OFFICIAL STATEMENT DATED OCTOBER 28, 2026

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

The Bonds have been designated "qualified tax-exempt obligations" for financial institutions.

NEW ISSUE – Book-Entry-Only

RATING: Moody's Ratings (Underlying)..... "Baa3"
See "MUNICIPAL BOND INSURANCE" and "RATINGS" herein

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 165
(A political subdivision of the State of Texas, located within Montgomery County)

$6,850,000
UNLIMITED TAX ROAD BONDS
SERIES 2026

Dated: November 1, 2026 **Due: September 1, as shown on inside cover page**

Interest Accrues: Delivery Date

The $6,850,000 Montgomery County Municipal Utility District No. 165 Unlimited Tax Road Bonds, Series 2026 (the "Bonds") are obligations of Montgomery County Municipal Utility District No. 165 (the "District") and are not obligations of the State of Texas; the City of Magnolia, Texas; Montgomery County, Texas; or any political subdivision or entity other than the District. Neither the faith and credit nor the taxing power of the State of Texas; the City of Magnolia, Texas; Montgomery County, Texas; nor any entity other than the District is pledged to the payment of the principal of or interest on the Bonds.

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

Principal of the Bonds is payable to the registered owner(s) of the Bonds at the principal payment office of the Paying Agent/Registrar upon surrender of the Bonds for payment at maturity or upon prior redemption. The Bonds are dated November 1, 2026, and interest on the Bonds accrues from the initial date of delivery (on or about November 24, 2026) (the "Delivery Date"), and is payable on March 1, 2027, and each September 1 and March 1 (each an "Interest Payment Date") thereafter until maturity or prior redemption to the person in whose name the Bonds are registered as of the 15th day of the calendar month next preceding each Interest Payment Date. The Bonds are issuable in principal denominations of $5,000 or any integral multiple thereof in fully registered form only.

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

The Bonds constitute the second series of unlimited tax bonds to be issued by the District for the purpose of acquiring or constructing a road system to serve the District (the "Road System"). The District has previously issued two series of unlimited tax bonds for the purpose of acquiring or constructing a water, sewer, and drainage system to serve the District (the "Utility System"). Voters of the District authorized the issuance of the following unlimited tax bonds: $68,000,000 principal amount of unlimited tax bonds authorized by District's voters for the purpose of purchasing, constructing, operating and maintaining the Utility System and for the further purpose of refunding such bonds, $28,000,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring the Road System to serve the District and for the further purpose of refunding such bonds, and $4,000,000 principal amount of unlimited tax bonds for the purpose of constructing parks and recreational facilities (the "Park System") and for the further purpose of refunding such bonds. Following the issuance of the Bonds, $48,550,000 principal amount of unlimited tax bonds for Utility System purposes, $16,910,000 principal amount of unlimited tax bonds for Road System purposes, and $4,000,000 principal amount of unlimited tax bonds for Park System purposes will remain authorized but unissued. See "THE BONDS – Authority for Issuance."

The Bonds, when issued, will constitute valid and binding obligations of the District and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District, as further described herein. Investment in the Bonds is subject to special investment considerations as described herein. See "INVESTMENT CONSIDERATIONS."

The Bonds are offered subject to prior sale, when, as and if issued by the District and accepted by the initial purchaser of the Bonds (the "Initial Purchaser"), subject, among other things, to the approval of the Attorney General of Texas and of Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel. Delivery of the Bonds through the facilities of DTC is expected on or about November 24, 2026.

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

$6,850,000 Unlimited Tax Road Bonds, Series 2026

Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 61373M (b)	Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 61373M (b)
2027	$ 215,000	7.250%	3.800%	DB5	2040 (c)	$ 265,000	5.000%	5.000%	DQ2
2028	135,000	7.250%	3.900%	DC3	2041 (c)	280,000	5.000%	5.100%	DR0
2029	140,000	7.250%	4.000%	DD1	2042 (c)	295,000	5.125%	5.150%	DS8
2030	150,000	7.250%	4.100%	DE9	2043 (c)	310,000	5.125%	5.200%	DT6
2031	160,000	7.250%	4.200%	DF6	2044 (c)	330,000	5.250%	5.250%	DU3
2032	170,000	7.250%	4.250%	DG4	2045 (c)	350,000	5.250%	5.300%	DV1
2033 (c)	180,000	7.250%	4.300%	DH2	2046 (c)	370,000	4.875%	5.350%	DW9
2034 (c)	190,000	7.250%	4.350%	DJ8	2047 (c)	390,000	4.750%	5.400%	DX7
2035 (c)	200,000	5.375%	4.500%	DK5	2048 (c)	415,000	4.750%	5.450%	DY5
2036 (c)	210,000	5.000%	4.600%	DL3	2049 (c)	435,000	4.750%	5.500%	DZ2
2037 (c)	225,000	5.000%	4.700%	DM1	2050 (c)	460,000	4.750%	5.530%	EA6
2038 (c)	235,000	5.000%	4.800%	DN9	2051 (c)	490,000	4.750%	5.550%	EB4
2039 (c)	250,000	5.000%	4.900%	DP4					

(a) The initial reoffering yield has been provided by the Initial Purchaser (herein defined) and represents the initial offering price to the public of a substantial amount of the Bonds for each maturity. Such initial reoffering yield may be changed for subsequent purchasers. The initial reoffering yields indicated above represent the lower of the yields resulting when priced to maturity or to the first call date.

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

(c) Bonds maturing on September 1, 2033, and thereafter, shall be subject to redemption and payment at the option of the District, in whole or from time to time in part on September 1, 2032, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. See "THE BONDS – Redemption of the Bonds."

USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

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

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

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

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APPENDIX A - FINANCIAL STATEMENTS OF THE DISTRICT

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the bid resulting in the lowest net interest cost, which was tendered by SAMCO Capital Markets, Inc. (the "Initial Purchaser"). The Initial Purchaser has agreed to purchase the Bonds, bearing the interest rates shown under "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL REOFFERING YIELDS, AND CUSIPS" on the inside cover page of this Official Statement, at a price of 97.005251% of the principal amount thereof, which resulted in a net effective interest rate of 5.238070%, calculated pursuant to Chapter 1204, Texas Government Code, as amended.

Prices and Marketability

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

The prices and other terms with respect to the offering and sale of the Bonds may be changed from time-to-time by the Initial Purchaser after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts.

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

Securities Laws

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

MUNICIPAL BOND INSURANCE

The District made an application to Assured Guaranty Inc. and Build America Mutual Assurance Company for a commitment for municipal bond guaranty insurance on the Bonds and qualified, but the Initial Purchaser elected not to purchase municipal bond guaranty insurance.

RATINGS

Moody's has assigned an underlying credit rating of "Baa3" to the Bonds. An explanation of the ratings may be obtained from Moody's, 7 World Trade Center at 250 Greenwich Street, New York, New York 10007. Furthermore, a security rating is not a recommendation to buy, sell or hold securities. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by Moody's, if in their judgment, circumstances so warrant. Any such revisions or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

The District is not aware of any rating assigned the Bonds other than the underlying rating of Moody's.

OFFICIAL STATEMENT 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.

THE BONDS

The Issuer	Montgomery County Municipal Utility District No. 165 (the "District"), a political subdivision of the State of Texas, is located in Montgomery County, Texas (the "County"). See "THE DISTRICT."
The Issue	The District is issuing its $6,850,000 Unlimited Tax Road Bonds, Series 2026 (the "Bonds"). The Bonds are dated November 1, 2026 and mature on September 1 in each of the years and principal amounts set forth on the inside cover page. Interest accrues from the initial date of delivery (expected to be on or about November 24, 2026) (the "Delivery Date"), at the rates per annum set forth on the inside cover page and is payable on March 1, 2027, and each September 1 and March 1 thereafter until maturity or earlier redemption. The Bonds are offered in fully registered form in integral multiples of $5,000 for any one maturity. See "THE BONDS – General."
Redemption Provisions	Bonds maturing on and after September 1, 2033, are subject to redemption, in whole or from time to time in part, at the option of the District, on September 1, 2032, and on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date of redemption. See "THE BONDS – Redemption of the Bonds."
Book-Entry-Only System	The Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York, pursuant to the book-entry-only system described herein. Beneficial ownership of the Bonds may be acquired in principal denominations of $5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the Beneficial Owners (hereinafter defined) thereof. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar (hereinafter defined) to Cede & Co., which will make distribution of the amounts so paid to the participating members of The Depository Trust Company for subsequent payment to the Beneficial Owners of the Bonds. See "THE BONDS – Book-Entry-Only System."
Source of Payment	Principal of and interest on the Bonds is payable from the proceeds of a continuing direct annual ad valorem tax, levied upon all taxable property within the District without legal limitation as to rate or amount. The Bonds are obligations solely of the District and are not obligations of the State of Texas; the County; the City of Magnolia, Texas (the "City"); or any other political subdivision or entity other than the District. See "THE BONDS – Source of Payment."
Use of Proceeds	Proceeds from the sale of the Bonds will be used by the District to reimburse the Developer (herein defined) for a portion of the improvements and related costs as shown herein under "THE BONDS – Use and Distribution of Bond Proceeds." Additionally, proceeds from the sale of the Bonds will be used to pay six (6) months of capitalized interest, developer interest, and other certain costs associated with the issuance of the Bonds. See "THE BONDS – Use and Distribution of Bond Proceeds."

Qualified Tax-Exempt Obligations	The Bonds have been designated "qualified tax-exempt obligations" for financial institutions.
Municipal Bond Insurance	The District made an application to Assured Guaranty Inc. and Build America Mutual Assurance Company for a commitment for municipal bond guaranty insurance on the Bonds and qualified, but the Initial Purchaser elected not to purchase municipal bond guaranty insurance. See "MUNICIPAL BOND INSURANCE."
Ratings	Moody's has assigned an underlying rating of "Baa3" to the Bonds. See "RATINGS" above.
Payment Record	The District has never defaulted on the timely payment of principal or interest on its prior bonded indebtedness.
Outstanding Bonds	The District has previously issued the following series of unlimited tax bonds: $9,255,000 Unlimited Tax Bonds, Series 2023; and $10,195,000 Unlimited Tax Bonds, Series 2024. The District has previously issued the following series of unlimited tax road bonds: $4,240,000 Unlimited Tax Road Bonds, Series 2025. As of date of delivery of the Bonds, $22,650,000 of such previously issued bonds will remain outstanding (the "Outstanding Bonds"). See "THE BONDS – Outstanding Bonds."
Authority for Issuance	The Bonds are issued pursuant to a resolution authorizing the issuance of the Bonds adopted by the Board of Directors of the District on the date of sale of the Bonds (the "Bond Resolution"); Article III, Section 52 of the Texas Constitution and the general laws of the State of Texas, including Chapters 49 and 54 of the Texas Water Code, as amended, and an election held within the District on November 5, 2019. See "THE BONDS – Authority for Issuance."
Bond Counsel	Allen Boone Humphries Robinson LLP, Houston, Texas.
Disclosure Counsel	McCall, Parkhurst & Horton L.L.P., Houston, Texas.
Financial Advisor	Cedar Creek Municipal Advisors, LLC, Houston, Texas.
Paying Agent/Registrar	BOKF, NA, Dallas, Texas.

THE DISTRICT

Description	The District was created by an order of the Texas Commission on Environmental Quality (the "TCEQ") dated July 9, 2019. At the time of creation, the District encompassed approximately 164.94 acres. The District has since annexed 36.30 acres on April 22, 2020, 92.22 acres on June 23, 2021, and 118.69 acres on May 25, 2022. Currently, the District encompasses approximately 412.15 acres. The District is located in southeast Montgomery County, approximately 40 miles northeast of the Central Business District of the City of Houston, Texas. The District is bounded on the north and east by open land, and bounded on the southwest by Mill Creek Road. The District is located entirely within the extraterritorial jurisdiction of the City of Magnolia and within Magnolia Independent School District. The District operates under Chapters 49 and 54 of the Texas Water Code, as amended. The District was created under the provisions of Article XVI, Section 59 of the Texas Constitution and Chapters 49 and 54 of the Texas Water Code, as amended. The TCEQ has authority over the issuance of bonds by the District for Utility System and Park System purposes pursuant to Section 49.181 of the Texas Water Code and applicable rules of the TCEQ. See "THE DISTRICT."

Development within the District	The District consists of approximately 412.15 total acres. To date, approximately 300.33 acres have been developed as 1,063 single-family lots within Mill Creek Estates Sections 1, 2, 3, 4, 5, 6A, 6B, 6C, 7, 8 and 9. As of September 1, 2026, the District included approximately 783 completed homes (approximately 752 occupied, 26 unoccupied, and 5 model homes); approximately 20 homes under construction; and approximately 260 vacant developed lots. The remaining land in the District includes approximately 97.68 acres planned for development as additional single-family residential sections and approximately 14.14 acres that are undevelopable. See "DEVELOPMENT OF THE DISTRICT – Status of Development within the District."
Developer	The principal developer of land within the District is Forestar (USA) Real Estate Group, Inc. ("Forestar"), which is a wholly-owned subsidiary of Forestar Group, Inc., a publicly traded corporation ("Forestar Group"). Forestar Group is a majority owned subsidiary of D.R. Horton, Inc. ("D.R. Horton"), a publicly traded corporation. Forestar is referred to herein as the "Developer." See "THE DEVELOPER" and "DEVELOPMENT OF THE DISTRICT."
Homebuilder Within the District	D.R. Horton is currently the only active homebuilder within the District. Prices of new homes being constructed within the District range from $235,000 to $331,000, with all lots being approximately 6,000 square feet in size. See "THE DEVELOPER – Homebuilder within the District."

INVESTMENT CONSIDERATIONS

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

SELECTED FINANCIAL INFORMATION
(UNAUDITED)

2026 Taxable Assessed Valuation	$	200,137,148	(a)
Estimate of Value as of June 1, 2026	$	229,840,526	(b)
Direct Debt:			
The Outstanding Bonds (as of delivery of the Bonds)	$	22,650,000	
The Bonds	$	6,850,000	
Total	$	29,500,000	
Estimated Overlapping Debt	$	10,887,532	(c)
Total Direct and Estimated Overlapping Debt	$	40,387,532	(c)
Direct Debt Ratios:			
As a percentage of the 2026 Taxable Assessed Valuation		14.74	%
As a percentage of the Estimate of Value as of June 1, 2026		12.83	%
Direct and Estimated Overlapping Debt Ratios:			
As a percentage of the 2026 Taxable Assessed Valuation		20.18	%
As a percentage of the Estimate of Value as of June 1, 2026		17.57	%
Utility System Debt Service Fund Balance (as of September 23, 2026)	$	478,036	(d)
Road System Debt Service Fund Balance (as of September 23, 2026)	$	288,853	(e)
General Operating Fund Balance (as of September 23, 2026)	$	1,322,601	
Capital Projects Fund Balance (as of September 23, 2026)	$	4,013	
2026 Tax Rate			
Utility System Debt Service		$ 0.6000	
Road System Debt Service		$ 0.3400	
Maintenance and Operations		$ 0.4100	
Total		$ 1.3500	(f)
Average Annual Debt Service Requirement (2027-2051)	$	1,928,788	(g)
Maximum Annual Debt Service Requirement (2047)	$	2,148,494	(g)
Debt Service Tax Rate per $100 of Taxable Assessed Valuation Required to Pay Average Annual Debt Service Requirement on the Bonds and the Outstanding Bonds (2027-2051):			
Based on the 2026 Taxable Assessed Valuation at 95% Tax Collections	$	1.02	
Based on the Estimate of Value as of June 1, 2026 at 95% Tax Collections	$	0.89	
Debt Service Tax Rate per $100 of Taxable Assessed Valuation Required to Pay Maximum Annual Debt Service Requirement on the Bonds and the Outstanding Bonds (2047):			
Based on the 2026 Taxable Assessed Valuation at 95% Tax Collections	$	1.14	
Based on the Estimate of Value as of June 1, 2026 at 95% Tax Collections	$	0.99	

(a) As certified by the Montgomery Central Appraisal District ("Appraisal District"). This value includes $25,210,570, which represents 80% of the uncertified value under arbitration by the Appraisal District, which is subject to review and adjustment prior to certification. See "TAX DATA" and "TAXING PROCEDURES."

