

**THE WOODLANDS ROAD**  
**UTILITY DISTRICT NO. 1**  
**MONTGOMERY COUNTY, TEXAS**  
***FINANCIAL REPORT***  
**September 30, 2025**



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## **Independent Auditors' Report**

Board of Directors  
The Woodlands Road Utility District No. 1  
Montgomery County, Texas

### **Opinions**

We have audited the accompanying financial statements of the governmental activities and each major fund of the The Woodlands Road Utility District No. 1 (the "District") as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of September 30, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis of 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 Auditors' Responsibilities for the Audit of the Financial Statements sections 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.

### **Management's Responsibility for the Financial Statements**

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

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

### **Auditors' Responsibility 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 auditors' 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 perform audit procedures responsive to those risks. Such procedures including 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 evaluating 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 the budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

A handwritten signature in black ink that reads "Kamp Co. & Co. LLP". The signature is stylized and cursive.

Sugar Land, Texas  
January 19, 2026

## **THE WOODLANDS ROAD UTILITY DISTRICT NO. 1**

Management's Discussion and Analysis

September 30, 2025

### **Using this Annual Report**

Within this section of the financial report of The Woodlands Road Utility District No. 1 (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 September 30, 2025. This analysis should be read in conjunction with the independent auditors' 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; and
- Supplementary information required by the Governmental Accounting Standards Board (GASB) concerning the District's budget.

### **Overview of the Financial Statements**

The District is a special purpose government, which is a governmental entity that engages in a single governmental program, such as the construction of road and drainage facilities. The District prepares its financial statements using a format specifically designed for a special-purpose government. This format 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 assets and liabilities of the District, with the difference 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. 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, refer to Note 1 in the financial statements.

## Financial Analysis of the District as a Whole

In the government-wide statements, the difference between assets and liabilities is called Net Position. The District's Net Position at September 30, 2025, was negative \$2,251,679. This amount is negative because the District incurs debt to construct road and drainage facilities which it conveys to other governments.

Net Position is categorized based on their availability to provide financial resources for the District. "Restricted" net position represents amounts that are restricted for future debt service requirements. "Unrestricted" net position represents amounts available to meet the District's future obligations. Net investments in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds that are attributed to the acquisition, construction, or improvement of assets. The District's net investment in capital assets is a deficit because the District issues bonds for assets that they convey to other governments.

A comparative summary of the District's overall financial position, as of September 30, 2025 and 2024, is as follows:

	<b>2025</b>	<b>2024</b>
Current and other assets	\$ 18,086,648	\$ 17,107,460
<b>Total Assets</b>	<b>18,086,648</b>	<b>17,107,460</b>
Current Liabilities	402,902	66,870
Long-Term Liabilities	16,257,432	19,292,269
<b>Total Liabilities</b>	<b>16,660,334</b>	<b>19,359,139</b>
Net Position:		
Net investments in capital assets	(8,756,900)	(10,837,781)
Restricted	5,630,866	4,772,696
Unrestricted	4,552,348	3,813,406
<b>Total Net Position</b>	<b>\$ 1,426,314</b>	<b>\$ (2,251,679)</b>



The total net position of the District increased by \$3,677,993.

A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

#### CHANGES IN NET ASSETS

	<b>Governmental Activities</b>	
	<b>2025</b>	<b>2024</b>
<b>Revenues</b>		
Property taxes, penalties and interest	\$ 4,912,698	\$ 4,568,453
Investment income and other	860,134	1,001,726
<b>Total Revenues</b>	<u>5,772,832</u>	<u>5,570,179</u>
<b>Expenses</b>		
Current service operations	302,054	253,144
Contributions to other governments	1,325,516	273,036
Interest and fiscal charges on long-term debt	467,269	527,919
<b>Total Expenses</b>	<u>2,094,839</u>	<u>1,054,099</u>
<b>Change in Net Position</b>	3,677,993	4,516,080
Net position, beginning	(2,251,679)	(6,767,759)
<b>Net Position, Ending</b>	<u>\$ 1,426,314</u>	<u>\$ (2,251,679)</u>

