

OFFICIAL STATEMENT DATED SEPTEMBER 4, 2025

THE DELIVERY OF THE BONDS (AS DEFINED HEREIN) IS SUBJECT TO THE OPINION OF BOND COUNSEL (AS DEFINED HEREIN) AS TO THE VALIDITY OF THE BONDS AND TO THE EFFECT THAT INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME OF THE OWNERS OF THE BONDS FOR PURPOSES OF FEDERAL INCOME TAXATION UNDER EXISTING STATUTES, REGULATIONS, PUBLISHED RULINGS, AND COURT DECISIONS, SUBJECT TO THE MATTERS DESCRIBED UNDER "TAX MATTERS" HEREIN, INCLUDING THE ALTERNATIVE MINIMUM TAX ON CERTAIN CORPORATIONS. SEE "LEGAL MATTERS" AND "TAX MATTERS" HEREIN FOR A DISCUSSION OF BOND COUNSEL'S OPINION.

The District has designated the Bonds as "qualified tax-exempt obligations" for purposes of the calculation of interest expense by financial institutions which may own the Bonds. See "TAX MATTERS -- Qualified Tax-Exempt Obligations for Financial Institutions."

NEW ISSUE
Not Rated
BOOK-ENTRY-ONLY
CUSIP Base No. 882583

RATINGS: (S&P-BAM) "AA"
(See **"BOND INSURANCE"** herein
Underlying-Not Rated

TEXAS NATIONAL MUNICIPAL UTILITY DISTRICT

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

\$1,250,000

UNLIMITED TAX BONDS, SERIES 2025

Bonds Dated: October 1, 2025

Due: September 1, as shown on inside cover

The \$1,250,000 Unlimited Tax Bonds, Series 2025 (the "Bonds") are obligations solely of Texas National Municipal Utility District (the "District") and are not obligations of the State of Texas; Montgomery County, Texas; the City of Willis, Texas; the City of Conroe, Texas; or any other political subdivision or agency. See "THE BONDS--Source of and Security for Payment."

Interest on the Bonds will accrue from October 1, 2025 and will be payable March 1 and September 1 of each year, commencing March 1, 2026 (five-month payment), and will be calculated on the basis of a 360-day year of twelve 30-day months. The Bonds are issuable only in fully registered form in principal denominations of \$5,000 or integral multiples thereof initially registered solely in the name of Cede & Co., as registered owner (a "Registered Owner") and nominee for The Depository Trust Company, New York, New York ("DTC"), acting as securities depository for the Bonds, until DTC resigns or is discharged. **The Bonds initially will be available to purchasers in book-entry form only.** So long as Cede & Co. is the registered owner of the Bonds, as nominee for DTC, the Bonds shall be payable to Cede & Co., which will in turn, remit such amount to DTC participants for subsequent disbursement to the beneficial owners of the Bonds. See "THE BONDS--Book-Entry-Only System."

Principal of and redemption price for the Bonds are payable by The Bank of New York Mellon Trust Company, N.A., or any successor paying agent/registrar (the "Paying Agent/Registrar"). Interest on the Bonds will be payable by check mailed on or before the interest payment date to Registered Owners shown on the records of the Paying Agent/Registrar on the fifteenth day of the month preceding each interest payment date or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and the Registered Owner at the risk and expense of the Registered Owner. See "THE BONDS--Description."



The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by **BUILD AMERICA MUTUAL ASSURANCE COMPANY**. See "BOND INSURANCE" herein and APPENDIX B--Specimen Municipal Bond Insurance Policy.

SEE INSIDE COVER PAGE FOR MATURITY SCHEDULE

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 against taxable property within the District, all as defined in the order authorizing the issuance of the Bonds. See "THE BONDS--Source of and Security for Payment." **THE BONDS ARE SUBJECT TO SPECIAL RISK FACTORS AS SET FORTH IN THIS PRELIMINARY OFFICIAL STATEMENT. PROSPECTIVE PURCHASERS SHOULD CAREFULLY REVIEW THE ENTIRE PRELIMINARY OFFICIAL STATEMENT BEFORE MAKING THEIR INVESTMENT DECISION. PARTICULAR ATTENTION SHOULD BE GIVEN TO THE INFORMATION SET FORTH IN THIS PRELIMINARY OFFICIAL STATEMENT UNDER THE CAPTION "RISK FACTORS."**

The Bonds will be delivered when, as and if issued by the District and accepted by the winning bidder for the Bonds (the "Underwriter"), subject among other things to the approval of the Bonds by the Attorney General of the State of Texas and by the approval of certain legal matters by Young & Brooks, Houston, Texas, Bond Counsel. Certain legal matters will be passed upon for the District by Orrick, Herrington & Sutcliffe LLP, Houston, Texas, Disclosure Counsel. Delivery of the Bonds is expected on or about October 9, 2025, in Dallas, Texas.

MATURITY SCHEDULE

Bonds Dated: October 1, 2025

Due: September 1, as shown below

\$140,000 Serial Bonds

<i><u>Maturity Sept. 1</u></i>	<i><u>Amount</u></i>	<i><u>Interest Rate</u></i>	<i><u>Initial Yield(a)</u></i>	<i><u>CUSIP (b)</u></i>	<i><u>Maturity Sept. 1</u></i>	<i><u>Amount</u></i>	<i><u>Interest Rate</u></i>	<i><u>Initial Yield(a)</u></i>	<i><u>CUSIP (b)</u></i>
2027	\$10,000	9.000%	3.000%	882583EX1	2034(c)	\$10,000	9.000%	3.850%	882583FE2
2028	10,000	9.000%	3.000%	882583EY9	2035(c)	10,000	9.000%	4.000%	882583FF9
2029	10,000	9.000%	3.000%	882583EZ6	2036(c)	10,000	5.000%	4.200%	882583FG7
2030	10,000	9.000%	3.150%	882583FA0	2037(c)	10,000	5.000%	4.350%	882583FH5
2031	10,000	9.000%	3.300%	882583FB8	2038(c)	10,000	5.000%	4.500%	882583FJ1
2032(c)	15,000	9.000%	3.450%	882583FC6	2039(c)	15,000	5.000%	4.600%	882583FK8
2033(c)	10,000	9.000%	3.600%	882583FD4					

\$1,110,000 Term Bonds

\$105,000 Term Bonds, Due September 1, 2046 (c)(d), 5.000% Interest Rate, 5.000% Initial Yield (a) CUSIP 882583FS1

\$250,000 Term Bonds, Due September 1, 2051 (c)(d), 5.000% Interest Rate, 5.073% Initial Yield (a) CUSIP 882583FX0

\$755,000 Term Bonds, Due September 1, 2053 (c)(d), 5.000% Interest Rate, 5.074% Initial Yield (a) CUSIP 882583FZ5

(a) Initial yield represents the initial reoffering yield to the public which has been established by the Underwriter for public offerings and which subsequently may be changed. The initial yields indicated above represent the lower of the yields resulting when priced to maturity or to the first call date. Accrued interest from October 1, 2025 is to be added to the price.

(b) CUSIP Numbers have been assigned to the Bonds by CUSIP Global Services and are included solely for the convenience of the purchasers of the Bonds. Neither the District nor the Underwriter shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.

(c) The Bonds maturing on or after September 1, 2032 are subject to redemption prior to maturity at the option of the District, as a whole or from time to time in part, on September 1, 2031, or on any date thereafter, at par plus accrued interest from the most recent interest payment date to the date fixed for redemption. See “THE BONDS—Optional Redemption.”

(d) Term Bonds are also subject to mandatory redemption in part by lot or other customary method at a price of par plus accrued interest to the redemption date. See “THE BONDS—Mandatory Redemption.”

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

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

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 the District, c/o Young & Brooks, 10000 Memorial Drive, Suite 260, Houston, Texas 77024-3430 upon payment of duplication costs.

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 condition of the District or other matters described herein since the date hereof. The District has agreed to keep this Official Statement current by amendment or sticker to reflect material changes in the affairs of the District, and, to the extent 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" and "CONTINUING DISCLOSURE OF INFORMATION."

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

SALE AND DISTRIBUTION OF THE BONDS

Prices and Marketability

The delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Underwriter prior to delivery of the Bonds stating the prices at which a substantial amount of the Bonds of each maturity has been sold to the public. Otherwise, the District has no understanding with the Underwriter or control regarding the reoffering yields or prices of the Bonds. Information concerning reoffering yields or prices is the sole responsibility of the Underwriter.

THE PRICES AND OTHER TERMS RESPECTING 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 special district bonds may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional governmental 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 Bonds has been filed with the United States 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 jurisdictions.

Underwriter

After requesting competitive bids for the Bonds, the District accepted the bid resulting in the lowest net interest cost, which bid was tendered by SAMCO Capital Markets (the "Underwriter") bearing the interest rates shown on the inside cover page hereof, at a price of 97.0028% of the par value thereof plus accrued interest to the date of delivery which resulted in a net effective interest rate of 5.200921% as calculated pursuant to Chapter 1204, Texas Government Code, as amended.

The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into unit investment trusts) and others at prices lower than the public offering price stated on the inside cover page hereof. The initial offering price may be changed from time to time by the Underwriter.

Municipal Bond Rating and Municipal Bond Insurance

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") has assigned its municipal rating of "AA" (stable outlook) to the Bonds, as a result of a municipal bond insurance policy issued by Build America Mutual Assurance Company at the time of delivery of the Bonds (see "BOND INSURANCE" and "APPENDIX B—Specimen Municipal Bond Insurance Policy"). An explanation of the significance of such rating may be obtained from S&P. The rating reflects only the view of S&P, and the District makes no representation as to the appropriateness of such rating.

Other than the rating assigned as a result of a municipal bond insurance policy issued by Build America Mutual Assurance Company, the District has made no application for a municipal bond rating of the Bonds, nor is it expected that the District would have been successful in receiving an investment grade rating had such application been made.

The District can make no assurance that the S&P rating will continue for any period of time or that such rating will not be revised downward or withdrawn entirely by S&P, if in the sole judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

SUMMARY

The following information is a summary of certain information contained herein and is qualified in its entirety by the more detailed information and financial statements appearing elsewhere in this Official Statement, reference to which is made for all purposes. This summary should not be detached and should be used in conjunction with more complete information contained herein.

- The District -

Description	Texas National Municipal Utility District (the “District”), with approximately 488.050 acres, is located approximately two miles east of the City of Willis, Texas, and eight miles north of the City of Conroe, Texas. The District is being developed as a single-family residential subdivision. See "THE DISTRICT."
Authority	The rights, powers, privileges, authority and functions of the District are established by the general laws of the State of Texas pertaining to municipal utility districts, including particularly Chapters 49 and 54 of the Texas Water Code, as amended. See "THE DISTRICT–Authority."
Development Within The District	The District contains approximately 488.050 acres of land of which approximately 140.38 acres lie within the 100-year flood plain of Camp Creek. The District is partially within the extraterritorial jurisdiction of the City of Willis, Texas, and partially within the extraterritorial jurisdiction of the City of Conroe, Texas. As of August 1, 2025, there were 350 single family connections to the District's water, wastewater and storm drainage system (the "System"). Another 21.4 acres projected for 124 homes in Sections 4 and 5, have not been developed. In addition, the 143.577 acres previously comprising the Texas National Golf Course are proposed for additional single-family development, although 64.017 acres of the Golf Course are within the flood plain. A total of 138.961 acres within the District are within the flood plain. There is no active developer within the District. See “THE DISTRICT - Status and History of Development.”

- The Bonds -

Authority for Issuance	The District’s \$1,250,000 Unlimited Tax Bonds, Series 2025 (the “Bonds”) are issued pursuant to Article XVI, Section 59 of the Texas Constitution and Chapters 49 and 54, Texas Water Code, as amended and an order of the Texas Commission on Environmental Quality. See “THE BONDS--Authority for Issuance.”
Description	The Bonds are dated October 1, 2025. The Bonds bear interest from such date at the rates per annum set forth on the inside cover page hereof, which interest is payable March 1, 2026 (five-month payment) and each September 1 and March 1 thereafter until the earlier of maturity or redemption. The Bonds mature serially on September 1 in each of the years 2027 through 2039, both inclusive, and as “Term Bonds” on September 1 in the years 2046, 2051 and 2053, in the principal amounts set forth on the inside cover page hereof. The Term Bonds are subject to mandatory redemption as described herein under “THE BONDS–Mandatory Redemption.” The Bonds maturing on or after September 1, 2032 are subject to optional redemption at the option of the District, in whole or in part, on any date on or after September 1, 2031, at a price of par plus accrued interest to the date of redemption. See “THE BONDS — Description” and “— Optional Redemption.”
Source of Payment	Principal of and interest on the Bonds are payable from the proceeds of an annual ad valorem tax levied, without legal limitation as to rate or amount, against taxable property within the District. The Bonds are obligations of the District and are not obligations of Montgomery County, Texas; the City of Willis, Texas; the City of Conroe, Texas; the State of Texas or any political subdivision other than the District. See "THE BONDS — Source of and Security for Payment."

Use of Proceeds	Proceeds from the sale of the Bonds to the Underwriter will be used to pay for Water Well No. 3 construction, installation of electronic meters, and associated engineering fees and contingencies; one year's capitalized interest; and to pay the costs of issuance of the Bonds. See "THE BONDS — Use of Proceeds."
Payment Record	The District has never defaulted on the payment of any bonded indebtedness. See "DISTRICT DEBT."
Qualified Tax-Exempt Obligations	The District has designated the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended, and will represent that the total amount of tax-exempt bonds (including the Bonds) issued by it during the calendar year 2025 is not reasonably expected to exceed \$10,000,000. See "TAX MATTERS — Qualified Tax-Exempt Obligations for Financial Institutions."
Municipal Bond Rating and Municipal Bond Insurance	S&P has assigned a municipal rating of "AA" (stable outlook) as a result of a municipal bond insurance policy issued by Build America Mutual Assurance Company. See "SALE AND DISTRIBUTION OF THE BONDS—Municipal Bond Rating," "BOND INSURANCE" and "APPENDIX B—Specimen Municipal Bond Insurance Policy." The District has made no application for a municipal bond rating of the Bonds, nor is it expected that the District would have been successful in receiving an investment grade rating had such application been made.
Book-Entry-Only System	The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC"), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in principal denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal and interest on the Bonds will be payable by The Bank of New York Mellon Trust Company, N.A., the initial paying agent/registrars to Cede & Co. and Cede & Co. will make distribution of the amounts so paid to the beneficial owners of the Bonds (see "THE BONDS--Book-Entry-Only System").
Legal Opinions	Young & Brooks, Houston, Texas. See "LEGAL MATTERS."
Disclosure Counsel	Orrick, Herrington & Sutcliffe LLP, Houston, Texas.
Financial Advisor	Blitch Associates, Inc., Houston, Texas.

RISK FACTORS

THE PURCHASE AND OWNERSHIP OF THE BONDS ARE SUBJECT TO SPECIAL RISK FACTORS AND ALL PROSPECTIVE PURCHASERS ARE URGED TO EXAMINE CAREFULLY THE ENTIRE OFFICIAL STATEMENT WITH RESPECT TO THE INVESTMENT SECURITY OF THE BONDS, INCLUDING PARTICULARLY THE SECTION CAPTIONED "RISK FACTORS."

**- Financial Highlights -
(Unaudited)**

2025 Taxable Assessed Valuation (100% of Market Value)		\$76,795,561	(a)
Direct Debt			
Outstanding Bonds (As of September 1, 2025)		\$5,815,000	
The Bonds		<u>1,250,000</u>	
Total Direct Debt		\$7,065,000	
Estimated Overlapping Debt		<u>4,162,772</u>	(b)
Direct and Estimated Overlapping Debt		<u><u>\$11,227,772</u></u>	
Direct Debt Ratios:			
Direct Debt to Value		9.20%	
Direct & Estimated Overlapping Debt to Value		14.62%	
2025 Tax Rate per \$100 of Assessed Value			
Debt Service		\$0.5350	
Maintenance		<u>0.4911</u>	
Total		<u><u>\$1.0261</u></u>	
	<u>Current</u>	<u>Total</u>	
2023 Tax Collection Percentage	97.98%	98.83%	(c)
Five-Year Average (2019/2023) Collection Percentage	98.06%	99.36%	
Average Annual Debt Service Requirements (2026/53)		\$438,186	(d)
Maximum Annual Debt Service Requirements (2027)		\$444,610	(d)
Tax Rate Required to pay such Requirements at 98% Collection			
Average (2026/2053)		\$0.583	
Maximum (2027)		\$0.591	
Fund Balances as of September 2, 2025 (Cash & Investments)			
General Operating Fund		\$967,528	
Debt Service Fund		\$615,739	
Construction Fund		\$1,494,013	

(a) Certified by the Montgomery Central Appraisal District (the "Appraisal District"); represents the taxable assessed valuation of taxable property as of January 1, 2025. See "TAX PROCEDURES."

(b) See "DISTRICT DEBT--Estimated Overlapping Debt."

(c) 2024 tax collections still in progress; see "TAX DATA--Tax Collection History."

(d) Such requirements are on the Bonds and the Outstanding Bonds (defined herein).

TEXAS NATIONAL MUNICIPAL UTILITY DISTRICT

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

\$1,250,000

UNLIMITED TAX BONDS, SERIES 2025

This Preliminary Official Statement of Texas National Municipal Utility District (the "District") is provided to furnish certain information with respect to the sale by the District of its \$1,250,000 Unlimited Tax Bonds, Series 2025 (the "Bonds"). The Bonds are secured solely by ad valorem taxes levied on property located within the District and are not obligations of the State of Texas (the "State"); Montgomery County, Texas; the City of Willis, Texas; the City of Conroe, Texas; or any other political subdivision or agency.

The Bonds are issued by the District and purchased by the winning bidder for the Bonds (the "Underwriter") pursuant to the Texas Constitution, the general laws of the State of Texas and an order authorizing the issuance of the Bonds (the "Bond Order") adopted by the Board of Directors of the District (the "Board"), Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, and an order of the Texas Commission on Environmental Quality ("TCEQ"). See "THE BONDS—Authority for Issuance."

This Official Statement includes descriptions of the Bonds, the Bond Order and certain other information about the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document, copies of which may be obtained by contacting the District, c/o Young & Brooks, 10000 Memorial Drive, Suite 260, Houston, Texas 77024-3430.

THE BONDS

Description

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. A copy of the Bond Order may be obtained upon request to the District and payment of the applicable copying charges.

The Bonds will mature on September 1 in the years and in principal amounts, and will bear interest at the rates per annum, set forth on the inside cover page of this Official Statement. Interest on the Bonds will be payable on March 1, 2026, and semiannually thereafter on each September 1 and March 1 until the earlier of maturity or redemption. Principal of and interest on the Bonds will be payable to Cede & Co. as registered owner (a "Registered Owner") and nominee of the Depository Trust Company, New York, New York ("DTC"), acting as security depository for the Bonds, by the paying agent/registrar, initially The Bank of New York Mellon Trust Company, N.A. (the "Paying Agent/Registrar"). Cede & Co. will make distribution of the principal and interest so paid to the beneficial owners of the Bonds. For so long as DTC shall continue to serve as securities depository for the Bonds, all transfers of beneficial ownership interest will be made by Book-Entry-Only and no investor or other party purchasing, selling or otherwise transferring beneficial ownership of the Bonds is to receive, hold or deliver any Bond certificate.

If at any time, DTC ceases to hold the Bonds as securities depository, then principal of the Bonds will be payable to the Registered Owner at maturity or redemption upon presentation and surrender at the principal payment office of the Paying Agent/Registrar. Interest on the Bonds will be payable by check, dated as of the interest payment date, and mailed by the Paying Agent/Registrar to the Registered Owners as shown on the records of the Paying Agent/Registrar at the close of business on the 15th day of the month next preceding the interest payment date (the "Record Date").

The Bonds of each maturity will be issued in fully-registered form only in principal amounts of \$5,000 or any integral multiple thereof.

If the specified date for any payment of principal (or redemption price) or interest on the Bonds shall be a Saturday, Sunday or legal holiday or equivalent (other than a moratorium) for banking institutions generally in the City of Houston, Texas, such payment may be made on the next succeeding date which is not one of the foregoing days without additional interest and with the same force and effect as if made on the specified date for such payments.

Use of Proceeds

Proceeds from the sale of the Bonds to the Underwriter will be used to pay for Water Well No. 3 construction and installation of electronic meters; associated engineering fees and contingencies; one year's capitalized interest; and to pay the costs of issuance of the Bonds. The estimated costs outlined below have been provided by Bleyl Engineering, the District's consulting engineer (the "Engineer"), and reflect those costs approved by the TCEQ. Amounts indicated may not add due to rounding.