(b) Provided by the Appraisal District for informational purposes only. This amount is an estimate of the taxable value of all taxable property located within the District as of June 1, 2026 and includes an estimate of additional taxable value resulting from additional taxable improvements constructed in the District from January 1, 2026 through June 1, 2026. No taxes will be levied on this estimated value. See "TAX DATA" and "TAXING PROCEDURES."

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

(d) Neither Texas law nor the Bond Resolution require that the District maintain any particular sum in the Utility System Debt Service Fund. Funds in the Utility System Debt Service Fund are not available to pay debt service on bonds issued for the purpose of acquiring or constructing the Road System, including the Bonds.

(e) Six (6) months of capitalized interest will be deposited into the Road System Debt Service Fund (defined herein) upon closing of the Bonds. Neither Texas law nor the Bond Resolution require that the District maintain any particular sum in the Road System Debt Service Fund. Funds in the Road System Debt Service Fund are not available to pay debt service on bonds issued for the purpose of acquiring or constructing the Utility System.

(f) The District is authorized to levy separate debt service taxes for its road debt and its water, wastewater, drainage, and park debt, both of which are unlimited as to rate or amount. See "TAX DATA – Tax Rate Distribution."

(g) Includes the Bonds and Outstanding Bonds. See "DISTRICT DEBT – Debt Service Requirement Schedule."

OFFICIAL STATEMENT
relating to
MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 165

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

$6,850,000
UNLIMITED TAX ROAD BONDS
SERIES 2026

INTRODUCTION

This Official Statement of Montgomery County Municipal Utility District No. 165 (the "District") is provided to furnish information with respect to the issuance by the District of its $6,850,000 Unlimited Tax Road Bonds, Series 2026 (the "Bonds").

The Bonds are issued pursuant to a resolution authorizing the issuance of the Bonds adopted by the Board of Directors of the District on the date of sale of the Bonds (the "Bond Resolution"); Article III, Section 52 of the Texas Constitution and the general laws of the State of Texas, including Chapters 49 and 54 of the Texas Water Code, as amended; and an election held within the District on November 5, 2019.

Unless otherwise indicated, capitalized terms used in this Official Statement have the same meaning assigned to such terms in the Bond Resolution. This Official Statement also includes information about the District and certain reports and other statistical data. The summaries and references to all documents, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive or definitive and each summary and reference is qualified in its entirety by reference to each such document, statute, report, or instrument.

THE BONDS

General

The following is a description of certain terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Bond Resolution of the Board of Directors of the District (the "Board") authorizing the issuance of the Bonds. Copies of the Bond Resolution may be obtained from the District upon request and payment of the costs for duplication thereof. The Bond Resolution authorizes the issuance and sale of the Bonds and prescribes the terms, conditions and provisions for the payment of the principal of and interest on the Bonds by the District.

The Bonds are dated November 1, 2026. The Bonds will mature on September 1 of the years and in the principal amounts and will bear interest from the initial date of delivery (on or about November 24, 2026), at the rates per annum, set forth on the inside cover page of this Official Statement. Interest on the Bonds will be payable March 1, 2027, and semiannually thereafter on each September 1 and March 1 until maturity or redemption.

The Bonds will be issued only in fully registered form in any integral multiples of $5,000 of principal amount for any one maturity and will be initially registered and delivered only to The Depository Trust Company, New York, New York ("DTC") in its nominee name of Cede & Co., pursuant to the book-entry-only system described herein. No physical delivery of the Bonds will be made to the owners thereof. Initially, principal of and interest on the Bonds will be payable by BOKF, NA, Dallas, Texas (the "Paying Agent/Registrar"), the Paying Agent/Registrar to Cede & Co., as registered owner. DTC will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "Book-Entry-Only System" below.

In the event the Book-Entry-Only System is discontinued and physical bond certificates issued, interest on the Bonds shall be payable by check mailed by the Paying Agent/Registrar on or before each interest payment date, to the registered owners ("Registered Owners") as shown on the bond register (the "Register") kept by the Paying Agent/Registrar at the close of business on the 15th calendar day of the month immediately preceding each interest payment date to the address of such Registered Owner as shown on the Register, 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 such Registered Owner.

If the date for payment of the principal of or interest on any Bond is not a business day, then the date for such payment shall be the next succeeding business day without additional interest and with the same force and effect as if made on the specified date for such payment.

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

The District cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC 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.

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC.

DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a rating of AA+ from S&P Global Ratings. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

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

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

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

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

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

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

Use of Certain Terms in Other Sections of this Official Statement

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

Successor Paying Agent/Registrar

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

Registration, Transfer and Exchange

In the event the Book-Entry-Only system is discontinued, the Bonds are transferable only on the bond register kept by the Paying Agent/Registrar upon surrender at the corporate trust office of the Paying Agent/Registrar in Dallas, Texas. A Bond may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. At any time after the date of initial delivery, any Bond may be transferred upon its presentation and surrender at the designated offices of the Paying Agent/Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the

Registered Owner. The Bonds are exchangeable upon presentation at the designated office(s) of the Paying Agent/Registrar, for an equal principal amount of Bonds of the same maturity in authorized denominations. To the extent possible, new Bonds issued in exchange or transfer of Bonds will be delivered to the Registered Owner or assignee of the Registered Owner within not more than three (3) business days after the receipt by the Paying Agent/Registrar of the request in proper form to transfer or exchange the Bonds. New Bonds registered and delivered in an exchange or transfer shall be in the denomination of $5,000 in principal amount for a Bond, or any integral multiple thereof for any one maturity and shall bear interest at the same rate and be for a like aggregate principal or maturity amount as the Bond or Bonds surrendered for exchange or transfer. Neither the Paying Agent/Registrar nor the District is required to issue, transfer, or exchange any Bond during a period beginning at the opening of business on a Record Date and ending at the close of business on the next succeeding Interest Payment Date or to transfer or exchange any Bond selected for redemption, in whole or in part, beginning fifteen (15) calendar days prior to, and ending on the date of the mailing of notice of redemption, or where such redemption is scheduled to occur within thirty (30) calendar days. No service charge will be made for any transfer or exchange, but the District or Registrar may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith.

Record Date for Interest Payment

Interest on the Bonds will be paid to the Registered Owner appearing on the registration and transfer books of the Paying Agent/Registrar at the close of business on the "Record Date" (the fifteenth calendar day of the month next preceding each interest payment date) and shall be paid by the Paying Agent/Registrar (i) by check sent by United States mail, first class postage prepaid, to the address of the Registered Owner recorded in the registration and transfer books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the Registered Owner. If the date for the payment of the principal or interest on the Bonds shall be a Saturday, Sunday, a legal holiday, or a day when banking institutions in the city where the principal payment office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

In the event of non-payment of interest on a scheduled payment date and for thirty (30) days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar when funds for the payment of such interest have been received. Notice of the Special Record Date and of the scheduled payment date of the past due interest ("Special Payment Date" which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each Registered Owner of a Bond appearing in the registration and transfer books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing such notice.

Redemption of the Bonds

The Bonds that mature on September 1, 2033, and thereafter shall be subject to redemption and payment at the option of the District, in whole or from time to time in part, on September 1, 2032, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. Notice of the exercise of the reserved right of redemption will be given at least thirty (30) days prior to the redemption date by sending such notice by first class mail to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the bond register.

If less than all of the Bonds are redeemed at any time, the maturities of the Bonds to be redeemed shall be selected by the District. If less than all of the Bonds of a certain maturity are to be redeemed, the particular Bonds or portions thereof to be redeemed will be selected by the Paying Agent/Registrar prior to the redemption date by such random method as the Paying Agent/Registrar deems fair and appropriate in integral multiples of $5,000 within any one maturity. The Registered Owner of any Bond, all or a portion of which has been called for redemption, shall be required to present such Bond to the Paying Agent/Registrar for payment of the redemption price on the portion of the Bonds so called for redemption and issuance of a new Bond in the principal amount equal to the portion of such Bond not redeemed.

Mutilated, Lost, Stolen or Destroyed Bonds

In the event the book-entry-only system is discontinued, the District has agreed to replace mutilated, destroyed, lost or stolen Bonds upon surrender of the mutilated Bonds to the Paying Agent/Registrar, or receipt of satisfactory evidence of such destruction, loss or theft, and receipt by the District and 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.

Outstanding Bonds

The District has previously issued the following series of unlimited tax bonds: $9,255,000 Unlimited Tax Bonds, Series 2023; and $10,195,000 Unlimited Tax Bonds, Series 2024. The District has previously issued the following series of unlimited tax road bonds: $4,240,000 Unlimited Tax Road Bonds, Series 2025. As of the date of delivery of the Bonds, $22,650,000 of such previously issued bonds will remain outstanding (the "Outstanding Bonds").

Payment Record

The Bonds are the fourth issuance of bonded indebtedness by the District. The District has never defaulted on the timely payment of principal or interest on its bonded indebtedness.

Authority for Issuance

The Bonds are issued pursuant to the Bond Resolution; Article III, Section 52 of the Texas Constitution and the general laws of the State of Texas, including Chapters 49 and 54 of the Texas Water Code, as amended; and an election held within the District on November 5, 2019.

Issuance of Additional Debt

At an election held on November 5, 2019, voters of the District authorized a total of $68,000,000 principal amount of unlimited tax bonds for the purpose of purchasing, constructing, operating and maintaining water, wastewater, and drainage facilities to serve the District (the "Utility System") and for the further purpose of refunding such bonds, $28,000,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring a road system to serve the District (the "Road System") and for the further purpose of refunding such bonds, and $4,000,000 principal amount of unlimited tax bonds for the purpose of constructing parks and recreational facilities to serve the District (the "Park System") and for the further purpose of refunding such bonds.

The Bonds represent the second series of bonds issued by the District for the purpose of acquiring or constructing the Road System. Following the issuance of the Bonds, $48,550,000 principal amount of unlimited tax bonds for the Utility System, $16,910,000 principal amount of unlimited tax bonds for the Road System, and $4,000,000 principal amount of unlimited tax bonds for the Park System will remain authorized and unissued.

Following reimbursement to the Developer with proceeds of the Bonds, the District will owe the Developer approximately $12,264,420 for construction of Utility System facilities on behalf of the District and $3,711,085 for construction of Road System facilities on behalf of the District based on the most recent information and estimates available.

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purposes. The District has developed a park plan, and both the park plan and park bonds have been approved by District voters. Before the District could issue park bonds payable from taxes, the following actions would be required: (a) approval of the park project and bonds by the TCEQ; and (b) approval of the bonds by the Attorney General of Texas. The principal amount of park bonds sold by the District may not exceed one percent (1%) of the District's certified taxable assessed valuation, unless the District meets certain financial feasibility requirements under the TCEQ rules, in which case the outstanding principal amount of such bonds issued by the District may exceed an amount equal to one percent but not greater than three percent of the value of the taxable property in the District.

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

Based on present engineering costs estimates and on development plans supplied by the Developer, in the opinion of the Engineer (hereinafter defined), following the issuance of the Bonds, the remaining principal amount of authorized but unissued bonds may not be sufficient to fully reimburse the Developer for the existing facilities and to finance the water, sewer and drainage facilities and roads necessary to serve the remaining undeveloped but developable land within the District. If the amount of remaining voted authorization is insufficient, the District would need to hold an election to request additional voted bonds.

Additional bonds may hereafter be approved by the voters of the District. If additional bonds are issued in the future and property values have not increased proportionately, such issuance may increase gross debt to property valuation ratios and thereby adversely affect the investment quality or security of the Bonds.

The Bond Resolution imposes no limitation on the amount of additional parity bonds which may be authorized for issuance by the District's voters or the amount ultimately issued by the District. Bonds issued for water, sewer, and drainage purposes are required to be approved by the TCEQ.

The amount of bonds issued and the remaining authorized but unissued bonds following the issuance of the Bonds are summarized below:

Election Date	Purpose	Amount Authorized	Issued to Date	Remaining Unissued
11/5/2019	Utility System & Refunding	$68,000,000	$19,450,000	$48,550,000
11/5/2019	Road System & Refunding	$28,000,000	$11,090,000 (a)	$16,910,000
11/5/2019	Park System & Refunding	$4,000,000	-	$4,000,000

(a) Includes the Bonds.

Source of Payment

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

Bonds issued for the Road System, the Utility System, or the Park System are each supported by the proceeds of a separate unlimited tax levied annually by the District. Amounts on deposit in the Road System Debt Service Fund (defined below) may not be used to pay debt service on the bonds issued by the District for the Utility System or Park System. Amounts on deposit in the Utility System Debt Service Fund (defined below) may not be used to pay debt service on the Bonds or any other bonds issued by the District for the Road System. The Bonds are obligations solely of the District and are not the obligations of the State of Texas; the County; the City; or any entity other than the District.

Funds

The Bond Resolution confirms the Road System Debt Service Fund (the "Road System Debt Service Fund"). Six (6) months of capitalized interest on the Bonds will be deposited from the proceeds from the sale of the Bonds into the Road Debt Service Fund upon closing of the Bonds. The Road System Debt Service Fund, which constitutes a trust fund for the benefit of the owners of the Bonds, the Outstanding Bonds issued for the Road System, and any additional unlimited tax bonds issued by the District for the Road System, is to be kept separate from all other funds of the District, and is to be used for payment of debt service on the Bonds, the Outstanding Bonds issued for the Road System, and any of the District's other duly authorized bonds issued for the Road System payable in whole or in part from taxes. Amounts on deposit in the Road System Debt Service Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar, to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Bonds, the Outstanding Bonds issued for the Road System, and any additional bonds for the Road System payable in whole or in part from taxes, and to pay any tax anticipation notes issued, together with interest thereon, as such tax anticipation notes become due. Amounts on deposit in the Road System Debt Service Fund may not be used to pay debt service on bonds issued by the District for the Utility System or the Park System.

In connection with the Outstanding Bonds for the Utility System (the "Outstanding Utility Bonds"), the District has previously established its Utility System Debt Service Fund (the "Utility System Debt Service Fund"). The Utility System Debt Service Fund, which constitutes a trust fund for the benefit of the registered owners of the Outstanding Bonds issued for the Utility System, is to be kept separate from all other funds of the District, and is to be used for payment of debt service on the Outstanding Bonds issued for the Utility System and any other of the District's other duly authorized bonds issued for the Utility System or the Park System payable in whole or in part from taxes. Amounts on deposit in the Utility System Debt Service Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar, to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Outstanding Bonds issued for the Utility System. Amounts on

deposit in the Utility System Debt Service Fund may not be used to pay debt service on bonds issued by the District for the Road System, including the Bonds.

Annexation by the City of Magnolia

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Magnolia (the "City'), the District must conform to a City ordinance consenting to the creation of the District. In addition, except as set forth below under "Utility Agreement with the City of Magnolia," the District may be annexed by the City without the District's consent. If the District is annexed, the City would assume the District's assets and obligations (including the Bonds) and may dissolve the District. Annexation of territory by the City is a policy-making matter within the discretion of the Mayor and City Council of the City, and therefore, the District makes no representation that the City will ever annex the District and assume its debt, nor does the District make any representation concerning the ability of the City to pay debt service on the District's bonds if annexation were to occur. See "Utility Agreement with the City of Magnolia" below.

