

OFFICIAL STATEMENT DATED MARCH 11, 2021

IN THE OPINION OF BOND COUNSEL, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER EXISTING LAW, AND THE BONDS ARE NOT SUBJECT TO THE ALTERNATIVE MINIMUM TAX ON INDIVIDUALS. SEE "TAX MATTERS" HEREIN FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.

THE DISTRICT HAS DESIGNATED THE BONDS AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS. SEE "TAX MATTERS—QUALIFIED TAX-EXEMPT OBLIGATIONS FOR FINANCIAL INSTITUTIONS."

NEW ISSUE-Book-Entry-Only

Insured Ratings (AGM): S&P "AA" (stable outlook)
 Moody's "A2" (stable outlook)
 Underlying Rating: Moody's "Baa2"
 See "MUNICIPAL BOND RATING" and
 "MUNICIPAL BOND INSURANCE" herein.

\$2,350,000

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 88
(A political subdivision of the State of Texas located within Montgomery County)
UNLIMITED TAX BONDS
SERIES 2021

The bonds described above (the "Bonds") are obligations solely of Montgomery County Municipal Utility District No. 88 (the "District") and are not obligations of the State of Texas, Montgomery County, the City of Houston or any entity other than the District.

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

Dated: April 1, 2021

Due: September 1, as shown below

Principal of the Bonds is payable at maturity or earlier redemption at the principal payment office of the paying agent/registrar, initially The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (the "Paying Agent/Registrar"), upon surrender of the Bonds for payment. Interest on the Bonds accrues from April 1, 2021, and is payable each September 1 and March 1 commencing September 1, 2021, until maturity or prior redemption. The Bonds will be issued only in fully registered form in denominations of \$5,000 each or integral multiples thereof. The Bonds are subject to redemption prior to their maturity, as shown below.

The Bonds will be registered 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 of the Bonds will not receive physical certificates representing the Bonds, but will receive a credit balance on the books of the nominees of such beneficial owners. So long as Cede & Co. is the registered owner of the Bonds, the principal of and interest on the Bonds will be paid by the Paying Agent/Registrar directly to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM."



The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by ASSURED GUARANTY MUNICIPAL CORP. See "MUNICIPAL BOND INSURANCE" herein.

MATURITY SCHEDULE

Due (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (c)	CUSIP Number (b)	Due (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (c)	CUSIP Number (b)
2022	\$ 100,000	1.00 %	0.30 %	61370L FN2	2027	100,000 (a)	2.00 %	1.00 %	61370L FT9
2023	100,000	1.00	0.40	61370L FP7	2028	100,000 (a)	2.00	1.15	61370L FU6
2024	100,000	1.00	0.60	61370L FQ5	2029	100,000 (a)	2.00	1.30	61370L FV4
2025	100,000	1.00	0.75	61370L FR3	2030	100,000 (a)	2.00	1.40	61370L FW2
2026	100,000	1.00	0.90	61370L FS1					

\$200,000 Term Bonds due September 1, 2032 (a), 61370L FY8 (b), 2.000% Interest Rate, 1.60% Yield (c)
 \$200,000 Term Bonds due September 1, 2034 (a), 61370L GA9 (b), 2.000% Interest Rate, 1.80% Yield (c)
 \$200,000 Term Bonds due September 1, 2036 (a), 61370L GC5 (b), 2.000% Interest Rate, 2.00% Yield (c)
 \$200,000 Term Bonds due September 1, 2038 (a), 61370L GE1 (b), 2.000% Interest Rate, 2.07% Yield (c)
 \$200,000 Term Bonds due September 1, 2040 (a), 61370L GG6 (b), 2.000% Interest Rate, 2.15% Yield (c)
 \$450,000 Term Bonds due September 1, 2042 (a), 61370L GJ0 (b), 2.125% Interest Rate, 2.20% Yield (c)

- (a) Bonds maturing on or after September 1, 2027, are subject to redemption at the option of the District prior to their maturity dates in whole, or from time to time in part, on September 1, 2026, or on any date thereafter at a price of par value plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. The Term Bonds (as defined herein) are also subject to mandatory sinking fund redemption as more fully described herein. See "THE BONDS—Redemption Provisions."
- (b) CUSIP Numbers have been assigned to the Bonds by CUSIP Service Bureau and are included solely for the convenience of the purchasers of the Bonds. Neither the District nor the Underwriter shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.
- (c) Initial reoffering yield represents the initial offering yield to the public, which has been established by the Underwriter (as herein defined) for offers to the public and which subsequently may be changed.

