OFFICIAL STATEMENT DATED JANUARY 13, 2021

IN THE OPINION OF BOND COUNSEL, THE BONDS ARE VALID OBLIGATIONS OF MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 46, OF MONTGOMERY COUNTY, TEXAS. IN THE OPINION OF SPECIAL TAX COUNSEL, UNDER EXISTING LAW, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER SECTION 103 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED, AND IS NOT A SPECIFIC PREFERENCE ITEM FOR PURPOSES OF THE ALTERNATIVE MINIMUM TAX. SEE "TAX MATTERS" FOR A DISCUSSION OF THE OPINION OF SPECIAL TAX COUNSEL.

The Bonds have not been designated as "qualified tax-exempt obligations" for financial institutions.

NEW ISSUE – Book Entry Only   Moody's .... "Aa3"

$15,460,000

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 46, OF MONTGOMERY COUNTY, TEXAS

(A Political Subdivision of the State of Texas located within Montgomery County)

UNLIMITED TAX REFUNDING BONDS

SERIES 2021

Interest accrues from: February 1, 2021   Due: March 1, as shown on inside cover page

The $15,460,000 Montgomery County Municipal Utility District No. 46, of Montgomery County, Texas, Unlimited Tax Refunding Bonds, Series 2021 (the "Bonds") are obligations of Montgomery County Municipal Utility District No. 46, of Montgomery County, Texas (the "District"), and are not obligations of the State of Texas; Montgomery County, Texas; the City of Houston, Texas; The Woodlands Township; or any entity other than the District. Neither the faith and credit nor the taxing power of the State of Texas; Montgomery County, Texas; the City of Houston, Texas; The Woodlands Township; nor any entity other than the District is pledged to the payment of the principal of or interest on the Bonds.

Principal on the Bonds is scheduled to mature on March 1 as shown on the inside cover page. Interest will accrue from February 1, 2021, and will be payable March 1 and September 1 of each year ("Interest Payment Date"), commencing September 1, 2021, until maturity. Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months. Principal of the Bonds at maturity, together with accrued interest on the Bonds, is payable to the registered owner(s) of the Bonds (the "Bondholder(s)") at The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (sometimes herein called the "Paying Agent/Registrar"), upon surrender of the Bonds for payment at maturity. Unless otherwise agreed between the Paying Agent and a Bondholder, interest on the Bonds is payable by check or draft of the Paying Agent, dated as of the Interest Payment Date and mailed by the Paying Agent to each Bondholder, as shown on the records of the Registrar on the close of business on the 15th day of the calendar month next preceding each Interest Payment Date (the "Record Date"). The Bonds will be issued only in fully registered form in the denomination of $5,000 of principal amount, or any integral multiple thereof.

The Bonds will be registered and delivered only in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. Beneficial Owners (as defined herein under "BOOK-ENTRY-ONLY SYSTEM") of the Bonds will not receive physical certificates representing the Bonds, but will receive a credit balance on the books of the DTC participants. So long as Cede & Co. is the registered owner of the Bonds, the principal of and interest on the Bonds will be paid by the Paying Agent/Registrar directly to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the Beneficial Owners. See "BOOK-ENTRY-ONLY SYSTEM."

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

The proceeds of the Bonds will be applied to refund certain outstanding bonds of the District in order to achieve gross and net present value savings in the District's annual debt service expense. Proceeds of the Bonds will also be used to pay certain costs incurred in connection with the issuance of the Bonds. See "PLAN OF FINANCING."

The Bonds, when issued, will constitute valid and legally binding obligations of the District and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District, as further described herein.

The Bonds are offered when, as and if issued by the District and accepted by the Underwriter, subject to, among other things, the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Schwartz, Page & Harding, L.L.P., Houston, Texas, Bond Counsel, and Bracewell LLP, Austin, Texas, Special Tax Counsel. Certain legal matters will be passed on for the Underwriter by McCall, Parkhurst & Horton L.L.P., Underwriter's Counsel. Delivery of the Bonds in book-entry form through DTC is expected on or about February 17, 2021.

SAMCO CAPITAL

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS

Maturity (March 1) (a)	Principal Amount	Interest Rate	Initial Reoffering Yield (b)	CUSIP Number (c)	Maturity (March 1) (a)	Principal Amount	Interest Rate	Initial Reoffering Yield (b)	CUSIP Number (c)
2022	$135,000	4.000%	0.280%	613910 WB0	2027	$720,000	4.000%	0.720%	613910 WG9
2023	1,705,000	4.000%	0.300%	613910 WC8	2028	1,230,000	4.000%	0.880%	613910 WH7
2024	1,795,000	4.000%	0.380%	613910 WD6	2029	2,895,000	4.000%	1.010%	613910 WJ3
2025	1,895,000	4.000%	0.470%	613910 WE4	2030	4,745,000	4.000%	1.110%	613910 WK0
2026	340,000	4.000%	0.580%	613910 WF1					

(a) The Bonds are not subject to redemption prior to maturity.
(b) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Underwriter (herein defined). Initial reoffering yields represent the initial offering price, which may be changed for subsequent purchasers. The initial yield indicated above represents the yield resulting when priced to maturity.
(c) CUSIP numbers have been assigned to the Bonds by CUSIP Global Service, managed by S&P Global Market Intelligence on behalf of the American Bankers Association and are included solely for the convenience of the owners of the Bonds.

USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

All of the summaries of the statutes, orders, contracts, records, and engineering and other related reports set forth in the Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from the District, c/o Schwartz, Page & Harding, L.L.P., 1300 Post Oak Blvd., Suite 1400, Houston, Texas 77056, upon payment of the costs for duplication thereof.

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 the other matters described herein since the date hereof. However, the District has agreed to keep this Official Statement current by amendment or sticker to reflect material changes in the affairs of the District, and to the extent that information actually comes to its attention, other matters described in the Official Statement until delivery of the Bonds to the Underwriter and thereafter only as specified in "GENERAL CONSIDERATIONS – Updating the Official Statement."

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

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement pursuant to its responsibilities to investors under the federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.

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SALE AND DISTRIBUTION OF THE BONDS

Underwriting

SAMCO Capital Markets, Inc. (referred to herein as the "Underwriter") has agreed to purchase the Bonds from the District for $18,248,564.05 (being the par amount of the Bonds, plus original issue premium on the Bonds of $2,898,022.70, and less an underwriter's discount of $109,458.65), plus accrued interest on the Bonds to the date of delivery. The Underwriter's obligation is to purchase all of the Bonds, if any Bonds are purchased.

Prices and Marketability

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

The prices and other terms respecting the offering and sale of the Bonds may be changed from time to time by the Underwriter after the Bonds are released for sale and the Bonds may be offered and sold at prices other than the initial offering price, including sales to dealers who may sell the Bonds into investment accounts. IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Securities Laws

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

RATING

Moody's Investors Service, Inc. ("Moody's") has assigned a credit rating of "Aa3" to the Bonds. An explanation of the ratings may be obtained from Moody's, 7 World Trade Center at 250 Greenwich Street, New York, New York 10007. A security rating is not a recommendation to buy, sell, or hold securities. Furthermore, 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 its judgment, circumstances so warrant. Any such revisions or withdrawal of the rating may have an adverse effect on the market price of the Bonds. The District will pay the rating fees charged by Moody's.

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

OFFICIAL STATEMENT SUMMARY

The following is a summary of certain information contained herein and is qualified in its entirety by the more detailed information and financial statements appearing elsewhere in this Official Statement. The reader should refer particularly to sections that are indicated for more complete information.

GENERAL

The District	Montgomery County Municipal Utility District No. 46, of Montgomery County, Texas (the "District"), a political subdivision of the State of Texas, is located within Montgomery County, Texas, and contains approximately 4,784 acres. See "THE DISTRICT."
The Bonds	The $15,460,000 Montgomery County Municipal Utility District No. 46, of Montgomery County, Texas, Unlimited Tax Refunding Bonds, Series 2021 (the "Bonds"), are dated February 1, 2021. The Bonds mature on March 1 as shown on the inside cover page hereof. Interest on the Bonds accrues from February 1, 2021, and is payable September 1, 2021, and on each March 1 and September 1 thereafter until maturity. See "THE BONDS."
No Redemption of the Bonds	The Bonds are not subject to redemption prior to maturity.
Use of Proceeds	The proceeds of the Bonds, along with certain other lawfully available funds of the District, will be applied to refund $17,650,000 (the "Refunded Bonds") of the District's $24,575,000 Unlimited Tax Refunding Bonds, Series 2013, in order to achieve annual gross and net present value savings in the District's annual debt service expense. The proceeds will also be used to pay certain costs of issuing the Bonds. See "PLAN OF FINANCING."
Remaining Outstanding Bonds	The District has previously issued thirteen series of unlimited tax bonds for water, wastewater and drainage purposes, aggregating $130,590,000. The District has also issued thirteen series of unlimited tax bonds to refund a portion of the bonds previously issued. Excluding the Refunded Bonds, $50,750,000 principal amount of bonds previously issued will remain outstanding after the issuance of the Bonds (the "Remaining Outstanding Bonds"). See "THE BONDS – Remaining Outstanding Bonds."
Source of Payment	Principal of and interest on the Bonds are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. See "THE BONDS – Source of Payment."
Payment Record	The District has never defaulted on the timely payment of principal or interest on its outstanding bonded indebtedness. See "DISTRICT DEBT."
Not Qualified Tax-Exempt Obligations	The District has <u>not</u> designated the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended. See "TAX MATTERS – Tax Exemption."
Rating	Moody's Investors Service, Inc.: "Aa3." See "RATING."
Legal Opinions	Schwartz, Page & Harding, L.L.P., Houston, Texas, Bond Counsel and Bracewell LLP, Austin, Texas, Special Tax Counsel. See "LEGAL MATTERS."
Underwriter's Counsel	McCall, Parkhurst & Horton L.L.P., Houston, Texas.

Verification Agent	Robert Thomas CPA, LLC, Minneapolis, Minnesota. See "THE DISTRICT – Special Consultants Related to Issuance of the Bonds" and "VERIFICATION OF MATHEMATICAL CALCULATIONS."

THE DISTRICT

Description	The District was created by an order of the Texas Water Commission, predecessor to the Texas Commission on Environmental Quality (the "TCEQ") on March 17, 1981, and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended. The District is located entirely within The Woodlands in Montgomery County, Texas, approximately 27 miles north of the central business district of the City of Houston. The District is located within the exclusive extraterritorial jurisdiction of the City of Houston. The District is comprised of four noncontiguous tracts of land located within the Village of Grogan's Mill, the Village of Alden Bridge, the Village of Sterling Ridge and Carlton Woods. The first and second tracts are located in the Village of Alden Bridge and are accessible via Interstate Highway No. 45 and College Park Drive (Texas State Highway 242). The third tract, part of the Village of Sterling Ridge and Carlton Woods, is accessible via Interstate Highway 45 and Woodlands Parkway, and the fourth tract, part of the Village of Grogan's Mill, is accessible via Interstate Highway 45 and Sawdust and Sawmill Roads. The District is comprised of approximately 4,784 acres of land within the 28,000-acre community known as The Woodlands. See "THE DISTRICT."
Status of Development	Development of residential properties in the District includes approximately 6,406 completed single-family homes, 4 completed apartment complexes totaling 996 units, 8 completed townhome projects totaling 533 units, 1 completed 86-unit condominium project, 1 completed 54-unit triplex, 1 completed 64-unit 8-plex, 1 completed duplex project totaling 138 units and no developed but unimproved lots. In addition, nonresidential development within the District consists of an office property, a day-care center, a 130,000 square foot ("sq. ft.") shopping center, Sterling Ridge Village Center, in the Village of Sterling Ridge and a 100,000 sq. ft. shopping center, Windvale Shopping Center, in the Village of Alden Bridge. To date, 2,945 acres within the District have been developed as building sites with utilities and 1,814 acres have been dedicated as streets, easements and open spaces. It is estimated that of the remaining acreage within the District, 26 acres, will be developed and marketed as commercial lots. See "CURRENT STATUS OF DEVELOPMENT IN THE DISTRICT."
Developer	The Woodlands Land Development Company, L.P. (the "Developer") is developing the property within the District. See "THE DEVELOPER."

INFECTIOUS DISEASE OUTLOOK (COVID-19)

Infectious Disease Outlook – COVID-19	The World Health Organization has declared a pandemic following the outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus (the "Pandemic"), which is currently affecting many parts of the world, including the United States and the State of Texas (the "State"). On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States in connection with

COVID-19. On March 13, 2020, the President of the United States (the "President") declared the Pandemic a national emergency and the State Governor (the "Governor") declared COVID-19 an imminent threat of disaster for all counties in the State (collectively, the "disaster declarations"). On March 25, 2020, in response to a request from the Governor, the President issued a Major Disaster Declaration for the State.

Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting State business or any order or rule of a State agency that would in any way prevent, hinder, or delay necessary action in coping with the disaster, and issuing executive orders that have the force and effect of law. The Governor has since issued a number of executive orders relating to COVID-19 preparedness and mitigation. In addition to the actions by the State and federal officials, certain local officials have declared a local state of disaster. Many of the federal, State and local actions and policies under the aforementioned disaster declarations and shelter-in-place orders are focused on limiting instances where the public can congregate or interact with each other, which negatively affects the operation of businesses and the State and national economies.

Such adverse economic conditions, if they continue, 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 Bonds are secured by an unlimited ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds as well as the District's operations and maintenance expenses payable from ad valorem taxes.

The District continues to monitor the spread of COVID-19 and the potential impact of the Pandemic on the District. While the potential impact of the Pandemic on the District cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the District's operations and financial condition or its ratings. The financial and operating data contained herein are the latest available but are as of dates and for periods partially prior to the economic impact of the Pandemic and measures instituted to slow it. Accordingly, they are not indicative of the economic impact of the Pandemic on the District's financial condition.

INVESTMENT CONSIDERATIONS

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

SELECTED FINANCIAL INFORMATION

(UNAUDITED)

2020 Taxable Assessed Valuation	$ 3,561,323,543	(a)
Direct Debt:		
The Remaining Outstanding Bonds	$ 50,750,000	(b)
The Bonds	$ 15,460,000	
Total	$ 66,210,000	
Estimated Overlapping Debt	$ 167,461,121	(c)
Direct and Estimated Overlapping Debt	$ 233,671,121	
Debt Service Fund Balance (as of October 31, 2020)	$8,157,177	(d)
Operating Fund Balance (as of October 31, 2020)	$7,280,785	
Capital Projects Fund Balance (as of October 31, 2020)	$337,518	
Direct Debt Ratio:		
As a percentage of 2020 Taxable Assessed Valuation	1.86	%
Direct and Estimated Overlapping Debt Ratio:		
As a percentage of 2020 Taxable Assessed Valuation	6.56	%
2020 Tax Rate Per $100 of Assessed Valuation		
Debt Service	$0.20000	
Maintenance	$0.00974	
Total	$0.20974	
Average Annual Debt Service Requirement (2021–2030)	$7,771,383	(e)
Maximum Annual Debt Service Requirement (2030)	$8,622,169	(e)
Tax Rate per $100 of Assessed Valuation Required to Pay Average Annual Debt Service Requirement (2021–2030) at 95% Tax Collections:		
Based Upon 2020 Taxable Assessed Valuation	$0.23	
Tax Rate per $100 of Assessed Valuation Required to Pay Maximum Annual Debt Service Requirement (2030) at 95% Tax Collections:		
Based Upon 2020 Taxable Assessed Valuation	$0.26	

(a) Represents the taxable assessed valuation of all taxable property located with the District as of January 1, 2020, as certified by the Montgomery Central Appraisal District. See "TAX DATA" and "TAXING PROCEDURES."

(b) Outstanding debt at the time of issuance, excluding the Refunded Bonds.

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

(d) Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Debt Service Fund. At the time of the closing, accrued interest on the Bonds from February 1, 2021, to the date of delivery will be deposited to the Debt Service Fund.

(e) Requirement of debt service on the Remaining Outstanding Bonds and the Bonds.

INTRODUCTION

This Official Statement provides certain information in connection with the issuance by Montgomery County Municipal Utility District No. 46, of Montgomery County, Texas (the "District"), of its $15,460,000 Montgomery County Municipal Utility District No. 46, of Montgomery County, Texas, Unlimited Tax Refunding Bonds, Series 2021 (the "Bonds").

The Bonds are issued pursuant to (i) the Bond Order ("Bond Order") adopted by the Board of Directors of the District, (ii) the Constitution and general laws of the State of Texas, particularly Chapters 49 and 54, Texas Water Code, as amended, and Chapter 1207 Government Code, as amended, (iii) an election held within the District on August 12, 1989, and (iv) Ordinance No. 97-416 of the City of Houston relating to refunding bonds issued by conservation and reclamation districts within the extraterritorial jurisdiction of the City of Houston (the "Ordinance").

Certain capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Bond Order, except as otherwise indicated herein.

This Official Statement also includes information about the District and certain reports and other statistical data. The summaries and references to all documents, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive or definitive and each summary and reference is qualified in its entirety by reference to each such document, statute, report or instrument.

THE BONDS

General

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

Description

The Bonds will be dated February 1, 2021, with interest payable on September 1, 2021, and on each March 1 and September 1 thereafter (each an "Interest Payment Date") until maturity. Interest on the Bonds initially accrues from February 1, 2021, and thereafter, from the most recent Interest Payment Date. The Bonds mature on March 1 of the years and in the amounts shown under "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS" on the inside cover page hereof. The Bonds are issued in fully registered form only in denominations of $5,000 or any integral multiple of $5,000 for any one maturity. The Bonds will be registered and delivered only to The Depository Trust Company, New York, New York ("DTC"), in its nominee name of Cede & Co., pursuant to the book-entry system described herein ("Registered Owners"). No physical delivery of the Bonds will be made to the purchasers thereof. See "BOOK-ENTRY-ONLY SYSTEM." Interest calculations are based upon a three hundred sixty (360) day year comprised of twelve (12) thirty (30) day months.

Authority for Issuance

The District has previously issued thirteen series of unlimited tax bonds out of the total voter authorized bonds in the principal amount of $130,590,000 payable in whole or in part from taxes which were authorized by the voters of the District at various elections held within the District for purposes of acquiring and constructing a waterworks, sanitary sewer and drainage system to serve the District. In addition, the District has issued thirteen series of unlimited tax refunding bonds, which were authorized by the voters of the District at an election held on August 12, 1989. The previously issued unlimited tax bonds and the previously issued unlimited tax refunding bonds are referred to herein collectively as the "Previously Issued Bonds." Following the issuance of the Bonds, $125,254.45 principal amount of unlimited tax refunding bonds and $9,100,000 principal amount of waterworks and sewer system unlimited tax bonds will remain authorized but unissued.

The Bonds are issued pursuant to the Bond Order to be adopted by the Board; Article XVI, Section 59 of the Texas Constitution; Chapters 49 and 54 of the Texas Water Code, as amended; Chapter 1207, Texas Government Code, as amended; the August 12, 1989 election; and the Ordinance.

Source and Security for Payment

The Bonds, together with the Remaining Outstanding Bonds (herein defined) and any additional bonds payable from ad valorem taxes, are secured by and payable from the proceeds of an annual ad valorem tax levied, without legal limitation as to rate or amount, upon all taxable property located within the District. See "TAXING PROCEDURES." Investment in the Bonds involves certain elements of risk, and all prospective purchasers are urged to carefully examine this Official Statement with respect to the investment security of the Bonds. See "INVESTMENT CONSIDERATIONS." The Bonds are obligations solely of the District and are not obligations of the State of Texas; Montgomery County, Texas; the City of Houston, Texas (the "City"); The Woodlands Township; or any entity other than the District.