Utility Agreement with the City of Magnolia

All of the land in the District is located within the extraterritorial jurisdiction of the City. The City has entered into a Utility Agreement (as amended, the "Utility Agreement") which was approved and assumed by the District on January 22, 2020. Pursuant to the Utility Agreement, the District agreed to construct, at its sole expense, water distribution, wastewater collection and storm sewer facilities to serve the District and to convey the water distribution lines, wastewater collection lines, lift stations and storm drainage lines to the City for ownership, operating and maintenance at the City's expense. The City bills and collects for services from the District's customers and all revenues are property of the City. The City has agreed to provide the District with its ultimate requirements for water supply and distribution and wastewater treatment and collection upon payment of connection charges by the District to the City. Such impact fees may be amended by the City from time to time and at any time, subject to certain limitations imposed by state law.

In the Utility Agreement, the City agrees that it shall not abolish the District until such time as the District is fully developed and has sold all bonds necessary to finance the costs of the water, sewer, and drainage facilities and has reimbursed the Developer and all other landowners within the District in accordance with the development financing agreements entered into by the District until ten (10) years after the effective date of a strategic partnership agreement to be entered into between the City and the District that will detail the terms and conditions related to the full-purpose annexation of the District. The District and the City have not yet entered into a duly authorized strategic partnership agreement, because at this time the City has indicated that it does not wish to proceed with such agreement.

Consolidation

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

No Arbitrage

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

Defeasance

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

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

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

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

Registered Owners' Remedies

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

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners may seek a writ of mandamus requiring the District to levy adequate taxes to make such payments. Except for the remedy of mandamus, the Bond Resolution does not specifically provide for remedies to a Registered Owner in the event of a District default, nor does it provide for the appointment of a trustee to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Although the Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on the property of the District or sell property within the District in order to pay the principal of or interest on the Bonds.

The enforceability of the rights and remedies of the Registered Owners may be further limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. For example, a Chapter 9 bankruptcy proceeding by the District could delay or eliminate payment of principal or interest to the Registered Owners.

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Use and Distribution of Bond Proceeds

Proceeds from the sale of the Bonds will be used to reimburse the Developer for the road improvements and related engineering costs as shown below. Additionally, the proceeds of the Bonds will be used to pay six (6) months of capitalized interest, developer interest and certain costs associated with the issuance of the Bonds. Totals may not sum due to rounding.

	Amount
CONSTRUCTION COSTS	
A. Developer Contribution Items	
1. Paving and Appurtenances to Serve Mill Creek Estates Section 2	$ 736,098
2. Paving and Appurtenances to Serve Mill Creek Estates Section 3	88,698
3. Paving and Appurtenances to Serve Mill Creek Estates Section 4 & 5	1,717,476
4. Paving and Appurtenances to Serve Mill Creek Estates Section 6A	975,023
5. Paving and Appurtenances to Serve Mill Creek Estates Section 6B & 6C	590,326
6. Engineering, Material Testing, Geotech, Etc.	487,142
7. SWPPP for Item No. 1-2	64,253
Total Developer Contribution Items	$ 4,659,016
B. District Items	
1. Land Costs	
a. Mill Creek Estates Section 6A	$ 170,943
b. Mill Creek Estates Section 6B	53,983
c. Mill Creek Estates Section 6C	88,410
Less Surplus Funds	(2,634)
TOTAL CONSTRUCTION COSTS	$ 4,969,718
NON-CONSTRUCTION COSTS	
A. Legal Fees	$ 177,000
B. Fiscal Agent Fees	137,000
C. Interest Costs	
1. Capitalized Interest (a)	184,959
2. Developer Interest	1,077,295
D. Bond Discount (a)	205,140
E. Attorney General Fee (0.10%)	6,850
F. Bond Application Report Costs	35,000
G. Bond Issuance Expenses	44,700
H. Contingency (a)	12,337
TOTAL NON-CONSTRUCTION COSTS	$ 1,880,282
TOTAL BOND ISSUE REQUIREMENT	**$ 6,850,000**

(a) Represents the difference between the estimated and actual amount of capitalized interest and Bond discount.

The construction costs described above were compiled by the Engineer (hereinafter defined), based, in some cases, on the estimated costs of facilities. Non-construction costs are based upon either contract amounts or estimates. In the instance that estimated amounts exceed the actual costs, the difference comprises a surplus which may be expended for roads or improvements in aid thereof.

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INVESTMENT CONSIDERATIONS

General

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

Factors Affecting Taxable Values and Tax Payments

Credit Markets and Liquidity in the Financial Markets: Interest rates and the availability of mortgage and development funding have a direct impact on construction activity, particularly on short-term interest rates at which developers are able to obtain financing for development costs.

Interest rate levels may affect the ability of a landowner with undeveloped property to undertake and complete construction activities within the District. Because of the numerous and changing factors affecting the availability of funds, the District is unable to assess the future availability of such funds for continued construction within the District. In addition, since the District is located approximately 45 miles northwest from the central downtown business district of the City of Houston, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the Houston metropolitan and regional economies and the national financial and credit markets. A downturn in the economic conditions of Houston and the nation could adversely affect development plans in the District and restrain the growth of the District's property tax base.

Competition: The demand for and construction of single-family homes in the District could be affected by competition from other residential developments, including other residential developments located in the northwestern portion of the Houston area market. In addition to competition for new home sales from other developments, there are numerous previously owned homes in the area of the District. Such homes could represent additional competition for new homes proposed to be sold within the District. The competitive position of a builder in the sale of single-family residential houses within the District is affected by most of the factors discussed in this section. Such a competitive position directly affects the growth and maintenance of taxable values in the District and tax revenues to be received by the District.

Economic Factors: The rate of development within the District is directly related to the vitality of the residential housing development industry in the Houston metropolitan area. New construction can be significantly affected by factors such as interest rates, construction costs, and consumer demand. New construction can also be affected by energy availability and costs, including oil and gasoline prices, upon which the Texas economy is heavily dependent. Downturns in the real estate market, mortgage rates, and other factors beyond the control of the Developer (defined herein) or homebuilders, including general economic conditions, may impact the timing of lot and home sales within the District. Decreased levels of such construction activity would restrict the growth of property values in the District. The District cannot predict the pace or magnitude of any future development in the District.

Developers Under No Obligation to the District: The Developer has informed the District of its current plans to continue to develop land in the District for residential purposes. However, the Developer is not obligated to implement such plan on any particular schedule or at all. Thus, the furnishing of information related to the proposed development by the Developer should not be interpreted as such a commitment. The District makes no representation about the probability of development continuing in a timely manner or about the ability of the Developer, or any other subsequent landowners to whom a party may sell all or a portion of their holdings within the District, to implement any plan of development. Furthermore, there is no restriction on the Developer's right to sell its land. The District can make no prediction as to the effects that current or future economic or governmental circumstances may have on any plans of the Developer. Failure to construct taxable

improvements on developed lots and tracts and failure of the Developer to develop its land would restrict the rate of growth of taxable value in the District. The District is also dependent upon the Developer (see "TAX DATA – Principal Taxpayers") for the timely payment of ad valorem taxes, and the District cannot predict what the future financial condition of the Developer will be or what effect, if any, such conditions may have on its ability to pay taxes. See "THE DEVELOPER" and "DEVELOPMENT OF THE DISTRICT."

Dependence on Major Taxpayers and the Developer: The District's tax base is concentrated in a small number of taxpayers. As reflected in this Official Statement under the caption "TAX DATA – Principal Taxpayers," the District's top ten principal taxpayers as of January 1, 2026, owned approximately 9.73% of the assessed value of property located in the District. In addition, the Developer and related entities owned a total of approximately 6.40% of the assessed value of property located in the District as of January 1, 2026. The District cannot represent that its tax base will in the future be (i) distributed among a significantly larger number of taxpayers or (ii) less concentrated in property owned by a relatively small number of property owners than it is currently. Failure by the Developer or one or more of the District's principal property owners to make full and timely payments of taxes due may have an adverse effect on the investment quality or security of the Bonds. If any one or more of the principal District taxpayers did not pay taxes due, the District might need to levy additional taxes or use other debt service funds available to meets its debt service requirements, the availability of which is uncertain. See "INVESTMENT CONSIDERATIONS – Tax Collection Limitations" below and "THE DEVELOPER" herein.

The District can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the proposed District tax rate or to justify continued payment of taxes by property owners.

Maximum Impact on District Tax Rates: Assuming no further development or home construction, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of property owners to pay their taxes. The 2026 Taxable Assessed Valuation of property located within the District is $200,137,148 and the Estimated Taxable Valuation as of June 1, 2026 is $229,840,526. After issuance of the Bonds, the maximum annual debt service requirement on the Bonds and Outstanding Bonds (herein defined) will be $2,148,494 (2047) and the average annual debt service requirement on the Bonds and Outstanding Bonds will be $1,928,788 (2027-2051). Assuming no increase to nor decrease from the 2026 Taxable Assessed Valuation, tax rates of $1.14 and $1.02 per $100 of assessed valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirements, respectively. Assuming no increase to nor decrease from the Estimated Taxable Valuation as of June 1, 2026, tax rates of $0.99 and $0.89 per $100 of assessed valuation at 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirements, respectively.

The District can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the proposed District tax rate or to justify continued payment of taxes by property owners. For the 2026 tax year, the District levied a total tax rate of $1.35 per $100 of assessed valuation composed of $0.60 per $100 of assessed valuation for Utility System debt service, $0.34 per $100 of assessed valuation for the Road System debt service, and $0.41 per $100 of assessed valuation for maintenance and operations.

Vacant Developed Lots

As of September 1, 2026, approximately 260 developed lots in the District remained available for construction. Failure of the Developer to sell developed lots to homebuilders and for homebuilders to construct taxable improvements on developed lots could result in substantial increases in the rate of taxation by the District during the term of the Bonds to pay debt service on the Bonds and any other tax supported debt of the District issued in the future. Future increases in value will result primarily from the construction of homes by builders. The District makes no representation that the lot sales and building program will be successful.

Increase in Costs of Building Materials

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

activity, and may restrict the growth of property values in the District. The District makes no representations regarding the probability of development or homebuilding continuing in a timely manner or the effects that current or future economic or governmental circumstances may have on any plans of the developers or homebuilders.

Tax Collection Limitations

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

Registered Owners' Remedies

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

Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages, so that in the absence of other waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the Bond Resolution may not be reduced to a judgment for money damages. If such a judgment against the District were obtained, it could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may further be limited by a State of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District.

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. Texas law requires a district, such as the District, to obtain the approval of the Texas Commission on Environmental Quality (the "TCEQ") as a condition to seeking relief under the Federal Bankruptcy Code.

Notwithstanding noncompliance by the District with Texas law requirements, the District could file a voluntary bankruptcy petition under Chapter 9, thereby invoking the protection of the automatic stay until bankruptcy court, after a hearing, dismisses the petition. A federal bankruptcy court is a court of equity and federal

bankruptcy judges have considerable discretion in the conduct of bankruptcy proceeds and in making the decision of whether to grant the petitioning District relief from its creditors. While such a decision might be appealable, the concomitant delay and loss of remedies to the Registered Owner could potentially and adversely impair the value of the Registered Owners' claim.

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

The District may not be placed into bankruptcy involuntarily.

Future Debt

Following the issuance of the Bonds, $48,550,000 principal amount of unlimited tax bonds for the purpose of purchasing, constructing, operating and maintaining the Utility System and for the further purpose of refunding such bonds; $16,910,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring the Road System and for the further purpose of refunding such bonds; and $4,000,000 principal amount of unlimited tax bonds for the purpose of constructing the Park System and for the further purpose of refunding such bonds will remain authorized but unissued.

Following reimbursement to the Developer with proceeds of the Bonds, the District will owe the Developer approximately $12,264,420 for construction of Utility System facilities on behalf of the District and $3,711,085 for construction of Road System facilities on behalf of the District based on the most recent information and estimates available.

The principal amount of bonds issued to finance parks and recreational facilities may not exceed 1% of the District's assessed value, unless the District meets certain financial feasibility requirements under TCEQ rules, the outstanding principal amount of such bonds issued by the District may exceed an amount equal to 1% but not greater than 3% of the value of taxable property in the District.

Based on present engineering costs estimates and on development plans supplied by the Developer, in the opinion of the Engineer (hereinafter defined), following the issuance of the Bonds, the remaining principal amount of authorized but unissued bonds may not be sufficient to fully reimburse the Developer for the existing facilities and to finance the water, sewer and drainage facilities and roads necessary to serve the remaining undeveloped but developable land within the District. If the amount of remaining voted authorization is insufficient, the District would need to hold an election to request additional voted bonds.

Continuing Compliance with Certain Covenants

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

Specific Flood Type Risks

The District may be subject to the following flood risks:

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

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

release of water by a debris or ice jam. In addition, planned or unplanned controlled releases from a dam, levee or reservoir also may result in flooding in areas adjacent to rivers, bayous or drainage systems downstream.

Potential Effects of Oil Price Fluctuations on the Houston Area

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

National Weather Service Atlas 14 Rainfall Study

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

Extreme Weather Events

The greater Houston area, including the District, is subject to occasional severe weather events, including tropical storms, hurricanes, tornadoes, flooding, and other natural disasters. 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 District cannot predict the effect that extreme weather events may have upon the District and the Gulf Coast. 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. See "TAXING PROCEDURES – Valuation of Property for Taxation."

If a future weather event or natural disaster 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.

Environmental Regulations

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

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

Sanctions against a municipal utility district or other type of special purpose district for failure to comply with environmental laws and regulations may include a variety of civil and criminal enforcement measures, including assessment of monetary penalties, imposition of remedial requirements and issuance of injunctions to ensure future compliance. Environmental laws and compliance with environmental laws and regulations can increase the cost of planning, designing, constructing and operating water production and wastewater

treatment facilities. Environmental laws can also inhibit growth and development within the District. Further, changes in regulations occur frequently, and any changes that result in more stringent and costly requirements could materially impact the District.

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

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

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

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

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

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

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

Texas Pollutant Discharge Elimination System ("TPDES") permits set limits on the type and quantity of discharge, in accordance with state and federal laws and regulations. The TCEQ reissued the TPDES Construction General Permit (TXR150000) ("CGP"), with an effective date of March 5, 2023, which is a general

permit authorizing the discharge of stormwater runoff associated with small and large construction sites and certain non-stormwater discharges into surface water in the state. The CGP has a 5-year permit term, and is then subject to renewal. Moreover, the Clean Water Act ("CWA") and Texas Water Code require municipal wastewater treatment plants to meet secondary treatment effluent limitations and more stringent water quality-based limitations and requirements to comply with the Texas water quality standards. Any water quality-based limitations and requirements with which a municipal utility district must comply may have an impact on the municipal utility district's ability to obtain and maintain compliance with TPDES permits.

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

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

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

While the *Sackett* decision and subsequent regulatory action removed a great deal of uncertainty regarding the ultimate scope of "waters of the United States" and the extent of EPA and USACE jurisdiction, operations of municipal utility districts, including the District, could potentially be subject to additional restrictions and requirements, including additional permitting requirements, in the future.

Continuing Compliance with Certain Covenants

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

Future and Proposed Legislation

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby.

Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives, or litigation. The disclosures and opinions expressed herein are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and no opinion is expressed as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

Marketability of the Bonds

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

Approval of the Bonds

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

The 90th Texas Legislature

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

Cybersecurity

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

THE DISTRICT

General

The District was created by an order of the TCEQ dated July 9, 2019. The District operates under Chapters 49 and 54 of the Texas Water Code, as amended. The District was created under the provisions of Article XVI, Section 59 of the Texas Constitution and Chapters 49 and 54 of the Texas Water Code, as amended.

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, particularly, Chapters 49 and 54 of the Texas Water Code, as amended, and Article XVI, Section 59, and Article III, Section 52 of the Texas Constitution, and Chapter 8189 of the Texas Special District Local Laws Code.