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

Construction Costs

Water Well No. 3 Construction	\$650,000
Install Electronic Meters	<u>185,000</u>
Subtotal Construction Costs	\$835,000
Contingencies	83,500
Engineering/Technical Services	<u>105,000</u>
Total Construction Costs	\$1,023,500

Non Construction Costs

Financial Advisor	\$21,875
Bond Counsel	48,500
Capitalized Interest (One year)	66,300
Contingency	2,450
TCEQ Fee (0.25%)	3,125
Discount (3.00%)	37,500
Attorney General Fee (0.10%)	1,250
Bond Application Report	18,750
Costs of Issuance	<u>26,750</u>
Total Non Construction Costs	<u>\$226,500</u>

The Bonds \$1,250,000

In the instance that approved estimated amounts exceed actual costs, the difference comprises a surplus which may be expended for uses approved by the TCEQ. In the instance that actual costs exceed previously approved estimated amounts and contingencies, additional TCEQ approval and the issuance of additional bonds may be required. The Engineer has advised the District that the proceeds of the sale of the Bonds should be sufficient to pay the costs of the above-described facilities; however, the District cannot and does not guarantee the sufficiency of such funds for such purposes.

Registration and Transfer

The Bonds will be transferable only on the bond register kept by the Paying Agent/Registrar upon surrender and reissuance. The Bonds are exchangeable for an equal aggregate principal of Bonds of the same maturity and of any authorized denomination upon surrender of the Bonds to be exchanged at the principal office of the Paying Agent/Registrar in Dallas, Texas. No service charge will be made for any registration, transfer or exchange of Bonds, but the District or the Paying Agent/Registrar may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith. Neither the District nor the Paying Agent/Registrar is required to issue, transfer or exchange any Bond during the period beginning at the opening of business on a Record Date and ending at the close of business on the next succeeding interest payment date or to transfer or exchange any Bond selected for redemption, in whole or in part, beginning 15 calendar days prior to the date of the first mailing of any notice of redemption and ending at the close of business on the date of such mailing, or to transfer or exchange any Bond called for redemption during the forty-five (45) day period prior to the date fixed for redemption of such Bond.

Mandatory Redemption

The Bonds maturing September 1, in each of the years 2046, 2051 and 2053 (the “Term Bonds”), are subject to mandatory redemption in part prior to maturity in the amounts (subject to redemption as described below) and on the dates set out below, at a price equal to the principal amount to be redeemed plus accrued interest to the redemption date:

<u>Redemption Date</u>	<u>Principal Amount</u>
<i>\$105,000 Term Bonds Due September 1, 2046</i>	
September 1, 2040	\$15,000
September 1, 2041	10,000
September 1, 2042	15,000
September 1, 2043	15,000
September 1, 2044	15,000
September 1, 2045	15,000
September 1, 2046 (maturity)	20,000
<i>\$250,000 Term Bonds Due September 1, 2051</i>	
September 1, 2047	\$25,000
September 1, 2048	25,000
September 1, 2049	25,000
September 1, 2050	30,000
September 1, 2051 (maturity)	145,000
<i>\$755,000 Term Bonds Due September 1, 2053</i>	
September 1, 2052	\$405,000
September 1, 2053 (maturity)	350,000

The particular Term Bonds to be mandatorily redeemed shall be selected by lot or other customary random selection method. The principal amount of the Term Bonds of a maturity required to be redeemed pursuant to the operation of such mandatory redemption requirements shall be reduced, at the option of and as determined by the District, by the principal amount of any Term Bonds of such maturity which, prior to the date of the mailing of the notice of such mandatory redemption, (1) shall have been acquired by the District and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the District, or

(3) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory redemption requirement.

Optional Redemption

The District reserves the right, at its option, to redeem the Bonds maturing on or after September 1, 2032, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof on September 1, 2031, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. If less than all of the Bonds of a maturity are to be redeemed, the Paying Agent/Registrar (or DTC if the Bonds are held in the Book-Entry-Only System) shall select by lot those Bonds to be redeemed.

At least thirty (30) days prior to the date fixed for any such redemption, notice of such redemption shall be given to the Registered Owner of each Bond or a portion thereof being called for redemption in the manner specified in the Bond Order; provided, however, that the failure to receive such notice shall not affect the validity or effectiveness of the proceedings for the redemption of any Bond. By the date fixed for any such redemption, due provisions shall be made with the Paying Agent/Registrar for the payment of the required redemption price for the Bonds or the portions thereof which are to be so redeemed, plus accrued interest to the date fixed for redemption. If a portion of any Bond shall be redeemed, a substitute Bond having the same maturity date, bearing interest at the same rate, in any integral multiple of \$5,000, and in an aggregate principal amount equal to the unredeemed position thereof, will be issued to the Registered Owner upon the surrender of the Bonds being redeemed, at the expense of the District, all as provided for in the Bond Order.

Book-Entry-Only System

This section describes how ownership of the Bonds are to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by DTC, while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District, the Financial Advisor and the Underwriter believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

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

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 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 Standard & Poor's rating of "AA+". The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through DTC Participants, which will receive a credit for such purchases on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct or Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interest 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 the 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 nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District 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 the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the District or Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent/Registrar or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or Paying Agent/Registrar, disbursement of such payments to Direct Participants shall 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 securities depository with respect to the Bonds at any time by giving reasonable notice to the District or Paying Agent/Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, Bonds 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, Bonds 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.

Ownership

The District, the Paying Agent/Registrar and any agent of either may treat the person in whose name any Bond is registered as the absolute owner of such Bond for the purpose of receiving payment of the principal and the interest thereon, and for all other purposes, whether or not such Bond is overdue. Neither the District, the Paying Agent/Registrar nor any agent of either shall be bound by any notice or knowledge to the contrary. All payments made to the person deemed to be the owner of any Bond in accordance with the Bond Order shall be valid and effective and shall discharge the liability of the District and the Paying Agent/Registrar for such Bond to the extent of the sums paid.

Source of and Security for Payment

The Bonds, together with the Outstanding Bonds (hereinafter defined) and any additional unlimited tax and/or unlimited tax and revenue bonds as may hereafter be issued, are payable as to principal and interest from the proceeds of a continuing, direct, annual ad valorem tax without legal limitation as to rate or amount, levied against all taxable property located within the District. In the Bond Order, the District covenants to levy annually a tax sufficient in amount to pay principal of and interest on the Bonds, full allowance being made for delinquencies and costs of collection. Collected taxes will be placed in the District's Debt Service fund and used solely to pay principal and interest on the Outstanding Bonds (hereinafter defined), the Bonds and on any additional bonds payable from taxes which may be issued.

Replacement of Paying Agent/Registrar

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

Authority for Issuance

The Bonds constitute the tenth installment of \$20,200,000 in unlimited tax and revenue bonds and unlimited tax bonds authorized in elections held within the District for that purpose in 1975 and 2014. \$10,695,000 authorized but unissued unlimited tax bonds will remain following the sale of the Bonds. See "Issuance of Additional Debt" below.

The Bonds are issued pursuant to the Bond Order, Chapters 49 and 54 of the Texas Water Code, as amended, and Article XVI, Section 59 of the Texas Constitution. Issuance of the Bonds has been further authorized by the TCEQ.

Outstanding Bonds

The District has previously issued \$1,395,000 Unlimited Tax and Revenue Bonds, Series 2016 (the "Series 2016 Bonds"); \$860,000 Unlimited Tax Refunding Bonds, Series 2017 (the "Series 2017 Bonds"); \$1,230,000 Unlimited Tax Bonds, Series 2018 (the "Series 2018 Bonds"); \$1,250,000 Unlimited Tax Bonds, Series 2020 (the "Series 2020 Bonds"); and \$2,065,000 Unlimited Tax Bonds, Series 2022 (the "Series 2022 Bonds"). As of September 1, 2025,

\$1,085,000 in aggregate principal amount of the Series 2016 Bonds, \$415,000 of the Series 2017 Bonds, \$1,000,000 of the Series 2018 Bonds, \$1,250,000 of the Series 2020 Bonds and \$2,065,000 of the Series 2022 Bonds remain outstanding (collectively, the “Outstanding Bonds”). The District has timely made payments due to date on its outstanding indebtedness.

Issuance of Additional Debt

The District may issue additional bonds to provide those improvements for which the District was created. Following issuance of the Bonds, an aggregate of \$10,695,000 principal amount of unlimited tax bonds will remain authorized but unissued. According to the District’s Engineer, the remaining authorized but unissued bonds may not be sufficient to extend the utility system to all of the undeveloped acres within the District.

Depending upon the rate of development and increases in assessed valuation of taxable property within the District and the amount, maturity schedule and time of issuance of such additional bonds, increases in the District’s annual tax rate may be required to provide for the payment of the principal of and interest on such additional bonds, the Outstanding Bonds and the Bonds. Additional tax bonds and/or tax and revenue bonds may be voted in the future. The Board is further empowered to borrow money for any lawful purpose and pledge the revenues of the wastewater system therefor and to issue bond anticipation notes and tax anticipation notes.

The Bond Order imposes no limitation on the amount of additional bonds which may be issued by the District. Any additional bonds issued by the District may be on a parity with the Bonds, and may dilute the security of the Bonds.

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 of (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 with 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.

There is no assurance that the current law will not be changed in a manner which would permit other investments to be made with amounts deposited to defease the Bonds. Because the Bond Order does not contractually limit such investments, Bondholders 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 currently permitted under Texas law.

Mutilated, Lost, Stolen or Destroyed Bonds

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

Annexation and Consolidation

All the property within the District is currently within the extraterritorial jurisdiction ("ETJ") of either the City of Willis, Texas or the City of Conroe, Texas (each, a "City" and together, the "Cities"). Under Texas law, when a utility district such as the District lies within the ETJ of two or more cities, any of such cities may annex that portion of the utility district lying within its ETJ without dissolving the utility district, subject to compliance with the applicable requirements of Chapter 43 of the Texas Local Government Code, which may include an election whereby the qualified voters of the area to be annexed approve the proposed annexation. At such time as each of the cities has annexed that portion of the utility district within its ETJ, the cities may, but are not required to, dissolve the utility district and distribute among them the assets and liabilities of the utility district. Such distribution must be done pro rata, based on the ratio that the value of property and other assets distributed bears to the total value of all the property and other assets of the utility district. The District has the right under current Texas law to select the City that may exercise extraterritorial authority within the District as a whole, and thereafter the District would be contained wholly in the ETJ of the City selected by the District. In that event, if the City selected by the District annexed the District, the District would be dissolved within 90 days after annexation and the City would assume the assets, functions and obligations of the District, including the Bonds. No representation is made concerning the likelihood of annexation by a City, or the ability of a City to make debt service payments should annexation and dissolution of the District occur.

The District has the right to consolidate with other districts and, in connection therewith, to provide for the consolidation of the District's water, wastewater and sewer system (the "System") with the water and sewer systems of the district or districts with which it is consolidating. Should any such consolidation occur, the net revenues from the operation of the consolidated system would be applied to the payment of principal, interest, redemption price and bank charges on the outstanding bonds of the District, if any, and of the district or districts with which the District is consolidated without prejudice to any series of bonds. However, bonds with subordinate liens on net revenues shall continue to be subordinate. No representations are made that the District will ever consolidate its utility system with other systems.

Strategic Partnership

The District is authorized to enter into a strategic partnership agreement with either or both Cities to provide the terms and conditions under which services would be provided and funded by the parties and under which the District would continue to exist for an extended period if the land within the District, or any portion thereof, were to be annexed for full or limited purposes by the either or both Cities. The terms of any such agreement would be determined by the City or Cities and the District, and could provide for limitations on the timing of annexation of the District by the City or Cities, the continuation of the District as a limited district following general purpose annexation by the City or Cities, the conversion of a limited purpose annexation to a general purpose annexation, or the payment of a fee in lieu of annexation to be derived from residential property within the District based on the costs of providing municipal services to the District. The Cities have negotiated and entered into strategic partnership agreements with several other districts in their extraterritorial jurisdiction, but such an agreement is not currently contemplated by the District. No representations can be made regarding the future likelihood of a strategic partnership agreement or the terms thereof.

Amendments to the Bond Order

The District may, without the consent of or notice to any Registered Owners, amend the Bond Order in any manner not detrimental to the interests of the Registered Owners, including the curing of any ambiguity, inconsistency or formal defect or omission therein. In addition, the District may, with the written consent of the Registered Owners of a majority

in aggregate principal amount of the Bonds then outstanding affected thereby, amend, add to or rescind any of the provisions of the Bond Order; provided that, without the consent of the Registered Owners of all of the Bonds affected, no such amendment, addition or rescission may (a) extend the time or times of payment of the principal of and interest (or accrual of interest) on the Bonds, or reduce the principal amount thereof or the rate of interest thereon or in any other way modify the terms of payment of the principal of or interest on the Bonds, (b) give preference of any Bond over any other Bond, or (c) extend any waiver of default to subsequent defaults. In addition, a state, consistent with federal law, may in the exercise of its police power make such modifications in the terms and conditions of contractual covenants relating to the payment of indebtedness of a political subdivision as are reasonable and necessary for attainment of an important public purpose.

Remedies in Event of Default

Other than a writ of mandamus, the Bond Order does not provide a specific remedy for a default. Even if a Registered Owner could presumably obtain a judgment against the District for a default in the payment of principal or interest, such judgment could not be satisfied by execution against any property of the District. If the District defaults, a Registered Owner could petition for a writ of mandamus issued by a court of competent jurisdiction compelling and requiring the District and the District's officials to observe and perform the covenants, obligations or conditions prescribed in the Bond Order. Such remedy might need to be enforced on a periodic basis. The enforcement of a claim for payment on the Bonds would be subject to the applicable provisions of the federal bankruptcy laws, any other similar laws affecting the rights of creditors of political subdivisions, and general principals of equity. Certain traditional legal remedies also may not be available. See “RISK FACTORS—Registered Owners' Remedies and Bankruptcy Limitations.”

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

No representation is made that the Bonds will be suitable for or acceptable to financial or public entities for investment or collateral purposes. No representation is made concerning other laws, rules, regulations, or investment criteria which 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.

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company (“BAM”) will issue its Municipal Bond Insurance Policy for the Bonds (the “Policy”). The Policy guarantees the scheduled payment of

principal of and interest on the Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

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

Build America Mutual Assurance Company

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

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.bambonds.com.

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

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

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of June 30, 2025 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$503.3 million, \$258.1 million and \$245.2 million, respectively.

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

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

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

Additional Information Available from BAM

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

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

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

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

THE DISTRICT

Authority

The District is a municipal utility district created by an order of the predecessor to the TCEQ, the Texas Water Rights Commission, effective November 7, 1974. The District is vested with all of the rights, privileges, authority, and functions conferred by the general laws of the State applicable to municipal utility districts, including without limitation those conferred by Chapters 49 and 54, Texas Water Code, as amended. The District is empowered to purchase, construct, operate, acquire, own, and maintain all water and wastewater facilities, improvements and the control and diversion of storm water. The District is additionally empowered to provide parks and recreational facilities, to establish, operate and maintain a fire department, independently or with one or more other conservation and reclamation districts, and to issue bonds for such purposes, after approval by the Cities, the TCEQ and the District's voters of the District's plans in such regard. The District is further empowered to provide for solid waste disposal services. The District is subject to the continuing supervisory jurisdiction of the TCEQ.

When the District was created, it was not within the ETJ of either City and is not presently subject to requirements of the Cities which limit the purposes for which the District may sell bonds for the acquisition, construction and improvements of waterworks, wastewater, drainage and recreational facilities and the refunding of outstanding debt obligations and limit the net effective interest rate on such bonds and other terms of such bonds. The Cities may require approval by a City of plans for construction of District facilities within that City's extraterritorial jurisdiction and State law permits connections only to lots and reserves described in a plat that has been approved by the Planning and Zoning Commission of a City if the lots and reserves described in the plat are located in that City's extraterritorial jurisdiction, and filed in the real property records of Montgomery County.

Management of the District

The District is governed by the Board, consisting of five directors, which has management control and management supervision over all affairs of the District. All Board members reside within the District. Directors are elected to serve four-year staggered terms. Elections are held within the District in May of each even-numbered year. The current members and officers of the Board are as follows:

<u><i>Name</i></u>	<u><i>Title</i></u>	<u><i>Term Expires</i></u>
Gretchal L. Woodruff	President	2028
Ed McKeon	Vice President	2026
Sandra D. Russell	Secretary	2026
Conrad Dean Greenway	Assistant Secretary	2028
Al Spell	Director	2026

In addition, the District contracts for the services indicated below:

Bookkeeper - The District contracts with Myrtle Cruz, Inc., Houston, Texas, for bookkeeping services.

Operations - The District contracts with Aqua Management, Willis, Texas, for management service and operations of the water and sewer system.

Auditor - The District's audited financial statements for the year ended July 31, 2024, included as "APPENDIX A," herein, were prepared by Mark C. Eyring, CPA, PLLC, Stafford, Texas.

Bond Counsel - The District employs Young & Brooks, Houston, Texas, as Bond Counsel in connection with the issuance of the Bonds. The legal fees to be paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of Bonds actually issued and sold; and therefore, such fees are contingent on the sale and delivery of the Bonds. Young & Brooks also serves as General Counsel to the District on matters other than the issuance of bonds. See "LEGAL MATTERS."

Disclosure Counsel – The District has engaged Orrick, Herrington & Sutcliffe LLP, Houston, Texas, as Disclosure Counsel in connection with the issuance of the Bonds. The legal fees to be paid to Disclosure Counsel for services rendered in connection with the issuance of the Bonds are contingent on the sale and delivery of the Bonds.

Financial Advisor - The District's financial advisor is Blitch Associates, Inc., Houston, Texas.

Engineer - The consulting engineer for the District is Bleyl Engineering, Houston, Texas.

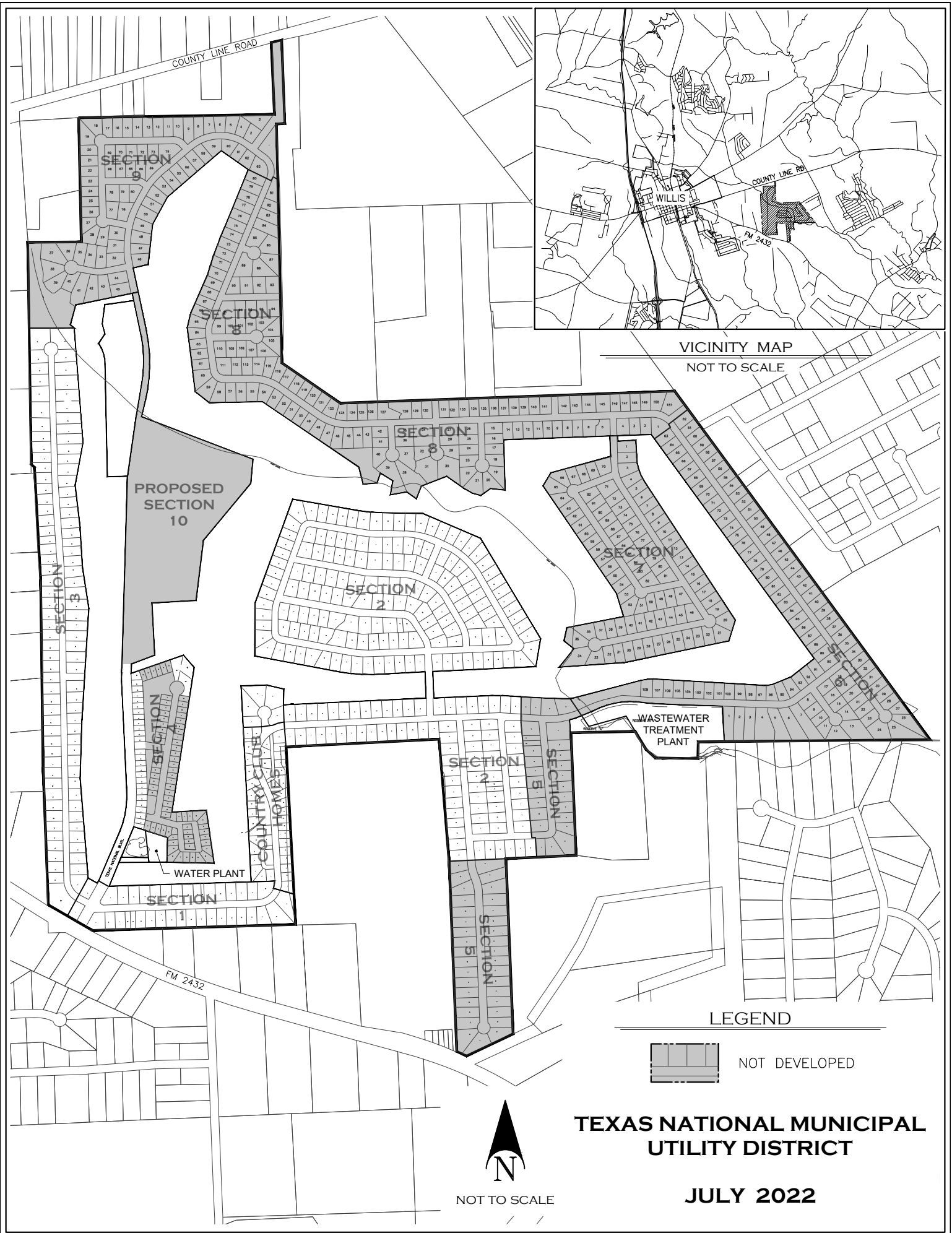
Tax Assessor/Collector - The District's Tax Assessor/Collector is Tammie McRae, Montgomery County Tax Collector.