#### Financial Analysis of the District's Funds

The District's combined fund balances, as of September 30, 2025, were \$16,804,280. The following is a summary of changes in fund balances for the prior two fiscal years:

	<b>2025</b>	<b>Increase (Decrease)</b>	<b>2024</b>	<b>Increase (Decrease)</b>	<b>2023</b>
General Fund	\$ 4,552,348	\$ 738,942	\$ 3,813,406	748,850	\$ 3,064,556
Debt Service Fund	4,751,400	52,162	4,699,238	488,794	4,210,444
Capital Projects Fund	7,500,532	(953,956)	8,454,488	173,179	8,281,309
	<u>\$ 16,804,280</u>	<u>\$ (162,852)</u>	<u>\$ 16,967,132</u>	<u>\$ 1,410,823</u>	<u>\$ 15,556,309</u>

#### General Fund Budgetary Highlights

The Board of Directors did not amend the budget during the fiscal year. The District anticipated an increase in the fund balance of \$575,756, while the actual change was an increase of \$738,942.

The District's budget is primarily a planning tool and was not amended during the year. Accordingly, actual results varied from the budgeted amounts. The *Budgetary Comparison Schedule* in this report provides variance information per financial statement line item.

## Capital Assets

The District has received approval of its Master Plan by Montgomery County and the City of Shenandoah, Texas, to which the facilities will be conveyed when completed. As part of such approval, each governmental entity agreed to accept conveyance of and maintenance responsibility for that portion of the facilities within its jurisdiction following the entity's approval of the construction of such facilities and the expiration of a one year maintenance period. For the year ended September 30, 2025, \$1,325,516 of capital project costs have been incurred and recorded as contributions to other governments in the government-wide statements. Additional information is presented in Note 9.

## Long-Term Debt

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

<b><u>Series</u></b>	<b><u>2025</u></b>	<b><u>2024</u></b>
2016 Refunding	\$ 7,390,000	\$ 8,395,000
2019 Refunding	7,940,000	9,295,000
2020 Refunding	1,335,000	2,025,000
	<u>\$ 16,665,000</u>	<u>\$ 19,715,000</u>

At September 30, 2025, the District had no unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving roads, turnpikes and related drainage systems within the District.

## Property Taxes

The District's property tax base increased approximately \$262,699,122 for the 2024 tax year from \$3,770,684,638 to \$4,033,383,760. This increase was primarily due to changes in property values. The current year tax rate was \$0.10 per \$100 of assessed value, \$0.08 of which was allocated to debt service and \$0.02 allocated to maintenance and operations.

## **FINANCIAL STATEMENTS**

# THE WOODLANDS ROAD UTILITY DISTRICT NO. 1

## STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET

September 30, 2025

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
<b><u>Assets</u></b>				
Cash and cash equivalents	\$ 3,491	\$	\$ 295	\$ 3,786
Investments	4,912,391	4,460,635	7,825,837	17,198,863
<b>Receivables:</b>				
Property taxes	123,285	756,181		879,466
Other				
Prepaid assets	4,533			4,533
Internal receivables		290,765		290,765
<b>Total Assets</b>	<u>\$ 5,043,700</u>	<u>\$ 5,507,581</u>	<u>\$ 7,826,132</u>	<u>\$ 18,377,413</u>
<b><u>Liabilities</u></b>				
Accounts payable and accrued liabilities	\$ 77,302	\$	\$ 325,600	\$ 402,902
Internal payables	290,765			290,765
Long-term liabilities:				
Unamortized bond premium or (discount)				
Due within one year				
Due after one year				
<b>Total Liabilities</b>	<u>368,067</u>	<u></u>	<u>325,600</u>	<u>693,667</u>
<b><u>Deferred Inflows of Resources</u></b>				
Unavailable revenue - property taxes	<u>123,285</u>	<u>756,181</u>	<u></u>	<u>879,466</u>
<b><u>Fund Balances/Net Position</u></b>				
<b>Fund Balances:</b>				
<b>Restricted:</b>				
Debt Service		4,751,400		4,751,400
Capital Projects			7,500,532	7,500,532
<b>Unrestricted:</b>				
Nonspendable	4,533			4,533
Unassigned	4,556,881			4,556,881
<b>Total Fund Balances</b>	<u>4,552,348</u>	<u>4,751,400</u>	<u>7,500,532</u>	<u>16,804,280</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 5,043,700</u>	<u>\$ 5,507,581</u>	<u>\$ 7,826,132</u>	<u>\$ 18,377,413</u>
<b>Net Position:</b>				
Net investment in capital assets				
Restricted				
Unrestricted				
<b>Total Net Position</b>				