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 also is authorized to construct, develop, and maintain park and recreational facilities using operating revenues. In addition, the District is authorized, upon TCEQ and voter approval, to establish, operate, and maintain a fire department, independently or with one or more other conservation and reclamation districts, and provide such facilities and services to the customers of the District.

Description

At the time of creation, the District encompasses approximately 164.94 acres. The District has since annexed 36.30 acres on April 22, 2020, 92.22 acres on June 23, 2021, and 118.69 acres on May 25, 2022. Currently, the District encompassed approximately 412.15 acres. The District is located in southeast Montgomery County, approximately 40 miles northeast of the Central Business District of the City of Houston, Texas. The District is bounded on the north and east by open land and bounded on the southwest by Mill Creek Road. The District is located entirely within the extraterritorial jurisdiction of the City of Magnolia and within Magnolia Independent School District.

Management of the District

The District is governed by a Board of Directors (the "Board"), consisting of five directors, who have control over and management supervision of all affairs of the District (the "Directors"). The Directors serve four-year staggered terms and are elected by the duly qualified voters of the District in May of each even-numbered year. Currently, none of the Directors resides within the District and all Directors own land within the District. None of the Directors are employed by the Developer or any entity affiliated with the Developer. The current members and officers of the Board are listed below:

Name	Position	Term Expires May
Brian Thompson	President	2030
Sam H. Hall	Vice President	2030
Mike Mahar	Secretary	2028
Raul E. Wong	Assistant Secretary	2030
Crystal McBride	Assistant Vice President	2028

Investment Policy

The District has adopted an Investment Policy (the "Policy") as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code (the "Act"). The District's goal is to preserve principal and maintain liquidity in a diversified portfolio while securing a competitive yield on its portfolio. Funds of the District are to be invested only in accordance with the Policy. The Policy states that the funds of the District may be invested in short term obligations of the U.S. or its agencies or instrumentalities, in certificates of deposits insured by the Federal Deposit Insurance Corporation ("FDIC") and secured by collateral authorized by the Act, and in TexPool and TexStar, which are public funds investment pools rated in the highest rating category by a nationally recognized rating service. The District does not currently own, nor does it anticipate, the inclusion of long-term securities or derivative products in the portfolio.

Consultants

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

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

Disclosure Counsel: Certain legal matters will be passed upon for the District by McCall, Parkhurst & Horton L.L.P., Houston, Texas, as Disclosure Counsel. The fees to be paid to Disclosure Counsel in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds.

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

Tax Assessor/Collector: The tax assessor/collector for the District is Utility Tax Service, LLC.

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

Auditor: As required by the Texas Water Code, the District retains an independent auditor to audit the District's financial statements annually, which audited financial statements are filed with the TCEQ. The District's financial statements for the fiscal year ended November 30, 2025, were audited by McGrath & Co., PLLC. The District's audited financial statements are attached as "APPENDIX A" to this Official Statement.

Engineer: The District's Engineer is LJA Inc. (the "Engineer").

Historical Operations of the Utility System

The following is a summary of the District's Operating Fund. The figures for the fiscal years ending November 30 in the years 2022 through 2025, were obtained from the District's audited financial statements, reference to which is hereby made. See "APPENDIX A." The District is required by statute to have a certified public accountant audit the District's financial statements, which is then filed with the TCEQ.

	Fiscal Year Ending November 30,			
	2025	2024	2023	2022
REVENUES:				
Property Taxes	$ 574,338	$ 586,947	$ 702,758	$ 153,990
Penalties and Interest	–	–	–	5,226
Tap Connection and Inspection	–	–	–	1,970
Investment Revenues	43,690	39,171	13,829	675
Miscellaneous Revenues	1,250	1,310	290	–
TOTAL REVENUES	$ 619,278	$ 627,428	$ 716,877	$ 161,861
EXPENDITURES:				
Professional Fees	$ 187,637	$ 106,978	$ 125,962	$ 147,286
Contracted Services	27,275	14,503	9,650	26,401
Repairs and Maintenance	197,738	224,162	99,613	71,313
Utilities	1,869	1,679	1,540	1,154
Administrative	26,035	19,056	15,737	20,527
Other	4,779	1,420	–	686
TOTAL EXPENDITURES	$ 445,333	$ 367,798	$ 252,502	$ 267,367
Net Revenues (Deficit)	$ 173,945	$ 259,630	$ 464,375	$ (105,506)
OTHER FINANCING SOURCES:				
Developer Advances	$ –	$ –	$ –	$ 100,000
Internal Transfer	$ –	$ –	$ 26,095	$ –
Beginning Fund Balance	$ 766,489	$ 506,859	$ 16,389	$ 21,895
Ending Fund Balance	$ 940,434	$ 766,489	$ 506,859	$ 16,389

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DEVELOPMENT OF THE DISTRICT

Status of Development within the District

The District consists of approximately 412.15 total acres. To date, approximately 300.33 acres have been developed as 1,063 single-family lots within Mill Creek Estates Sections 1, 2, 3, 4, 5, 6A, 6B, 6C, 7, 8 and 9. As of September 1, 2026, the District included approximately 783 completed homes (approximately 752 occupied, 26 unoccupied, and 5 model homes); approximately 20 homes under construction; and approximately 260 vacant developed lots.

The remaining land in the District includes approximately 97.68 acres planned for development as additional single-family residential sections and approximately 14.14 acres that are undevelopable.

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

Subdivision	Acreage	Section Lots	Homes Completed	Homes Under Construction	Vacant Lots
Mill Creek Estates, Section 1	46.48	139	136	–	3
Mill Creek Estates, Section 2	22.47	72	72	–	–
Mill Creek Estates, Section 3	17.99	87	87	–	–
Mill Creek Estates, Section 4	25.97	126	126	–	–
Mill Creek Estates, Section 5	20.07	104	104	–	–
Mill Creek Estates, Section 6A	22.00	102	102	–	–
Mill Creek Estates, Section 6B	21.38	48	48	–	–
Mill Creek Estates, Section 6C	13.11	69	69	–	–
Mill Creek Estates, Section 7	47.31	176	16	16	144
Mill Creek Estates, Section 8	25.92	63	23	4	36
Mill Creek Estates, Section 9	15.85	77	–	–	77
Mill Creek Estates Blvd, Street Dedication , Section 1	20.60	–	–	–	–
Mill Creek Estates Blvd, Street Dedication , Section 2	1.18	–	–	–	–
Totals	300.33	1,063	783	20	260

Remaining Residential Developable	97.68
Undevelopable	14.14
District Total	412.15

THE DEVELOPER

Role of the Developer

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

Neither the Developer, nor any affiliate entity, is obligated to pay principal of or interest on the Bonds. Furthermore, none of the Developer or its affiliate entities has a binding commitment to the District to carry out any plan of development, and the furnishing of information relating to the proposed development by the Developer or its affiliate entities should not be interpreted as such a commitment. Prospective purchasers are encouraged to inspect the District in order to acquaint themselves with the nature of development that has occurred or is occurring within the District's boundaries.

Developer

The principal developer of land within the District is Forestar (USA) Real Estate Group, Inc., a Delaware corporation ("Forestar" or the "Developer"), which is a wholly-owned subsidiary of Forestar Group, Inc., a Delaware corporation ("Forestar Group") and a publicly traded corporation whose stock is listed on the New York Stock Exchange ("NYSE") under the ticker of "FOR." Forestar Group is a majority owned subsidiary of D.R. Horton Inc., a Delaware corporation ("D.R. Horton") and a publicly traded corporation whose stock is listed on the NYSE under the ticker of "DHI". Forestar is referred to herein as the "Developer." Audited financial statements for Forestar Group can be found online at https://investor.forestar.com/sec-filings/. Both Forestar Group and D.R. Horton are subject to the information requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith files reports and other information with the United States Securities and Exchange Commission ("SEC"). Reports, proxy statements and other information filed by Forestar Group and D.R. Horton, Inc. can be inspected at the office of the SEC at Judiciary Plaza, Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such material can be obtained from the Public Reference Section of the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. Copies of the above reports, proxy statements and other information may also be inspected at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005. The SEC maintains a website at http://www.sec.gov that contains reports, proxy information statements and other information regarding registrants that file electronically with the SEC.

Homebuilder within the District

D.R. Horton is currently the only active homebuilder within the District. Prices of new homes being constructed within the District range from $235,000 to $331,000, with all lots being approximately 6,000 square feet in size.

Developer Financing

The Developer has obtained financing for a portion of the development of Mill Creek through the National Finance Authority of New Hampshire (the "PFA"). The PFA issued $26,685,000 Special Revenue Bonds, Series 2026 (the "PFA Bonds"), which are secured in part by the sale and assignment of the Developer's right to receive proceeds from the Bonds and the future sale of unlimited tax bonds issued by the District. According to the Developer, they are currently in compliance with all material representations and certifications made with respect to the PFA Bonds and have made the necessary certifications required by the Texas Attorney General ensuring the proceeds of the Bonds are being used for lawful purposes authorized under Texas law. See "INVESTMENT CONSIDERATIONS—Approval of the Bonds."

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PHOTOGRAPHS TAKEN WITHIN THE DISTRICT

(August 2026)













PHOTOGRAPHS TAKEN IN THE DISTRICT

(August 2026)













DISTRICT DEBT

Debt Service Requirement Schedule

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

		The Bonds			
Calendar Year	Outstanding Debt Service	Principal	Interest	Debt Service	Total Debt Service
2027	$ 1,609,269	$ 215,000	$ 284,632	$ 499,632	$ 2,108,901
2028	1,597,956	135,000	354,331	489,331	2,087,288
2029	1,590,119	140,000	344,544	484,544	2,074,663
2030	1,580,431	150,000	334,394	484,394	2,064,825
2031	1,575,331	160,000	323,519	483,519	2,058,850
2032	1,574,781	170,000	311,919	481,919	2,056,700
2033	1,576,831	180,000	299,594	479,594	2,056,425
2034	1,577,331	190,000	286,544	476,544	2,053,875
2035	1,576,281	200,000	272,769	472,769	2,049,050
2036	1,592,106	210,000	262,019	472,019	2,064,125
2037	1,590,919	225,000	251,519	476,519	2,067,438
2038	1,603,131	235,000	240,269	475,269	2,078,400
2039	1,608,319	250,000	228,519	478,519	2,086,838
2040	1,615,181	265,000	216,019	481,019	2,096,200
2041	1,619,944	280,000	202,769	482,769	2,102,713
2042	1,632,131	295,000	188,769	483,769	2,115,900
2043	1,636,781	310,000	173,650	483,650	2,120,431
2044	1,632,781	330,000	157,763	487,763	2,120,544
2045	1,646,644	350,000	140,438	490,438	2,137,081
2046	1,646,869	370,000	122,063	492,063	2,138,931
2047	1,654,469	390,000	104,025	494,025	2,148,494
2048	1,003,875	415,000	85,500	500,500	1,504,375
2049	1,004,681	435,000	65,788	500,788	1,505,469
2050	303,775	460,000	45,125	505,125	808,900
2051	-	490,000	23,275	513,275	513,275
Total	$ 36,049,938	$ 6,850,000	$ 5,319,751	$ 12,169,751	$ 48,219,688

Average Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2027–2051).....$ 1,928,788

Maximum Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2047).....$ 2,148,494

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SELECTED FINANCIAL INFORMATION

2026 Taxable Assessed Valuation	$	200,137,148	(a)
Estimate of Value as of June 1, 2026	$	229,840,526	(b)
Direct Debt:			
The Outstanding Bonds (as of delivery of the Bonds)	$	22,650,000	
The Bonds	$	6,850,000	
Total	$	29,500,000	
Estimated Overlapping Debt	$	10,887,532	(c)
Total Direct and Estimated Overlapping Debt	$	40,387,532	(c)
Direct Debt Ratios:			
As a percentage of the 2026 Taxable Assessed Valuation		14.74	%
As a percentage of the Estimate of Value as of June 1, 2026		12.83	%
Direct and Estimated Overlapping Debt Ratios:			
As a percentage of the 2026 Taxable Assessed Valuation		20.18	%
As a percentage of the Estimate of Value as of June 1, 2026		17.57	%
Utility System Debt Service Fund Balance (as of September 23, 2026)	$	478,036	(d)
Road System Debt Service Fund Balance (as of September 23, 2026)	$	288,853	(e)
General Operating Fund Balance (as of September 23, 2026)	$	1,332,601	
Capital Projects Fund Balance (as of September 23, 2026)	$	4,013	
2026 Tax Rate			
Utility System Debt Service		$ 0.6000	
Road System Debt Service		$ 0.3400	
Maintenance and Operations		$ 0.4100	
Total		$ 1.3500	(f)
Average Annual Debt Service Requirement (2027-2051)	$	1,928,788	(g)
Maximum Annual Debt Service Requirement (2047)	$	2,148,494	(g)
Debt Service Tax Rate per $100 of Taxable Assessed Valuation Required to Pay Average Annual Debt Service Requirement on the Bonds and the Outstanding Bonds (2027-2051):			
Based on the 2026 Taxable Assessed Valuation at 95% Tax Collections	$	1.02	
Based on the Estimate of Value as of June 1, 2026 at 95% Tax Collections	$	0.89	
Debt Service Tax Rate per $100 of Taxable Assessed Valuation Required to Pay Maximum Annual Debt Service Requirement on the Bonds and the Outstanding Bonds (2047):			
Based on the 2026 Taxable Assessed Valuation at 95% Tax Collections	$	1.14	
Based on the Estimate of Value as of June 1, 2026 at 95% Tax Collections	$	0.99	

(a) As certified by the Montgomery Central Appraisal District ("Appraisal District"). This value includes $25,210,570, which represents 80% of the value under arbitration by the Appraisal District, which is subject to review and adjustment prior to certification. See "TAX DATA" and "TAXING PROCEDURES."

(b) Provided by the Appraisal District" for informational purposes only, this amount is an estimate of the taxable value of all taxable property located within the District as of June 1, 2026 and includes an estimate of additional taxable value resulting from additional taxable improvements constructed in the District from January 1, 2026 through June 1, 2026. No taxes will be levied on this estimated value. See "TAX DATA" and "TAXING PROCEDURES."

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

(d) Neither Texas law nor the Bond Resolution require that the District maintain any particular sum in the Utility System Debt Service Fund. Funds in the Utility System Debt Service Fund are not available to pay debt service on bonds issued for the purpose of acquiring or constructing the Road System, including the Bonds.

(e) Six (6) months of capitalized interest will be deposited into the Road System Debt Service Fund (defined herein) upon closing of the Bonds. Neither Texas law nor the Bond Resolution require that the District maintain any particular sum in the Road System Debt Service Fund. Funds in the Road System Debt Service Fund are not available to pay debt service on bonds issued for the purpose of acquiring or constructing the Utility System.

(f) The District is authorized to levy separate debt service taxes for its road debt and its water, wastewater, drainage, and park debt, both of which are unlimited as to rate or amount. See "TAX DATA – Tax Rate Distribution."

(g) Includes the Bonds and Outstanding Bonds. See "DISTRICT DEBT – Debt Service Requirement Schedule."

Direct and Estimated Overlapping Debt Statement

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

	Outstanding Debt	Overlapping	
Taxing Jurisdiction	August 31, 2026	Percent	Amount
Montgomery County	$535,450,000	0.16%	$830,046
Magnolia Independent School District	703,170,000	1.41%	9,891,104
Lone Star College System	338,975,000	0.05%	166,382
Total Estimated Overlapping Debt			10,887,532
The District (a)			29,500,000
Total Direct & Estimated Overlapping Debt			40,387,532

(a) Includes the Bonds and Outstanding Bonds.