Description of the District

The District is located in Montgomery County east of Interstate Highway 45. Located approximately 2 miles southeast of the City of Willis, Texas and approximately 8 miles north of the City of Conroe, Texas, the District is bounded on the north by County Line Road and on the south by F.M. 2432, west of Rose Road, and lies entirely within the extraterritorial jurisdiction of the Cities. Created with approximately 488.050 acres, there have been no subsequent exclusions or annexations. The District is located primarily in Willis Independent School District, with a small portion located within Conroe Independent School District.

Status and History of Development

As of August 1, 2025, there were 350 single family connections to the District's water, wastewater and storm drainage system (the "System"). Another 21.4 acres projected for 124 homes in Sections 4 and 5, have not been developed. In addition, the 143.577 acres previously comprising the Texas National Golf Course are proposed for additional single-family development, although 64.017 acres of the Golf Course are within the flood plain. A total of 138.961 acres within the District are within the flood plain. There is no active developer within the District.



Photographs Taken in the District (August 2025)







DISTRICT DEBT

Outstanding Indebtedness

The District currently has outstanding the following five bond issues:

<u><i>Bond Issue</i></u>	<u><i>Original Issue</i></u>	<u><i>Outstanding At 9/1/2025</i></u>
Unlimited Tax and Revenue Bonds, Series 2016	\$1,395,000	\$1,085,000
Unlimited Tax Refunding Bonds, Series 2017	860,000	415,000
Unlimited Tax Bonds, Series 2018	1,230,000	1,000,000
Unlimited Tax Bonds, Series 2020	1,250,000	1,250,000
Unlimited Tax Bonds, Series 2022	2,065,000	<u>2,065,000</u>
Total		<u><u>\$5,815,000</u></u>

Debt Statement

2025 Taxable Assessed Valuation (100% of Market Value)	\$76,795,561	(a)
Direct Debt		
Outstanding Bonds (As of September 1, 2025)	\$5,815,000	
The Bonds	<u>1,250,000</u>	
Total Direct Debt	\$7,065,000	
Estimated Overlapping Debt	<u>4,162,772</u>	(b)
Direct and Estimated Overlapping Debt	<u><u>\$11,227,772</u></u>	
Direct Debt Ratios:		
Direct Debt to Value	9.20%	
Direct & Estimated Overlapping Debt to Value	14.62%	
Average Annual Debt Service Requirements (2026/53)	\$438,186	(c)
Maximum Annual Debt Service Requirements (2027)	\$444,610	(c)
Fund Balances as of September 2, 2025 (Cash & Investments)		
General Operating Fund	\$967,528	
Debt Service Fund	\$615,739	
Construction Fund	\$1,494,013	

(a) Certified by the Appraisal District; represents the taxable assessed valuation of taxable property as of January 1, 2025. See "TAX PROCEDURES."

(b) See "Estimated Overlapping Debt" below.

(c) Such requirements are on the Bonds and the Outstanding Bonds (defined herein).

Estimated Overlapping Debt

The following table indicates the indebtedness, defined as outstanding bonds 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. This information is based upon data secured from the individual jurisdiction and/or the Texas Municipal Reports. Such figures do not indicate the tax burden levied by the applicable taxing jurisdictions for operation and maintenance or for other purposes. See "TAX DATA--Estimated Overlapping Taxes."

<u><i>Jurisdiction</i></u>	<u><i>Debt As Of September 1, 2025</i></u>	<u><i>Overlapping Percent</i></u>	<u><i>Overlapping Amount</i></u>
Conroe Independent School District	\$1,616,515,000	0.011%	\$174,584
Lone Star College District	643,940,000	0.022%	141,667
Montgomery County	464,200,000	0.072%	334,224
Willis Independent School District	372,460,000	0.943%	<u>3,512,298</u>
Estimated Overlapping Debt			\$4,162,772
The District (includes the Bonds)			<u>7,065,000</u>
Total Direct & Estimated Overlapping Debt			<u><u>\$11,227,772</u></u>

Historical Operations of the Debt Service Fund

The following statement sets forth in condensed form the historical operations of the District's Debt Service Fund. Such information has been prepared based upon information obtained from the District's audited financial statements. Reference is made to such statements for further and complete information. See "APPENDIX A--Financial Statements of the District."

	<i><u>Fiscal Years Ended July 31,</u></i>				
	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Revenues					
Property Taxes	\$346,038	\$342,563	\$270,269	\$278,447	\$271,945
Penalty & Interest	7,036	4,978	4,422	20,208	5,894
Investment Earnings	<u>29,469</u>	<u>21,835</u>	<u>1,048</u>	<u>228</u>	<u>711</u>
Total Revenues	\$382,543	\$369,376	\$275,739	\$298,883	\$278,550
Expenditures					
Principal	\$130,000	\$125,000	\$125,000	\$120,000	\$115,000
Interest	240,633	194,234	148,483	154,936	115,753
Costs of Collection	<u>8,405</u>	<u>6,417</u>	<u>5,924</u>	<u>13,340</u>	<u>6,200</u>
Total Expenditures	<u>\$379,038</u>	<u>\$325,651</u>	<u>\$279,407</u>	<u>\$288,276</u>	<u>\$236,953</u>
Net Revenues (Expenditures)	\$3,505	\$43,725	(\$3,668)	\$10,607	\$41,597
Fund Balance - August 1	\$349,189	\$401,336	\$405,004	\$394,397	\$350,036
Refunding Bond Expense	0	196,750	0	0	0
Acc'd Interest--Bond Sale	<u>0</u>	<u>7,378</u>	<u>0</u>	<u>0</u>	<u>2,764</u>
Fund Balance - July 31	<u>\$652,694</u>	<u>\$649,189</u>	<u>\$401,336</u>	<u>\$405,004</u>	<u>\$394,397</u>
Cash/Investments - July 31	<u>\$653,578</u>	<u>\$676,388</u>	<u>\$676,388</u>	<u>\$415,405</u>	<u>\$407,408</u>

Debt Service Schedule

The following sets forth the actual debt service requirements on the District's Outstanding Bonds and the Bonds:

<u>Year</u>	<u>Outstanding Debt Service</u>	<u>The Bonds Principal</u>	<u>The Bonds Interest</u>	<u>The Bonds Total D/S</u>	<u>Grand Total Debt Service</u>
2025	\$371,737				\$371,737
2026	367,583		\$60,775	\$60,775	428,358
2027	368,310	\$10,000	66,300	76,300	444,610
2028	368,816	10,000	65,400	75,400	444,216
2029	369,009	10,000	64,500	74,500	443,509
2030	368,840	10,000	63,600	73,600	442,440
2031	368,278	10,000	62,700	72,700	440,978
2032	367,556	15,000	61,800	76,800	444,356
2033	371,685	10,000	60,450	70,450	442,135
2034	369,745	10,000	59,550	69,550	439,295
2035	372,625	10,000	58,650	68,650	441,275
2036	370,125	10,000	57,750	67,750	437,875
2037	372,358	10,000	57,250	67,250	439,608
2038	374,198	10,000	56,750	66,750	440,948
2039	370,645	15,000	56,250	71,250	441,895
2040	371,645	15,000	55,500	70,500	442,145
2041	374,595	10,000	54,750	64,750	439,345
2042	372,245	15,000	54,250	69,250	441,495
2043	369,495	15,000	53,500	68,500	437,995
2044	371,590	15,000	52,750	67,750	439,340
2045	373,375	15,000	52,000	67,000	440,375
2046	370,313	20,000	51,250	71,250	441,563
2047	366,775	25,000	50,250	75,250	442,025
2048	367,763	25,000	49,000	74,000	441,763
2049	368,038	25,000	47,750	72,750	440,788
2050	362,600	30,000	46,500	76,500	439,100
2051	251,520	145,000	45,000	190,000	441,520
2052	0	405,000	37,750	442,750	442,750
2053	0	350,000	17,500	367,500	367,500
	<u>\$9,871,459</u>	<u>\$1,250,000</u>	<u>\$1,519,475</u>	<u>\$2,769,475</u>	<u>\$12,640,934</u>

Combined Average Annual Debt Service (2026/2053)

\$ 438,186

Combined Maximum Annual Debt Service (2027)

\$ 444,610

Note: Totals may not add due to rounding.

TAX PROCEDURES

Authority To Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in sufficient amount to pay the principal of and interest on the District's Outstanding Bonds, the Bonds and any additional bonds payable from taxes which the District may hereafter issue, and to pay the expenses of assessing and collecting such taxes. The Board is also authorized to levy and collect annual ad valorem taxes for the administration, operation and maintenance of the District and its properties and for the payment of certain contractual obligations other than bonds if such taxes are authorized by vote of the District's electors at an election. At an election held within the District on January 21, 1995, the voters in the District authorized the levy of a maintenance and operation tax of not to exceed \$0.75 per \$100 assessed valuation. For the 2025 tax year, a maintenance and operation tax of \$0.4911 per \$100 assessed value was levied within the District.

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes, and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District; however, no effort is expected to be made to levy taxes against tangible or intangible personal property not devoted to commercial or industrial use. Principal categories of exempt real 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; non-profit cemeteries; certain household goods, family supplies and personal effects; and certain property owned by qualified charitable, religious, veterans, youth, fraternal, or educational organizations. Goods, wares, ores, and merchandise (other than oil, gas or petroleum products) that are acquired in or imported into the state and forwarded out of state within 175 days thereafter are also exempt. Property owned by a disabled veteran or by the spouse or certain children of a deceased disabled veteran or a veteran who died while on active duty is exempt to between \$5,000 and \$12,000 depending on the disability rating of the veteran. State law further mandates a complete exemption for the residential homestead of disabled veterans determined to be 100% disabled by the U.S. Department of Veterans Affairs. 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 such exemption on the same property to which the disabled veteran's exemption applied, including, effective January 1, 2016, the surviving spouse of a disabled veteran who would have qualified for such an exemption if such an exemption had been in effect on the date the disabled veteran died. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

The surviving spouse of a first responder who is killed or fatally injured in the line of duty is entitled to an exemption of the total appraised value of the surviving spouse's residence homestead if the surviving spouse has not remarried since the first responder's death, and said property was the first responder's residence homestead at the time of death. Such exemption would be transferred to a subsequent residence homestead of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

If approved by the Board or through a process of petition and referendum by the District's voters, residence homesteads of certain persons who are disabled or at least 65 years old are exempt to the extent of \$3,000 or such higher amount, as the Board or the District's voters may approve. The District's tax assessor is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax-supported debt incurred prior to adoption of the exemption by the District. The District currently grants a homestead exemption of \$25,000 to persons who are 65 years of age or older and to disabled homestead owners.

Residential Homestead Exemptions: The Board also may exempt up to 20% of the market value of residential homesteads from ad valorem taxation. Such exemption would be in addition to any other applicable exemptions provided by law. However, if ad valorem taxes have previously been pledged for the payment of debt and the granting of the homestead exemption would impair the obligation or the contract by which the debt was created, then the Board may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged. The Board currently grants a 20% homestead exemption.

Freeport Goods Exemption: Freeport goods are goods, wares, merchandise, other tangible personal property and ores, other than oil, natural gas and other petroleum products, which have been acquired or brought into the state for assembling, storing, manufacturing, repair, maintenance, processing or fabricating or used to repair or maintain aircraft of a certified air carrier and will be shipped out of the state within 175 days. As the result of a state constitutional amendment passed by Texas voters on November 7, 1989, good in transit (“freeport goods”) are exempted from taxation by the District effective January 1, 1990.

Goods-In-Transit Exemption: Article VIII, Section 1-n of the Texas Constitution provides for the exemption from taxation of “goods-in-transit.” “Goods-in-transit” is defined by a provision of the Property Tax Code, which is effective for tax year 2011 and prior applicable years, as personal property acquired or imported into Texas and transported to another location in the State or outside of the State within 175 days of the date the property was acquired or imported into Texas. The exemption excludes oil, natural gas, petroleum products, aircraft and special inventory, including motor vehicle, vessel and out-board motor, heavy equipment and manufactured housing inventory. For tax year 2012 and subsequent years, such Goods-In-Transit Exemption is limited to tangible personal property 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 Property Tax Code provision permits local governmental entities, on a local option basis, to take official action by January 1 of the year preceding a tax year, after holding a public hearing, to tax goods-in-transit during the following tax year. A taxpayer may receive only one of the Freeport exemptions or the goods-in-transit exemptions for items of personal property. The District has taken official action to not provide such exemptions.

Reinvestment Zone: Montgomery County may designate all or part of the area within the District as a reinvestment zone, and the District, Montgomery County and Willis Independent School District may thereafter enter into tax abatement agreements with owners of real property within the zone. The tax abatement agreements may exempt from ad valorem taxation by the applicable taxing jurisdiction, for a period of up to 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. None of the area within the District has been designated as a reinvestment zone to date.

Valuation of Property for Taxation

The Texas Property Tax Code (the “Property Tax Code”) establishes an appraisal district and an appraisal review board in each county of the State of Texas. The appraisal district is governed by a board of directors which is elected by the governing bodies of cities, towns, the county, school districts and, if entitled to vote, the conservation and reclamation districts that participate in the appraisal district, and of the county. The board of directors selects a chief appraiser to manage the appraisal office of the appraisal district. The Appraisal Districts are responsible for appraising property within the District, subject to review by the their respective Appraisal Review Boards (the “Appraisal Review Boards”). The appraisal roll approved by the Appraisal Review Boards must be used by the District in establishing its tax rolls and tax rate. The valuation and assessment of taxable property within the District is governed by the Property Tax Code.

During the 2nd Special Session, convened on June 27, 2023, the Texas Legislature passed Senate Bill 2 (“SB 2”), which, among other things, includes provisions that prohibit an appraisal district from increasing the appraised value of real property during the 2024 tax year on non-homestead properties (the “Subjected Property”) whose appraised values are not more than \$5,000,000 (the “Maximum Property Value”) to an amount that exceeds the lesser of: (1) the market value of the Subjected Property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20 percent of the appraised value of the Subjected Property for the preceding tax year; (b) the

appraised value of the Subjected Property for the preceding tax year; and (c) the market value of all new improvements to the Subjected Property. After the 2024 tax year, through December 31, 2026, the Appraisal Cap may be increased or decreased by the product of the preceding state fiscal year's increase or decrease in consumer price index, as applicable, to the Maximum Property Value. SB 2 was signed into law by the Governor of Texas (the "Governor") on July 22, 2023. The provisions described hereinabove took effect January 1, 2024, after the constitutional amendment proposed by H.J.R. 2, 88th Legislature, 2nd Called Session, 2023, was approved by voters at an election held on November 7, 2023.

District and Taxpayer Remedies

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

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

Assessment and Levy

Generally, all taxable property in the District (other than any qualifying agricultural or timber land) must be appraised at 100% of market value as of January 1 of each tax year, subject to review and approval by the Appraisal Review Board. However, houses held for sale by a developer or builder which remain unoccupied, are not leased or rented, and produce no income are required to be assessed at the price for which they would sell as a unit to a purchaser who would continue the owner's business. Valuation of houses at inventory level in future years could reduce the assessed value of developer and builder house inventory within the District. Certain land may be appraised at less than market value under the Property Tax Code. Upon application of a landowner, land which qualifies as "open-space land" is appraised based on the category of land, agriculture and hunting or recreational leases. Once an appraisal roll is prepared and approved by the Appraisal Review Boards it is used by the District in establishing its tax rate.

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

The chief appraiser must give written notice to each owner if the appraised value of their property is greater than it was in the preceding year, if the appraised value of the property is greater than the value rendered by the property owner, or if the property was not on the appraisal roll in the preceding year. In addition, the chief appraiser must give written notice to each property owner whose property was reappraised in the current year or if ownership of the property changed during the preceding year. The Appraisal Review Board has the ultimate responsibility for determining the value of all taxable property within the District; however, any owner who has timely filed notice with the appropriate Appraisal Review Boards may appeal the final determination by the Appraisal Review Board by filing suit in Texas district court. Prior to such appeal and prior to the delinquency date, however, the owner must pay the tax due on the amount of value of the property involved that is not in dispute or the amount of tax paid in the prior year, whichever is greater, or the amount of tax due under the order from which the appeal is taken. In the event of such suit, the value of the property is determined by the court, or a jury if requested by any party. Additionally, the District is entitled to challenge certain matters before the Appraisal Review Board, including the level of appraisals of a certain category of property, the exclusion of property from the appraisal records, or the grant in whole or in part of a partial exemption. The District may not, however, protest a valuation of individual property.

The rate of taxation is set by the Board of the District based upon the valuation of property within the District as of the preceding January 1 and based upon the amount required to be raised for debt service, maintenance purposes and authorized contractual obligations.

The District is responsible for the levy and collection of its taxes and will continue to do so unless the Board or the qualified voters of the District at an election held for such purpose determines to transfer such functions to the Appraisal District or another taxing unit.

Collection

Taxes are due on receipt of the tax bill and become delinquent after January 31 of the following year. However, a person over 65 years of age is entitled by law to pay current taxes on his residence homestead in installments or to defer taxes without penalty during the time he owns and occupies the property as his residence homestead. The date of the delinquency of a tax bill may be postponed if the tax bill is mailed after January 10. Delinquent taxes are subject to a six percent (6%) penalty for the first month of delinquency, one percent (1%) for each month thereafter to June 30 and twelve percent (12%) total if any taxes are unpaid on July 1. Delinquent taxes also accrue interest at the rate of one percent (1%) per month during the period they remain outstanding. In addition, if the District engages an attorney for collection of delinquent taxes, the Board may impose a further penalty not to exceed twenty percent (20%) on all taxes, penalty and interest unpaid on July 1.

Taxes levied by the District are a personal obligation of the person who owns or acquires the property on January 1 of the year for which the tax is imposed. The District has a statutory lien for unpaid taxes on real property against which the taxes are assessed. In the event a taxpayer fails to make timely payment of taxes due the District, the District may file suit to foreclose its lien securing payment of the tax, to enforce personal liability for the tax, or both. The District's tax lien is on a parity with the tax liens of the other state and local jurisdictions levying taxes on property within the District. Whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. In the absence of such federal law, the District's tax lien takes priority over a lien of the United States. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other federal, state and local taxing jurisdictions, by effects of the foreclosure sale price attributable to market conditions, by taxpayer redemption rights, or by bankruptcy proceedings which restrain the collection of a taxpayer's debts.

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

Rollback of Operation and Maintenance Tax Rate

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

Special Taxing Units

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

Developed Districts

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

Developing Districts

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

The District

A determination as to a district's status as a Special Taxing Unit, Developed District, or Developing District will be made on an annual basis. The Board determined the District to be a "Developing District" for purposes of setting the 2025 tax rate. 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 rollback election calculation.

District's Rights in the Event of Tax Delinquencies

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

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights or by bankruptcy proceedings which restrict the collection of taxpayer debts. A taxpayer may redeem property within two years for residential and agricultural property and six months for commercial property and all other types of property after the purchaser's deed at the foreclosure sale is filed in the county records.

Tax Exemption for Property Damaged by Disaster

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.

Tax Payment Installments after Disaster

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

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

The Effect of FIRREA on Tax Collections of the District

The Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("FIRREA") contains certain provisions which affect the time for protesting property valuations, the fixing of tax liens and the collection of penalties and interest on delinquent taxes on real property owned by the Federal Deposit Insurance Corporation ("FDIC") when the FDIC is acting as the conservator or receiver of an insolvent financial institution.