<b>Adjustments (Note 2)</b>	<b>Statement of Net Position</b>
\$	\$ 3,786
	17,198,863
	879,466
	4,533
<u>(290,765)</u>	<u>18,086,648</u>
<u>(290,765)</u>	
\$	402,902
(290,765)	
(407,568)	(407,568)
2,985,000	2,985,000
13,680,000	13,680,000
<u>15,966,667</u>	<u>16,660,334</u>
<u>(879,466)</u>	
(4,751,400)	
(7,500,532)	
(4,533)	
<u>(4,556,881)</u>	
<u>(16,813,346)</u>	
(8,756,900)	(8,756,900)
5,630,866	5,630,866
4,552,348	4,552,348
<u>\$ 10,183,214</u>	<u>\$ 1,426,314</u>

# **THE WOODLANDS ROAD UTILITY DISTRICT NO. 1**

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

**Year Ended September 30, 2025**

	<b>General</b>	<b>Debt Service</b>	<b>Capital Projects</b>	<b>Total</b>
<b><u>Revenues</u></b>				
Property taxes	\$ 802,293	\$ 3,296,523	\$	\$ 4,098,816
Penalties and interest	1,411	6,463		7,874
Investment earnings and other	199,071	288,874	372,189	860,134
<b>Total Revenues</b>	<u>1,002,775</u>	<u>3,591,860</u>	<u>372,189</u>	<u>4,966,824</u>
<b><u>Expenditures/Expenses</u></b>				
<b>Current:</b>				
Professional fees	196,234		629	196,863
Contracted services	37,097	36,739		73,836
Administrative	30,502	853		31,355
Contribution to other governments				
<b>Capital Outlay</b>			1,325,516	1,325,516
<b>Debt Service:</b>				
Principal retirement		3,050,000		3,050,000
Interest and fiscal charges		452,106		452,106
<b>Total Expenditures/Expenses</b>	<u>263,833</u>	<u>3,539,698</u>	<u>1,326,145</u>	<u>5,129,676</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	738,942	52,162	(953,956)	(162,852)
<b>Change in Net Position</b>				
Fund Balances/Net Position - Beginning	3,813,406	4,699,238	8,454,488	16,967,132
<b>Fund Balances/Net Position - Ending</b>	<u>\$ 4,552,348</u>	<u>\$ 4,751,400</u>	<u>\$ 7,500,532</u>	<u>\$ 16,804,280</u>

<b>Adjustments (Note 2)</b>	<b>Statement of Activities</b>
\$ 806,008	\$ 4,904,824
	7,874
	860,134
<u>806,008</u>	<u>5,772,832</u>
	196,863
	73,836
	31,355
1,325,516	1,325,516
(1,325,516)	
(3,050,000)	
15,163	467,269
<u>(3,034,837)</u>	<u>2,094,839</u>
162,852	
3,677,993	3,677,993
(19,218,811)	(2,251,679)
<u>\$ (15,377,966)</u>	<u>\$ 1,426,314</u>