Funds

The Bond Order confirms the establishment of the District's Debt Service Fund (the "Bond Fund") created and established pursuant to the orders of the District authorizing the issuance of the Previously Issued Bonds. Accrued interest on the Bonds will be deposited from the proceeds from the sale of the Bonds into the Bond Fund. The Bond Fund, which constitutes a trust fund for the benefit of the owners of the Remaining Outstanding Bonds, the Bonds and any additional tax bonds issued by the District, is to be kept separate from all other funds of the District, and is to be used for payment of debt service on the Remaining Outstanding Bonds, the Bonds and any of the District's duly authorized additional bonds payable in whole or part from taxes. Amounts on deposit in the Bond Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar, to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Remaining Outstanding Bonds, the Bonds and any additional bonds payable in whole or in part from taxes, and to pay any tax anticipation notes issued, together with interest thereon, as such tax anticipation notes become due.

Record Date

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

No Redemption of the Bonds

The Bonds are not subject to redemption prior to maturity.

Remaining Outstanding Bonds

The District has previously issued thirteen series of unlimited tax bonds for water, wastewater and drainage purposes, aggregating $130,590,000. The District has also issued thirteen series of unlimited tax bonds to refund a portion of the bonds previously issued. Excluding the Refunded Bonds, $50,750,000 principal amount of bonds previously issued will remain outstanding after the issuance of the Bonds (the "Remaining Outstanding Bonds").

Method of Payment of Principal and Interest

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

Registration

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

Replacement of Paying Agent/Registrar

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

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.

Issuance of Additional Debt

The District may issue bonds necessary to provide those improvements and facilities for which the District was created. Following the issuance of the Bonds, $125,254.45 principal amount of unlimited tax refunding bonds and $9,100,000 principal amount of waterworks and sewer system unlimited tax bonds will remain authorized but unissued. Additional tax or tax and revenue bonds may be voted in the future. The Board is further empowered to borrow money, under limited circumstances, for its lawful corporate purpose and to issue revenue notes, bond anticipation notes, or tax anticipation notes. See "INVESTMENT CONSIDERATIONS – Future Debt."

The District also is authorized by law to engage in fire-fighting activities, including the issuance of bonds payable from taxes for such purpose. Before the District could issue such bonds, the following actions would be required: (1) authorization of a detailed master plan and bonds for such purpose by the qualified voters in the District; (2) amendment of the existing City ordinance specifying the purposes for which the District may issue bonds; (3) approval of master plan and bonds by the TCEQ; and (4) approval of bonds by the Attorney General of Texas. The Board has not considered calling an election at this time for such purposes. The District has no information concerning any determination by the City concerning modification of its ordinances.

The Bond Order imposes no limitation on the amount of additional bonds that may be issued by the District. Any additional bonds issued by the District may be on parity with the Bonds.

Financing Recreational Facilities

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

The District is authorized to levy an operation and maintenance tax to support recreational facilities at a rate not to exceed 10 cents per $100 of assessed valuation of taxable property in the District, after such tax is approved at an election. Said maintenance tax is in addition to any other maintenance tax authorized to be levied by the District. In addition, conservation and reclamation districts in certain counties are authorized to issue bonds payable from an ad valorem tax to pay for the development and maintenance of recreational facilities if (i) the district duly adopts a plan for the facilities; (ii) the bonds are authorized at an election; (iii) the bonds payable from any source do not exceed 1% of the value of the taxable property in the district at the time of issuance of the bonds, or an amount greater than the estimated cost of the plan, whichever amount is smaller; (iv) the district obtains any necessary governmental consents allowing the issuance of such bonds; (v) the issuance of the bonds is approved by the TCEQ in accordance with its rules with respect to same; and (vi) the bonds are approved by the Attorney General of Texas. Due to certain limitations under current law with respect to districts located in Montgomery County, the District may not issue bonds payable from ad valorem taxes for recreational facilities. The District may issue bonds for such purposes payable solely from net operating revenues without an election.

The District has not considered calling an election to authorize the levy of an operation and maintenance tax to support recreational facilities but could consider doing so in the future.

Current law may be changed in a manner to permit the issuance by the District of bonds payable from ad valorem taxes for recreational purposes, or to allow a higher or lower maintenance tax rate for such purposes. The levy of taxes for such purposes may dilute the security for the Bonds.

Annexation, Incorporation and Consolidation

The District lies within the extraterritorial jurisdiction of the City. Under Texas law, a district situated in the extraterritorial jurisdiction of a home-rule city may be annexed in whole, but not in part, by the City subject to compliance by the City with various requirements of Chapter 43 of the Texas Local Government Code, as amended. Such requirements may include the requirement that the City hold an election in the District whereby qualified voters of the District approve the proposed annexation. If the District is annexed, the City must assume the assets, functions and obligations of the District, including the District's outstanding bonds. No representation is made concerning the eventual likelihood of annexation or the ability of the City to make debt service payments should annexation occur.

In addition, the District is located entirely within The Woodlands Township, Texas, a political subdivision of the State of Texas which overlaps substantially all of the territory of The Woodlands. The Woodlands Township, Texas, entered into agreements with the City of Conroe and the City in 2007 pursuant to which the area of the Township, including the District, may not be annexed for fifty (50) years, and the area of the Township may, on request by The Woodlands Township, Texas, be excluded from the extraterritorial jurisdiction of either or both cities, and may thereafter be incorporated as a municipality or may adopt a new form of local government.

In the event of incorporation of The Woodlands Township, Texas, the incorporated municipality may dissolve the District and assume the assets, obligations and liabilities of the District, including the Bonds. No representation is made concerning the eventual likelihood of incorporation of The Woodlands Township, Texas, the likelihood of the incorporated municipality to dissolve the District or the ability of the incorporated municipality to make debt service payments should incorporation and dissolution occur.

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 or more other districts, but the District currently has no plans to do so.

Remedies in Event of Default

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

Defeasance

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

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

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

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 The Depository Trust Company ("DTC"), New York, New York, 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 Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

The Depository Trust Company ("DTC"), New York NY, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be required by an authorized representative of DTC. One fully-registered Security certificate will be issued for each of the Securities, each in the aggregate principal amount of such issue, and will be deposited with DTC. If however, the aggregate principal amount of any issue exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

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

Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchase of each Security ("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 Securities 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 Securities, except in the event that use of the book-entry system for the Securities in discontinued.

To facilitate subsequent transfers, all Securities 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 Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities 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. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Securities 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 Securities 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 Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to Tender/Remarketing Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records to Tender/Remarketing Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to Tender/Remarketing Agent's DTC account.

DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to District or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security 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, Security 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 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 Order will be given only to DTC.

PLAN OF FINANCING

Use of Proceeds

A portion of the proceeds of the Bonds, along with certain other lawfully available funds of the District, if any, will be applied to refund $17,650,000 (the "Refunded Bonds") of the District's $24,575,000 Unlimited Tax Refunding Bonds, Series 2013. The proceeds will also be used to pay certain costs of issuing the Bonds. The Bonds are issued in order to achieve annual gross and net present value savings in the District's annual debt service expense.

Unlimited Tax Refunding Bonds, Series 2013	
Principal Amount	Maturity Date
$315,000	03/01/2022
1,905,000	03/01/2023
2,020,000	03/01/2024
2,150,000	03/01/2025
615,000	03/01/2026
1,000,000	03/01/2027
1,505,000	03/01/2028
3,160,000	03/01/2029
4,980,000	03/01/2030
$17,650,000	

Redemption Date: March 1, 2021

Remaining Outstanding Bonds

The following represents the previously issued bonds that will remain outstanding following the issuance of the Bonds.

	Original Principal Amount	Principal Currently Outstanding	Less: Refunded Bonds	Remaining Outstanding Bonds
Series 2011 Refunding Bonds	$9,265,000	$3,060,000	–	$3,060,000
Series 2012 Refunding Bonds	9,520,000	290,000	–	290,000
Series 2013 Refunding Bonds	24,575,000	17,760,000	($17,650,000)	110,000
Series 2015 Refunding Bonds	18,340,000	16,690,000	–	16,690,000
Series 2015A Refunding Bonds	6,685,000	5,245,000	–	5,245,000
Series 2016 Refunding Bonds	6,535,000	6,300,000	–	6,300,000
Series 2017 Refunding Bonds	11,910,000	11,695,000	–	11,695,000
Series 2019 Refunding Bonds	7,455,000	7,360,000	–	7,360,000
	$94,285,000	$68,400,000	($17,650,000)	$50,750,000

Escrow Agreement

The Refunded Bonds, and the interest due thereon, are to be paid on their scheduled interest payment dates until final payment or their redemption date from funds to be deposited with The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, as escrow agent (the "Escrow Agent").

The Bond Order provides that the District and the Escrow Agent will enter into an escrow agreement (the "Escrow Agreement") to be dated as of the date of the sale of the Bonds but effective on the date of delivery of the Bonds (expected to be February 17, 2021). The Bond Order further provides that from the proceeds of the sale of the Bonds, along with certain other lawfully available funds of the District, if any, the District will deposit with the Escrow Agent the amount necessary to accomplish the discharge and final payment of the Refunded Bonds. Such funds will be held by the Escrow Agent in a segregated escrow account (the "Escrow Fund"). Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of principal of and interest on the Refunded Bonds and will not be available to pay principal of and interest on the Bonds or the Remaining Outstanding Bonds.

Defeasance of the Refunded Bonds

By the deposit of the cash with the Escrow Agent pursuant to the Escrow Agreement, the District will have effected the defeasance of the Refunded Bonds pursuant to the terms of the order authorizing the issuance of the Refunded Bonds. In the opinion of Bond Counsel, as a result of such deposit, firm banking and financial arrangements will have been made for the discharge and final payment of the Refunded Bonds pursuant to the Escrow Agreement, and such Refunded Bonds will be deemed under Texas law to be fully paid and no longer outstanding, except for the purpose of being paid from the funds provided therefor in the Escrow Fund.

Sources and Uses of Funds

The proceeds derived from the sale of the Bonds, along with certain other lawfully available funds of the District, if any, will be applied as follows:

SOURCES OF FUNDS:	
Principal Amount of the Bonds	$15,460,000.00
Premium	2,898,022.70
Accrued Interest on the Bonds	27,484.44
Debt Service Fund Transfer	104,000.00
Total Sources of Funds	$18,489,507.14
USES OF FUNDS:	
Deposit for Payment of Refunded Bonds	$17,978,612.50
Deposit of Accrued Interest to Debt Service Fund	27,484.44
Issuance Expenses and Underwriter's Discount	480,708.65
Additional Proceeds	2,701.55
Total Uses of Funds	$18,489,507.14

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DISTRICT DEBT

General

The following tables and calculations relate to the Bonds. The District and other political subdivisions, which overlap all or a portion of the District, are empowered to incur debt to be paid from revenues raised or to be raised by taxation of all or a portion of the property within the District.

2020 Taxable Assessed Valuation	$ 3,561,323,543	(a)
Direct Debt:		
The Remaining Outstanding Bonds	$ 50,750,000	(b)
The Bonds	$ 15,460,000	
Total	$ 66,210,000	
Estimated Overlapping Debt	$ 167,461,121	(c)
Direct and Estimated Overlapping Debt	$ 233,671,121	
Debt Service Fund Balance (as of October 31, 2020)	$8,157,177	(d)
Operating Fund Balance (as of October 31, 2020)	$7,280,785	
Capital Projects Fund Balance (as of October 31, 2020)	$337,518	
Direct Debt Ratio:		
As a percentage of 2020 Taxable Assessed Valuation	1.86	%
Direct and Estimated Overlapping Debt Ratio:		
As a percentage of 2020 Taxable Assessed Valuation	6.56	%
2020 Tax Rate Per $100 of Assessed Valuation		
Debt Service	$0.20000	
Maintenance	$0.00974	
Total	$0.20974	

(a) Represents the taxable assessed valuation of all taxable property located with the District as of January 1, 2020, as certified by the Montgomery Central Appraisal District. See "TAX DATA" and "TAXING PROCEDURES."

(b) Outstanding debt at the time of issuance, excluding the Refunded Bonds.

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

(d) Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Debt Service Fund. At the time of the closing, accrued interest on the Bonds from February 1, 2021, to the date of delivery will be deposited to the Debt Service Fund.

Estimated Overlapping Debt

The following table indicates the indebtedness, defined as outstanding bonds payable from ad valorem taxes, of governmental entities overlapping the District and the estimated percentages and amounts of such indebtedness attributable to property within the District. This information is based upon data secured from the individual jurisdictions and/or the Texas Municipal Reports. Such figures do not indicate the tax burden levied by the applicable taxing jurisdictions for operation and maintenance or for other purposes.

Taxing Jurisdiction	Outstanding Debt November 30, 2020	Overlapping Percent	Overlapping Amount
Montgomery County	$ 509,380,000	5.84%	$ 29,724,972
Conroe Independent School District	1,397,970,000	8.80	122,968,650
Lone Star College System District	542,290,000	1.61	8,719,448
The Woodlands Road Utility District No. 1	37,725,000	3.23	1,218,518
The Woodlands Township	28,220,000	17.11	4,829,533
Total Estimated Overlapping Debt			$ 167,461,121
The District (a)			$ 66,210,000
Total Direct and Estimated Overlapping Debt (a)			$ 233,671,121

Debt Ratios

Direct Debt Ratio (a):
As a percentage of the 2020 Taxable Assessed Valuation.. 1.86 %

Direct and Estimated Overlapping Debt Ratio (a):
As a percentage of the 2020 Taxable Assessed Valuation.. 6.56 %

(a) Outstanding debt at the time of issuance, includes the Bonds and excludes the Refunded Bonds.

Debt Service Requirements

The following schedule sets forth the current total debt service requirements of the District, less the Refunded Bonds, plus the principal and interest requirements on the Bonds.

Calendar Year	Outstanding Debt Service (a)	Less: Refunded Debt Service	Plus: The Bonds Principal	Plus: The Bonds Interest	Total Debt Service
2021	$6,854,755	$657,225	$0	$360,733	$6,558,263
2022	7,950,290	967,500	135,000	615,700	7,733,490
2023	8,172,926	2,505,150	1,705,000	578,900	7,951,676
2024	8,172,883	2,522,025	1,795,000	508,900	7,954,758
2025	8,207,925	2,547,775	1,895,000	435,100	7,990,250
2026	8,355,376	949,800	340,000	390,400	8,135,976
2027	7,190,077	1,310,575	720,000	369,200	6,968,702
2028	7,525,920	1,778,000	1,230,000	330,200	7,308,120
2029	8,710,756	3,363,025	2,895,000	247,700	8,490,431
2030	8,840,081	5,057,813	4,745,000	94,900	8,622,169
Total	$79,980,989	$21,658,888	$15,460,000	$3,931,733	$77,713,835

Average Annual Debt Service Requirement (2021–2030)...$7,771,383
Maximum Annual Debt Service Requirement (2030)...$8,622,169

(a) Outstanding debt service at the time of issuance of the Bonds.

TAXING PROCEDURES

Property Tax Code and County-Wide Appraisal District

The Texas Tax Code (the "Property Tax Code") requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas a single appraisal district with the responsibility for recording and appraising property for all taxing units within a county and a single appraisal review board with the responsibility for reviewing and equalizing the values established by the appraisal district. The Montgomery Central Appraisal District (the "Appraisal District") has the responsibility for appraising property for all taxing units wholly within Montgomery County, including the District. Such appraisal values are subject to review and change by the Montgomery County Appraisal Review Board (the "Appraisal Review Board"). Under certain circumstances, taxpayers and taxing units (such as the District) may appeal the orders of the Appraisal Review Board by filing a petition for review in State district court. In such event, the value of the property in question will be determined by the court or by a jury if requested by any party. Absent any such appeal, the appraisal roll, as prepared by the Appraisal District and approved by the Appraisal Review Board, must be used by each taxing jurisdiction in establishing its tax roll and tax rate. The District is eligible, along with all other conservation and reclamation districts within Montgomery County, to participate in the nomination of and vote for a member of the Board of Directors of the Appraisal District.

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property and tangible personal property in the District is subject to taxation by the District; however, it is expected that no effort will be made by the District to collect taxes on personal property other than on personal property rendered for taxation, business inventories and the property of privately owned utilities. Principal categories of exempt property include property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies and personal effects; farm products owned by the producer; all oil, gas and mineral interests owned by an institution of higher education; certain property owned by exclusively charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; solar and wind-powered energy devices; and most individually owned automobiles.

In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years or older or under a disability for purposes of payment of disability insurance benefits under the Federal Old-Age Survivors and Disability Insurance Act to the extent deemed advisable by the Board. The District would be required to call an election on such residential homestead exemption upon petition by at least twenty percent (20%) of the number of qualified voters who voted in the District's preceding election and would be required to offer such an exemption if a majority of voters approve it at such election. For the 2020 tax year, the District has granted an exemption of $20,000 for persons of age sixty-five (65) or older or under a disability for purposes of payment of disability insurance benefits under the Federal Old-Age Survivors and Disability Insurance Act.

The District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between $5,000 and $12,000 of assessed valuation depending upon the disability rating of the veteran, if such rating is less than 100%. A veteran who receives a disability rating of 100% is entitled to an exemption for the full value of the veteran's residence homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if (i) the residence homestead was donated by a charitable organization at no cost to the disabled veteran or (ii) the residence was donated by a charitable organization at some cost to the disabled veteran if such cost is less than or equal to fifty percent (50%) of the total good faith estimate of the market value of the residence as of the date the donation is made. Also, the surviving spouse of (i) a member of the armed forces or (ii) a first responder as defined under Texas law, who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

A "Freeport Exemption" applies to goods, wares, merchandise, other tangible personal property and ores, other than oil, natural gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining oil or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit" Exemption is applicable to certain tangible personal property, as defined by the Property Tax Code, acquired in or imported into Texas for storage purposes and which is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. The exemption excludes oil, natural gas, petroleum products, aircraft, and certain special inventory including dealer's motor vehicles, dealer's vessel and outboard motor vehicle, dealer's heavy equipment and retail manufactured housing inventory. The exemption applies to covered property if it is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit personal property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. However, taxing units who took official action as allowed by prior law before October 1, 2011, to tax goods-in-transit property, and who pledged such taxes for the payment of debt, may continue to impose taxes against the goods-in-transit property until the debt is discharged without further action, if cessation of the imposition would impair the obligations of the contract by which the debt was created. The District has not exercised its option to tax goods-in-transit personal property but may choose to do so in the future.

General Residential Homestead Exemption

Texas law authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the appraised value of residential homesteads, but not less than $5,000 if any exemption is granted, from ad valorem taxation. The law provides, however, that where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. For the 2018, 2019, and 2020 tax years, the District has granted a 20% general residential homestead exemption.

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Assessments under the Property Tax Code are to be based upon one hundred percent (100%) of market value. The appraised value of residential homestead property may be limited to the lesser of the market value of the property, or the sum of the appraised value of the property for the last year in which it was appraised, plus ten percent (10%) of such appraised value multiplied by the number of years since the last appraisal, plus the market value of all new improvements to the property. Once an appraisal roll is prepared and approved by the Appraisal Review Board, it is used by the District in establishing its tax rate. The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraised values. The plan must provide for appraisal of all real property by the Appraisal District at least once every three (3) years. It is not known what frequency of reappraisal will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county-wide basis.

When requested by a local taxing unit, such as the District, the Appraisal District is required to complete a reappraisal as soon as practicable of all property damaged in an area that the Governor declares a disaster area. For reappraised property, the taxes are pro-rated for the year in which the disaster occurred. The taxing unit assesses taxes prior to the date the disaster occurred based upon market value as of January 1. Beginning on the date of the disaster and for the remainder of the year, the taxing unit applies its tax rate to the reappraised market value of the property.

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

District and Taxpayer Remedies

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

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

Agricultural, Open Space, Timberland and Inventory Deferment

The Property Tax Code permits land designated for agricultural use (including wildlife management), open space, or timberland to be appraised at its value based on the land's capacity to produce agriculture or timber products rather than at its fair market value. The Property Tax Code permits, under certain circumstances, that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of any of such designations must apply for the designation, and the Appraisal District is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions and not as to others. If a claimant receives the designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use for the three (3) years prior to the loss of the designation for agricultural, timberland or open space land. According to the District's Tax Assessor/Collector, approximately 67 acres of land within the District are currently designated for agricultural, open space, or timberland use.