Under FIRREA, real property held by the FDIC is still subject to ad valorem taxation, but such act states (i) that no real property of the FDIC shall be subject to foreclosure or sale without the consent of the FDIC and no involuntary liens shall attach to such property, (ii) the FDIC shall not be liable for any penalties, interest, or fines, including those arising from the failure to pay any real or personal property tax when due, and (iii) notwithstanding failure of a person to challenge an appraisal in accordance with state law, such value shall be determined as of the period for which such tax is imposed.

To the extent that the FDIC attempts to enforce the same, these provisions may affect the timeliness of collection of taxes on property, if any, owned by the FDIC in the District and may prevent the collection of penalties and interest on such taxes or may affect the valuation of such property.

TAX DATA

General

All taxable property within the District is subject to the assessment, levy and collection by the District of a continuing, direct annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Outstanding Bonds, the Bonds, and any future tax-supported bonds which may be issued from time to time as may be authorized. Taxes are levied by the District each year against the District's assessed valuation as of January 1 of that year. Taxes become due October 1 of such year, or when billed, and become delinquent after January 31 of the following year. The Board covenants in the Bond Order to assess and levy for each year that all or any part of the Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay the principal and interest on the Bonds when due. The actual rate of such tax will be determined from year to year as a function of the District's tax base, its debt service requirements and available funds.

Tax Collection History

The following table indicates the collection history for taxes assessed by the District:

<u><i>Tax Year</i></u>	<u><i>Taxable Valuation</i></u>	<u><i>D/S Rate</i></u>	<u><i>M&O Rate</i></u>	<u><i>Total Rate</i></u>	<u><i>Tax Levy</i></u>	<u><i>Percent Current</i></u>	<u><i>Percent Total</i></u>	<u><i>Yr End Sep 30</i></u>
2012	\$22,566,826	\$0.3459	\$0.7364	\$1.0823	\$244,240	98.37%	100.62%	2013
2013	20,670,945	0.3830	0.7500	1.1330	234,202	98.91%	100.95%	2014
2014	23,272,971	0.3865	0.7465	1.1330	263,683	98.81%	99.72%	2015
2015	26,820,560	0.3932	0.7398	1.1330	303,876	99.45%	100.58%	2016
2016	33,430,466	0.4686	0.6644	1.1330	378,767	98.67%	98.74%	2017
2017	39,202,740	0.4816	0.6514	1.1330	444,167	98.17%	98.17%	2018
2018	40,686,884	0.5650	0.5680	1.1330	461,486	98.29%	98.49%	2019
2019	44,094,076	0.6300	0.5030	1.1330	498,589	98.06%	98.11%	2020
2020	46,817,586	0.5837	0.5159	1.0996	514,992	97.98%	102.33%	2021
2021	49,147,155	0.5530	0.5458	1.0988	540,719	98.56%	99.30%	2022
2022	59,218,915	0.5900	0.4769	1.0669	631,111	97.72%	98.23%	2023
2023	71,441,219	0.4900	0.4687	0.9587	684,907	97.98%	98.83%	2024
2024	73,679,329	0.4800	0.4876	0.9676	709,352	95.95%	98.38%	2025 (a)
2025	76,795,561	0.5350	0.4911	1.0261				

(a) Collections through 6/30/2025 only.

Principal Taxpayers

<i><u>Name of Taxpayer</u></i>	<i><u>Type of Property</u></i>	<i><u>2025 Ass'd Value</u></i>	<i><u>% Total 2025 AV</u></i>	<i><u>2024 Ass'd Value</u></i>	<i><u>% Total 2024 AV</u></i>
Nolley Lake Properties LLC	Land	1,452,578	1.89%	1,448,145	1.97%
Homeowner	Residence	715,912	0.93%	537,900	0.73%
DBC Revocable Trust	Residence	708,686	0.92%	474,140	0.64%
K 4 Trust	Residence	608,686	0.79%	590,899	0.80%
Entergy Texas Inc.	Utility	588,000	0.77%	532,180	0.72%
Lerr Investments LLC	Homes	543,323	0.71%	517,853	0.70%
Progress Residential Borrower	Homes	521,000	0.68%	517,966	0.70%
Homeowner	Residence	431,080	0.58%	424,554	0.58%
Homeowner	Residence	424,514	0.55%	428,198	0.58%
Homeowner	Residence	364,790	0.48%	(a)	
Homeowner	Residence	(a)		507,923	0.69%
		<u>\$6,357,906</u>	<u>8.28%</u>	<u>\$5,979,758</u>	<u>8.12%</u>

(a) Not among the top ten in this year.

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of assessed valuation which would be required to meet certain debt service requirements if no growth in the District's tax base occurs beyond the 2025 Taxable Value (\$76,795,561). The calculations assume collection of 98% of taxes levied and the sale of no additional bonds (other than the Bonds) by the District.

Combined Average Annual Debt Service Requirements (2026-2053)	\$438,186
Tax Rate of \$0.583 on the 2025 Taxable Value produces	\$438,764
Combined Maximum Annual Debt Service Requirements (2027)	\$444,610
Tax Rate of \$0.591 on the 2025 Taxable Value produces	\$444,785

Analysis of Tax Base

Based on information provided to the District by its Tax Assessor/Collector, the following represents the composition of property comprising the 2025 and 2024 tax roll valuations:

	<u>2025</u> <u>Amount</u>	<u>2025</u> <u>Percent</u>	<u>2024</u> <u>Amount</u>	<u>2024</u> <u>Percent</u>
Land	\$20,823,519	20.22%	\$11,456,426	11.81%
Improvements	80,818,979	78.48%	84,669,247	87.31%
Personal	<u>1,335,954</u>	1.30%	<u>853,184</u>	0.88%
Total Appraised Value	\$102,978,452		\$96,978,857	
Less:				
20% Homestead	(\$14,589,913)		(\$13,441,379)	
Homestead Cap Adjust	(2,310,227)		(2,183,242)	
Over 65/Disabled	(2,687,500)		(2,328,500)	
Total Exempt	(434,395)		(446,880)	
Other Exemptions	<u>(6,160,856)</u>		<u>(4,643,461)</u>	
Total Exemptions	<u>(\$26,182,891)</u>		<u>(\$23,043,462)</u>	
Taxable Ass'd Value	<u>\$76,795,561</u>		<u>\$73,935,395</u>	

Estimated Overlapping Taxes

Property within the District is subject to taxation by several taxing authorities in addition to the District. Under Texas law, a tax lien attaches to property to secure the payment of all taxes, penalty, and interest for the year, on January 1 of that year. The tax lien on property in favor of the District is on a parity with tax liens of other taxing jurisdictions. In addition to ad valorem taxes required to make debt service payments on bonded debt of the District and of such other jurisdictions, certain taxing jurisdictions are authorized by Texas law to assess, levy, and collect ad valorem taxes for operation, maintenance, administrative, and/or general revenue purposes.

<u>Taxing Entities</u>	<u>2024</u>
Lone Star College System	\$0.1076
Montgomery County	0.3790
Montgomery County Emergency Services District No. 1	0.1000
Montgomery County Hospital District	0.0497
Willis Independent School District (a)	<u>1.0349</u>
Overlapping Taxes	\$1.6712
The District (b)	<u>0.9676</u>
Total Direct & Overlapping Taxes	<u>\$2.6388</u>

(a) A small portion of the District is located within the Conroe Independent School District, with a tax rate of \$0.9496 for 2024. Property within that portion of the District would pay a total direct and overlapping tax rate of \$2.5535.

(b) The District's 2025 tax rate is \$1.0261.

THE SYSTEM

Regulation

The District's water, wastewater and storm drainage system (the "System") has been designed in conformance with accepted engineering practices and the requirements of certain governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities including, among others, the TCEQ and the Montgomery County Engineering Department. During construction, facilities are subject to inspection by the District's Engineer and the foregoing governmental agencies.

Operation of the District's System is subject to regulation by, among others, the United States Environmental Protection Agency and the TCEQ. In many cases, regulations promulgated by these agencies have become effective only recently and are subject to further development and revision.

Description of the System

According to the District's Engineer, the total number of connections projected for the District at full development of approximately 488 acres is 728 equivalent connections to serve the projected population of approximately 2,200 persons. Water and wastewater lines as well as storm sewers have been extended to serve all of the existing lots within Texas National, Sections One through Three and a portion of Sections Four and Five. A description of the primary components of the System follows and is based upon information supplied by the Engineer based in part on drawings and data furnished by others.

-Water Supply and Distribution-

The District's water supply is provided by two wells currently producing approximately 553 gallons per minute ("gpm"), a 125,000 and a 66,000 gallon ground storage tanks, three booster pumps, two 10,000 gallon pressure tanks, chlorination equipment, and related appurtenances. The District's water supply and distribution facilities should be sufficient to serve 580 equivalent single family connections ("ESFC") following the improvements financed by the Bonds. There are currently 260 ESFCs to the District's water system. The Bonds provide funds for Water Well No. 3.

-Wastewater Collection and Treatment-

The District's wastewater is being treated at a 75,000 gallons per day ("gpd") wastewater treatment plant owned by the District located within the boundaries of the District. Upon completion of the rehabilitation or replacement of an older 75,000 gpd plant, the District will be capable of serving approximately 600 ESFCs utilizing both plants. According to the Engineer, current projections for full development of the District would require further expansion of the wastewater treatment plant to an ultimate capacity of 225,000 gpd.

-Storm Drainage-

The storm sewer lines outfall into Camp Creek, which has capacity to provide limited outfall drainage to serve all of the developed lots within the District.

According to the National Flood Insurance Program Flood Insurance Rate Maps 48339C0240G and 48339C0250G dated August 18, 2014, approximately 138.961 acres within the District are in the 100-year flood plain.

Rate Order

The District's utility rate order, dated August 23, 2023, subject to change from time to time by Board, is summarized in part below:

-Water Rates-

Residential and Commercial

First 3,000 gallons	\$24.00 minimum
Next 4,000 gallons	\$1.65/1,000 gallons
Next 3,000 gallons	\$2.20/1,000 gallons
Next 5,000 gallons	\$2.75/1,000 gallons
Next 15,000 gallons	\$3.30/1,000 gallons
Over 30,000 gallons	\$4.40/1,000 gallons

-Sewer Rates-

First 3,000 gallons	\$30.00 minimum
Next 4,000 gallons	\$2.20/1,000 gallons
Next 3,000 gallons	\$3.30/1,000 gallons
Over 10,000 gallons	\$50.00 Flat Rate

In addition, the District adds a charge equal to 115% of the pumpage fee charged by the San Jacinto River Authority, \$2.67 per 1,000 gallons, effective September 1, 2024. A fee of \$0.085 per 1,000 gallons is also charged by the Lone Star Groundwater Conservation District.

Historical Operations of the General Operating Fund

The following statement sets forth in condensed form the historical operations of the District's General Operating Fund. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Such information has been prepared based upon information obtained from the District's audited financial statements (except for the eleven months ended June 30, 2025, which was extracted from District bookkeeping reports), reference to which is made for further and complete information. See "APPENDIX A--Financial Statements of the District."

	<i>8/1/2024 to</i>		<i>Fiscal Year Ended July 31,</i>			
	<u>6/30/25(a)</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Revenues						
Property Taxes	\$338,131	\$330,841	\$277,359	\$266,667	\$248,528	\$217,230
Water & Sewer Service	280,427	292,172	243,771	195,043	183,898	184,216
Surface Water Fees	66,716	91,164	81,662	86,738	63,132	69,713
Tap Connection Fees	0	52,200	47,400	90,720	30,515	32,185
Other Revenues	<u>36,158</u>	<u>39,707</u>	<u>28,178</u>	<u>10,889</u>	<u>5,827</u>	<u>3,757</u>
Total Revenues	\$721,432	\$806,084	\$678,370	\$650,057	\$531,900	\$507,101
Expenditures						
Professional Fees	\$163,209	\$103,015	\$83,349	\$113,777	\$89,154	\$92,013
Contracted Services	68,632	68,546	56,788	54,428	52,224	45,654
Utilities	28,460	28,969	29,176	30,175	28,987	14,488
Surface Water Fees	71,262	77,656	86,810	90,803	64,548	66,229
Repairs/Maintenance/Other	190,043	207,670	172,138	134,147	176,433	119,187
Administrative Expense	<u>33,991</u>	<u>38,543</u>	<u>40,008</u>	<u>37,330</u>	<u>31,842</u>	<u>25,114</u>
Total Expenditures	<u>\$55,597</u>	<u>\$524,399</u>	<u>\$468,269</u>	<u>\$460,660</u>	<u>\$443,188</u>	<u>\$362,685</u>
Net Revenues (Expense)	<u>\$165,835</u>	<u>\$281,685</u>	<u>\$210,101</u>	<u>\$189,397</u>	<u>\$88,712</u>	<u>\$144,416</u>
Fund Balance, August 1		\$515,729	\$444,779	\$476,630	\$330,014	\$305,441
Less: Capital Outlay		(54,986)	(173,142)	(221,248)	(120,896)	(286,207)
Insurance Reimbursement		0		0	178,800	0
Transfer to Capital Account		0	33,991	0	0	0
Bond Sale Reimbursement		<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>166,364</u>
Fund Balance, July 31		\$742,428	\$515,729	<u>\$444,779</u>	<u>\$476,630</u>	<u>\$330,014</u>
Cash/Investments, July 31		<u>\$933,500</u>	<u>\$812,288</u>	<u>\$607,750</u>	<u>\$549,553</u>	<u>\$384,273</u>
Percent of Total Expense		178.01%	173.47%	131.93%	124.00%	105.95%
Customers at July 31		339	324	308	282	273

(a) Unaudited

RISK FACTORS

General

The Bonds, which are special obligations of the District and are not obligations of the State of Texas; Montgomery County, Texas; the City of Willis, Texas; the City of Conroe, Texas; or any other political subdivision, will be secured by a continuing, direct, annual ad valorem tax, without legal limitation as to rate or amount, levied on all taxable property within the District. The ultimate security for payment of the principal of and interest on the Bonds depends on the ability of the District to collect from the property owners within the District all taxes levied against the property, or in the event of foreclosure, on the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. At this point in the development of the District, the potential increase in taxable values of property is directly related to the demand for residential development, not only because of general economic conditions, but also due to particular factors discussed below.

Factors Affecting Taxable Values and Tax Payments

Economic Factors: The growth of taxable values in the District is directly related to the vitality of the commercial development and housing and building industry in the Houston metropolitan area. The housing and building industry has historically been a cyclical industry, affected by both short and long-term interest rates, availability of mortgage and development funds, labor conditions and general economic conditions. During the late 1980s, an oversupply of single-family residential housing in the Houston metropolitan market and the general downturn in the Houston economy adversely affected the local residential development and construction industries. In addition to a decline in housing demand, mortgage foreclosure by private banks and government and financial institutions depressed housing prices and the value of residential real estate in the Houston metropolitan area. The Houston economy is still dependent on energy prices and a precipitous decline in such prices could result in additional adverse effects on the economy.

Maximum Impact on District Rates: Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of District property owners to pay their taxes. The 2025 Taxable Valuation is \$76,795,561. See "TAX DATA." After issuance of the Bonds, the combined maximum annual debt service requirement (2027) is \$444,610 and the combined average annual debt service requirements (2026/2053) is \$438,186. Assuming no increase or decrease from the 2025 Taxable Valuation and no use of funds other than tax collections, tax rates of \$0.591 and \$0.583 per \$100 assessed valuation at a 98% collection rate against the 2025 Assessed Valuation would be necessary to pay the combined maximum and combined annual debt service requirements, respectively. The Board levied a 2025 tax rate of \$0.5350 for debt service purposes and \$0.4911 for maintenance purposes. See "DISTRICT DEBT-Pro Forma Debt Service Schedule" and "TAX DATA--Tax Rate Calculations."

Natural Disaster Declarations: The Governor of the State of Texas, Greg Abbott, issued a Severe Weather Disaster Declaration on April 30, 2024, which was subsequently amended on May 2, 2024, May 7, 2024, May 15, 2024, and May 20, 2024, certifying the severe storms and flooding that began on April 26, 2024 caused widespread and severe property damage, injury, or loss of life and declaring a disaster in several counties through out the State of Texas, including Montgomery County, Texas, in which the District is located. Additionally, the President of the United States of America, Joe Biden, issued a Major Disaster Declaration declaring a major disaster exists in the State of Texas as a result of severe weather and flooding beginning April 26, 2024 and making federal funding available to affected individuals in seven counties in the State of Texas, including Montgomery County, Texas, in which the District is located. Property in the District damaged by natural disasters in a declared disaster area may impact the taxable values of the property and the timing of tax payments by the tax payer. See "TAX PROCEDURES – Temporary Tax Exemptions for Property Damaged by Disaster" and "TAX PROCEDURES – Tax Payment Installments after Disaster" and "Extreme Weather Events."

Extreme Weather Events

The greater Houston area, including the District, is subject to occasional severe weather events, including tornadoes, flooding, tropical storms, and hurricanes. If the District were to sustain damage to its facilities requiring substantial repair

or replacement, or if substantial damage were to occur to taxable property within the District as a result of such a weather event, the investment security of the Bonds could be adversely affected.

The greater Houston area has experienced multiple storms exceeding a 0.2% probability (i.e., a “500-year flood” event) since 2015, including Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 25, 2017, and brought historic levels of rainfall during the successive four days. According to the District’s Operator no homes within the District nor any District facilities were flooded.

The District cannot predict the effect that additional extreme weather events may have upon the District and the Gulf Coast. Additional extreme weather events have the potential to cause damage within the District and along the Gulf Coast generally that could have a negative effect on taxable assessed valuations in the District and the economy of the District and the region.

The heavy rainstorms that began April 26, 2024 through May 20, 2024 and Hurricane Beryl on July 8, 2024 resulted in flooding in the Montgomery County, Texas area, including the District. To the District’s best knowledge, the District reports no homes were flooded, water and sewer service was not interrupted and no System operations were interrupted.

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

Specific Flood Type Risks

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

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

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

Dependence on the Oil and Gas Industry

Adverse developments in economic conditions, particularly in the oil and gas industry, could adversely impact the businesses of taxpayers and the property values in the District, resulting in less local tax revenue. The State of Texas may be particularly at risk from any global slowdown in the oil and gas industry, given the prevalence of international trade in the State of Texas and the risk of contraction in the oil and gas industry and spillover effects into other industries. Should oil prices remain depressed over a long period of time or other adverse developments in economic conditions were to occur, particularly in the oil and gas industry, these businesses could be adversely impacted.

Potential Effects of Oil Price Volatility on the Houston Area

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

Production of Net Revenues

The Net Revenues, if any, to be derived from the operation of the System are entirely dependent upon sales of water and sewer services to current and future residents and users of the System and related operating expenses. The District does not expect that the operation of the System will produce Net Revenues sufficient to make a significant contribution, if any, to the District's debt service requirements. An audit of the District's accounts for the fiscal year ended July 31, 2024, is included as "APPENDIX A" to this Official Statement. See "THE SYSTEM – Historical Operations of the General Operating Fund."

Overlapping Tax Rates

Consideration should be given to the total tax burden of all overlapping jurisdictions imposed upon property located within the District as contrasted with property located in comparable real estate developments to gauge the relative tax burden on property within the District. The combination of the District's tax rate and the overlapping taxing entities' tax rates is higher than the combined tax rates levied upon certain other comparable developments in the market area. Consequently, an increase in the District's tax rate above those anticipated above may have an adverse impact on future development or the construction of taxable improvements in the District. See "DISTRICT DEBT--Estimated Overlapping Debt" and "TAX DATA--Estimated Overlapping Taxes."

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 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) collection procedures, (b) a bankruptcy court's stay of tax collection procedures 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. Because ownership of the land within the District may become highly fragmented among a number of taxpayers, 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, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes against such taxpayer.

Registered Owners' Remedies

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners may seek a writ of mandamus requiring the District to levy adequate taxes to make such payments. Except for the remedy of mandamus, the Bond Order does not specifically provide for remedies to a Registered Owner in the event of a District default, nor does it provide for the appointment of a trustee to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Although the Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on the property of the District or sell property within the District in order to pay the principal of or interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may be further limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District. For example, a Chapter IX bankruptcy proceeding by the District could delay or eliminate payment of principal or interest to the Registered Owners.

