, District No. 157 is authorized, under certain circumstances, to issue contract revenue bonds sufficient to complete acquisition, construction, or improvements of the regional facilities, as needed, to serve the participants in the service area. Each participant is obligated to pay its pro rata share of the debt service requirements on District No. 157's contract revenue bonds.

Note 9. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. The District has not significantly reduced insurance coverage or had settlements that exceeded coverage amounts in the past three fiscal years.

Note 10. Advance Funding Agreement

On August 9, 2022, the District approved entering into an advance funding agreement with the State of Texas, acting by and through the Texas Department of Transportation (State), whereby the State will construct public street tie-ins within the State's right-of-way at the following intersections: SH 242 and Rusty Hallow Drive, SH 242 and future Aspire Way, and SH 242 and Rothko Rose Road. The work also consists of the construction of temporary and permanent traffic signal installation at the intersection of SH 242 and Artavia Parkway/Summerset Estates Boulevard. The State will include the requested work as a change order in the State's overall project to widen SH 242 from East of FM 1314 to FM 1485. In a prior year, the District paid $645,000 to the State toward the cost of the project from advances received from the District's developer.

Note 11. Subsequent Event

Subsequent to year-end, the District authorized preparation of a summary of costs for the issuance of unlimited tax road bonds. The bonds will be issued to reimburse the developer for road construction projects within the District.

Required Supplementary Information

Montgomery County Municipal Utility District No. 111
Budgetary Comparison Schedule – General Fund
Year Ended April 30, 2026

	Original Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property taxes	$ 2,417,000	$ 2,490,905	$ 73,905
Water service	403,200	452,713	49,513
Sewer service	854,100	957,315	103,215
Penalty and interest	52,100	66,372	14,272
Tap connection and inspection fees	288,800	309,881	21,081
Investment income	38,150	57,322	19,172
Other income	17,100	15,941	(1,159)
Total Revenues	4,070,450	4,350,449	279,999
Expenditures			
Service operations			
Purchased services	1,781,460	2,701,701	(920,241)
Professional fees	128,000	137,942	(9,942)
Contracted services	549,900	664,581	(114,681)
Repairs and maintenance	623,100	506,803	116,297
Other expenditures	56,860	65,348	(8,488)
Tap connections	127,500	142,814	(15,314)
Capital outlay	50,000	22,566	27,434
Total Expenditures	3,316,820	4,241,755	(924,935)
Excess of Revenues Over Expenditures	753,630	108,694	(644,936)
Other Financing Sources			
Interfund transfers in	15,046	27,046	12,000
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	768,676	135,740	(632,936)
Fund Balance, Beginning of Year	1,791,840	1,791,840	-
Fund Balance, End of Year	$ 2,560,516	$ 1,927,580	$ (632,936)

Budgets and Budgetary Accounting

An annual operating budget is prepared for the general fund by the District's consultants. The budget reflects resources expected to be received during the year and expenditures expected to be incurred. The Board is required to adopt the budget prior to the start of its fiscal year. The budget is not a spending limitation (a legally restricted appropriation). The original budget of the general fund was not amended during fiscal 2026.

The District prepares its annual operating budget on a basis consistent with accounting principles generally accepted in the United States of America. The Budgetary Comparison Schedule – General Fund presents the original and revised budget amounts, if revised, compared to the actual amounts of revenues and expenditures for the current year.

Supplementary Information

Montgomery County Municipal Utility District No. 111
Other Schedules Included Within This Report
April 30, 2026

(Schedules included are checked or explanatory notes provided for omitted schedules.)

[X] Notes Required by the Water District Accounting Manual
See “Notes to Financial Statements,” Pages 10–22

[X] Schedule of Services and Rates

[X] Schedule of General Fund Expenditures

[X] Schedule of Temporary Investments

[X] Analysis of Taxes Levied and Receivable

[X] Schedules of Long-Term Debt Service Requirements by Years

[X] Changes in Long-Term Bonded Debt

[X] Comparative Schedules of Revenues and Expenditures – General Fund and Debt Service Fund – Five Years

[X] Board Members, Key Personnel, and Consultants

Montgomery County Municipal Utility District No. 111
Schedule of Services and Rates
Year Ended April 30, 2026

1. Services provided by the District

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

X Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)
___ Other

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 Levels
Water:	$ 20.00	10,000	N	$ 1.50	10,001 to 15,000
				$ 1.75	15,001 to 20,000
				$ 2.00	20,001 to 25,000
				$ 2.50	25,001 to 30,000
				$ 3.50	30,000 to No Limit
Wastewater:	$ 54.63	-	Y		
Groundwater conservation fee:	$ 0.0935	-	N	$0.0935	1,001 to No Limit