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# **THE WOODLANDS ROAD UTILITY DISTRICT NO. 1**

## **NOTES TO FINANCIAL STATEMENTS**

### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of The Woodlands Road Utility District No. 1 (the "District"), located in Harris and Montgomery Counties, conform with accounting principles generally accepted in the United States of America. The following is a summary of the most significant policies:

#### **Creation**

The District is a political subdivision of the State of Texas, created by an Act of the 72<sup>nd</sup> Legislature Regular Session, 1991, Chapter 816 effective June 16, 1991, and operates pursuant to Article III, Section 52 of the Texas Constitution as amended, and Chapter 441 of the Texas Transportation Code, formerly Article 6674r-1, Vernon's Texas City Statutes. The Board of Directors held its first meeting on November 18, 1991 and the first bonds were sold on December 1, 1992.

The District's primary functions are to acquire, construct and improve roads and related drainage works inside or outside of its boundaries, and to convey such completed projects (free and clear of the District's indebtedness) to appropriate governmental entities (Montgomery County and the City of Shenandoah, Texas), who then own and maintain such facilities in accordance with the District's plan of improvement (Master Plan). 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 seven-member board. The Governmental Accounting Standards Board has established the criteria for determining whether or not an entity is a primary government or a component unit of a primary government. The primary criteria are that it has a separately elected governing body; it is legally separate; and it is fiscally independent of other state and local governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District's financial statements as component units.

#### **Government-Wide and Fund Financial Statements**

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

Fund financial statements display information at the individual fund level. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for a specific purpose. Each fund is considered to be a separate accounting

# **THE WOODLANDS ROAD UTILITY DISTRICT NO. 1**

## **NOTES TO FINANCIAL STATEMENTS**

entity. The District has three governmental funds types, which are all reported as major funds.

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.

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

**The General Fund** is used to account for the operations of the District and all other financial transactions not properly includable in other funds. The principal source of revenue is bond proceeds. 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 road and drainage facilities.

### **Measurement Focus and Basis of Accounting**

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

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

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

The Governmental Accounting Standards Board has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the

# **THE WOODLANDS ROAD UTILITY DISTRICT NO. 1**

## **NOTES TO FINANCIAL STATEMENTS**

different types of fund balances that a governmental entity must use for financial reporting purposes. GASB 54 requires the fund balance amounts to be properly reported within one of the following fund balance categories:

**Nonspendable:**

To indicate fund balance associated with inventories, prepaids, long-term loans and notes receivable and property held for resale (unless the proceeds are restricted, committed or assigned).

**Restricted:**

To indicate fund balance that can be spent only for the specific purposes stipulated by constitution, external resource providers or through enabling legislation.

**Committed:**

To indicate fund balance that can be used only for the specific purposes determined by a formal action of the Board of Directors (the District's highest level of decision-making authority).

**Assigned:**

To indicate fund balance to be used for specific purposes but do meet the criteria to be classified as restricted or committed.

**Unassigned:**

To indicate the residual classification of fund balance in the General Fund and includes all spendable amounts not contained in the other classifications.

In circumstances where an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is generally depleted in the order of restricted, committed, assigned and unassigned.

GASB 54 requires disclosure of any formally adopted minimum fund balance policies. The District does not currently have any such policies.

### **Fund Equity/ Restricted Assets**

In the fund financial statements, reserved or designated equity balances represent those portions of fund balance not appropriable for expenditures or legally segregated for a specific future use. Undesignated fund balances represent available balances for the District's future use. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

### **Receivables**

All receivables are reported at their gross value and where appropriate, are reduced by the estimated portion that is expected to be uncollectible. At September 30, 2025, an allowance for uncollectible accounts was not considered necessary.

# **THE WOODLANDS ROAD UTILITY DISTRICT NO. 1**

## **NOTES TO FINANCIAL STATEMENTS**

### **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.

### **Deferred Inflows of Resources**

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources consist of unearned tax revenues.

