

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 121
(MONTGOMERY COUNTY, TEXAS)**

**PRELIMINARY OFFICIAL STATEMENT
DATED: OCTOBER 21, 2024**

**\$8,850,000
UNLIMITED TAX PARK BONDS
SERIES 2024**

**BIDS FOR THE BONDS TO BE SUBMITTED BY: 9:00 A.M., CENTRAL TIME
BIDS FOR THE BONDS TO BE OPENED AT: 11:00 A.M., CENTRAL TIME
MONDAY, NOVEMBER 18, 2024**



Financial Advisor

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

In the opinion of Bond Counsel (herein defined), under current law and subject to conditions described under "TAX MATTERS," interest on the Bonds (a) is not included in gross income for federal income tax purposes, (b) is not an item of tax preference for purposes of the federal alternative minimum income tax, and (c) may have to be taken into account by applicable corporations (as defined in Section 59(k) of the Code (herein defined)) for the alternative minimum tax imposed on such corporations. A holder may be subject to other federal tax consequences as described under "TAX MATTERS."

The Bonds will be designated "qualified tax-exempt obligations" for financial institutions. See "TAX MATTERS – Qualified Tax-Exempt Obligations."

NEW ISSUE – Book Entry Only

Moody's Investors Service, Inc. (Underlying) "Baa2"

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 121
(A political subdivision of the State of Texas, located within Montgomery County)

\$8,850,000

Unlimited Tax Park Bonds

Series 2024

Dated: December 1, 2024

Due: September 1, as shown on the inside cover

Interest on the \$8,850,000 Montgomery County Municipal Utility District No. 121 Unlimited Tax Park Bonds, Series 2024 (the "Bonds") accrues from the initial date of delivery (on or about December 17, 2024) and is payable on March 1, 2025, and on each September 1 and March 1 (each an "Interest Payment Date") thereafter until the earlier of maturity or redemption, and will be calculated on the basis of a 360-day year composed of 12 30-day months. Interest on the Bonds will be payable by check dated as of the Interest Payment Date, and mailed by the Paying Agent/Registrar (herein defined) to registered owners as shown on the records of the Paying Agent/Registrar at the close of business on the 15th calendar day of the month next preceding each interest payment date. The Bonds will be issued in fully registered form only, without coupons, in principal denominations of \$5,000 or any integral multiple thereof, and when issued, will be registered in the name of Cede & Co., as registered owner and nominee for the Depository Trust Company, New York, New York ("DTC"), acting as securities depository for the Bonds until DTC resigns or is discharged. The Bonds initially will be available to purchasers in book-entry form only. So long as Cede & Co., as the nominee of DTC, is the registered owner of the Bonds, principal of and interest on the Bonds will be payable by the paying agent to DTC, which will be solely responsible for making such payment to the beneficial owners of the Bonds. The initial paying agent for the Bonds is Regions Bank, Houston, Texas (the "Paying Agent/Registrar"). The Bonds are obligations solely of Montgomery County Municipal Utility District No. 121 (the "District") and are not obligations of the State of Texas; Montgomery County, Texas; the City of Conroe, Texas; or any entity other than the District.

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

The Bonds constitute the first series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing parks and recreational facilities to serve the District (the "Park System"), and for refunding such bonds. Voters in the District have authorized a total of \$28,980,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Park System, and for refunding such bonds. Additionally, voters in the District have authorized \$136,920,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, wastewater, and drainage facilities to serve the District (the "System"), and for refunding such bonds, and \$50,160,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing road improvements to serve the District (the "Road System"), and for refunding such bonds. Following the issuance of the Bonds, \$20,130,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Park System, \$107,720,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the System, and \$44,100,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System will remain authorized but unissued. The Bonds, when issued will constitute valid and binding obligations of the District, 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 within the District. See "THE BONDS – Source of Payment."

The Bonds are offered by the Initial Purchaser subject to prior sale, when, as, and if issued by the District and accepted by the Initial Purchaser, subject to, among other things, the approval of the Attorney General of Texas and the opinion of The Muller Law Group, PLLC, Sugar Land, Texas, Bond Counsel. Certain legal matters will be passed upon for the District by Orrick, Herrington & Sutcliffe LLP, Houston, Texas, Disclosure Counsel. Delivery of the Bonds is expected on or about December 17, 2024.

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

\$8,850,000 Montgomery County Municipal Utility District No. 121 Unlimited Tax Park Bonds, Series 2024

Maturity September 1	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. _____ (b)	Maturity September 1	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. _____ (b)
2025	\$ 145,000	___%	___%	—	2038 (c)	\$ 355,000	___%	___%	—
2026	215,000	___%	___%	—	2039 (c)	370,000	___%	___%	—
2027	225,000	___%	___%	—	2040 (c)	385,000	___%	___%	—
2028	235,000	___%	___%	—	2041 (c)	405,000	___%	___%	—
2029	245,000	___%	___%	—	2042 (c)	420,000	___%	___%	—
2030	255,000	___%	___%	—	2043 (c)	440,000	___%	___%	—
2031 (c)	265,000	___%	___%	—	2044 (c)	455,000	___%	___%	—
2032 (c)	275,000	___%	___%	—	2045 (c)	475,000	___%	___%	—
2033 (c)	290,000	___%	___%	—	2046 (c)	495,000	___%	___%	—
2034 (c)	300,000	___%	___%	—	2047 (c)	515,000	___%	___%	—
2035 (c)	315,000	___%	___%	—	2048 (c)	540,000	___%	___%	—
2036 (c)	330,000	___%	___%	—	2049 (c)	560,000	___%	___%	—
2037 (c)	340,000	___%	___%	—					

- (a) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Initial Purchaser. Initial reoffering yields represent the initial offering price, which may be changed for subsequent purchasers. The initial yield indicated above represents the lower of the yields resulting when priced to maturity or to the first call date.
- (b) CUSIP numbers will be assigned to this issue by the 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 purchasers of the Bonds. None of the District, the Financial Advisor (herein defined), or the Initial Purchaser shall be responsible for the selection or the correctness of the CUSIP numbers shown herein.
- (c) Bonds maturing on September 1, 2031, 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, 2030, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. In addition, the Initial Purchaser may designate one (1) or more maturities as term bonds.

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

This document, when further supplemented by adding additional information specifying the interest rates and certain other information relating to the Bonds shall constitute a "final official statement" of the District with respect to the Bonds, as such term is defined in the Rule.

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 alone 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, resolutions, orders, contracts, audits, 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 Bond Counsel upon payment of duplication costs, for further information.

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.

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

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

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SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the bid of _____ (the "Initial Purchaser") to purchase the Bonds at the interest rates shown on the inside cover at a price of _____% of par, resulting in a net effective interest rate to the District _____%, as calculated pursuant to Chapter 1204, Texas Government Code, as amended. No assurance can be given that any trading market will be developed for the Bonds after their sale by the District to the Initial Purchaser. The District has no control over the price at which the Bonds are subsequently sold, and the initial yields at which the Bonds are priced and reoffered are established by and are the sole responsibility of the Initial Purchaser.

Prices and Marketability

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

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

The District has no control over trading of the Bonds in the secondary market. Moreover, there is no 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.

Securities Laws

No registration statement relating to the Bonds has been filed with the SEC 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 in such other jurisdiction.

MUNICIPAL BOND INSURANCE

The District has made applications to Build America Mutual Assurance Company and Assured Guaranty Inc. for a commitment for municipal bond guaranty insurance on the Bonds. THE PAYMENT OF ALL COSTS ASSOCIATED WITH THE INSURANCE, IF AVAILABLE, INCLUDING THE PREMIUM CHARGED BY THE INSURANCE COMPANY AND FEES CHARGED BY RATING COMPANIES, OTHER THAN MOODY'S INVESTORS SERVICE, INC. ("MOODY'S"), WILL BE AT THE OPTION AND EXPENSE OF THE INITIAL PURCHASER. THE DISTRICT WILL PAY THE RATING FEES CHARGED BY MOODY'S.

RATINGS

Moody's has assigned an underlying rating of "Baa2" to the Bonds. An explanation of the rating 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 underlying 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 rating discussed above.

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OFFICIAL STATEMENT SUMMARY

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

THE BONDS

- Description..... The \$8,850,000 Montgomery County Municipal Utility District No. 121 Unlimited Tax Park Bonds, Series 2024 (the "Bonds") are dated December 1, 2024, and mature on September 1 in the years and amounts set forth on the inside cover. Interest accrues from the initial date of delivery (on or about December 17, 2024) at the rates per annum set forth on the inside cover and is payable March 1, 2025, 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 of principal amount for any one (1) maturity. See "THE BONDS – General."

- Redemption Provisions The Bonds maturing on and after September 1, 2031 are subject to redemption, in whole or from time to time in part, at the option of Montgomery County Municipal Utility District No. 121 (the "District") on September 1, 2030, 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 Provisions."

- Source of Payment Principal of and interest on 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 within the District. The Bonds are obligations solely of the District and are not obligations of the State of Texas ("Texas"); Montgomery County, Texas (the "County"); the City of Conroe, Texas (the "City"); or any other political subdivision or entity other than the District. See "THE BONDS – Source of Payment."

- Outstanding Bonds The following bonds have previously been issued by the District for the purpose of acquiring or constructing the System (herein defined): \$5,920,000 Montgomery County Municipal Utility District No. 121 Unlimited Tax Bonds, Series 2021, \$8,160,000 Montgomery County Municipal Utility District No. 121 Unlimited Tax Bonds, Series 2022, and \$15,120,000 Montgomery County Utility District No. 121 Unlimited Tax Bonds, Series 2023. As of delivery of the Bonds, \$28,020,000 principal amount of such debt will remain outstanding (the "Outstanding System Bonds"). The following bonds have previously been issued for the purpose of acquiring or constructing the Road System (herein defined): \$1,880,000 Montgomery County Municipal Utility District No. 121 Unlimited Tax Road Bonds, Series 2021 and \$4,180,000 Montgomery County Municipal Utility District No. 121 Unlimited Tax Road Bonds, Series 2022. As of delivery of the Bonds, \$5,710,000 principal amount of such debt will remain outstanding (the "Outstanding Road Bonds," and together with the Outstanding System Bonds, the "Outstanding Bonds"). Other than the Bonds, no bonds have been issued for the purpose of acquiring or constructing the Park System (herein defined).

- Payment Record..... The District has never defaulted in the payment of the principal and interest on its bonded indebtedness.

- Authority for Issuance..... The Bonds constitute the first series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing parks and

recreational facilities to serve the District (the "Park System"). Voters in the District have authorized a total of \$28,980,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Park System, and for refunding such bonds. Additionally, voters in the District have authorized \$136,920,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, wastewater, and drainage facilities to serve the District (the "System"), and for refunding such bonds, and \$50,160,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing road improvements to serve the District (the "Road System"), and for refunding such bonds. Following the issuance of the Bonds, \$20,130,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Park System, \$107,720,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the System, and \$44,100,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System will remain authorized but unissued. The Bonds, when issued will constitute valid and binding obligations of the District, 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 within the District. See "THE BONDS – Source of Payment."

The Bonds are issued pursuant to an order by the Texas Commission on Environmental Quality (the "TCEQ"); Article XVI, Section 59 of the Texas Constitution and general laws of Texas, including Chapters 49 and 54, Texas Water Code, as amended; Chapter 8211 of the Texas Special District Local Laws Code; a resolution authorizing issuance of the Bonds (the "Bond Resolution") adopted by the Board of Directors of the District; and an election held within the boundaries of the District on November 7, 2017. See "THE BONDS – Authority for Issuance" and "THE BONDS – Issuance of Additional Debt."

- Use of Bond Proceeds Proceeds from the sale of the Bonds will be used to reimburse the Developer (herein defined) for the improvements and related costs shown under "USE AND DISTRIBUTION OF BOND PROCEEDS." Additionally, proceeds from the sale of the Bonds will be used to pay developer interest and certain other costs associated with the issuance of the Bonds.
- Municipal Bond Insurance The District has made applications to Build America Mutual Assurance Company and Assured Guaranty Inc. for a commitment for municipal bond guaranty insurance on the Bonds. THE PAYMENT OF ALL COSTS ASSOCIATED WITH THE INSURANCE, IF AVAILABLE, INCLUDING THE PREMIUM CHARGED BY THE INSURANCE COMPANY AND FEES CHARGED BY RATING COMPANIES, OTHER THAN MOODY'S INVESTORS SERVICE, INC. ("MOODY'S"), WILL BE AT THE OPTION AND EXPENSE OF THE INITIAL PURCHASER. THE DISTRICT WILL PAY THE RATING FEES CHARGED BY MOODY'S.
- Ratings..... Moody's has assigned an underlying rating of "Baa2" to the Bonds. See "RATINGS."

Qualified Tax-Exempt Obligations..... The District will designate the Bonds as "Qualified Tax-Exempt Obligations" for financial institutions. See "TAX MATTERS – Qualified Tax-Exempt Obligations."

General & Bond Counsel..... The Muller Law Group, PLLC, Sugar Land, Texas.

Disclosure Counsel Orrick, Herrington & Sutcliffe LLP, Houston, Texas.

Financial Advisor Robert W. Baird & Co. Incorporated, Houston, Texas.

Engineer LJA Engineering, Inc., Houston, Texas.

Paying Agent/Registrar Regions Bank, Houston, Texas

THE DISTRICT

The Issuer The District was created under Section 59, Article XVI, and Section 52, Article III, Texas Constitution by Senate Bill 1965 of the Texas Legislature, 80th Regular Session, as codified in Chapter 8211 of the Texas Special District Local Laws Code. The District is part of an approximate 3,150-acre master-planned community known as "Woodforest." At the time of creation, the District contained approximately 503.17 acres. The District has since approved Orders Excluding Land dated May 20, 2015, which excluded approximately 357.06 acres. The District has also approved an Order Adding Land dated February 15, 2017, and November 16, 2020. With these orders the District annexed approximately 334.26 acres. The District currently consists of approximately 480.37 acres. See "THE DISTRICT – General."

Location The District is located in the central part of the County, approximately 38 miles northwest of the downtown of the City of Houston, Texas. The District is approximately 6.5 miles west of Interstate Highway 45 and approximately four (4) miles north of FM 1488. The District is located within the master planned community of Woodforest, north of Lake Creek. The District is not located within any city's corporate limits but is within the extraterritorial jurisdiction of the City. The District is generally bounded on the north by existing Ridge Lake Shores Development, on the east by undeveloped acreage, on the south by Lake Creek and on the west by Mound Creek. See "LOCATION MAP."

Developers and Principal Landowners Woodforest Development, Inc. ("WDI"), a Texas corporation, is the main developer in the District. Its president is Michael Smith of Johnson Development Corp., an affiliate of WDI. WDI currently owns approximately less than 20 acres in the District.

In October 2020, Tri Pointe Homes Texas, Inc. ("Tri Pointe," and together with WDI, the "Developers"), a Texas Corporation, purchased approximately 52.27 acres of land which was subsequently annexed into the District. All of such acreage approximately 21.65 has been developed for single family residential purposes and is being marketed as Stewart Heights at Woodforest.

Development within the District..... To date, land within the District is being developed as the single-family subdivisions of Woodforest, Sections 67, 68, 74, 75, 76, 77, 78, 79, 80, 81, 82, 83, 84, 85, 86, 87, 88, 89, 90, 92, 101, 104, 105, and 106; Pine Island, Section 3; Noble Greens, Sections 1, 2, and 3; and Stewart Heights, Section 1 and 2. (aggregating approximately 326.36 acres and 1,155 single-family lots). As of October 15, 2024, the District consisted of 1,077 complete and occupied homes, 9 complete and unoccupied homes, 3 model homes, 15 homes under construction, and 51 vacant developed lots. The District contains approximately 154.01 undevelopable acres.. See “DEVELOPMENT WITHIN THE DISTRICT.”

Homebuilders Active Within the District.. Homebuilders active within the District include Chesmar Homes, Highland Homes, Huntington Homes, Lennar Homes, Perry Homes, Tipler Luxury Homes, Tri Pointe, and Westin Homes. The homes being marketed in the District range in price from approximately \$320,000 to over \$2,000,000, with an average sales price of \$550,000.

Woodforest..... Residential development within Woodforest has occurred within the District and Montgomery County Municipal Utility District No. 113. Within Woodforest, WDI has constructed 14 parks and open playgrounds; a 16-mile trail system; five (5) fountains; four (4) lakes; a baseball field; three (3) soccer fields; a dog park; a multi-sport sportsplex center; a driving range; a 27-hole golf course, including a renovated clubhouse; and a nature park. WDI has also constructed Forest Island, a 20-acre recreational facility that includes two (2) community buildings that office the Woodforest Community Association and offers large event spaces for both indoor and outdoor events; a 6,500 square foot resort-style pool; a 10,000 square foot pool deck; a five (5)-lane lap pool; two (2) water slides; a basketball court; a 5,000 square foot splash pad; six (6) tennis courts; restroom facilities; a playground area; and a food vending area. The Vue Park, completed in 2023, offers 4,000 square feet of covered outdoor event space with restrooms, concessions, a parking lot, and a 5,000 square foot resort-style pool. There is also a member-only 10,000 square foot clubhouse for the Bonterra at Woodforest Active-Adult Community. In addition, Conroe Independent School District has constructed a school within Woodforest. Fire protection service within Woodforest is provided by Montgomery County Emergency Services District No. 3, which has constructed a fire station within Woodforest. The Church at Woodforest, hosted financially by The Woodlands United Methodist Church, has occupied its Phase I - 19,000 square foot worship center. Woodforest also includes The Vic Apartments. Other Retail/Commercial development includes 238,480 square feet of mixed-use development, with an additional 154,100 square feet of mixed-use retail in construction. See “WOODFOREST.”

INVESTMENT CONSIDERATIONS

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

SELECTED FINANCIAL INFORMATION
(UNAUDITED)

2024 Assessed Valuation	\$ 454,478,993 (a)
(100% of the taxable value as of January 1, 2024)	
Direct Debt:	
The Outstanding Bonds	\$ 33,730,000
The Bonds	<u>8,850,000</u>
Total Direct Debt	<u>\$ 42,580,000</u>
Estimated Overlapping Debt	<u>\$ 24,210,065</u>
Total Direct and Estimated Overlapping Debt	<u>\$ 66,790,065</u>
Direct Debt Ratios as a Percentage of:	
The 2024 Assessed Valuation (\$454,478,993)	9.37%
Direct and Estimated Overlapping Debt Ratios as a Percentage of:	
The 2024 Assessed Valuation (\$454,478,993)	14.70%
System Construction Fund Balance (as of September 9, 2024)	\$ 775,067
Road Construction Fund Balance (as of September 9, 2024)	\$ 762,513
Operating Fund Balance (as of September 9, 2024)	\$ 1,704,495
System Debt Service Fund Balance (as of September 9, 2024)	\$ 538,781 (b)
Road System Debt Service Fund Balance (as of September 9, 2024)	\$ 130,994 (c)
2024 Tax Rate per \$100 of Assessed Valuation:	
System Debt Service	\$ 0.55
Road Debt Service	0.09
Maintenance & Operation	<u>0.19</u>
Total	<u>\$ 0.83 (d)</u>
Estimated Average Annual Debt Service Requirement on the Outstanding System	
Bonds and the Bonds (2025-2049)	\$ 2,282,513 (e)
Estimated Maximum Annual Debt Service Requirement on the Outstanding System	
Bonds and the Bonds (2045)	\$ 2,511,713 (e)
System Debt Service Tax Rate per \$100 of Assessed Valuation Required to pay the	
Estimated Average Annual Debt Service Requirement on the Outstanding System	
Bonds and the Bonds (2025-2049) at 95% Tax Collections Based Upon:	
The 2024 Assessed Valuation (\$454,478,993)	\$ 0.53
System Debt Service Tax Rate per \$100 of Assessed Valuation Required to pay the	
Estimated Maximum Annual Debt Service Requirement on the Outstanding System	
Bonds and the Bonds (2045) at 95% Tax Collections Based Upon:	
The 2024 Assessed Valuation (\$454,478,993)	\$ 0.59
Average Annual Debt Service Requirement on the Outstanding Road	
Bonds (2025-2046)	\$ 381,574 (f)
Maximum Annual Debt Service Requirement on the Outstanding Road	
Bonds (2045)	\$ 394,725 (f)
Road Debt Service Tax Rate per \$100 of Assessed Valuation Required to pay the	
Average Annual Debt Service Requirement on the Outstanding Road	
Bonds (2025-2046) at 95% Tax Collections Based Upon:	
The 2024 Assessed Valuation (\$454,478,993)	\$ 0.09
Road Debt Service Tax Rate per \$100 of Assessed Valuation Required to pay the	
Maximum Annual Debt Service Requirement on the Outstanding Road	
Bonds (2045) at 95% Tax Collections Based Upon:	
The 2024 Assessed Valuation (\$454,478,993)	\$ 0.10
Number of Single-Family Homes (including 15 homes in various	
stages of construction) as of October 1, 2024	
	1,104

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- (a) Represents the assessed valuation of all taxable property within the District as of January 1, 2024, provided by the Appraisal District (herein defined). Such amount includes \$24,289,905 of assessed valuation assigned to properties that remain under review by the Appraisal Review Board (herein defined). Such amount represents the estimated minimum amount of assessed valuation that will ultimately be approved by the Appraisal Review Board, upon which the District will levy its tax. See "TAX DATA" and "TAXING PROCEDURES."
 - (b) Neither Texas Law nor the Bond Resolution requires that the District maintain any particular sum in the System Debt Service Fund (herein defined). The funds in the System Debt Service Fund are pledged only to pay debt service on the Outstanding System Bonds and the Bonds, not the Outstanding Road Bonds. Upon closing and delivery of the Bonds, six (6) months of capitalized interest will be deposited into the System Debt Service Fund.
 - (c) Neither Texas Law nor the Bond Resolution requires that the District maintain any particular sum in the Road Debt Service Fund (herein defined). The funds in the Road Debt Service Fund are pledged only to pay debt service on the Outstanding Road Bonds, not the Outstanding System Bonds or the Bonds.
 - (d) See "TAX DATA – Tax Rate Calculations."
 - (e) Debt service for the Bonds is estimated at an average interest rate of 4.25%. See "DISTRICT DEBT – Estimated System Debt Service Requirement Schedule."
 - (f) See "DISTRICT DEBT – Road Debt Service Requirement Schedule."