Debt Ratios

Ratios of Direct Debt (a):	
As a percentage of the 2026 Taxable Assessed Valuation	14.74 %
As a percentage of the Estimate of Value as of June 1, 2026	12.83 %
Ratios of Direct and Estimated Overlapping Debt (a):	
As a percentage of the 2026 Taxable Assessed Valuation	20.18 %
As a percentage of the Estimate of Value as of June 1, 2026	17.57 %

(a) Includes the Bonds and Outstanding Bonds.

TAXING PROCEDURES

Set forth below is a summary of certain provisions of the Texas Property Tax Code (the "Property Tax Code") relating to the District's ability to levy and collect property taxes on property within the District. Provisions of the Property Tax Code are complex and are not fully summarized herein. Reference is made to the Property Tax Code for more complete information, including the identification of property subject to taxation; property exempt, or which may be exempted from taxation, if claimed; the appraisal of property for ad valorem tax purposes, and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in sufficient amount to pay the principal of and interest on the Bonds, the Outstanding Bonds, and any additional bonds payable from taxes that the District may hereafter issue for the purpose of acquiring or constructing the Road System, and to pay the expenses of assessing and collecting such taxes (see "INVESTMENT CONSIDERATIONS – Future Debt"). In the Bond Resolution, the District agrees to levy such a tax from year to year as described more fully above under "THE BONDS – Source of Payment." See "TAX DATA – Maintenance Tax."

Property Tax Code and County-wide Appraisal District

Title 1 of the Texas Tax Code (the "Property Tax Code") specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Property Tax Code are complex and are not fully summarized herein. The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal

district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the Appraisal District. The Appraisal District has the responsibility of appraising property for all taxing units within Montgomery County, including the District. Such appraisal values will be subject to review and change by the Appraisal Review Board. The appraisal roll, as approved by the Appraisal Review Board, will be used by the District in establishing its tax rolls and tax rate.

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, and mobile homes, are subject to taxation by the District. Principal categories of exempt property include, but are not limited to, property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; certain goods, wares, and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; most individually owned automobiles; and intangible personal property. In addition, the District may by its own action exempt residential homesteads of persons 65 years or older and of certain disabled persons, and travel trailers, to the extent deemed advisable by the Board. The District may be required to offer such an exemption if a majority of voters approve it at an election. The District would be required to call such an election upon petition by 20% of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax-supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans, or certain surviving dependents of disabled veterans if requested, but only to the maximum extent of $5,000 to $12,000 of assessed valuation depending upon the disability rating of the veteran, if such rating is less than 100%. A veteran who receives a disability rating of 100% is entitled to the exemption for the full amount of the residential homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran is entitled to an exemption for the full value of the veteran's residence homestead to which the disabled veterans' exemption applied including the surviving spouse of a disabled veteran who would have qualified for such exemption if it had been in effect on the date the disabled veteran died. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homesteads in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. The surviving spouse of a first responder who was killed or fatally injured in the line of duty is, subject to certain conditions, also entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

Residential Homestead Exemptions**:** The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to 20% of the appraised value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the assessor and collector of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted before July 1. The District has never adopted an order granting a general residential homestead exemption.

Freeport Goods and Goods-in-Transit Exemptions**:** A "Freeport Exemption" applies to goods, wares, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas that are destined to be forwarded outside of Texas and that are detained in Texas for assembling, storing, manufacturing, processing, or fabricating for fewer than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit" Exemption is applicable to the same categories of tangible personal property that are covered by the Freeport Exemption, if, for tax year 2011 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing,

processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2012 and subsequent years, such Goods-in-Transit Exemption includes tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit personal property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. The District has taken official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years.

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Tax Code. Nevertheless, certain land may be appraised at less than market value, as such is defined in the Property Tax Code. The Texas Constitution limits increases in the appraised value of residence homesteads to 10 percent annually regardless of the market value of the property.

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

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

Tax Abatement

The County may designate all or part of the area within the District as a reinvestment zone. Thereafter, the County and the District, at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms

approved by the other taxing jurisdictions. At this time, Montgomery County has not designated any of the area within the District as a reinvestment zone.

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

Tax Payment Installments After Disaster

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

Additionally, the Texas Tax Code authorizes a taxing jurisdiction such as the District, solely at the jurisdictions 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.

Notice and Hearing Procedures

The Property Tax Code establishes procedures for providing notice and the opportunity for a hearing for taxpayers in the event of certain proposed tax increases and provides for taxpayers referenda which could result in the repeal of certain tax increases. The District is required to publish a notice of a public hearing regarding the tax rate proposed to be levied in the current year and comparing the proposed tax rate to the tax rate set in the preceding year. See "Rollback of Operation and Maintenance Tax Rate" below.

District and Taxpayer Remedies

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

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

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes, and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is

delinquent, plus one percent (1%) for each additional month or portion of a month tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, which may be rejected by taxing units. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties and interest, if the person requests an installment agreement 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 equal monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) sixty-five (65) years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continue to accrue during the period of deferral.

Rollback of Operation and Maintenance Tax Rate

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

Special Taxing Units

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

Developed Districts

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

Developing Districts

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

The District

For the 2026 tax year, the District was designated by the Board as a Developing District. For future years, a determination as to a district's status as a Special Taxing Unit, Developed District or Developing District will be made by the Board of Directors on an annual basis. The District cannot give any assurances as to what its

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 each taxing unit, including the District, having the power to tax the property. The District's tax lien is on a parity with the tax liens of other such taxing units. A tax lien on real property takes priority over the claims of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien, however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty and interest.

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights or by bankruptcy proceedings which restrict the collection of taxpayer debts. A taxpayer may redeem property within two (2) years for residential and agricultural property and six (6) months for commercial property and all other types of property after the purchasers deed at the foreclosure sale is filed in the county records.

TAX DATA

General

Taxable property within the District is subject to the assessment, levy and collection by the District of two separate annual ad valorem taxes, each without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds, the Outstanding Bonds, and any future tax-supported bonds which may be issued from time to time as 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 generally become delinquent after January 31 of the following year. The Board covenants in the Bond Resolution to assess and levy for each year that all or any part of the Bonds and Outstanding Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds and Outstanding Bonds. 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. In addition, the District has the power and authority to assess, levy and collect ad valorem taxes, in an amount not to exceed $1.50 per $100 of assessed valuation, for general operation and maintenance purposes and $0.25 per $100 of assessed valuation for road operating and maintenance purposes. The District levied a total tax of $1.35 per $100 of assessed valuation for the 2026 tax year composed of a maintenance and operations tax rate of $0.41, a Utility System debt service tax rate of $0.60, and a Road System debt service tax rate of $0.34.

Tax Rate Limitation

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

Maintenance Tax

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

The District also has the authority to levy and collect an annual ad valorem tax for the maintenance of roads within the District, if such a maintenance tax is authorized by the District's voters. At the maintenance tax election conducted on November 5, 2019, voters of the District authorized the Board to levy a maintenance tax for roads at a rate not to exceed $0.25 per $100 of assessed valuation.

Additional Penalties

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

Historical Tax Collections

Tax Year	Assessed Valuation	Tax Rate	Adjusted Levy	Collections Current Year	Current Year Ended 9/30	Collections 07/31/2026
2021	$11,496,777	$1.3500	$155,206	100.00%	2022	100.00%
2022	52,104,468	1.3500	703,410	100.00%	2023	100.00%
2023	92,874,817	1.3500	1,253,810	99.52%	2024	99.66%
2024	130,882,461	1.3500	1,766,913	98.13%	2025	99.74%
2025	169,320,165	1.3500	2,285,822	97.83%	2026	97.83%
2026	174,926,578	1.3500	2,361,509	(a)	2027	(a)

(a) In process of collection. Taxes for the 2026 tax year are due without penalty by January 31, 2027.

Tax Rate Distribution

	2026	2025	2024	2023	2022
Maintenance and Operations	$0.4100	$0.4100	$0.4400	$0.6350	$1.3500
Road System Debt Service	0.3400	0.1600	–	–	–
Utility System Debt Service	0.6000	0.7800	0.9100	0.7150	–
Total	$1.3500	$1.3500	$1.3500	$1.3500	$1.3500

Taxable Assessed Valuation Summary

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

Type of Property	2026 Taxable Assessed Valuation	2025 Taxable Assessed Valuation	2024 Taxable Assessed Valuation	2023 Taxable Assessed Valuation	2022 Taxable Assessed Valuation
Land	$ 41,040,906	$ 40,384,172	$ 30,422,819	$ 26,692,910	$ 18,408,810
Improvements	142,491,567	133,190,134	104,639,466	68,968,898	34,248,610
Personal Property	4,271,806	2,740,562	383,841	88,707	330
Exemptions	(12,877,701)	(6,994,703)	(4,563,665)	(2,875,698)	(553,282)
Total	$ 174,926,578 (a)	$ 169,320,165	$ 130,882,461	$ 92,874,817	$ 52,104,468

(a) Does not include the $25,210,570 under review by the Appraisal Review Board.

Principal Taxpayers

The following are the principal taxpayers in the District as shown on the Appraisal District's original certification of the appraisal rolls for the 2026 tax year. The values and percentages below are subject to adjustment due to supplemental certifications of the 2026 appraisal rolls by the Appraisal District.

Taxpayer	Types of Property	Taxable Value 2026 Tax Roll	Percent of District Value
DR Horton Texas LTD (a) (b)	Land & Improvements	$ 5,737,443	3.28%
Forestar USA Real Estate Group Inc (a)	Land & Improvements	5,449,225	3.12%
Mid-South Synergy	Personal Property	1,160,070	0.66%
Centerpoint Energy	Personal Property	1,082,700	0.62%
Confidential Owner	Land & Improvements	854,138	0.49%
Homeowner	Land & Improvements	667,458	0.38%
Mclean SFR Investment LLC	Land & Improvements	611,299	0.35%
DGPRO Estate LLC	Land & Improvements	576,569	0.33%
Homeowner	Land & Improvements	461,980	0.26%
Homeowner	Land & Improvements	415,612	0.24%
Total		$ 17,016,494	9.73%

(a) See "THE DEVELOPER."
(b) See "THE DEVELOPER – Homebuilder within the District."

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per $100 of Assessed Taxable Valuation which would be required to meet certain debt service requirements on the Outstanding Bonds and the Bonds if no growth in the District's tax base occurs beyond the 2026 Taxable Assessed Valuation ($200,137,148) or the Estimated Taxable Valuation as of June 1, 2026 ($229,840,526). The calculations assume collection of 95% of taxes levied, the sale of the Bonds but not the sale of any additional bonds by the District.

Average Annual Debt Service Requirement (2027-2051)	$ 1,928,788
Debt Service Tax Rate of $1.02 on 2026 Taxable Assessed Valuation produces	$ 1,939,329
Debt Service Tax Rate of $0.89 on Estimated Valuation as of June 1, 2026, produces	$ 1,943,302
Maximum Annual Debt Service Requirement (2047)	$ 2,148,494
Debt Service Tax Rate of $1.14 on 2026 Taxable Assessed Valuation produces	$ 2,167,485
Debt Service Tax Rate of $0.99 on Estimated Valuation as of June 1, 2026, produces	$ 2,161,650

Estimated Overlapping Taxes

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

Set forth below is an estimation of all 2026 taxes per $100 of assessed valuation levied by such jurisdictions. No recognition is given to local assessments for civic association dues, emergency medical service contributions, fire department contributions or any other charges made by entities other than political subdivisions. No prediction can be made of the tax rates that will be levied in future years by the respective taxing jurisdictions.

Taxing Jurisdiction	2026 Tax Rate
The District	$ 1.350000
Montgomery County	0.386000
Magnolia ISD	0.932500
Lone Star College	0.105800
Emergency Service District No. 10	0.096300
Montgomery County Hospital District	0.045800
Total Tax Rate	$ 2.916400

THE ROAD SYSTEM

The Road System serves residents of the District by providing access to the major thoroughfares and collectors within Montgomery County and surrounding areas. The major thoroughfares and collectors serving the District include Mill Creek Road. The District will finance, design and construct the Road System in phases as development progresses. The Road System is anticipated to be maintained by the County; however, the District makes no representation that the District will not be responsible for road maintenance.

THE UTILITY SYSTEM

Regulation

According to the Engineer, the Utility System has been designed in accordance with accepted engineering practices and the requirements of all governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities including, among others, the TCEQ, the City and the Montgomery County Drainage District. According to the District's Engineer, the design of all such facilities has been approved by all required governmental agencies, and the construction has been inspected by the TCEQ.

Operation of the District's sewer treatment facilities is subject to regulation by, among others, the 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 revisions.

Source of Water Supply and Wastewater Treatment

Water supply and wastewater treatment capacity is provided by the City. All water and wastewater treatment facilities are owned and maintained by the City as stipulated by the Utility Agreement between the City and the District. Residents in the District pay the City for water service and wastewater treatment in accordance with the City's water and sewer rate order. The District has been allocated 1,413 equivalent single-family connections ("ESFCs") by the City, as stipulated by the Utility Agreement.

Storm-Water Drainage Facilities

The District is located within the Mill Creek watershed. The detention ponds constructed within the District drain under Mill Creek road to this natural stream. Storm water runoff is conveyed throughout the District by way of overland sheet flow to roadway curb inlets, into underground piped storm sewer systems, thence into manmade channels and detention ponds to a ditch near Mill Creek road. The ditch ultimately outfalls into the Mill Creek, southwest of the District. Detention facilities were constructed to detain and convey storm water runoff to a single outfall location along Mill Creek road.

100-Year Flood Plain

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

Approximately 5.1 acres within the District are located in the 100-year flood plain. A Letter of Map Revision ("LOMR") Case No. 21-06-2593A has been approved by FEMA to revise flood plain Zone AE within the District.

LEGAL MATTERS

Legal Opinions

Delivery of the Bonds will be accompanied by the approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the District under the Constitution and laws of the State of Texas, payable from the proceeds of an annual ad valorem tax levied, without legal limitation as to rate or amount, upon all taxable property within the District, and, based upon their examination of a transcript of certified proceedings relating to the issuance and sale of the Bonds, the approving legal opinion of Bond Counsel to a like effect and to the effect that, under existing law, interest on the Bonds (i) is excludable

from gross income for federal income tax purposes under section 103 of the Code (as defined herein), and (ii) is not an item of tax preference for purposes of the alternative minimum tax on individuals.

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

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

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

No-Litigation Certificate

The District will furnish the Initial Purchaser a certificate, executed by the President and Secretary of the Board, and dated as of the date of delivery of the Bonds, that to their knowledge, no litigation is pending or threatened affecting the validity of the Bonds, or the levy and/or collection of taxes for the payment thereof, or the organization or boundaries of the District, or the title of the officers thereof to their respective offices.

No Material Adverse Change

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

TAX MATTERS

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

Tax Exemption

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

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

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

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

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

Additional Federal Income Tax Considerations

Collateral Tax Consequences

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

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

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

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

Tax Accounting Treatment of Original Issue Premium

If the issue price of any maturity of the Bonds exceeds the stated redemption price payable at maturity of such Bonds, such Bonds (the "Premium Bonds") are considered for federal income tax purposes to have "bond premium" equal to the amount of such excess. The basis of a Premium Bond in the hands of an initial owner is reduced by the amount of such excess that is amortized during the period such initial owner holds such Premium Bond in determining gain or loss for federal income tax purposes. This reduction in basis will increase the amount of any gain or decrease the amount of any loss recognized for federal income tax purposes on the sale or other taxable disposition of a Premium Bond by the initial owner. No corresponding deduction is allowed for federal income tax purposes for the reduction in basis resulting from amortizable bond premium. The amount of bond premium on a Premium Bond that is amortizable each year (or shorter period in the event of a sale or disposition of a Premium Bond) is determined using the yield to maturity on the Premium Bond based on the initial offering price of such Premium Bond.