Levy and Collection of Taxes

The District is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. The District adopts its tax rate each year after it receives a tax roll certified by the Appraisal District. Taxes are due upon receipt of a bill therefor, and become delinquent after January 31 of the following year or 30 days after the date billed, whichever is later, or, if billed after January 10, they are delinquent on the first day of the month next following the 21st day after such taxes are billed. A delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month the tax remains unpaid beginning the first calendar month it is delinquent. A delinquent tax also incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent plus a one percent (1%)

penalty for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. However, a tax delinquent on July 1 incurs a total penalty of twelve percent (12%) of the amount of the delinquent tax without regard to the number of months the tax has been delinquent, which penalty remains at such rate without further increase. If the tax is not paid by July 1, an additional penalty of up to the amount of the compensation specified in the District's contract with its delinquent tax collection attorney, but not to exceed twenty percent (20%) of the total tax, penalty and interest, may, under certain circumstances, be imposed by the District. With respect to personal property taxes that become delinquent on or after February 1 of a year and that remain delinquent sixty (60) days after the date on which they become delinquent, as an alternative to the penalty described in the foregoing sentence, an additional penalty on personal property of up to the amount specified in the District's contract with its delinquent tax attorney, but not to exceed twenty percent (20%) of the total tax, penalty and interest, may, under certain circumstances, be imposed by the District prior to July 1. The District's contract with its delinquent tax collection attorney currently specifies a twenty percent (20%) additional penalty. The District may waive penalties and interest on delinquent taxes only for the items specified in the Property Tax Code. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment, and the postponement of the delinquency of taxes under certain circumstances. The owner of a residential homestead property who is (i) a person sixty-five (65) years of age or older, (ii) under a disability for purpose of payment of disability insurance benefits under the Federal Old Age Survivors and Disability Insurance Act, or (iii) qualifies as a disabled veteran under Texas law is entitled by law to pay current taxes on a residential homestead in installments or to defer the payment of taxes without penalty during the time of ownership. Additionally, a person who is delinquent on taxes for a residential homestead is entitled to an agreement with the District to pay such taxes in installments over a period of between 12 and 36 months (as determined by the District) when such person has not entered into another installment agreement with respect to delinquent taxes with the District in the preceding 24 months.

Rollback of Operation and Maintenance Tax Rate

During the 86th Regular Legislative Session, Senate Bill 2 ("SB 2") was passed and signed by the Governor, with an effective date (as to those provisions discussed herein) of January 1, 2020, and the provisions described herein are effective beginning with the 2020 tax year. See "SELECTED FINANCIAL INFORMATION" for a description of the District's current total tax rate. Debt service and contract tax rates cannot be reduced by a rollback election held within any of the districts described below.

SB 2 classifies municipal utility districts differently based on their current operation and maintenance tax rate or on the percentage of projected build-out that a district has completed. Districts that have adopted an operation and maintenance tax rate for the current year that is 2.5 cents or less per $100 of taxable value are classified herein as "Low Tax Rate Districts." Districts that have financed, completed, and issued bonds to pay for all land, improvements and facilities necessary to serve at least 95% of the projected build-out of the district are classified as "Developed Districts." Districts that do not meet either of the classifications previously discussed can be classified herein as "Developing Districts." The impact each classification has on the ability of a district to increase its maintenance and operations tax rate pursuant to SB 2 is described for each classification 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 in the district, subject to certain homestead exemptions, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Low Tax Rate District is the current year's debt service and contract tax rate plus the operation and maintenance tax rate that would impose 1.08 times the amount of operation and maintenance tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the district in that year, subject to certain homestead exemptions.

Developed Districts

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

Developing Districts

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

The District

A determination as to a district's status as a Low Tax Rate District, Developed District, or Developing District will be made by the board of directors of the district on an annual basis. For the 2020 tax year, the Board has determined that the District's classification is that of a Developing District. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property against which the tax is levied. In addition, on January I of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of other such taxing units (see "TAX DATA – Estimated Overlapping Taxes"). A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien. Further, personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalties, and interest.

Except with respect to (i) owners of residential homestead property who are sixty-five (65) years of age or older or under a disability as described above and who have filed an affidavit as required by law and (ii) owners of residential homesteads who have entered into an installment agreement with the District for payment of delinquent taxes as described above and who are not in default under said agreement, at any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, or by taxpayer redemption rights (a taxpayer may redeem property that is a residence homestead or was designated for agricultural use within two (2) years after the deed issued at foreclosure is filed of record and may redeem all other property within six (6) months after the deed issued at foreclosure is filed of record) or by bankruptcy proceedings which restrict the collection of taxpayer debt. The District's ability to foreclose its tax lien or collect penalties and interest may be limited on property owned by a financial institution which is under receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act, 12 U.S.C. 1825, as amended. Generally, the District's tax lien and a federal tax lien are on par with the ultimate priority being determined by applicable federal law. See "INVESTMENT CONSIDERATIONS – Tax Collection Limitations."

TAX DATA

General

Taxable property within the District is subject to the assessment, levy and collection by the District of an annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Remaining Outstanding Bonds and 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 Order to assess and levy for each year that all or any part of the Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay the principal 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, not to exceed $0.2500 per $100 of assessed valuation, for operation and maintenance purposes. For the 2020 tax year, the Board levied a tax for debt service purposes in the amount of $0.20000 per $100 of assessed valuation and a tax of $0.00974 per $100 of assessed valuation for operation and maintenance purposes.

Tax Rate Limitation

Debt Service:	Unlimited (no legal limit as to rate or amount).
Maintenance:	$0.25000 per $100 Assessed Valuation.

Historical Tax Collections

Tax Year	Assessed Valuation	Tax Rate (a)	Adjusted Levy	Collections Current Year	Current Year Ended 9/30	Collections 11/30/20
2010	$3,007,011,367	$0.27500	$8,269,281	99.75%	2011	99.99%
2011	3,120,809,148	0.26500	8,270,144	99.77	2012	99.99
2012	3,237,996,565	0.25500	8,256,891	99.83	2013	99.99
2013	3,419,140,980	0.24000	8,205,938	99.83	2014	99.98
2014	3,724,039,199	0.23000	8,565,290	99.63	2015	99.98
2015	4,027,528,516	0.22500	9,061,939	99.78	2016	99.97
2016	4,172,894,181	0.21250	8,888,265	99.72	2017	99.97
2017	4,032,868,620	0.21250	8,569,846	99.76	2018	99.95
2018	3,475,506,530	0.21250	7,385,451	99.50	2019	99.74
2019	3,563,228,891	0.20974	7,473,516	99.39	2020	99.44
2020	3,561,323,543	0.20974	7,469,520	(b)	2021	(b)

(a) Includes a tax for maintenance and operations. See "– Tax Rate Distribution" below.
(b) In process of collections.

Tax Rate Distribution

	2020	2019	2018	2017	2016
Debt Service	$0.20000	$0.20000	$0.20000	$0.18500	$0.17750
Maintenance and Operations	0.00974	0.00974	0.01250	0.02750	0.03500
Total	$0.20974	$0.20974	$0.21250	$0.21250	$0.21250

Analysis of Tax Base

The following represents the type of property comprising the 2016–2020 tax rolls.

Type of Property	2020 Assessed Valuation	2019 Assessed Valuation	2018 Assessed Valuation (a)	2017 Assessed Valuation	2016 Assessed Valuation
Land	$828,421,905	$830,230,835	$778,805,241	$784,717,204	$668,738,320
Improvements	3,402,424,489	3,402,623,456	3,320,071,597	3,296,984,522	3,533,603,162
Personal Property	67,383,507	86,669,071	86,101,172	87,139,091	83,188,061
Exemptions	(736,906,358)	(756,294,471)	(709,471,480)	(135,972,233)	(112,635,362)
Total	$3,561,323,543	$3,563,228,891	$3,475,506,530	$4,032,868,620	$4,172,894,181

(a) Exemption values increased in 2018 due to a 20% exemption granted on homesteads within the District. See "TAXING PROCEDURES – General Homestead Exemption."

Principal Taxpayers

The following are the principal taxpayers in the District as shown on the District's certified appraisal rolls for the 2020 tax year.

Taxpayer	Types of Property	Taxable Value 2020 Tax Roll
RREF Sterling Ridge LLC	Land & Improvements	$27,016,520
Fairfield Montfair LLC	Land & Improvements	26,700,000
Reg8 Sterling Ridge	Land & Improvements	22,750,000
Wal-Mart Real Estate Bus Trst	Land & Improvements	18,854,700
Alexander Apartments LLC	Land & Improvements	18,734,540
Centro NP Holdings 12 SPE LLC	Land & Improvements	12,500,000
Entergy Texas Inc.	Personal Property	10,148,610
2978 Colonnade Group LP	Land & Improvements	9,224,120
Homeowner	Land & Improvements	8,750,000
Woodforest National Bank	Land & Improvements	8,502,040
Total		$163,180,530
Percentage of 2020 Assessed Valuation		4.58%

Tax Rate Calculations

The tax rate calculations set forth in the following table have been computed based upon the following assumptions:

(a) 95% collection of taxes levied;
(b) issuance of the Bonds; and
(c) non-application of Debt Service Fund balances to debt service payments.

Average Annual Debt Service Requirement (2021–2030) $7,771,383
Tax Rate of $0.23 on the 2020 Taxable Assessed Valuation produces $7,781,492

Maximum Annual Debt Service Requirement (2030) $8,622,169
Tax Rate of $0.26 on the 2020 Taxable Assessed Valuation produces $8,796,469

Estimated Overlapping Taxes

Property within the District is subject to taxation by several taxing authorities in addition to the District. Under Texas law, when ad valorem taxes are levied by a taxing authority, a lien is created upon the property which has been taxed. A tax lien on property in favor of the District is on a parity with tax liens of other taxing jurisdictions. In addition to ad valorem taxes required to make debt service payments on bonded debt of the District and of such other jurisdictions (see "DISTRICT DEBT – Estimated Overlapping Debt"), certain taxing jurisdictions, including the District, 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 are all 2020 tax rates levied by such jurisdictions on property within the District. No recognition is given to local assessments for civic association dues, fire department contributions, solid waste disposal charges or any other charges by entities other than political subdivisions.

Taxing Jurisdiction	2020 Tax Rate
Montgomery County	$0.431200
Montgomery County Hospital District	0.058800
Conroe Independent School District	1.212500
Lone Star College System District	0.107800
The Woodlands Township	0.223100
Woodlands Road Utility District No. 1	0.190000
The District	0.209740
Total Tax Rate	$2.433140

THE DISTRICT

General

The District is a conservation and reclamation district created by the Texas Water Commission, predecessor to the Texas Commission on Environmental Quality (the "TCEQ"), by its order of March 17, 1981, pursuant to Article XVI, Section 59, Texas Constitution and Chapters 49 and 54, Texas Water Code, as amended. The principal functions of the District are to finance, purchase, construct, own and operate waterworks, sanitary sewer and drainage facilities and to provide such facilities and services to the customers of the District. The District may provide solid waste collection and disposal services. In addition, the District is empowered, if approved by the electorate, the TCEQ and other governmental entities having jurisdiction, to establish, operate and maintain a fire department, either independently or with certain other districts, and to provide financial support for certain park and recreational facilities. The TCEQ exercises continuing supervisory jurisdiction over the District.

Description

As originally created, the District contained approximately 257 acres. Due to several subsequent annexations, the District's current acreage is approximately 4,784 acres. The District is located entirely within Montgomery County, Texas, approximately 27 miles north of the central business district of the City of Houston. The District is comprised of four noncontiguous tracts of land within the Village of Grogan's Mill, the Village of Alden Bridge and the Village of Sterling Ridge and Carlton Woods. The first and second tracts within the Village of Alden Bridge are accessible via Interstate Highway No. 45 and College Park Drive (Texas State Highway 242); the third tract, within the Village of Sterling Ridge and Carlton Woods, is accessible via Interstate Highway 45 and The Woodlands Parkway; and the fourth tract, within the Village of Grogan's Mill, is accessible via Interstate Highway 45 and Sawdust and Sawmill Roads. The District is part of the 28,000-acre community known as The Woodlands and is located wholly within the exclusive extraterritorial jurisdiction of the City of Houston and the boundaries of Conroe Independent School District and the boundaries of The Woodlands Township.

District Investment Policy

The District has adopted an investment policy as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code. The policy of the District is to invest District funds only in instruments which further the following investment obligations of the District, stated in the order of importance: (1) the preservation of safety of principal; (2) liquidity; and (3) yield. The District does not own, nor does it anticipate the inclusion of, long term securities or derivative products in the District's portfolio.

Board of Directors

The District is governed by a board of five (5) directors which has control and management supervision over all affairs of the District. The members of the board of directors are elected to their offices. All five of the members of the Board own property within the boundaries of the District.

All directors serve four-year staggered terms and all elections are held in even-numbered years. The present members of the Board and their current officer positions are listed below:

Name	Position	Term Expires May
Mark E. Vonderau	President	2022
Marjorie Podzielinski	Vice President	2022
Dedra Ecklund	Secretary/Treasurer	2024
George Newman	Asst. Secretary/Treasurer	2024
Scott Custer	Asst. Secretary/Treasurer	2022

Management and Contract Services

The District does not have any full-time employees; however, the District contracts for management and administrative services, tax collecting, bookkeeping, facilities repair and maintenance, legal, financial advisory, auditing and other professional services as follows:

Management and Administrative: The District has executed a contract for joint administrative and management services with Montgomery County Municipal Utility District Nos. 6, 7, 36, 39, 40, 47, 60, and 67 ("MCMUD6," "MCMUD7," "MCMUD36," "MCMUD39," "MCMUD40," "MCMUD47," "MCMUD60," and "MCMUD67," respectively), The Woodlands Metro Center Municipal Utility District ("Metro Center MUD"), and The Woodlands Municipal Utility District No. 2 ("MUD2") to form The Woodlands Joint Powers Agency, subsequently renamed The Woodlands Water Agency ("TWWA"), which has engaged the services of a full-time, experienced general manager, assistant managers and clerical staff, and maintains an office in The Woodlands. The contract provides that TWWA will furnish the District with general management services, including handling of customer inquiries, inspections of facilities, issuance of work orders, billing and accounting services, meter reading, collection of receivables, payment of bills, cash analyses and investments, collection of taxes, services in connection with meetings, hearings and elections, and other administrative services as may be agreed upon from time to time by the districts which are parties to the contract.

Facilities Repair and Maintenance: Pursuant to the contract, TWWA also provides field operations, under the supervision of the general manager, including water and sewer taps and repair and maintenance of the District's system. Additionally, as may be necessary from time to time, the District may employ various contractors.

Water Supply and Wastewater Treatment: The District, MCMUD6, MCMUD7, MCMUD36, MCMUD39, MCMUD40, MCMUD47, MCMUD60, MCMUD67, Metro Center MUD, MUD2 and adjoining Harris-Montgomery Counties Municipal Utility District No. 386 ("MUD 386") have entered into long-term contracts with the San Jacinto River Authority ("SJRA") for the purchase of wholesale water supply and wastewater treatment services. See "THE SYSTEM."

Auditing: The firm of Knox Cox & Company, L.L.P., Certified Public Accountants, prepared the annual audit for the District for the fiscal year ended September 30, 2019. See "APPENDIX A."

Consulting Engineers: The District has engaged the firm of D. A. Vogt Engineering (the "Engineer") in connection with the overall planning activities and design of the System. Such engineering firm also has been employed by the Developer to perform street design, platting and planning services within the District. Compensation for such engineering related to the facilities to be purchased or constructed by the District is based either on the time and charges actually incurred, as reflected by prevailing schedules or hourly rates and charges, or on a percentage of construction costs for the project, or on a lump sum basis.

Legal Counsel: Schwartz, Page & Harding, L.L.P. ("Bond Counsel") serves as bond counsel to the District. The fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds. In addition, Schwartz, Page & Harding, L.L.P. serves as general counsel to the District on matters other than the issuance of bonds.

Financial Advisor: The District has engaged the firm of Robert W. Baird & Co. Incorporated ("Financial Advisor") as financial advisor to the District. Payment to the Financial Advisor by the District is contingent upon the issuance, 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.

Special Consultants Related to Issuance of the Bonds

Verification Agent: At the time of delivery of the Bonds, Robert Thomas CPA, LLC will verify to the District, Bond Counsel, Special Tax Counsel, Escrow Agent, and the Underwriter certain matters related to the issuance of the bonds and the refunding of the Refunded Bonds. See "VERIFICATION OF MATHEMATICAL CALCULATIONS."

Special Tax Counsel: The District has engaged the firm of Bracewell LLP, as Special Tax Counsel. The fees payable to Special Tax Counsel are contingent upon the issuance, sale, and delivery of the Bonds.

THE DEVELOPER

Role of the Developer

In general, activities of a developer in a utility district, such as the District, include defining a marketing program and building schedule, securing necessary governmental approvals and permits, arranging for construction of roads and the installation of certain utilities (including, in some cases, water, sewer 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 or users. In addition, a developer is ordinarily the major taxpayer within a utility district during early stages of the development.

In contrast to the type of development program described above, however, The Woodlands encompasses a significantly broader scale of development with long-term development commitments by the Developer and its affiliates. The Developer and its affiliates have invested substantial funds in predevelopment activities, community amenities and commercial properties.

The Developer

The current developer of The Woodlands, including the land within the District, is The Woodlands Land Development Company, L.P. (the "Developer"), a limited partnership whose partners are wholly owned by TWC Land Development, LLC and The Howard Hughes Corporation.

While The Howard Hughes Corporation indirectly owns the Developer, it is not responsible for the Developer's obligations. According to representatives of the Developer, it is a stand-alone, locally operated and managed company that has its own line of credit, business plan, and economic model.

The Developer is under no obligation to develop its property in the District and may sell its property to another party or parties at any time. Neither the Developer nor any affiliate of the Developer has guaranteed payment of the Bonds.

CURRENT STATUS OF DEVELOPMENT IN THE DISTRICT

General

The District is in the Village of Grogan's Mill, the Village of Alden Bridge, and the Village of Sterling Ridge, three of the eight residential villages within The Woodlands. To date, 2,945 acres within the District have been developed as building sites with utilities and 1,814 acres have been dedicated as street, easements and open spaces. It is estimated that of the remaining acreage within the District, 26 acres will be developed and marketed as commercial lots. The following presents the current status of improvements in the developed portion of the District.

Status of Development

Development within the District includes residential, commercial, and institutional improvements as set out below.

Single-Family

Single-family residential development within the District includes approximately 6,406 completed homes and no developed but unimproved lots. Homebuilding within the District began in 1981. Homes are being marketed in the price range of approximately $110,000 to in excess of $2.0 million.

Multi-Family

On an 11-acre site within the District, the Developer has constructed Timber Mill, a 216-unit apartment complex. Adjacent to this complex is a 216-unit apartment complex, Woodridge Park Apartments.

Sterling Ridge Estates is a 254-unit apartment complex in Sterling Ridge just west of the Sterling Ridge Village Center.

Near the intersection of Woodlands Parkway and Tournament Drive is the fourth apartment complex, Alexan Sterling Ridge Apartments, containing 310 units.

Townhomes

Grogan's Mill, Section 41 is a townhome/triplex subdivision in the District containing 54 completed units.

Grogan's Mill, Section 68 is a townhome/8-plex subdivision in the District containing 64 completed units.

Sterling Ridge, Section 14 is a townhome/duplex subdivision in the District containing 138 completed units.

Sterling Ridge, Section 38, Sterling Green Condominiums is a completed project containing 86 units.

Sterling Ridge, Section 60 is a completed 176-unit duplex project.

Sterling Ridge, Section 79 is a completed 36-unit townhome project.

Sterling Ridge, Section 81 is a completed 36-unit townhome project.

Sterling Ridge, Section 85 is a completed 42-unit townhome project.