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OFFICIAL STATEMENT

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 121

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

\$8,850,000

Unlimited Tax Park Bonds

Series 2024

INTRODUCTION

This Official Statement provides certain information in connection with the issuance by Montgomery County Municipal Utility District No. 121 (the "District") of the \$8,850,000 Montgomery County Municipal Utility District No. 121 Unlimited Tax Park Bonds, Series 2024 (the "Bonds").

The Bonds are issued pursuant to an order by the Texas Commission on Environmental Quality (the "TCEQ"); Article XVI, Section 59 of the Texas Constitution and general laws of the State of Texas ("Texas"), including Chapters 49 and 54, Texas Water Code, as amended; Chapter 8211 of the Texas Special District Local Laws Code; a resolution authorizing issuance of the Bonds (the "Bond Resolution") adopted by the Board of Directors of the District (the "Board"); and an election held within the boundaries of the District on November 7, 2017.

Unless otherwise indicated, capitalized terms used in this Official Statement have the same meaning assigned to such terms in the Bond Resolution.

Included in this Official Statement are descriptions of the Bonds and certain information about the District and its finances. ALL DESCRIPTIONS OF DOCUMENTS CONTAINED HEREIN ARE ONLY SUMMARIES AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO EACH SUCH DOCUMENT. Copies of such documents may be obtained from Bond Counsel (herein defined) at 202 Century Square Boulevard, Sugar Land, Texas 77478 or during the offering period from the District's Financial Advisor (herein defined) at 1331 Lamar Street, Suite 1360, Houston, Texas 77010, upon payment of reasonable copying, mailing, and handling charges.

THE BONDS

General

The Bonds are dated December 1, 2024, and mature on September 1 in the years and amounts set forth on the inside cover. Interest accrues from the initial date of delivery (on or about December 17, 2024) at the rates per annum set forth on the inside cover and is payable March 1, 2025, and each September 1 and March 1 thereafter until maturity or earlier redemption (each an "Interest Payment Date") thereafter until maturity or earlier redemption and will be calculated on the basis of a 360-day year composed of 12 30-day months. The Bonds will be issued in fully registered form only, without coupons, in denominations of \$5,000 of principal amount or any integral multiple thereof, and when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York ("DTC"), acting as securities depository for the Bonds until DTC resigns or is discharged. The Bonds initially will be available to purchasers in book-entry form only. So long as Cede & Co., as the nominee of DTC, is the registered owner of the Bonds, principal of and interest on the Bonds will be payable by the paying agent to DTC, which will be solely responsible for making such payment to the beneficial owners of the Bonds. The initial paying agent and registrar for the Bonds is Regions Bank, Houston, Texas (the "Paying Agent/Registrar").

Record Date for Interest Payment

Interest on the Bonds will be paid to the registered owner (the "Registered Owners") appearing on the registration and transfer books (the "Register") of the Paying Agent/Registrar at the close of business on the "Record Date" (the 15th calendar day of the month next preceding each interest payment date) and shall be paid by the Paying Agent/Registrar (i) by check sent 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 30 days thereafter, a new record date for such interest payment (the "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 (5) 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 Provisions

The Bonds maturing on and after September 1, 2031, are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on September 1, 2030, and on any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest from the most recent payment date to the date fixed for redemption. The Paying Agent/Registrar shall give written notice of redemption, by registered mail, overnight delivery, or other comparably secure means, not less than 30 days prior to the redemption date, to each registered securities depository (and to each national information service that disseminates redemption notices) known to the Paying Agent/Registrar, but neither the failure to give such notice nor any defect therein shall affect the sufficiency of notice given to the Registered Owner as herein above stated. The Paying Agent/Registrar may provide written notice of redemption to DTC by facsimile.

The Bonds of a denomination larger than \$5,000 may be redeemed in part (\$5,000 or any multiple thereof). Any Bond to be partially redeemed must be surrendered in exchange for one (1) or more new Bonds of the same maturity for the unredeemed portion of the principal of the Bonds so surrendered. In the event of redemption of less than all of the Bonds, the particular Bonds to be redeemed shall be selected by the District; if less than all of the Bonds of a particular maturity are to be redeemed; the Paying Agent/Registrar is required to select the Bonds of such maturity to be redeemed by lot.

Registration, Transfer, and Exchange

In the event the Book-Entry-Only System (herein defined) should be discontinued, the Bonds are transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar or its corporate trust office and such transfer or exchange shall be without expenses or service charge to the Registered Owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange, and transfer. 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. A new Bond or Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the principal payment office of the Paying Agent/Registrar, or sent by the United States mail, first class, postage prepaid, to the new Registered Owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the Registered Owner or assignee of the Registered Owner in not more than three (3) business days after the receipt of the Bonds to be cancelled, and the written instrument of transfer or request for exchange duly executed by the Registered Owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 for any one (1) maturity and for a like aggregate principal amount as the Bond or Bonds surrendered for exchange or transfer. See "BOOK-ENTRY-ONLY SYSTEM" for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds.

Mutilated, Lost, Stolen, or Destroyed Bonds

In the event the Book-Entry-Only system should be discontinued, the District has agreed to replace mutilated, destroyed, lost, or stolen Bonds upon surrender of the mutilated Bonds, receipt of satisfactory evidence of such destruction, loss, or theft, and receipt by the District and the Paying Agent/Registrar of security or indemnity to hold them harmless. Upon the issuance of a new bond the District may require payment of taxes, governmental charges and other expenses (including the fees and expenses of the Paying Agent/Registrar), bond printing and legal fees in connection with any such replacement.

Replacement of Paying Agent/Registrar

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

Source of Payment

While the Bonds or any part of the principal thereof or interest thereon remain outstanding and unpaid, the District covenants to levy and annually assess and collect in due time, form, and manner, and at the same time as other District taxes are assessed, levied, and collected, in each year, beginning with the current year, a continuing direct annual ad valorem tax, without legal limit as to rate or amount, upon all taxable property in the District sufficient to pay the interest on the Bonds as the same becomes due and to pay each installment of the principal of the Bonds as the same matures, with full allowance being made for delinquencies and cost of collection. In the Bond Resolution, the District covenants that said taxes are irrevocably pledged to the payment of the interest and principal of the Bonds and any unlimited tax bonds hereafter issued. The Bonds are obligations of the District and are not the obligations of Texas; Montgomery County, Texas (the "County"); the City of Conroe, Texas (the "City"); or any other political subdivision or any entity other than the District.

Payment Record

The District has never defaulted in the payment of the principal and interest on its bonded indebtedness. See "THE BONDS – Source of Payment."

Authority for Issuance

The Bonds constitute the first series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing parks and recreational facilities to serve the District (the "Park System"). Voters in the District have authorized a total of \$28,980,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Park System, and for refunding such bonds. Additionally, voters in the District have authorized \$136,920,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, wastewater, and drainage facilities to serve the District (the "System"), and for refunding such bonds, and \$50,160,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing road improvements to serve the District (the "Road System"), and for such refunding such bonds. Following the issuance of the Bonds, \$20,130,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Park System, \$107,720,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the System, and \$44,100,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System will remain authorized but unissued. The Bonds, when issued will constitute valid and binding obligations of the District, 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 within the District. See "THE BONDS – Source of Payment."

The Bonds are issued pursuant to an order by the TCEQ; Article XVI, Section 59 of the Texas Constitution and general laws of Texas, including Chapters 49 and 54, Texas Water Code, as amended; Chapter 8211 of the Texas Special District Local Laws Code; the Bond Resolution adopted by the Board; and an election held within the boundaries of the District on November 7, 2017.

Outstanding Bonds

The following bonds have previously been issued by the District for the purpose of acquiring or constructing the System: \$5,920,000 Montgomery County Municipal Utility District No. 121 Unlimited Tax Bonds, Series 2021, \$8,160,000 Montgomery County Municipal Utility District No. 121 Unlimited Tax Bonds, Series 2022, and \$15,120,000 Montgomery County Utility District No. 121 Unlimited Tax Bonds, Series 2023. As of delivery of the Bonds, \$28,020,000 principal amount of such debt will remain outstanding (the "Outstanding System Bonds"). The following bonds have previously been issued for the purpose of acquiring or constructing the Road System: \$1,880,000 Montgomery County Municipal Utility District No. 121 Unlimited Tax Road Bonds, Series 2021 and \$4,180,000 Montgomery County Municipal Utility District No. 121 Unlimited Tax Road Bonds, Series 2022. As of delivery of the Bonds, \$5,710,000 principal amount of such debt will remain outstanding (the "Outstanding Road Bonds," and together with the Outstanding System Bonds, the "Outstanding Bonds"). Other than the Bonds, no bonds have been issued for the purpose of acquiring or constructing the Park System.

Issuance of Additional Debt

The District may issue additional bonds. Following the issuance of the Bonds, \$107,720,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the System and for the purpose of refunding such bonds, \$44,100,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System and for the purpose of refunding such bonds, and \$20,130,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Park System and for the purpose of refunding such bonds will remain authorized but unissued.

Following the issuance of the Bonds, the District will owe the Developers (herein defined) less than \$5,000,000 in reimbursable expenses for District projects, the funds for which were advanced by the Developers. See "THE SYSTEM" and "DEVELOPMENT WITHIN THE DISTRICT."

Based on present engineering cost estimates and on development plans provided by the Developers, in the opinion of the District's consulting engineer, LJA Engineering, Inc. (the "Engineer"), following the issuance of the Bonds, the District will have adequate authorized but unissued bonds to repay the Developers the remaining amounts owed for the existing parks and recreational, and System, facilities, and to finance the extension of water, wastewater, and storm drainage facilities and services to serve the remaining undeveloped land and road improvements within the District. See "DEVELOPMENT WITHIN THE DISTRICT," "THE SYSTEM," and "INVESTMENT CONSIDERATIONS - Future Debt."

Registered Owners' Remedies

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners have the right to seek a writ of mandamus, requiring the District to levy adequate taxes each year to make such payments. Except for mandamus, the Bond Resolution does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. See "INVESTMENT CONSIDERATIONS - Limitation to Registered Owners' Remedies."

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

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

Defeasance

The Bond 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.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by DTC while the Bonds are registered in its nominee's 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 Participant, (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 United States Securities and Exchange Commission (the "SEC"), and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be required by an authorized representative of DTC. One (1) fully-registered Bond certificate will be issued for each 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. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all

of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC rules applicable to its Participants are on file with the SEC. More information about DTC can be found at www.dtcc.com.

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

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

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

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or 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, 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.

USE AND DISTRIBUTION OF BOND PROCEEDS

Proceeds from the sale of the Bonds will be used to reimburse the Developer (herein defined) for the improvements and related costs shown under "USE AND DISTRIBUTION OF BOND PROCEEDS." Additionally, proceeds from the sale of the Bonds will be used to pay developer interest and certain other costs associated with the issuance of the Bonds.

<u>CONSTRUCTION COSTS</u>	<u>Total Costs</u>
A. Developer Items	
1. Everett's Peak Park – Hardscape & Softscape	\$ 282,474
2. Everett's Peak Park – Playground Structure	176,261
3. Everett's Peak Park – Fence	1,370
4. Section 68 Park	642,315
5. Vue Park – Clearing and Grubbing	7,500
6. Vue Park – Amenity	1,267,538
7. Vue Park – S & D Parking	411,800
8. Woodforest 2021 Trails	104,825
9. Woodforest 2022 Trails – Clearing and Grubbing	20,200
10. Woodforest 2022 Trails – Construction	2,170,302
11. Woodforest 2022 Trails – Repairs	33,066
12. Stampede Sportsplex Parking – Phase 3	386,175
13. The Crest Dog Park	150,000
14. Contingency (20% of Items 12-13)	107,235
15. Architectural, Engineering, Geotechnical, CPS and Materials Testing (Items 1 - 11)	<u>638,855</u>
Total Developer Items	<u>\$ 6,399,916</u>
B. District Items	
1. Land Acquisition	
a) Land Costs	\$ 498,356
b) Land Interest	445,380
Total District Items	<u>943,736</u>
TOTAL CONSTRUCTION COSTS (83.68% OF BIR)	<u>\$ 7,343,652</u>
<u>NON-CONSTRUCTION COSTS</u>	
A. Legal Fees	\$ 217,000
B. Fiscal Agent Fees	177,000
C. Interest Costs	
1. Capitalized Interest (6 Months @ 5.75%)	232,313
2. Developer Interest	468,053
D. Bond Discount (3%)	265,500
E. Bond Issuance Expense	47,507
F. Bond Application Report Costs	68,000
G. Attorney General Fee (0.1%)	8,850
H. TCEQ Bond Issuance Fee (0.25%)	<u>22,125</u>
TOTAL NON-CONSTRUCTION COSTS (16.32 % of BIR)	<u>\$ 1,506,348</u>
TOTAL BOND ISSUE REQUIREMENT	<u>\$ 8,850,000</u>

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

In the instance that approved estimated amounts exceed the actual costs, the difference comprises a surplus which may be expended for uses authorized under the applicable rules of the TCEQ. In the instance that actual costs exceed previously approved estimated amounts and contingencies, additional TCEQ approval and the issuance of additional bonds may be required. However, the District cannot and does not guarantee the sufficiency of such funds for such purposes.

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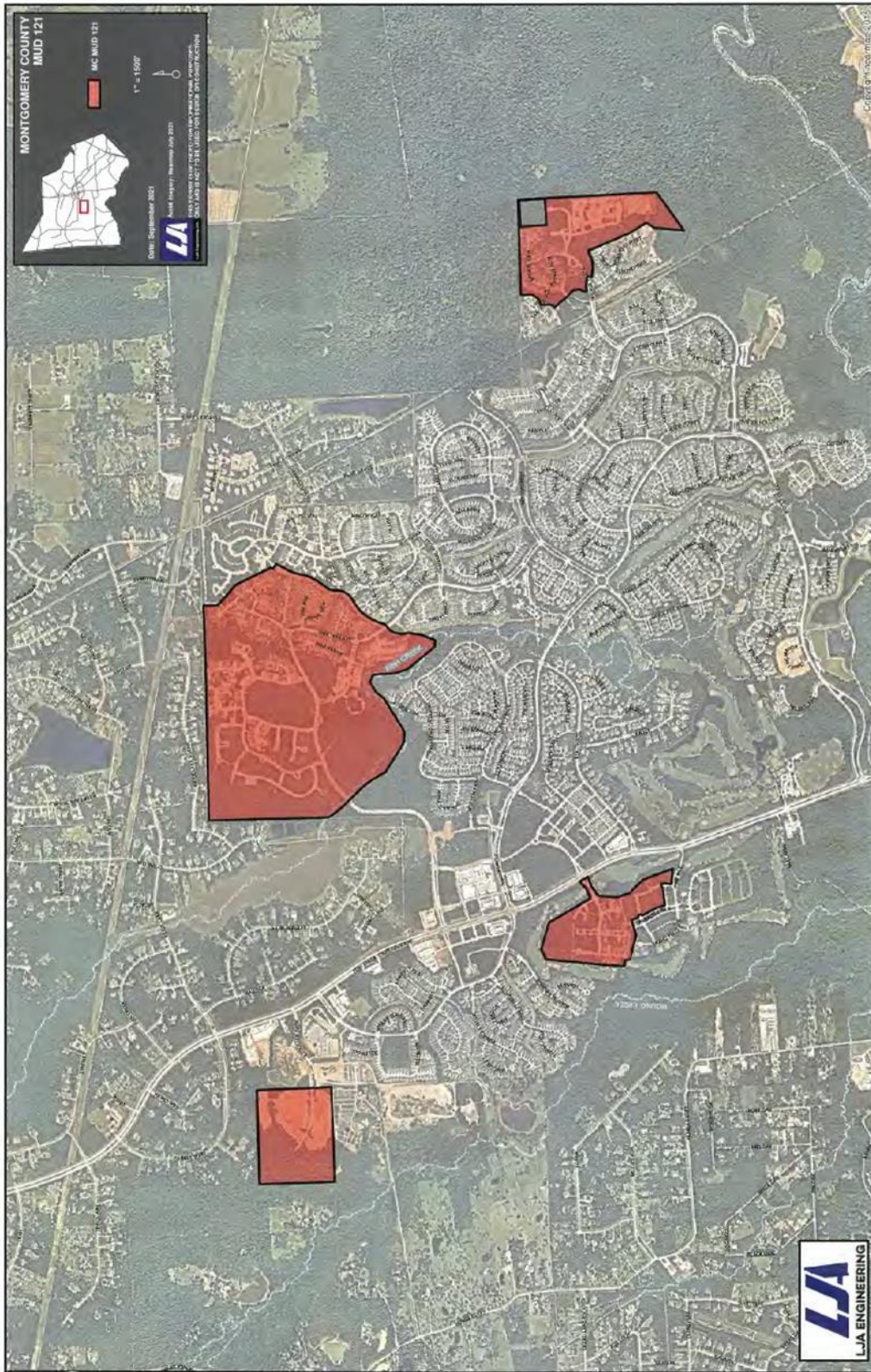
**PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(October 2024)**



**PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(October 2024)**



LOCATION MAP



THE DISTRICT

General

The District is a political subdivision of Texas, operating as a municipal utility district pursuant to Article III, Section 52 and Article XVI, Section 59 of the Texas Constitution and Chapter 8211 of the Texas Special District Local Laws Code. The District is vested with all the rights, privileges, authority, and functions conferred by the laws of Texas applicable to municipal utility districts, including without limitation to those conferred by Chapters 49 and 54, Texas Water Code, as amended. The District is empowered 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, among other things. The District is also empowered to finance certain road improvements, as long as they meet the County or City criteria for a thoroughfare, arterial, or collector road. The District may also provide solid waste collection and disposal service and operate, maintain, and construct recreational facilities.

The District may operate and maintain a fire department, independently or with one (1) or more other conservation and reclamation districts, if approved by the voters and the TCEQ. The District does not operate and/or maintain a fire department. However, fire protection service in the District is provided by Montgomery County Emergency Services District No. 3 (“ESD No. 3”), which has constructed a fire station in the District. ESD No. 3 levies an ad valorem tax separate and apart from the District. See “TAX DATA – Estimated Overlapping Taxes.” The District is subject to the continuing supervision of the TCEQ.

Location

The District is located in the central region of the County, approximately 38 miles northwest of the downtown of the City of Houston, Texas (“Houston”), and is located entirely within the extraterritorial jurisdiction of the City. The District lies approximately 6.5 miles west of Interstate Highway 45 and approximately four (4) miles north of FM 1488. The District is generally bordered on the north by existing Ridge Lake Shores Development, on the east by Fish Creek, on the south by Lake Creek and on the west by Mound Creek. See “LOCATION MAP.”

Management of the District

- Board of Directors -

The District is governed by the Board, consisting of five (5) directors, which has control over and management and supervision of all affairs of the District. Directors serve staggered four (4)-year terms, with elections held within the District on the second Saturday in May in each even numbered year. All directors own property in the District.

<u>Name</u>	<u>Title</u>	<u>Term Expires May</u>
Vicki Fullerton	President	2028
James Pell	Vice President	2026
Sandi LaPlant	Secretary/Treasurer	2028
William Bleibdrey	Assistant Vice President	2026
Jeff Beard	Assistant Secretary	2026

- Consultants -

Tax Assessor/Collector – Land and improvements in the District are being appraised by the Montgomery Central Appraisal District (the “Appraisal District”). The Tax Assessor/Collector for the District is Assessments of the Southwest, Inc.