Bankruptcy Limitation to Registered Owners' Rights

The enforceability of the rights and remedies of Registered Owners 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. Subject to the requirements of Texas law discussed below, a political subdivision such as the District may voluntarily file a petition for relief from creditors under Chapter 9 of the Federal Bankruptcy Code, 11 USC sections 901-946. The filing of such petition would automatically stay the enforcement of Registered Owner's remedies, including mandamus and the foreclosure of tax liens upon property within the District discussed above. The automatic stay would remain in effect until the federal bankruptcy judge hearing the case dismisses the petition, enters an order granting relief from the stay or otherwise allows creditors to proceed against the petitioning political subdivisions.

If a petitioning district were allowed to proceed voluntarily under Chapter 9 of the Federal Bankruptcy Code, it could file a plan for an adjustment of its debts. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect a Registered Owner by reducing or eliminating the amount of indebtedness, deferring or rearranging the debt service schedule, reducing or eliminating the interest rate, 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 the Registered Owner's claim against a district.

The District may not be placed into bankruptcy involuntarily.

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

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

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

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

On May 25, 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 actions 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.

Changes in Tax Legislation

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

2025 Legislative Session

The 89th Regular Legislative Session convened on January 14, 2025, and concluded on June 2, 2025. The Legislature meets in regular session in odd numbered years for 140 days. When the Legislature is not in session, the Governor of Texas (the “Governor”) may call one or more special sessions, at the Governor’s discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. During this time, the Legislature may enact laws that materially change current laws affecting ad valorem tax matters, including rollback elections for maintenance tax increases, and other matters which could adversely affect the marketability or market value of the Bonds. On June 23, 2025, the Governor called a special session to begin on July 21, 2025, and ended on August 15, 2025. No legislation was passed during the first special session. The Governor immediately called a second special session which began on August 15, 2025 and concluded on September 4, 2025. No legislation affecting property taxes was passed during the second special

session, and no third special session has been called at this time. The District can make no representations or predictions regarding any actions the Texas Legislature may take or the effect of any such actions.

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 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.

Marketability

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

Financing Parks and Recreational Facilities

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

Current law may be changed in a manner to increase the amount of bonds that may be issued as related to a percentage of the value of taxable property or to allow a higher or lower maintenance tax rate for such purposes. The levy of taxes for such purposes may dilute the security for the Bonds.

Tax Payment Installments after Disaster

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

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

Increase in Costs of Building Materials and Labor Shortages

As a result of low supply and high demand, shipping constraints, and the ongoing trade war (including tariffs and retaliatory tariffs), there may be substantial increases in the cost of lumber and other materials, causing developers, homebuilders, and general contractors to experience budget overruns. Further, the federal administration’s impositions

and threatened impositions of tariffs and the imposition or threatened impositions of retaliatory tariffs against the United States will impact the ability of developers, homebuilders, general contractors, and district consultants to estimate costs, which could have a direct effect on the District's ability to finance water, sanitary, and detention facilities. Furthermore, the federal administration's immigration policies may impact the Texas workforce.

Competition: The demand for and construction of taxable improvements in the District could be affected by competition from other developments near the District. In addition to competition for new single-family home sales from other developments, there are numerous previously-owned single-family homes in more established commercial centers and neighborhoods closer to the City of Houston, Texas that are for sale. Such existing developments could represent additional competition for new development proposed to be constructed within the District. The competitive position of the Developer or the principal landowners in the sale of land, and the sale or leasing of residences is affected by most of the factors discussed in this section. Such a competitive position is directly related to the growth and maintenance of taxable values in the District and tax revenues to be received by the District. The District can give no assurance that building and marketing programs in the District by the Developer will be implemented or, if implemented, will be successful.

Location and Access: The District is located approximately 25 miles southwest from the central business district of the City of Houston, Texas. Many of the single-family developments with which the District competes are in a more developed state and have lower taxes. As a result, particularly during times of increased competition, the Developer within the District may be at a competitive disadvantage to the developers in other single-family projects located closer to major urban centers or in a more developed state. See “THE DISTRICT” and “STATUS OF DEVELOPMENT.”

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.

Approval of the Bonds

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

LEGAL MATTERS

Legal Opinions

The District will furnish the Underwriter a transcript of certain certified proceedings held incident to the authorization and issuance of the Bonds, including a certified copy of the approving 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 Bonds are valid and legally binding special obligations of the District, payable from the proceeds of an annual ad valorem tax levied, without legal limit as to rate or amount, upon all taxable property in the District. The District will also furnish the legal opinion of Young & Brooks, Bond Counsel, to the effect that, based upon an examination of such transcript, the Bonds are legal, valid and binding special obligations of the District payable from the sources and enforceable in accordance with the terms and conditions described therein, except to the extent the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with all general principles of equity, and are payable from annual ad valorem taxes, which are not limited by applicable law in rate or amount, levied against all property within the District which is not exempt from taxation by or under

applicable law. Issuance of the Bonds is also subject to the legal opinion of Bond Counsel to the effect that interest on the Bonds is excludable from gross income for federal income tax purposes under existing statutes, regulations, published rulings and court decisions as described below under "TAX MATTERS". Such opinions will express no opinions with respect to the sufficiency and security for or the marketability of the Bonds.

In addition to serving as Bond Counsel, Young & Brooks also acts as general counsel to the District on matters other than 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 the Bonds actually issued, sold and delivered and, therefore, such fees are contingent upon the sale and delivery of the Bonds.

Legal Review

Bond Counsel has reviewed the information appearing in this Official Statement under the captioned sections: "THE BONDS" (except for the subsection "--Book-Entry-Only System"), "THE DISTRICT--Authority," "TAX PROCEDURES," "LEGAL MATTERS--Legal Opinions," "TAX MATTERS" and "CONTINUING DISCLOSURE OF INFORMATION" (except for the subsection "--Compliance with Prior Undertakings") solely to determine whether such information fairly summarizes matters of law with respect to the provisions of the documents referred to therein. Bond Counsel has not, however, independently verified any of the factual information contained in this Official Statement, nor has it conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon Bond Counsel's limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of any of the information contained herein, other than the matters discussed immediately above.

No-Litigation Certificate

The District will furnish the Underwriter a certificate, dated as of the date of delivery of the Bonds, executed by both the President and Secretary of the Board, to the effect that no litigation of any nature is then pending against or, to the best knowledge of the certifying officers, threatened against the District contesting or attacking the Bonds or the Bond Order; restraining or enjoining the authorization, execution or delivery of the Bonds; affecting the provisions made for the payment of or security for the Bonds; in any manner questioning the authority of proceedings for the authorization, execution or delivery of the Bonds; or affecting the validity of the Bonds, the Bond Order, the corporate existence or boundaries of the District or the titles of the then present officers of the Board.

No Material Adverse Change

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

TAX MATTERS

Opinion

On the date of initial delivery of the Bonds, Young & Brooks, Houston, Texas, 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 (the "Code"). Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds.

In rendering its opinion, Bond Counsel will rely upon (a) certain information and representations of the District, including information and representations contained in the District's federal tax certificate, and (b) covenants of the District contained in the Bond documents 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 comply with the aforementioned representations or covenants could cause the interest on the Bonds to become includable in gross income retroactively to the date of issuance.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The opinion of Bond Counsel is conditioned on compliance by the Issuer with such requirements, and Bond Counsel has not been retained to monitor compliance with these requirements subsequent to the issuance of the Bonds.

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. The Existing Law is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that such Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Bonds.

A ruling was not sought from the Internal Revenue Service by the District with respect to the Bonds or the Project. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an Internal Revenue Service audit is commenced, under current procedures the Internal Revenue Service is likely to treat the District as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

Federal Income Tax Accounting Treatment of Original Issue Discount

The initial public offering price to be paid for the Term Bonds maturing in the years 2051 and 2052 (the "Original Issue Discount Bonds") are 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 accrual period or be in excess of one year. In such event, 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 would constitute original issue discount. 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, any owner who has purchased such Original Issue Discount Bond in the initial public offering 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 accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

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 the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Original Issue Discount 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 the treatment 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.

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 statutes, regulations, published rulings and court decisions, all of which are subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, 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 taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM RECENTLY ENACTED LEGISLATION OR THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

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

Qualified Tax-Exempt Obligations for Financial Institutions

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 has designated 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 which would assure or to refrain from such action which 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 (or, in the case of discount bonds, the amount payable at maturity) exceeds \$10,000,000, then such obligations might fail to satisfy the \$10,000,000 limitation and the obligations would not be “qualified tax-exempt obligations.”

CONTINUING DISCLOSURE OF INFORMATION

The offering of the Bonds qualifies for an exemption from Rule 15c2-12(b)(5) of the United States Securities and Exchange Commission (the “Rule”) regarding the District’s continuing disclosure obligations because the District does not have more than \$10,000,000 in aggregate amount of bonds outstanding and no person is committed by contract or other arrangement with respect to the payment of the Bonds. As required by the exemption, and in the Bond Order, the District has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, audited financial statements and timely notice of specified material events, in an electronic format as prescribed by the Municipal Securities Rulemaking Board (the “MSRB”) or any successor to its functions as a repository through its Electronic Municipal Market Access (“EMMA”) system.

Annual Reports

The District will provide certain financial information and operating data annually to the MSRB. The information to be updated includes the quantitative financial information and operating data of the general type included in the District’s audited financial statements and supplemental schedules as found in “APPENDIX A—Financial Statements of the District.” The District will update and provide this information within six months after the end of each of its fiscal years ending in or after 2025. Any information concerning the District so provided shall be prepared in accordance with generally accepted auditing standards or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report of the District is not complete within such period, then the District shall provide unaudited financial statements for the applicable entity and fiscal year to the MSRB within such six month period, and audited financial statements when and if the audit report becomes available.

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

Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other material 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; (13) consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material to a decision to purchase or sell Bonds; (15) incurrence of a financial obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the District, any of which reflect financial difficulties. With respect to the Bonds, there are no “obligated persons” within the meaning of the Rule other than the District. The terms “financial obligation” and “material” when used in this paragraph shall have the meaning ascribed to them under federal securities laws. The term “financial obligation” does not include municipal securities for which a final official statement has been proved to the MSRB consistent with the Rule. 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.”

For these purposes, any event described in (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District; and the District intends the words used in the immediately preceding paragraphs (15) and (16) and the definition of Financial Obligation in this subcaption to have the same meanings as when they are used in the Rule, as evidenced by SEC Release No. 34-83885, dated August 20, 2018 (the “2018 Release”) and any further written guidance provided by the SEC or its staff with respect to the amendment to the Rule effected by the 2018 Release.

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 the EMMA internet portal at www.emma.msrb.org.

Limitations and Amendments

The District has agreed to update information and to provide notices of certain 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 or Beneficial Owners of Bonds may seek a writ of mandamus to compel the District to comply with its agreement. The District may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if but only if (1) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (2) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the Registered Owners and Beneficial Owners of the Bonds. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating so provided. The District may also amend or repeal the agreement in the Bond Order if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction determines that such provisions are invalid or unenforceable, but only to the extent that its right to do so would not prevent an underwriter from lawfully purchasing the Bonds in the initial offering.

Compliance with Prior Undertakings

The District is in compliance in all material respects with all continuing disclosure agreements made by it for the last five years in accordance with SEC Rule 15c2-12.

FORWARD-LOOKING STATEMENTS

The statements contained in this Official Statement, and in any other information provided by the District, that are not purely historical, are forward-looking statements, including statements regarding the District's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the District on the date hereof, and the District assumes no obligation to update any such forward-looking statements. It is important to note that the District's actual results could differ materially from those in such forward-looking statements.

The forward-looking statements herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the District. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement would prove to be accurate.

PREPARATION OF OFFICIAL STATEMENT

General

The information contained in this Official Statement has been obtained primarily from the District's records, the District's Engineer, the Appraisal District, the District's Tax Assessor/Collector and other sources believed to be reliable. The District, however, makes no representation as to the accuracy or completeness of the information derived from such sources. The summaries of the statutes, resolutions, orders, agreements and engineering and other related reports 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.

Consultants

The information contained in this Official Statement relating to the physical characteristics of the District and engineering matters and, in particular, that engineering information included in the sections captioned "THE DISTRICT" and "THE SYSTEM" has been provided by the District's Engineer and has been included herein in reliance upon the authority of such firm as experts in the field of civil engineering.

The information contained in this Official Statement relating to assessed valuations of property generally and, in particular, that information concerning historical breakdown of District valuations, principal taxpayers and collection rates contained in the sections captioned "TAX DATA" and "DISTRICT DEBT" has been provided by the Appraisal District and the District's Tax Assessor/Collector and has been included herein in reliance upon their authority as experts in the field of tax assessing and collecting.

The financial statements contained in "APPENDIX A--Financial Statements of the District" have been included in reliance upon the accompanying report of the District's Auditor.

Updating the Official Statement

If, subsequent to the date of the Official Statement, the District learns, or is notified by the Underwriter, of any adverse event which causes the Official Statement to be materially misleading, unless the Underwriter elects to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Underwriter an appropriate amendment or supplement to the Official Statement satisfactory to the Underwriter; provided, however, that the obligation of the District to so amend or supplement the Official Statement will terminate when the District delivers the Bonds to the Underwriter, unless the Underwriter notifies the District on or before such date that less than all of the Bonds have been sold to ultimate customers, in which case the District's obligations hereunder will extend for an additional period of time (but not more than 90 days after the date the District delivers the Bonds to the Underwriter) until all of the Bonds have been sold to ultimate customers.

Certification of Official Statement

The District, acting through the Board in its official capacity, hereby certifies, as of the date hereof, that the information, statements and descriptions pertaining to the District and its affairs contained herein, to the best of its knowledge and belief, contain no untrue statements of a material fact and do not omit to state any material fact necessary to make the statements herein, in light of the circumstances under which they are made, not misleading. With respect to information included in this Official Statement other than that relating to the District, the Board 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 light of the circumstances under which they are made, not misleading; however, the Board can give no assurance as to the accuracy or completeness of the information derived from sources other than the District. This Official Statement is duly certified and approved by the Board of Directors of Texas National Municipal Utility District as of the date specified on the first page hereof.

Hg

/s/ Gretchal L. Woodruff
President, Board of Directors
Texas National Municipal Utility District

ATTEST:

/s/ Sandra D. Russell
Secretary, Board of Directors
Texas National Municipal Utility District

APPENDIX A -- Financial Statements of the District

TEXAS NATIONAL MUNICIPAL UTILITY DISTRICT
MONTGOMERY COUNTY, TEXAS
ANNUAL AUDIT REPORT
JULY 31, 2024

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November 21, 2024

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Texas National Municipal
Utility District
Montgomery County, Texas

Opinions

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Texas National Municipal Utility District as of and for the year ended July 31, 2024, and the related notes to the financial statements, which collectively comprise Texas National Municipal Utility District's basic financial statements as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Texas National Municipal Utility District, as of July 31, 2024, and the respective changes in financial position and, where applicable, cash flows there of for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

INDEPENDENT AUDITOR'S REPORT (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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. I 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 Texas National Municipal Utility District's internal control. Accordingly, no such opinion is expressed. I 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. I conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Texas National Municipal Utility District's ability to continue as a going concern for a reasonable period of time.

I am 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 I identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

INDEPENDENT AUDITOR'S REPORT (Continued)**Supplementary Information**

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Texas National Municipal Utility District's basic financial statements. The supplementary information on Pages 24 to 44 is presented for purposes of additional analysis and is not a required part of the 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 financial statements. Except for the portion marked "unaudited," the information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The supplementary information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it. The accompanying supplementary information includes financial data excerpted from prior year financial statements which were audited by my firm.

A handwritten signature in dark ink, appearing to read "M. A. J.", is centered on the page.

Management's Discussion and Analysis

Using this Annual Report

Within this section of the Texas National Municipal Utility District (the "District") annual report, the District's Board of Directors provides narrative discussion and analysis of the financial activities of the District for the fiscal year ended July 31, 2024.

The annual report consists of a series of financial statements plus additional supplemental information to the financial statements as required by its state oversight agency, the Texas Commission on Environmental Quality. In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities which engage in a single governmental program. In the District's case, the single governmental program is provision of water and sewer 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 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 and liabilities owned by 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 total assets and total liabilities is labeled as *net position* and this difference is similar to the total owners' 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. 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 period.

Although the statement of activities looks different from a commercial enterprise's income statement, 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 fund financial statements consist of a balance sheet and statement of revenues, expenditures and change 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 and sewer 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 total assets and total liabilities 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 are different, there are significant differences between the totals presented in these financial statements. For this reason, there is an analysis in Note 3 of the notes to the financial statements that reconciles the total fund balances to the amount of net position presented in the governmental activities column on the statement of net position. Also, there is an analysis in Note 3 of the notes to the 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.

Financial Analysis of the District as a Whole

Financial Analysis of the District as a Whole begins with an understanding of how financial resources flow through the District's funds. Resources in the Capital Projects Fund are derived principally from proceeds of the sale of bonds and expenditures from this fund are subject to the Rules of the Texas Commission on Environmental Quality. Resources in the Debt Service Fund are derived principally from the collection of property taxes and are used for the payment of tax collection costs and bond principal and interest. Resources in the General Fund are derived principally from property taxes and billings for water and sewer services and are used to operate and maintain the system and to pay costs of administration of the District.

Management has financial objectives for each of the District's funds. The financial objective for the Capital Projects Fund is to spend the funds as necessary in accordance with the Rules of the Texas Commission on Environmental Quality. The financial objective for the Debt Service Fund is to levy the taxes necessary to pay the fiscal year debt service requirements plus the cost of levying and collecting taxes, leaving the appropriate fund balance as recommended by the District's financial advisor. The financial objective for the General Fund is to keep the fund's expenditures as low as possible while ensuring that revenues are adequate to cover expenditures and maintaining the fund balance that Management believes is prudent. Management believes that these financial objectives were met during the fiscal year.

Management believes that the required method of accounting for certain elements of the government-wide financial statements makes the government-wide financial statements as a whole not useful for financial analysis. In the government-wide financial statements, capital assets and depreciation expense have been required to be recorded at historical cost. Management's policy is to maintain the District's capital assets in a condition greater than or equal to the condition required by regulatory authorities and does not believe that depreciation expense is relevant to the management of the District. In the government-wide financial statements, certain non-cash costs of long-term debt are capitalized and amortized over the life of the related debt. Management believes that this required method of accounting is not useful for financial analysis of the District and prefers to consider the required cash flows of the debt as reported in the fund statements and the notes to the financial statements. In the government-wide financial statements, property tax revenues are required to be recorded in the fiscal year for which the taxes are levied, regardless of the year of collection. Management believes that the cash basis method of accounting for property taxes in the funds provides more useful financial information.

The following required summaries of the District's overall financial position and operations for the past two years are based on the information included in the government-wide financial statements. For the reasons described in the preceding paragraph, a separate analysis of the summaries is not presented.

Summary of Net Position

	<u>2024</u>	<u>2023</u>	<u>Change</u>
Current and other assets	\$ 3,286,130	\$ 3,443,665	\$ (157,535)
Capital assets	4,123,122	3,965,697	157,425
Total assets	<u>7,409,252</u>	<u>7,409,362</u>	<u>(110)</u>
Long-term liabilities	6,229,570	6,349,739	(120,169)
Other liabilities	306,205	480,101	(173,896)
Total liabilities	<u>6,535,775</u>	<u>6,829,840</u>	<u>(294,065)</u>
Net position:			
Invested in capital assets, net of related debt	(2,106,448)	(2,229,101)	122,653
Restricted	2,218,111	2,274,958	(56,847)
Unrestricted	761,814	533,665	228,149
Total net position	<u>\$ 873,477</u>	<u>\$ 579,522</u>	<u>\$ 293,955</u>

Summary of Changes in Net Position

	<u>2024</u>	<u>2023</u>	<u>Change</u>
Revenues:			
Property taxes, including related penalty and interest	\$ 686,413	\$ 631,894	\$ 54,519
Charges for services	439,980	386,279	53,701
Other revenues	148,635	112,118	36,517
Total revenues	<u>1,275,028</u>	<u>1,130,291</u>	<u>144,737</u>
Expenses:			
Service operations	732,168	697,235	34,933
Debt service	248,905	401,534	(152,629)
Total expenses	<u>981,073</u>	<u>1,098,769</u>	<u>(117,696)</u>
Change in net position	293,955	31,522	262,433
Net position, beginning of year	<u>579,522</u>	<u>548,000</u>	<u>31,522</u>
Net position, end of year	<u>\$ 873,477</u>	<u>\$ 579,522</u>	<u>\$ 293,955</u>

Financial Analysis of the District's Funds

The District's combined fund balances as of the end of the fiscal year ended July 31, 2024, were \$3,038,933, an increase of \$12,304 from the prior year.