Does the District employ winter averaging for wastewater usage? Yes ___ No X

Total charges per 10,000 gallons usage (including fees): Water $ 20.94 Wastewater $ 54.63

b. Water and wastewater retail connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC*
Unmetered	-	-	x1.0	-
≤ 3/4"	1,247	1,244	x1.0	1,244
1"	296	293	x2.5	733
1 1/2"	4	4	x5.0	20
2"	12	12	x8.0	96
3"	-	-	x15.0	-
4"	-	-	x25.0	-
6"	-	-	x50.0	-
8"	-	-	x80.0	-
10"	-	-	x115.0	-
Total water	1,559	1,553		2,093
Total wastewater	1,540	1,534	x1.0	1,534

3. Total water consumption (in thousands) during the fiscal year

Gallons pumped into the system:	189,853
Gallons billed to customers:	170,638
Water accountability ratio (gallons billed/gallons pumped):	89.88%

*"ESFC" means equivalent single-family connections

Montgomery County Municipal Utility District No. 111
Schedule of General Fund Expenditures
Year Ended April 30, 2026

Personnel (including benefits)		$ -
Professional Fees		
Auditing	$ 23,300	
Legal	74,528	
Engineering	40,114	
Financial advisor	-	137,942
Purchased Services for Resale		
Bulk water and wastewater service purchases		2,701,701
Regional Water Authority		-
Contracted Services		
Bookkeeping	59,598	
General manager	-	
Appraisal district	-	
Tax collector	-	
Security	-	
Other contracted services	168,529	228,127
Utilities		-
Repairs and Maintenance		506,803
Administrative Expenditures		
Directors' fees	10,608	
Office supplies	5,738	
Insurance	7,308	
Other administrative expenditures	41,694	65,348
Capital Outlay		
Capitalized assets	-	
Expenditures not capitalized	22,566	22,566
Tap Connection Expenditures		142,814
Solid Waste Disposal		436,454
Fire Fighting		-
Parks and Recreation		-
Other Expenditures		-
Total Expenditures		$ 4,241,755

Montgomery County Municipal Utility District No. 111
Schedule of Temporary Investments
April 30, 2026

	Interest Rate	Maturity Date	Face Amount	Accrued Interest
General Fund				
Texas CLASS	3.78%	Demand	$ 1,814,671	$ -
Debt Service Fund				
Certificate of Deposit				
No. 07878400152	4.05%	06/17/26	235,000	7,353
Texas CLASS	3.78%	Demand	2,041,875	-
Texas CLASS	3.78%	Demand	2,770,177	-
			5,047,052	7,353
Capital Projects Fund				
Texas CLASS	3.78%	Demand	51,415	-
Totals			$ 6,913,138	$ 7,353

Montgomery County Municipal Utility District No. 111
Analysis of Taxes Levied and Receivable
Year Ended April 30, 2026

	Maintenance Taxes	Road Debt Service Taxes	Debt Service Taxes
Receivable, Beginning of Year	$ 56,656	$ 46,768	$ 57,765
Additions and corrections to prior years' taxes	41,621	34,575	44,081
Adjusted Receivable, Beginning of Year	98,277	81,343	101,846
2025 Original Tax Levy	2,311,625	1,854,381	2,692,662
Additions and corrections	176,766	141,801	205,903
Adjusted tax levy	2,488,391	1,996,182	2,898,565
Total to Be Accounted For	2,586,668	2,077,525	3,000,411
Tax collections: Current year	(2,400,970)	(1,926,053)	(2,796,735)
Prior years	(89,935)	(74,664)	(93,637)
Receivable, End of Year	$ 95,763	$ 76,808	$ 110,039
Receivable, by Years			
2025	$ 87,421	$ 70,129	$ 101,830
2024	6,591	5,469	6,872
2023	1,751	1,210	1,337
Receivable, End of Year	$ 95,763	$ 76,808	$ 110,039

Montgomery County Municipal Utility District No. 111
Analysis of Taxes Levied and Receivable
Year Ended April 30, 2026 **(Continued)**