Bookkeeper – The District contracts with Myrtle Cruz, Inc. as Bookkeeper for the District.

Engineer – The District’s consulting engineer is LJA Engineering, Inc.

Auditor – As required by the Texas Water Code, the District retains an independent auditor to audit the District's financial statements annually, which financial statements are filed with the TCEQ. The District’s financial statements for the fiscal year ended May 31, 2024, were audited by McGrath & Co., PLLC and are included as “APPENDIX A.”

Financial Advisor – Robert W. Baird & Co., Incorporated serves as the District’s financial advisor (“the “Financial Advisor”). The fee for services rendered in connection with the issuance of the Bonds is based on the

percentage of the Bonds actually issued, sold, and delivered and, therefore, such fee is contingent upon the sale 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.

Bond & General Counsel – The District has engaged The Muller Law Group, PLLC as bond counsel (“Bond Counsel”) in connection with the issuance of the District’s Bonds. The fees of Bond Counsel are based on the percentage of the Bonds actually issued, sold, and delivered and, therefore, such fee is contingent upon the sale and delivery of the Bonds. The Muller Law Group, PLLC also serves as the District’s general counsel.

Disclosure Counsel – Orrick, Herrington & Sutcliffe LLP has been designated as disclosure counsel (“Disclosure Counsel”). The fees of Disclosure Counsel in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds.

THE DEVELOPERS AND PRINCIPAL LANDOWNERS

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

Description of the Developers and Principal Landowners

Woodforest Development, Inc. (“WDI”), a Texas corporation, is the main developer in the District. Its president is Michael Smith of Johnson Development Corp. (“JDC”), an affiliate of WDI. WDI currently owns approximately less than 20 acres in the District.

In October 2020, Tri Pointe, a Texas Corporation, purchased approximately 52.27 acres of land which was subsequently annexed into the District. All of such acreage has been developed for single family residential purposes and is being marketed as Stewart Heights at Woodforest .

Development Financing

In April 2007, WDI and Woodforest Partners, LP., a Texas Limited Partnership (“WPLP”), obtained a revolving credit development loan for the Woodforest (herein defined) project from Woodforest National Bank. The loan, which was modified June 5, 2023, may have a maximum principal balance of \$8,000,000, bears interest at 1.00% over the Wall Street Journal Prime Rate and matures on September 5, 2026. The loan is secured by a first lien deed of trust on approximately 120 acres within the Woodforest project, owned by WDI and WPLP. The outstanding balance on the loan as of November 8, 2024, was approximately \$1,926,007. According to WDI, the borrowers are in compliance with all material conditions of the loan.

In August 2006, WDI and WPLP obtained a \$41,340,400 mezzanine loan from Residential Funding Corporation (“RFC”) to finance the acquisition of the property within the Woodforest project. This loan was sold by RFC to FC Houston Note, LLC and modified simultaneously with the modification of the Woodforest National Bank development loan to extend the term of the loan until the earlier of the sale of all property within the Woodforest project or December 31, 2026. This loan is fully funded and no additional borrowings are permitted. According to WDI, the borrowers are in compliance with all material conditions of this loan. In August 2012, FC Houston Note, LLC sold the loan to JP Woodforest, LP.

In addition to the loans described above, simultaneously with the modification of the Woodforest National Bank development loan and the modification of the mezzanine loan now owned by JP Woodforest, LP, WDI, and WPLP obtained a \$9,800,000 loan from Woodforest Second Lien Holder, LP (“Woodforest Second Lien Holder”),

the proceeds of which were used primarily to pay down the principal balance of the Woodforest National Bank loan. This loan is secured by a deed of trust lien on the property within the Woodforest project subordinate to the liens which secure the Woodforest National Bank loan, bears interest at the rate of 10% per annum and has a maturity date of the earlier of the sale of all property within the Woodforest project or December 31, 2026. This loan is fully funded and no additional borrowings are permitted. The principal balance of the loan was paid off in January 2015, but there are continuing participations to be paid based upon further cash flows. According to WDI, the borrowers are in compliance with all material conditions of this loan. The partners of Woodforest Second Lien Holder are entities affiliated with JDC and PAR Real Estate Holdings, LLC, a Houston area investor group and an affiliate of Woodforest National Bank.

Lot Sales Contracts

WDI has entered into current lot sales contracts with the following homebuilders: Sanders Custom Homes, Huntington Homes, Highland Homes, Ltd., Lennar Homes, Perry Homes, Chesmar Homes, and Westin Homes. The homebuilders have contracted to purchase 1,024 lots since the inception of the District. As of June 1, 2023, the homebuilders have purchased 1,024 of such lots. According to WDI, all of the homebuilders are in compliance with their respective lot sales contracts. WDI has entered into a lot sales contract with the custom home builder Tipler Design & Build in Pine Island at Woodforest Section 3.

DEVELOPMENT WITHIN THE DISTRICT

To date, land within the District is being developed as the single-family subdivisions of Woodforest, Sections 67, 68, 74, 75, 76, 77, 78, 79, 80, 81, 82, 83, 84, 85, 86, 87, 88, 89, 90, 92, 101, 104, 105, and 106; Pine Island, Section 3; Noble Greens, Sections 1, 2, and 3; and Stewart Heights, Section 1 and 2. (aggregating approximately 326.36 acres and 1,155 single-family lots). As of October 15, 2024, the District consisted of 1,077 complete and occupied homes, 9 complete and unoccupied homes, 3 model homes, 15 homes under construction, and 51 vacant developed lots. The District contains approximately 154.01 undevelopable acres.

WOODFOREST

The District is part of an approximate 3,150-acre master-planned community known as “Woodforest.” Residential development within Woodforest has occurred within the District and Montgomery County Municipal Utility District No. 113 (“MC MUD 113”). Within Woodforest, WDI has constructed 14 parks and open playgrounds; a 16-mile trail system; five (5) fountains; four (4) lakes; a baseball field; three (3) soccer fields; a dog park; a multi-sport sportsplex center; a driving range; a 27-hole golf course, including a renovated clubhouse; and a nature park. WDI has also constructed Forest Island, a 20-acre recreational facility that includes two (2) community buildings that office the Woodforest Community Association and offers large event spaces for both indoor and outdoor events; a 6,500 square foot resort-style pool; a 10,000 square foot pool deck; a five (5)-lane lap pool; two (2) water slides; a basketball court; a 5,000 square foot splash pad; six (6) tennis courts; restroom facilities; a playground area; and a food vending area. The Vue Park, completed in 2023, offers 4,000 square feet of covered outdoor event space with restrooms, concessions, a parking lot, and a 5,000 square foot resort-style pool. There is also a member-only 10,000 square foot clubhouse for the Bonterra at Woodforest Active-Adult Community. In addition, Conroe Independent School District has constructed a school within Woodforest. Fire protection service within Woodforest is provided by ESD No. 3, which has constructed a fire station within Woodforest. The Church at Woodforest, hosted financially by The Woodlands United Methodist Church, has occupied its Phase I - 19,000 square foot worship center. Woodforest also includes The Vic Apartments. Other Retail/Commercial development includes 238,480 square feet of mixed-use development, with an additional 154,100 square feet of mixed-use retail in construction.

DISTRICT DEBT

Estimated System Debt Service Requirement Schedule

The following schedule sets forth the debt service requirements for the Outstanding System Bonds, plus the principal and estimated interest requirements for the Bonds, assuming that the Bonds are issued at an interest rate of 4.25%. Totals may not sum due to rounding.

Year Ending 12/31	Outstanding System Debt Service (a)	The Bonds			
		Principal	Interest	Total New Debt Service	Total System Debt Service
2025	\$ 1,842,350	\$ 145,000	\$ 262,243	\$ 407,243	\$ 2,249,593
2026	1,832,200	215,000	369,963	584,963	2,417,163
2027	1,825,425	225,000	360,825	585,825	2,411,250
2028	1,816,775	235,000	351,263	586,263	2,403,038
2029	1,812,525	245,000	341,275	586,275	2,398,800
2030	1,814,725	255,000	330,863	585,863	2,400,588
2031	1,816,825	265,000	320,025	585,025	2,401,850
2032	1,827,625	275,000	308,763	583,763	2,411,388
2033	1,831,825	290,000	297,075	587,075	2,418,900
2034	1,839,525	300,000	284,750	584,750	2,424,275
2035	1,845,625	315,000	272,000	587,000	2,432,625
2036	1,850,125	330,000	258,613	588,613	2,438,738
2037	1,857,925	340,000	244,588	584,588	2,442,513
2038	1,868,925	355,000	230,138	585,138	2,454,063
2039	1,872,925	370,000	215,050	585,050	2,457,975
2040	1,885,125	385,000	199,325	584,325	2,469,450
2041	1,895,125	405,000	182,963	587,963	2,483,088
2042	1,902,925	420,000	165,750	585,750	2,488,675
2043	1,912,400	440,000	147,900	587,900	2,500,300
2044	1,924,425	455,000	129,200	584,200	2,508,625
2045	1,926,850	475,000	109,863	584,863	2,906,438
2046	1,566,738	495,000	89,675	584,675	2,151,413
2047	1,016,175	515,000	68,638	583,638	1,599,813
2048	1,016,438	540,000	46,750	586,750	1,603,188
2049	-	560,000	23,800	583,800	583,800
Total	\$ 42,601,525	\$ 8,850,000	\$ 5,611,293	\$ 14,461,293	\$ 57,062,818

(a) Outstanding debt as of the delivery of the Bonds.

Estimated Average Annual Debt Service Requirement on the Outstanding System Bonds and the Bonds (2025-2049)	\$ 2,282,513
Estimated Maximum Annual Debt Service Requirement on the Outstanding System Bonds and the Bonds (2045).....	\$ 2,511,713

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Road Debt Service Requirement Schedule

The following schedule sets forth the debt service requirements for the Outstanding Road Bonds. Totals may not sum due to rounding.

Year Ending 12/31	Outstanding Road Debt Service (a)
2025	\$ 387,800
2026	384,650
2027	387,450
2028	384,900
2029	382,100
2030	384,050
2031	380,650
2032	382,000
2033	385,063
2034	387,763
2035	382,913
2036	382,813
2037	383,563
2038	384,000
2039	389,013
2040	388,500
2041	387,675
2042	391,425
2043	389,650
2044	392,450
2045	394,725
2046	281,475
Total	\$ 8,394,625

(a) Outstanding debt as of the delivery of the Bonds.

Average Annual Debt Service Requirement on the Outstanding Road Bonds (2025-2046)	\$ 381,574
Maximum Annual Debt Service Requirement on the Outstanding Road Bonds (2045)	\$ 394,725

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DISTRICT FINANCIAL DATA

2024 Assessed Valuation	\$ 454,478,993 (a)
(100% of the taxable value as of January 1, 2024)	
Direct Debt:	
The Outstanding Bonds	\$ 33,730,000
The Bonds	<u>8,850,000</u>
Total Direct Debt	<u>\$ 42,580,000</u>
Estimated Overlapping Debt	<u>\$ 24,210,065</u>
Total Direct and Estimated Overlapping Debt	<u>\$ 66,790,065</u>
Direct Debt Ratios as a Percentage of:	
The 2024 Assessed Valuation (\$454,478,993)	9.37%
Direct and Estimated Overlapping Debt Ratios as a Percentage of:	
The 2024 Assessed Valuation (\$454,478,993)	14.70%
System Construction Fund Balance (as of September 9, 2024)	\$ 775,068
Road Construction Fund Balance (as of September 9, 2024)	\$ 762,513
Operating Fund Balance (as of September 9, 2024)	\$ 1,704,495
System Debt Service Fund Balance (as of September 9, 2024)	\$ 538,781 (b)
Road System Debt Service Fund Balance (as of September 9, 2024)	\$ 130,994 (c)

-
- (a) Represents the assessed valuation of all taxable property within the District as of January 1, 2024, provided by the Appraisal District (herein defined). Such amount includes \$24,289,905 of assessed valuation assigned to properties that remain under review by the Appraisal Review Board (herein defined). Such amount represents the estimated minimum amount of assessed valuation that will ultimately be approved by the Appraisal Review Board, upon which the District will levy its tax. See "TAX DATA" and "TAXING PROCEDURES."
- (b) Neither Texas Law nor the Bond Resolution requires that the District maintain any particular sum in the System Debt Service Fund (herein defined). The funds in the System Debt Service Fund are pledged only to pay debt service on the Outstanding System Bonds and the Bonds, not the Outstanding Road Bonds. Upon closing and delivery of the Bonds, six (6) months of capitalized interest will be deposited into the System Debt Service Fund.
- (c) Neither Texas Law nor the Bond Resolution requires that the District maintain any particular sum in the Road Debt Service Fund (herein defined). The funds in the Road Debt Service Fund are pledged only to pay debt service on the Outstanding Road Bonds, not the Outstanding System Bonds or the Bonds.

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Unlimited Tax Bonds Authorized but Unissued

Election Date	Purpose	Authorized	Issued to Date	Unissued
11/07/17	Water, Wastewater, Drainage, Ref	\$ 136,920,000	\$ 29,200,000	\$ 107,720,000
11/07/17	Road, Ref	\$ 50,160,000	\$ 6,060,000	\$ 44,100,000
11/07/17	Parks, Ref	\$ 28,980,000	\$ 8,850,000 (a)	\$ 20,130,000

(a) Includes the Bonds.

Investment Authority and Investment Practices of the District

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

Estimated Direct and 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 several sources, including information contained in the "Texas Municipal Report," published by the Municipal Advisory Council of Texas. 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 of debt service, and the tax burden for operation, maintenance, and/or general purposes is not included in these figures.

Taxing Jurisdiction	Outstanding Debt as of August 31, 2024	Estimated Overlapping	
		Percent	Amount
Montgomery County	\$ 417,980,000	0.48%	\$ 2,023,126
Montgomery Independent School District	509,715,000	2.47%	12,603,939
Conroe Independent School District	2,014,950,000	0.44%	8,831,178
Lone Star College District	509,390,000	0.15%	<u>751,821</u>
Total Estimated Overlapping Debt			<u>\$ 24,210,065</u>
The District			<u>\$ 42,580,000</u> (a)
Total Direct & Estimated Overlapping Debt			<u>\$ 66,790,065</u> (a)

(a) Includes the Bonds and the Outstanding Bonds.

Debt Ratios

	<u>Direct Debt (a)</u>	<u>Direct and Estimated Overlapping Debt (a)</u>
2024 Assessed Valuation (\$454,478,993)	9.37%	14.70%

(a) Includes the Bonds and the Outstanding Bonds.

TAX DATA

General

All taxable property within the District is subject to the assessment, levy, and collection by the District of a continuing, direct, annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds (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 remain outstanding and unpaid a tax ample and sufficient to produce funds to pay the principal of and interest on the 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 \$1.25 per \$100 of assessed valuation for operation and maintenance purposes and \$0.25 for road facilities maintenance.

Tax Rate Limitation

System Debt Service:	Unlimited (no legal limit as to rate or amount).
Road Debt Service:	Unlimited (no legal limit as to rate or amount).
Maintenance:	\$1.25 per \$100 of assessed valuation.
Road Facilities Maintenance:	\$0.25 per \$100 of assessed valuation.

Debt Service Tax

The District maintains a separate debt service fund for the Outstanding System Bonds and the Bonds (the “System Debt Service Fund”). Funds in the System Debt Service Fund are not available to pay principal or interest on the Outstanding Road Bonds. The District maintains a separate debt service fund for the Outstanding Road Bonds (the “Road Debt Service Fund”). Funds in the Road Debt Service Fund are not available to pay principal or interest on the Outstanding System Bonds or the Bonds.

For the 2024 tax year, the District levied a system debt service tax rate of \$0.55 per \$100 of assessed valuation and a road debt service tax rate of \$0.09 per \$100 of assessed valuation. Such tax is in addition to taxes which the District is authorized to levy for maintenance and operations purposes.

Maintenance and Operations 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. On November 7, 2017, the Board was authorized to levy such maintenance and operations tax in an amount not to exceed \$1.25 per \$100 of assessed valuation and a road facilities maintenance tax not to exceed \$0.25 per \$100 of assessed valuation. For the 2024 tax year, the District levied a maintenance and operations tax rate of \$0.19 per \$100 of assessed valuation. Such tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds and any parity bonds which may be issued in the future.

Tax Exemption

For the 2024 tax year, the District granted a \$15,000 exemption from ad valorem taxation of residence homestead of individuals who are over 65 years of age or disabled. To date, the District has not adopted a general residential homestead exemption. See “TAXING PROCEDURES.”

Additional Penalties

The District has contracted with a delinquent tax attorney to collect certain delinquent taxes. In connection with that contract, the District established an additional penalty of 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 May 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 Property Tax Code.

Historical Collections

The following table illustrates the collection history of the District for the 2020–2024 tax years:

Tax Year	Assessed Valuation	Tax Rate Per \$100	Adjusted Levy	% Collections Current Year	Fiscal Year Ending 05/31	% Collections as of 07/31/2024
2020	\$ 33,293,887	\$ 0.990	\$ 329,609	100.00%	2021	100.00%
2021	100,028,669	0.990	990,284	99.29%	2022	100.00%
2022	217,816,932	0.940	2,047,479	99.79%	2023	100.00%
2023	368,780,322	0.855	3,153,072	98.24%	2024	98.95%
2024	454,478,993	0.830	3,779,243	(a)	2025	(a)

(a) In process of collections.

Tax Rate Distribution

	2024	2023	2022	2021	2020
System Debt Service	\$0.550	\$0.455	\$0.410	\$0.270	\$0.000
Road Debt Service	0.090	0.100	0.180	0.090	0.000
Maintenance	0.190	0.300	0.350	0.630	0.990
Total	<u>\$0.830</u>	<u>\$0.855</u>	<u>\$0.940</u>	<u>\$0.990</u>	<u>\$0.990</u>

Analysis of Tax Base

The following table illustrates the District's total taxable assessed valuation for the 2020–2024 tax years by type of property.

Type of Property	2024 Assessed Valuation	2023 Assessed Valuation	2022 Assessed Valuation	2021 Assessed Valuation	2020 Assessed Valuation
Land	\$ 79,429,436	\$ 75,649,436	\$ 55,950,646	\$ 33,863,040	\$ 16,313,080
Improvements	411,749,852	327,330,540	185,813,830	69,397,730	18,720,180
Personal Property	1,125,029	465,698	352,616	337,781	313,198
Exemptions	<u>(37,825,324)</u>	<u>(34,665,352)</u>	<u>(24,300,160)</u>	<u>(3,569,882)</u>	<u>(2,052,571)</u>
Total	<u>\$ 454,478,993</u>	<u>\$ 368,780,322</u>	<u>\$ 217,816,932</u>	<u>\$ 100,028,669</u>	<u>\$ 33,293,887</u>

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Principal Taxpayers

The following represents the principal taxpayers, type of property, and their assessed values as of January 1, 2024:

Taxpayer	Type of Property	Assessed Valuation 2024 Tax Roll
MA & SONS	COMMERCIAL	\$ 5,146,570
ROSHARON ZCF PHARMACY DST	COMMERCIAL	3,757,930
SAVANNAH UNITED INVESTMENT	COMMERCIAL	2,700,000
CENTERPOINT ENERGY INC	UTILITIES	1,930,950
PRIVATE LIVING TRUST	SINGLE-FAMILY	1,836,000
PERRY HOMES LLC	INVENTORY	1,610,930
HOMEOWNER	SINGLE-FAMILY	1,502,285
SANDERS CUSTOM BUILDER HOUSTON LLC	INVENTORY	1,477,000
TRI POINTE HOMES TEXAS INC	VACANT	1,376,397
COMCAST OF HOUSTON LLC	PERSONAL PROPERTY	<u>1,335,600</u>
Total		<u>\$ 22,673,662</u>
% of Respective Tax Roll		<u>4.99%</u>

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of Taxable assessed valuation that would be required to meet certain debt service requirements if no growth in the District occurs beyond the 2024 Assessed Valuation of \$454,478,993. The foregoing further assumes collection of 95% of taxes levied and the sale of no additional bonds by the District. Debt service on the Bonds is estimated at an average interest rate of 4.25%:

Estimated Average Annual Debt Service Requirement on the Outstanding System Bonds and the Bonds (2025–2049).....	\$ 2,282,513
System Tax Rate of \$0.53 on the 2024 Assessed Valuation	\$ 2,288,302
 Estimated Maximum Annual Debt Service Requirement on the Outstanding System Bonds and the Bonds (2045)	 \$ 2,511,713
System Tax Rate of \$0.59 on the 2024 Assessed Valuation	\$ 2,547,355
 Average Annual Debt Service Requirement on the Outstanding Road Bonds (2025–2046)	 \$ 381,574
Road Tax Rate of \$0.09 on the 2024 Assessed Valuation.....	\$ 388,580
 Maximum Annual Debt Service Requirement on the Outstanding Road Bonds (2045).....	 \$ 394,725
Road Tax Rate of \$0.10 on the 2024 Assessed Valuation.....	\$ 431,755

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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 FINANCIAL DATA - Estimated Direct and 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 2023 taxes levied by such jurisdictions per \$100 of assessed valuation. Such levies do not include local assessments for community associations, fire department contributions, charges for solid waste disposal, or any other charges made by entities other than political subdivisions.