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

Tax Accounting Treatment of Original Issue Discount

If the issue price of any maturity of the Bonds is less than the stated redemption price payable at maturity of such Bonds (the "OID Bonds"), the difference between (i) the amount payable at the maturity of each OID Bond, and (ii) the initial offering price to the public of such OID Bond constitutes original issue discount with respect to such OID Bond in the hands of any owner who has purchased such OID Bond in the initial public offering of the Bonds. Generally, such initial owner is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such OID Bond equal to that portion of the amount of such original issue discount allocable to the period that such OID Bond continues to be owned by such owner. Because original issue discount is treated as interest for federal income tax purposes, the discussions regarding interest on the Bonds under the captions "TAX MATTERS – Tax Exemption" and "TAX MATTERS – Additional Federal

Income Tax Considerations – Collateral Tax Consequences" and "—Tax Legislative Changes" generally apply and should be considered in connection with the discussion in this portion of the Official Statement.

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

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

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

The federal income tax consequences of the purchase, ownership, and redemption, sale or other disposition of OID Bonds that are not purchased in the initial offering at the initial offering price may be determined according

to rules that differ from those described above. All owners of OID Bonds should consult their own tax advisors with respect to the determination for federal, state, and local income tax purposes of interest accrued upon redemption, sale or other disposition of such OID Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such OID Bonds.

Qualified Tax-Exempt Obligations

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

The District has designated the Bonds as "qualified tax-exempt obligations" and has represented that the aggregate amount of tax-exempt bonds (including the Bonds) issued by the District and entities aggregated with the District under the Code during calendar year 2026 is not expected to exceed $10,000,000 and that the District and entities aggregated with the District under the Code have not designated more than $10,000,000 in "qualified tax-exempt obligations" (including the Bonds) during calendar year 2026.

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

Tax Legislative Changes

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

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide certain updated financial information and operating data to the MSRB annually. The financial information and operating data which will be provided with respect to the District includes all quantitative financial information and operating data of the general type included in this Official Statement under the headings "SELECTED FINANCIAL INFORMATION" (except for "Direct and Estimated Overlapping Debt Statement"), "TAX DATA," and in "APPENDIX A" – Financial Statements of the District. The District will update and provide this information within six months after the end of each of its fiscal years ending in or after 2026. Any information so provided shall be prepared in accordance with generally accepted accounting principles or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to the MSRB within such six-month period, and audited financial statements when and if the audit report becomes available.

The District's current fiscal year end is November 30. Accordingly, it must provide updated information by May 31 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB 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 or other obligated person; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person or the sale of all or substantially all of the assets of the District or other obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person, any of which reflect financial difficulties. The terms "obligated person" and "financial obligations" when used in this paragraph shall have the meanings ascribed to them under SEC Rule 15c2-12 of the Securities Exchange Act (the "Rule"). The term "material" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Resolution makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information from EMMA

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

Limitations and Amendments

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

The District may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or operations of the District but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule, taking into account any amendments and interpretations of the Rule to the date of such amendment, as well as changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent or any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of the Bonds. The District may also amend or repeal the agreement if the SEC amends or repeals the applicable provisions of such rule or a court of final jurisdiction determines that such provisions are invalid, but in either case only to the extent that its right to do so would not prevent the Initial Purchaser from lawfully purchasing the Bonds in the offering described herein. If the

District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance with Prior Undertakings

The District has complied in all material respects with its prior continuing disclosure agreements made by it in accordance with the Rule.

OFFICIAL STATEMENT

General

The information contained in this Official Statement has been obtained primarily from the Developer, the District's records, the Engineer, the Tax Assessor/Collector and other sources believed to be reliable; however, no representation is made as to the accuracy or completeness of the information contained herein, except as described below. The summaries of the statutes, resolutions and engineering and other related reports set forth herein are included subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information.

The financial statements of the District as of November 30, 2025, and for the year then ended, included in this offering document, have been audited by McGrath & Co., PLLC, independent auditors, as stated in their report appearing herein. See "APPENDIX A" for a copy of the District's November 30, 2025, audited financial statements.

Experts

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

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

Certification as to Official Statement

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

Updating of Official Statement

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

CONCLUDING STATEMENT

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

This Official Statement was approved by the Board of Directors of Montgomery County Municipal Utility District No. 165 as of the date shown on the first page hereof.

/s/ Brian Thompson
President, Board of Directors
Montgomery County Municipal Utility District No. 165

ATTEST:

/s/ Mike Mahar
Secretary, Board of Directors
Montgomery County Municipal Utility District No. 165

APPENDIX A

FINANCIAL STATEMENTS OF THE DISTRICT

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 165

MONTGOMERY COUNTY, TEXAS

FINANCIAL REPORT

November 30, 2025

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McGRATH & CO., PLLC

Certified Public Accountants
2900 North Loop West, Suite 880
Houston, Texas 77092

Independent Auditor's Report

Board of Directors
Montgomery County Municipal Utility District No. 165
Montgomery County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Montgomery County Municipal Utility District No. 165 (the "District"), as of and for the year ended November 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Montgomery County Municipal Utility District No. 165, as of November 30, 2025, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

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

Supplementary Information

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



Houston, Texas
February 25, 2026

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Management's Discussion and Analysis

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Using this Annual Report

This section of the financial report of Montgomery County Municipal Utility District No. 165 (the "District") provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended November 30, 2025. This analysis should be read in conjunction with the independent auditor's report and the basic financial statements that follow this section.

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

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

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

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

Financial Analysis of the District as a Whole

The District's net position at November 30, 2025, was negative $26,498,895. The District's net position is negative because the District incurs debt to construct water, sewer and certain drainage facilities which it conveys to the City of Magnolia and public road facilities which it conveys to Montgomery County. A comparative summary of the District's overall financial position, as of November 30, 2025 and 2024, is as follows:

	2025	2024
Current and other assets	$ 3,935,741	$ 3,127,477
Capital assets	10,012,759	10,110,218
Total assets	13,948,500	13,237,695
Current liabilities	654,783	601,241
Long-term liabilities	37,541,556	35,620,618
Total liabilities	38,196,339	36,221,859
Total deferred inflows of resources	2,251,056	1,783,316
Net position		
Net investment in capital assets	(2,702,153)	(2,012,465)
Restricted	514,311	396,333
Unrestricted	(24,311,053)	(23,151,348)
Total net position	$ (26,498,895)	$ (24,767,480)

The total net position of the District decreased during the current fiscal year by $1,731,415. A comparative summary of the District's *Statement of Activities* for the past two fiscal years is as follows:

	2025	2024
Revenues		
Property taxes, penalties and interest	$ 1,806,055	$ 1,250,424
Other	88,338	69,817
Total revenues	1,894,393	1,320,241
Expenses		
Operating and administrative	493,312	456,653
Debt interest and fees	876,244	488,564
Developer interest	794,559	1,167,064
Debt issuance costs	379,747	805,239
Depreciation and amortization	104,758	104,595
Total expenses	2,648,620	3,022,115
Change in net position before other item	(754,227)	(1,701,874)
Other item		
Transfers to other governments	(977,188)	(5,224,090)
Change in net position	(1,731,415)	(6,925,964)
Net position, beginning of year	(24,767,480)	(17,841,516)
Net position, end of year	$ (26,498,895)	$ (24,767,480)

Financial Analysis of the District's Funds

The District's combined fund balances, as of November 30, 2025, were $1,647,312, which consists of $940,434 in the General Fund, $674,439 in the Debt Service Fund, and $32,439 in the Capital Projects Fund.

General Fund

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

	2025	2024
Total assets	$ 1,640,074	$ 1,364,432
Total liabilities	$ 8,268	$ 15,726
Total deferred inflows	691,372	582,217
Total fund balance	940,434	766,489
Total liabilities, deferred inflows and fund balance	$ 1,640,074	$ 1,364,432

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

	2025	2024
Total revenues	$ 619,278	$ 627,428
Total expenditures	(445,333)	(367,798)
Revenues over expenditures	$ 173,945	$ 259,630

The District manages its activities with the objectives of ensuring that expenditures will be adequately covered by revenues each year and that an adequate fund balance is maintained. The District's primary financial resources in the General Fund are from a property tax levy, which is dependent upon assessed values in the District and maintenance tax rate set by the District. The 2024 levy was recognized as revenues in the 2025 fiscal year, while the 2023 levy was recognized in the 2024 fiscal year (to the extent that these amounts were collected). Property tax revenues in the District have remained fairly consistent from year to year.

Debt Service Fund

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

	2025	2024
Total assets	$ 2,311,943	$ 1,753,330
Total liabilities	$ 49,995	$ 1,438
Total deferred inflows	1,587,509	1,203,200
Total fund balance	674,439	548,692
Total liabilities, deferred inflows and fund balance	$ 2,311,943	$ 1,753,330

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

	2025	2024
Total revenues	$ 1,248,745	$ 695,124
Total expenditures	(1,319,673)	(689,916)
Revenues over/(under) expenditures	(70,928)	5,208
Other changes in fund balance	196,675	221,759
Net change in fund balance	$ 125,747	$ 226,967

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

its financial advisor, who monitors projected cash flows in the Debt Service Fund to ensure that the District will be able to meet its future debt service requirements.

Capital Projects Fund

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

	2025	2024
Total assets	$ 33,939	$ 9,715
Total liabilities	$ 1,500	$ 605
Total fund balance	32,439	9,110
Total liabilities and fund balance	$ 33,939	$ 9,715

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

	2025	2024
Total revenues	$ 646	$ -
Total expenditures	(4,020,642)	(9,682,699)
Revenues under expenditures	(4,019,996)	(9,682,699)
Other changes in fund balance	4,043,325	9,683,241
Net change in fund balance	$ 23,329	$ 542

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

General Fund Budgetary Highlights

The Board of Directors adopts an annual unappropriated budget for the General Fund prior to the beginning of each fiscal year. The Board did not amend the budget during the fiscal year.

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was $83,705 greater than budgeted. The *Budgetary Comparison Schedule* on page 36 of this report provides variance information per financial statement line item.

Capital Assets

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

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

	2025	2024
Capital assets not being depreciated		
Land and improvements	$ 6,038,971	$ 6,038,971
Capital assets being depreciated/amortized		
Infrastructure	1,009,840	1,002,541
Impact fees	3,375,000	3,375,000
	4,384,840	4,377,541
Less accumulated depreciation/amortization		
Infrastructure	(81,784)	(59,343)
Impact fees	(329,268)	(246,951)
	(411,052)	(306,294)
Depreciable capital assets, net	3,973,788	4,071,247
Capital assets, net	$ 10,012,759	$ 10,110,218

The District and the City of Magnolia (the "City") have entered into an agreement which obligates the District to construct water, wastewater, and certain storm drainage facilities to serve the District and, when completed, to convey title to the facilities to the City. Detention facilities and certain other capital assets are retained by the District (see Note 10). Additionally, Montgomery County assumes responsibility (after a one-year maintenance period) for road facilities constructed within the boundaries of the County. Accordingly, these facilities are not considered assets of the District. The estimated value of these assets is recorded as transfers to other governments upon completion of construction. This estimated cost is trued-up when the developer is reimbursed. For the year ended November 30, 2025, capital assets in the amount of $977,188 have been recorded as transfers to other governments in the government-wide statements. Additional information is presented in Note 9.

Long-Term Debt and Related Liabilities

As of November 30, 2025, the District owes approximately $14,891,556 to developers for completed projects. The initial cost of the completed project and related liability is estimated based on actual construction costs plus 10-15% for engineering and other fees and is recorded on the District's financial statements upon completion of construction. As discussed in Note 6, the District has an additional commitment in the amount of $19,560,000 for projects under construction by the developers. As noted, the District will owe its developers for these projects upon completion of construction. The District intends to reimburse the developers from proceeds of future bond issues or other lawfully available funds. The estimated cost of amounts owed to the developers are trued up when the developers are reimbursed.

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

Series	2025	2024
2023	$ 8,885,000	$ 9,110,000
2024	9,990,000	10,195,000
2025 Road	4,240,000	
	$ 23,115,000	$ 19,305,000

During the current fiscal year, the District issued $4,240,000 in unlimited tax road bonds. At November 30, 2025, the District had $48,550,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District and the refunding of such bonds; $4,000,000 for parks and recreational facilities and the refunding of such bonds; and $23,760,000 for road improvements and the refunding of such bonds.

Next Year's Budget

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

	2025 Actual	2026 Budget
Total revenues	$ 619,278	$ 675,000
Total expenditures	(445,333)	(478,260)
Revenues over expenditures	173,945	196,740
Beginning fund balance	766,489	940,434
Ending fund balance	$ 940,434	$ 1,137,174

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Basic Financial Statements

Montgomery County Municipal Utility District No. 165
Statement of Net Position and Governmental Funds Balance Sheet
November 30, 2025

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash	$ 11,708	$ 90,475	$ 2,215	$ 104,398	$ -	$ 104,398
Investments	919,818	714,410	31,724	1,665,952		1,665,952
Taxes receivable	656,281	1,507,058		2,163,339		2,163,339
Interfund receivables	50,215			50,215	(50,215)	
Prepaid items	2,052			2,052		2,052
Capital assets not being depreciated					6,038,971	6,038,971
Capital assets, net					3,973,788	3,973,788
Total Assets	$ 1,640,074	$ 2,311,943	$ 33,939	$ 3,985,956	9,962,544	13,948,500
Liabilities						
Accounts payable	$ 8,268	$ -	$ -	$ 8,268		8,268
Other payables		1,280		1,280		1,280
Interfund payables		48,715	1,500	50,215	(50,215)	
Accrued interest payable					180,235	180,235
Due to developer					14,891,556	14,891,556
Long-term debt						
Due within one year					465,000	465,000
Due after one year					22,650,000	22,650,000
Total Liabilities	8,268	49,995	1,500	59,763	38,136,576	38,196,339
Deferred Inflows of Resources						
Deferred property taxes	691,372	1,587,509		2,278,881	(27,825)	2,251,056
Fund Balances/Net Position						
Fund Balances						
Nonspendable	2,052			2,052	(2,052)	
Restricted		674,439	32,439	706,878	(706,878)	
Unassigned	938,382			938,382	(938,382)	
Total Fund Balances	940,434	674,439	32,439	1,647,312	(1,647,312)	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 1,640,074	$ 2,311,943	$ 33,939	$ 3,985,956		
Net Position						
Net investment in capital assets					(2,702,153)	(2,702,153)
Restricted for debt service					514,311	514,311
Unrestricted					(24,311,053)	(24,311,053)
Total Net Position					$ (26,498,895)	$ (26,498,895)

See notes to basic financial statements.

Montgomery County Municipal Utility District No. 165
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances
For the Year Ended November 30, 2025

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues						
Property taxes	$ 574,338	$ 1,184,126	$ -	$ 1,758,464	$ 20,458	$ 1,778,922
Penalties and interest		21,867		21,867	5,266	27,133
Miscellaneous	1,250			1,250		1,250
Investment earnings	43,690	42,752	646	87,088		87,088
Total Revenues	619,278	1,248,745	646	1,868,669	25,724	1,894,393
Expenditures/Expenses						
Operating and administrative						
Professional fees	187,637		7,757	195,394		195,394
Contracted services	27,275	32,376		59,651		59,651
Repairs and maintenance	197,738			197,738		197,738
Utilities	1,869			1,869		1,869
Administrative	26,035	7,816		33,851		33,851
Other	4,779		30	4,809		4,809
Capital outlay			2,838,549	2,838,549	(2,838,549)	
Debt service						
Principal		430,000		430,000	(430,000)	
Interest and fees		849,481		849,481	26,763	876,244
Developer interest			794,559	794,559		794,559
Debt issuance costs			379,747	379,747		379,747
Depreciation and amortization					104,758	104,758
Total Expenditures/Expenses	445,333	1,319,673	4,020,642	5,785,648	(3,137,028)	2,648,620
Revenues Over/(Under) Expenditures/Expenses	173,945	(70,928)	(4,019,996)	(3,916,979)	3,162,752	(754,227)
Other Financing Sources						
Proceeds from sale of bonds		196,675	4,043,325	4,240,000	(4,240,000)	
Other Items						
Transfers to other governments					(977,188)	(977,188)
Net Change in Fund Balances	173,945	125,747	23,329	323,021	(323,021)	
Change in Net Position					(1,731,415)	(1,731,415)
Fund Balance/Net Position						
Beginning of the year	766,489	548,692	9,110	1,324,291	(26,091,771)	(24,767,480)
End of the year	$ 940,434	$ 674,439	$ 32,439	$ 1,647,312	$ (28,146,207)	$ (26,498,895)

See notes to basic financial statements.