	2025	2024	2023	2022
Property Valuations				
Land	$ 159,662,098	$ 136,629,817	$ 94,065,426	$ 71,599,128
Improvements	453,987,291	378,570,784	307,537,030	166,032,730
Personal property	2,380,506	3,330,344	2,174,324	1,206,029
Exemptions	(69,130,813)	(64,396,649)	(43,976,090)	(25,908,397)
Total Property Valuations	$ 546,899,082	$ 454,134,296	$ 359,800,690	$ 212,929,490
Tax Rates per $100 Valuation				
Debt service tax rates	$ 0.5300	$ 0.4900	$ 0.4200	$ 0.2300
Road debt service tax rates	0.3650	0.3900	0.3800	0.5300
Maintenance tax rates*	0.4550	0.4700	0.5500	0.5900
Total Tax Rates per $100 Valuation	$ 1.3500	$ 1.3500	$ 1.3500	$ 1.3500
Tax Levy	$ 7,383,138	$ 6,130,813	$ 4,857,309	$ 2,874,548
Percent of Taxes Collected to Taxes Levied**	97%	99%	99%	100%

*Maximum tax rate approved by voters: $1.35 on May 13, 2006
**Calculated as taxes collected for a tax year divided by taxes levied for that tax year

Montgomery County Municipal Utility District No. 111
Schedule of Long-Term Debt Service Requirements by Years
April 30, 2026

Due During Fiscal Years Ending April 30	Road Series 2020		
	Principal Due September 1	Interest Due September 1, March 1	Total
2027	$ 240,000	$ 200,232	$ 440,232
2028	250,000	194,963	444,963
2029	255,000	189,280	444,280
2030	265,000	183,168	448,168
2031	275,000	176,550	451,550
2032	285,000	169,550	454,550
2033	295,000	162,116	457,116
2034	300,000	154,119	454,119
2035	310,000	145,538	455,538
2036	320,000	136,281	456,281
2037	330,000	126,531	456,531
2038	345,000	116,406	461,406
2039	355,000	105,906	460,906
2040	365,000	95,106	460,106
2041	380,000	83,931	463,931
2042	390,000	72,381	462,381
2043	400,000	60,531	460,531
2044	415,000	48,047	463,047
2045	430,000	34,844	464,844
2046	445,000	21,172	466,172
2047	455,000	7,109	462,109
Totals	$ 7,105,000	$ 2,483,761	$ 9,588,761

Montgomery County Municipal Utility District No. 111
Schedule of Long-Term Debt Service Requirements by Years
April 30, 2026 **(Continued)**

Due During Fiscal Years Ending April 30	Series 2021		
	Principal Due September 1	Interest Due September 1, March 1	Total
2027	$ 295,000	$ 244,387	$ 539,387
2028	300,000	229,513	529,513
2029	310,000	218,137	528,137
2030	320,000	210,263	530,263
2031	330,000	202,137	532,137
2032	345,000	193,700	538,700
2033	355,000	184,950	539,950
2034	365,000	175,950	540,950
2035	380,000	166,637	546,637
2036	390,000	157,013	547,013
2037	405,000	147,075	552,075
2038	415,000	136,566	551,566
2039	430,000	125,475	555,475
2040	445,000	113,991	558,991
2041	460,000	102,112	562,112
2042	475,000	89,841	564,841
2043	490,000	77,175	567,175
2044	505,000	64,116	569,116
2045	520,000	50,662	570,662
2046	540,000	36,750	576,750
2047	555,000	22,378	577,378
2048	575,000	7,547	582,547
Totals	$ 9,205,000	$ 2,956,375	$ 12,161,375

Montgomery County Municipal Utility District No. 111
Schedule of Long-Term Debt Service Requirements by Years
April 30, 2026 **(Continued)**

Due During Fiscal Years Ending April 30	Road Series 2022		
	Principal Due September 1	Interest Due September 1, March 1	Total
2027	$ 385,000	$ 355,613	$ 740,613
2028	385,000	330,587	715,587
2029	385,000	305,562	690,562
2030	385,000	285,350	670,350
2031	385,000	269,950	654,950
2032	385,000	254,550	639,550
2033	385,000	239,150	624,150
2034	385,000	223,750	608,750
2035	385,000	208,350	593,350
2036	385,000	192,950	577,950
2037	380,000	177,650	557,650
2038	380,000	162,450	542,450
2039	380,000	147,250	527,250
2040	380,000	132,050	512,050
2041	380,000	116,850	496,850
2042	380,000	101,650	481,650
2043	380,000	86,450	466,450
2044	380,000	71,250	451,250
2045	380,000	55,812	435,812
2046	380,000	40,137	420,137
2047	380,000	24,225	404,225
2048	380,000	8,075	388,075
Totals	$ 8,410,000	$ 3,789,661	$ 12,199,661