### **Unamortized Bond Premium or (Discount)**

Included within long term liabilities are the unamortized bond premium or (discount). They are being amortized over the life of the related obligation on the straight-line method. Results obtained are not materially different from the interest method.

### **Reclassifications**

Certain reclassifications to prior year balances have been made to conform to current year presentation. Such reclassifications have had no effect on the excess of revenues over expenditures

### **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### **Date of Management's Review**

Subsequent events have been evaluated through January 19, 2026, which is the date the financial statements were available to be issued.

# **THE WOODLANDS ROAD UTILITY DISTRICT NO. 1**

## **NOTES TO FINANCIAL STATEMENTS**

### **NOTE 2 – ADJUSTMENT FROM GOVERNMENTAL TO GOVERNMENT-WIDE BASIS**

#### **Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position**

Total fund balance, governmental funds	\$	16,804,280
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.		879,466
Bonds payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		(16,257,432)
Total Net Position - Governmental Activities	\$	<u>1,426,314</u>

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

Net change in fund balances - total governmental funds	\$	(162,852)
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.		806,008
The District conveys its infrastructure to the City of Shenandoah or Montgomery County upon completion of construction. Capital outlays are reported as expenditures in these funds. However, in the Statement of Activities, these amounts are reported as transfers to other governments.		
Capital outlay expenditures		1,325,516
Contributions to other governments		(1,325,516)
Principal payments on long-term debt use current financial resources in the funds, but have no effect on government wide net assets. Also governmental funds report issuance costs and discounts on issuance when the related debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.		
Principal payments		3,050,000
Amortization of bond premium		(15,163)
Total Net Position - Governmental Activities	\$	<u>3,677,993</u>

# **THE WOODLANDS ROAD UTILITY DISTRICT NO. 1**

## **NOTES TO FINANCIAL STATEMENTS**

### **NOTE 3 – DEPOSITS AND INVESTMENTS**

#### **Deposit Custodial Credit Risk**

Custodial credit risk as it applies to deposits (i.e. cash and certificates of deposit) 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 of the United States or its agencies and instrumentalities, (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, (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) insured or collateralized certificates of deposit, (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.

In December 2015, GASB issued Statement No. 79 titled "Certain External Investment Pools and Pool Participants" in response to the Securities and Exchange Commission's amendments in 2014 to regulations that apply to money market funds. Statement No. 79 addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. If the external investment pool meets the criteria in Statement No. 79 and measures all of its investments at amortized cost, the pool's participants also should measure their investments in that external investment pool at amortized cost for financial reporting purposes.

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.

# **THE WOODLANDS ROAD UTILITY DISTRICT NO. 1**

## **NOTES TO FINANCIAL STATEMENTS**

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

	<b>Checking</b>	<b>Texpool</b>	<b>Total</b>
General	\$ 3,491	\$ 4,912,391	\$ 4,915,882
Debt Service		4,460,635	4,460,635
Capital Projects	295	7,825,837	7,826,132
	<u>\$ 3,786</u>	<u>\$ 17,198,863</u>	<u>\$ 17,202,649</u>

### **Investment Pools**

The District participates in TexPool, the Texas Local Government Investment Pool. The State Comptroller of Public Accounts exercises oversight responsibility of TexPool, which includes (1) the ability to significantly influence operations, (2) designation of management and (3) accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure. Although TexPool is not registered with the SEC as an investment company, it operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. As permitted by GAAP, TexPool uses amortized cost (which excludes unrealized gains and losses) rather than market value to compute share price. Accordingly, the fair value of the District's position in TexPool is the same as the value of TexPool shares.