Taxing Jurisdiction	2023 Tax Rate Per \$100 of A.V.	
	Conroe ISD	Montgomery ISD
The District (a)	\$0.830000	\$0.830000
Montgomery County	0.374200	0.374200
Montgomery County Hospital District	0.050200	0.050200
Montgomery ISD	---	1.228900
Conroe ISD	1.114600	---
Lone Star College District	0.107800	0.107800
Montgomery County ESD 3	<u>0.100000</u>	<u>0.100000</u>
Total Tax Rate	<u>\$2.576800</u>	<u>\$2.691100</u>

a) 2024 levied tax rate

TAXING PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy a continuing direct annual ad valorem tax on all taxable property within the District in an amount sufficient to pay the principal of and interest on the Bonds, the Outstanding Bonds, and any additional bonds payable from taxes which the District may hereafter issue (see "INVESTMENT CONSIDERATIONS - Future Debt"), and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Resolution to levy such a tax from year to year as described more fully above under "THE BONDS - Source of Payment." Under Texas law, the Board is also authorized to levy and collect an annual ad valorem tax for the operation and maintenance of the District and for the payment of certain contractual obligations if authorized by its voters. See "TAX DATA - Tax Rate Limitation."

Property Tax Code and County-wide Appraisal District

Title I of the Texas Property Tax Code (the "Property Tax Code") specifies the taxing procedures of all political subdivisions 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 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 the County, including the District. Such appraisal values are subject to review and change by the Montgomery Central Appraisal Review Board (the "Appraisal Review Board"). The appraisal roll, as approved by the Appraisal Review Board, must be used by the District in establishing its tax rolls and tax rate.

Property Subject to Taxation by the District

General: Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, manufactured homes, and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by 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; certain farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; travel trailers; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years of age or older and certain disabled persons, to the extent deemed advisable by the Board. The District may be required to offer such exemptions if a majority of voters approve the same at an election. The District would be required to call 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 between \$5,000 and \$12,000 depending upon the disability rating of the veteran claiming the exemption. A veteran who receives a disability rating of 100% is entitled to an exemption of full value of the veteran's residential homestead. Furthermore, qualifying surviving spouses of persons 65 years of age and older are entitled to receive a resident homestead exemption equal to the exemption received by the deceased spouse, and surviving spouses of a deceased veteran who had received a disability rating of 100% are entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse until such surviving spouse remarries. Such exemption would be transferred to a subsequent residence homestead of the surviving spouse of a deceased veteran who had received a disability rating of 100%, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. This exemption also applies, under certain conditions, to a residence homestead that was donated by a charitable organization at some cost to such veterans. 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 in the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

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

For the 2024 tax year, the District granted a \$15,000 exemption for persons over 65 years of age and for disabled persons.

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in Texas to exempt up to 20% of the appraised value of residential homesteads from ad valorem taxation. The District is authorized by statute to disregard previously granted residential homestead exemptions if granting the exemption would impair the District's obligation to pay tax-supported debt incurred prior to adoption of the exemption by the District. The adoption of a homestead exemption may be considered each year, but must be adopted by July 1. The District does not grant a residential homestead exemption at this time.

Freeport Goods Exemption: A "Freeport Exemption" applies to goods, wares, ores, 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 which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing, or fabricating not later than 175 days after the person acquired or imported the property into the State.

A "Goods-in-Transit" Exemption is applicable to goods, wares, merchandise, other tangible personal property, and ores, other than oil, natural gas, petroleum products, aircraft, dealer's motor vehicle inventory, dealer's vessel and outboard motor inventory, dealer's heavy equipment inventory, or retail manufactured housing inventory, if such property is acquired in or imported into Texas only if such property is to be forwarded to another location in or outside of Texas and is stored under a contract of bailment by a public warehouse

operator at one (1) 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, and is transported to another location in the state or outside of the state not later than 175 days after the date the person acquired the property in or imported the property into Texas.

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 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 formally 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 100% of market value, as such is defined in the Property Tax Code. Nevertheless, certain land may be appraised at less than market value under the Property Tax Code. The Texas Constitution limits increases in the appraised value of residence homesteads to 10% annually regardless of the market value of the property.

The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its fair market value. The Property Tax Code permits, under certain circumstances, that residential real property inventory held by a person in the trade or business be valued at the price all 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 (1) 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 and a 5% annual interest for the previous three (3) years for agricultural use, open space land and timberland.

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

Effective January 1, 2020, Section 11.35 of the Property Tax Code, authorizes a temporary tax exemption for certain damaged property in governor-declared disaster areas. In order to qualify for the exemption, the property must be at least 15% damaged, as determined by the chief appraiser of the appraisal district. Upon a property owner's application for an exemption, the chief appraiser must assign a damage rating of Level I - at least 15%, but less than 30% (minimal damage), Level II - at least 30%, but less than 60% (nonstructural damage), Level III - at least 60%, but less than 100% (significant structural damage), or Level IV - 100% (total loss). The amount of the exemption for qualifying property is determined by multiplying the appraisal value by the level rating percentage (Level I - 15%, Level II - 30%, Level III - 60%, and Level IV - 100%), which is then prorated by the number of days from the disaster declaration to December 31 of the tax year in which the disaster is declared as a percentage of total days in the year.

Property owners are entitled to the exemption if the Governor of Texas (the "Governor") declares the disaster area prior to a taxing unit adopting a tax rate for the year in which the disaster occurs. However, if the disaster declaration occurs on or after the date a taxing unit adopts a tax rate, property owners are only entitled to receive the exemption if the governing body of the taxing unit adopts the exemption within 60 days of the

disaster declaration. The exemption expires on January 1 of the first tax year in which the property is reappraised.

During the 2nd Special Session, convened on June 27, 2023, the Texas Legislature passed Senate Bill 2 (“SB 2”), which, among other things, includes provisions that prohibit an appraisal district from increasing the appraised value of real property during the 2024 tax year on non-homestead properties (the “Subjected Property”) whose appraised values are not more than \$5,000,000 (the “Maximum Property Value”) to an amount not to exceed the lesser of: (1) the market value of the Subjected Property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20 percent of the appraised value of the Subjected Property for the preceding tax year; (b) the appraised value of the Subjected Property for the preceding tax year; and (c) the market value of all new improvements to the Subjected Property. After the 2024 tax year, through December 31, 2026, the Maximum Property Value may be increased or decreased by the product of the preceding state fiscal year’s increase or decrease in consumer price index, as applicable, to the Maximum Property Value. SB 2 was signed into law by the Governor of Texas (the “Governor”) on July 22, 2023. The provisions described hereinabove took effect January 1, 2024, after the constitutional amendment proposed by H.J.R. 2, 88th Legislature, 2nd Called Session, 2023, was approved by voters at an election held on November 7, 2023.

District and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units (such as the District) may appeal the orders of the Appraisal Review Board by filing a timely petition for review Texas 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, 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, except set forth herein with respect to residential homesteads. A delinquent tax incurs a penalty of 6% of the amount of the tax for the first calendar month it is delinquent, plus 1% for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of 12% of the amount of the delinquent tax 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. For those taxes billed at a later date and that become delinquent on or after June 1, they will also incur 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 1% for each month or portion of a month it remains unpaid.

The Property Tax Code makes provisions for the split payment of taxes and discounts for early payment under certain circumstances which, at the option of the District, may be rejected by taxing units. The Property Tax Code also provides for the postponement of the delinquency date of taxes in certain circumstances. The District’s tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties, and interest, if the person requests an installment agreement and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) 65 years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or

to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continues to accrue during the period of deferral.

Certain qualified taxpayers, including 1) owners of residential homesteads or certain properties used for residential purposes, located in a disaster or emergency area and which has been damaged by the disaster or emergency, and 2) certain qualified business entities that own or lease real and/or tangible property, located in a disaster or emergency area and which has been damaged by the disaster or emergency, are entitled to enter into a tax payment installment agreement with a taxing jurisdiction such as the District on taxes imposed on the property prior to the first anniversary of the disaster or emergency if the business entity 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 (3) equal installments before the first day of the sixth month after the delinquency date.

Additionally, certain qualified business entities that own or lease real and/or tangible property located in a disaster or emergency area and which has not been damaged by the disaster or emergency, may be permitted by a taxing jurisdiction such as the District, at the taxing jurisdiction's discretion, to enter into a tax payment installment agreement on taxes imposed on the property prior to the first anniversary of the disaster or emergency under the same terms as set forth in the paragraph directly above.

Effective September 1, 2019, a property owner serving on active duty for any branch of the United States armed forces who is transferred out of the state may defer payment on property taxes without incurring any penalty or interest. Deferred tax payments are due no later than 60 days after the earliest of the following to occur: (1) the person is discharged from active military service, (2) the person returns to the state for more than 10 days, or (3) the person returns to non-active-duty status in the reserves. After the deferral period expires, any unpaid delinquent taxes will accrue interest but will not incur any penalty.

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 "Low Tax Rate Districts." 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.

Low Tax Rate Districts

Low Tax Rate Districts that adopt a total tax rate that would impose more than 1.08 times the amount of the total tax imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Low Tax Rate District is the current year's debt service and contract tax rate plus 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 from the previous three (3) tax years, as calculated and described in Section 26.013 of the Tax Code, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Developed District is the current year's debt service and contract tax rate plus 1.035 times the previous year's operation and maintenance tax rate plus any unused increment rates from the previous three (3) tax years. In addition, if any part of a Developed District lies within an area declared for disaster by the Governor or President of the United States (the "President"), alternative procedures and rate limitations may apply for a temporary period. If a district qualifies as both a Low Tax Rate District and a Developed District, the district will be subject to the operation and maintenance tax threshold applicable to Low Tax Rate Districts.

Developing Districts

Districts that do not meet the classification of a Low Tax Rate District or a Developed District can be classified as Developing Districts. The qualified voters of these districts, upon the Developing District's adoption of a total tax rate that would impose more than 1.08 times the amount of the total tax imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, 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 2024 tax year, the District made the determination of its status as a Developing District. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

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. See "TAX DATA – Estimated Overlapping Taxes." A tax lien on real property takes priority over the claims of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by federal law. In the absence of federal law, the District's tax lien takes priority over a tax lien of the United States. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both, subject to the restrictions on residential homesteads described above under "Levy and Collection of Taxes." In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights or by bankruptcy proceedings which restrict the collection of taxpayer debts. A taxpayer may redeem property that was used as the residence homestead of the owner, certain land designated for agricultural use, or a mineral interest sold at a tax sale to a purchaser other than a taxing unit within two (2) years of the date on which the purchaser's deed at the foreclosure sale is filed in the county records. For all other real property, a taxpayer may redeem the property not later than the 180th day following the date on which the purchaser's or taxing unit's deed is filed for record. See "INVESTMENT CONSIDERATIONS – General" and "Tax Collections and Foreclosure Remedies."

The District's ability to attach or foreclose a tax lien or collect penalties or interest on delinquent taxes may be limited on property owned by a financial institution which is under receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act, 12 U.S.C. 1825, as amended.

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THE SYSTEM

General

The wastewater treatment and conveyance system, the purchase, acquisition, and construction of which has been financed by the District with the proceeds of the Bonds, has been designed in accordance with accepted engineering practices and the recommendation of certain governmental agencies having regulatory or supervisory jurisdiction over construction and operation of such facilities. According to the Engineer, the design of the wastewater treatment and conveyance system has been approved by all governmental agencies, which have jurisdiction over the District.

Historical Operations of the System

The following is a schedule of revenues and expenditures associated with operations of the System. The figures below for 2020-2024 were obtained from the District's audited financial statements for the fiscal years ended May 31, 2020, through May 31, 2024. A copy of the District's financial statements for the fiscal year ended May 31, 2024, is included as "APPENDIX A" and reference to which is hereby made. The District is required by statute to have an independent certified public accountant audit the District's financial statements annually, such audited financial statements are filed with the TCEQ.

	Fiscal Year Ended May 31				
	2024	2023	2022	2021	2020
REVENUES:					
Sewer Service	\$ 336,259	\$ 279,787	\$ 195,176	\$ 94,004	\$ 32,743
Garbage Service	231,291	161,300	88,997	29,774	-
Property Taxes	1,099,025	784,859	607,860	322,809	23,673
Penalties and Interest	4,971	2,157	1,688	2,426	292
Sewer Connection and Inspection	44,615	45,950	71,310	70,805	29,645
Miscellaneous	-	4,988	6,522	4,048	970
Investment Earnings	<u>68,232</u>	<u>28,329</u>	<u>572</u>	<u>112</u>	<u>36</u>
TOTAL REVENUES	\$ 1,784,397	\$ 1,307,370	\$ 972,125	\$ 523,978	\$ 87,359
EXPENDITURES:					
Current Service Operations					
Purchased Services	\$ 290,189	\$ 217,196	\$ 116,948	\$ 86,073	\$ 44,744
Professional Fees	143,328	148,073	96,721	97,711	139,326
Contracted Services	407,093	307,546	197,026	99,274	36,454
Repairs and Maintenance	169,900	63,272	51,422	12,118	5,152
Utilities	23,994	14,103	9,296	3,421	-
Administrative	52,025	43,487	39,217	33,075	16,660
Other	<u>8,879</u>	<u>7,576</u>	<u>6,260</u>	<u>7,489</u>	<u>8,628</u>
TOTAL EXPENDITURES	\$ 1,095,408	\$ 801,253	\$ 516,890	\$ 339,161	\$ 250,964
Revenues Over/(Under) Expenditures	\$ 688,989	\$ 506,117	\$ 455,235	\$ 184,817	\$ (163,605)
Other Financing Sources/(Uses):					
Developer Advances	\$ -	\$ -	\$ -	\$ 135,000	\$ 130,000
Internal Transfers	5,688	-	-	11,814	-
Net Change in Fund Balance	688,989	506,117	455,235	331,631	(33,605)
Beginning of year fund balance	<u>1,256,934</u>	<u>750,817</u>	<u>295,582</u>	<u>(36,049)</u>	<u>(2,444)</u>
End of year fund balance	\$ 1,951,611	\$ 1,256,934	\$ 750,817	\$ 295,582	\$ (36,049)

Description of the System

- Water Supply and Distribution -

All of the District's water is provided by MSEC Enterprises, Inc. ("MSEC") which holds the Certificate of Convenience and Necessity ("CCN") for the area of the District. Water supply and distribution serving the District is split with MC MUD 113. MSEC receives approximately 1.3 million gallons per day ("MGD") of surface water from the San Jacinto River Authority ("SJRA"). In addition to the surface water, MSEC owns and operates four (4) water plants with a total of eight (8) wells that serve the District, with a total capacity of 4.82 MGD,

bringing the total capacity of the system to 6.12 MGD. The District has purchased sufficient water capacity to serve 1,160 equivalent single-family connections ("ESFCs") from MSEC.

- Wastewater Treatment and Conveyance System -

Pursuant to the Amended and Restated Agreement for the Joint Construction and Operation of Regional Wastewater Collection and Treatment Facilities and Shared Drainage and Detention Facilities between MC MUD 113 and the District, MC MUD 113 provides wastewater treatment facilities to the District. MC MUD 113 operates the wastewater treatment plant ("WWTP"). According to the design engineer, Brown & Gay Engineers, the plant has a current capacity of 0.945 MGD and can serve approximately 5,558 ESFCs, based on rated capacity (170 gpd/ESFC).

- Drainage -

Stormwater runoff from the District discharges directly into Fish Creek, Lake Creek or natural channels that tie into Mound Creek. Both Fish Creek and Mound Creek ultimately outfall into Lake Creek at the southern portion of the District which drains to the West Fork of the San Jacinto River.

- Roads -

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

Lone Star Groundwater Conservation District

On October 10, 2017, the Lone Star Groundwater Conservation District board of directors approved new recommendations for future increases in groundwater pumping in the County based upon the results of a three (3)-year scientific study. Lone Star commissioned its "Strategic Water Resources Planning Study" in October 2014 to evaluate the impacts to local aquifers of its 2016 groundwater pumping reductions, to evaluate whether and how additional groundwater supplies could be safely developed in the county, and to develop other related information and recommendations for use in the next five (5)-year cycle of joint planning for establishing goals for future aquifer conditions in a multi-county region of the Gulf Coast known as Groundwater Management Area 14 ("GMA 14"). As part of the study, Lone Star surveyed all of the large water well permit holders in the county to determine how much additional declines in the water levels of the aquifers that they could tolerate in their water wells. The new recommended planning goal for the aquifers in the County would allow groundwater pumping to increase from the current goal of 64,000 acre-feet per year to 100,000 acre-feet per year. The study found that increased pumping would result in greater declines in water levels in the aquifers over the 50-year planning period than under the current goal, but that the survey results supported the board making such a policy decision because of the limited number of well owners who may have to lower their wells to accommodate the water-level declines.

The board of directors' decision was unanimous to approve the increased groundwater pumping levels and resulting aquifer conditions included in what is referred to as groundwater availability model "Run D" in the Final Report for Task 3 of the study as the Board's recommended model scenario. The board of directors also approved a recommendation that Lone Star's general manager and technical consultants present the results of the study, including the board's new recommendation for Run D, to the other groundwater conservation district representatives of GMA 14, with a request that Run D be considered in the new round of joint planning for the aquifers as either an amendment to the current desired future conditions for the aquifers or as a new proposal. By law, GMA 14 must adopt desired future conditions for the aquifers at least once every five (5) years, with the current five (5)-year cycle ending no later than January 5, 2022. However, GMA 14 can adopt new or amended desired future conditions for the aquifers earlier than those deadlines. In order to be finally approved, any new proposal or amendment must go through a lengthy technical evaluation and public hearings process prescribed by law and must receive an affirmative vote of at least four (4) out of the five (5) member groundwater conservation districts in GMA 14.

In 2015, dissatisfied with the production limits Lone Star created through the rulemaking authority delegated to it by the Texas Legislature, a group of large water producers filed suit claiming that the rules Lone Star created imposing per-producer yearly production limits on their production of groundwater were invalid because they purported to regulate the production of groundwater in ways the Texas Legislature never authorized. On October 2, 2018, the 284th District Court of Montgomery County, ruled that, as a matter of law, the core groundwater regulation, which Lone Star imposed on large groundwater producers, is outside of Lone Star's authority under the Texas Water Code and is not valid. Under the ruling, Lone Star could appeal directly

to the Beaumont Court of Appeals for review of the decision. However, at the Lone Star board meeting held on January 23, 2019, the board announced that they unanimously agreed on a settlement offer with the large water producers, but the specifics of the settlement will not be made public until all parties have reviewed and signed it. As a result of the District Court's ruling on October 2, 2018, the District adopted new groundwater regulations on September 8, 2020 that repeal, supersede, and replace all previously adopted rules and regulatory plans of the District.

On January 6, 2022, the GMA 14 regional regulatory representative of the TWDB approved the proposed groundwater conservation regulatory goals of Lone Star. The adopted desired future condition ("DFC") provides "[i]n each county in GMA 14, no less than 70% median available drawdown remaining in 2080 or no more than an average of 1.0 additional foot of subsidence between 2009 and 2080." The next DFC will be completed no later than January 5, 2027. As a result of the approval on January 6, 2022, Lone Star expects to finalize a multi-phased subsidence study to research and determine how to manage subsidence countywide most effectively and to make a strategic plan to manage subsidence going forward.

Source: Lone Star Groundwater Conservation District Press Release:

<https://static1.squarespace.com/static/58347802cd0f6854e2f90e45/t/61d5d14a8bea055940b5cd29/1641402698539/1.5.22.LSGCD.DFC.pdf>.

INVESTMENT CONSIDERATIONS

General

The Bonds, which are obligations of the District and are not obligations of Texas; the County; the City; or any political subdivision, will be secured by a continuing direct annual ad valorem tax, levied without legal limitation as to rate or amount, on all 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 on the ability of the District to collect from the property owners within the District all taxes levied against the property, or in the event of foreclosure, on the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The collection by the District of delinquent taxes owed to it and the enforcement by the registered owners of the District's obligations to collect sufficient taxes may be a costly and lengthy process. Furthermore, the District cannot and does not make any representations that continued development of property within the District will accumulate or maintain taxable values sufficient to justify continued payment by property owners or that there will be a market for the property. See "INVESTMENT CONSIDERATIONS – Bankruptcy Limitation to Registered Owners' Rights."

Economic Factors: The rate of development within the District is directly related to the vitality of the single-family housing industry in the Houston metropolitan area. New single-family housing construction can be significantly affected by factors such as interest rates, construction costs, and consumer demand. 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. See "DEVELOPMENT WITHIN THE DISTRICT."