Montgomery County Municipal Utility District No. 111
Schedule of Long-Term Debt Service Requirements by Years
April 30, 2026 **(Continued)**

Due During Fiscal Years Ending April 30	Series 2022		
	Principal Due September 1	Interest Due September 1, March 1	Total
2027	$ 230,000	$ 449,350	$ 679,350
2028	245,000	433,319	678,319
2029	255,000	416,444	671,444
2030	270,000	398,725	668,725
2031	280,000	383,662	663,662
2032	295,000	371,443	666,443
2033	310,000	358,587	668,587
2034	325,000	343,875	668,875
2035	345,000	327,125	672,125
2036	360,000	309,500	669,500
2037	380,000	291,000	671,000
2038	395,000	271,625	666,625
2039	415,000	251,375	666,375
2040	440,000	230,000	670,000
2041	460,000	207,500	667,500
2042	480,000	184,000	664,000
2043	505,000	159,375	664,375
2044	530,000	133,500	663,500
2045	560,000	106,250	666,250
2046	585,000	77,625	662,625
2047	615,000	47,625	662,625
2048	645,000	16,125	661,125
Totals	$ 8,925,000	$ 5,768,030	$ 14,693,030

Montgomery County Municipal Utility District No. 111
Schedule of Long-Term Debt Service Requirements by Years
April 30, 2026 **(Continued)**

Due During Fiscal Years Ending April 30	Road Series 2023		
	Principal Due September 1	Interest Due September 1, March 1	Total
2027	$ 165,000	$ 141,563	$ 306,563
2028	165,000	132,487	297,487
2029	165,000	123,413	288,413
2030	165,000	114,337	279,337
2031	165,000	107,325	272,325
2032	165,000	102,375	267,375
2033	165,000	97,219	262,219
2034	165,000	91,856	256,856
2035	165,000	86,288	251,288
2036	165,000	80,100	245,100
2037	160,000	73,600	233,600
2038	160,000	67,200	227,200
2039	160,000	60,800	220,800
2040	160,000	54,400	214,400
2041	160,000	48,000	208,000
2042	160,000	41,600	201,600
2043	160,000	35,200	195,200
2044	160,000	28,800	188,800
2045	160,000	22,400	182,400
2046	160,000	16,000	176,000
2047	160,000	9,600	169,600
2048	160,000	3,200	163,200
Totals	$ 3,570,000	$ 1,537,763	$ 5,107,763

Montgomery County Municipal Utility District No. 111
Schedule of Long-Term Debt Service Requirements by Years
April 30, 2026 **(Continued)**

Due During Fiscal Years Ending April 30	Series 2023		
	Principal Due September 1	Interest Due September 1, March 1	Total
2027	$ 230,000	$ 480,182	$ 710,182
2028	240,000	463,731	703,731
2029	255,000	446,406	701,406
2030	265,000	428,207	693,207
2031	280,000	409,131	689,131
2032	290,000	389,181	679,181
2033	305,000	370,644	675,644
2034	320,000	355,056	675,056
2035	335,000	340,319	675,319
2036	350,000	324,906	674,906
2037	370,000	308,244	678,244
2038	385,000	290,313	675,313
2039	405,000	271,297	676,297
2040	420,000	251,187	671,187
2041	440,000	230,225	670,225
2042	465,000	207,875	672,875
2043	485,000	184,125	669,125
2044	510,000	159,250	669,250
2045	535,000	133,125	668,125
2046	560,000	105,750	665,750
2047	585,000	77,125	662,125
2048	610,000	47,250	657,250
2049	640,000	16,000	656,000
Totals	$ 9,280,000	$ 6,289,529	$ 15,569,529

Montgomery County Municipal Utility District No. 111
Schedule of Long-Term Debt Service Requirements by Years
April 30, 2026 **(Continued)**