### **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 – CONVEYANCE OF CAPITAL ASSETS**

The District has received approval of its Master Plan by Montgomery County and the City of Shenandoah, Texas, to which the facilities will be conveyed. As part of such approval, each governmental entity agreed to accept conveyance of and maintenance responsibility for that portion of the facilities within its jurisdiction following the entity's approval of the construction of such facilities and the expiration of a one year maintenance period. Accordingly, the District does not record completed capital assets in the government wide financial statements, but instead reports completed projects as contributions to other governments. For the year ended September 30, 2025, \$1,325,516 of projects costs were incurred and recorded as contributions to other governments. The District has a deficit net investment in capital assets as a result of the conveyances of assets.

# **THE WOODLANDS ROAD UTILITY DISTRICT NO. 1**

## **NOTES TO FINANCIAL STATEMENTS**

### **NOTE 5 – UNAMORTIZED BOND PREMIUM OR (DISCOUNT)**

A summary of changes in the unamortized bond premium or (discount) follows:

	<b><u>Original Premium (Discount)</u></b>	<b><u>Balance at Begin of Year</u></b>	<b><u>Current Year Amortization</u></b>	<b><u>Balance at End of Year</u></b>
Unlimited Tax Bonds				
Series 2016R	\$ (1,012,451)	\$ (521,117)	\$ (52,111)	\$ (469,006)
Series 2019R	(28,466)	(17,792)	(1,779)	(16,013)
Series 2020R	271,086	116,178	38,727	77,451
<b>Total</b>	<b><u>\$ (769,831)</u></b>	<b><u>\$ (422,731)</u></b>	<b><u>\$ (15,163)</u></b>	<b><u>\$ (407,568)</u></b>

### **NOTE 6 – DUE TO DEVELOPER**

The District has entered into financing agreements with its developer for the financing of the construction of roads and drainage facilities. Under the agreements, the developer will advance funds for the construction of facilities to serve the District. The developer will be reimbursed from proceeds of future bond issues or other lawfully available funds. The District does not record the capital asset and related liability on the Statement of Net Position until construction of the facilities is complete.

The District's developer has also advanced funds to enable the District to provide funding for operating expenses. At September 30, 2025, no amounts were due to the developer.



# **THE WOODLANDS ROAD UTILITY DISTRICT NO. 1**

## **NOTES TO FINANCIAL STATEMENTS**

### **NOTE 7 – LONG-TERM DEBT**

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

	<b>Amounts Outstanding</b>	<b>Interest Rate</b>	<b>Date Serially Begin/End</b>	<b>Maturity Interest Dates</b>	<b>Callable Date</b>
2016 R	\$7,390,000	2.0 – 2.75%	October 1, 2017/2034	October 1/ April 1	Oct. 1, 2025*
2019 R	\$7,940,000	2.0 – 3.0%	October 1, 2020/2034	October 1/ April 1	Oct. 1, 2025*
2020 R	\$1,335,000	2.0%	October 1, 2021/2027	October 1/ April 1	

\* Or any interest payment date thereafter in accordance with redemption provisions of the bond resolution.

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

Bonds payable, beginning of year	\$ 19,715,000
Bonds retired	(3,050,000)
Bonds payable, end of year	<u><u>\$ 16,665,000</u></u>

# **THE WOODLANDS ROAD UTILITY DISTRICT NO. 1**

## **NOTES TO FINANCIAL STATEMENTS**

The debt service payment due October 1 was made during the current fiscal year. The following schedule of debt service requirements as of September 30, 2025, has been prepared assuming this practice will continue in future years:

<b><u>Year</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2026	\$ 2,985,000	\$ 387,807	\$ 3,372,807
2027	2,915,000	328,107	3,243,107
2028	1,750,000	269,807	2,019,807
2029	1,715,000	233,625	1,948,625
2030	1,680,000	195,038	1,875,038
2031	1,650,000	153,038	1,803,038
2032	1,615,000	109,888	1,724,888
2033	1,190,000	66,562	1,256,562
2034	1,165,000	33,832	1,198,832
	<u>\$ 16,665,000</u>	<u>\$ 1,777,704</u>	<u>\$ 18,442,704</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.