The General Fund balance increased by \$226,699, in accordance with the District's financial plan.

The Debt Service Fund balance increased by \$3,505, in accordance with the District's financial plan.

The Capital Projects Fund balance decreased by \$217,900, as authorized expenditures exceeded interest earnings on deposits and investments.

General Fund Budgetary Highlights

The Board of Directors did not amend the budget during the fiscal year. The District's budget is primarily a planning tool. Accordingly, actual results varied from the budgeted amounts. A comparison of actual to budgeted amounts is presented on Page 23 of this report. The budgetary fund balance as of July 31, 2024, was expected to be \$433,989 and the actual end of year fund balance was \$742,428.

Capital Asset and Debt Administration

Capital Assets

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

	<u>Capital Assets (Net of Accumulated Depreciation)</u>		
	<u>2024</u>	<u>2023</u>	<u>Change</u>
Land	\$ 121,582	\$ 121,582	\$ 0
Construction in progress	722,578	429,281	293,297
Water facilities	1,243,160	1,328,931	(85,771)
Sewer facilities	1,994,740	2,043,814	(49,074)
Drainage facilities	41,062	42,089	(1,027)
Totals	<u>\$ 4,123,122</u>	<u>\$ 3,965,697</u>	<u>\$ 157,425</u>

Changes to capital assets during the fiscal year ended July 31, 2024, are summarized as follows:

Additions:	
Water system improvements	\$ 241,142
Sewer system improvements	<u>69,347</u>
Total additions to capital assets	310,489
Decreases:	
Depreciation	<u>(153,064)</u>
Net change to capital assets	<u>\$ 157,425</u>

Debt

Changes in the bonded debt position of the District during the fiscal year ended July 31, 2024, are summarized as follows:

Bonded debt payable, beginning of year	\$ 6,220,000
Bonds paid	<u>(130,000)</u>
Bonded debt payable, end of year	<u>\$ 6,090,000</u>

At July 31, 2024, the District had \$11,945,000 of bonds authorized but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage system within the District. None of the District's bonds are rated.

As further described in Note 5 of the notes to the financial statements, a developer within the District is constructing water, sewer and drainage facilities on behalf of the District under the terms of 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 Texas Commission on Environmental Quality. At July 31, 2024, the estimated amount due to developer was \$276,481.

RELEVANT FACTORS AND WATER SUPPLY ISSUES

Property Tax Base

The District's tax base increased approximately \$12,725,000 for the 2023 tax year (approximately 22%) primarily due to the addition of new houses to the tax base.

Relationship to the City of Conroe and the City of Willis

All the property within the District is currently within the extraterritorial jurisdiction ("ETJ") of either the City of Conroe, Texas or the City of Willis, Texas (each, a "City" and together, the "Cities"). Under Texas law, when a utility district such as the District lies within the ETJ of two or more cities, any of such cities may annex that portion of the utility district lying within its ETJ without dissolving the utility district. At such time as each of the cities has annexed that portion of the utility district within its ETJ, the cities may, but are not required to, dissolve the utility district and distribute among them the assets and liabilities of the utility district. Such distribution must be done pro rata, based on the ratio that the value of property and other assets distributed bears to the total value of all the property and other assets of the utility district. The District has the right under current Texas law to select the City that may exercise extraterritorial authority within the District as a whole, and thereafter the District would be contained wholly in the ETJ of the City selected by the District. In that event, if the City selected by the District annexed the District, the District would be dissolved within 90 days after annexation and the City would assume the assets, functions and obligations of the District, including the District's bonded indebtedness.

The District is authorized to enter into a strategic partnership agreement with either or both of the Cities to provide the terms and conditions under which services would be provided and funded by the parties and under which the District could continue to exist for an extended period if land within the District would be annexed for limited purposes by a City. The terms of any such agreement would be determined by the contracting City or Cities and the District.

The District is not aware of any plans regarding annexation or a strategic partnership agreement with either City.

Water Supply Issues

The District is within the boundaries of the Lone Star Groundwater Conservation District ("LSGCD"). The LSGCD was created by the Legislature of the State of Texas in Acts 2001, 77th Legislature, Regular Session. The LSGCD is a political subdivision of the State of Texas, governed by an elected seven member board of directors. The purpose of the LSGCD is to provide for the conservation, preservation, protection, recharging, and prevention of waste of groundwater, and of groundwater reservoirs or their subdivisions, and the control of subsidence caused by the withdrawal of water from those groundwater reservoirs or their subdivisions, consistent with the objectives of Section 59, Article XVI, Texas Constitution. Rule 8.1 of the rules of the LSGCD authorizes the board of directors of the LSGCD to establish by resolution a regulatory water use fee to accomplish the purposes of the LSGCD. In accordance with this rule, as of July 31, 2024, the LSGCD had established a regulatory water use fee of \$0.085 per 1,000 gallons of water pumped from each regulated well.

The San Jacinto River Authority (SJRA) is a conservation and reclamation district, body politic and corporate and a governmental agency of the State of Texas created and operating under the provisions of a series of acts compiled as Vernon's Annotated Texas Civil Statutes, Article 8280-121, enacted pursuant to the provisions of Section 59 of Article XVI of the Texas Constitution, whose area comprises all of the territory within the watershed of the San Jacinto River and its tributaries, except that portion of the watershed lying within the boundaries of Harris County. Such area consists of all of Montgomery County and parts of Waller, Grimes, Walker, San Jacinto, Liberty, and Fort Bend counties.

SJRA prepared and submitted a joint plan on behalf of 201 large volume groundwater users to reduce groundwater withdrawal and encourage the conjunctive use of surface water with ground water supplies to meet the LSGCD regulations. The SJRA developed a long-term countywide approach that provides a compliance solution for all users in the county who choose to join. Any large volume groundwater user in the county may join the SJRA's Joint Groundwater Reduction Plan (GRP) by executing a GRP Contract and paying the required monthly GRP Pumpage Fee. The District has executed a GRP Contract with the SJRA. As of July 31, 2024, the GRP Pumpage Fee was set at \$2.99 per thousand gallons of groundwater pumped by the participating entity and is billed monthly. It is anticipated that this fee will increase each year as costs are incurred for design and construction of the necessary infrastructure to deliver surface water.

The District cannot predict the amount or level of fees and charges which may be due the Authorities for future years, but anticipates that it will pass such fees through to its customers. In addition, conversion to surface water will necessitate improvements to the District's water supply system, which could require issuance of additional bonds.

TEXAS NATIONAL MUNICIPAL UTILITY DISTRICT

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET

JULY 31, 2024

	General	Debt Service	Capital Projects	Total	Adjustments (Note 3)	Statement of Net Position
ASSETS						
Cash, including interest-bearing accounts, Note 7	\$ 78,779	\$ 16,368	\$ 48,469	\$ 143,616	\$	\$ 143,616
Temporary investments, at cost, Note 7	854,721	637,210	1,562,133	3,054,064		3,054,064
Receivables:						
Property taxes:	19,386	19,809		39,195		39,195
Service accounts	34,821			34,821		34,821
Other	14,434			14,434		14,434
Due from other fund			36,350	36,350	(36,350)	0
Maintenance taxes collected not yet transferred from other fund	884			884	(884)	0
Capital assets, net of accumulated depreciation, Note 4:						
Capital assets not being depreciated				0	844,160	844,160
Depreciable capital assets				0	3,278,962	3,278,962
Total assets	\$1,003,025	\$ 673,387	\$1,646,952	\$ 3,323,364	4,085,888	7,409,252
LIABILITIES						
Accounts payable	\$ 61,967	\$	\$ 3,141	\$ 65,108		65,108
Accrued interest payable				0	98,203	98,203
Customer deposits	132,604			132,604		132,604
Tap deposits	10,290			10,290		10,290
Due to other fund	36,350			36,350	(36,350)	0
Maintenance taxes collected not yet transferred to other fund		884		884	(884)	0
Long-term liabilities, Note 5:						
Due within one year				0	125,440	125,440
Due in more than one year				0	6,104,130	6,104,130
Total liabilities	241,211	884	3,141	245,236	6,290,539	6,535,775
DEFERRED INFLOWS OF RESOURCES						
Property tax revenues	19,386	19,809	0	39,195	(39,195)	0
FUND BALANCES / NET POSITION						
Fund balances:						
Committed to construction contracts in progress			163,638	163,638	(163,638)	0
Assigned to:						
Debt service		652,694		652,694	(652,694)	0
Capital projects			1,480,173	1,480,173	(1,480,173)	0
Unassigned	742,428			742,428	(742,428)	0
Total fund balances	742,428	652,694	1,643,811	3,038,933	(3,038,933)	0
Total liabilities, deferred inflows, and fund balances	\$1,003,025	\$ 673,387	\$1,646,952	\$ 3,323,364		
Net position:						
Invested in capital assets, net of related debt, Note 4					(2,106,448)	(2,106,448)
Restricted for debt service					574,300	574,300
Restricted for capital projects					1,643,811	1,643,811
Unrestricted					761,814	761,814
Total net position					\$ 873,477	\$ 873,477

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

TEXAS NATIONAL MUNICIPAL UTILITY DISTRICT

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JULY 31, 2024

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments (Note 3)	Statement of Activities
REVENUES						
Property taxes	\$ 330,841	\$ 346,038	\$	\$ 676,879	\$ 2,498	\$ 679,377
Water service	123,215			123,215		123,215
Sewer service	168,957			168,957		168,957
Surface water fees, Note 9	91,164			91,164		91,164
Penalty, interest and other	4,444	7,036		11,480		11,480
Tap connection and inspection fees	52,200			52,200		52,200
Other				0		0
Interest on deposits	35,263	29,469	83,903	148,635		148,635
Total revenues	<u>806,084</u>	<u>382,543</u>	<u>83,903</u>	<u>1,272,530</u>	<u>2,498</u>	<u>1,275,028</u>
EXPENDITURES / EXPENSES						
Service operations:						
Professional fees	103,015	1,325		104,340		104,340
Contracted services	68,546	6,100		74,646		74,646
Utilities	28,969			28,969		28,969
Surface water fees, Note 9	77,656			77,656		77,656
Repairs, maintenance and other operating expenditures	207,670			207,670		207,670
Administrative expenditures	38,543	980		39,523		39,523
Depreciation				0	153,064	153,064
Capital outlay / non-capital outlay	54,986		301,803	356,789	(310,489)	46,300
Debt service:						
Principal retirement		130,000		130,000	(130,000)	0
Interest and fees		240,633		240,633	8,272	248,905
Total expenditures / expenses	<u>579,385</u>	<u>379,038</u>	<u>301,803</u>	<u>1,260,226</u>	<u>(279,153)</u>	<u>981,073</u>
Excess (deficiency) of revenues over expenditures	<u>226,699</u>	<u>3,505</u>	<u>(217,900)</u>	<u>12,304</u>	<u>281,651</u>	<u>293,955</u>
Net change in fund balances / net position	226,699	3,505	(217,900)	12,304	281,651	293,955
Beginning of year	<u>515,729</u>	<u>649,189</u>	<u>1,861,711</u>	<u>3,026,629</u>	<u>(2,447,107)</u>	<u>579,522</u>
End of year	<u>\$ 742,428</u>	<u>\$ 652,694</u>	<u>\$ 1,643,811</u>	<u>\$ 3,038,933</u>	<u>\$ (2,165,456)</u>	<u>\$ 873,477</u>

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

TEXAS NATIONAL MUNICIPAL UTILITY DISTRICTNOTES TO THE FINANCIAL STATEMENTSJULY 31, 2024

NOTE 1: REPORTING ENTITY

Texas National Municipal Utility District (the "District") was created by an order of the Texas Water Rights Commission (now the Texas Commission on Environmental Quality) effective November 7, 1974, and operates in accordance with Texas Water Code Chapters 49 and 54. The District is a political subdivision of the State of Texas, governed by an elected five member Board of Directors. The Board of Directors held its first meeting on November 20, 1974, and the first bonds were sold on February 12, 1976. The District is subject to the continuing supervision of the Texas Commission on Environmental Quality.

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply of water; the collection, transportation and treatment of wastewater; and the control and diversion of storm water. The District may provide garbage disposal and collection services. In addition, the District is empowered, if approved by the electorate, the Texas Commission on Environmental Quality and other governmental entities having jurisdiction, to establish, operate and maintain a fire department, either independently or jointly with certain other districts.

In evaluating how to define the District for financial reporting purposes, the Board of Directors of the District has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, there were no other entities which were included as a component unit in the District's financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

The District's financial statements are prepared in accordance with generally accepted accounting principles ("GAAP"). The Governmental Accounting Standards Board (the "GASB") is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board issued through November 30, 1989 (when applicable), that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the District are discussed below.

Basic Financial Statements

The District's basic financial statements include both government-wide (reporting the District as a whole) and governmental fund financial statements (reporting the District's funds). Because the District is a single-program government as defined by the GASB, the District has combined the government-wide statements and the fund financial statements using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column on the face of the financial statements. An additional reconciliation between the fund and the government-wide financial data is presented in Note 3.

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. The effect of interfund activity has been removed from these statements. The District's net position is reported in three parts – invested in capital assets, net of related debt; restricted net position; and unrestricted net position. The government-wide statement of activities reports the components of the changes in net position during the reporting period.

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for in a separate set of self-balancing accounts that comprises its assets, liabilities, fund balances, revenues and expenditures and changes in fund balances. The District's fund balances are reported as nonspendable, restricted, committed, assigned or unassigned. Nonspendable fund balances are either not in spendable form or are contractually required to remain intact. Restricted fund balances include amounts that can only be used for the specific purposes stipulated by constitutional provisions, external resource providers or enabling legislation. Committed fund balances include amounts that can only be used for the specific purposes determined by formal action of the District's Board of Directors. Assigned fund balances are intended for a specific purpose but do not meet the criteria to be classified as restricted or committed. Unassigned fund balance is the residual classification for the District's General Fund and includes all spendable amounts not contained in the other classifications. The transactions of the District are accounted for in the following funds:

General Fund -- To account for all revenues and expenditures not required to be accounted for in other funds.

Debt Service Fund -- To account for the accumulation of financial resources for, and the payment of, bond principal and interest, paid principally from property taxes levied by the District.

Capital Projects Fund -- To account for financial resources designated to construct or acquire capital assets. Such resources are derived principally from proceeds of the sale of bonds.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Basis of Accounting

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting which recognizes all long-term assets and receivables as well as long-term debt and obligations. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Ad valorem property taxes are recognized as revenues in the fiscal year for which they have been levied and related penalties and interest are recognized in the fiscal year in which they are imposed. An allowance for uncollectibles is estimated for delinquent property taxes and reported separately in the financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred except for principal and interest on bonds payable which are recorded only when payment is due.

Interfund Activity

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is reported as interfund receivables or payables, as appropriate, as are all other outstanding balances between funds. Operating transfers between funds represent legally authorized transfers from the fund receiving resources to the fund through which the resources are to be expended.

Receivables

Service accounts receivable as reported are considered collectible. The District uses the direct write off method for uncollectible service accounts. Unbilled water and sewer revenues are not material and are not recorded at year end. The District considers service accounts revenues to be available if they are to be collected within 60 days after the end of the fiscal year.

In the fund financial statements, ad valorem taxes and penalties and interest are reported as revenues in the fiscal year in which they become available to finance expenditures of the fiscal year for which they have been levied. Property taxes which have been levied and are not yet collected (or have been collected in advance of the fiscal year for which they have been levied) are recorded as deferred inflow of resources. Property taxes collected after the end of the fiscal year are not included in revenues.

Capital Assets

Capital assets, which include property, plant, equipment, and immovable public domain or "infrastructure" assets are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000 (including installation costs, if any, and associated professional fees) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed by the District. Donated capital assets are recorded at historical cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset or increase the value of an asset are capitalized. Costs incurred for repairs and maintenance are expensed as incurred.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Depreciation on capital assets is computed using the straight-line method over the following estimated useful lives:

Plant and equipment	10-45 years
Underground lines	45 years

Long-term Liabilities

Long-term debt and other long-term obligations are reported in the government-wide financial statements. Bond premiums and discounts, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable premium or discount. If bonds are refunded and the carrying amount of the new debt is different than the net carrying amount of the old debt, the difference is netted against the new debt and amortized using the effective interest method over the shorter of the remaining life of the refunded debt or the life of the new debt issued.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, 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 expenditures of the fund from which they are paid.

NOTE 3: RECONCILIATION OF FUND TO GOVERNMENT-WIDE FINANCIAL STATEMENTS

Reconciliation of year end fund balances to net position:

Total fund balances, end of year		\$ 3,038,933
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Total capital assets, net		4,123,122
Some long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:		
Bonds payable	\$ (6,090,000)	
Deferred charge on refunding (to be amortized as interest expense)	7,171	
Issuance discount (to be amortized as interest expense)	129,740	
Due to developers for construction	<u>(276,481)</u>	(6,229,570)
Some receivables that do not provide current financial resources are not reported as receivables in the funds:		
Uncollected property taxes		39,195
Some liabilities that do not require the use of current financial resources are not reported as liabilities in the funds:		
Accrued interest		<u>(98,203)</u>
Net position, end of year		<u>\$ 873,477</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Reconciliation of net change in fund balances to change in net position:

Total net change in fund balances	\$	12,304
The funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:		
Capital outlay	\$	310,489
Depreciation	<u>(153,064)</u>	157,425
The issuance of long-term debt (bonds payable) provides current financial resources to the funds, while the repayment of the principal of long-term debt consumes the current financial resources of the funds. Neither transaction, however, has any effect on net position. The effect of these differences in the treatment of long-term debt:		
Principal reduction		130,000
The funds report the effect of bond issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of these items:		
Refunding charges	(1,622)	
Issuance discount	<u>(8,209)</u>	(9,831)
Some revenues reported in the statement of activities do not provide current financial resources and therefore are not reported as revenues in the funds:		
Uncollected property taxes		2,498
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 funds:		
Accrued interest		<u>1,559</u>
Change in net position	<u>\$</u>	<u>293,955</u>

NOTE 4: CAPITAL ASSETS

At July 31, 2024, "Invested in capital assets, net of related debt" was \$(2,106,448). This amount was negative primarily because not all expenditures from bond proceeds (such as bond issuance costs) were for the acquisition of capital assets. In addition, some expenditures from bond proceeds were for the acquisition of capital assets beneath the capitalization threshold of \$5,000 (see Note 2) and some authorized expenditures were not for capital assets.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Capital asset activity for the fiscal year ended July 31, 2024, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 121,582	\$	\$	\$ 121,582
Construction in progress	<u>429,281</u>	<u>293,297</u>		<u>722,578</u>
Total capital assets not being depreciated	<u>550,863</u>	<u>293,297</u>	<u>0</u>	<u>844,160</u>
Depreciable capital assets:				
Water system	2,361,509			2,361,509
Sewer system	3,382,666	17,192		3,399,858
Drainage system	<u>158,999</u>			<u>158,999</u>
Total depreciable capital assets	<u>5,903,174</u>	<u>17,192</u>	<u>0</u>	<u>5,920,366</u>
Less accumulated depreciation for:				
Water system	(1,032,578)	(85,771)		(1,118,349)
Sewer system	(1,338,852)	(66,266)		(1,405,118)
Drainage system	<u>(116,910)</u>	<u>(1,027)</u>		<u>(117,937)</u>
Total accumulated depreciation	<u>(2,488,340)</u>	<u>(153,064)</u>	<u>0</u>	<u>(2,641,404)</u>
Total depreciable capital assets, net	<u>3,414,834</u>	<u>(135,872)</u>	<u>0</u>	<u>3,278,962</u>
Total capital assets, net	<u>\$ 3,965,697</u>	<u>\$ 157,425</u>	<u>\$ 0</u>	<u>\$ 4,123,122</u>
Changes to capital assets:				
Capital outlay		\$ 310,489	\$	
Less depreciation expense for the fiscal year		<u>(153,064)</u>		
Net increases / decreases to capital assets		<u>\$ 157,425</u>	<u>\$ 0</u>	

NOTE 5: LONG-TERM LIABILITIES AND CONTINGENT LIABILITIES

Long-term liability activity for the fiscal year ended July 31, 2024, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Bonds payable	\$ 6,220,000	\$	\$ 130,000	\$ 6,090,000	\$ 135,000
Less deferred amounts:					
For issuance discounts	(137,949)		(8,209)	(129,740)	(8,093)
For refunding	<u>(8,793)</u>		<u>(1,622)</u>	<u>(7,171)</u>	<u>(1,467)</u>
Total bonds payable	<u>6,073,258</u>	<u>0</u>	<u>120,169</u>	<u>5,953,089</u>	<u>125,440</u>
Due to developer for construction (see below)	<u>276,481</u>			<u>276,481</u>	<u>-----</u>
Total long-term liabilities	<u>\$ 6,349,739</u>	<u>\$ 0</u>	<u>\$ 120,169</u>	<u>\$ 6,229,570</u>	<u>\$ 125,440</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

As of July 31, 2024, the debt service requirements on the bonds payable were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 135,000	\$ 233,712	\$ 368,712
2026	140,000	229,660	369,660
2027	140,000	225,446	365,446
2028	145,000	221,062	366,062
2029	150,000	216,412	366,412
2030 - 2034	830,000	1,000,733	1,830,733
2035 - 2039	1,010,000	829,499	1,839,499
2040 - 2044	1,210,000	629,098	1,839,098
2045 - 2049	1,430,000	388,037	1,818,037
2050 - 2052	<u>900,000</u>	<u>60,639</u>	<u>960,639</u>
	<u>\$ 6,090,000</u>	<u>\$ 4,034,298</u>	<u>\$ 10,124,298</u>

Bonds voted	\$ 20,200,000
Bonds approved for sale and sold	8,255,000
Bonds voted and not issued	11,945,000

The bonds are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount. The Series 2016 bonds are further payable from and secured by a lien on and pledge of the net revenues to be received from the operation of the District's waterworks and sanitary sewer system.