Due During Fiscal Years Ending April 30	Road Series 2024		
	Principal Due September 1	Interest Due September 1, March 1	Total
2027	$ 105,000	$ 200,694	$ 305,694
2028	110,000	195,056	305,056
2029	115,000	189,431	304,431
2030	120,000	183,556	303,556
2031	130,000	177,306	307,306
2032	135,000	171,357	306,357
2033	140,000	165,856	305,856
2034	150,000	160,056	310,056
2035	160,000	153,856	313,856
2036	165,000	147,357	312,357
2037	175,000	140,556	315,556
2038	185,000	133,356	318,356
2039	195,000	125,756	320,756
2040	205,000	117,757	322,757
2041	220,000	109,256	329,256
2042	230,000	100,256	330,256
2043	245,000	90,756	335,756
2044	255,000	80,757	335,757
2045	270,000	70,256	340,256
2046	285,000	59,156	344,156
2047	300,000	47,456	347,456
2048	315,000	34,960	349,960
2049	335,000	21,553	356,553
2050	355,000	7,322	362,322
Totals	$ 4,900,000	$ 2,883,678	$ 7,783,678

Montgomery County Municipal Utility District No. 111
Schedule of Long-Term Debt Service Requirements by Years
April 30, 2026 **(Continued)**

Due During Fiscal Years Ending April 30	Series 2024		
	Principal Due September 1	Interest Due September 1, March 1	Total
2027	$ 355,000	$ 613,363	$ 968,363
2028	375,000	591,463	966,463
2029	390,000	568,513	958,513
2030	405,000	544,662	949,662
2031	425,000	519,763	944,763
2032	445,000	495,609	940,609
2033	460,000	475,006	935,006
2034	485,000	456,106	941,106
2035	505,000	437,569	942,569
2036	525,000	419,216	944,216
2037	550,000	399,731	949,731
2038	575,000	378,981	953,981
2039	600,000	356,200	956,200
2040	625,000	331,700	956,700
2041	655,000	306,100	961,100
2042	680,000	279,400	959,400
2043	710,000	251,600	961,600
2044	745,000	222,500	967,500
2045	775,000	192,100	967,100
2046	810,000	160,400	970,400
2047	845,000	127,300	972,300
2048	880,000	92,800	972,800
2049	920,000	56,800	976,800
2050	960,000	19,200	979,200
Totals	$ 14,700,000	$ 8,296,082	$ 22,996,082

Montgomery County Municipal Utility District No. 111
Schedule of Long-Term Debt Service Requirements by Years
April 30, 2026 **(Continued)**

Due During Fiscal Years Ending April 30	Road Series 2025		
	Principal Due March 1	Interest Due September 1, March 1	Total
2027	$ 110,000	$ 218,162	$ 328,162
2028	115,000	211,013	326,013
2029	120,000	203,537	323,537
2030	125,000	195,738	320,738
2031	130,000	187,612	317,612
2032	140,000	179,163	319,163
2033	145,000	170,237	315,237
2034	155,000	162,988	317,988
2035	160,000	156,787	316,787
2036	170,000	150,388	320,388
2037	180,000	143,587	323,587
2038	190,000	136,388	326,388
2039	195,000	128,787	323,787
2040	205,000	120,988	325,988
2041	215,000	112,787	327,787
2042	230,000	104,188	334,188
2043	240,000	94,987	334,987
2044	255,000	85,388	340,388
2045	265,000	74,869	339,869
2046	280,000	63,937	343,937
2047	295,000	52,388	347,388
2048	310,000	40,219	350,219
2049	325,000	27,431	352,431
2050	340,000	14,025	354,025
Totals	$ 4,895,000	$ 3,035,594	$ 7,930,594

Montgomery County Municipal Utility District No. 111
Schedule of Long-Term Debt Service Requirements by Years
April 30, 2026 **(Continued)**

Due During Fiscal Years Ending April 30	Series 2025		
	Principal Due March 1	Interest Due September 1, March 1	Total
2027	$ 150,000	$ 313,000	$ 463,000
2028	160,000	303,250	463,250
2029	165,000	292,850	457,850
2030	175,000	282,125	457,125
2031	185,000	270,750	455,750
2032	195,000	258,725	453,725
2033	205,000	250,925	455,925
2034	215,000	242,725	457,725
2035	225,000	234,125	459,125
2036	235,000	225,125	460,125
2037	245,000	215,725	460,725
2038	260,000	205,925	465,925
2039	275,000	195,525	470,525
2040	285,000	184,525	469,525
2041	300,000	172,769	472,769
2042	315,000	160,019	475,019
2043	335,000	146,238	481,238
2044	350,000	131,581	481,581
2045	370,000	115,831	485,831
2046	390,000	99,181	489,181
2047	410,000	81,632	491,632
2048	430,000	62,669	492,669
2049	450,000	42,780	492,780
2050	475,000	21,969	496,969
Totals	$ 6,800,000	$ 4,509,969	$ 11,309,969