The Bonds are offered when, as and if issued by the District and accepted by the Underwriter, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Mitchell & Zientek, LLP, The Woodlands, Texas, Bond Counsel. See "LEGAL MATTERS." Delivery of the Bonds through the facilities of DTC is expected on or about April 13, 2021.

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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.

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

All of the summaries of the statutes, resolutions, orders, contracts, audited financial statements, engineering and other related reports set forth in this OFFICIAL STATEMENT are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Mitchell & Zientek, LLP, Bond Counsel, 24624 Interstate 45 N., Suite 200, The Woodlands, Texas, 77386, for further information, upon payment of duplication costs.

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined in, SEC Rule 15c2-12, as amended.

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

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

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District accepted the bid resulting in the lowest net effective interest rate, which bid was tendered by SAMCO Capital Markets (the "Underwriter") bearing the interest rates shown on the cover page hereof, at a price of 98.3406% of the par value thereof plus accrued interest to the date of delivery which resulted in a net effective interest rate of 2.115317%, as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended.

Pricing and Marketability

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

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

Securities Laws

No registration statement relating to the offer and sale of 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 and the Bonds have not been registered or qualified under the securities laws of any other jurisdiction. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any other jurisdiction in which the Bonds may be offered, sold or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdiction.

OFFICIAL STATEMENT SUMMARY

The following is a brief summary of certain information contained herein which is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this OFFICIAL STATEMENT. The summary should not be detached and should be used in conjunction with more complete information contained herein. A full review should be made of the entire OFFICIAL STATEMENT and of the documents summarized or described therein.

INFECTIOUS DISEASE OUTLOOK (COVID-19)

General...

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 Texas. As described herein under “INVESTMENT CONSIDERATIONS—Infectious Disease Outlook (COVID-19)”, federal, state, and local governments have all taken actions to respond to the Pandemic, including disaster declarations by both the President of the United States and the Governor of Texas. Such actions are focused on limiting instances where the public can congregate or interact with each other, which affects economic growth within Texas.

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 Texas.

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 share of operations and maintenance expenses payable from ad valorem taxes.

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.

EXTREME WEATHER EVENTS; HURRICANE HARVEY

General...

The greater Houston area 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 has experienced several 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.

Impact on the District...

According to Jones & Carter, Inc. (the “Engineer”) and Municipal Operations & Consulting, Inc. (the “Operator”), there was no interruption of water and sewer service as a result of Hurricane Harvey. The outfall channel which serves Wrights Landing at Legends Trace Section 3 was damaged and repairs included the regrading of the channel to original conditions and re-setting of rip rap and channel lock erosion control blocks. The District applied for FEMA funding and was approved for 90% funding by FEMA for the total estimated repair cost of \$90,000. Further, according to the District’s Operator and Engineer, no homes within the District experienced significant flooding or other material damage as a result of Hurricane Harvey.

If a future weather event 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. See "INVESTMENT CONSIDERATIONS—Extreme Weather Events; Hurricane Harvey."