Location and Access: The District is located in an outlying area of the Houston metropolitan area, approximately 38 miles northwest from the central business district of Houston. Many of the single-family developments with which the District competes are in a more developed state and have lower taxes. As a result, particularly during times of increased competition, WDI and Tri Pointe Homes Texas, Inc. ("Tri Pointe," and together with WDI, the "Developers") within the District may be at a competitive disadvantage to the developer in other single-family projects located closer to major urban centers or in a more developed state. See "THE DISTRICT" and "DEVELOPMENT WITHIN THE DISTRICT."

Competition: The demand for and construction of taxable improvements in the District could be affected by competition from other developments near the District. In addition to competition for new single-family home sales from other developments, there are numerous previously-owned single-family homes in more established commercial centers and neighborhoods closer to Houston that are for sale. Such existing developments could represent additional competition for new development proposed to be constructed within the District.

The competitive position of the Developers in the sale of the land, and the sale or leasing of residents is affected by most of the factors discussed in this section. Such a competitive position is directly related to the growth and maintenance of taxable values in the District and tax revenues to be received

by the District. The District can give no assurance that building and marketing programs in the District by the Developers will be implemented or, if implemented, will be successful.

Dependence on Principal Taxpayers: The ability of any principal landowner to make full and timely payments of taxes levied against its property by the District and similar taxing authorities will directly affect the District's ability to meet its debt service obligations. As illustrated in this Official Statement under "TAX DATA – Principal Taxpayers," the District's principal taxpayers in 2024 owned property located within the District which comprised approximately 4.99% of the District's total 2024 assessed valuation. WDI owns approximately 0.50% of the District's 2024 assessed valuation. In the event that the Developers, any other taxpayer, or any combination of taxpayers, should default in the payment of taxes in an amount which exceeds the District's debt service fund surplus, the ability of the District to make timely payment of debt service on the Bonds will be dependent on its ability to enforce and liquidate its tax liens, which is a time-consuming process. Failure to recover or borrow funds in a timely fashion could result in an excessive District tax rate. The District is not required by law or the Bond Resolution to maintain any specified amount of surplus in its interest and sinking fund. See "THE DEVELOPERS AND PRINCIPAL LANDOWNERS," "TAX DATA – Principal Taxpayers," and "TAXING PROCEDURES – Levy and Collection of Taxes."

Developer Under No Obligation to the District: The Developers have informed the District of its current plans to continue to develop land in the District for residential purposes. However, the Developers are 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 Developers 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 Developers, 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 Developers' 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 Developers. Failure to construct taxable improvements on developed lots and tracts and failure of the Developers to develop its land would restrict the rate of growth of taxable value in the District. The District is also dependent upon the Developers (see "TAX DATA – Principal Taxpayers") and their affiliates for the timely payment of ad valorem taxes, and the District cannot predict what the future financial condition of the Developers will be or what effect, if any, such conditions may have on their collective and respective ability to pay taxes. See "THE DEVELOPERS AND PRINCIPAL LANDOWNERS" and "DEVELOPMENT WITHIN THE DISTRICT."

Impact on District Tax Rates: Assuming no further development or construction of taxable improvements, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of property owners within the District to pay their taxes. The 2024 assessed valuation of property located within the District is \$454,478,993 (see "TAX DATA").

After issuance of the Bonds, the maximum annual debt service requirement on the Outstanding System Bonds and the Bonds is estimated to be \$2,511,713 (2045) and the average annual debt service requirement on the Outstanding System Bonds and the Bonds is estimated to be \$2,282,513 (2025-2049). Assuming no decrease to the District's 2024 assessed valuation, debt service tax rates of \$0.59 and \$0.53 per \$100 of assessed valuation at a 95% tax collection rate would be necessary to pay the estimated maximum annual debt service requirement on the Outstanding System Bonds and the Bonds, and the estimated average annual debt service requirement on the Outstanding System Bonds and the Bonds, respectively.

After issuance of the Bonds, the maximum annual debt service requirement on the Outstanding Road Bonds will be \$394,725 (2045) and the average annual debt service requirement on the Outstanding Road Bonds will be \$381,574 (2025-2046). Assuming no decrease to the District's 2024 assessed valuation, debt service tax rates of \$0.10 and \$0.09 per \$100 of assessed valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement on the Outstanding Road Bonds, and the average annual debt service requirement on the Outstanding Road Bonds, respectively.

Tax Collections and Foreclosure Remedies

The District has a right to seek judicial foreclosure on a tax lien, but such remedy may prove to be costly and time consuming and, since the future market or resale market, if any, of the taxable real property within the District is uncertain, there can be no assurance that such property could be sold and delinquent taxes paid. See "TAXING PROCEDURES."

Limitation to Registered Owners' Remedies

In the event of default in the payment of principal or interest on the Bonds, the Registered Owners have the right to seek a writ of mandamus, requiring the District to levy adequate taxes each year to make such payments. Except for mandamus, the Bond Resolution does not specifically provide for remedies to protect and enforce the interest 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.

Bankruptcy Limitation to Registered Owners' Rights

The enforceability of the rights and remedies of registered owners of the Bonds may be limited by laws relating to bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Subject to the requirements of Texas law discussed below, a political subdivision such as the District may voluntarily file a petition for relief from creditors under Chapter 9 of the U.S. Bankruptcy Code, 11 USC sections 901-946. The filing of such petition would automatically stay the enforcement of Registered Owners' remedies, including mandamus and the foreclosure of tax liens upon property within the District discussed above. The automatic stay would remain in effect until the federal bankruptcy judge hearing the case dismisses the petition, enters an order granting relief from the stay or otherwise allows creditors to proceed against the petitioning political subdivision. A political subdivision, such as the District, may qualify as a debtor eligible to proceed in a Chapter 9 case only if it (1) is generally authorized to file for federal bankruptcy protection by applicable state law, (2) is insolvent or unable to meet its debts as they mature, (3) desires to effect a plan to adjust such debts, and (4) has either obtained the agreement of or has negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiations are impracticable. Under Texas law, a municipal utility district, such as the District, must obtain the approval of the TCEQ as a condition to seeking relief under the U.S. Bankruptcy Code. The TCEQ is required to investigate the financial condition of a financially troubled district and authorize such district to proceed under federal bankruptcy law only if such district has fully exercised its right and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

Notwithstanding noncompliance by a district with Texas law requirements, a district could file a voluntary bankruptcy petition under Chapter 9, thereby involving the protection of the automatic stay until the bankruptcy court, after a hearing, enters an order granting relief from the stay or dismisses the petition. A federal bankruptcy court is a court of equity and federal bankruptcy judges have considerable discretion in the conduct of bankruptcy proceedings and in determining the decision of whether to grant the petitioning district relief from its creditors. While such a decision might be applicable, the concomitant delay and loss of remedies to the Registered Owners could potentially and adversely impair the value of the Registered Owners' claims.

If a petitioning district were allowed to proceed voluntarily under Chapter 9 of the U.S. Bankruptcy Code, it could file a plan for an adjustment of its debts. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect a Registered Owner by reducing or eliminating the amount of indebtedness, deferring or rearranging the debt service schedule, reducing or eliminating the interest rate, modifying or abrogating collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of the registered owner's claim against a district. A district cannot be placed into bankruptcy involuntarily.

Environmental Regulations

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

- Requiring permits for construction and operation of water wells, wastewater treatment and other facilities;
- Restricting the manner in which wastes are treated and released into the air, water, and soils;
- Restricting or regulating the use of wetlands or other properties; 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 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 five (5)-year permit term, and is then subject to renewal. Moreover, the Clean Water Act (“CWA”) and Texas Water Code require municipal wastewater treatment plants to meet secondary treatment effluent limitations and more stringent water quality-based limitations and requirements to comply with the Texas water quality standards. Any water quality-based limitations and requirements with which a municipal utility district must comply may have an impact on the municipal utility district’s ability to obtain and maintain compliance with TPDES permits.

The District’s stormwater discharges currently maintain permit coverage through the Municipal Separate Storm System Permit (the “Current Permit”) issued to the Storm Water Management Joint Task Force consisting of Harris County, Harris County Flood Control District, the City of Houston, and the Texas Department of Transportation. In the event that at any time in the future the District is not included in the Current Permit, it may be required to seek independent coverage under the TCEQ’s General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the “MS4 Permit”), which authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. If the District’s inclusion in the MS4 Permit were required at a future date, the District could incur substantial costs to develop, implement, and maintain the necessary plans as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff in order to comply with the MS4 Permit.

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

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

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

Potential Impact of Natural Disaster

The District is located approximately 95 miles from the Texas Gulf Coast and, as it has in the past, could be impacted by wide-spread fires, earthquakes, or weather events such as hurricanes, tornadoes, tropical storms, or other severe weather events that could produce high winds, heavy rains, hail, and flooding. In the event that a natural disaster should damage or destroy improvements and personal property in the District, the assessed value of such taxable properties could be substantially reduced, resulting in a decrease in the taxable assessed valuation of the District or an increase in the District’s tax rates.

There can be no assurance that a casualty will be covered by insurance (certain casualties, including flood, are usually excepted unless specific insurance is purchased), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild, repair, or replace any taxable properties in the District that were damaged. Even if insurance proceeds are available and damaged properties are rebuilt, there could a lengthy period in which assessed values in the District would be adversely affected. There can be no assurance the District will not sustain damage from such natural disasters.

Potential Effects of Oil Price Declines 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.

Marketability

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

Continuing Compliance with Certain Covenants

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

Bond Insurance Risk Factors

The District has applied for a bond insurance policy to guarantee the scheduled payment of principal and interest on the Bonds. The District has yet to determine whether an insurance policy will be available for purchase with the Bonds. If an insurance policy is available for purchase with the Bonds, and purchased, the following are risk factors relating to bond insurance.

In the event of default of the payment of principal or interest with respect to the Bonds when all or some becomes due, any owner of the Bonds shall have a claim under the applicable bond insurance policy (the "Policy") for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by the issuer which is recovered by the issuer from the bond owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy, however, such payments will be made by the provider of the Policy (the "Bond Insurer") at such time and in such amounts as would have been due absence such prepayment by the District unless the Bond Insurer chooses to pay such amounts at an earlier date.

Under most circumstances, default of payment of principal and interest does not obligate acceleration of the obligations of the Bond Insurer without appropriate consent. The Bond Insurer may direct and must consent to any remedies and the Bond Insurer's consent may be required in connection with amendments to any applicable bond documents.

In the event the Bond Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Bonds are payable solely from the moneys received pursuant to the applicable bond documents. In the event the Bond Insurer becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds.

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

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

Neither the District or the Initial Purchaser have made independent investigation into the claims paying ability of the Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Bond Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal and interest on the Bonds and the claims paying ability of the Bond Insurer, particularly over the life of the investment. See “MUNICIPAL BOND INSURANCE” for further information provided by the Bond Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Bond Insurer.

Future Debt

After the issuance of the Bonds, the District will have \$107,720,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the System and for the purpose of refunding such bonds, \$44,100,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System and for the purpose of refunding such bonds, and \$20,130,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Park System and for the purpose of refunding such bonds will remain authorized but unissued (see “THE BONDS – Issuance of Additional Debt”), and such additional bonds as may hereafter be approved by both the Board and voters of the District. The District also has the right to issue certain other additional bonds, special project bonds, and other obligations described in the Bond Resolution. If additional bonds are issued in the future and property values have not increased proportionately, such issuance may increase gross debt/property valuation ratios and thereby adversely affect the investment quality or security of the Bonds.

Following the issuance of the Bonds, the District will owe the Developers less than \$5,000,000 in reimbursable expenses for District projects, the funds for which were advanced by the Developers. See “THE SYSTEM” and “DEVELOPMENT WITHIN THE DISTRICT.”

Annexation by and Strategic Partnership Agreement with the City

The District lies within the extraterritorial jurisdiction of the City and may be annexed by the City under certain circumstances. Under general law, with certain exceptions, annexation of land by the City is subject to three (3) procedures that allow for annexation: (i) on request of a landowner; (ii) for areas with a population of less than 200, by petition of voters and, if voter petitioners do not own more than 50% of the land in the area, by petition of a majority of the property owners in the area; or (iii) for areas with a population of 200 or more, by election of voters and, if voters do not own more than 50% of the land in the area, by petition of a majority of the property owners in the area. However, the foregoing provisions do not apply to areas that are subject to a Strategic Partnership Agreement under Section 43.0751, Texas Local Government Code.

The District and the City entered into a Strategic Partnership Agreement (the “Agreement”) to establish the conditions of annexation. Under the Agreement, the City has the right to annex the District for “limited purposes,” specifically for the levy of the City’s sales and use tax within the District’s boundaries. The limited purpose annexation shall be converted to a full purpose annexation upon the earlier of the following dates: (i) the date on which all of the debt of the District that is payable from ad valorem taxes is fully paid and the District has fully reimbursed any developers within the District in accordance with any written reimbursement agreement or (ii) December 31, 2037. On the full purpose annexation date, the land included within the boundaries of the District shall be deemed to be within the full purpose boundary limits of the City without the need for any further action. Upon such date, all taxable property within the territory of the District shall become subject to ad valorem taxation by the City. If debt of the District remains outstanding on the full purpose annexation date or if the District has not fully reimbursed any developers within the District in accordance with any written reimbursement agreement, then the District shall become a “limited district.” The “limited district” shall continue to be known as Montgomery County Municipal Utility District No. 121 and shall continue for a term not to exceed 10 years or until all outstanding debt (including reimbursement obligations) of the limited district has been fully paid. The City may extend the existence of the limited district for successive 10-year terms for so long as any debt of the limited district remains. The powers of the “limited district” are restricted to the levy and collection of ad valorem taxes sufficient to meet the outstanding debt service requirements. The “limited district” ceases to exist 60 days after all debt is paid at which time title to all assets and improvements formerly owned by the District vests in the City.

Annexation of property by the City is a policy-making matter within the discretion of the governing body of the City, and therefore, the District makes no representation that the City will ever annex the District and assume its debt. Moreover, no representation is made concerning the ability of the City to make debt service payments should annexation occur.

Consolidation

Under Texas law, the District may be consolidated with other municipal utility districts, with the assets and liabilities of the consolidated districts belonging to the consolidated district. No representation is made that the District will ever consolidate with one (1) or more districts, although no consolidation is presently contemplated by the District.

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 does not pass upon or guarantee the security of the Bonds as an investment, nor does he pass upon the adequacy or accuracy of the information contained in this Official Statement. TCEQ approval of the Road Bonds is not required and, therefore, no engineering report or bond application has been submitted to the TCEQ and neither the Road Bonds, the project, nor the feasibility of the District will be reviewed, considered, or approved by the TCEQ with respect to the Road Bonds.

Changes in Tax Legislation

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

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 Texas payable from the proceeds of an annual ad valorem tax levied, without limit 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 (i) interest on the Bonds is excludable from gross income for federal tax purposes under existing law, and (ii) interest on the Bonds will not be subject to the alternative minimum tax on individuals.

Bond Counsel has reviewed the information appearing in this Official Statement under "THE BONDS," "THE DISTRICT - General," "TAXING PROCEDURES," "LEGAL MATTERS - Legal Opinions," "TAX MATTERS," and "CONTINUING DISCLOSURE," solely to determine 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 or the Developers 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.

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.

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.

No-Litigation Certificate

The District will furnish the Initial Purchaser a certificate, dated as of the date of delivery of the Bonds, executed by both the President or Vice President and Secretary or Assistant Secretary of the Board, to the effect that no litigation of any nature has been filed or is to their knowledge then pending or threatened, either in state or federal courts, contesting or attaching the Bonds; restraining or enjoining the issuance, execution, or delivery of the Bonds; affecting the provisions made for the payment of or security for the Bonds; in any manner questioning the authority or proceedings for the issuance, execution, or delivery of the Bonds; or affecting the validity of the Bonds.

TAX MATTERS

Opinion of Bond Counsel

In the opinion of Bond Counsel, under current law, interest on the Bonds (a) is not included in gross income for federal income tax purposes, (b) is not an item of tax preference for purposes of the federal alternative minimum income tax, and (c) may have to be taken into account by applicable corporations (as defined in Section 59(k) of the Code for the alternative minimum tax imposed on such corporations. No other opinion is expressed by Bond Counsel regarding the tax consequences of the ownership of or the receipt or accrual of interest on the Bonds.

Bond Counsel's opinion is given in reliance upon certifications by representatives of the District as to certain facts relevant to both the opinion and requirements of the Internal Revenue Code of 1986, as amended (the "Code"), and is subject to the condition that there is compliance subsequent to the issuance of the Bonds with all requirements of the Code that must be satisfied in order for interest thereon to remain excludable from gross income for federal income tax purposes. The District has covenanted to comply with the current provisions of the Code regarding, among other matters, the use, expenditure, and investment of the proceeds of the Bonds and the timely payment to the United States of any arbitrage rebate amounts with respect to the Bonds. Failure by the District to comply with such covenants, among other things, could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to their date of issue.

Customary practice in the giving of legal opinions includes not detailing in the opinion all the assumptions, limitations, and exclusions that are a part of the conclusions therein. See "*Statement on the Role of Customary Practice in the Preparation and Understanding of Third-Party Legal Opinions*", 63 Bus. Law. 1277 (2008) and "*Legal Opinion Principles*", 53 Bus. Law. 831 (May 1998). Purchasers of the Bonds should seek advice or counsel concerning such matters as they deem prudent in connection with their purchase of Bonds.

Bond Counsel's opinion represents its legal judgment based in part upon the representations and covenants referenced therein and its review of current law, but is not a guarantee of result or binding on the Internal Revenue Service (the "Service") or the courts. Bond Counsel assumes no duty to update or supplement its opinion to reflect any facts or circumstances that may come to Bond Counsel's attention after the date of its opinion or to reflect any changes in law or the interpretation thereof that may occur or become effective after such date.

Alternative Minimum Tax

Individuals – Bond Counsel's opinion states that under current law interest on the Bonds is not an item of reference and is not subject to the alternative minimum tax on individuals.

Applicable Corporations – Bond Counsel's opinion also states that under current law interest on the Bonds may have to be taken into account by applicable corporations (as defined in Section 59(k) of the Code) for the alternative minimum tax imposed on such corporations. Under current law, an "applicable corporation" generally is a corporation with average annual adjusted financial statement income for a 3-taxable-year period ending after December 31, 2021, that exceeds \$1 billion.

Other Tax Matters

In addition to the matters addressed above, prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers, including without limitation financial institutions, property and casualty insurance companies, S corporations, foreign corporations subject to the branch profits tax, recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the Bonds should consult their tax advisors as to the applicability and impact of such consequences.

Prospective purchasers of the Bonds should consult their own tax advisors as to the status of interest on the Bonds under the tax laws of any state, local, or foreign jurisdiction.

The Service has a program to audit state and local government obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the Service does audit the Bonds, under current Service procedures, the Service will treat the District as the taxpayer and the owners of the Bonds will have only limited rights, if any, to participate.

There are many events that could affect the value and liquidity or marketability of the Bonds after their issuance, including but not limited to public knowledge of an audit of the Bonds by the Service, a general change in interest rates for comparable securities, a change in federal or state income tax rates, federal or state legislative or regulatory proposals affecting state and local government securities and changes in judicial interpretation of existing law. In addition, certain tax considerations relevant to owners of Bonds who purchase Bonds after their issuance may be different from those relevant to purchasers upon issuance. Neither the opinion of Bond Counsel nor this Official Statement purports to address the likelihood or effect of any such potential events or such other tax considerations and purchasers of the Bonds should seek advice concerning such matters as they deem prudent in connection with their purchase of Bonds.

Original Issue Discount

Some of the Bonds may be sold at initial sale prices that are less than their respective stated redemption prices payable at maturity (collectively, the "Discount Bonds"). The excess of (i) the stated redemption price at maturity of each maturity of the Discount Bonds, over (ii) the initial offering price to the public (excluding bond houses and brokers) at which a substantial amount of each maturity of the Discount Bonds is sold will constitute original issue discount. Original issue discount will accrue for federal income tax purposes on a constant-yield-to-maturity method based on regular compounding; and a holder's basis in such a Bond will be increased by the amount of original issue discount treated for federal income tax purposes as having accrued on the Bond while the holder holds the Bond.

Under the Code, for purposes of determining a holder's adjusted basis in a Discount Bond, original issue discount treated as having accrued while the holder holds the Bond will be added to the holder's basis. Original issue discount will accrue on a constant-yield-to-maturity method based on semiannual compounding. The adjusted basis will be used to determine taxable gain or loss upon the sale or other disposition (including redemption or payment at maturity) of a Discount Bond.

Prospective purchasers of Discount Bonds should consult their own tax advisors as to the calculation of accrued original issue discount and the state and local tax consequences of owning or disposing of such Bonds.