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Note 1 – Summary of Significant Accounting Policies

The accounting policies of Montgomery County Municipal Utility District No. 165 (the "District") conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board ("GASB"). The following is a summary of the most significant policies:

Creation

The District was organized, created and established pursuant to an order of the Texas Commission on Environmental Quality dated July 9, 2019, and operates in accordance with Article XVI, Section 59 of the Texas Constitution and the Texas Water Code, Chapters 49 and 54. The Board of Directors held its first meeting on July 22, 2019, and the first bonds were issued on June 28, 2023.

The District's primary activities include the construction of water, sewer, drainage, park and recreational, and road facilities within the District. As further discussed in Note 10, the District transfers the water, sewer, and certain drainage facilities to the City of Magnolia for operation and maintenance upon completion of construction. The District has contracted with various consultants to provide services to operate and administer the affairs of the District. The District has no employees, related payroll or pension costs.

Reporting Entity

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

Government-Wide and Fund Financial Statements

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

Fund financial statements display information at the individual fund level. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for a specific purpose. Each fund is considered to be a separate accounting entity. Most governments typically have many funds; however, governmental financial statements focus on the most important or "major"

funds with non-major funds aggregated in a single column. The District has three governmental funds, which are all considered major funds.

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

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

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

Measurement Focus and Basis of Accounting

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

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

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

Use of Restricted Resources

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

Prepaid Items

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

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset, unless a legal right of offset exists. At November 30, 2025, an allowance for uncollectible accounts was not considered necessary.

Interfund Activity

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

Capital Assets

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

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

Depreciable capital assets, which primarily consist of storm drainage facilities, are depreciated (or amortized in the case of intangible assets) using the straight-line method as follows:

Assets	Useful Life
Infrastructure	45 years
Impact fees	Remaining life of contract

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

Deferred Inflows and Outflows of Financial Resources

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

At the fund level, property taxes receivable not collected within 60 days of fiscal year end do not meet the availability criteria required for revenue recognition and are recorded as deferred inflows of financial resources. Additionally, collections of the 2025 property tax levy are not considered current year revenues and, consequently, are also reported as deferred property taxes.

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

Net Position – Governmental Activities

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

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

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

Unrestricted – resources not included in the other components.

Fund Balances – Governmental Funds

Governmental accounting standards establish the following fund balance classifications:

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

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

Committed - amounts that can be used only for specific purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. Committed fund balance also incorporates contractual obligations to the

extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. The District does not have any committed fund balances.

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

Unassigned - all other spendable amounts in the General Fund.

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

Use of Estimates

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

Note 2 – Adjustment from Governmental to Government-wide Basis

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

Total fund balances, governmental funds		$ 1,647,312
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
Historical cost	$ 10,423,811	
Less accumulated depreciation/amortization	(411,052)	
		10,012,759
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. The difference consists of:		
Accrued interest payable	(180,235)	
Due to developer	(14,891,556)	
Bonds payable	(23,115,000)	
		(38,186,791)
Deferred inflows in the fund statements consist of the unavailable portion of property taxes receivable, as well as collections of the District's 2025 property tax levy. In the *Statement of Net Position*, deferred inflows consist of the entire 2025 property tax levy.		
Fund level deferred property taxes	2,278,881	
Government wide level deferred property taxes	(2,251,056)	
		27,825
Total net position - governmental activities		$ (26,498,895)

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

Net change in fund balances - total governmental funds		$ 323,021
Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the *Statement of Activities* when earned. The difference is for property taxes and related penalties and interest.		25,724
Financial reporting for capital assets varies significantly between the fund statements and the government-wide statements. Reporting at the fund level focuses on the impact of transactions on financial resources (i.e., cash), while reporting at the government-wide level seeks to allocate the cost of the acquisition of capital assets over their useful lives and to measure the economic impact of developer financing of capital assets used by the District or conveyed to other governmental entities. Differences during the current fiscal year are for the following:		
Capital outlays	$ 2,838,549	
Transfers to other governments	(977,188)	
Depreciation/amortization expense	(104,758)	
		1,756,603
Financial reporting for certain obligations varies between the fund statements and the government-wide statements. At the fund level, the focus is on increases and decreases of financial resources as debt is issued and repaid. At the government-wide level, the focus is on measuring and reporting on changes in the District's obligation to repay liabilities in the future. Differences during the current fiscal year are for the following:		
Issuance of long-term debt	(4,240,000)	
Principal payments	430,000	
Interest expense accrual	(26,763)	
		(3,836,763)
Change in net position of governmental activities		$ (1,731,415)

Note 3 – Deposits and Investments

Deposit Custodial Credit Risk

Custodial credit risk as it applies to deposits (i.e. cash) is the risk that, in the event of the failure of the depository institution, a government will not be able to recover its deposits or will not be able to recover collateral securities. The *Public Funds Collateral Act* (Chapter 2257, Texas Government Code)

requires that all of the District's deposits with financial institutions be covered by federal depository insurance and, if necessary, pledged collateral held by a third-party custodian. The act further specifies the types of securities that can be used as collateral. The District's written investment policy establishes additional requirements for collateralization of deposits.

Investments

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

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

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

Type	Fund	Carrying Value	Rating	Weighted Average Maturity
TexSTAR	General	$ 919,818		
	Debt Service	714,410		
	Capital Projects	31,724		
		$ 1,665,952	AAAm	41 days

TexSTAR

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

TexSTAR uses amortized cost rather than fair value to report net assets to compute share price. Accordingly, investments in TexSTAR are stated at amortized cost which approximates fair value.

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

Investment Credit and Interest Rate Risk

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

Note 4 – Interfund Balances and Transactions

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

Receivable Fund	Payable Fund	Amounts	Purpose
General Fund	Debt Service Fund	$ 48,715	Maintenance tax collections not remitted as of year end
General Fund	Capital Projects Fund	1,500	Bond application fees paid by the General Fund

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

Note 5 – Capital Assets

A summary of changes in capital assets, for the year ended November 30, 2025, is as follows:

	Beginning Balances	Additions/ Adjustments	Ending Balances
Capital assets not being depreciated			
Land and improvements	$ 6,038,971	$ -	$ 6,038,971
Capital assets being depreciated/amortized			
Infrastructure	1,002,541	7,299	1,009,840
Impact fees	3,375,000		3,375,000
	4,377,541	7,299	4,384,840
Less accumulated depreciation/amortization			
Infrastructure	(59,343)	(22,441)	(81,784)
Impact fees	(246,951)	(82,317)	(329,268)
	(306,294)	(104,758)	(411,052)
Subtotal depreciable capital assets, net	4,071,247	(97,459)	3,973,788
Capital assets, net	$ 10,110,218	$ (97,459)	$ 10,012,759

Depreciation/amortization expense for the current fiscal year was $104,758.

Note 6 – Due to Developers

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

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

Due to developer, beginning of year	$ 16,745,618
Developer reimbursements	(2,838,549)
Adjustments to developer funded capital assets	984,487
Due to developer, end of year	$ 14,891,556

In addition, the District will owe the developers approximately $19,560,000, which is included in the schedule of contractual commitments below. The projects in this schedule are in varying stages of completion and, as previously noted, will be reported in the government-wide financial statements

upon completion of construction. The exact amount due to the developer is not known until approved by the TCEQ and verified by the District's auditor.

	Contract Amount *
Mill Creek Estates - clearing and grubbing, mass grading and detention, Phase IV	$ 9,060,000
Mill Creek Estates Section 7 - utilities, paving and appurtenances	4,340,000
Mill Creek Estates Boulevard, Phase 1 - utilities, paving and appurtenances	2,290,000
Serve Mill Creek Estates Section 8 - utilities, paving and appurtenances	1,790,000
Mill Creek Estates Lift Station No. 2	920,000
Serve Mill Creek Park 1 - hardscape and landscaping	170,000
Serve Mill Creek Parks 2 and 3 and Detention 3 and 4 - hardscape and landscape	990,000
	$ 19,560,000

* Rounded to the nearest $10,000

Note 7 – Long-Term Debt

Long-term debt is comprised of the following:

Bonds payable	$ 23,115,000
Due within one year	$ 465,000

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

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2023	$ 8,885,000	$ 9,255,000	4.00% - 6.50%	September 1, 2024/2047	March 1, September 1	June 1, 2029
2024	9,990,000	10,195,000	4.00% - 6.25%	September 1, 2025/2049	March 1, September 1	September 1, 2030
2025 Road	4,240,000	4,240,000	4.00% - 5.00%	September 1, 2027/2050	March 1, September 1	September 1, 2031
	$ 23,115,000					

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

At November 30, 2025, the District had authorized but unissued bonds in the amount of $48,550,000 for water, sewer and drainage facilities and the refunding of such bonds; $4,000,000 for park and recreational facilities and the refunding of such bonds; and $23,760,000 for road improvements and the refunding of such bonds.

On September 25, 2025, the District issued its $4,240,000 Series 2025 Unlimited Tax Road Bonds at a net effective interest rate of 4.872857%. Proceeds of the bonds were used reimburse developers for the cost of capital assets constructed within the District and right-of-way land acquisitions plus interest expense at the net effective interest rate of the bonds and to pay capitalized interest into the Debt Service Fund.

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

Bonds payable, beginning of year	$ 19,305,000
Bonds issued	4,240,000
Bonds retired	(430,000)
Bonds payable, end of year	$ 23,115,000

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

Year	Principal	Interest	Totals
2026	$ 465,000	$ 1,035,806	$ 1,500,806
2027	590,000	1,019,269	1,609,269
2028	615,000	982,956	1,597,956
2029	645,000	945,119	1,590,119
2030	675,000	905,431	1,580,431
2031	710,000	865,331	1,575,331
2032	745,000	829,781	1,574,781
2033	780,000	796,831	1,576,831
2034	815,000	762,331	1,577,331
2035	850,000	726,281	1,576,281
2036	900,000	692,106	1,592,106
2037	935,000	655,918	1,590,918
2038	985,000	618,131	1,603,131
2039	1,030,000	578,319	1,608,319
2040	1,080,000	535,181	1,615,181
2041	1,130,000	489,943	1,619,943
2042	1,190,000	442,132	1,632,132
2043	1,245,000	391,781	1,636,781
2044	1,295,000	337,781	1,632,781
2045	1,365,000	281,644	1,646,644
2046	1,425,000	221,869	1,646,869
2047	1,495,000	159,469	1,654,469
2048	910,000	93,876	1,003,876
2049	950,000	54,682	1,004,682
2050	290,000	13,776	303,776
	$ 23,115,000	$ 14,435,744	$ 37,550,744

Note 8 – Property Taxes

On November 5, 2019, the voters of the District authorized the District's Board of Directors to levy taxes annually for use in financing general operations limited to $1.50 per $100 of assessed value. In addition, the voters of the District authorized the District's Board of Directors to levy taxes annually for road maintenance limited to $0.25 per $100 of assessed value. The District's bond resolutions require that property taxes be levied for use in paying interest and principal on long-term debt and for use in paying the cost of assessing and collecting taxes. Taxes levied to finance debt service requirements on long-term debt are without limitation as to rate or amount.

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

Property taxes are collected based on rates adopted in the year of the levy. The District's 2025 fiscal year was financed through the 2024 tax levy, pursuant to which the District levied property taxes of $1.35 per $100 of assessed value, of which $0.44 was allocated to maintenance and operations and $0.91 was allocated to water, sewer and drainage debt service. The resulting tax levy was $1,770,426 on the adjusted taxable value of $131,142,662.

Property taxes levied each October are intended to finance the next fiscal year and are, therefore, not considered available for the District's use during the current fiscal year. Consequently, 2025 levy collections in the amount of $115,542 have been included with deferred property taxes and are recorded as deferred inflows of resources on the *Governmental Funds Balance Sheet*. On the government-wide *Statement of Net Position*, the full 2025 tax levy of $2,251,056 is reported as deferred inflows. These amounts will be recognized as revenue in 2026.

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

Current year taxes receivable	$ 2,135,514
Prior years taxes receivable	22,559
	2,158,073
Penalty and interest receivable	5,266
Property taxes receivable	$ 2,163,339

Note 9 – Transfers to Other Governments

In accordance with an agreement between the District and the City of Magnolia (the "City"), the District transfers all of its water, sewer, drainage and certain drainage facilities to the City for operation and maintenance upon completion of construction (see Note 10). Additionally, Montgomery County assumes responsibility for the maintenance of public roads constructed within the county limits (after a one-year maintenance period).

Accordingly, the District does not record these capital assets in the *Statement of Net Position*, but instead reports the completed projects as transfers to other governments on the *Statement of Activities*. The estimated cost of each project is trued-up when the developer is subsequently reimbursed. For the year ended November 30, 2025, the District reported transfers to other governments in the amount of $977,188 for developer reimbursements for right-of-way land acquisitions and adjustments to the value of projects completed in previous fiscal years.

Note 10 – Utility Agreement with the City of Magnolia

On March 13, 2018, Forestar (USA) Real Estate Group Inc. ("Forestar) entered into a utility agreement with the City of Magnolia (the "City") for construction and extension of water distribution lines, sanitary sewer collection systems and drainage facilities to serve the District (as amended, the "Agreement"). Forestar assigned, and the District assumed, the Agreement on January 22, 2020. As the system is acquired or constructed, the District shall transfer the system to the City but will reserve a security interest in the system and provide service to all users in the District. The term of the agreement is 45 years.

Water and sewer rates charged by the City to users in the District, shall be the same rates charged to similar users within the City. All revenue derived from these charges belongs to the City.

On December 16, 2022, in accordance with Ordinance No. 0-2024-012, the City implemented a temporary moratorium (the "Temporary Development Moratorium"), suspending new construction and development activities within the boundaries of the District and other areas within the City's corporate limits and extraterritorial jurisdictions due to insufficient water facilities to adequately serve new development. The Temporary Development Moratorium has expired as of December 14, 2025. The City has informed the District of its plans to expand its water facilities to meet its increasing demand.

Note 11 – Risk Management

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

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Required Supplementary Information

Montgomery County Municipal Utility District No. 165
Required Supplementary Information - Budgetary Comparison Schedule - General Fund
For the Year Ended November 30, 2025

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Property taxes	$ 540,000	$ 574,338	$ 34,338
Miscellaneous		1,250	1,250
Investment earnings	30,000	43,690	13,690
Total Revenues	570,000	619,278	49,278
Expenditures			
Operating and administrative			
Professional fees	119,500	187,637	(68,137)
Contracted services	23,000	27,275	(4,275)
Repairs and maintenance	305,000	197,738	107,262
Utilities	2,500	1,869	631
Administrative	27,760	26,035	1,725
Other	2,000	4,779	(2,779)
Total Expenditures	479,760	445,333	34,427
Revenues Over Expenditures	90,240	173,945	83,705
Fund Balance			
Beginning of the year	766,489	766,489	
End of the year	$ 856,729	$ 940,434	$ 83,705

Budgets and Budgetary Accounting

An annual unappropriated budget is adopted for the General Fund by the District's Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. There were no amendments to the budget during the year.