THE DISTRICT

<i>Description...</i>	Montgomery County Municipal Utility District No. 88 (the "District") is a political subdivision of the State of Texas, created by order of the Texas Commission on Environmental Quality ("TCEQ"), on December 29, 2000, and operates pursuant to Chapters 49 and 54 of the Texas Water Code. The District contains approximately 456 acres of land. See "THE DISTRICT."
<i>Location...</i>	The District is located approximately 25 miles north of the central downtown business district of the City of Houston and lies wholly within the extraterritorial jurisdiction of the City of Houston (the "City"). The District is also located within the boundaries of the Conroe Independent School District. The District lies approximately three miles east of the intersection of Interstate Highway 45 and Rayford/Sawdust Road. See "THE DISTRICT" and "AERIAL LOCATION MAP."
<i>The Developers...</i>	<p>Legends Trace Interests, Ltd. ("Legends Trace"), a Texas limited partnership, has developed the portion of the District developed as Legends Trace. The general partner of Legends Trace is Camcorp Interests, Ltd. ("Camcorp"), a Texas limited partnership. All of Legends Trace's development activities have been funded by a loan from the limited partners of Camcorp. Legends Classic Homes, Ltd. is the only homebuilder in Legends Trace and is also a subsidiary of Camcorp. Legends Trace does not own any undeveloped land in the District.</p> <p>Legends Holding Co., L.P. ("Legends Holding"), a Texas limited partnership, has developed the portion of the District developed as Estates of Legends Trace. Legends Holding's only asset is the land it owns in the District. The general partner of Legends Holding is LHC, LLC ("LHC"), a majority interest in which is owned by Mike Manners. All of Legends Holding's development activities have been funded with internal funds. Legends Holding owns approximately 107 acres in the District, of which approximately 62 acres are in the floodplain.</p> <p>Gracepoint Holding Company, L.L.C., ("Gracepoint"), a Texas limited liability company, has developed approximately 84 acres as Wrights Landing at Legends Trace and is one of the homebuilders in Wrights Landing. Gracepoint owns no remaining undeveloped land in the District.</p> <p>Legends Trace, Legends Holding and Gracepoint are collectively referred to herein as the "Developers." See "INVESTMENT CONSIDERATIONS—Dependence on Principal Taxpayers," "THE DEVELOPERS" and "TAX DATA—Principal Taxpayers."</p>
<i>Status of Development...</i>	<p>Development activities in the District began in 2008. The District currently includes approximately 251 developed acres of single-family residential development (1,056 lots). Home construction in the District began in late 2008, and as of January 14, 2021, the District contained 998 single-family homes completed and occupied, 5 single-family homes completed and not occupied, and 53 single-family homes in various stages of construction. According to the 2020 tax roll, approximately 14% of currently completed homes in the District are considered rental properties. See "TAX DATA—Principal Taxpayers."</p> <p>The remainder of the District is comprised of approximately 63 developable acres that have not been provided with water distribution, wastewater collection and storm drainage facilities, approximately 9 acres which have been developed as a recreation center/parks and open spaces, approximately 24 acres which are undevelopable including easements, street right-of-way, drainage facilities, and plant sites and approximately 109 acres in the floodplain. See "THE DISTRICT."</p>

Builders... Homebuilders actively conducting homebuilding within the District are Camillo Properties, Chesmar Homes, Highland Homes, History Maker Homes and Legend Homes. New homes in the District range in offering prices from approximately \$170,000 to \$415,000. See “THE DISTRICT.”

Payment Record... The District has previously issued five series of unlimited tax bonds and one series of unlimited tax refunding bonds, of which \$18,715,000 principal amount was outstanding as of February 1, 2021 (the “Outstanding Bonds”). The District has never defaulted in the payment of principal and interest on the Outstanding Bonds.

THE BONDS

Description... \$2,350,000 Unlimited Tax Bonds, Series 2021 (the “Bonds”) are being issued as fully registered bonds pursuant to an order authorizing the issuance of the Bonds (the “Bond Order”) adopted by the District's Board of Directors (the “Board”). The Bonds are scheduled to mature serially on September 1 in the years 2022 through 2030, both inclusive, and as term bonds on September 1 in each of the years 2032, 2034, 2036, 2038, 2040, and 2042 (the “Term Bonds”) in the principal amounts and accrue interest at the rates shown on the cover page hereof. The Bonds will be issued in denominations of \$5,000 or integral multiples of \$5,000. Interest on the Bonds accrues from April 1, 2021, and is payable September 1, 2021, and each March 1 and September 1 thereafter, until the earlier of maturity or redemption. See “THE BONDS.”

Book-Entry-Only System... The Depository Trust Company (defined as “DTC”), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully- registered certificate will be issued for each maturity of the Bonds and will be deposited with DTC. See “BOOK-ENTRY-ONLY SYSTEM.”

Redemption... Bonds maturing on or after September 1, 2027 are subject to redemption in whole, or from time to time in part, at the option of the District prior to their maturity dates on September 1, 2026, or on any date thereafter at a price of par value plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. The Term Bonds are also subject to mandatory sinking fund redemption as more fully described herein. See “THE BONDS—Redemption Provisions.”