Alden Bridge, Section 51 is a completed 62-unit townhome project.

Alden Bridge, Section 66 is a completed 110-unit townhome project.

Alden Bridge, Section 77 is a completed 54-unit townhome project.

Alden Bridge, Section 78 is a competed 66-unit townhome project.

Alden Bridge, Section 80 is a completed 56-unit townhome project.

Alden Bridge, Section 87 is a completed 71-unit townhome project.

Commercial

A 4,800 sq. ft. office space is located on a 1.4-acre site in Grogan's Mill. A 15,500 sq. ft. day care, Stepping Stones Preparatory Academy, is located on a 1-acre site in the Village of Sterling Ridge.

Sterling Ridge Village Center, a 130,000 sq. ft. retail center in the District, is located north of the intersection of Kuykendahl Road and The Woodlands Parkway. The center is anchored with a Kroger Signature Store, CVS Pharmacy, and Perry's Steakhouse & Grille, along with several more retailers, service outlets, and restaurants, including but not limited to the following: BBVA Bank, Spec's Liquor, Exxon Service Station, The UPS Store, Woodforest National Bank, Zoes Kitchen, Natural Pawz, McDonald's, Primrose School of The Woodlands at Sterling Ridge, Wendy's, and Jiffy Lube.

Windvale Shopping Center, a 100,000 sq. ft. facility located at FM 1488 and College Park Drive (S.H. 242), includes retailers such as Tweez Nailz & Spa, Gold Chop Stick, Anytime Fitness, Shogun Japanese Grill & Sushi Bar, and Regions Bank.

Institutional

There are three schools located in the District: The Woodlands High School Ninth grade campus, Joel L. Deretchin Elementary School, and Coulson Tough Flex School (elementary).

Churches include a 16,558 sq. ft. church of Christ of Latter Day Saints and Grace Presbyterian in the Village of Sterling Ridge, a 3,000 sq. ft. Jehovah witness building in the Village of Grogan's Mill, and an 8,707 sq. ft. Cornerstone Baptist Church in the Village of Alden Bridge.

The Woodlands Fire Station No. 3, a 4,070 sq. ft. facility on an approximate 1-acre site has been constructed in the Village of Grogan's Mill.

The Woodlands Fire Station No. 5, a 9,650 sq. ft. facility on a 1.56-acre site has been constructed in the Village of Sterling Ridge.

None of the institutional facilities are subject to ad valorem taxation.

Other

The 48,000 sq. ft. clubhouse in Carlton Woods at the Nicholas Signature Course and the 18-hole golf course is complete. Also located in the District is the 18-hole Gary Player Course, which includes a 13,250 sq. ft. cart barn and grill.

THE WOODLANDS

THE INFORMATION CONTAINED IN THIS SECTION OF THIS OFFICIAL STATEMENT HAS BEEN FURNISHED BY THE DEVELOPER AND IS, OF NECESSITY, BASED IN LARGE PART ON PLANS AND ESTIMATES. THIS SECTION INCLUDES A DISCUSSION OF THE WOODLANDS, A RESIDENTIAL, INDUSTRIAL AND COMMERCIAL DEVELOPMENT OF WHICH THE DISTRICT IS A PART.

THE DEVELOPER HAS NO BINDING COMMITMENT TO THE DISTRICT TO CARRY OUT ANY PLAN OF DEVELOPMENT AND THE FURNISHING OF INFORMATION RELATING TO THE PROPOSED DEVELOPMENT BY THE DEVELOPER SHOULD NOT BE INTERPRETED AS SUCH A COMMITMENT. NEVERTHELESS, THE DEVELOPER HAS ADVISED THE DISTRICT THAT IT HAS THE PRESENT INTENTION TO CARRY OUT THE DEVELOPMENT OF THE WOODLANDS ACCORDING TO THE PLANS PRESENTED.

General

The Woodlands is a community being developed approximately 27–32 miles north of downtown Houston. Located within a 28,000-acre tract of densely forested land, the community is generally situated adjacent to and west of Interstate Highway 45, south of FM 1488, and north of Spring Creek, which is the boundary line between Montgomery and Harris Counties. The Trade Center is adjacent to and east of Interstate Highway 45 between Texas State Highway 242 and FM 1488.

The Woodlands is located in a market sector of the greater Houston metropolitan area containing approximately 150 residential developments. Residential developments located in the market sector offer a variety of housing ranging in price generally from $250,000 to in excess of $2 million. The majority of these subdivisions offer some recreational facilities (e.g., swimming pools and clubhouses) and a few provide golf and tennis facilities. In some cases, schools are located within the subdivisions.

Formal opening of The Woodlands occurred in October of 1974. Substantial development, as more fully described herein, has occurred in the Village of Grogan's Mill, the Village of Panther Creek, the Village of Cochran's Crossing, the Village of Indian Springs, the Village of Alden Bridge, the Village of Sterling Ridge, Village of Creekside Park and College Park, which are each one of the eight residential villages in The Woodlands; parts of the Town Center, Research Forest, College Park; and the Trade Center. These areas currently have a population of approximately 117,305 people, and 2,181 employers provide employment for approximately 67,850 people.

The Development Plan and Status of Development

Access and Circulation

Primary access to The Woodlands is provided by Interstate Highway 45. The Woodlands has direct access by way of five freeway intersections, Woodlands Parkway, Rayford-Sawdust Road, Lake Woodlands Drive, Research Forest Drive (Tamina Road), and College Park Drive (Texas State Highway 242). Additional access between The Woodlands and downtown Houston and the Houston Intercontinental Airport is provided by the Hardy Toll Road which is owned and operated by the Harris County Toll Road Authority. An alternate access is provided from the FM 1960 area to The Woodlands via Kuykendahl Road in the westernmost portions of The Woodlands. Texas State Highway 242, a major east-west artery, connects U.S. 59, in southeast Montgomery County, to FM 1488, north of The Woodlands.

The internal circulation system within The Woodlands, designed to enhance and preserve the community's natural surroundings, is planned to include arterials, collector and local streets; bicycle paths; and pedestrian walkways.

Commercial, Industrial and Technology Development

The Woodlands' master plan calls for commercial and business activities to be conducted in urban and village shopping and service centers. The centers are scattered throughout the community, with most of the commercial activity centered in the Town Center. Some of the property has been designated for industrial, technological, and research use to provide a diverse range of employment opportunities for residents of The Woodlands. Most of the industrial development planned for The Woodlands is centered in the Trade Center, a rail-served industrial park, while technology and research development is primarily located in the Research Forest, College Park and northern portions of the Town Center.

To date, approximately 35 million square feet of commercial, retail, industrial, research, technology, and institutional facilities have been constructed in The Woodlands. Significant corporate commitments include a General Growth Properties, Inc. of The Woodlands Mall, site of Nordstrom; Dillard's; J.C. Penney; Dick's Sporting Goods; Barnes & Noble; P.F. Chang's; The Cheesecake Factory; Brio Tuscan Grille; Fleming's Steakhouse; Anthropologie; Ann Taylor Loft; Williams-Sonoma; Pottery Barn; Panera Bread Bakery & Café; Macy's; Macy's Furniture Gallery; Benihana Japanese Cuisine; Target; Landry's; Cinemark Tinseltown 17-screen theatre; Best Buy; Brinker International; Macaroni Grill; TGI Friday's; Bank of America; Shell; Chevron; Burger King; BBVA Bank; ExxonMobil; Memorial Health Care System; St. Luke's Episcopal Health System; Drury Inn; CVS Pharmacy; Martin Brower (distribution for McDonald's Restaurants); Anadarko Petroleum (now Occidental Petroleum Corporation); 90-room Courtyard Inn by Marriott; Chevron Phillips Chemical Company; Entergy; Houston Advanced Research Center; Hughes Christensen; Halliburton; Huntsman Chemical; La Quinta Motor Inn; Maersk Sealand; 90-room Residence Inn by Marriott; Amegy Bank; State Farm Insurance; U.S. Post Office, among others. Leasing commitments have been made by Allstate Insurance; Bank One; Barnes & Noble; Bruker Instruments; Chevron Pipeline; Cost Plus; CVS Pharmacy; Exult; Kroger; Marshall's; Merrill Lynch Pierce Fenner & Smith; Office Max; Randall's; Ross; Ulta (Beauty Store); WorldCom Network Services; and many more.

Residential Development

Since formal opening of The Woodlands in 1974, approximately 46,740 dwelling units have been completed, including approximately 34,190 single family detached units, approximately 3,750 townhouses and condominiums, and 22 apartment complexes and assisted living containing 8,800 apartment units. New housing prices generally range from $250,000 to in excess of $2.0 million.

Residential support services include churches, schools, a hospital, a library, and governmental services. Thirty different religious organizations have constructed churches and related facilities. There are fourteen schools providing schooling from kindergarten to the 12th grade. Additionally, there are two private schools currently providing schooling from kindergarten through 12th grade and pre-kindergarten to 9th grade. The Lone Star College System constructed a campus which opened in September, 1995. Health care is provided at Memorial Hermann–The Woodlands Hospital, a 254-bed acute care facility, St. Luke's Hospital, a 150-bed health care facility, Houston Methodist Hospital, a 187-bed healthcare facility, and Texas Children's Hospital, a facility with 24 emergency center rooms, 74 exam rooms, 4 operating rooms, 30 acute-care beds, 5 radiology rooms, and 8 intensive-care beds. There are eight fire stations and The Woodlands Fire Training Facility owned by The Woodlands Fire Department, which are located in the Villages of Indian Springs, Creekside Park, Sterling Ridge, Alden Bridge, Cochran's Crossing, Grogan's Mill, College Park and the main station located near Town Center. Montgomery County, in four separate buildings, operates a Court House Annex, a Public Library, a Community Center, and a public safety building, a branch of the Sheriff's Department. About one-third of all the land in The Woodlands is open space, including wildlife corridors, park land, lakes and recreational areas. Many parks and open spaces are available, including the 203 acre Lake Woodlands. Other recreational facilities include 117 holes of golf, a swimming, diving, tennis and gym facility, two YMCAs and the Cynthia Woods Mitchell Pavilion, an amphitheater with seating capacity of 16,090.

THE SYSTEM

General

The area covered by the District is within the 28,000 acres of The Woodlands. SJRA's plan identifies the central or regional systems whereby sanitary sewage is collected and treated within three identifiable regions and water supply is provided in five different service areas. The SJRA has entered into a long-term cooperative agreement with the District and neighboring MCMUD Nos. 6, 7, 36, 39, 47, 60, 67, Metro Center MUD, MUD 1 and adjoining MUD 386 (within Montgomery County) (collectively, the "Participants") for the planning, financing, construction, ownership, operation, and maintenance of the water supply and sanitary sewage treatment facilities serving the Participants. Under these agreements, each district, as a customer of SJRA, has made or will make or finance capital payments to SJRA proportionate to the costs of facilities construction and its ultimate service needs, and each makes payments to SJRA for operation and maintenance expenses in proportion to its volume of usage. These payments are based on estimated unit costs for such capacities and are made subject to such adjustments as may be necessary at the time when a periodic accounting for such costs can be made.

Sixth and Final Interim Accounting

SJRA provides a periodic accounting to each customer district showing the actual and projected future unit cost of purchasing capacities in SJRA's Systems and the amounts payable to SJRA for reserved capacities in SJRA's Systems. Each customer district is then responsible for issuing the district's bonds, utilizing other district revenues or participating in a joint bond issue with other similarly situated districts to secure sufficient funds to make such payments to SJRA. In March 2017, SJRA completed a Sixth and Final Accounting updating and revising such unit costs for capacities in SJRA's Systems, and such periodic accounting report was approved by all customer districts.

Upon completion of the obligations pursuant to the Sixth and Final Accounting, the process of accounting (i.e., the collective process of financing the design, construction, and operation of additional facilities or provision of additional capacity) described in the First Interim Accounting through the Sixth and Final Accounting will be complete. If customer districts desire capacity in addition to the capacity reserved at such time, customer districts may purchase such capacity from SJRA on an individual basis.

Water System

Water is currently supplied from groundwater wells located within The Woodlands and surface water supplied by the SJRA GRP Division. The water distribution system presently planned for the development through 2020 will consist of five central water pump stations, one in each service area, together with appurtenant ground and elevated storage tanks and underground distribution piping. Based on an estimated population of 112,505 people living within The Woodlands, water demands are projected at approximately 20.43 million gallons per day ("MGD") for average daily demand or approximately 44.32 MGD for peak-day demand. The ultimate plant capacity of the water system is approximately 50 MGD. Due to concerns regarding over-pumping the aquifer, the Lone Star Groundwater Conservation District has placed restrictions on groundwater withdrawals in the area. A new surface water supply system has been constructed by the SJRA and began delivering surface water in September of 2015. Such surface water supply is in addition to the ground water supply as discussed above.

The central water supply facilities within The Woodlands presently consist of five water plants (Water Plant Nos. 1, 2, 3, 4, and 5) and six elevated storage tanks (EST Nos. 1, 2, 3, 4, 5, and 7). The central water distribution facilities originating at the five water plants consist of a looped network of mains and secondary feeders sized to supply peak day demands and emergency requirements. Water distribution within the customer districts is accomplished through a looped network of mains, secondary feeders, and neighborhood distribution lines ranging up to 12 inches in diameter.

The surface water treatment and transmission system owned and operated by the SJRA GRP Division includes (1) an intake structure with a raw water pump station, (2) a water treatment plant, (3) treated water storage and high service pump station and (4) transmission lines to deliver the treated water to the necessary GRP participants. It is currently designed to deliver 30 MGD of treated surface water to the necessary GRP participants.

The District has purchased capacity sufficient to serve 8,396 equivalent single family connections ("ESFCs").

Lone Star Groundwater Conservation District

The District is included in the boundaries of the Lone Star Groundwater Conservation District ("LSGCD"), a Montgomery County-wide regulatory agency. LSGCD adopted a regulatory plan which required groundwater users within Montgomery County to reduce groundwater usage by thirty percent (30%) by January 1, 2016. In order to meet the requirements of the regulatory agency, the District and SJRA partially converted to surface water sources in September 2015. SJRA has created a new, separate, non-profit operating division, similar to the Woodlands Division, to implement a groundwater reduction plan and treated surface water system for substantially all of Montgomery County, including the District through their wholesale contract with SJRA Woodlands Division. The direct costs to SJRA's groundwater reduction plan division for the first phase of such conversion to surface water sources was approximately $500,000,000, and is being paid for through pumpage fees charged to the participants, including the SJRA Woodlands Division. SJRA GRP currently charges SJRA Woodlands Division a fee of $2.73 per 1,000 gallons of groundwater pumped and $3.15 per 1,000 gallons surface water delivered. The SJRA Woodlands Division currently passes through a blended surface water conversion fee rate to the District of $2.88 per 1,000 gallons.

Waste Disposal System

A central sanitary sewage treatment plant exists in each of the three regions within The Woodlands. The sanitary sewage load for development through 2018 has been recently estimated at 10.49 MGD for the three central plants. The first central wastewater treatment plant of SJRA ("WWTP1") is located adjacent to MCMUD 6 along Sawdust Road and currently has capacity of 7.8 MGD. The second wastewater treatment plant ("WWTP2") is located adjacent to and east of the District as well as west of the intersection of Gosling Road and Research Forest Drive. WWTP2 has a permitted capacity of 6.0 MGD with provisions to increase to 7.8 MGD. The third wastewater treatment plant ("WWTP3") is located in the MCMUD 39 and is operating with a permitted capacity of up to 900,000 gallons per day.

The wastewater collection system within the District consists of a network of collection lines ranging up to 15 inches in diameter. This internal network of collection lines are owned by the District. This collection system empties wastewater into major trunk sewers, a part of the SJRA central system, which transport wastewater to the treatment facilities.

The District has purchased capacity sufficient to serve 9,065 ESFCs.

Stormwater Conveyance and Flood Control Facilities

A portion of the land within the District lies within the watershed of Spring Creek and a portion lies within the watershed of Panther Branch and Bear Branch, tributaries of Panther Creek and Spring Creek. The southerly tract of the District, located in the Village of Grogan's Mill, lies within the Spring Creek watershed and has elevations ranging between 110 feet and 135 feet mean sea level. The middle/westerly tract, located within The Village of Sterling Ridge, is within the Bear Branch watershed with elevation of natural ground being between 133 feet to 204 feet mean sea level. A portion of this tract will drain north into Bear Branch with the southerly portion of this tract draining into Spring Creek. The northerly tract, located in the Village of Alden Bridge, is in the Panther Branch watershed with the elevation of the natural ground being between 145 feet and 185 feet mean sea level. Outfall drainage in all sections is provided by major drainage channels varying in width from 12 to 100 feet. Internal drainage consists of a combination of roadside ditches, storm sewers, drains and culverts.

In order to control stormwater runoff caused by urban development in The Woodlands, the Developer has constructed the Bear Branch Reservoir and an associated conveyance channel, detention and flood control system. The system is designed in accordance with a master plan for stormwater conveyance and detention and flood control facilities for the 28,000 acres of The Woodlands, which is contained in a report entitled "Master Drainage Report for The Woodlands, Texas," prepared by Farner & Winslow, Inc., dated March, 1979. Stormwaters from The Woodlands flow into Panther Branch and Spring Creek (subbasins of the West Fork of the San Jacinto River) and directly into the West Fork of the San Jacinto River. Due to stormwater flow characteristics of these basins, no detention is required for the Spring Creek drainage area; some minor detention may be required for the West Fork area; and some of the stormwater run-off increment generated by urbanization on approximately 6,500 acres in the upper reaches of Bear Branch/Panther Branch will require stormwater detention. The total cost to date of the conveyance and detention and flood control system, including land, major maintenance and rehabilitation is approximately $3,650,000 with an estimated cost of $330 per single family unit. The SJRA acquired the reservoir/channel system for ownership, operation and maintenance and is providing stormwater detention services to districts within the area for which the system is required. SJRA has entered into agreements for such services and will make charges to customer districts for capacity rights and maintenance costs. The District has annexed land that is partially served by this drainage system and has entered into an agreement with the SJRA to provide flood control services to the applicable area within the District.

100-Year Flood Plain

"Flood Insurance Rate Map" or "FIRM" means an official map of a community on which the Federal Emergency Management Agency (FEMA) has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100-year flood plain, is depicted on these maps. The "100-year flood plain" (or 1% chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rain storm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes must be built above the 100-year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. An engineering or regulatory determination that an area is above the 100-year flood plain is not an assurance that homes built in such area will not be flooded, and a number of neighborhoods in the greater Houston area that are above the 100-year flood plain have flooded multiple times in the last several years. According to the Engineer, 476 acres in the District are located within the 100-year flood plain.

Atlas 14

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

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Historical Operations of the System

The following is a summary of the District's operating funds for the last five years. The figures for the fiscal years ended September 30, 2016, through September 30, 2019, were obtained from the District's annual financial reports, reference to which is hereby made. See "APPENDIX A." The District is required by statute to have a certified public accountant prepare and file an annual audit of its financial records with the TCEQ. For the fiscal year ended September 30, 2020, the figures below are unaudited and have been prepared for inclusion herein based on information obtained from reports of the District's bookkeeper.

	Fiscal Year Ended September 30				
	2020*	2019	2018	2017	2016
REVENUES:					
Water and Sewer Service	$10,197,501	$9,224,381	$10,880,932	$10,975,097	$9,809,661
Property Taxes	344,329	433,092	1,109,426	1,459,821	1,407,109
Tap Connections & Culverts	22,825	34,725	97,150	64,350	43,325
Interest and Other	163,762	254,397	219,812	50,950	81,318
TOTAL REVENUES	$10,728,417	$9,946,595	$12,307,320	$12,550,218	$11,341,413
EXPENDITURES:					
Current	$10,670,610	$9,446,152	$10,656,961	$10,485,340	$9,603,680
Capital Outlay	517,505	34,475	93,625	556,475	29,425
Debt Service	533,595	732,346	547,679	538,559	509,093
TOTAL EXPENDITURES	$11,721,710	$10,212,973	$11,298,265	$12,550,218	$10,142,198
Excess (Deficiency)	($993,293)	($266,378)	$1,009,055	$969,844	$1,199,215

* Unaudited.