At September 30, 2025, the District had no unlimited tax bonds authorized but unissued for the purposes of acquiring, constructing and improving roads, turnpikes and related drainage systems within the District.

# **THE WOODLANDS ROAD UTILITY DISTRICT NO. 1**

## **NOTES TO FINANCIAL STATEMENTS**

### **NOTE 8 – PROPERTY TAXES**

On January 18, 1992, the voters of the District authorized the District's Board of Directors to levy taxes annually for use in financing general operations limited to \$0.25 per \$100 of assessed value. The District's bond resolutions require that property taxes be levied for use in paying interest and principal on long-term debt and for use in paying the cost of assessing and collecting taxes. Taxes levied to finance debt service requirements on long-term debt are without limitation as to rate or amount.

All property values and exempt status, if any, are determined by the Montgomery County Appraisal District. Taxes are levied after receipt of the certified tax roll, are due upon receipt and are delinquent the following February 1, at which time a tax lien attaches to the related property. Penalty and interest attach thereafter.

Property taxes are collected based on rates adopted in the year of the levy. The District's 2025 fiscal year was financed through the 2024 tax levy. The District levied property taxes of \$0.10 per \$100 of assessed value, of which \$0.02 was allocated to maintenance and operations and \$0.08 was allocated to debt service. The resulting tax levy was \$4,033,384 on the adjusted taxable value of \$4,033,383,760.

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

	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Total</b>
2024 Levy	\$ 34,874	\$ 139,496	\$ 174,370
2023 Levy	29,032	147,482	176,514
2022 Levy	24,307	170,150	194,457
2021 Levy	18,142	145,139	163,281
2020 and prior	16,930	153,914	170,844
	<u>\$ 123,285</u>	<u>\$ 756,181</u>	<u>\$ 879,466</u>

### **NOTE 9 – CONTRIBUTIONS TO OTHER GOVERNMENTS**

In accordance with an agreement between the District and the City of Shenandoah (the "City") and Montgomery County (the "County"), the District transfers all of its capital assets to the City or County (see Note 4). Accordingly, the District does not record capital assets in the *Statement of Net Position*, but instead reports project costs as transfers to other governments on the *Statement of Activities*. For the year ended September 30, 2025, \$1,325,516 of project costs were recorded as contribution to other governments.

# **THE WOODLANDS ROAD UTILITY DISTRICT NO. 1**

## **NOTES TO FINANCIAL STATEMENTS**

### **NOTE 10 – RISK MANAGEMENT**

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

## **REQUIRED SUPPLEMENTARY INFORMATION**

# **THE WOODLANDS ROAD UTILITY DISTRICT NO. 1**

## **SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND**

**Year Ended September 30, 2025**

	<b>Budgeted Amounts</b>			<b>Variance Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b><u>Revenues</u></b>				
Property taxes	\$ 731,776	\$ 731,776	\$ 803,704	\$ 71,928
Investment earnings	200,000	200,000	199,071	(929)
<b>Total Revenues</b>	<u>931,776</u>	<u>931,776</u>	<u>1,002,775</u>	<u>70,999</u>
<b><u>Expenditures</u></b>				
<b>Current:</b>				
Professional fees	197,000	197,000	196,234	766
Contracted services	39,500	39,500	37,097	2,403
Administrative	119,520	119,520	30,502	89,018
<b>Capital Outlay</b>				
<b>Total Expenditures</b>	<u>356,020</u>	<u>356,020</u>	<u>263,833</u>	<u>92,187</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	575,756	575,756	738,942	163,186
Fund Balances - Beginning	3,813,406	3,813,406	3,813,406	
<b>Fund Balances - Ending</b>	<u>\$ 4,389,162</u>	<u>\$ 4,389,162</u>	<u>\$ 4,552,348</u>	<u>\$ 163,186</u>

# **THE WOODLANDS ROAD UTILITY DISTRICT NO. 1**

## **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

### **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 and serves as a planning tool. Encumbrance accounting is not utilized.

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