Use of Proceeds... Proceeds of the Bonds will be used to pay for the items shown herein under “USE AND DISTRIBUTION OF BOND PROCEEDS,” including to pay interest on funds advanced by the Developers on behalf of the District; and to pay engineering fees, administrative costs, and certain other costs related to the issuance of the Bonds and the operation of the District. See “USE AND DISTRIBUTION OF BOND PROCEEDS.”

Authority for Issuance... The Bonds are the sixth series of bonds issued out of an aggregate of \$63,090,000 principal amount of unlimited tax bonds authorized by the District's voters for the purpose of purchasing and constructing a water, wastewater and/or storm drainage system. The Bonds are issued by the District pursuant to an Order of the TCEQ, the terms and conditions of the Bond Order, Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, and general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas. See “THE BONDS—Authority for Issuance.”

Source of Payment... Principal of and interest on the Bonds are payable from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. The Bonds are obligations solely of the District and are not obligations of the City of Houston, Montgomery County, the State of Texas or any entity other than the District. See “THE BONDS—Source of Payment.”

*Municipal Bond Insurance
and Rating...*

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, ("S&P") and Moody's Investors Service, Inc. (Moody's) are expected to assign municipal bond ratings of "AA" (stable outlook) and "A2" (stable outlook), respectively, to this issue of Bonds with the understanding that, upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by Assured Guaranty Municipal Corp. Moody's has also assigned an underlying rating of "Baa2" to the Bonds. An explanation of the ratings may be obtained from S&P and Moody's. See "INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance," "MUNICIPAL BOND RATING," "MUNICIPAL BOND INSURANCE," and "APPENDIX B."

*Qualified Tax-Exempt
Obligations...*

The District has designated the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended, and will represent that the total amount of tax-exempt bonds (including the Bonds) issued by it during calendar year 2021 is not reasonably expected to exceed \$10,000,000. See "TAX MATTERS—Qualified Tax- Exempt Obligations for Financial Institutions."

Bond Counsel...

Mitchell & Zientek, LLP, The Woodlands, Texas. See "MANAGEMENT OF THE DISTRICT," "LEGAL MATTERS."

Disclosure Counsel...

McCall Parkhurst & Horton L.L.P., Houston, Texas.

Financial Advisor...

Masterson Advisors LLC, Houston, Texas. See "MANAGEMENT OF THE DISTRICT" and "PREPARATION OF OFFICIAL STATEMENT."

Paying Agent/Registrar...

The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. See "THE BONDS—Method of Payment of Principal and Interest."

INVESTMENT CONSIDERATIONS

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

SELECTED FINANCIAL INFORMATION (UNAUDITED)

2020 Certified Taxable Assessed Value	\$242,635,701	(a)
Estimated Taxable Assessed Value as of December 1, 2020.....	\$256,656,012	(b)
Gross Direct Debt Outstanding.....	\$21,065,000	(c)
Estimated Overlapping Debt.....	<u>10,273,644</u>	(d)
Gross Direct Debt and Estimated Overlapping Debt.....	\$31,338,644	
Ratios of Gross Direct Debt to:		
2020 Certified Taxable Assessed Value	8.68%	
Estimated Taxable Assessed Value as of December 1, 2020.....	8.21%	
Ratios of Gross Direct Debt and Estimated Overlapping Debt to:		
2020 Certified Taxable Assessed Value.....	12.92%	
Estimated Taxable Assessed Value as of December 1, 2020.....	12.21%	
Debt Service Funds Available as of February 11, 2021.....	\$2,512,852	
Capital Project Funds Available as of February 11, 2021	\$723,666	
Operating Funds Available as of February 11, 2021	\$3,379,921	
2020 Debt Service Tax Rate	\$0.71	
2020 Maintenance Tax Rate	<u>0.66</u>	
2020 Total Tax Rate	\$1.37	
Average percentage of total tax collections (2015-2019)	99.89%	
Average Annual Debt Service Requirement (2021-2042).....	\$1,338,899	(c)
Maximum Annual Debt Service Requirement (2022)	\$1,548,738	(c)
Tax Rates Required to Pay Average Annual Debt Service (2021-2042) at a 95% Collection Rate		
Based upon 2020 Certified Taxable Assessed Value	\$0.59	
Based upon Estimated Taxable Assessed Value as of December 1, 2020.....	\$0.55	
Tax Rates Required to Pay Maximum Annual Debt Service (2022) at a 95% Collection Rate		
Based upon 2020 Certified Taxable Assessed Value	\$0.68	
Based upon Estimated Taxable Assessed Value as of December 1, 2020.....	\$0.64	
Status of Development as of January 14, 2021 (e):		
Homes Completed (998 Occupied).....	1,003	
Homes Under Construction	53	
Other (Irrigation, etc.).....	18	
Estimated Population.....	3,493	(f)