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Texas Supplementary Information

Montgomery County Municipal Utility District No. 165
TSI-1. Services and Rates
November 30, 2025

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

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

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

☒ Other (Specify): Water and sewer service provided by the City of Magnolia

2. Retail Service Providers

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

	Minimum Charge	Minimum Usage	Flat Rate (Y / N)	Rate per 1,000 Gallons Over Minimum Usage	Usage Levels
Water:					to
Wastewater:					to
Surcharge:					to

District employs winter averaging for wastewater usage? ☐ Yes ☐ No

Total charges per 10,000 gallons usage: Water _____ Wastewater _____

b. Water and Wastewater Retail Connections:

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

See accompanying auditor's report.

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

Gallons pumped into system:	N/A	Water Accountability Ratio: (Gallons billed / Gallons pumped)
Gallons billed to customers:	N/A	N/A

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

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

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

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

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

5. Location of District:

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

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

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

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

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

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

ETJs in which the District is located: City of Magnolia

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

If Yes, by whom? _____

See accompanying auditor's report.

Montgomery County Municipal Utility District No. 165
TSI-2. General Fund Expenditures
For the Year Ended November 30, 2025

Professional fees		
Legal	$	98,482
Audit		16,000
Engineering		73,155
		187,637
Contracted services		
Bookkeeping		27,275
Repairs and maintenance		197,738
Utilities		1,869
Administrative		
Directors fees		12,597
Printing and office supplies		1,378
Insurance		3,201
Other		8,859
		26,035
Other		4,779
Total expenditures	$	445,333

See accompanying auditor's report.

Montgomery County Municipal Utility District No. 165
TSI-3. Investments
November 30, 2025

Fund	Interest Rate	Maturity Date	Balance at End of Year
General			
TexSTAR	Variable	N/A	$ 919,818
Debt Service			
TexSTAR	Variable	N/A	511,261
TexSTAR	Variable	N/A	203,149
			714,410
Capital Projects			
TexSTAR	Variable	N/A	1,007
TexSTAR	Variable	N/A	30,717
			31,724
Total - All Funds			$ 1,665,952

See accompanying auditor's report.

Montgomery County Municipal Utility District No. 165
TSI-4. Taxes Levied and Receivable
November 30, 2025

	Maintenance Taxes	WSD Debt Service Taxes	Road Debt Service Taxes	Totals
Taxes Receivable, Beginning of Year	$ 567,751	$ 1,173,281	$ -	$ 1,741,032
Adjustments	(205)	(4,189)		(4,394)
Adjusted Receivable	567,546	1,169,092		1,736,638
2025 Original Tax Levy	649,025	1,234,730	253,278	2,137,033
Adjustments	34,629	65,880	13,514	114,023
Adjusted Tax Levy	683,654	1,300,610	266,792	2,251,056
Total to be accounted for	1,251,200	2,469,702	266,792	3,987,694
Tax collections:				
Current year	35,091	66,757	13,694	115,542
Prior years	559,828	1,154,251		1,714,079
Total Collections	594,919	1,221,008	13,694	1,829,621
Taxes Receivable, End of Year	$ 656,281	$ 1,248,694	$ 253,098	$ 2,158,073
Taxes Receivable, By Years				
2025	$ 648,563	$ 1,233,853	$ 253,098	$ 2,135,514
2024	6,528	13,502		20,030
2023	1,190	1,339		2,529
Taxes Receivable, End of Year	$ 656,281	$ 1,248,694	$ 253,098	$ 2,158,073

	2025	2024	2023	2022
Property Valuations:				
Land	$ 40,438,004	$ 30,422,819	$ 26,676,410	$ 18,408,810
Improvements	130,311,416	105,073,508	68,751,222	34,248,610
Personal Property	2,522,279	383,841	88,707	330
Exemptions	(6,526,791)	(4,737,506)	(2,846,528)	(553,282)
Total Property Valuations	$ 166,744,908	$ 131,142,662	$ 92,669,811	$ 52,104,468
Tax Rates per $100 Valuation:				
Maintenance tax rates	$ 0.41	$ 0.44	$ 0.635	$ 1.35
WSD debt service tax rates	0.78	0.91	0.715	
Road debt service tax rates	0.16			
Total Tax Rates per $100 Valuation	$ 1.35	$ 1.35	$ 1.350	$ 1.35
Adjusted Tax Levy:	$ 2,251,056	$ 1,770,426	$ 1,251,042	$ 703,410
Percentage of Taxes Collected to Taxes Levied **	5.13%	98.87%	99.80%	100.00%

* Maximum Maintenance Tax Rate Approved by Voters: $1.50 on November 5, 2019

* Maximum Road Maintenance Tax Rate Approved by Voters: $0.25 on November 5, 2019

** Calculated as taxes collected for a tax year divided by taxes levied for that tax year.

See accompanying auditor's report.

Montgomery County Municipal Utility District No. 165
TSI-5. Long-Term Debt Service Requirements
Series 2023--by Years
November 30, 2025

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2026	$ 235,000	$ 421,537	$ 656,537
2027	250,000	406,263	656,263
2028	260,000	390,012	650,012
2029	275,000	373,113	648,113
2030	285,000	355,237	640,237
2031	300,000	338,138	638,138
2032	315,000	320,137	635,137
2033	330,000	304,388	634,388
2034	345,000	287,887	632,887
2035	360,000	270,638	630,638
2036	380,000	256,237	636,237
2037	395,000	241,038	636,038
2038	415,000	225,237	640,237
2039	435,000	208,638	643,638
2040	455,000	190,150	645,150
2041	475,000	170,812	645,812
2042	500,000	150,625	650,625
2043	525,000	129,375	654,375
2044	545,000	105,750	650,750
2045	575,000	81,225	656,225
2046	600,000	55,350	655,350
2047	630,000	28,350	658,350
	$ 8,885,000	$ 5,310,137	$ 14,195,137

See accompanying auditor's report.

Montgomery County Municipal Utility District No. 165
TSI-5. Long-Term Debt Service Requirements
Series 2024--by Years
November 30, 2025

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2026	$ 230,000	$ 430,706	$ 660,706
2027	245,000	416,331	661,331
2028	255,000	401,019	656,019
2029	265,000	385,081	650,081
2030	280,000	368,519	648,519
2031	295,000	351,018	646,018
2032	305,000	339,219	644,219
2033	320,000	327,018	647,018
2034	335,000	314,219	649,219
2035	350,000	300,818	650,818
2036	370,000	286,819	656,819
2037	385,000	272,018	657,018
2038	405,000	256,619	661,619
2039	425,000	240,419	665,419
2040	445,000	223,419	668,419
2041	465,000	205,619	670,619
2042	490,000	187,019	677,019
2043	510,000	167,419	677,419
2044	535,000	147,019	682,019
2045	560,000	125,619	685,619
2046	585,000	103,219	688,219
2047	615,000	79,819	694,819
2048	645,000	54,450	699,450
2049	675,000	27,844	702,844
	$ 9,990,000	$ 6,011,269	$ 16,001,269

See accompanying auditor's report.

Montgomery County Municipal Utility District No. 165
TSI-5. Long-Term Debt Service Requirements
Series 2025 Road--by Years
November 30, 2025

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2026	$ -	$ 183,563	$ 183,563
2027	95,000	196,675	291,675
2028	100,000	191,925	291,925
2029	105,000	186,925	291,925
2030	110,000	181,675	291,675
2031	115,000	176,175	291,175
2032	125,000	170,425	295,425
2033	130,000	165,425	295,425
2034	135,000	160,225	295,225
2035	140,000	154,825	294,825
2036	150,000	149,050	299,050
2037	155,000	142,862	297,862
2038	165,000	136,275	301,275
2039	170,000	129,262	299,262
2040	180,000	121,612	301,612
2041	190,000	113,512	303,512
2042	200,000	104,488	304,488
2043	210,000	94,987	304,987
2044	215,000	85,012	300,012
2045	230,000	74,800	304,800
2046	240,000	63,300	303,300
2047	250,000	51,300	301,300
2048	265,000	39,426	304,426
2049	275,000	26,838	301,838
2050	290,000	13,776	303,776
	$ 4,240,000	$ 3,114,338	$ 7,354,338

See accompanying auditor's report.

Montgomery County Municipal Utility District No. 165
TSI-5. Long-Term Debt Service Requirements
All Bonded Debt Series--by Years
November 30, 2025

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2026	$ 465,000	$ 1,035,806	$ 1,500,806
2027	590,000	1,019,269	1,609,269
2028	615,000	982,956	1,597,956
2029	645,000	945,119	1,590,119
2030	675,000	905,431	1,580,431
2031	710,000	865,331	1,575,331
2032	745,000	829,781	1,574,781
2033	780,000	796,831	1,576,831
2034	815,000	762,331	1,577,331
2035	850,000	726,281	1,576,281
2036	900,000	692,106	1,592,106
2037	935,000	655,918	1,590,918
2038	985,000	618,131	1,603,131
2039	1,030,000	578,319	1,608,319
2040	1,080,000	535,181	1,615,181
2041	1,130,000	489,943	1,619,943
2042	1,190,000	442,132	1,632,132
2043	1,245,000	391,781	1,636,781
2044	1,295,000	337,781	1,632,781
2045	1,365,000	281,644	1,646,644
2046	1,425,000	221,869	1,646,869
2047	1,495,000	159,469	1,654,469
2048	910,000	93,876	1,003,876
2049	950,000	54,682	1,004,682
2050	290,000	13,776	303,776
	$ 23,115,000	$ 14,435,744	$ 37,550,744

See accompanying auditor's report.

Montgomery County Municipal Utility District No. 165
TSI-6. Change in Long-Term Bonded Debt
November 30, 2025

	Bond Issue			
	Series 2023	Series 2024	Series 2025 Road	Totals
Interest rate	4.00% - 6.50%	4.00% - 6.25%	4.00% - 5.00%	
Dates interest payable	3/1; 9/1	3/1; 9/1	3/1; 9/1	
Maturity dates	9/1/24 - 9/1/47	9/1/25 - 9/1/49	9/1/27 - 9/1/50	
Beginning bonds outstanding	$ 9,110,000	$ 10,195,000	$ -	$ 19,305,000
Bonds issued			4,240,000	4,240,000
Bonds retired	(225,000)	(205,000)		(430,000)
Ending bonds outstanding	$ 8,885,000	$ 9,990,000	$ 4,240,000	$ 23,115,000
Interest paid during fiscal year	$ 436,163	$ 412,719	$ -	$ 848,882
Paying agent's name and city				
All Series	BOKF, NA, Dallas, Texas			

Bond Authority:	Water, Sewer and Drainage Bonds	Parks and Recreational Bonds	Road Bonds
Amount Authorized by Voters	$ 68,000,000	$ 4,000,000	$ 28,000,000
Amount Issued	(19,450,000)		(4,240,000)
Remaining To Be Issued	$ 48,550,000	$ 4,000,000	$ 23,760,000

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

Debt Service Fund cash and investments balance as of November 30, 2025:	$ 804,885
Average annual debt service payment (principal and interest) for remaining term of all debt:	$ 1,502,030

See accompanying auditor's report.

Montgomery County Municipal Utility District No. 165
TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund
For the Last Five Fiscal Years

	Amounts				
	2025	2024	2023	2022	2021
Revenues					
Property taxes	$ 574,338	$ 586,947	$ 702,758	$ 153,990	$ 50,281
Penalties and interest				5,226	1,491
Tap connection and inspection				1,970	1,190
Miscellaneous	1,250	1,310	290		
Investment earnings	43,690	39,171	13,829	675	16
Total Revenues	619,278	627,428	716,877	161,861	52,978
Expenditures					
Operating and administrative					
Professional fees	187,637	106,978	125,962	147,286	121,133
Contracted services	27,275	14,503	9,650	26,401	21,700
Repairs and maintenance	197,738	224,162	99,613	71,313	31,035
Utilities	1,869	1,679	1,540	1,154	2,464
Administrative	26,035	19,056	15,737	20,527	15,183
Other	4,779	1,420		686	
Total Expenditures	445,333	367,798	252,502	267,367	191,515
Revenues Over (Under) Expenditures	173,945	259,630	464,375	(105,506)	(138,537)
Other Financing Sources					
Developer advances				100,000	150,000
Internal transfers			26,095		
Net Change in Fund Balance	173,945	259,630	490,470	(5,506)	11,463
Fund Balance, Beginning of the year	766,489	506,859	16,389	21,895	10,432
End of the year	$ 940,434	$ 766,489	$ 506,859	$ 16,389	$ 21,895

*Percentage is negligible

See accompanying auditor's report.

Percent of Fund Total Revenues				
2025	2024	2023	2022	2021
93%	94%	98%	96%	95%
			3%	3%
			1%	2%
*	*	*		
7%	6%	2%	*	*
100%	100%	100%	100%	100%
30%	17%	18%	91%	229%
4%	2%	1%	16%	41%
32%	36%	14%	44%	59%
*	*	*	1%	5%
4%	3%	2%	13%	29%
1%	*		*	
71%	58%	35%	165%	363%
29%	42%	65%	(65%)	(263%)

Montgomery County Municipal Utility District No. 165
TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fund
For the Last Three Fiscal Years

	Amounts		
	2025	2024	2023
Revenues			
Property taxes	$ 1,184,126	$ 657,578	$ -
Penalties and interest	21,867	8,210	4,249
Investment earnings	42,752	29,336	7,502
Total Revenues	1,248,745	695,124	11,751
Expenditures			
Tax collection services	40,192	21,081	19,735
Debt service			
Principal	430,000	145,000	
Interest and fees	849,481	523,835	
Total Expenditures	1,319,673	689,916	19,735
Revenues Over (Under) Expenditures	(70,928)	5,208	(7,984)
Other Financing Sources			
Proceeds from sale of bonds	196,675	221,759	329,709
Net Change in Fund Balance	125,747	226,967	321,725
Fund Balance, Beginning of the year	548,692	321,725	-
End of the year	$ 674,439	$ 548,692	$ 321,725

See accompanying auditor's report.

Percent of Fund Total Revenues		
2025	2024	2023
95%	95%	
2%	1%	36%
3%	4%	64%
100%	100%	100%
3%	3%	168%
34%	21%	
68%	75%	
105%	99%	168%
(5%)	1%	(68%)

Montgomery County Municipal Utility District No. 165
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended November 30, 2025

Complete District Mailing Address:	3200 Southwest Freeway, Sutie 2600, Houston, TX 77027
District Business Telephone Number:	(713) 860-8069
Submission Date of the most recent District Registration Form (TWC Sections 36.054 and 49.054):	June 26, 2024
Limit on Fees of Office that a Director may receive during a fiscal year: (Set by Board Resolution -- TWC Section 49.060)	$ 7,200

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimburse-ments	Title at Year End
Board Members				
Brian Thompson	05/22 - 05/26	$ 2,431	$ 667	President
Sam Hall	05/22 - 05/26	2,210		Vice President
Mike Mahar	05/24 - 05/28	2,210	294	Secretary
Crystal McBride	06/24 - 05/28	3,757	2,872	Assistant Vice President
Raul Wong	05/22 - 05/26	2,873	1,592	Assistant Secretary
		Amounts Paid		
Consultants				
Allen Boone Humphries Robinson, LLP	2019			Attorney
General legal fees		$ 100,533		
Bond counsel		125,281		
Myrtle Cruz, Inc	2019	28,279		Bookkeeper
Utility Tax Service, LLC	2019	12,131		Tax Collector
Montgomery Central Appraisal District	Legislation	13,831		Property Valuation
Perdue, Brandon, Fielder, Collins & Mott, LLP	2019	6,664		Delinquent Tax Attorney
LJA Engineering, Inc	2019	71,709		Engineer
McGrath & Co., PLLC	2021	16,000		Auditor
Robert W. Baird & Co., Inc.	2019	88,047		Financial Advisor

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

See accompanying auditor's report.