INVESTMENT CONSIDERATIONS

General

The Bonds, which are obligations solely of the District and not of the State of Texas; Montgomery County, Texas; the City of Houston, Texas; The Woodlands Township; or any political subdivision or agency other than the District, are secured by the levy of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. See "THE BONDS – Source and Security for Payment." The ultimate security for payment of the principal of and interest on the Bonds depends upon the District's ability to collect from the property owners within the District taxes levied against all taxable property located within the District, or, in the event taxes are not collected and foreclosure proceedings are instituted by the District, upon the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The District makes no representations that over the life of the Bonds the property within the District will maintain a value sufficient to justify continued payment of taxes by the property owners, or that there will be a market for any property if the District forecloses on property to enforce its tax lien. The potential increase in taxable valuation of District property is directly related to the economics of the residential housing industry, not only due to general economic conditions, but also due to the particular factors discussed below. Further, the collection of delinquent taxes owed the District, and the enforcement by a Registered Owner of the District's obligation to collect sufficient taxes may be costly and lengthy processes. See "Tax Collection Limitations" and "Registered Owners' Remedies and Bankruptcy" below and "THE BONDS – Source and Security for Payment" and "– Remedies in Event of Default."

Infectious Disease Outbreak – COVID-19

The World Health Organization has declared a pandemic following the outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus (the "Pandemic"), which is currently affecting many parts of the world, including the United States and the State. On January 31, 2020, the Secretary of the United States

Health and Human Services Department declared a public health emergency for the United States in connection with COVID-19. On March 13, 2020, the President of the United States (the "President") declared the Pandemic a national emergency and the State Governor (the "Governor") declared COVID-19 an imminent threat of disaster for all counties in the State (collectively, the "disaster declarations"). On March 25, 2020, in response to a request from the Governor, the President issued a Major Disaster Declaration for the State.

Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting State business or any order or rule of a State agency that would in any way prevent, hinder, or delay necessary action in coping with the disaster, and issuing executive orders that have the force and effect of law. The Governor has since issued a number of executive orders relating to COVID-19 preparedness and mitigation. In addition to the actions by the State and federal officials, certain local officials have declared a local state of disaster. Many of the federal, State and local actions and policies under the aforementioned disaster declarations and shelter-in-place orders are focused on limiting instances where the public can congregate or interact with each other, which negatively affects the operation of businesses and the State and national economies.

Since the disaster declarations were made, the Pandemic has negatively affected travel, commerce, and financial markets locally and globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide and within the State. Stock values and crude oil prices, in the U.S. and globally, have seen significant declines attributed to COVID-19 concerns. The State may be particularly at risk from any global slowdown, given the prevalence of international trade in the state and the risk of contraction in the oil and gas industry and spillover effects into other industries.

Such adverse economic conditions, if they continue, 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 Bonds are secured by an unlimited ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds as well as the District's operations and maintenance expenses payable from ad valorem taxes.

The District continues to monitor the spread of COVID-19 and the potential impact of the Pandemic on the District. While the potential impact of the Pandemic on the District cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the District's operations and financial condition. The financial and operating data contained herein are the latest available but are as of dates and for periods partially prior to the economic impact of the Pandemic and measures instituted to slow it. Accordingly, they are not indicative of the economic impact of the Pandemic on the District's financial condition.

Factors Affecting Taxable Values and Tax Payments

Location and Access: The District is located approximately 28 miles north of the City of Houston's central business district and is part of the 28,000-acre master planned community known as The Woodlands.

Principal Taxpayers' Obligations to the District: The ability of the any principal taxpayer 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. There is no commitment by or legal requirement of any principal landowner within the District to proceed at any particular rate or according to any specified plan with the development of land in the District. Moreover, there is no restriction on any landowner's right to sell its land. Therefore, the District can make no representation about the probability of future development, if any, or the rate of future commercial construction activity in the District. See "DEVELOPMENT WITHIN THE DISTRICT" and "TAX DATA – Principal Taxpayers."

Maximum Impact on District Tax Rate: Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the District's tax rate. The taxable assessed valuation as of January 1, 2020, of all property within the District (see "SELECTED FINANCIAL INFORMATION") is $3,561,323,543. After issuance of the Bonds, the maximum annual debt service requirement on the Bonds and Remaining Outstanding Bonds will be

$8,622,169 (2030) and the average annual debt service requirement on the Bonds and Remaining Outstanding Bonds will be $7,771,383 (2021–2030). Assuming no increase or decrease from the District's taxable assessed valuation as of January 1, 2020, a tax rate of $0.26 per $100 assessed valuation at a 95% collection rate would be necessary to pay the maximum annual debt service requirement, and a tax rate of $0.23 per $100 assessed valuation at a 95% collection rate would be necessary to pay the average annual debt service requirement. See "DISTRICT DEBT – Debt Service Requirements."

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

Increases in the District's tax rate to rates substantially higher than the levels discussed above may have an adverse impact upon future development of the District, and the ability of the District to collect, and the willingness of owners of property located within the District to pay ad valorem taxes levied by the District.

Potential Effects of Oil Price Declines on the Houston Area

The recent declines in oil prices in the U.S. and globally, which at times have led to the lowest prices in three decades, may lead to adverse conditions in the oil and gas industry, including but not limited to reduced revenues, declines in capital and operating expenditures, business failures, and layoffs of workers. The economy of the Houston area has, in the past, been particularly affected by adverse conditions in the oil and gas industry, and such conditions and their spillover effects into other industries could result in declines in the demand for residential and commercial property in the Houston area and could reduce or negatively affect property values or homebuilding activity within the District. As previously stated, the Bonds are secured by an unlimited ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds as well as the District's share of operations and maintenance expenses payable from ad valorem taxes.

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 three separate federal ozone standards: the one-hour (124 parts per billion ("ppb")) and eight-hour (84 ppb) standards promulgated by the EPA in 1997 (the "1997 Ozone Standards"); the tighter, 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.

While the EPA has revoked the 1997 Ozone Standards, the EPA historically has not formally redesignated nonattainment areas for a revoked standard. As a result, the HGB Area remained subject to continuing severe nonattainment area "anti-backsliding" requirements, despite the fact that HGB Area air quality has been attaining the 1997 Ozone Standards since 2014. In late 2015, the EPA approved the TCEQ's "redesignation substitute" for the HGB Area under the revoked 1997 Ozone Standards, leaving the HGB Area subject only to the nonattainment area requirements under the 2008 Ozone Standard (and later, the 2015 Ozone Standard).

In February 2018, the U.S. Court of Appeals for the District of Columbia Circuit issued an opinion in South Coast Air Quality Management District v. EPA, 882 F.3d 1138 (D.C. Cir. 2018) vacating the EPA redesignation substitute rule that provided the basis for the EPA's decision to eliminate the anti-backsliding requirements that had applied in the HGB Area under the 1997 Ozone Standard. The court has not responded to the EPA's April 2018 request for rehearing of the case. To address the uncertainty created by the South Coast court's ruling, the TCEQ developed a formal request that the HGB Area be redesignated to attainment under the 1997 Ozone Standards. The TCEQ Commissioners adopted the request and maintenance plan for the 1997 one-hour and eight-hour standards on December 12, 2018. On May 16, 2019, the EPA proposed a determination that the HGB Area has met the redesignation criteria and continues to attain the 1997 one-hour and eight-hour standards, the termination of the anti-backsliding obligations, and approval of the proposed maintenance plan.

The HGB Area is currently designated as a "serious" nonattainment area under the 2008 Ozone Standard, with an attainment deadline of July 20, 2021. 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 "marginal" nonattainment area under the 2015 Ozone Standard, with an attainment deadline of August 3, 2021. For purposes of the 2015 Ozone Standard, the HGB Area consists of only six counties: Brazoria, Chambers, Fort Bend, Galveston, Harris, and Montgomery Counties.

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

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

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

Pursuant to the federal Safe Drinking Water Act ("SDWA") and the EPA's National Primary Drinking Water Regulations ("NPDWRs"), which are implemented by the TCEQ's Water Supply Division, a municipal utility district's provision of water for human consumption is subject to extensive regulation as a public water system. Municipal utility districts must generally provide treated water that meets the primary and secondary drinking water quality standards adopted by the TCEQ, the applicable disinfectant residual and inactivation standards, and the other regulatory action levels established under the agency's rules. The EPA has established NPDWRs for more than ninety (90) contaminants and has identified and listed other contaminants which may require national drinking water regulation in the future.

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), with an effective date of March 5, 2018, which is a general permit authorizing the discharge of stormwater runoff associated with small and large construction sites and certain nonstormwater discharges into surface water in the state. It has a 5-year permit term, and is then subject to renewal. Moreover, the Clean Water Act ("CWA") and Texas Water Code require municipal wastewater treatment plants to meet secondary treatment effluent limitations and more stringent water quality-based limitations and requirements to comply with the Texas water quality standards. Any water quality-based limitations and requirements with which a municipal utility district must comply may have an impact on the municipal utility district's ability to obtain and maintain compliance with TPDES permits.

The District is subject to the TCEQ's General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the "MS4 Permit"), which was renewed by the TCEQ on January 24, 2019. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. In order to maintain compliance with the MS4 Permit, the District continues to develop, implement, and maintain the required 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. Costs associated with these compliance activities could be substantial in the future.

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 2015, the EPA and USACE promulgated a rule known as the Clean Water Rule ("CWR") aimed at redefining "waters of the United States" over which the EPA and USACE have jurisdiction under the CWA. The CWR significantly expanded the scope of the federal government's CWA jurisdiction over intrastate water bodies and wetlands. The CWR was challenged in numerous jurisdictions, including the Southern District of Texas, causing significant uncertainty regarding the ultimate scope of "waters of the United States" and the extent of EPA and USACE jurisdiction.

On September 12, 2019, the EPA and USACE finalized a rule repealing the CWR, thus reinstating the regulatory text that existed prior to the adoption of the CWR. This repeal officially became final on December 23, 2019, but the repeal has itself become the subject of litigation in multiple jurisdictions.

On January 23, 2020, the EPA and USACE released the Navigable Waters Protection Rule ("NWPR"), which contains a new definition of "waters of the United States." The stated purpose of the NWPR is to restore and maintain the integrity of the nation's waters by maintaining federal authority over the waters Congress has determined should be regulated by the federal government, while preserving the states' primary authority over land and water resources. The new definition outlines four categories of waters that are considered "waters of the United States," and thus federally regulated under the CWA: (i) territorial seas and traditional navigable waters; (ii) perennial and intermittent tributaries to territorial seas and traditional navigable waters; (iii) certain lakes, ponds, and impoundments of jurisdictional waters; and (iv) wetlands adjacent to jurisdictional waters. The new rule also identifies certain specific categories that are not "waters of the United States," and therefore not federally regulated under the CWA: (a) groundwater; (b) ephemeral features that flow only in direct response to precipitation; (c) diffuse stormwater runoff and directional sheet flow over upland; (d) certain ditches; (e) prior converted cropland; (f) certain artificially irrigated areas; (g) certain artificial lakes and ponds; (h) certain water-filled depressions and certain pits; (i) certain stormwater control features; (j) certain groundwater recharge, water reuse, and wastewater recycling structures; and (k) waste treatment systems. The NWPR is effective June 22, 2020, and is currently the subject of ongoing litigation.

Due to existing and possible future litigation, there remains uncertainty regarding the ultimate scope of "waters of the United States" and the extent of EPA and USACE jurisdiction. Depending on the final outcome of such proceedings, operations of municipal utility districts, including the District, could potentially be subject to additional restrictions and requirements, including additional permitting requirements.

Recent Extreme Weather

The greater Houston area, including the District, is subject to occasional severe weather events, including tropical storms and hurricanes. If the District were to sustain damage to its facilities requiring substantial repair or replacement, or if substantial damage were to occur to taxable property within the District as a result of such a weather event, the investment security of the Bonds could be adversely affected. The greater Houston area, including the District, has experienced multiple storms exceeding a 0.2% probability (i.e. "500-year flood" events) since 2015, including Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 26, 2017, and brought historic levels of rainfall during the successive four days.

According to estimates by the District's Engineer, approximately 176 homes within the District experienced flooding or other damage as a result of Hurricane Harvey.

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

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

Specific Flood Type Risks

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

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

Tax Collection Limitations

The District's ability to make debt service payments may be adversely affected by difficulties in collecting ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by judicial foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time consuming and expensive collection procedures; (b) a bankruptcy court's stay of tax collection proceedings against a taxpayer; (c) market conditions affecting the marketability of taxable property within the District and limiting the proceeds from a foreclosure sale of such property; or (d) the taxpayer's right to redeem the property.

The District's ability to foreclose its 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. Section 1825, as amended. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. See "TAXING PROCEDURES."

Registered Owners' Remedies and Bankruptcy

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners have a right to seek a writ of mandamus requiring the District to levy sufficient taxes each year to make such payments. Except for mandamus, the Bond Order does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, based on recent Texas Court decisions, it is unclear whether Section 49.066, Texas Water Code effectively waives sovereign immunity of a municipal utility district for suits for money damages. Even if the Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by a direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District in order to pay the principal of and interest on the Bonds. Since there is no trust indenture or trustee, the Registered Owners would have to initiate and finance the legal process to enforce their remedies. The enforceability of the rights and remedies of the Registered Owners may be limited further 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. In this regard, should the District file a petition for protection from creditors under federal bankruptcy laws, the remedy of mandamus or the right of the District to seek judicial foreclosure of its tax lien would be automatically stayed and could not be pursued unless authorized by a federal bankruptcy judge.

Future Debt

Following the issuance of the Bonds, $125,254.45 principal amount of unlimited tax refunding bonds and $9,100,000 principal amount of waterworks and sewer system unlimited tax bonds will remain authorized but unissued.

The District reserves in the Bond Order the right to issue the remaining authorized but unissued bonds plus such additional bonds as may hereafter be authorized by voters in the District. In addition, the District has the right to issue obligations, other than the Bonds, including revenue notes, tax anticipation notes and bond anticipation notes, and to borrow money for any valid public purpose. The issuance of additional obligations may increase the District's tax rate and adversely affect the security for and the investment quality and value of the Bonds. The District does not employ any formula with respect to assessed valuations, tax collections or other factors to limit the amount of parity bonds which it may issue.

Marketability of the Bonds

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

Bankruptcy Limitation to Registered Owners' Rights

Subject to the requirements of Texas law, the District may voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Sections 901-946. Under Texas law, the District must obtain the approval of the TCEQ prior to filing bankruptcy. The rights and remedies of the Registered Owners could be adjusted in accordance with the confirmed plan of adjustment of the District's debt.

Continuing Compliance with Certain Covenants

Failure of the District to comply with certain covenants contained in the Bond Order 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 issuance. See "LEGAL MATTERS – Tax Exemption."

Approval of the Bonds

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

Future and Proposed Legislation

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

LEGAL MATTERS

Legal Opinions

The District will furnish to the Underwriter a transcript of certain proceedings incident to the issuance and authorization of the Bonds. Such transcript will include a certified copy of the approving opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Bonds are valid and binding obligations of the District 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. The District will also furnish the approving legal opinion of Schwartz, Page & Harding, L.L.P ., Houston, Texas, Bond Counsel, to the effect that, based upon an examination of such transcript, the Bonds are (i) valid and binding obligations of the District under the Constitution and general laws of the State of Texas, except to the extent that enforcement of the rights and remedies of the Bondholders may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District; and (ii) payable, both as to principal and interest, from the levy of ad valorem taxes, without limitation as to rate or amount, against taxable property with the District. Bracewell LLP, Austin, Texas, Special Tax Counsel, will also render an opinion to the effect that, under existing law, (i) interest on the Bonds is excludable from gross income for federal income tax purposes; and (ii) the Bonds are not "private activity bonds" under the Code and, as such, interest on the Bonds will not be subject to the alternative minimum tax. Bond Counsel will not be responsible in any manner for matters addressed in the opinion of Special Tax Counsel and, likewise, Special Tax Counsel will not be responsible in any manner for matters addressed in the opinion of Bond Counsel. Moreover, Bond Counsel and Special Tax Counsel have no joint responsibility with respect to the Bonds or the proceedings relating to the Bonds. Bond Counsel will be solely responsible for its opinion and Special Tax Counsel will be solely responsible for its opinion. Bond Counsel's and Special Tax Counsel's fees for services rendered with response to the sale of the Bonds are contingent upon the issuance and delivery of the Bonds.

Certain legal matters will also be passed upon for the Underwriter by McCall, Parkhurst & Horton L.L.P., Houston, Texas.

Legal Review

In its capacity as Bond Counsel, Schwartz, Page & Harding, L.L.P., has reviewed the information appearing in this Official Statement under the captioned sections "THE BONDS," "PLAN OF FINANCING – Escrow Agreement" and "– Defeasance of the Refunded Bonds" (but only insofar as such section relates to the legal opinion of Bond Counsel), "THE DISTRICT – General" and "– Management and Contract Services – Legal Counsel," "TAXING PROCEDURES," and "LEGAL MATTERS" (but only insofar as such section relates to the legal opinion of Bond Counsel). In its capacity as Special Tax Counsel, Bracewell LLP has reviewed the information appearing under "LEGAL MATTERS" (but only insofar as such section relates to the legal opinion of Special Tax Counsel) and “TAX MATTERS” herein solely to determine whether such information fairly summarizes the procedures and documents referred to therein and is in accordance with applicable state law with regard to the sale of the Bonds and federal tax law, as applicable. Bond Counsel and Special Tax Counsel have not independently verified factual information contained in this Official Statement, and such firms have not conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon such firms’ limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of any of the other information contained herein.

TAX MATTERS

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

Tax Exemption

In the opinion of Bracewell LLP, Special Tax Counsel, under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and is not a specific preference item for purposes of the alternative minimum tax.

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

Special Tax Counsel’s opinion will assume continuing compliance with the covenants of the Bond Order pertaining to those sections of the Code that affect the excludability of interest on the Bonds from gross income for federal income tax purposes and, in addition, will rely on representations by the District, the District’s Financial Advisor and the Underwriter with respect to matters solely within the knowledge of the District, the District’s Financial Advisor and the Underwriter, respectively, which Special Tax Counsel has not independently verified. Special Tax Counsel will further rely on the report (the “Report”) of Robert Thomas CPA, LLC, regarding the mathematical accuracy of certain computations. If the District fails to comply with the covenants in the Bond Order or if the foregoing representations or the Report are determined to be inaccurate or incomplete, interest on the Bonds could become includable in gross income from the date of delivery of the Bonds, regardless of the date on which the event causing such inclusion occurs.

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

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

Collateral Tax Consequences

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, low and middle income taxpayers otherwise qualifying for the health insurance premium assistance credit and individuals otherwise qualifying for the earned income tax credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively connected earnings and profits, including tax-exempt interest such as interest on the Bonds. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences. Prospective purchasers of the Bonds should also be aware that, under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on the Bonds, received or accrued during the year.

Tax Accounting Treatment of Original Issue Premium

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

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

Tax Legislative Changes

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

NO MATERIAL ADVERSE CHANGE

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

NO LITIGATION CERTIFICATE

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

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Order, the District has made the following covenants for the benefit of the holders of the Bonds. The District is required to observe these covenants for so long as it remains obligated to pay the Bonds. Under the covenants, the District will be obligated to provide certain updated financial information and operating data annually, as well as timely notice of specified material events, to the Municipal Securities Rulemaking Board ("MSRB"), through its Electronic Municipal Market Access ("EMMA") system.