Montgomery County Municipal Utility District No. 111
Schedule of Long-Term Debt Service Requirements by Years
April 30, 2026 **(Continued)**

Due During Fiscal Years Ending April 30	Annual Requirements For All Series		
	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2027	$ 2,265,000	$ 3,216,546	$ 5,481,546
2028	2,345,000	3,085,382	5,430,382
2029	2,415,000	2,953,573	5,368,573
2030	2,495,000	2,826,131	5,321,131
2031	2,585,000	2,704,186	5,289,186
2032	2,680,000	2,585,653	5,265,653
2033	2,765,000	2,474,690	5,239,690
2034	2,865,000	2,366,481	5,231,481
2035	2,970,000	2,256,594	5,226,594
2036	3,065,000	2,142,836	5,207,836
2037	3,175,000	2,023,699	5,198,699
2038	3,290,000	1,899,210	5,189,210
2039	3,410,000	1,768,371	5,178,371
2040	3,530,000	1,631,704	5,161,704
2041	3,670,000	1,489,530	5,159,530
2042	3,805,000	1,341,210	5,146,210
2043	3,950,000	1,186,437	5,136,437
2044	4,105,000	1,025,189	5,130,189
2045	4,265,000	856,149	5,121,149
2046	4,435,000	680,108	5,115,108
2047	4,600,000	496,838	5,096,838
2048	4,305,000	312,845	4,617,845
2049	2,670,000	164,564	2,834,564
2050	2,130,000	62,516	2,192,516
Totals	$ 77,790,000	$ 41,550,442	$ 119,340,442

Montgomery County Municipal Utility District No. 111
Changes in Long-Term Bonded Debt
Year Ended April 30, 2026

	Road Series 2020	Series 2021	Road Series 2022	Bond Series 2022
Interest rates	2.000% to 3.125%	2.50% to 5.00%	4.00% to 6.50%	4.25% to 6.75%
Dates interest payable	September 1/ March 1	September 1/ March 1	September 1/ March 1	September 1/ March 1
Maturity dates	September 1, 2026/2046	September 1, 2026/2047	September 1, 2026/2047	September 1, 2026/2047
Bonds outstanding, beginning of current year	$ 7,340,000	$ 9,490,000	$ 8,795,000	$ 9,145,000
Bonds sold during current year	-	-	-	-
Retirements, principal	235,000	285,000	385,000	220,000
Bonds outstanding, end of current year	$ 7,105,000	$ 9,205,000	$ 8,410,000	$ 8,925,000
Interest paid during current year	$ 205,103	$ 258,888	$ 378,713	$ 464,538

Paying agent's name and address

Road Series 2020	– The Bank of New York Mellon Trust Company, N.A., Houston, Texas
Series 2021	– The Bank of New York Mellon Trust Company, N.A., Houston, Texas
Road Series 2022	– The Bank of New York Mellon Trust Company, N.A., Houston, Texas
Series 2022	– The Bank of New York Mellon Trust Company, N.A., Houston, Texas
Road Series 2023	– The Bank of New York Mellon Trust Company, N.A., Houston, Texas
Series 2023	– The Bank of New York Mellon Trust Company, N.A., Houston, Texas
Road Series 2024	– The Bank of New York Mellon Trust Company, N.A., Houston, Texas
Series 2024	– The Bank of New York Mellon Trust Company, N.A., Houston, Texas
Road Series 2025	– The Bank of New York Mellon Trust Company, N.A., Houston, Texas
Series 2025	– The Bank of New York Mellon Trust Company, N.A., Houston, Texas

Bond authority	Tax Bonds	Parks and Recreation Bonds	Road and Paving Bonds	Refunding Bonds
Amount authorized by voters	$ 179,900,000	$ 51,450,000	$ 94,100,000	$ -
Amount issued	$ 50,385,000	$ -	$ 31,465,000	$ -
Remaining to be issued	$ 129,515,000	$ 51,450,000	$ 62,635,000	$ -

Debt service fund cash and temporary investment balances as of April 30, 2026:	$ 5,291,239
Average annual debt service payment (principal and interest) for remaining term of all debt:	$ 4,972,518