(a) As certified by the Montgomery Central Appraisal District (the "Appraisal District"). See "TAXING PROCEDURES."

(b) The Estimated Taxable Assessed Value has been provided by the Appraisal District as of December 1, 2020. Increases in value from January 1, 2020 through December 1, 2020 will be not certified until the fall of 2021 as part of the 2021 taxable assessed valuation. No tax will be levied on such amount until it is certified by the Appraisal District. See "TAXING PROCEDURES."

(c) After the issuance of the Bonds. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds" and "—Debt Service Requirements."

(d) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Estimated Overlapping Debt" and "—Overlapping Taxes."

(e) See "THE DISTRICT—Land Use" and "—Status of Development."

(f) Based upon 3.5 persons per occupied single-family residence.

OFFICIAL STATEMENT

\$2,350,000

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 88
(A political subdivision of the State of Texas located within Montgomery County)

UNLIMITED TAX BONDS
SERIES 2021

This Official Statement provides certain information in connection with the issuance by Montgomery County Municipal Utility District No. 88 (the "District") of its \$2,350,000 Unlimited Tax Bonds, Series 2021 (the "Bonds").

The Bonds are issued by the District pursuant to an Order of the TCEQ, the terms and conditions of the Bond Order, Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, an election held within the District, and general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas.

This Official Statement includes descriptions, among others, of the Bonds and the Bond Order, and certain other information about the District, the Developers and development activity in the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of documents may be obtained from Mitchell & Zientek, LLP, Bond Counsel, 24624 Interstate 45 N., Suite 200, The Woodlands, Texas, 77386, upon payment of duplication costs.

THE BONDS

Description

The Bonds will be dated and accrue interest from April 1, 2021, with interest payable each September 1 and March 1, beginning September 1, 2021 (the "Interest Payment Date"), and will mature on the dates and in the amounts and pay interest at the rates shown on the cover page hereof. The Bonds are issued in fully registered form, in denominations of \$5,000 or any integral multiple of \$5,000. Interest calculations are based on a 360-day year comprised of twelve 30-day months. The Bonds will be issued in fully registered form in denominations of \$5,000 or any integral multiple thereof.

Method of Payment of Principal and Interest

In the Bond Order, the Board has appointed The Bank of New York Mellon Trust Company, N.A. in Dallas, Texas as the initial Paying Agent/Registrar for the Bonds. The principal of the Bonds shall be payable, without exchange or collection charges, in any coin or currency of the United States of America, which, on the date of payment, is legal tender for the payment of debts due the United States of America. In the event the book-entry system is discontinued, principal of the Bonds shall be payable upon presentation and surrender of the Bonds as they respectively become due and payable, at the principal payment office of the Paying Agent/Registrar in Dallas, Texas and interest on each Bond shall be payable by check payable on each Interest Payment Date, mailed by the Paying Agent/Registrar on or before each Interest Payment Date to the registered owner (the "Registered Owner") of record as of the close of business on the February 15 or August 15 immediately preceding each Interest Payment Date (defined herein as the "Record Date"), to the address of such Registered Owner as shown on the Paying Agent/Registrar's records (the "Register") or by such other customary bank arrangements as may be agreed upon by the Paying Agent/Registrar and the Registered Owners at the risk and expense of the Registered Owners.

If the date for payment of the principal of or interest on any Bond is not a business day, then the date for such payment shall be the next succeeding business day, as defined in the Bond Order.