Annual Reports

The District will provide certain financial information and operating data annually. The financial information and operating data which will be provided is found in the section titled "SELECTED FINANCIAL INFORMATION" and in "APPENDIX A – Financial Statements of the District." The District will update and provide this information to the MSRB or any successor to its functions as a repository through its EMMA system within six months after the end of each of its fiscal years ending in or after 2020. The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12. The updated information will include audited financial statements if it commissions an audit and the audit is completed by the required time. If the audit of such financial statements is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to the MSRB within such six month period, and audited financial statements when the audit report on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in the Bond Order or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

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

Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other material events affecting the tax-exempt status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of CFR §240.15c2-12 (the "Rule"); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of 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. Neither the Bonds nor the Bond Order makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information from MSRB

The District has agreed to provide the 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 registered owners of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

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

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

VERIFICATION OF MATHEMATICAL CALCULATIONS

The arithmetical accuracy of certain computations included in the schedules provided by the Financial Advisor on behalf of the District relating to (a) computation of the adequacy of the amounts and certain available funds (if any) to pay, when due, the principal or redemption price of and interest on the Refunded Bonds, (b) the computation of the yields on the Bonds, and (c) the computation related to certain requirements of City of Houston Ordinance No. 97-416 was verified by Robert Thomas CPA, LLC. The computations were independently verified by Robert Thomas CPA, LLC, based upon certain assumptions and information supplied by the Financial Advisor on behalf of the District, and the District. Robert Thomas CPA, LLC has restricted its procedures to verifying the arithmetical accuracy of certain computations and has not made any study or evaluation of the assumptions and information upon which the computations are based and accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions or the achievability of future events.

GENERAL CONSIDERATIONS

Sources and Compilation of Information

The information contained in this Official Statement has been obtained primarily from the District and from other sources believed to be reliable. No representation is made as to the accuracy or completeness of the information derived from sources other than the District. Summaries of certain laws, resolutions and other related documents are included herein subject to the detailed provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents for further information.

The information contained in this Official Statement relating to development and engineering generally and, in particular, the development and engineering information included in the sections captioned, "THE WOODLANDS" and "THE DISTRICT" has been provided by the Developer and has been included herein in reliance upon the authority of said firm. Portions of information provided in this Official Statement under the section captioned "THE SYSTEM" has been provided by San Jacinto River Authority.

The information contained in this Official Statement relating to assessed valuations of property generally and, in particular, that information contained in the sections captioned "TAX DATA" and "DISTRICT DEBT" has been provided by the Montgomery Central Appraisal District. The District has included certain information herein in reliance upon their authority as an expert in the field of tax assessing and real property appraisal.

The information contained in this Official Statement in the section entitled "APPENDIX A – Financial Statements of the District" has been provided by Knox Cox & Company, L.L.P. Certified Public Accountants, and has been included herein in reliance upon such firm's expertise in the fields of auditing and accounting. No person is entitled to rely upon the limited participation of such firm as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of any of the other information contained herein.

Certification as to Official Statement

At the time of payment for and delivery of the Bonds, the District will furnish the Underwriter a certificate, executed by the President and Secretary of the Board of Directors of the District, acting in their official capacities, to the effect that to the best of their knowledge and belief: (a) the descriptions and statements of or pertaining to the District contained in this Official Statement, on the date thereof and on the date of delivery, were and are true and correct in all material respects; (b) insofar as the District and its affairs, including its financial affairs, are concerned, this Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated herein or necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading; and (c) insofar as the descriptions and statements, including financial data, contained in this Official Statement, of or pertaining to entities other than the District, such statements and data have been obtained from sources which the District believes to be reliable, and the District has no reason to believe that they are untrue in any material respect.

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

CONCLUDING STATEMENT

This Official Statement was duly authorized and approved by the Board of Directors of Montgomery County Municipal Utility District No. 46, of Montgomery County, Texas, as of the date specified on the first page hereof.

/s/ Mark E. Vonderau
President, Board of Directors
Montgomery County Municipal Utility District No. 46, of Montgomery County, Texas

ATTEST:

/s/ Dedra Ecklund
Secretary/Treasurer, Board of Directors
Montgomery County Municipal Utility District No. 46, of
Montgomery County, Texas

APPENDIX A

FINANCIAL STATEMENTS OF THE DISTRICT

Montgomery County
Municipal Utility District No. 46

MONTGOMERY COUNTY, TEXAS

FINANCIAL REPORT

September 30, 2019

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C O N T E N T S

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KC Knox Cox & Company, L.L.P.

Certified Public Accountants

8410 Highway 90A, Suite 150 | Sugar Land, Texas 77478
main: 346-772-2860 | fax: 346-772-2853

Independent Auditors' Report

Board of Directors
Montgomery County Municipal Utility District No. 46
Montgomery County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Montgomery County Municipal Utility District No. 46 (the "District") as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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. 46 as of September 30, 2019, 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.

Other Matters

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 on pages 3 through 8 and 34, respectively, be presented to supplement the basic financial statements. Such information, 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.

Other 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 (TSI) listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. This information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Sugar Land, Texas
December 19, 2019

Management's Discussion and Analysis

As management of Montgomery County Municipal Utility District No. 46 (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended September 30, 2019.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by $18,123,989 (net position).
- As of September 30, 2019, the District's governmental funds reported an ending fund balance of $15,442,916.
- The District's cash balance at September 30, 2019 was $15,664,825, representing a decrease of $575,860 from September 30, 2018.
- The District had revenues of $17,126,823 and a change in net position of $1,856,442 for the year ended September 30, 2019.
- At the end of the fiscal year, unrestricted and unassigned fund balance for the General Fund was $7,908,029, or 77 percent of total General Fund expenditures (as compared to 69% in the prior year).
- Bonds payable were reduced by $4,055,000 during the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., depreciation).

The government-wide financial statements present functions of the District that are provided from funding sources (governmental activities). The government-wide financial statements can be found on pages 10-13 of this report.

FUND FINANCIAL STATEMENTS

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the District consist solely of governmental funds (the General Fund, Debt Service Fund and Capital Projects Fund).

Governmental Funds - Governmental funds are used to account for essentially the same function reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented in the governmental funds with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide an adjustments column to facilitate this comparison between the governmental funds and g*overnmental activities*. The basic governmental fund financial statements can be found on pages 10-13 of this report.

NOTES TO THE FINANCIAL STATEMENTS

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 15 through 32 of this report.

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's General Fund budget. Required supplementary information can be found on page 34 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by $18,123,989 as of September 30, 2019.

A portion of the District's net position reflects its investment in capital assets (e.g. land and infrastructure), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to the individuals we serve; consequently, these assets are not available for future spending.

Additionally, a portion of the District's net position represents unrestricted financial resources available for future operations.

SUMMARY OF STATEMENT OF NET POSITION
September 30, 2019 and 2018

	Governmental Activities	
	2019	**2018**
Current and other assets	$ 17,441,375	$ 17,628,980
Capital assets, net	80,608,833	83,600,334
Total Assets	98,050,208	101,229,314
Long-term liabilities	77,983,224	83,380,299
Other liabilities	1,942,995	1,581,468
Total Liabilities	79,926,219	84,961,767
Net Position:		
Net investment in capital assets	3,151,081	1,531,563
Restricted	7,030,176	6,795,666
Unrestricted	7,942,732	7,940,318
Total Net Position	$ 18,123,989	$ 16,267,547

Net position of the District, all of which relate to governmental activities, increased by $1,856,442. Key elements of the changes are as follows:

CHANGES IN NET POSITION
Years Ending September 30, 2019 and 2018

	Governmental Activities	
	2019	**2018**
Revenues		
Water and sewer charges	$ 9,224,381	$ 10,880,932
Property taxes, penalties and interest	7,397,630	8,600,364
Investment income and other	504,812	462,398
Total Revenues	17,126,823	19,943,694
Expenses		
Purchased water and sewer	7,772,952	8,974,901
Professional fees, contracted services and o	1,823,239	1,927,169
Interest on long-term debt	2,802,158	3,141,883
Depreciation and amortization	2,872,032	2,862,389
Total Expenses	15,270,381	16,906,342
Change in Net Position	1,856,442	3,037,352
Net position, beginning	16,267,547	13,230,195
Net Position, Ending	$ 18,123,989	$ 16,267,547

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The District's governmental funds are discussed below:

Governmental Funds - The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, fund balances may serve as a useful measure of a government's net resources available for spending for program purposes at the end of the fiscal year.

As of September 30, 2019, the District's governmental funds, which consist of a general fund, debt service fund and capital projects fund reported an ending fund balance of $15,442,916, which is a decrease of $568,979 from last year's total of $16,011,895. As a measure of the general fund's liquidity, it may be useful to compare unrestricted and unassigned fund balance to total fund expenditures. Unrestricted and unassigned fund balance represents 77 percent of total general fund expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - The District's investment in capital assets as of September 30, 2019 amounts to $80,608,833 (net of accumulated depreciation). This investment in capital assets includes land and infrastructure.

CAPITAL ASSETS SCHEDULE
(net of depreciation)

Land and capacity rights	$ 30,672,982
Water system	20,685,124
Wastewater system	24,407,071
Drainage system	45,273,660
Engineering	7,139,449
Less: accumulated depreciation	(47,569,453)
Total Capital Assets, Net	$ 80,608,833

Additional information on the District's capital assets can be found in Note 7 in the notes to financial statements.

LONG-TERM DEBT

As of September 30, 2019, the District has a total bonded debt outstanding of $72,695,000. Interest expense for the year totaled $2,328,815 for the 2019 fiscal year on this bonded debt. These outstanding bonds have maturities ranging from 2020 to 2030. Additional information on the District's long-term debt can be found in Note 8 in the notes to the financial statements.

ECONOMIC FACTORS

- Unrestricted and unassigned fund balance in the General Fund decreased to $7,908,029. A planned decrease of fund balance of $3,957,978 was projected.

REQUESTS FOR INFORMATION

The financial report is designed to provide a general overview of Montgomery County Municipal Utility District No. 46's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Montgomery County Municipal Utility District No. 46: The Woodlands Water Agency, P.O. Box 7580, The Woodlands, Texas 77380.

FINANCIAL STATEMENTS

Montgomery County Municipal Utility District No. 46

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET

September 30, 2019

	General	Debt Service	Capital Projects	Total
Assets				
Cash and temporary investments	$ 8,307,436	$ 7,019,893	$ 337,496	$ 15,664,825
Receivables:				
Property taxes	4,811	50,658		55,469
Customer service accounts	1,503,213			1,503,213
Internal receivables	353			353
Investment in joint venture	217,868			217,868
Capital assets, net of accumulated depreciation:				
Land and capacity rights				
Infrastructure				
Total Assets	$ 10,033,681	$ 7,070,551	$ 337,496	$ 17,441,728
Liabilities, Deferred Inflows and Fund Balances/Net Position				
Liabilities				
Accounts payable and accrued liabilities	$ 1,396,213	$ 40,022	$	$ 1,436,235
Customer deposits	506,760			506,760
Internal payables		353		353
Accrued interest payable				
Long-term liabilities:				
Unamortized bond premium or (discount)				
Due within one year				
Due after one year				
Total Liabilities	1,902,973	40,375		1,943,348
Deferred Inflows of Resources				
Unavailable revenue - property taxes	4,811	50,653		55,464
Fund Balances/Net Position				
Fund Balances:				
Nonspendable investment in joint venture	217,868			217,868
Restricted for debt service		6,979,523		6,979,523
Restricted for capital projects			337,496	337,496
Unrestricted and unassigned	7,908,029			7,908,029
Total Fund Balances	8,125,897	6,979,523	337,496	15,442,916
Total Liabilities and Fund Balances	$ 10,033,681	$ 7,070,551	$ 337,496	$ 17,441,728
Net Position:				
Net investment in capital assets				
Restricted for debt service				
Unrestricted				
Total Net Position				

See Notes to Financial Statements.

Adjustments (Note 2)	Statement of Net Position
$	$ 15,664,825
	55,469
	1,503,213
(353)	
	217,868
30,672,982	30,672,982
49,935,851	49,935,851
80,608,480	$ 98,050,208
$	$ 1,436,235
	506,760
(353)	
187,976	187,976
714,473	714,473
4,625,970	4,625,970
72,454,805	72,454,805
77,982,871	79,926,219
(55,464)	
(217,868)	
(6,979,523)	
(337,496)	
(7,908,029)	
(15,442,916)	
3,151,081	3,151,081
7,030,176	7,030,176
7,942,732	7,942,732
$ 18,123,989	$ 18,123,989

Montgomery County Municipal Utility District No. 46

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

Year Ended September 30, 2019

	General	Debt Service	Capital Projects
Revenues			
Water service charges	$ 6,800,315	$	$
Sewer service charges	2,424,066		
Property taxes	433,092	6,910,033	
Penalties and interest		34,658	
Tap connection fees	34,725		
Investment earnings	195,751	204,487	10,319
Other	58,646	884	
Total Revenues	9,946,595	7,150,062	10,319
Expenditures/Expenses			
Current:			
Purchased water and sewer service	7,772,952		
Purchased services from joint venture	1,417,142	72,341	
Professional fees	35,598		
Repairs and maintenance			
Other	220,460	66,320	619
Capital Outlay	34,475		759,443
Debt Service:			
Principal retirement	320,773	4,495,000	
Interest and fiscal charges	215,477	2,301,834	
Bond issuance costs	196,096	61,770	
Depreciation and amortization			
Total Expenditures/Expenses	10,212,973	6,997,265	760,062
Excess (Deficiency) of Revenues Over (Under) Expenditures	(266,378)	152,797	(749,743)
Other Financing Sources (Uses)			
Proceeds from the sale of refunding bonds	208,859	7,246,141	
Bond discount on refunding		(106,077)	
Payment to refunding escrow and fiscal agents		(7,078,294)	
Equity in net income (loss) of joint venture	23,716		
Total Other Financing Sources (Uses)	232,575	61,770	
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)	(33,803)	214,567	(749,743)
Change in Net Position			
Fund Balances/Net Position - Beginning	8,159,700	6,764,956	1,087,239
Fund Balances/Net Position - Ending	$ 8,125,897	$ 6,979,523	$ 337,496

See Notes to Financial Statements.

Exhibit B(2)

Total	Adjustments (Note 2)	Statement of Activities
$ 6,800,315	$	$ 6,800,315
2,424,066		2,424,066
7,343,125	19,847	7,362,972
34,658		34,658
34,725		34,725
410,557		410,557
59,530		59,530
17,106,976	19,847	17,126,823
7,772,952		7,772,952
1,489,483	10,759	1,500,242
35,598		35,598
287,399		287,399
793,918	(793,918)	
4,815,773	(4,815,773)	
2,517,311	26,981	2,544,292
257,866		257,866
	2,872,032	2,872,032
17,970,300	(2,699,919)	15,270,381
(863,324)	2,719,766	
7,455,000	(7,455,000)	
(106,077)	106,077	
(7,078,294)	7,078,294	
23,716	(23,716)	
294,345	(294,345)	
(568,979)	568,979	
	1,856,442	1,856,442
16,011,895	255,652	16,267,547
$ 15,442,916	$ 2,681,073	$ 18,123,989

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NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the District conform with generally accepted accounting principles. The following is a summary of the most significant policies:

A. Reporting Entity

Montgomery County Municipal Utility District No. 46 (the "District") was created pursuant to an order of the Texas Commission on Environmental Quality dated March 17, 1981. The District operates under the terms and provisions of Chapters 49 and 54 of the Texas Water Code. The Board of Directors held its first meeting on April 4, 1981. The first bonds were sold on January 26, 1984.

The District has contracted with various consultants to provide services to operate and administer the affairs of the District. The District has no employees or related payroll costs. The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply of water; the collection, transportation and treatment of wastewater; and the control and diversion of storm water.

The District is a political subdivision of the State of Texas governed by an elected five member board and is considered a primary government. As required by accounting principles generally accepted in the United States of America, these financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the District's financial reporting entity. Based on these considerations, no other entities, organizations, or functions have been included in the District's financial reporting entity. Additionally, as the District is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations, or functions in the District's financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the District is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered if determining that the District's financial reporting entity status is that of a primary government are that it has a separately elected governing body; it is legally separate; and it is fiscally independent of other state and local governments. Although not considered significant in the District's reporting entity evaluation, other prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable; and considerations pertaining to other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The District participates in a joint venture with other area municipal utility districts as more fully described in Note 9 of these financial statements.

The District's primary activities include construction, maintenance, and operation of water and sewer system facilities and debt service on bonds issued to construct the facilities.

As noted above, the District participates in a joint venture with other area municipal utility districts (collectively the "Participating Districts"). As provided in interlocal contracts by and among the Participating Districts, an independently governed agency known as The Woodlands Water Agency (the "Agency") provides administrative services and utility system maintenance and operating services for the Participating Districts. The Agency is governed by a Board of Trustees made up of members appointed by the governing Boards of the Participating Districts. The District records and accounts for its interest in the Agency in its General Fund by the equity method, as do all of the Participating Districts, with a portion of General Fund equity reserved in the amount of the District's equity interest. See Note 9 for additional disclosures regarding the Agency's operations.

B. Financial Statement Presentation

Management's Discussion and Analysis - GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "management's discussion and analysis" (MD&A). This analysis is similar to the analysis that private sector companies provide in their annual reports.

Government-wide Financial Statements - The reporting model includes financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities, but also capital assets and long-term liabilities (such as buildings and infrastructure and general obligation debt). Accrual accounting reports all of the revenues and costs of providing services each year, not just those received or paid in the current or soon thereafter, as is the case with the modified accrual basis of accounting. Governments report all capital assets, including infrastructure, in the government-wide Statement of Net position and report related depreciation expense, the cost of "using up" capital assets, in the Statement of Activities. The net position of a government are broken down into three categories: 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

Fund Financial Statements - These statements focus on the District's major funds and are prepared using the modified accrual basis of accounting.

C. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all the non-fiduciary activities of the primary government and its component units, as applicable. The effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable. The District had no business-type activities or component units as of and for the year ended September 30, 2019.

The governmental funds financial statements consist of the balance sheet and statement of revenues, expenditures and changes in fund balance. These financial statements have been adjusted to arrive at the government-wide financial statement balances (statement of net position and statement of activities). Major individual governmental funds are reported as separate columns in the fund financial statements.

D. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using 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 related cash flows.

Governmental funds financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if collected within 60 days of the end of the current fiscal period. Revenues accrued include interest earned on investments and income from District operations. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service requirements, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

NOTES TO FINANCIAL STATEMENTS

The Governmental Accounting Standards Board has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the 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 not 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.

The accounting system is organized on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which comprise its assets, liabilities, fund equity or deficit, revenues and expenditures.

The District reports the following governmental funds:

General Fund
The General Fund is used to account for the operations of the District's water and sewer system and all other financial transactions not properly includable in other funds. The principal sources of revenue are related to water and sewer service operations. Expenditures include all costs associated with the daily operations of the District.

Debt Service Fund
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 pursuant to requirements of the District's bond resolutions. Expenditures include costs incurred in assessing and collecting these taxes.

Capital Projects Fund
The Capital Projects Fund is used to account for the expenditure of bond proceeds for the construction of the District's water and sewer facilities.

E. 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.

F. Budget

An unappropriated budget is adopted for the General Fund. 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.

G. Short-Term Internal Receivables/Payables

During the course of operations, transactions occur between individual funds for specified purposes. These receivables and payables are classified as internal receivables and payables on the combined balance sheet. These amounts are eliminated for government-wide presentation.

H. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets are reported in the government-wide financial statements. Capital assets, other than infrastructure items, are defined by the government as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Property, plant, and equipment of the primary government, as well as the component units, is depreciated using the straight-line method over the following estimated useful lives:

Asset Description	Estimated Useful Life
Land	N/A
Capacity rights	N/A
Water system	30 years
Wastewater system	30 years
Drainage system	30-50 years
Engineering	30 years

I. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums or discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of any applicable bond premium or discount.

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

J. 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 and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

K. Date of Management's Review

Subsequent events have been evaluated through December 19, 2019, which is the date the financial statements were available to be issued.