Bond Premium

Bonds purchased, whether upon issuance or otherwise, for an amount (excluding any amount attributable to accrued interest) in excess of their principal amount will be treated for federal income tax purposes as having amortizable bond premium. A holder's basis in such a Bond must be reduced by the amount of premium which accrues while such Bond is held by the holder. No deduction for such amount will be allowed, but it generally will offset interest on the Bonds while so held. Purchasers of such Bonds should consult their own tax advisors as to the calculation, accrual, and treatment of amortizable bond premium and the state and local tax consequences of holding such Bonds.

Qualified Tax-Exempt Obligations

Section 265 of the Code provides, in general, that interest expense incurred to acquire or carry tax-exempt obligations is not deductible from the gross income of the owner thereof. In addition, interest expense incurred by certain owners that are "financial institutions" within the meaning of such section and which is allocable to tax-exempt obligations acquired after August 7, 1986, is completely disallowed as a deduction for taxable years beginning after December 31, 1986. Section 265(b) of the Code provides an exception to this rule for interest expense incurred by financial institutions and allocable to tax-exempt obligations (other than private activity bonds) which are designated by an issuer, such as the District, as "qualified tax-exempt obligations." An issue may be designated as "qualified tax-exempt obligations" only where the amount of such issue, when added to all other tax-exempt obligations (other than private activity bonds) issued or reasonably anticipated to be issued by the issuer during the same calendar year, does not exceed \$10,000,000. The District, pursuant to the Bond Resolution, has designated the Bonds "qualified tax-exempt obligations."

CONTINUING DISCLOSURE

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, audited financial statements and timely notice of specified material events, in an electronic format as prescribed by the Municipal Securities Rulemaking Board ("MSRB"). The MSRB has established the Electronic Municipal Market Access ("EMMA") system.

Annual Reports

The information to be updated with respect to the District includes all quantitative financial information and operating data of the general type included in this Official Statement under the headings "DISTRICT FINANCIAL DATA" (except under the subheading "Estimated Direct and Overlapping Debt Statement"), "TAX DATA," and "APPENDIX A" (Financial Statements of the District). The District will update and provide this information within six (6) months after the end of each of its fiscal years ending in or after 2024. The District will provide the updated information to EMMA.

Any information so provided shall be prepared in accordance with generally accepted auditing standards or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within a six (6)-month period. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to EMMA within such six (6)-month period, and audited financial statements when the audit report becomes available.

The District's current fiscal year end is May 31. Accordingly, it must provide updated information by November 30 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify EMMA of the change.

Material 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 10 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 within the meaning of SEC Rule 15c2-12 (the "Rule"); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of 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 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 obligated person, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the District or obligated person, any of which reflect financial difficulties. The term "material" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. The term "financial obligation" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. The term "financial obligation" does not include municipal securities for which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule. Neither the Bonds nor the Bond Resolution make 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 or beneficial owners of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

The District may amend its continuing disclosure agreement from time to time to adapt the changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The District may amend or repeal the agreement in the Bond Resolution if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction determines that such provisions are invalid or unenforceable, but only to the extent that its right to do so would not prevent the Initial Purchaser from lawfully purchasing the Bonds in the initial offering. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described 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 no known failures to comply in all material respects with its prior continuing disclosure agreements in accordance with the Rule.

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OFFICIAL STATEMENT

Preparation

The information in this Official Statement has been obtained from sources as set forth under the following captions:

"THE DISTRICT" and "THE SYSTEM," – LJA Engineering, Inc.; "THE DEVELOPERS AND PRINCIPAL LANDOWNERS," and "DEVELOPMENT WITHIN THE DISTRICT" – The Developers.; "TAX DATA – Estimated Overlapping Taxes" – Municipal Advisory Council of Texas; "TAX DATA" – Assessments of the Southwest, Inc." and "INVESTMENT CONSIDERATIONS – Annexation by and Strategic Partnership Agreement with the City," "THE BONDS", "CONTINUING DISCLOSURE", "TAXING PROCEDURES", "LEGAL MATTERS" and "TAX MATTERS" – The Muller Law Group, PLLC.

Experts

In approving this Official Statement, the District has relied upon the following experts in addition to the Financial Advisor:

The Engineer: The information contained in the Official Statement relating to engineering matters and to the description of the System and, in particular, that information included in the sections entitles "THE DISTRICT," and "THE SYSTEM," has been provided by LJA Engineering, Inc., and has been included in reliance upon the authority of said firm as experts in the field of civil engineering.

Tax Assessor/Collector and Appraisal District: The information in the Official Statement relating to principal taxpayers and tax collection rates and the certified assessed valuation of property in the District and, in particular such information contained in the sections captioned "TAX DATA" has been provided by the Assessments of the Southwest, Inc. and Montgomery Central Appraisal District, in reliance upon their authority as experts in appraising and tax assessing.

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.

Certification as to Official Statement

The District, acting by and through its Board in its official capacity, 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, description, 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.

Official Statement "Deemed Final"

For purposes of compliance with the Rule, this document, as the same may be supplemented or corrected by the District from time-to-time, may be treated as an Official Statement with respect to the Bonds described herein "deemed final" by the District as of the date hereof (or of any such supplement or correction) except for the omission of certain information referred to in the succeeding paragraph.

The Official Statement, when further supplemented by adding information specifying the interest rates and certain other information relating to the Bonds, shall constitute a "Final Official Statement" of the District with respect to the Bonds, as that term is defined in the Rule.

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 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. 121 as of the date shown on the cover.

ATTEST:

Vicki Fullerton
President, Board of Directors
Montgomery County Municipal Utility District No. 121

APPENDIX A
FINANCIAL STATEMENTS OF THE DISTRICT

**MONTGOMERY COUNTY MUNICIPAL
UTILITY DISTRICT NO. 121**

MONTGOMERY COUNTY, TEXAS

FINANCIAL REPORT

May 31, 2024

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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. 121
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. 121 (the "District"), as of and for the year ended May 31, 2024, 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. 121, as of May 31, 2024, 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.

Board of Directors
Montgomery County Municipal Utility District No. 121
Montgomery County, Texas

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

***Board of Directors
Montgomery County Municipal Utility District No. 121
Montgomery County, Texas***

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.

WCG & Co, PLLC

Houston, Texas
September 9, 2024

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Management's Discussion and Analysis

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Montgomery County Municipal Utility District No. 121
Management's Discussion and Analysis
May 31, 2024

Using this Annual Report

Within this section of the financial report of Montgomery County Municipal Utility District No. 121 (the "District"), the District's Board of Directors provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended May 31, 2024. 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.

Montgomery County Municipal Utility District No. 121
Management's Discussion and Analysis
May 31, 2024

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 May 31, 2024, was negative \$6,766,119. The District's net position is negative because the District incurs debt to construct public roads which it conveys to Montgomery County. A comparative summary of the District's overall financial position, as of May 31, 2024 and 2023, is as follows:

	2024	2023
Current and other assets	\$ 6,891,836	\$ 4,612,283
Capital assets	26,049,148	23,255,690
Total assets	32,940,984	27,867,973
Current liabilities	1,480,976	9,516,733
Long-term liabilities	38,226,127	29,190,271
Total liabilities	39,707,103	38,707,004
Net position		
Net investment in capital assets	(6,008,068)	(5,444,159)
Restricted	1,937,400	1,168,816
Unrestricted	(2,695,451)	(6,563,688)
Total net position	\$ (6,766,119)	\$ (10,839,031)

Montgomery County Municipal Utility District No. 121
Management's Discussion and Analysis
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The total net position of the District increased during the current fiscal year by \$4,072,912. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	<u>2024</u>	<u>2023</u>
Revenues		
Property taxes, penalties and interest	\$ 3,174,466	\$ 2,077,690
Sewer and garbage services	567,550	441,087
Other	323,647	170,911
Total revenues	<u>4,065,663</u>	<u>2,689,688</u>
Expenses		
Current service operations	1,214,819	969,260
Debt interest and fees	1,247,853	775,031
Developer interest	268,508	433,639
Debt issuance costs	1,142,301	1,070,105
Depreciation/amortization	450,872	422,649
Total expenses	<u>4,324,353</u>	<u>3,670,684</u>
Change in net position before other items	(258,690)	(980,996)
Other items		
Due to developer write-off	4,331,602	
Transfers to other governments		<u>(3,326,522)</u>
Change in net position	4,072,912	(4,307,518)
Net position, beginning of year	<u>(10,839,031)</u>	<u>(6,531,513)</u>
Net position, end of year	<u>\$ (6,766,119)</u>	<u>\$ (10,839,031)</u>

Financial Analysis of the District's Funds

The District's combined fund balances, as of May 31, 2024, were \$6,566,058, which consists of \$1,951,611 in the General Fund, \$2,229,327 in the Debt Service Fund and \$2,385,120 in the Capital Projects Fund.

Montgomery County Municipal Utility District No. 121
Management's Discussion and Analysis
May 31, 2024

General Fund

A comparative summary of the General Fund's financial position as of May 31, 2024 and 2023, is as follows:

	2024	2023
Total assets	\$ 2,083,861	\$ 1,398,279
Total liabilities	\$ 110,521	\$ 129,066
Total deferred inflows	21,729	12,279
Total fund balance	1,951,611	1,256,934
Total liabilities, deferred inflows and fund balance	\$ 2,083,861	\$ 1,398,279

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

	2024	2023
Total revenues	\$ 1,784,397	\$ 1,307,370
Total expenditures	(1,095,408)	(801,253)
Revenues over expenditures	688,989	506,117
Other changes in fund balance	5,688	
Net change in fund balance	\$ 694,677	\$ 506,117

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

- Property tax revenues are dependent upon assessed values in the District and the maintenance tax rate set by the District. While the District decreased its maintenance tax levy, property tax revenues increased because assessed values in the District increased from the prior year.
- Sewer and garbage service revenues are based on the number of connections in the District.
- Sewer connection and inspection fees fluctuate with homebuilding activity within the District.

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Debt Service Fund

A comparative summary of the Debt Service Fund's financial position as of May 31, 2024 and 2023, is as follows:

	2024	2023
Total assets	\$ 2,291,696	\$ 1,357,517
Total liabilities	\$ 14,019	\$ 4,186
Total deferred inflows	48,350	24,213
Total fund balance	2,229,327	1,329,118
Total liabilities, deferred inflows and fund balance	\$ 2,291,696	\$ 1,357,517

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

	2024	2023
Total revenues	\$ 2,110,068	\$ 1,339,204
Total expenditures	(1,529,209)	(809,155)
Revenues over expenditures	580,859	530,049
Other changes in fund balance	319,350	378,800
Net change in fund balance	\$ 900,209	\$ 908,849

The District's financial resources in the Debt Service Fund in both the current year and prior 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 May 31, 2024 and 2023, is as follows:

	2024	2023
Total assets	\$ 2,516,279	\$ 1,856,487
Total liabilities	\$ 131,159	\$ 694
Total fund balance	2,385,120	1,855,793
Total liabilities and fund balance	\$ 2,516,279	\$ 1,856,487

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

	2024	2023
Total revenues	\$ 137,612	\$ 59,743
Total expenditures	(11,449,247)	(8,741,038)
Revenues under expenditures	(11,311,635)	(8,681,295)
Other changes in fund balance	11,840,962	10,318,440
Net change in fund balance	\$ 529,327	\$ 1,637,145

The District has had considerable capital asset activity in the last two years, which was financed with proceeds from the issuance of its Series 2023 Unlimited Tax Bonds in the current year and proceeds from the issuance of its Series 2022 Unlimited Tax Bonds, Series 2022 Unlimited Tax Road Bonds and Series 2022 Bond Anticipation Note 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 \$501,827 greater than budgeted. The *Budgetary Comparison Schedule* on page 40 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.

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Capital assets held by the District at May 31, 2024 and 2023, are summarized as follows:

	<u>2024</u>	<u>2023</u>
Capital assets not being depreciated		
Land and improvements	\$ 79,656	\$ 50,636
Construction in progress	875,294	
	<u>954,950</u>	<u>50,636</u>
Capital assets being depreciated/amortized		
Infrastructure	16,397,894	16,158,717
Recreational facilities	3,079,047	978,208
Capital recovery fees for regional facilities	7,140,311	7,140,311
	<u>26,617,252</u>	<u>24,277,236</u>
Less accumulated depreciation/amortization		
Infrastructure	(1,262,615)	(932,972)
Recreational facilities	(155,095)	(64,825)
Capital recovery fees for regional facilities	(105,344)	(74,385)
	<u>(1,523,054)</u>	<u>(1,072,182)</u>
Depreciable capital assets, net	<u>25,094,198</u>	<u>23,205,054</u>
Capital assets, net	<u>\$ 26,049,148</u>	<u>\$ 23,255,690</u>

Capital asset additions during the current year include the following:

- Stewart Heights Lift Station No. 7
- Stewart Heights Section 1 – clearing and grubbing
- Stewarts Heights Section 2 – utilities
- Woodforest Section 105 and 86 – paving and appurtenances
- Woodforest Section 68 park
- The Vue District Park

The District's construction in progress is for the construction of:

- Central Pine Street Phase 8 – sewer and drainage
- Lift Station No. 2 and 4 generator additions
- Central Pine Bridge

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.

Montgomery County Municipal Utility District No. 121
Management's Discussion and Analysis
May 31, 2024

Long-Term Debt and Related Liabilities

As of May 31, 2024, the District owes approximately \$4,496,127 to developers for completed projects and operating advances. The initial cost of the completed project and related liability is estimated based on actual construction costs plus 10-15% for engineering and other fees and is recorded on the District's financial statements upon completion of construction. As discussed in Note 7, the District has an additional commitment in the amount of \$2,256,566 for projects under construction by the developers. As noted, the District will owe its developer for these projects upon completion of construction. The District intends to reimburse the developer from proceeds of future bond issues or other lawfully available funds. The estimated cost of amounts owed to the developer is trued up when the developer is reimbursed.

At May 31, 2024 and 2023, the District had total bonded debt outstanding as shown below:

Series	2024	2023
2021	\$ 5,595,000	\$ 5,760,000
2021 Road	1,770,000	1,825,000
2022	8,020,000	8,160,000
2022 Road	4,110,000	4,180,000
2023	15,120,000	
	\$ 34,615,000	\$ 19,925,000

During the current year, the District issued \$15,120,000 in unlimited tax bonds. At May 31, 2024, the District had \$107,720,000 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; \$28,980,000 for parks and recreational facilities and the refunding of such bonds; and \$44,100,000 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 sewer and garbage services and the projected cost of operating the District and providing services to customers. A comparison of next year's budget to current year actual amounts for the General Fund is as follows:

	2024 Actual	2025 Budget
Total revenues	\$ 1,784,397	\$ 1,695,000
Total expenditures	(1,095,408)	(1,338,594)
Revenues over expenditures	688,989	356,406
Other changes in fund balance	5,688	
Net change in fund balance	694,677	356,406
Beginning fund balance	1,256,934	1,951,611
Ending fund balance	\$ 1,951,611	\$ 2,308,017

*Montgomery County Municipal Utility District No. 121
Management's Discussion and Analysis
May 31, 2024*

Property Taxes

The District's property tax base increased approximately \$86,955,000 for the 2024 tax year from \$368,375,484 to \$455,330,487. This increase was primarily due to new construction in the District and increased property values. For the 2024 tax year, the District will levy a maintenance tax rate of \$0.19 per \$100 of assessed value, a debt service tax rate of \$0.55 per \$100 of assessed value, and a road debt service tax rate of \$0.09 per \$100 of assessed value, for a total combined tax rate of \$0.83 per \$100 of assessed value. Tax rates for the 2023 tax year were \$0.30 per \$100 for maintenance and operations, \$0.455 per \$100 for debt service, and \$0.10 per \$100 for road debt service for a combined total of \$0.855 per \$100 of assessed value.

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Basic Financial Statements

Montgomery County Municipal Utility District No. 121
Statement of Net Position and Governmental Fund Balance Sheet
May 31, 2024

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash	\$ 108,233	\$ 103,515	\$ 19,514	\$ 231,262	\$ -	\$ 231,262
Investments	1,844,139	2,169,228	2,505,825	6,519,192		6,519,192
Taxes receivable	21,729	48,350		70,079		70,079
Customer service receivables	55,792			55,792		55,792
Internal balances	38,457	(29,397)	(9,060)			
Prepaid items	15,511			15,511		15,511
Capital assets not being depreciated					954,950	954,950
Capital assets, net					25,094,198	25,094,198
Total Assets	<u>\$ 2,083,861</u>	<u>\$ 2,291,696</u>	<u>\$ 2,516,279</u>	<u>\$ 6,891,836</u>	<u>26,049,148</u>	<u>32,940,984</u>
Liabilities						
Accounts payable	\$ 108,581	\$ -	\$ 45,169	\$ 153,750		153,750
Retainage payable			85,990	85,990		85,990
Other payables	1,940	14,019		15,959		15,959
Accrued interest payable					340,277	340,277
Due to developers					4,496,127	4,496,127
Long-term debt						
Due within one year					885,000	885,000
Due after one year					33,730,000	33,730,000
Total Liabilities	<u>110,521</u>	<u>14,019</u>	<u>131,159</u>	<u>255,699</u>	<u>39,451,404</u>	<u>39,707,103</u>
Deferred Inflows of Resources						
Deferred property taxes	<u>21,729</u>	<u>48,350</u>		<u>70,079</u>	<u>(70,079)</u>	
Fund Balances/Net Position						
Fund Balances						
Nonspendable	15,511			15,511	(15,511)	
Restricted		2,229,327	2,385,120	4,614,447	(4,614,447)	
Unassigned	1,936,100			1,936,100	(1,936,100)	
Total Fund Balance	<u>1,951,611</u>	<u>2,229,327</u>	<u>2,385,120</u>	<u>6,566,058</u>	<u>(6,566,058)</u>	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 2,083,861</u>	<u>\$ 2,291,696</u>	<u>\$ 2,516,279</u>	<u>\$ 6,891,836</u>		
Net Position						
Net investment in capital assets					(6,008,068)	(6,008,068)
Restricted for debt service					1,937,400	1,937,400
Unrestricted					(2,695,451)	(2,695,451)
Total Net Position					<u>\$ (6,766,119)</u>	<u>\$ (6,766,119)</u>

See notes to basic financial statements.

Montgomery County Municipal Utility District No. 121
Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balance
For the Year Ended May 31, 2024

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues						
Sewer service	\$ 336,259	\$ -	\$ -	\$ 336,259	\$ -	\$ 336,259
Garbage service	231,291			231,291		231,291
Property taxes	1,099,029	2,020,951		3,119,980	29,625	3,149,605
Penalties and interest	4,971	15,929		20,900	3,961	24,861
Sewer connection and inspection	44,615			44,615		44,615
Investment earnings	68,232	73,188	137,612	279,032		279,032
Total Revenues	1,784,397	2,110,068	137,612	4,032,077	33,586	4,065,663
Expenditures/Expenses						
Current service operations						
Purchased services	290,189			290,189		290,189
Professional fees	143,328		76,978	220,306		220,306
Contracted services	407,093	38,719		445,812		445,812
Repairs and maintenance	169,900			169,900		169,900
Utilities	23,994			23,994		23,994
Administrative	52,025	3,359		55,384		55,384
Other	8,879	50	305	9,234		9,234
Capital outlay			9,859,040	9,859,040	(9,859,040)	
Debt service						
Principal		430,000		430,000	(430,000)	
Interest and fees		1,057,081	102,115	1,159,196	88,657	1,247,853
Developer interest			268,508	268,508		268,508
Debt issuance costs			1,142,301	1,142,301		1,142,301
Depreciation/amortization					450,872	450,872
Total Expenditures/Expenses	1,095,408	1,529,209	11,449,247	14,073,864	(9,749,511)	4,324,353
Revenues Over/(Under)						
Expenditures/Expenses	688,989	580,859	(11,311,635)	(10,041,787)	9,783,097	(258,690)
Other Financing Sources/(Uses)						
Proceeds from sale of bonds		319,350	14,800,650	15,120,000	(15,120,000)	
Repayment of bond anticipation note			(2,954,000)	(2,954,000)	2,954,000	
Internal transfers	5,688		(5,688)			
Other Items						
Due to developer write-off					4,331,602	4,331,602
Net Change in Fund Balances	694,677	900,209	529,327	2,124,213	(2,124,213)	
Change in Net Position					4,072,912	4,072,912
Fund Balance/Net Position						
Beginning of the year	1,256,934	1,329,118	1,855,793	4,441,845	(15,280,876)	(10,839,031)
End of the year	\$ 1,951,611	\$ 2,229,327	\$ 2,385,120	\$ 6,566,058	\$ (13,332,177)	\$ (6,766,119)

See notes to basic financial statements.

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Montgomery County Municipal Utility District No. 121
Notes to Financial Statements
May 31, 2024

Note 1 – Summary of Significant Accounting Policies

The accounting policies of Montgomery County Municipal Utility District No. 121 (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 Senate Bill No. 1965 in the 80th Regular Session of the Texas Legislature, codified as Chapter 8211, Special District Local Laws Code (the “Act”) dated June 15, 2007, in accordance with Article III, Section 52 and Article XVI, Section 59 of the Texas Constitution and the Act. The Board of Directors held its first meeting on April 22, 2015 and the first bonds were issued on February 18, 2021.