Issues

Road Series 2023	Series 2023	Road Series 2024	Series 2024	Road Series 2025	Series 2025	Totals
3.00% to 5.50%	4.50% to 7.00%	4.00% to 5.50%	3.50% to 6.00%	4.00% to 6.50%	4.00% to 6.50%	
September 1/ March 1	September 1/ March 1	September 1/ March 1	September 1/ March 1	September 1/ March 1	September 1/ March 1	
September 1, 2026/2047	September 1, 2026/2048	September 1, 2026/2049	September 1, 2026/2049	March 1, 2027/2050	March 1, 2027/2050	
$ 3,735,000	$ 9,500,000	$ 5,000,000	$ 14,700,000	$ 5,000,000	$ -	$ 72,705,000
-	-	-	-	-	6,800,000	6,800,000
165,000	220,000	100,000	-	105,000	-	1,715,000
$ 3,570,000	$ 9,280,000	$ 4,900,000	$ 14,700,000	$ 4,895,000	$ 6,800,000	$ 77,790,000
$ 150,637	$ 495,931	$ 206,331	$ 624,012	$ 217,488	$ 93,900	$ 3,095,541

Montgomery County Municipal Utility District No. 111
Comparative Schedule of Revenues and Expenditures – General Fund
Five Years Ended April 30,

	Amounts				
	2026	**2025**	**2024**	**2023**	**2022**
General Fund					
Revenues					
Property taxes	$ 2,490,905	$ 2,133,148	$ 1,935,763	$ 1,250,822	$ 802,092
Water service	452,713	392,051	448,844	252,797	136,976
Sewer service	957,315	754,326	662,941	439,478	262,637
Penalty and interest	66,372	46,282	40,499	28,136	11,842
Tap connection and inspection fees	309,881	449,064	613,354	505,458	448,427
Investment income	57,322	41,294	17,652	7,178	402
Other income	15,941	14,387	14,122	9,875	4,683
Total Revenues	4,350,449	3,830,552	3,733,175	2,493,744	1,667,059
Expenditures					
Service operations					
Purchased services	2,701,701	1,577,514	1,381,232	1,515,594	910,562
Professional fees	137,942	122,212	123,951	99,484	75,397
Contracted services	664,581	583,660	476,203	339,520	207,803
Repairs and maintenance	506,803	481,918	746,012	562,488	299,170
Other expenditures	65,348	67,689	46,105	34,348	42,080
Tap connections	142,814	220,624	325,773	285,949	199,921
Capital outlay	22,566	-	362,426	789,798	-
Debt service, debt issuance costs	-	27,046	10,700	9,900	30,000
Total Expenditures	4,241,755	3,080,663	3,472,402	3,637,081	1,764,933
Excess (Deficiency) of Revenues Over Expenditures	108,694	749,889	260,773	(1,143,337)	(97,874)
Other Financing Sources					
Interfund transfers in	27,046	9,000	9,900	30,000	42,145
Developer advances received	-	-	986,134	645,000	154,000
Total Other Financing Sources	27,046	9,000	996,034	675,000	196,145
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	135,740	758,889	1,256,807	(468,337)	98,271
Fund Balance (Deficit), Beginning of Year	1,791,840	1,032,951	(223,856)	244,481	146,210
Fund Balance (Deficit), End of Year	$ 1,927,580	$ 1,791,840	$ 1,032,951	$ (223,856)	$ 244,481
Total Active Retail Water Connections	1,553	1,407	1,244	917	624
Total Active Retail Wastewater Connections	1,534	1,388	1,225	903	607

Percent of Fund Total Revenues				
2026	2025	2024	2023	2022
57.3 %	55.7 %	51.8 %	50.2 %	48.1 %
10.4	10.2	12.0	10.1	8.2
22.0	19.7	17.8	17.6	15.8
1.5	1.2	1.1	1.1	0.7
7.1	11.7	16.4	20.3	26.9
1.3	1.1	0.5	0.3	0.0
0.4	0.4	0.4	0.4	0.3
100.0	100.0	100.0	100.0	100.0
62.1	41.2	37.0	60.8	54.6
3.2	3.2	3.3	4.0	4.5
15.3	15.2	12.8	13.6	12.5
11.6	12.6	20.0	22.6	17.9
1.5	1.8	1.2	1.4	2.5
3.3	5.7	8.7	11.5	12.0
0.5	-	9.7	31.6	-
-	0.7	0.3	0.4	1.8
97.5	80.4	93.0	145.9	105.8
2.5 %	19.6 %	7.0 %	(45.9) %	(5.8) %

Montgomery County Municipal Utility District No. 111
Comparative Schedule of Revenues and Expenditures – Debt Service Fund
Five Years Ended April 30,