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position

The governmental fund balance sheet includes an adjustments column to arrive at the government-wide statement of net position balances. Amounts reported in the statement of net position are different because:

Total fund balances - governmental funds	$ 15,442,916
Capital assets used in governmental activities are not financial resources and are not reported in the funds.	80,608,833
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	55,464
Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported in the funds.	(77,983,224)
Net Position of Governmental Activities	$ 18,123,989

Explanation of certain differences between the governmental fund statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures and changes in fund balances includes an adjustments column to arrive at changes in net position as reported in the government-wide statement of activities. Amounts reported in the statement of activities are different because:

Net change in fund balances - total governmental funds	$ (568,979)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated lives and reported as depreciation expense. This is the amount by which depreciation and amortization exceeded capital outlay in the current period.	(2,112,589)
Repayment of bond principal is reported as an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	4,518,163
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	19,847
Change in Net Position of Governmental Activities	$ 1,856,442

NOTE 3 - CASH AND TEMPORARY INVESTMENTS

Cash consists of interest bearing checking accounts and temporary investments consist of TexPool, TexStar and Texas CLASS.

The carrying amounts for cash and temporary investment balances, which approximate fair values, by fund at September 30, 2019, are as follows:

	Checking	TexPool	TexStar	Texas CLASS	Total
General	$ 71,165	$ 3,162,371	$ 452,693	$ 4,621,207	$ 8,307,436
Debt Service	9,855	1,048,629	40,627	5,920,782	7,019,893
Capital Projects	7,276	330,220			337,496
	$ 88,296	$ 4,541,220	$ 493,320	$ 10,541,989	$ 15,664,825

Investment Policies

The District has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, Texas Government Code. The investments of the District are in compliance with its investment policy.

Applicable state laws and regulations allow the District to invest its funds in direct or indirect obligations of the United States, the State, or any county, city, school district, or other political subdivision of the State. Funds may also be placed in certificates of deposit of state or national banks or savings and loan associations (depository institutions) domiciled within the State. Related state statutes and provisions included in the District's bond resolutions require that all funds invested in depository institutions be guaranteed by federal depository insurance and/or be secured in the manner provided by law for the security of public funds. Balances in checking accounts in depository institutions were entirely guaranteed by federal depository insurance or security as provided by statutes and bond provisions at September 30, 2019.

Investment Pools

The District invests in the Texas Local Government Investment Pool (TexPool). The State Comptroller of Public Accounts (the "Comptroller") administers TexPool as a public funds investment pool through the Texas Treasury Safekeeping Trust Company (The "Trust Company"). The Comptroller is the sole officer, director, and shareholder of the Trust Company and thus maintains oversight responsibility of TexPool. TexPool uses amortized cost to value portfolio assets.

The District also participates in the Texas Short Term Asset Reserve Program ("TexStar"). TexStar is a local government investment pool organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. J.P. Morgan Investment Management and Hilltop Securities Inc. serve as co-administrators for TexStar. TexStar maintains a stable net asset value (NAV) of 1$ per share using the fair value method.

The District participates in Texas Cooperative Liquid Assets Security System ("Texas CLASS"). Texas CLASS is administered by Public Trust Advisors, LLC with Wells Fargo Bank Texas, N.A., as the custodian and is supervised by a Board of trustees who are elected by the participants.

The District's investment pools (TexPool, TexStar and Texas CLASS) are all in compliance with GASB 79. TexStar has elected to measure its investments at fair value. TexPool and Texas CLASS report assets at amortized cost. The District/Agency has mirrored these valuations. There are no limitations or restriction on withdrawals of either pool.

TexPool, TexStar and Texas CLASS are exempt from level of fair value disclosure because they are valued either at NAV or amortized costs.

Interest Rate Risk
In accordance with its investment policy, the District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than two years to meet cash requirements for ongoing operation.

Credit Risk – Investments
In accordance with its investment policy, the District minimized credit risk losses due to default of a security issuer or backer, by limiting investments to the safest types of securities. As the District's investments are in investment pools, the District is not exposed to custodial credit risk.

NOTE 4 - PROPERTY TAXES

The voters of the District have authorized the District's Board of Directors to levy maintenance taxes annually for use in financing general operations limited to $0.25 per $100 of assessed value. The District's bond resolution requires that ad valorem 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 for debt service requirements are without limitation as to rate or amount.

All property values are determined by the Montgomery County Appraisal District. A tax lien attaches to all properties within the District on January 1st of each year. Taxes are generally levied on October 1 and are due upon receipt of the tax bill by the property owner. Penalties and interest are charged if taxes are not paid by the succeeding January 31st. There is an additional twenty percent penalty charged on accounts delinquent after July 1st of each year which generally is payable to the District's delinquent tax attorney.

Property taxes are prorated between operations and debt service based on the respective rates adopted for the year of the levy. For the current year, the District levied a combined rate of $0.2125 per $100 of assessed valuation of which $0.0125 was allocated to maintenance and operations and $0.20 was allocated to debt service. The resulting tax levy was $7,364,822 on the adjusted taxable valuation of $3,465,798,772 for the 2018 tax year.

Property taxes receivable at September 30, 2019, consisted of the following:

	General Fund	Debt Service Fund	Total
2018 Levy	$ 2,186	$ 34,973	$ 37,159
2017 Levy	654	4,399	5,053
2016 Levy	516	2,616	3,132
2015 Levy	460	2,498	2,958
2014 Levy and prior	995	6,172	7,167
	$ 4,811	$ 50,658	$ 55,469

NOTE 5 - RECEIVABLES

Receivables as of year-end for the government's individual major funds are as follows:

	General	Debt Service	Total
Receivables:			
Taxes	$ 4,811	$ 50,658	$ 55,469
Accounts	1,503,213		1,503,213
Total Receivables	$ 1,508,024	$ 50,658	$ 1,558,682

Governmental funds report unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of unavailable revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
Delinquent property taxes receivable - general fund	$ 4,811	$
Delinquent property taxes receivable - debt service fund	50,658	
	$ 55,469	$

NOTE 6 – UNAMORTIZED BOND PREMIUM OR (DISCOUNT)

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

	Original Premium (Discount)	Balance at October 01, 2018	Current Year Amortization	Balance at September 30, 2019
Unlimited Tax Bonds:				
Series 2010R	$ 571,772	$ 285,887	$ 31,765	$ 254,122
Series 2011R	728,017	198,552	66,183	132,369
Series 2012R	474,671	279,217	27,922	251,295
Series 2013R	(306,400)	(198,256)	(18,024)	(180,232)
Series 2015R	541,473	414,065	31,852	382,213
Series 2016R	(425,397)	(327,228)	(32,723)	(294,505)
Series 2019R	(106,077)		(9,643)	(96,434)
SJRA Refunding	376,330	287,782	22,137	265,645
Total	$ 1,854,389	$ 940,019	$ 119,469	$ 714,473

NOTE 7 - CAPITAL ASSETS

A summary of changes in capital assets for the year ended September 30, 2019, follows:

	Balance October 01, 2018	Increases	Decreases	Balance September 30, 2019
Governmental Activities:				
Nondepreciable Assets:				
Land	$ 740,554	$	$	$ 740,554
Capacity rights	29,571,408			29,571,408
Capacity rights storm water	361,020			361,020
	30,672,982			30,672,982
Depreciable Assets:				
Water system	20,685,124			20,685,124
Wastewater system	24,407,071			24,407,071
Drainage system	45,273,660			45,273,660
Engineering	7,139,449			7,139,449
	97,505,304			97,505,304
Less Accumulated Depreciation	(44,577,952)	(2,991,501)		(47,569,453)
Totals	$ 83,600,334	$ (2,991,501)	$	$ 80,608,833

Depreciation expense for the year ended September 30, 2019, totaled $2,991,501.

NOTE 8 - LONG-TERM DEBT

Long-term debt consists of bonds payable. Payments of principal and interest on the bonds are to be provided from tax levies on properties within the District. Investment income realized by the Debt Service Fund from investment of funds will be used to pay outstanding bond principal and interest. The following is a summary of changes in bonds payable for the year ended September 30, 2019:

Bonds payable - October 01, 2018	$ 76,750,000
Bonds sold	7,455,000
Bonds refunded	(7,015,000)
Bonds retired	(4,495,000)
Bonds payable - September 30, 2019	$ 72,695,000

Bonds payable at September 30, 2019, are comprised of the following individual issues:

	Amounts Outstanding	**Interest Rate**	**Date Serially Begin/End**	**Maturity Interest Dates**	**Callable Date**
2011 R	$ 4,075,000	2.0- 4.0%	March 1, 2012/2022	March 1/ Sept. 1	March 1, 2020*
2012 R	$ 700,000	2.0- 4.0%	March 1, 2014/2029	March 1/ Sept. 1	March 1, 2020*
2013 R	$19,310,000	2.0- 5.0%	March 1, 2014/2030	March 1/ Sept. 1	March 1, 2022*
2015 R	$17,095,000	2.0- 4.0%	March 1, 2016/2030	March 1/ Sept. 1	March 1, 2025*
2015 AR	$ 5,875,000	2.0- 4.0%	March 1, 2016/2030	March 1/ Sept. 1	March 1, 2025*
2016 R	$ 6,380,000	1.84%	March 1, 2018/2028	March 1/ Sept. 1	March 1, 2024*
2017 R	$11,805,000	2.29%	March 1, 2019/2026	March 1/ Sept. 1	March 1, 2024*
2019 R	$ 7,455,000	2.0- 3.0%	March 1, 2020/2029	March 1/ Sept. 1	March 1, 2025*

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

As of September 30, 2019, the debt service requirements on bonds outstanding for the next five fiscal years and thereafter through 2030 are as follow:

Year	Principal	Interest	Total
2020	$ 4,295,000	$ 2,149,275	$ 6,444,275
2021	4,840,000	2,014,755	6,854,755
2022	6,075,000	1,875,290	7,950,290
2023	6,470,000	1,702,926	8,172,926
2024	6,675,000	1,497,884	8,172,884
2025	6,925,000	1,282,925	8,207,925
2026	7,290,000	1,065,377	8,355,377
2027	6,315,000	875,077	7,190,077
2028	6,845,000	680,919	7,525,919
2029	8,275,000	435,756	8,710,756
2030	8,690,000	150,082	8,840,082
	$ 72,695,000	$ 13,730,266	$ 86,425,266

At September 30, 2019, the District had voted and unissued tax bonds in the amount of $9,100,000. The Debt Service Fund has $6,979,523 available to service the above bonds.

The District is in compliance with all significant bond requirements and restrictions contained in the bond resolutions.

NOTE 9 – JOINT VENTURE – THE WOODLANDS WATER AGENCY

The District has entered into interlocal contracts with other area municipal utility districts (collectively the "Participating Districts") to create the Woodlands Water Agency (the "Agency"). The contracts provide for the Agency to purchase certain equipment and supplies, to install taps and connections to the Participating District's water and sewer systems, to perform required repair and maintenance work on these systems and to provide certain administrative services for the Participating Districts.

Each Board of the Participating Districts appoints one of its members to the Agency's Board of Trustees annually. The Agency's Board of Trustees controls the operations of the Agency, which includes adopting operating and capital budgets.

The Agency's summary financial position at September 30, 2019 is presented below:

Total Assets	$ 3,080,430
Total Liabilities	419,413
Net Assets	$ 2,661,017

NOTES TO FINANCIAL STATEMENTS

The Participating Districts account for their share of the Agency's net position on the equity method in their General Funds. Each Participating Districts' respective shares are determined based on their proportionate share of cash contributions and all other cash payments and contributions made to the Agency on a cumulative basis.

At September 30, 2019, the Agency's net position are allocated among the Participating Districts as follows:

The Woodlands MUD No. 1	$ 380,670
Montgomery County MUD No. 6	358,181
Montgomery County MUD No. 7	428,814
Montgomery County MUD No. 36	388,114
Montgomery County MUD No. 39	52,867
Montgomery County MUD No. 46	217,868
Montgomery County MUD No. 47	359,360
Montgomery County MUD No. 60	223,903
Montgomery County MUD No. 67	164,674
The Woodlands Metro Center MUD	86,566
	$ 2,661,017

Each Participating District's share of participants' equity at September 30, 2019 includes an initial contribution of $7,500, which will not be refunded except on withdrawal from the Agency or termination of the interlocal contracts.

The Agency's summary operating results for the year ended September 30, 2019 are presented below along with the District's related share:

	Agency	District
Total Revenues	$ 7,439,286	$ 1,546,412
Total Expenses	7,325,196	1,522,696
Revenues Over (Under) Expenses	114,090	23,716
Participants' Equity - Beginning	2,546,927	194,152
Participants' Equity - Ending	$ 2,661,017	$ 217,868

Charges for the Agency's operating costs are based on the Participating District's number of monthly water and sewer billings, tap connections and direct costs incurred. During the year ended September 30, 2019, the District's contribution for the Agency's costs was made up of the following charges:

Tax administration	$	72,341
Administration		499,092
Engineering		54,754
Meter reading		97,218
Water repair and maintenance		365,088
Sewer repair and maintenance		27,478
Billing income		28,483
Large ditch repair and maintenance		155,622
Storm sewer repair and maintenance		70,296
Postage		29,692
Other		56,789
Capital budget contribution		32,630
Water tap installation		19,950
Inspections and connections		14,525
	$	1,523,958

NOTE 10 – FINANCING AGREEMENTS WITH SAN JACINTO RIVER AUTHORITY

The District has entered into a series of financing agreements with the San Jacinto River Authority (SJRA). The agreements are for design, construction and other improvements to The Woodlands Waste Disposal System Project and The Woodlands Water Supply System Project. The agreements include provisions for advances to be made by the District in the initial stages of the project under certain circumstances. The District has made no advances in the fiscal year ended September 30, 2019.

The District's financing agreements with the SJRA also provide for the allocation of pro rata shares of SJRA revenue bond principal and interest to the District proportionate to the District's interest in the portion of project financed.

The District's proportionate share of the total revenue bond obligations of the SJRA varies by project. During the year ended September 30, 2019, the District funded $536,250 from the General Fund relating to the obligations of which $320,773 was for principal and $215,477 was for interest.

The following reflects the District's portion of existing debt of the SJRA for both the Waste Disposal System Project and the Water Supply System Project. The debt bears interest at varying rates and matures in 2032.

Year	Principal	Interest	Total
2020	$ 330,970	$ 203,475	$ 534,445
2021	315,113	193,281	508,394
2022	327,751	181,832	509,583
2023	341,073	166,684	507,757
2024	352,771	150,898	503,669
2025	368,449	138,356	506,805
2026	386,927	119,934	506,861
2027	405,646	100,587	506,233
2028	425,764	80,305	506,069
2029	444,943	59,016	503,959
2030	466,462	36,770	503,232
2031	107,852	13,447	121,299
2032	112,054	9,132	121,186
	$ 4,385,775	$ 1,453,717	$ 5,839,492

As of September 30, 2019, the District has contracted to purchase capacity rights from the SJRA to service 8,396 single family residential equivalent connections in the Water Supply System and 9,065 single family residential equivalent connections in the Waste Disposal System. The District has paid $28,811,965 to the SJRA for the purchase of these capacity rights from its pro-rata share of the financing agreements noted above, bond proceeds capital funds and other District capital funds sources. The Sixth and Final Accounting prepared in 2017 indicated that the District's final contribution total is $29,571,408 for these rights. Based on the Sixth and Final Accounting, $759,443 was paid to the SJRA from the District.

NOTE 11 – CONTRACT WITH SAN JACINTO RIVER AUTHORITY

The District has contracted with the SJRA to provide its customers with water and sewer utility services through planning, construction, operation and maintenance of central water supply and waste disposal facilities. The initial contract was entered into on September 27, 1983, and continues in full force and effect unless terminated by mutual agreement of the District and the SJRA. Thereafter, the District retains a proportionate and equitable ownership interest in such central facilities.

Under the terms of the agreement, the District pays its proportionate share of capital and operating costs for reserved capacity in the water supply and waste disposal facilities. Capital payments have come from the proceeds of bonds issued by the District and are included as capital assets. Operating costs are recorded as current expenditures in the District's General

Fund. During the year ended September 30, 2019, the District paid $7,772,952 for its share of operating costs. Pursuant to the agreement and a resolution approved by the SJRA on August 28, 2014, the SJRA maintains reserve funds for operation of the water supply and waste disposal facilities to cover cash flow needs year round in an amount ranging between two and three months of total operating costs, excluding costs related to the payment of groundwater reduction plan fees. This operating reserve changes during the year based on available funds and changes in operating conditions. No amounts have been recorded on the District's financial statements to reflect the District's share of this reserve. The SJRA also maintains reserve funds in accordance with the agreement and resolution for the planned repair and replacement of water supply and waste disposal facilities having a significant replacement value and a relatively long useful life (generally in excess of ten years). The amount of such reserve varies from year to year based upon a five year capital improvement and construction plan developed, maintained and annually updated by the SJRA. No amounts have been recorded on the District's financial statements to reflect the District's share of this reserve.

Pursuant to the agreement and the resolution, the SJRA also maintains an emergency reserve for purpose of providing funding for unexpected catastrophic events. The emergency reserve is funded periodically by the District and other participating districts from available sources. The amount of such reserve varies from year to year pursuant to the resolution. No amounts have been recorded on the District's financial statements to reflect the District's share of this reserve.

The relationship between the SJRA and its customer districts is purely contractual. The SJRA is a separate functioning governmental entity whose management and Board of Directors are not subject to the control of the customer districts. The District, together with other area municipal utility districts with similar contracts with the SJRA (collectively the "Customer Districts"), contracts directly with the SJRA for required facilities and does not have a contract with other Customer Districts. The SJRA is not a participating facility user.

The SJRA serves as the sponsor and common provider to each of its Customer Districts of facilities and related services and has full legal title and ownership to facilities, subject only to the contractual rights of the Customer Districts to receive services.

The SJRA invests its own capital funds in the construction and acquisition of the required facilities. Each Customer District makes a payment to the SJRA to defray the costs of construction of capital facilities proportionate to the contractual rights of use (or capacity rights) of such customer pursuant to its contract with the SJRA. Thus, each Customer District has invested from its bond proceeds capital funds in the acquisition of such contract rights; however, no Customer District owns nor has legal title to all or any portion of the physical facilities providing such services.

Under these circumstances, the District's relationship with the SJRA is not considered to constitute either a shared facilities agreement or a joint venture arrangement. Disclosure has been made that a substantial portion of water and sewer facility costs in the District's general fixed assets consist of the District's investment in the acquisition of contractual rights of use, rather than ownership of facilities.

NOTE 12 – RISK MANAGEMENT

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

NOTE 13 – ANNEXATION DEFERRAL AGREEMENT

The District and the adjacent Woodlands Municipal Utility Districts (the "Woodlands Districts") are located entirely within The Woodlands Township, a political subdivision of the State of Texas which overlaps substantially all of The Woodlands. The Township has recently concluded agreements with the City of Houston and the City of Conroe pursuant to which the area of the Township, including the Woodlands Districts, may not be annexed for fifty (50) years, and the area of the Township may, on or after May 29, 2014, and on request by the Township, be excluded from the extraterritorial jurisdiction of either or both cities, and may thereafter be incorporated as a municipality or may adopt a new form of local government. In the event of incorporation of the Township, the newly incorporated municipality may dissolve the Woodlands Districts and assume the assets, obligations and liabilities of the Woodlands Districts.