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

Reporting Entity

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

Government-Wide and Fund Financial Statements

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

Note 1 – Summary of Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements (continued)

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

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

- The General Fund is used to account for the operations of the District’s sewer system and all other financial transactions not reported in other funds. The principal sources of revenue are property taxes, sewer and garbage services and related inspection fees. Expenditures include costs associated with the daily operations of the District.
- The Debt Service Fund is used to account for the payment of interest and principal on the District’s general long-term debt. The primary source of revenue for debt service is property taxes. Expenditures include costs incurred in assessing and collecting these taxes.
- The Capital Projects Fund is used to account for the expenditures of bond proceeds for the construction of the District’s water, sewer and drainage facilities and road improvements.

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

Measurement Focus and Basis of Accounting

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

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

Montgomery County Municipal Utility District No. 121
Notes to Financial Statements
May 31, 2024

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus and Basis of Accounting (continued)

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 May 31, 2024, 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 of \$50,000 or more 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 are not capitalized. 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.

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets (continued)

Depreciable capital assets, which primarily consist of water, wastewater and drainage facilities, are depreciated or amortized using the straight-line method as follows:

Assets	Useful Life
Infrastructure	45 years
Recreational facilities	30 years
Capital recovery fees for regional facilities	Remaining life of contract

Deferred Inflows and Outflows of Financial Resources

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

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

Net Position – Governmental Activities

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

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

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

Unrestricted – resources not included in the other components.

Fund Balances – Governmental Funds

Governmental accounting standards establish the following fund balance classifications:

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

Montgomery County Municipal Utility District No. 121
Notes to Financial Statements
May 31, 2024

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Balances – Governmental Funds (continued)

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 in the Debt Service Fund.

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

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

Unassigned - all other spendable amounts in the General Fund.

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

Use of Estimates

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

Montgomery County Municipal Utility District No. 121
Notes to Financial Statements
May 31, 2024

Note 2 – Adjustment from Governmental to Government-wide Basis

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

Total fund balance, governmental funds	\$	6,566,058
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

Historical cost	\$ 27,572,202	
Less accumulated depreciation/amortization	<u>(1,523,054)</u>	
Change due to capital assets		26,049,148

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:

Bond payable, net	(34,615,000)	
Interest payable on bonds	<u>(340,277)</u>	
Change due to long-term debt		(34,955,277)

Amounts due to the District's developer for prefunded construction and operating advances are recorded as a liability in the <i>Statement of Net Position</i> .		(4,496,127)
---	--	-------------

Property taxes receivable and related penalties and interest have been levied and are due, but are not available soon enough to pay current period expenditures and, therefore, are deferred in the funds.		70,079
--	--	--------

Total net position - governmental activities	\$	<u><u>(6,766,119)</u></u>
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Montgomery County Municipal Utility District No. 121
Notes to Financial Statements
May 31, 2024

Note 2 – Adjustment from Governmental to Government-wide Basis (continued)

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	\$	2,124,213
--	----	-----------

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.

	33,586
--	--------

Governmental funds report capital outlays for reimbursements to developers as expenditures in the funds; however, in the *Statement of Activities*, capital recovery fees paid to Montgomery County Municipal Utility District No. 113 are capitalized and charged to expense over the estimated useful life of the contract, while the cost of capital assets is charged to expense over the estimated useful life of the asset.

Capital outlays	\$ 9,859,040	
Depreciation/amortization expense	<u>(450,872)</u>	
		9,408,168

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal uses current financial resources. However, neither transaction has any effect on net assets. Other elements of debt financing are reported differently between the fund and government wide statements.

Issuance of long-term debt	(15,120,000)	
Repayment of bond anticipation note	2,954,000	
Principal payments	430,000	
Interest expense accrual	<u>(88,657)</u>	
		(11,824,657)

Revisions in the estimate of due to developers do not provide financial resources in the funds; but may result in an adjustment to net position in *Statement of Activities*.

	4,331,602
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Change in net position of governmental activities	<u>\$</u>	<u>4,072,912</u>
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Montgomery County Municipal Utility District No. 121
Notes to Financial Statements
May 31, 2024

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 May 31, 2024, the District’s investments consist of the following:

Type	Fund	Carrying Value	Rating	Weighted Average Maturity
TexSTAR	General	\$ 1,844,139	AAAm	39 days
	Debt Service	2,169,228		
	Capital Projects	2,505,825		
		<u>\$ 6,519,192</u>		

Montgomery County Municipal Utility District No. 121
Notes to Financial Statements
May 31, 2024

Note 3 – Deposits and Investments (continued)

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 May 31, 2024, consist of the following:

Receivable Fund	Payable Fund	Amounts	Purpose
General Fund	Debt Service Fund	\$ 29,397	Maintenance tax collections not remitted as of year end
General Fund	Capital Projects Fund	9,060	Capital outlay and 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.

During the current year, the District recognized an internal transfer of \$5,688 between the General Fund and Capital Projects fund for the reimbursement of capital outlay paid by the General Fund.

Montgomery County Municipal Utility District No. 121
Notes to Financial Statements
May 31, 2024

Note 5 – Capital Assets

A summary of changes in capital assets, for the year ended May 31, 2024, is as follows:

	Beginning Balances	Additions/ Adjustments	Ending Balances
Capital assets not being depreciated			
Land and improvements	\$ 50,636	\$ 29,020	\$ 79,656
Construction in progress		875,294	875,294
	<u>50,636</u>	<u>904,314</u>	<u>954,950</u>
Capital assets being depreciated/amortized			
Infrastructure	16,158,717	239,177	16,397,894
Recreational facilities	978,208	2,100,839	3,079,047
Capital recovery fees for regional facilities	7,140,311		7,140,311
	<u>24,277,236</u>	<u>2,340,016</u>	<u>26,617,252</u>
Less accumulated depreciation/amortization			
Infrastructure	(932,972)	(329,643)	(1,262,615)
Recreational facilities	(64,825)	(90,270)	(155,095)
Capital recovery fees for regional facilities	(74,385)	(30,959)	(105,344)
	<u>(1,072,182)</u>	<u>(450,872)</u>	<u>(1,523,054)</u>
Subtotal depreciable capital assets, net	<u>23,205,054</u>	<u>1,889,144</u>	<u>25,094,198</u>
Capital assets, net	<u>\$ 23,255,690</u>	<u>\$ 2,793,458</u>	<u>\$ 26,049,148</u>

Depreciation/amortization expense for the current fiscal year was \$450,872.

The District has contractual commitments for construction projects as follows:

	Contract Amount	Paid To Date	Remaining Amount *
Central Pine Street Phase 8 - sewer and drainage	\$ 42,396	\$ 36,601	\$ 5,795
Lift Station No. 2 and 4 generator additions	74,169	52,941	21,228
Central Pine Bridge	774,954	679,773	95,181
Central Pine Street Phase 8 - paving	135,692		135,692
	<u>\$ 1,027,211</u>	<u>\$ 769,315</u>	<u>\$ 257,896</u>

* Includes retainage

Montgomery County Municipal Utility District No. 121
Notes to Financial Statements
May 31, 2024

Note 6 – Bond Anticipation Note

The District uses a bond anticipation note (“BAN”) to provide short-term financing for reimbursements to its developers. Despite its short-term nature, a BAN is not recorded as a fund liability, since it will not be repaid from current financial resources and will be repaid through the issuance of long-term debt or another BAN. It is, however, recorded as a liability at the government-wide level.

At the beginning of the fiscal year, the District had a BAN outstanding in the amount of \$2,954,000. This BAN was repaid on August 23, 2023 with proceeds from the issuance of the District’s Series 2023 Unlimited Tax Bonds.

The effect of this transaction on the District’s short-term obligations are as follows:

Beginning balance	\$ 2,954,000
Amounts repaid	<u>(2,954,000)</u>
Ending balance	<u><u>\$ -</u></u>

Note 7 – 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 advance funds for the construction of facilities to serve 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 tried up when the developer is reimbursed. During the current year, it was determined that certain projects were not reimbursable to the developer and the District recorded a write-off in the amount of \$4,331,602.

The District’s developers have also advanced funds to the District for operating expenses.

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

Due to developers, beginning of year	\$ 9,695,271
Developer reimbursements	(3,236,578)
Developer funded construction and adjustments	2,369,036
Write-off of reimbursable amounts	<u>(4,331,602)</u>
Due to developers, end of year	<u><u>\$ 4,496,127</u></u>

Montgomery County Municipal Utility District No. 121
Notes to Financial Statements
May 31, 2024

Note 7 – Due to Developers (continued)

In addition, the District will owe the developers approximately \$2,256,566, which is included in the following schedule of contractual commitments. The exact amount is not known until approved by the TCEQ and verified by the District’s auditor. As previously noted, these projects will be reported in the government-wide financial statements upon completion of construction.

	<u>Contract Amount</u>	<u>Percentage Completed</u>
Stewart Heights Section 2 - paving	\$ 517,819	85%
Woodforest - 2022 Trails	1,738,747	90%
	<u>\$ 2,256,566</u>	

Note 8 – Long-Term Debt

Long-term debt is comprised of the following:

Bonds payable	<u>\$ 34,615,000</u>
Due within one year	<u>\$ 885,000</u>

The District’s bonds payable at May 31, 2024, consists of unlimited tax bonds as follows:

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2021	\$ 5,595,000	\$ 5,920,000	2.00% - 4.50%	September 1, 2022/2045	September 1, March 1	September 1, 2025
2021 Road	1,770,000	1,880,000	2.00% - 4.50%	September 1, 2022/2045	September 1, March 1	September 1, 2025
2022	8,020,000	8,160,000	4.00% - 6.50%	September 1, 2023/2046	September 1, March 1	June 1, 2027
2022 Road	4,110,000	4,180,000	3.625% - 5.00%	September 1, 2023/2046	September 1, March 1	June 1, 2027
2023	15,120,000	15,120,000	4.00% - 5.00%	September 1, 2024/2048	September 1, March 1	September 1, 2028
	<u>\$ 34,615,000</u>					

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.

Montgomery County Municipal Utility District No. 121
Notes to Financial Statements
May 31, 2024

Note 8 – Long-Term Debt (continued)

At May 31, 2024, the District had authorized but unissued bonds in the amount of \$107,720,000 for water, sewer and drainage facilities and the refunding of such bonds; \$28,980,000 for park and recreational facilities and the refunding of such bonds; and \$44,100,000 for road improvements and the refunding of such bonds.

On August 23, 2023, the District issued its \$15,120,000 Series 2023 Unlimited Tax Bonds at a net effective interest rate of 4.334375%. Proceeds of the bonds were used to (1) to reimburse developers for the following: the construction of capital assets within the District; engineering, clearing and grubbing, and other costs associated with the construction of capital assets; and the acquisition of land for certain District facilities; (2) to pay developer interest at the net effective interest rate of the bonds, (3) to repay a \$2,954,000 BAN issued in the previous fiscal year; and (4) 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	\$ 19,925,000
Bonds issued	15,120,000
Bonds retired	(430,000)
Bonds payable, end of year	<u>\$ 34,615,000</u>

Montgomery County Municipal Utility District No. 121
Notes to Financial Statements
May 31, 2024

Note 8 – Long-Term Debt (continued)

As of May 31, 2024, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2025	\$ 885,000	\$ 1,323,149	\$ 2,208,149
2026	930,000	1,276,000	2,206,000
2027	965,000	1,227,363	2,192,363
2028	1,010,000	1,177,275	2,187,275
2029	1,050,000	1,128,150	2,178,150
2030	1,090,000	1,081,700	2,171,700
2031	1,140,000	1,038,125	2,178,125
2032	1,180,000	996,050	2,176,050
2033	1,235,000	953,256	2,188,256
2034	1,285,000	909,587	2,194,587
2035	1,340,000	862,913	2,202,913
2036	1,390,000	813,237	2,203,237
2037	1,445,000	762,213	2,207,213
2038	1,505,000	709,706	2,214,706
2039	1,570,000	654,931	2,224,931
2040	1,635,000	597,781	2,232,781
2041	1,705,000	538,212	2,243,212
2042	1,775,000	476,075	2,251,075
2043	1,850,000	410,701	2,260,701
2044	1,925,000	341,962	2,266,962
2045	2,010,000	269,226	2,279,226
2046	2,090,000	192,393	2,282,393
2047	1,695,000	117,195	1,812,195
2048	935,000	61,306	996,306
2049	975,000	20,719	995,719
	<u>\$ 34,615,000</u>	<u>\$ 17,939,225</u>	<u>\$ 52,554,225</u>

Note 9 – Property Taxes

On November 16, 2017, the voters of the District authorized the District’s Board of Directors to levy taxes annually for use in financing general operations limited to \$1.25 per \$100 of assessed value. The voters also authorized the District’s Board of Directors to levy a road maintenance tax limit of \$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.

Montgomery County Municipal Utility District No. 121
Notes to Financial Statements
May 31, 2024

Note 9 – Property Taxes (continued)

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 2024 fiscal year was financed through the 2023 tax levy, pursuant to which the District levied property taxes of \$0.855 per \$100 of assessed value, of which \$0.30 was allocated to maintenance and operations, \$0.455 was allocated to debt service, and \$0.10 was allocated to road debt service. The resulting tax levy was \$3,149,610 on the adjusted taxable value of \$368,375,484.

Property taxes receivable, at May 31, 2024, consisted of the following:

Current year taxes receivable	\$ 59,748
Prior years taxes receivable	2,051
	<u>61,799</u>
Penalty and interest receivable	8,280
Property taxes receivable	<u><u>\$ 70,079</u></u>

Note 10 – Strategic Partnership Agreement

On October 25, 2018, the District and the City of Conroe (the “City”) entered into a Strategic Partnership Agreement under which the City may annex the District for limited purposes. If any part of the District is annexed for limited purposes, the District continues to exercise all powers and functions of a municipal utility district. The City has not yet annexed any part of the District for limited purposes.

The City agrees that it will not annex all or part of the District until the earlier of: (1) the date on which the District has achieved 90% build out as defined in the Agreement, or (2) December 31, 2037. On the full purpose annexation date, the land included within the boundaries of the District shall be deemed to be within the full purpose boundary limits of the City and all taxable property within the territory of the District shall become subject to ad valorem taxation by the City.

If debt of the District remains outstanding on the full purpose annexation conversion or if the District has not fully reimbursed any developer within the District in accordance with any written reimbursement agreement, then the District shall become a “limited district”. The “limited district” shall be known as Montgomery Utility District No. 121 and shall continue until all outstanding debt has been fully paid. The powers of the “limited district” are restricted to the levy and collection of ad valorem taxes sufficient to meet the outstanding debt service requirements.

Montgomery County Municipal Utility District No. 121
Notes to Financial Statements
May 31, 2024

Note 12 – Water Supply Agreement

MSEC Enterprises (“MSEC”) supplies water to District residents pursuant to an agreement with the District’s developer. MSEC owns, constructs, operates and maintains the water supply and water distribution systems that serve residents within the District. The District’s developer has committed to pay all capital connection fees.

Note 13 – Agreements with Municipal Utility District No. 113

Joint Construction and Operation of Regional Facilities

On August 20, 2018, the District entered into a fifty-year agreement with Montgomery County Municipal Utility District No. 113 (“MUD 113”), which was amended and restated on May 20, 2019 and then amended and restated on August 1, 2023. The purpose of the agreement is to establish a regional wastewater, drainage, and parks system to serve residents in the District and MUD 113. Each of these projects are referred to as an Element and is planned to be designed, constructed and funded in Segments. The District will reimburse MUD 113 for its proportionate share of the construction costs, plus interest, of certain completed and funded Elements of the project that were originally paid by MUD 113. Each District agrees to fund its portion of future project costs on or before the due date by depositing its proportionate share in a separate account dedicated to payment of construction costs. MUD 113 was appointed to be the Lead District for all projects which consist of completed designs and construction of all projects in accordance with the agreed project budget. MUD 113 will hold legal title to the facilities for the benefit of both districts and is designated as the operator of the facilities. However, each District will have an equitable interest in their share of purchased capacity. MUD 113 has established a separate fund to account for the operation, maintenance, and construction costs of the joint facilities.

The amended and restated agreement dated August 1, 2023, revised each districts obligation with respect to the operation, maintenance, repair, and capital improvements of the regional facilities. During the current year, the District paid \$5,747,168 to MUD 113 for its pro rata share of additional project costs for regional facilities.

Pursuant to the amended and restated agreement on May 20, 2019, MUD 113 billed the District for its pro rata share of the initial deposit balance in the Joint Wastewater Treatment Plant Fund to pay operating expenses as they become due. The amended and restated agreement dated August 1, 2023, established an operating reserve for the regional wastewater facilities account. MUD 113 will calculate the operating reserve requirement annually based on three months of average monthly operating costs during the previous fiscal year. The District will be required to pay its pro rata share based on its allocated share of capacity.

The participating districts are billed the cost of operating expenses based upon a ratio of each District’s active connections to the total active connections. During the current year, the District paid \$290,189 for its share of operating expenses.

Montgomery County Municipal Utility District No. 121
Notes to Financial Statements
May 31, 2024

Note 13 – Agreements with Municipal Utility District No. 113 (continued)

Reimbursement Allocation Agreements

On September 16, 2019, and subsequently amended on October 19, 2020, the District entered into a Reimbursement Allocation Agreement (the “Agreement”) with MUD 113 for the construction of recreational trails within the Woodforest Community (“Project”). The Project was completed during the 2021 fiscal year and the district’s share of construction cost is \$298,785, which Woodforest Development, Inc. (“WDI”) made on the behalf of the District. Each district will own and operate their portion of the Project. Additionally, the District is responsible for reimbursing WDI from the proceeds of future bond issues, pursuant to the Development Financing Agreement between the District and WDI.

On January 18, 2021, the District entered into another Reimbursement Allocation Agreement (the “Agreement”) with MUD 113 for the construction of recreational trails within the Woodforest Community (“Project”). The Project was completed during the 2022 fiscal year and the district’s share of construction cost is \$131,760, which WDI will make on the behalf of the District. Upon completion of the Project, each district will own and operate their portion of the Project. Additionally, the District is responsible for reimbursing WDI from the proceeds of future bond issues, pursuant to the Development Financing Agreement between the District and WDI.

On November 21, 2022, the District entered into a Cost Sharing Agreement (the “Agreement”) with MUD 113 for the construction of Woodforest Trails, the initial total cost of constructing the recreational trails is \$2,515,847. The District’s projected share of the construction cost is \$1,704,159, which WDI will make on the behalf of the District. Upon completion of the Project, each district will own and operate their portion of the project. Additionally, the District is responsible for reimbursing WDI from the proceeds of future bond issues, pursuant to the Development Financing Agreement between the District and WDI.

Note 14 – Risk Management

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

Note 15 – Subsequent Event

On June 17, 2024, the District entered the Third Amended and Restated Agreement for the Joint Construction and Operation of regional Wastewater Collection and Treatment Facilities and Regional Drainage Facilities (the “Agreement”). This Agreement amends and restates the prior agreement to require a reduced operating reserve.

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Required Supplementary Information

*Montgomery County Municipal Utility District No. 121
 Required Supplementary Information - Budgetary Comparison Schedule - General Fund
 For the Year Ended May 31, 2024*

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Sewer service	\$ 500,000	\$ 336,259	\$ (163,741)
Garbage service		231,291	231,291
Property taxes	650,000	1,099,029	449,029
Penalties and interest		4,971	4,971
Sewer connection and inspection	45,000	44,615	(385)
Investment earnings	20,000	68,232	48,232
Total Revenues	<u>1,215,000</u>	<u>1,784,397</u>	<u>569,397</u>
Expenditures			
Current service operations			
Purchased services	315,500	290,189	25,311
Professional fees	120,500	143,328	(22,828)
Contracted services	393,150	407,093	(13,943)
Repairs and maintenance	101,500	169,900	(68,400)
Utilities	15,000	23,994	(8,994)
Administrative	63,500	52,025	11,475
Other	13,000	8,879	4,121
Total Expenditures	<u>1,022,150</u>	<u>1,095,408</u>	<u>(73,258)</u>
Revenues Over Expenditures	192,850	688,989	496,139
Other Financing Sources			
Internal transfers		5,688	5,688
Net Change in Fund Balance	192,850	694,677	501,827
Fund Balance			
Beginning of the year	1,256,934	1,256,934	
End of the year	<u>\$ 1,449,784</u>	<u>\$ 1,951,611</u>	<u>\$ 501,827</u>

Montgomery County Municipal Utility District No. 121
Notes to Required Supplementary Information
May 31, 2024

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. 121
TSI-1. Services and Rates
May 31, 2024

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

- | | | | |
|--|---|---|--|
| <input type="checkbox"/> Retail Water | <input type="checkbox"/> Wholesale Water | <input checked="" type="checkbox"/> Solid Waste / Garbage | <input checked="" type="checkbox"/> Drainage |
| <input checked="" type="checkbox"/> Retail Wastewater | <input type="checkbox"/> Wholesale Wastewater | <input type="checkbox"/> Flood Control | <input type="checkbox"/> Irrigation |
| <input checked="" type="checkbox"/> Parks / Recreation | <input type="checkbox"/> Fire Protection | <input checked="" type="checkbox"/> Roads | <input checked="" type="checkbox"/> Security |
| <input checked="" type="checkbox"/> Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect) | | | |
| <input type="checkbox"/> Other (Specify): _____ | | | |

2. Retail Service Providers

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

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate (Y / N)</u>	<u>Rate per 1,000 Gallons Over Minimum Usage</u>	<u>Usage Levels</u>
Water:	\$ -				to _____
Wastewater:	\$ 54.09	- 0 -	Y	N/A	- 0 - to <u>unlimited</u>
Surcharge:	\$ -				to _____

District employs winter averaging for wastewater usage? Yes No

Total charges per 10,000 gallons usage: Water _____ Wastewater \$ 54.09

b. Water and Wastewater Retail Connections:

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFC'S</u>
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	<u>1,094</u>	<u>963</u>	x 1.0	<u>963</u>

See accompanying auditor's report.