	Amounts				
	2026	2025	2024	2023	2022
Debt Service Fund					
Revenues					
Property taxes	$ 4,891,089	$ 3,968,924	$ 2,808,848	$ 1,592,006	$ 413,202
Penalty and interest	64,987	78,217	26,583	22,650	2,107
Investment income	147,188	140,254	112,880	49,049	1,236
Total Revenues	5,103,264	4,187,395	2,948,311	1,663,705	416,545
Expenditures					
Current					
Professional fees	24,069	26,312	6,024	1,097	-
Contracted services	79,334	75,545	49,037	22,299	14,116
Other expenditures	13,040	9,605	25,913	12,083	11,080
Debt service					
Principal retirement	1,715,000	1,260,000	870,000	215,000	-
Interest and fees	3,095,541	2,415,531	1,693,820	951,177	318,312
Total Expenditures	4,926,984	3,786,993	2,644,794	1,201,656	343,508
Excess of Revenues Over Expenditures	176,280	400,402	303,517	462,049	73,037
Other Financing Sources (Uses)					
Interfund transfers out	-	-	-	-	(13,860)
General obligation bonds issued	313,000	849,000	824,581	850,876	586,025
Total Other Financing Sources	313,000	849,000	824,581	850,876	572,165
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	489,280	1,249,402	1,128,098	1,312,925	645,202
Fund Balance, Beginning of Year	4,729,551	3,480,149	2,352,051	1,039,126	393,924
Fund Balance, End of Year	$ 5,218,831	$ 4,729,551	$ 3,480,149	$ 2,352,051	$ 1,039,126

Percent of Fund Total Revenues				
2026	2025	2024	2023	2022
95.8 %	94.8 %	95.3 %	95.7 %	99.2 %
1.3	1.9	0.9	1.4	0.5
2.9	3.3	3.8	2.9	0.3
100.0	100.0	100.0	100.0	100.0
0.5	0.6	0.2	0.1	-
1.5	1.8	1.7	1.3	3.4
0.3	0.2	0.9	0.7	2.7
33.6	30.1	29.5	12.9	-
60.7	57.7	57.4	57.2	76.4
96.6	90.4	89.7	72.2	82.5
3.4 %	9.6 %	10.3 %	27.8 %	17.5 %

Montgomery County Municipal Utility District No. 111
Board Members, Key Personnel, and Consultants
Year Ended April 30, 2026

Complete District mailing address:	Montgomery County Municipal Utility District No. 111 c/o Schwartz, Page & Harding, L.L.P. 1300 Post Oak Boulevard, Suite 2400 Houston, TX 77056	
District business telephone number:	713.623.4531	
Submission date of the most recent District Registration Form (TWC Sections 36.054 and 49.054):		September 9, 2025
Limit on fees of office that a director may receive during a fiscal year:		$ 7,200

Board Members	Term of Office Elected & Expires	Fees*	Expense Reimbursements	Title at Year-End
Brett D. Beardsley	Elected 05/22–05/26	$ 2,210	$ -	President
Kurt Granhold	Elected 05/22–05/26	1,989	485	Vice President
Kim Stephens	Elected 05/24–05/28	4,420	765	Secretary
Weston Harlan	Elected 05/24–05/28	1,989	127	Assistant Secretary
Ryan Lesikar	Elected 05/22–05/26	-	-	Assistant Secretary

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

Montgomery County Municipal Utility District No. 111
Board Members, Key Personnel, and Consultants
Year Ended April 30, 2026 **(Continued)**

Consultants	Date Hired	Fees and Expense Reimbursements	Title
Assessments of the Southwest, Inc.	07/01/18	$ 25,753	Tax Assessor/ Collector
Forvis Mazars, LLP	05/12/20	31,300	Auditor
Inframark, LLC	12/11/18	838,655	Operator
LJA Engineering, Inc.	08/18/17	74,239	Engineer
Masterson Advisors LLC	05/18/18	137,499	Financial Advisor
Montgomery Central Appraisal District	Legislative Action	58,073	Appraiser
Municipal Accounts & Consulting, L.P.	03/13/06	67,219	Bookkeeper
Perdue, Brandon, Collins, Fielder & Mott, LLP	01/10/23	24,069	Delinquent Tax Attorney
Schwartz, Page & Harding, L.L.P.	12/13/22	97,073 180,337	General Counsel Bond Counsel
Investment Officers			
Mark M. Burton	01/15/07	N/A	Bookkeeper
Ghia Lewis	12/21/09	N/A	Bookkeeper