REQUIRED SUPPLEMENTARY INFORMATION

Montgomery County Municipal Utility District No. 46

Exhibit C(1)

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

Year Ended September 30, 2019

	Budgeted Amounts			Variance Over
	Original	Final	Actual	(Under)
Revenues				
Water service	$ 8,424,898	$ 8,424,898	$ 6,800,315	$ (1,624,583)
Sewer service	2,768,038	2,768,038	2,424,066	(343,972)
Property taxes	434,975	434,975	433,092	(1,883)
Tap connection fees	40,300	40,300	34,725	(5,575)
Interest on investments	78,090	78,090	195,751	117,661
Other	(36)	(36)	58,646	58,682
Total Revenues	11,746,265	11,746,265	9,946,595	(1,799,670)
Expenditures				
Current:				
Purchased water and sewer	9,103,756	9,103,756	7,772,952	(1,330,804)
Purchased services	1,725,150	1,725,150	1,417,142	(308,008)
Professional fees	39,700	39,700	35,598	(4,102)
Other	211,179	211,179	220,460	9,281
Capital Outlay	4,088,208	4,088,208	34,475	(4,053,733)
Debt Service	536,250	536,250	732,346	196,096
Total Expenditures	15,704,243	15,704,243	10,212,973	(5,491,270)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,957,978)	(3,957,978)	(266,378)	3,691,600
Other Financing Sources (Uses)				
Proceeds from the sale of bonds			208,859	208,859
Equity in net income (loss) of JV			23,716	23,716
Total Other Fin. Sources (Uses)			232,575	232,575
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under Expenditures and Other Financing (Uses)	(3,957,978)	(3,957,978)	(33,803)	3,924,175
Fund Balances - Beginning	8,159,700	8,159,700	8,159,700	
Fund Balances - Ending	$ 4,201,722	$ 4,201,722	$ 8,125,897	$ 3,924,175

ADDITIONAL INFORMATION

Montgomery County Municipal Utility District No. 46

SCHEDULE OF SERVICES AND RATES

Year Ended September 30, 2019

1. Services provided by the District:

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

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

___ Other (specify): ______

2. Retail rates based on 5/8" meter Retail rates not applicable

The most prevalent type of meter (if not a 5/8"): ______

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1,000 Gallons Over Minimum	Usage Levels
Water	$ 5.00		N	$ 1.70	1,000 - 3,000
Water			N	$ 2.80	4,000 - 15,000
Water			N	$ 4.45	16,000 - 30,000
Water			N	$ 5.80	31,000 - >
Waste	$10.50	3,000	N	$ 4.50	per 1,000

Surcharge $ 2.74 Per 1,000 Groundwater Reduction Plan Fee

District employs winter averaging for wastewater usage? Yes X No ___

Total water and sewer charges per 10,000 gallons usage (including surcharges) $82.77

3. Retail Service Providers: Number of retail water and/or wastewater* connections within the District as of the fiscal year end. Provide actual numbers and single family equivalents (ESFC) as noted:

	Active Connections	Active ESFC	Inactive Connections**
Single Family	7,523	7,523	
Multi-Family	6	1,132	
Commercial	93	250	
Other - recreational centers, government & VFD	293	789	
TOTAL	7,915	9,694	

* Number of connections relates to water service, if provided. Otherwise, the number of wastewater connections should be provided.

** "Inactive" means that water and wastewater connections were made, but service is not being provided.

4. Total Water Consumption (In Thousands) During the Fiscal Year:

Gallons pumped into system:	N/A
Gallons billed to customers:	1,076,897
Percent of gallons billed to pumped	N/A

5. **Standby Fees**: Does the District assess standby fees? Yes ___ No _X_

For the most recent full fiscal year:

Debt Service:	Total levy	$
	Total collected	$
	Percentage collected	%
Operation & Maintenance	Total levy	$
	Total collected	$
	Percentage collected	%

Have standby fees been levied in accordance with Water Code Section 49.231, thereby constituting a lien on property? Yes ___ No ___

6. **Location of District:**

County in which District is located. Montgomery

Is the District located entirely within one county? Yes _X_ No ___

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

City in which District is located. ____________

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

Entirely _X_ Partly ___ Not at all ___

ETJ's in which District is located. Houston

Is the general membership of the Board appointed by an office outside the District?

Yes ___ No _X_

If yes, by whom? ____________

Montgomery County Municipal Utility District No. 46

TSI-2

SCHEDULE OF GENERAL FUND EXPENDITURES

Years Ended September 30, 2019 and 2018

	2019	2018
Current		
Purchased Water and Sewer Services from SJRA	$ 7,772,952	$ 8,974,901
Purchased Services from Joint Venture	1,417,142	1,421,151
Professional Fees:		
Auditing	7,700	8,050
Legal	27,898	31,121
	35,598	39,171
Other Current Expenditures:		
Directors' fees	13,350	13,350
Regulatory assessment	55,580	59,148
Bank charges	7,083	98,591
Bear Branch	46,838	16,101
Insurance	3,130	3,060
Miscellaneous	94,479	31,488
	220,460	221,738
Capital Outlay	34,475	93,625
Debt Service:		
Principal	320,773	311,076
Interest and fiscal charges	411,573	224,776
	732,346	535,852
Total Expenditures	$ 10,212,973	$ 11,286,438

Number of employees employed by the District:

_____ Full-time
_____ Part-time

Montgomery County Municipal Utility District No. 46

TSI-3

SCHEDULE OF CASH AND TEMPORARY INVESTMENTS

Year Ended September 30, 2019

Funds	Interest Rate (%)	Maturity Date	Balances at September 30, 2019	Accrued Interest
General Fund				
Checking	N/A	N/A	$ 71,165	$
TexPool	Variable	N/A	3,162,371	
TexStar	Variable	N/A	452,693	
Texas CLASS	Variable	N/A	4,621,207	
Total General Fund			8,307,436	
Debt Service Fund				
Checking	N/A	N/A	9,855	
TexPool	Variable	N/A	1,048,629	
TexStar	Variable	N/A	40,627	
Texas CLASS	Variable	N/A	5,920,782	
Total Debt Service Fund			7,019,893	
Capital Projects Fund				
Checking	N/A	N/A	7,276	
Texpool	Variable	N/A	330,220	
Total Capital Projects Fund			337,496	
Total - All Funds			$ 15,664,825	$

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Montgomery County Municipal Utility District No. 46

ANALYSIS OF TAXES LEVIED AND RECEIVABLE

Year Ended September 30, 2019

	General Fund	Debt Service Fund	Total
Taxes Receivable - October 01, 2018	$ 4,907	$ 30,715	$ 35,622
2018 Original Tax Roll	433,493	6,935,888	7,369,381
Additions and corrections	(497)	(5,912)	(6,409)
Adjusted tax roll	432,996	6,929,976	7,362,972
Total to be Accounted for	437,903	6,960,691	7,398,594
Tax Collections			
Current year	431,039	6,896,624	7,327,663
Prior years	2,053	13,409	15,462
Total Collections	433,092	6,910,033	7,343,125
Taxes Receivable - September 30, 2019	$ 4,811	$ 50,658	$ 55,469
Taxes Receivable - By Year			
2018	$ 2,186	$ 34,973	$ 37,159
2017	654	4,399	5,053
2016	516	2,616	3,132
2015	460	2,498	2,958
2014 and prior	995	6,172	7,167
Taxes Receivable - September 30, 2019	$ 4,811	$ 50,658	$ 55,469

Assessed Property Valuations	2018	2017	2016	2015	2014
Land, improvements and personal property	$ 3,465,798,772	$ 4,033,275,171	$ 4,175,474,240	$ 4,027,811,862	$ 3,727,723,373
	$ 3,465,798,772	$ 4,033,275,171	$ 4,175,474,240	$ 4,027,811,862	$ 3,727,723,373
Tax Rates Per $100 Valuations					
Debt service	$ 0.200	$ 0.185	$ 0.178	$ 0.190	$ 0.195
General operations	0.013	0.028	0.035	0.035	0.035
Total Tax Rate per $100 Valuation	$ 0.213	$ 0.213	$ 0.213	$ 0.225	$ 0.230
Adjusted Tax Levy	$ 7,364,822	$ 8,570,710	$ 8,872,883	$ 9,062,577	$ 8,573,764

For the Year Ended September 30, 2019	**All Taxes**
Percent of current taxes collected to current taxes levied (as adjusted)	99.5%
Percent of current and delinquent taxes collected to current levied (as adjusted) and delinquent taxes outstanding at the beginning of the year (as adjusted)	99.3%

Montgomery County Municipal Utility District No. 46

LONG-TERM DEBT SERVICE REQUIREMENTS BY YEARS

September 30, 2019

Due During Fiscal Year End September 30	All Series			Series 2011R		
	Principal	Interest	Total	Principal	Interest	Total
2020	$ 4,295,000	$ 2,149,275	$ 6,444,275	$ 1,015,000	$ 120,875	$ 1,135,875
2021	4,840,000	2,014,755	6,854,755	1,605,000	68,475	1,673,475
2022	6,075,000	1,875,290	7,950,290	1,455,000	18,188	1,473,188
2023	6,470,000	1,702,926	8,172,926			
2024	6,675,000	1,497,884	8,172,884			
2025	6,925,000	1,282,925	8,207,925			
2026	7,290,000	1,065,377	8,355,377			
2027	6,315,000	875,077	7,190,077			
2028	6,845,000	680,919	7,525,919			
2029	8,275,000	435,756	8,710,756			
2030	8,690,000	150,082	8,840,082			
Total	$ 72,695,000	$ 13,730,266	$ 86,425,266	$ 4,075,000	$ 207,538	$ 4,282,538

Due During Fiscal Year End September 30	Series 2015R			Series 2015AR		
	Principal	Interest	Total	Principal	Interest	Total
2020	$ 405,000	$ 613,100	$ 1,018,100	$ 630,000	$ 159,500	$ 789,500
2021	420,000	602,825	1,022,825	650,000	146,700	796,700
2022	430,000	594,325	1,024,325	680,000	132,550	812,550
2023	445,000	583,350	1,028,350	500,000	117,400	617,400
2024	455,000	570,988	1,025,988	520,000	102,100	622,100
2025	475,000	558,175	1,033,175	555,000	83,200	638,200
2026	2,610,000	498,850	3,108,850	425,000	65,725	490,725
2027	2,755,000	405,325	3,160,325	445,000	52,675	497,675
2028	2,875,000	306,500	3,181,500	465,000	39,025	504,025
2029	3,030,000	188,400	3,218,400	490,000	24,394	514,394
2030	3,195,000	63,900	3,258,900	515,000	8,369	523,369
Total	$ 17,095,000	$ 4,985,738	$ 22,080,738	$ 5,875,000	$ 931,638	$ 6,806,638

Due During Fiscal Year End September 30	Series 2019R		
	Principal	Interest	Total
2020	$ 95,000	$ 171,444	$ 266,444
2021	55,000	169,194	224,194
2022	335,000	163,344	498,344
2023	330,000	153,369	483,369
2024	295,000	145,469	440,469
2025	265,000	139,869	404,869
2026	1,450,000	122,719	1,572,719
2027	1,495,000	92,334	1,587,334
2028	1,540,000	58,162	1,598,162
2029	1,595,000	19,937	1,614,937
2030			
Total	$ 7,455,000	$ 1,235,841	$ 8,690,841

Due During Fiscal Year End September 30	Series 2012R Principal	Series 2012R Interest	Series 2012R Total	Series 2013R Principal	Series 2013R Interest	Series 2013R Total
2020	$ 410,000	$ 14,850	$ 424,850	$ 1,550,000	$ 683,775	$ 2,233,775
2021	290,000	4,350	294,350	110,000	658,875	768,875
2022				315,000	652,500	967,500
2023				1,905,000	600,150	2,505,150
2024				2,020,000	502,025	2,522,025
2025				2,150,000	397,775	2,547,775
2026				615,000	334,800	949,800
2027				1,000,000	310,575	1,310,575
2028				1,505,000	273,000	1,778,000
2029				3,160,000	203,025	3,363,025
2030				4,980,000	77,813	5,057,813
Total	$ 700,000	$ 19,200	$ 719,200	$ 19,310,000	$ 4,694,313	$ 24,004,313

Due During Fiscal Year End September 30	Series 2016R Principal	Series 2016R Interest	Series 2016R Total	Series 2017R Principal	Series 2017R Interest	Series 2017R Total
2020	$ 80,000	$ 116,656	$ 196,656	$ 110,000	$ 269,075	$ 379,075
2021	80,000	115,184	195,184	1,630,000	249,152	1,879,152
2022	975,000	105,478	1,080,478	1,885,000	208,905	2,093,905
2023	1,110,000	86,296	1,196,296	2,180,000	162,361	2,342,361
2024	1,145,000	65,550	1,210,550	2,240,000	111,752	2,351,752
2025	1,170,000	44,252	1,214,252	2,310,000	59,654	2,369,654
2026	740,000	26,680	766,680	1,450,000	16,603	1,466,603
2027	620,000	14,168	634,168			
2028	460,000	4,232	464,232			
2029						
2030						
Total	$ 6,380,000	$ 578,496	$ 6,958,496	$ 11,805,000	$ 1,077,502	$ 12,882,502

Montgomery County Municipal Utility District No. 46

ANALYSIS OF CHANGES IN LONG-TERM DEBT

Year Ended September 30, 2019

	Bond Issue				
	2010R	**2011R**	**2012R**	**2013R**	**2015R**
Interest rate	2.00-4.00%	2.00-4.00%	2.00-4.00%	2.00-5.00%	2.00-4.00%
Dates interest payable	9/1;3/1	9/1;3/1	9/1;3/1	9/1;3/1	9/1;3/1
Maturity dates	3/1/11- 3/1/28	3/1/12- 3/1/22	3/1/14- 3/1/29	3/1/14- 3/1/30	3/1/16- 3/1/30
Original issue amount	$ 25,015,000	$ 9,265,000	$ 9,520,000	$ 24,575,000	$ 18,340,000
Bonds payable at beginning of year	$ 420,000	$ 5,040,000	$ 8,130,000	$ 20,820,000	$ 17,485,000
Bonds sold					
Bonds refunded and defeased			(7,015,000)		
Principal retirements	(420,000)	(965,000)	(415,000)	(1,510,000)	(390,000)
Bonds Payable at End of Year	$	$ 4,075,000	$ 700,000	$ 19,310,000	$ 17,095,000
Interest Retirements	$ 8,400	$ 160,475	$ 165,125	$ 729,675	$ 625,025

Paying Agent/Registrar

All Series Bank of New York

Bond Authority	**Tax Bonds**
Amount authorized by voters	$ 139,690,000
Amount issued	$ 130,590,000
Remaining	$ 9,100,000

Debt Service Fund Cash and Temporary Investment Balances at End of Year	$ 7,019,893
Average Annual Debt Service Payment for Remaining Term of all Debt	$ 7,856,842

2015AR	2016R	2017R	2019R	Total
2.00-4.00%	1.84%	2.29%	2.00-3.00%	
9/1;3/1	9/1;3/1	9/1;3/1	9/1;3/1	
3/1/16- 3/1/30	3/1/18- 3/1/28	3/1/19- 3/1/26	3/1/20- 3/1/29	
$ 6,685,000	$ 6,535,000	$ 11,910,000	$ 7,455,000	
$ 6,485,000	$ 6,460,000	$ 11,910,000	$	$ 76,750,000
			7,455,000	7,455,000
				(7,015,000)
(610,000)	(80,000)	(105,000)		(4,495,000)
$ 5,875,000	$ 6,380,000	$ 11,805,000	$ 7,455,000	$ 72,695,000
$ 171,900	$ 118,128	$ 271,537	$ 51,569	$ 2,301,834

Montgomery County Municipal Utility District No. 46

COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES - GENERAL AND DEBT SERVICE FUNDS

Last Five Fiscal Years

	Amounts				
	2019	2018	2017	2016	2015
General Fund Revenues					
Water and sewer service	$ 9,224,381	$ 10,880,932	$ 10,975,097	$ 9,809,661	$ 8,457,171
Property taxes	433,092	1,109,426	1,459,821	1,407,109	1,301,735
Tap connections & culverts	34,725	97,150	64,350	43,325	33,175
Interest and other	254,397	219,812	50,950	81,318	92,313
Total Revenues	9,946,595	12,307,320	12,550,218	11,341,413	9,884,394
General Fund Expenditures					
Current	9,446,152	10,656,961	10,485,340	9,603,680	8,601,549
Capital outlay	34,475	93,625	556,475	29,425	29,900
Debt service	732,346	547,679	538,559	509,093	733,134
Total Expenditures	10,212,973	11,298,265	11,580,374	10,142,198	9,364,583
Revenues Over (Under) Expenditures	$ (266,378)	$ 1,009,055	$ 969,844	$ 1,199,215	$ 519,811

	2019	2018	2017	2016	2015
Debt Service Fund Revenues					
Property taxes	$ 6,910,033	$ 7,458,542	$ 7,404,514	$ 7,638,936	$ 7,250,306
Penalty and interest	34,658	36,131	37,314	37,357	32,271
Interest and other	205,371	128,909	69,353	43,640	38,956
Total Revenues	7,150,062	7,623,582	7,511,181	7,719,933	7,321,533
Debt Service Fund Expenditures					
Tax collection	138,661	148,411	155,672	146,918	142,030
Debt service	6,858,604	6,169,649	6,169,649	12,839,660	31,742,695
Total Expenditures	6,997,265	6,318,060	6,325,321	12,986,578	31,884,725
Revenues Over (Under) Expenditures	$ 152,797	$ 1,305,522	$ 1,185,860	$ (5,266,645)	$ (24,563,192)

Percent of Total Fund Revenues

2019	2018	2017	2016	2015
92.7 %	88.4 %	87.4 %	86.5 %	85.6 %
4.4	9.0	11.6	12.4	13.2
0.3	0.8	0.5	0.4	0.3
2.6	1.8	0.5	0.7	0.9
100.0	100.0	100.0	100.0	100.0
95.0	86.6	83.5	84.7	87.0
0.3	0.8	4.4	0.3	0.3
7.4	4.5	4.3	4.5	7.4
102.7	91.9	92.2	89.5	94.7
(2.7) %	8.1 %	7.8 %	10.5 %	5.3 %
96.6 %	97.8 %	98.6 %	99.0 %	99.0 %
0.5	0.5	0.5	0.5	0.4
2.9	1.7	0.9	0.5	0.6
100.0	100.0	100.0	100.0	100.0
1.9	1.9	2.1	1.9	1.9
95.9	80.9	82.1	166.3	433.6
97.8	82.8	84.2	168.2	435.5
2.2 %	17.2 %	15.8 %	(68.2) %	(335.5) %

Montgomery County Municipal Utility District No. 46

BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS

September 30, 2019

District's Mailing Address:	2455 Lake Robbins Drive P.O. Box 7580 The Woodlands, Texas 77387
District's Business Telephone Number:	(281) 367-1271

Name	Term	Fees	Expenses	Title	Resident of District?
Board Members					
Mark E. Vonderau	5/18- 5/22	$ 5,250	$ 100	President WWA Trustee	No
Marjorie Podzielinski	5/18- 5/22	1,800		Vice- President	Yes
H. Wilson McCoy	5/16- 5/20	2,700		Secretary/ Treasurer	Yes
George Newman	5/16- 5/20	1,650		Assistant Secretary/ Treasurer	Yes
Scott Custer	5/18- 5/22	300		Assistant Secretary/ Treasurer	Yes
Felicia Poe	5/18- 5/22	1,650	549	Resigned	

Note: No director is disqualified from serving on this board under the Texas Water Code.

Name and Address	Date Hired	Salaries and Fees	Title	Resident of District?
Key Administrative Personnel				
Jim Stinson 42 Gallant Oak Place The Woodlands, Texas 77381	7/94	$ 196,085 *	General Manager Woodlands WA	No
Consultants				
Schwartz, Page & Harding, L.L.P. 1300 Post Oak Boulevard, Suite 1400 Houston, Texas 77056	3/1/88	102,408	Attorney	No
Montgomery County Appraisal District 109 Gladstell Conroe, Texas 77301	10/1/84	63,892	Central Appraisal District	No
Knox Cox & Co., LLP 8410 Highway 90A, Suite 150 Sugar Land, Texas 77478	8/1/01	7,700	Independent Auditor	No
RW Baird 4400 Post Oak Parkway, Suite 2790 Houston, Texas 77027	2015	76,426	Financial Advisor	No

* Represents the General Manager's salary paid by the WWA.

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