Montgomery County Municipal Utility District No. 121
TSI-1. Services and Rates
May 31, 2024

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

Gallons pumped/purchased:	<u> N/A </u>	Water Accountability Ratio:
		(Gallons billed / Gallons purchased)
Gallons billed to customers:	<u> N/A </u>	<u> N/A </u>

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

Does the District have Debt Service standby fees? Yes No

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

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

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

5. Location of District:

Is the District located entirely within one county? Yes No

County in which the District is located: Montgomery County

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

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

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

Entirely Partly Not at all

ETJs in which the District is located: City of Conroe

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

If Yes, by whom? _____

See accompanying auditor's report.

*Montgomery County Municipal Utility District No. 121
 TSI-2 General Fund Expenditures
 For the Year Ended May 31, 2024*

Purchased services	<u>\$ 290,189</u>
Professional fees	
Legal	90,796
Engineering	34,532
Audit	18,000
	<u>143,328</u>
Contracted services	
Bookeeping	19,058
Operator	40,649
Garbage collection	231,745
Sewer connection and inspection	26,377
Security services	89,264
	<u>407,093</u>
Repairs and maintenance	<u>169,900</u>
Utilities	<u>23,994</u>
Administrative	
Directors fees	11,800
Printing and office supplies	27,782
Insurance	8,451
Other	3,992
	<u>52,025</u>
Other	<u>8,879</u>
Total expenditures	<u><u>\$ 1,095,408</u></u>

See accompanying auditor's report.

Montgomery County Municipal Utility District No. 121
TSI-3. Investments
May 31, 2024

Fund	Interest Rate	Maturity Date	Balance at End of Year
General			
TexSTAR	Variable	N/A	\$ 1,844,139
Debt Service			
TexSTAR	Variable	N/A	1,765,840
TexSTAR	Variable	N/A	403,388
			<u>2,169,228</u>
Capital Projects			
TexSTAR	Variable	N/A	1,554,759
TexSTAR	Variable	N/A	951,066
			<u>2,505,825</u>
Total - All Funds			<u>\$ 6,519,192</u>

See accompanying auditors' report.

Montgomery County Municipal Utility District No. 121
TSI-4. Taxes Levied and Receivable
May 31, 2024

	Maintenance Taxes	Debt Service Taxes	Road Debt Service Taxes	Totals
Taxes Receivable, Beginning of Year	\$ 12,279	\$ 13,847	\$ 6,047	\$ 32,173
Adjustments to Prior Year Tax Levy	(474)	(2,214)	(1,074)	(3,762)
Adjusted Receivable	11,805	11,633	4,973	28,411
2023 Original Tax Levy	1,053,669	1,598,065	351,223	3,002,957
Adjustments	51,457	78,044	17,152	146,653
Adjusted Tax Levy	1,105,126	1,676,109	368,375	3,149,610
Total to be accounted for	1,116,931	1,687,742	373,348	3,178,021
Tax collections:				
Current year	1,084,162	1,644,313	361,387	3,089,862
Prior years	11,040	10,739	4,581	26,360
Total Collections	1,095,202	1,655,052	365,968	3,116,222
Taxes Receivable, End of Year	\$ 21,729	\$ 32,690	\$ 7,380	\$ 61,799
Taxes Receivable, By Year				
2023	\$ 20,964	\$ 31,796	\$ 6,988	\$ 59,748
2022	765	894	392	2,051
Taxes Receivable, End of Year	\$ 21,729	\$ 32,690	\$ 7,380	\$ 61,799
	2023	2022	2021	2020
Property Valuations:				
Land	\$ 75,649,436	\$ 56,168,736	\$ 33,863,040	\$ 16,313,080
Improvements	327,330,540	185,813,830	69,397,730	18,720,180
Personal Property	465,698	352,616	337,781	313,198
Exemptions	(35,070,190)	(24,201,364)	(3,569,882)	(2,052,571)
Total Property Valuations	\$ 368,375,484	\$ 218,133,818	\$ 100,028,669	\$ 33,293,887
Tax Rates per \$100 Valuation:				
Maintenance tax rates	\$ 0.300	\$ 0.35	\$ 0.63	\$ 0.99
Debt service tax rates	0.455	0.41	0.27	
Road debt service tax rates	0.100	0.18	0.09	
Total Tax Rates per \$100 Valuation	\$ 0.855	\$ 0.94	\$ 0.99	\$ 0.99
Adjusted Tax Levy:	\$ 3,149,610	\$ 2,050,458	\$ 990,284	\$ 329,609
Percentage of Taxes Collected to Taxes Levied ***	98.10%	99.90%	100.00%	100.00%

* Maximum Maintenance Tax Rate Approved by Voters: \$1.25 on November 7, 2017

* Maximum Road Maintenance Tax Rate Approved by Voters: \$0.25 on November 7, 2017

** 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. 121
TSI-5. Long-Term Debt Service Requirements
Series 2021--by Years
May 31, 2024

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2025	\$ 175,000	\$ 133,262	\$ 308,262
2026	180,000	125,275	305,275
2027	185,000	117,063	302,063
2028	190,000	108,625	298,625
2029	200,000	99,850	299,850
2030	205,000	92,275	297,275
2031	215,000	87,050	302,050
2032	220,000	82,700	302,700
2033	230,000	78,200	308,200
2034	235,000	73,550	308,550
2035	245,000	68,750	313,750
2036	255,000	63,750	318,750
2037	260,000	58,600	318,600
2038	270,000	53,300	323,300
2039	280,000	47,800	327,800
2040	290,000	42,100	332,100
2041	300,000	36,200	336,200
2042	310,000	30,100	340,100
2043	320,000	23,800	343,800
2044	330,000	17,300	347,300
2045	345,000	10,550	355,550
2046	355,000	3,550	358,550
	<u>\$ 5,595,000</u>	<u>\$ 1,453,650</u>	<u>\$ 7,048,650</u>

See accompanying auditors' report.

Montgomery County Municipal Utility District No. 121
TSI-5. Long-Term Debt Service Requirements
Series 2021 Road--by Years
May 31, 2024

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2025	\$ 60,000	\$ 36,600	\$ 96,600
2026	60,000	34,200	94,200
2027	60,000	32,400	92,400
2028	65,000	31,150	96,150
2029	65,000	29,850	94,850
2030	65,000	28,550	93,550
2031	70,000	27,200	97,200
2032	70,000	25,800	95,800
2033	75,000	24,350	99,350
2034	75,000	22,850	97,850
2035	80,000	21,300	101,300
2036	80,000	19,700	99,700
2037	80,000	18,100	98,100
2038	85,000	16,450	101,450
2039	85,000	14,750	99,750
2040	90,000	13,000	103,000
2041	95,000	11,150	106,150
2042	95,000	9,250	104,250
2043	100,000	7,300	107,300
2044	100,000	5,300	105,300
2045	105,000	3,250	108,250
2046	110,000	1,100	111,100
	<u>\$ 1,770,000</u>	<u>\$ 433,600</u>	<u>\$ 2,203,600</u>

See accompanying auditors' report.

Montgomery County Municipal Utility District No. 121
TSI-5. Long-Term Debt Service Requirements
Series 2022--by Years
May 31, 2024

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2025	\$ 215,000	\$ 342,562	\$ 557,562
2026	220,000	328,425	548,425
2027	230,000	313,800	543,800
2028	240,000	298,525	538,525
2029	250,000	285,725	535,725
2030	260,000	275,525	535,525
2031	275,000	264,825	539,825
2032	285,000	253,625	538,625
2033	295,000	242,025	537,025
2034	310,000	229,925	539,925
2035	320,000	217,325	537,325
2036	335,000	204,225	539,225
2037	350,000	190,525	540,525
2038	365,000	176,225	541,225
2039	380,000	161,325	541,325
2040	395,000	145,825	540,825
2041	415,000	129,625	544,625
2042	430,000	112,725	542,725
2043	450,000	94,563	544,563
2044	470,000	75,012	545,012
2045	490,000	54,613	544,613
2046	510,000	33,362	543,362
2047	530,000	11,263	541,263
	<u>\$ 8,020,000</u>	<u>\$ 4,441,575</u>	<u>\$ 12,461,575</u>

See accompanying auditors' report.

Montgomery County Municipal Utility District No. 121
TSI-5. Long-Term Debt Service Requirements
Series 2022 Road--by Years
May 31, 2024

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2025	\$ 110,000	\$ 180,150	\$ 290,150
2026	115,000	174,525	289,525
2027	120,000	168,650	288,650
2028	125,000	162,525	287,525
2029	130,000	156,150	286,150
2030	135,000	149,525	284,525
2031	140,000	142,650	282,650
2032	145,000	135,525	280,525
2033	150,000	129,181	279,181
2034	160,000	123,562	283,562
2035	165,000	116,538	281,538
2036	170,000	108,162	278,162
2037	180,000	100,088	280,088
2038	185,000	92,331	277,331
2039	195,000	84,256	279,256
2040	205,000	75,756	280,756
2041	210,000	66,937	276,937
2042	220,000	57,800	277,800
2043	230,000	48,238	278,238
2044	240,000	38,250	278,250
2045	250,000	27,838	277,838
2046	260,000	17,000	277,000
2047	270,000	5,738	275,738
	<u>\$ 4,110,000</u>	<u>\$ 2,361,375</u>	<u>\$ 6,471,375</u>

See accompanying auditors' report.

Montgomery County Municipal Utility District No. 121
TSI-5. Long-Term Debt Service Requirements
Series 2023--by Years
May 31, 2024

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2025	\$ 325,000	\$ 630,575	\$ 955,575
2026	355,000	613,575	968,575
2027	370,000	595,450	965,450
2028	390,000	576,450	966,450
2029	405,000	556,575	961,575
2030	425,000	535,825	960,825
2031	440,000	516,400	956,400
2032	460,000	498,400	958,400
2033	485,000	479,500	964,500
2034	505,000	459,700	964,700
2035	530,000	439,000	969,000
2036	550,000	417,400	967,400
2037	575,000	394,900	969,900
2038	600,000	371,400	971,400
2039	630,000	346,800	976,800
2040	655,000	321,100	976,100
2041	685,000	294,300	979,300
2042	720,000	266,200	986,200
2043	750,000	236,800	986,800
2044	785,000	206,100	991,100
2045	820,000	172,975	992,975
2046	855,000	137,381	992,381
2047	895,000	100,194	995,194
2048	935,000	61,306	996,306
2049	975,000	20,719	995,719
	<u>\$ 15,120,000</u>	<u>\$ 9,249,025</u>	<u>\$ 24,369,025</u>

See accompanying auditors' report.

Montgomery County Municipal Utility District No. 121
TSI-5. Long-Term Debt Service Requirements
All Bonded Debt Series--by Years
May 31, 2024

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2025	\$ 885,000	\$ 1,323,149	\$ 2,208,149
2026	930,000	1,276,000	2,206,000
2027	965,000	1,227,363	2,192,363
2028	1,010,000	1,177,275	2,187,275
2029	1,050,000	1,128,150	2,178,150
2030	1,090,000	1,081,700	2,171,700
2031	1,140,000	1,038,125	2,178,125
2032	1,180,000	996,050	2,176,050
2033	1,235,000	953,256	2,188,256
2034	1,285,000	909,587	2,194,587
2035	1,340,000	862,913	2,202,913
2036	1,390,000	813,237	2,203,237
2037	1,445,000	762,213	2,207,213
2038	1,505,000	709,706	2,214,706
2039	1,570,000	654,931	2,224,931
2040	1,635,000	597,781	2,232,781
2041	1,705,000	538,212	2,243,212
2042	1,775,000	476,075	2,251,075
2043	1,850,000	410,701	2,260,701
2044	1,925,000	341,962	2,266,962
2045	2,010,000	269,226	2,279,226
2046	2,090,000	192,393	2,282,393
2047	1,695,000	117,195	1,812,195
2048	935,000	61,306	996,306
2049	975,000	20,719	995,719
	<u>\$ 34,615,000</u>	<u>\$ 17,939,225</u>	<u>\$ 52,554,225</u>

See accompanying auditors' report.

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Montgomery County Municipal Utility District No. 121
TSI-6. Change in Long-Term Bonded Debt
May 31, 2024

	Bond Issue			
	Series 2021	Series 2021 Road	Series 2022	Series 2022 Road
Interest rate	2.00% - 4.50%	2.00% - 4.50%	4.00% - 6.50%	3.625% - 5.00%
Dates interest payable	9/1; 3/1	9/1; 3/1	9/1; 3/1	9/1; 3/1
Maturity dates	9/1/22 - 9/1/45	9/1/22 - 9/1/45	9/1/23 - 9/1/46	9/1/23 - 9/1/46
Beginning bonds outstanding	\$ 5,760,000	\$ 1,825,000	\$ 8,160,000	\$ 4,180,000
Bonds issued				
Bonds retired	(165,000)	(55,000)	(140,000)	(70,000)
Ending bonds outstanding	<u>\$ 5,595,000</u>	<u>\$ 1,770,000</u>	<u>\$ 8,020,000</u>	<u>\$ 4,110,000</u>
Interest paid during fiscal year	<u>\$ 140,913</u>	<u>\$ 39,038</u>	<u>\$ 354,100</u>	<u>\$ 184,650</u>
Paying agent's name and city				
Series 2023	BOKF, NA, Dallas, Texas			
All other series	Regions Bank, an Alabama banking corporation, Houston, Texas			
Bond Authority:	Water, Sewer and Drainage Bonds	Parks and Recreational Bonds	Road Bonds	
Amount Authorized by Voters	\$ 136,920,000	\$ 28,980,000	\$ 50,160,000	
Amount Issued	(29,200,000)		(6,060,000)	
Remaining To Be Issued	<u>\$ 107,720,000</u>	<u>\$ 28,980,000</u>	<u>\$ 44,100,000</u>	

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 balances as of May 31, 2024: \$ 2,272,743

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 2,102,169

See accompanying auditors' report.

Bond Issue

<u>Series 2023</u>	<u>Totals</u>
4.00% - 5.00%	
9/1; 3/1	
9/1/24 - 9/1/48	
\$ -	\$ 19,925,000
15,120,000	15,120,000
	(430,000)
<u>\$ 15,120,000</u>	<u>\$ 34,615,000</u>
<u>\$ 333,543</u>	<u>\$ 1,052,244</u>

Montgomery County Municipal Utility District No. 121
TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund
For the Last Five Fiscal Years

	Amounts				
	2024	2023	2022	2021	2020
Revenues					
Sewer service	\$ 336,259	\$ 279,787	\$ 195,176	\$ 94,004	\$ 32,743
Garbage service	231,291	161,300	88,997	29,774	
Property taxes	1,099,029	784,859	607,860	322,809	23,673
Penalties and interest	4,971	2,157	1,688	2,426	292
Sewer connection and inspection	44,615	45,950	71,310	70,805	29,645
Miscellaneous		4,988	6,522	4,048	970
Investment earnings	68,232	28,329	572	112	36
Total Revenues	<u>1,784,397</u>	<u>1,307,370</u>	<u>972,125</u>	<u>523,978</u>	<u>87,359</u>
Expenditures					
Current service operations					
Purchased services	290,189	217,196	116,948	86,073	44,744
Professional fees	143,328	148,073	96,721	97,711	139,326
Contracted services	407,093	307,546	197,026	99,274	36,454
Repairs and maintenance	169,900	63,272	51,422	12,118	5,152
Utilities	23,994	14,103	9,296	3,421	
Administrative	52,025	43,487	39,217	33,075	16,660
Other	8,879	7,576	6,260	7,489	8,628
Total Expenditures	<u>1,095,408</u>	<u>801,253</u>	<u>516,890</u>	<u>339,161</u>	<u>250,964</u>
Revenues Over/(Under) Expenditures	<u>\$ 688,989</u>	<u>\$ 506,117</u>	<u>\$ 455,235</u>	<u>\$ 184,817</u>	<u>\$ (163,605)</u>
Total Active Retail Wastewater Connections	<u>963</u>	<u>819</u>	<u>737</u>	<u>434</u>	<u>156</u>

*Percentage is negligible

See accompanying auditor's report.

Percent of Fund Total Revenues

2024	2023	2022	2021	2020
19%	21%	20%	18%	38%
13%	12%	9%	6%	
61%	61%	63%	61%	27%
*	*	*	*	*
3%	4%	7%	14%	34%
	*	1%	1%	1%
4%	2%	*	*	*
100%	100%	100%	100%	100%
16%	17%	12%	16%	51%
8%	11%	10%	19%	159%
23%	24%	20%	19%	42%
10%	5%	5%	2%	6%
1%	1%	1%	1%	
3%	3%	4%	6%	19%
*	1%	1%	1%	10%
61%	62%	53%	64%	287%
39%	38%	47%	36%	(187%)

Montgomery County Municipal Utility District No. 121
TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fund
For the Last Four Fiscal Years

	Amounts			
	2024	2023	2022	2021
Revenues				
Property taxes	\$ 2,020,951	\$ 1,290,331	\$ 343,208	\$ -
Penalties and interest	15,929	16,972	2,858	
Miscellaneous		100		
Investment earnings	73,188	31,801	570	19
Total Revenues	<u>2,110,068</u>	<u>1,339,204</u>	<u>346,636</u>	<u>19</u>
Expenditures				
Tax collection services	42,078	24,298	18,412	
Other	50		50	19
Debt service				
Principal	430,000	215,000		
Interest and fees	1,057,081	569,857	199,651	
Total Expenditures	<u>1,529,209</u>	<u>809,155</u>	<u>218,113</u>	<u>19</u>
Revenues Over Expenditures	<u>\$ 580,859</u>	<u>\$ 530,049</u>	<u>\$ 128,523</u>	<u>\$ -</u>

*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues

2024	2023	2022	2021
96%	97%	99%	-%
1%	1%	1%	-
	*		-
3%	2%	*	-
100%	100%	100%	-
2%	2%	5%	-
*		*	-
20%	16%		-
50%	43%	58%	-
72%	61%	63%	-
28%	39%	37%	-%

Montgomery County Municipal Utility District No. 121
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended May 31, 2024

Complete District Mailing Address: 202 Century Square Blvd, Sugar Land, TX 77478

District Business Telephone Number: (281) 500-6050

Submission Date of the most recent District Registration Form

(TWC Sections 36.054 and 49.054): July 3, 2023

Limit on Fees of Office that a Director may receive during a fiscal year: \$ 7,200

(Set by Board Resolution -- TWC Section 49.0600)

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimburse- ments	Title at Year End
Board Members				
Vicki Fullerton	05/24 - 05/28	\$ 2,581	\$ 285	President
Jim Pell	05/22 - 05/26	2,139		Vice President
Sandi LaPlant	05/24 - 05/28	2,802		Secretary/Treasurer
William Bleibdrey	05/22 - 05/26	2,360		Assistant Vice President
Jeff Beard	05/22 - 05/26	1,918	113	Assistant Secretary
Consultants				
The Muller Law Group, PLLC	2015	Amounts Paid		Attorney
<i>General legal fees</i>		\$ 119,604		
<i>Bond counsel fees</i>		342,400		
Municipal Operations & Consulting Inc.	2018	122,353		Operator
Myrtle Cruz, Inc.	2015	26,062		Bookkeeper
Assessments of the Southwest, Inc.	2015	16,471		Tax Collector
Montgomery Central Appraisal District	Legislation	5,018		Property Valuation
Perdue, Brandon, Collins & Mott, LLP	2018	3,552		Delinquent Tax Attorney
LJA Engineering, Inc.	2015			Engineer
<i>Amounts paid through developer reimbursements</i>		85,729		
McGrath & Co., PLLC	2020	29,250		Auditor
Robert W. Baird & Co.	2017	292,573		Financial Advisor

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