The bond issues payable at July 31, 2024, were as follows:

	<u>Series 2016</u>	<u>Refunding Series 2017</u>	<u>Series 2018</u>
Amounts outstanding, July 31, 2024	\$1,180,000	\$525,000	\$1,070,000
Interest rates	2.70% to 3.85%	2.97%	3.15% to 4.00%
Maturity dates, serially beginning/ending	September 1, 2024/2038	September 1, 2024/2032	September 1, 2024/2039
Interest payment dates	September 1/March 1	September 1/March 1	September 1/March 1
Callable dates	September 1, 2024*	September 1, 2024*	September 1, 2025*

*Or any date thereafter, callable at par plus unpaid accrued interest in whole or in part at the option of the District.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	<u>Series 2020</u>	<u>Series 2023</u>
Amounts outstanding, July 31, 2024	\$1,250,000	\$2,065,000
Interest rates	3.00% to 3.10%	4.75% to 4.80%
Maturity dates, serially beginning/ending	September 1, 2040/2044	September 1, 2045/2051
Interest payment dates	September 1/March 1	September 1/March 1
Callable dates	September 1, 2027*	September 1, 2028*

*Or any date thereafter, callable at par plus unpaid accrued interest in whole or in part at the option of the District.

Developer Construction Commitments, Liabilities and Advances

The developer within the District is constructing certain facilities within the District's boundaries. The District has agreed to reimburse the developer for these construction and related engineering costs plus interest not to exceed the interest rate of the applicable District bond issue. These amounts are to be reimbursed from the proceeds of a future bond issue to the extent approved by the Texas Commission on Environmental Quality as applicable. The District's engineer stated that cost of the construction in progress at July 31, 2024, was \$276,481. This amount has been recorded in the government-wide financial statements and in the schedules in Notes 4 and 5.

NOTE 6: PROPERTY TAXES

The Montgomery Central Appraisal District has the responsibility for appraising property for all taxing units within the county as of January 1 of each year, subject to review and change by the county Appraisal Review Board. The appraisal roll, as approved by the Appraisal Review Board, must be used by the District in establishing its tax roll and tax rate. The District's taxes are usually levied in the fall, are due when billed and become delinquent after January 31 of the following year or 30 days after the date billed, whichever is later. On January 1 of each year, a statutory tax lien attaches to property to secure the payment of all taxes, penalties and interest ultimately imposed for the year on the property.

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 and the cost of assessing and collecting taxes.

At an election held January 19, 1995, the voters within the District authorized a maintenance tax not to exceed \$0.75 per \$100 valuation on all property within the District subject to taxation. This maintenance tax is being used by the General Fund to pay expenditures of operating the District.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

On August 23, 2023, the District levied the following ad valorem taxes for the 2023 tax year on the adjusted taxable valuation of \$71,441,219:

	<u>Rate</u>	<u>Amount</u>
Debt service	\$ 0.4900	\$ 350,062
Maintenance	<u>0.4687</u>	<u>334,845</u>
	<u>\$ 0.9587</u>	<u>\$ 684,907</u>

A reconciliation of the tax levy to property tax revenues on the Statement of Activities is as follows:

2023 tax year total property tax levy	\$ 684,907
Appraisal district adjustments to prior year taxes	<u>(5,530)</u>
Statement of Activities property tax revenues	<u>\$ 679,377</u>

NOTE 7: DEPOSITS

The District complied with the requirements of the Public Funds Investment Act during the current fiscal year including the preparation of quarterly investment reports required by the Act.

State statutes authorize the District to invest and reinvest in direct or indirect obligations of the United States, the State of Texas, any county, city, school district, or other political subdivision of the state, or in local government investment pools authorized under the Public Funds Investment Act. Funds of the District may be placed in certificates of deposit of state or national banks or savings and loan associations within the state provided that they are secured in the manner provided for the security of the funds under the laws of the State of Texas. In accordance with the District's investment policies, during the current year the District's funds were invested in interest bearing accounts at authorized financial institutions and in TexPool, a local government investment pool sponsored by the State Comptroller. TexPool is rated AAAM by Standard & Poor's.

In accordance with state statutes and the District's investment policies, the District requires that insurance or security be provided by depositories for all funds held by them. At the balance sheet date, the District's deposits were covered by federal insurance.

At the balance sheet date the carrying value and market value of the investments in TexPool was \$3,054,064.

Deposits restricted by state statutes and the Bond Orders:

Debt Service Fund

For payment of debt principal and interest,
paying agent fees and costs of assessing and
collecting taxes:

Cash	\$ 16,368
Temporary investments	<u>637,210</u>
	<u>\$ 653,578</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Capital Projects Fund

For construction of capital assets:

Cash	\$ 48,469
Temporary investments	<u>1,562,133</u>
	<u>\$ 1,610,602</u>

NOTE 8: 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; personal injuries and natural disasters. Significant losses are covered by insurance as described below. There were no significant reductions in insurance coverage from the prior fiscal year. There have been no settlements which have exceeded the insurance coverage for each of the past three fiscal years.

At July 31, 2024, the District had physical damage of \$3,722,000, boiler and machinery coverage of \$3,808,625, comprehensive general liability coverage with a per occurrence limit of \$1,000,000 and \$3,000,000 general aggregate, pollution liability coverage of \$1,000,000, umbrella liability coverage of \$1,000,000, consultant's crime coverage of \$25,000 and a tax assessor-collector bond of \$10,000.

NOTE 9: GROUNDWATER CONSERVATION DISTRICT AND SAN JACINTO RIVER AUTHORITY

The District is within the boundaries of the Lone Star Groundwater Conservation District ("LSGCD"). The LSGCD was created by the Legislature of the State of Texas in Acts 2001, 77th Legislature, Regular Session. The LSGCD is a political subdivision of the State of Texas, governed by an elected seven member board of directors. The purpose of the LSGCD is to provide for the conservation, preservation, protection, recharging, and prevention of waste of groundwater, and of groundwater reservoirs or their subdivisions, and the control of subsidence caused by the withdrawal of water from those groundwater reservoirs or their subdivisions, consistent with the objectives of Section 59, Article XVI, Texas Constitution. Rule 8.1 of the rules of the LSGCD authorizes the board of directors of the LSGCD to establish by resolution a regulatory water use fee to accomplish the purposes of the LSGCD. In accordance with this rule, as of July 31, 2024, the LSGCD had established a regulatory water use fee of \$0.085 per 1,000 gallons of water pumped from each regulated well.

The San Jacinto River Authority (SJRA) is a conservation and reclamation district, body politic and corporate and a governmental agency of the State of Texas created and operating under the provisions of a series of acts compiled as Vernon's Annotated Texas Civil Statutes, Article 8280-121, enacted pursuant to the provisions of Section 59 of Article XVI of the Texas Constitution, whose area comprises all of the territory within the watershed of the San Jacinto River and its tributaries, except that portion of the watershed lying within the boundaries of Harris County. Such area consists of all of Montgomery County and parts of Waller, Grimes, Walker, San Jacinto, Liberty, and Fort Bend counties.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

SJRA prepared and submitted a joint plan on behalf of 201 large volume groundwater users to reduce groundwater withdrawal and encourage the conjunctive use of surface water with ground water supplies to meet the LSGCD regulations. The SJRA developed a long-term countywide approach that provides a compliance solution for all users in the county who choose to join. Any large volume groundwater user in the county may join the SJRA's Joint Groundwater Reduction Plan (GRP) by executing a GRP Contract and paying the required monthly GRP Pumpage Fee. The District has executed a GRP Contract with the SJRA. As of July 31, 2024, the GRP Pumpage Fee was set at \$2.99 per thousand gallons of groundwater pumped by the participating entity and is billed monthly. It is anticipated that this fee will increase each year as costs are incurred for design and construction of the necessary infrastructure to deliver surface water. The District has executed a GRP Contract with the SJRA.

The District cannot predict the amount or level of fees and charges which may be due the Authorities for future years, but anticipates that it will pass such fees through to its customers. In addition, conversion to surface water will necessitate improvements to the District's water supply system, which could require issuance of additional bonds.

The District's surface water fees payable to the LSGCD and SJRA for the fiscal year ended July 31, 2024, were \$77,656. The District billed its customers \$91,164 during the fiscal year to pay for the fees charged by these entities.

TEXAS NATIONAL MUNICIPAL UTILITY DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE, BUDGET AND ACTUAL, GENERAL FUND

FOR THE YEAR ENDED JULY 31, 2024

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Property taxes	\$ 333,510	\$ 333,510	\$ 330,841	\$ (2,669)
Water service	130,000	130,000	123,215	(6,785)
Sewer service	135,000	135,000	168,957	33,957
Surface water fees	90,000	90,000	91,164	1,164
Penalty	3,000	3,000	4,444	1,444
Tap connection and sewer inspection fees	118,000	118,000	52,200	(65,800)
Interest on deposits and other revenues	61,600	61,600	35,263	(26,337)
TOTAL REVENUES	871,110	871,110	806,084	(65,026)
EXPENDITURES				
Service operations:				
Professional fees	149,950	149,950	103,015	(46,935)
Contracted services	80,000	80,000	68,546	(11,454)
Utilities	46,500	46,500	28,969	(17,531)
Surface water fees	120,000	120,000	77,656	(42,344)
Repairs, maintenance and other operating expenditures	376,100	376,100	207,670	(168,430)
Administrative expenditures	62,500	62,500	38,543	(23,957)
Capital outlay	117,800	117,800	54,986	(62,814)
TOTAL EXPENDITURES	952,850	952,850	579,385	(373,465)
EXCESS REVENUES (EXPENDITURES)	(81,740)	(81,740)	226,699	308,439
FUND BALANCE, BEGINNING OF YEAR	515,729	515,729	515,729	0
FUND BALANCE, END OF YEAR	\$ 433,989	\$ 433,989	\$ 742,428	\$ 308,439

The District's Board of Directors adopts an annual nonappropriated budget. This budget may be amended throughout the fiscal year and is prepared on a basis consistent with generally accepted accounting principles.

See accompanying independent auditor's report.

TEXAS NATIONAL MUNICIPAL UTILITY DISTRICT
SCHEDULE OF TEXAS SUPPLEMENTARY INFORMATION
REQUIRED BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY
JULY 31, 2024

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

- [X] TSI-1. Services and Rates
- [X] TSI-2. General Fund Expenditures
- [X] TSI-3. Temporary Investments
- [X] TSI-4. Taxes Levied and Receivable
- [X] TSI-5. Long-Term Debt Service Requirements by Years
- [X] TSI-6. Changes in Long-Term Bonded Debt
- [X] TSI-7. Comparative Schedule of Revenues and Expenditures -
General Fund and Debt Service Fund - Five Year
- [X] TSI-8. Board Members, Key Personnel and Consultants

TEXAS NATIONAL MUNICIPAL UTILITY DISTRICT
SCHEDULE OF SERVICES AND RATES
JULY 31, 2024

1. Services Provided by the District during the Fiscal Year:

- | | | |
|--|---|--|
| ☒ Retail Water | ☐ Wholesale Water | ☒ Drainage |
| ☒ Retail Wastewater | ☐ Wholesale Wastewater | ☐ Irrigation |
| ☐ Parks/Recreation | ☐ Fire Protection | ☐ Security |
| ☐ Solid Waste/Garbage | ☐ Flood Control | ☐ Roads |
| ☒ 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):

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1000 Gallons Over Minimum</u>	<u>Usage Levels</u>
WATER:	\$24.00	3,000	N	\$1.65	3,001 to 7,000
				2.20	7,001 to 10,000
				2.75	10,001 to 15,000
				3.30	15,001 to 30,000
				4.40	Over 30,000
WASTEWATER:	\$30.00		N	\$2.20	3,001 to 7,000
				3.30	7,001 to 10,000
				\$50.00 flat	Over 10,000

SURCHARGE: \$3.68 per 1,000 gallons of water used – surface water fees

District employs winter averaging for wastewater usage: Yes ☐ No ☒

Total charges per 10,000 gallons usage: Water: \$37.20 Wastewater: \$48.70 Surcharge: \$36.80

TEXAS NATIONAL MUNICIPAL UTILITY DISTRICT
SCHEDULE OF SERVICES AND RATES (Continued)
JULY 31, 2024

b. Water and Wastewater Retail Connections (unaudited):

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC* Factor</u>	<u>Active ESFCs</u>
Unmetered	1	0	1.0	0
< or = 3/4"	341	338	1.0	338
1"	2	1	2.5	3
1-1/2"	0	0	5.0	0
2"	0	0	8.0	0
3"	0	0	15.0	0
4"	0	0	25.0	0
6"	0	0	50.0	0
8"	0	0	80.0	0
10"	0	0	115.0	0
Total Water	<u>344</u>	<u>339</u>		<u>341</u>
Total Wastewater	<u>341</u>	<u>335</u>	1.0	<u>335</u>

*Single family equivalents

3. Total Water Consumption during the Fiscal Year (rounded to thousands):

Gallons pumped into system (unaudited): 30,417
Gallons billed to customers (unaudited): 24,793

Water Accountability Ratio
(Gallons billed/ gallons pumped): 82%

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

Does the District have Debt Service standby fees? Yes ☐ No ☒

If yes, date of the most recent Commission Order: _____

Does the District have Operation and Maintenance standby fees? Yes ☐ No ☒

If yes, date of the most recent Commission Order: _____

TEXAS NATIONAL MUNICIPAL UTILITY DISTRICT

EXPENDITURES

FOR THE YEAR ENDED JULY 31, 2024

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
CURRENT				
Professional fees:				
Auditing	\$ 11,950	\$	\$	\$ 11,950
Legal	44,838	1,325		46,163
Engineering	46,227			46,227
	<u>103,015</u>	<u>1,325</u>	<u>0</u>	<u>104,340</u>
Contracted services:				
Bookkeeping	15,800			15,800
Operation and billing	52,746			52,746
Tax assessor-collector		389		389
Central appraisal district		5,711		5,711
	<u>68,546</u>	<u>6,100</u>	<u>0</u>	<u>74,646</u>
Utilities	<u>28,969</u>	<u>0</u>	<u>0</u>	<u>28,969</u>
Surface water fees	<u>77,656</u>	<u>0</u>	<u>0</u>	<u>77,656</u>
Repairs, maintenance and other operating expenditures:				
Repairs and maintenance	180,737			180,737
Sludge hauling	4,823			4,823
Chemicals	8,463			8,463
Laboratory costs	7,326			7,326
Sewer inspection costs	2,465			2,465
TCEQ assessment	1,321			1,321
Other expenditures	2,535			2,535
	<u>207,670</u>	<u>0</u>	<u>0</u>	<u>207,670</u>
Administrative expenditures:				
Director's fees	5,700			5,700
Office supplies and postage	7,537			7,537
Insurance	16,135			16,135
Permit fees	5,459			5,459
Other	3,712	980		4,692
	<u>38,543</u>	<u>980</u>	<u>0</u>	<u>39,523</u>

See accompanying independent auditor's report.

TEXAS NATIONAL MUNICIPAL UTILITY DISTRICT

EXPENDITURES (Continued)

FOR THE YEAR ENDED JULY 31, 2024

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
CAPITAL OUTLAY				
Authorized expenditures	\$ 8,686	\$	\$ 301,803	\$ 310,489
Tap connection costs	46,300			46,300
	<u>54,986</u>	<u>0</u>	<u>301,803</u>	<u>356,789</u>
DEBT SERVICE				
Principal retirement	<u>0</u>	<u>130,000</u>	<u>0</u>	<u>130,000</u>
Interest and fees:				
Interest		237,558		237,558
Paying agent fees		3,075		3,075
	<u>0</u>	<u>240,633</u>	<u>0</u>	<u>240,633</u>
TOTAL EXPENDITURES	<u>\$ 579,385</u>	<u>\$ 379,038</u>	<u>\$ 301,803</u>	<u>\$ 1,260,226</u>

TEXAS NATIONAL MUNICIPAL UTILITY DISTRICT

ANALYSIS OF CHANGES IN DEPOSITS
ALL GOVERNMENTAL FUND TYPES

FOR THE YEAR ENDED JULY 31, 2024

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
SOURCES OF DEPOSITS				
Cash receipts from revenues excluding maintenance taxes	\$ 474,815	\$ 382,543	\$ 83,903	\$ 941,261
Maintenance tax receipts		330,841		330,841
Reimbursement from other fund			51,337	51,337
Transfer of maintenance taxes	<u>357,156</u>			<u>357,156</u>
TOTAL DEPOSITS PROVIDED	<u>831,971</u>	<u>713,384</u>	<u>135,240</u>	<u>1,680,595</u>
APPLICATIONS OF DEPOSITS				
Cash disbursements for:				
Current expenditures	580,530	8,405		588,935
Capital outlay	54,986		357,753	412,739
Debt service		370,633		370,633
Other fund			36,350	36,350
Reimbursement to other fund	51,337			51,337
Increase in customer and tap deposits	23,906			23,906
Transfer of maintenance taxes		<u>357,156</u>		<u>357,156</u>
TOTAL DEPOSITS APPLIED	<u>710,759</u>	<u>736,194</u>	<u>394,103</u>	<u>1,841,056</u>
INCREASE (DECREASE) IN DEPOSITS	121,212	(22,810)	(258,863)	(160,461)
DEPOSIT BALANCES, BEGINNING OF YEAR	<u>812,288</u>	<u>676,388</u>	<u>1,869,465</u>	<u>3,358,141</u>
DEPOSIT BALANCES, END OF YEAR	<u>\$ 933,500</u>	<u>\$ 653,578</u>	<u>\$ 1,610,602</u>	<u>\$ 3,197,680</u>

See accompanying independent auditor's report.

TEXAS NATIONAL MUNICIPAL UTILITY DISTRICTSCHEDULE OF TEMPORARY INVESTMENTSJULY 31, 2024

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Year End Balance</u>	<u>Accrued Interest Receivable</u>
GENERAL FUND				
TexPool				
No. 7865400001	Market	On demand	\$ 854,721	\$ 0
DEBT SERVICE FUND				
TexPool				
No. 7865400002	Market	On demand	\$ 633,099	\$ 0
No. 7865400003	Market	On demand	4,111	0
			<u>\$ 637,210</u>	<u>\$ 0</u>
CAPITAL PROJECTS FUND				
TexPool				
No. 7865400004	Market	On demand	\$ 1,562,133	\$ 0
Total – All Funds			<u>\$ 3,054,064</u>	<u>\$ 0</u>

See accompanying independent auditor's report.

TEXAS NATIONAL MUNICIPAL UTILITY DISTRICT

TAXES LEVIED AND RECEIVABLE

FOR THE YEAR ENDED JULY 31, 2024

	Maintenance Taxes	Debt Service Taxes
RECEIVABLE, BEGINNING OF YEAR	\$ 17,936	\$ 18,761
Additions and corrections to prior year taxes	<u>(2,554)</u>	<u>(2,976)</u>
Adjusted receivable, beginning of year	15,382	15,785
2023 ADJUSTED TAX ROLL	<u>334,845</u>	<u>350,062</u>
Total to be accounted for	350,227	365,847
Tax collections: Current tax year	(328,066)	(342,975)
Prior tax years	<u>(2,775)</u>	<u>(3,063)</u>
RECEIVABLE, END OF YEAR	<u>\$ 19,386</u>	<u>\$ 19,809</u>
RECEIVABLE, BY TAX YEAR		
2013 and prior	\$ 1,828	\$ 912
2014	277	143
2015	273	145
2016	384	271
2017	398	294
2018	402	400
2019	1,349	1,690
2020	1,540	1,742
2021	2,192	2,221
2022	3,964	4,904
2023	<u>6,779</u>	<u>7,087</u>
RECEIVABLE, END OF YEAR	<u>\$ 19,386</u>	<u>\$ 19,809</u>

See accompanying independent auditor's report.

TEXAS NATIONAL MUNICIPAL UTILITY DISTRICT

TAXES LEVIED AND RECEIVABLE (Continued)

FOR THE YEAR ENDED JULY 31, 2024

ADJUSTED PROPERTY VALUATIONS
AS OF JANUARY 1 OF TAX YEAR

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Land	\$ 11,263,590	\$ 11,262,440	\$ 8,987,280	\$ 9,050,810
Improvements	84,562,060	69,859,960	53,873,290	50,450,560
Personal property	749,103	674,418	539,949	494,548
Less exemptions	<u>(25,133,534)</u>	<u>(23,081,104)</u>	<u>(14,336,102)</u>	<u>(13,203,332)</u>
 TOTAL PROPERTY VALUATIONS	 <u>\$ 71,441,219</u>	 <u>\$ 58,715,714</u>	 <u>\$ 49,064,417</u>	 <u>\$ 46,792,586</u>

TAX RATES PER \$100 VALUATION

Debt service tax rates	\$ 0.49000	\$ 0.59000	\$ 0.55300	\$ 0.58370
Maintenance tax rates*	<u>0.46870</u>	<u>0.47690</u>	<u>0.54580</u>	<u>0.51590</u>
 TOTAL TAX RATES PER \$100 VALUATION	 <u>\$ 0.95870</u>	 <u>\$ 1.06690</u>	 <u>\$ 1.09880</u>	 <u>\$ 1.09960</u>

TAX ROLLS	<u>\$ 684,907</u>	<u>\$ 631,111</u>	<u>\$ 540,719</u>	<u>\$ 514,992</u>
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PERCENT OF TAXES COLLECTED
TO TAXES LEVIED

<u>97.9 %</u>	<u>98.6 %</u>	<u>99.2 %</u>	<u>99.4 %</u>
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*Maximum tax rate approved by voters on January 19, 1995: \$0.75

TEXAS NATIONAL MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS
JULY 31, 2024

<u>Due During Fiscal Years Ending July 31</u>	<u>Series 2016</u>		
	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2025	\$ 45,000	\$ 41,270	\$ 86,270
2026	50,000	39,962	89,962
2027	55,000	38,437	93,437
2028	50,000	36,862	86,862
2029	50,000	35,300	85,300
2030	55,000	33,594	88,594
2031	55,000	31,710	86,710
2032	65,000	29,550	94,550
2033	65,000	27,210	92,210
2034	65,000	24,870	89,870
2035	70,000	22,440	92,440
2036	75,000	19,830	94,830
2037	155,000	15,496	170,496
2038	160,000	9,432	169,432
2039	165,000	3,176	168,176
TOTALS	<u>\$ 1,180,000</u>	<u>\$ 409,139</u>	<u>\$ 1,589,139</u>

See accompanying independent auditor's report.

TEXAS NATIONAL MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)
JULY 31, 2024

<u>Due During Fiscal Years Ending July 31</u>	<u>Series 2017</u>		
	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2025	\$ 55,000	\$ 14,776	\$ 69,776
2026	55,000	13,143	68,143
2027	55,000	11,509	66,509
2028	55,000	9,875	64,875
2029	60,000	8,167	68,167
2030	60,000	6,385	66,385
2031	60,000	4,603	64,603
2032	60,000	2,821	62,821
2033	65,000	965	65,965
TOTALS	<u>\$ 525,000</u>	<u>\$ 72,244</u>	<u>\$ 597,244</u>

See accompanying independent auditor's report.

TEXAS NATIONAL MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)
JULY 31, 2024

<u>Due During Fiscal Years Ending July 31</u>	<u>Series 2018</u>		
	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2025	\$ 35,000	\$ 41,021	\$ 76,021
2026	35,000	39,910	74,910
2027	30,000	38,855	68,855
2028	40,000	37,680	77,680
2029	40,000	36,300	76,300
2030	40,000	34,800	74,800
2031	45,000	33,100	78,100
2032	40,000	31,400	71,400
2033	40,000	29,800	69,800
2034	115,000	26,700	141,700
2035	115,000	22,100	137,100
2036	120,000	17,400	137,400
2037	45,000	14,100	59,100
2038	50,000	12,200	62,200
2039	55,000	10,100	65,100
2040	225,000	4,500	229,500
TOTALS	<u>\$ 1,070,000</u>	<u>\$ 429,966</u>	<u>\$ 1,499,966</u>

See accompanying independent auditor's report.

TEXAS NATIONAL MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)
JULY 31, 2024

<u>Due During Fiscal Years Ending July 31</u>	<u>Series 2020</u>		
	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2025	\$	\$ 38,270	\$ 38,270
2026		38,270	38,270
2027		38,270	38,270
2028		38,270	38,270
2029		38,270	38,270
2030		38,270	38,270
2031		38,270	38,270
2032		38,270	38,270
2033		38,270	38,270
2034		38,270	38,270
2035		38,270	38,270
2036		38,270	38,270
2037		38,270	38,270
2038		38,270	38,270
2039		38,270	38,270
2040		38,270	38,270
2041	235,000	34,745	269,745
2042	245,000	27,545	272,545
2043	250,000	19,995	269,995
2044	255,000	12,168	267,168
2045	<u>265,000</u>	<u>4,107</u>	<u>269,107</u>
TOTALS	<u>\$ 1,250,000</u>	<u>\$ 710,880</u>	<u>\$ 1,960,880</u>

See accompanying independent auditor's report.

TEXAS NATIONAL MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)
JULY 31, 2024

Due During Fiscal Years Ending July 31	Series 2023		
	Principal Due September 1	Interest Due September 1, March 1	Total
2025	\$	\$ 98,375	\$ 98,375
2026		98,375	98,375
2027		98,375	98,375
2028		98,375	98,375
2029		98,375	98,375
2030		98,375	98,375
2031		98,375	98,375
2032		98,375	98,375
2033		98,375	98,375
2034		98,375	98,375
2035		98,375	98,375
2036		98,375	98,375
2037		98,375	98,375
2038		98,375	98,375
2039		98,375	98,375
2040		98,375	98,375
2041		98,375	98,375
2042		98,375	98,375
2043		98,375	98,375
2044		98,375	98,375
2045		98,375	98,375
2046	275,000	91,843	366,843
2047	285,000	78,543	363,543
2048	295,000	64,769	359,769
2049	310,000	50,400	360,400
2050	325,000	35,319	360,319
2051	335,000	19,560	354,560
2052	240,000	5,760	245,760
TOTALS	<u>\$ 2,065,000</u>	<u>\$ 2,412,069</u>	<u>\$ 4,477,069</u>

See accompanying independent auditor's report.

TEXAS NATIONAL MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)
JULY 31, 2024

Due During Fiscal Years Ending July 31	Annual Requirements for All Series		
	Total Principal Due	Total Interest Due	Total
2025	\$ 135,000	\$ 233,712	\$ 368,712
2026	140,000	229,660	369,660
2027	140,000	225,446	365,446
2028	145,000	221,062	366,062
2029	150,000	216,412	366,412
2030	155,000	211,424	366,424
2031	160,000	206,058	366,058
2032	165,000	200,416	365,416
2033	170,000	194,620	364,620
2034	180,000	188,215	368,215
2035	185,000	181,185	366,185
2036	195,000	173,875	368,875
2037	200,000	166,241	366,241
2038	210,000	158,277	368,277
2039	220,000	149,921	369,921
2040	225,000	141,145	366,145
2041	235,000	133,120	368,120
2042	245,000	125,920	370,920
2043	250,000	118,370	368,370
2044	255,000	110,543	365,543
2045	265,000	102,482	367,482
2046	275,000	91,843	366,843
2047	285,000	78,543	363,543
2048	295,000	64,769	359,769
2049	310,000	50,400	360,400
2050	325,000	35,319	360,319
2051	335,000	19,560	354,560
2052	240,000	5,760	245,760
TOTALS	<u>\$ 6,090,000</u>	<u>\$ 4,034,298</u>	<u>\$ 10,124,298</u>

See accompanying independent auditor's report.

TEXAS NATIONAL MUNICIPAL UTILITY DISTRICT
ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT
FOR THE YEAR ENDED JULY 31, 2024

	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>
Bond Series:	2016	2017	2018
Interest Rate:	2.70% to 3.85%	2.97%	3.15% to 4.00%
Dates Interest Payable:	September 1/ March 1	September 1/ March 1	September 1/ March 1
Maturity Dates:	September 1, 2024/2038	September 1, 2024/2032	September 1, 2024/2039
Bonds Outstanding at Beginning of Current Year	\$ 1,225,000	\$ 575,000	\$ 1,105,000
Less Retirements	<u>(45,000)</u>	<u>(50,000)</u>	<u>(35,000)</u>
Bonds Outstanding at End of Current Year	<u>\$ 1,180,000</u>	<u>\$ 525,000</u>	<u>\$ 1,070,000</u>
Current Year Interest Paid	<u>\$ 42,463</u>	<u>\$ 16,335</u>	<u>\$ 42,115</u>

Bond Descriptions and Original Amount of Issue

- (1) Texas National Municipal Utility District Unlimited Tax and Revenue Bonds, Series 2016 (\$1,395,000)
- (2) Texas National Municipal Utility District Unlimited Tax Refunding Bonds, Series 2017 (\$860,000)
- (3) Texas National Municipal Utility District Unlimited Tax Bonds, Series 2018 (\$1,230,000)

Paying Agent/Registrar

- (1) (3) The Bank of New York Mellon Trust Company, N.A., Dallas, Texas
- (2) Branch Banking and Trust Company, Charlotte, North Carolina

TEXAS NATIONAL MUNICIPAL UTILITY DISTRICT
ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT
FOR THE YEAR ENDED JULY 31, 2024

	<u>(4)</u>	<u>(5)</u>	<u>Totals</u>
Bond Series:	2020	2023	
Interest Rate:	3.00% to 3.10%	3.00% to 3.10%	
Dates Interest Payable:	September 1/ March 1	September 1/ March 1	
Maturity Dates:	September 1, 2040/2044	September 1, 2040/2044	
Bonds Outstanding at Beginning of Current Year	\$ 1,250,000	\$ 2,065,000	\$ 6,220,000
Less Retirements	<u>0</u>	<u>0</u>	<u>(130,000)</u>
Bonds Outstanding at End of Current Year	<u>\$ 1,250,000</u>	<u>\$ 2,065,000</u>	<u>\$ 6,090,000</u>
Current Year Interest Paid	<u>\$ 38,270</u>	<u>\$ 98,375</u>	<u>\$ 237,558</u>

Bond Descriptions and Original Amount of Issue

(4) Texas National Municipal Utility District Unlimited Tax Bonds, Series 2020 (\$1,250,000)

(5) Texas National Municipal Utility District Unlimited Tax Bonds, Series 2022 (\$2,065,000)

Paying Agent/Registrar

(4) (5) The Bank of New York Mellon Trust Company, N.A., Dallas, Texas

<u>Bond Authority</u>	<u>Tax Bonds</u>	<u>Other Bonds</u>	<u>Refunding Bonds</u>
Amount Authorized by Voters:	\$ 20,200,000	\$ 0	\$ 0
Amount Issued:	8,255,000		
Remaining to be Issued:	11,945,000		

Net Debt Service Fund deposit balances as of July 31, 2024: \$652,694
Average annual debt service payment for remaining term of all debt: 361,582

See accompanying independent auditor's report.

TEXAS NATIONAL MUNICIPAL UTILITY DISTRICT
COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES,
GENERAL FUND
FOR YEARS ENDED JULY 31

	AMOUNT					PERCENT OF TOTAL REVENUES				
	2024	2023	2022	2021	2020	2024	2023	2022	2021	2020
REVENUES										
Property taxes	\$ 330,841	\$ 277,359	\$ 266,667	\$ 248,528	\$ 217,230	40.9 %	40.9 %	41.0 %	46.8 %	42.9 %
Water service	123,215	113,769	98,358	85,284	87,697	15.3	16.8	15.1	16.0	17.3
Sewer service	168,957	130,002	96,685	98,614	96,519	21.0	19.2	14.9	18.5	19.1
Surface water fees	91,164	81,662	86,738	63,132	69,713	11.3	12.0	13.3	11.9	13.7
Penalty and other	4,444	8,468	9,237	5,556	3,122	0.6	1.2	1.4	1.0	0.6
Tap connection and sewer inspection fees	52,200	47,400	90,720	30,515	32,185	6.5	7.0	14.0	5.7	6.3
Interest on deposits	35,263	19,710	1,652	271	635	4.4	2.9	0.3	0.1	0.1
TOTAL REVENUES	<u>806,084</u>	<u>678,370</u>	<u>650,057</u>	<u>531,900</u>	<u>507,101</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
EXPENDITURES										
Service operations:										
Professional fees	103,015	83,349	113,777	89,154	92,013	12.8	12.3	17.5	16.8	18.1
Contracted services	68,546	56,788	54,428	52,224	45,654	8.5	8.4	8.4	9.8	9.0
Utilities	28,969	29,176	30,175	28,987	14,488	3.6	4.3	4.6	5.4	2.9
Surface water fees	77,656	86,810	90,803	64,548	66,229	9.6	12.8	14.0	12.1	13.1
Repairs, maintenance and other operating expenditures	207,670	172,138	134,147	176,433	119,187	25.8	25.4	20.6	33.2	23.5
Administrative expenditures	38,543	40,008	37,330	31,842	25,114	4.8	5.9	5.7	6.0	5.0
Capital outlay	54,986	173,142	221,248	120,896	286,207	6.8	25.5	34.1	22.8	56.4
TOTAL EXPENDITURES	<u>579,385</u>	<u>641,411</u>	<u>681,908</u>	<u>564,084</u>	<u>648,892</u>	<u>71.9</u>	<u>94.6</u>	<u>104.9</u>	<u>106.1</u>	<u>128.0</u>
EXCESS REVENUES (EXPENDITURES)	<u>\$ 226,699</u>	<u>\$ 36,959</u>	<u>\$ (31,851)</u>	<u>\$ (32,184)</u>	<u>\$ (141,791)</u>	<u>28.1 %</u>	<u>5.4 %</u>	<u>(4.9) %</u>	<u>(6.1) %</u>	<u>(28.0) %</u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>339</u>	<u>324</u>	<u>308</u>	<u>282</u>	<u>273</u>					
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>335</u>	<u>320</u>	<u>304</u>	<u>278</u>	<u>269</u>					

See accompanying independent auditor's report.

TEXAS NATIONAL MUNICIPAL UTILITY DISTRICT
COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES,
DEBT SERVICE FUND
FOR YEARS ENDED JULY 31

	AMOUNT					PERCENT OF TOTAL REVENUES				
	2024	2023	2022	2021	2020	2024	2023	2022	2021	2020
REVENUES										
Property taxes	\$ 346,038	\$ 342,563	\$ 270,269	\$ 278,447	\$ 271,945	90.5 %	90.9 %	98.0 %	93.1 %	96.6 %
Penalty and interest	7,036	4,978	4,422	20,208	5,894	1.8	1.3	1.6	6.8	2.1
Accrued interest on bonds received at date of sale	0	7,378	0	0	2,764	0.0	2.0	0.0	0.0	1.0
Interest on deposits	29,469	21,835	1,048	228	711	7.7	5.8	0.4	0.1	0.3
TOTAL REVENUES	382,543	376,754	275,739	298,883	281,314	100.0	100.0	100.0	100.0	100.0
EXPENDITURES										
Current:										
Professional fees	1,325	606	1,250	7,491	738	0.3	0.2	0.5	2.5	0.3
Contracted services	6,100	4,504	3,225	5,181	4,362	1.6	1.2	1.2	1.7	1.6
Other expenditures	980	1,307	1,449	668	1,100	0.3	0.3	0.5	0.2	0.4
Debt service:										
Principal retirement	130,000	125,000	125,000	120,000	115,000	34.0	33.2	45.3	40.2	40.9
Interest and fees	240,633	194,234	148,483	154,936	115,753	62.9	51.5	53.8	51.9	41.0
TOTAL EXPENDITURES	379,038	325,651	279,407	288,276	236,953	99.1	86.4	101.3	96.5	84.2
EXCESS REVENUES (EXPENDITURES)	\$ 3,505	\$ 51,103	\$ (3,668)	\$ 10,607	\$ 44,361	0.9 %	13.6 %	(1.3) %	3.5 %	15.8 %

See accompanying independent auditor's report.

TEXAS NATIONAL MUNICIPAL UTILITY DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS

JULY 31, 2024

Complete District Mailing Address: Texas National Municipal Utility District
c/o Young & Brooks
10000 Memorial Drive, Suite 260
Houston, Texas 77024

District Business Telephone No.: 713-951-0800

Submission date of the most recent District Registration Form: June 14, 2024

Limit on Fees of Office that a Director may receive during a fiscal year: \$6,000

BOARD MEMBERS

<u>Name and Address</u>	<u>Term of Office (Elected/ Appointed)</u>	<u>Fees of Office Paid</u>	<u>Expense Reimb.</u>	<u>Title at Year End</u>
Gretchal L. Woodruff 12017 Maverick Drive Willis, Texas 77378	Elected 5/04/24- 5/06/28	\$ 1,200	\$ 0	President
Edward F. McKeon 12045 Maverick Drive Willis, Texas 77378	Elected 5/07/22- 5/02/26	1,200	0	Vice President
Sandra D. Russell 9000 Pecos Place Willis, Texas 77378	Elected 5/07/22- 5/02/26	1,200	0	Secretary
Conrad Dean Greenway 9034 Pecos Place Willis, Texas 77378	Elected 5/04/24- 5/06/28	900	0	Assistant Secretary
George E. Waggoner 12125 Goliad Lane Willis, Texas 77378	Elected 5/07/22- 5/02/26	1,200	0	Director

See accompanying independent auditor's report.

TEXAS NATIONAL MUNICIPAL UTILITY DISTRICT

BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS (Continued)

JULY 31, 2024

CONSULTANTS

<u>Name and Address</u>	<u>Date Hired</u>	<u>Fees and Expense Reimbursements</u>	<u>Title at Year End</u>
Young & Brooks 10000 Memorial Drive, Suite 260 Houston, Texas 77024	11/20/74	\$ 44,838	Attorney
Perdue, Brandon, Fielder, Collins & Mott, L.L.P. 1235 North Loop West, Suite 600 Houston, Texas 77008	6/14/93	1,325	Delinquent Tax Attorney
Myrtle Cruz, Inc. 3401 Louisiana, Suite 400 Houston, Texas 77002	Prior to 8/01/83	19,274	Bookkeeper
Mary Jarmon 3401 Louisiana, Suite 400 Houston, Texas 77002	10/28/99	0	Investment Officer
Aqua Management 704 N. Thompson, Suite 154 Conroe, Texas 77301	Prior to 8/01/83	312,445	Operator
Bleyl Engineering 400 Randal Way, Suite 300 Spring, Texas 77388	1/26/17	174,041	Engineer
Tammy McRae Montgomery County TAC 400 N. San Jacinto Conroe, Texas 77301	2/01/96	389	Tax Assessor- Collector
Montgomery Central Appraisal District P.O. Box 2233 Conroe, Texas 77305	Legislative Action	5,711	Central Appraisal District
Blitch Associates, Inc. 11111 Katy Freeway, Suite 820 Houston, Texas 77079	1/21/10	0	Financial Advisor
Mark C. Eyring, CPA, PLLC 12702 Century Drive, Suite C-2 Stafford, Texas 77477	Prior to 1992	11,950	Independent Auditor

See accompanying independent auditor's report.

APPENDIX B – Specimen Municipal Bond Insurance Policy



MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

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

Effective Date: _____

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

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

200 Liberty Street, 27th floor
New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

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