Source of Payment

While the Bonds or any part of the principal thereof or interest thereon remain outstanding and unpaid, the District covenants to levy and annually assess and collect in due time, form and manner, and at the same time as other District taxes are appraised, levied and collected, in each year, a continuing direct annual ad valorem tax, without limit as to rate, upon all taxable property in the District sufficient to pay the interest on the Bonds as the same becomes due and to pay each installment of the principal of the Bonds as the same matures, with full allowance being made for delinquencies and costs of collection. In the Bond Order, the District covenants that said taxes are irrevocably pledged to the payment of the interest on and principal of the Bonds and to no other purpose.

The Bonds are obligations of the District and are not the obligations of the State of Texas, Montgomery County, the City, or any entity other than the District.

Funds

In the Bond Order, the Debt Service Fund is confirmed, and the proceeds from all taxes levied, assessed and collected for and on account of the Bonds authorized by the Bond Order shall be deposited, as collected, in such fund.

Accrued interest on the Bonds shall be deposited into the Debt Service Fund upon receipt. The remaining proceeds of sale of the Bonds shall be deposited into the Capital Projects Fund, to be used for the purpose of reimbursing the Developers for certain construction costs and for paying the costs of issuance of the Bonds. Any monies remaining in the Capital Projects Fund after completion of construction of the entire system (as herein defined) will be used as described in the Bond Order or ultimately transferred to the Debt Service Fund. See “USE AND DISTRIBUTION OF BOND PROCEEDS” for a complete description of the use of Bond proceeds and the projects related thereto.

Redemption Provisions

Optional Redemption: The District reserves the right, at its option, to redeem the Bonds maturing on or after September 1, 2027, prior to their scheduled maturities, in whole or from time-to-time in part, in integral multiples of \$5,000 on September 1, 2026, or any date thereafter, at a price of par value plus accrued interest on the principal amounts called for redemption to the date fixed for redemption.

Mandatory Redemption: The Bonds due on September 1 in each of the years 2032, 2034, 2036, 2038, 2040 and 2042 (the “Term Bonds”) are also subject to mandatory sinking fund redemption by the District by lot or other customary random method prior to scheduled maturity on September 1 in the years (“Mandatory Redemption Dates”) and in the amounts set forth below, subject to proportionate reduction at a redemption price of par plus accrued interest to the date of redemption:

\$200,000 Term Bonds Due September 1, 2032		\$200,000 Term Bonds Due September 1, 2034		\$200,000 Term Bonds Due September 1, 2036	
Mandatory Redemption Date	Principal Amount	Mandatory Redemption Date	Principal Amount	Mandatory Redemption Date	Principal Amount
2031	\$ 100,000	2033	\$ 100,000	2035	\$ 100,000
2032 (maturity)	100,000	2034 (maturity)	100,000	2036 (maturity)	100,000

\$200,000 Term Bonds Due September 1, 2038		\$200,000 Term Bonds Due September 1, 2040		\$450,000 Term Bonds Due September 1, 2042	
Mandatory Redemption Date	Principal Amount	Mandatory Redemption Date	Principal Amount	Mandatory Redemption Date	Principal Amount
2037	\$ 100,000	2039	\$ 100,000	2041	\$ 225,000
2038 (maturity)	100,000	2040 (maturity)	100,000	2042 (maturity)	225,000

On or before 30 days prior to each Mandatory Redemption Date set forth above, the Registrar shall (i) determine the principal amount of such Term Bond that must be mandatorily redeemed on such Mandatory Redemption Date, after taking into account deliveries for cancellation and optional redemptions as more fully provided for below, (ii) select, by lot or other customary random method, the Term Bond or portions of the Term Bond of such maturity to be mandatorily redeemed on such Mandatory Redemption Date, and (iii) give notice of such redemption as provided in the Bond Order. The principal amount of any Term Bond to be mandatorily redeemed on such Mandatory Redemption Date shall be reduced by the principal amount of such Term Bond, which, by the 45th day prior to such Mandatory Redemption Date, either has been purchased in the open market and delivered or tendered for cancellation by or on behalf of the District to the Registrar or optionally redeemed and which, in either case, has not previously been made the basis for a reduction under this sentence.

If less than all of the Bonds are redeemed at any time, the maturities of the Bonds to be redeemed will be selected by the District. If less than all the Bonds of a certain maturity are to be redeemed, the particular Bonds to be redeemed shall be selected by the Paying Agent/Registrar by lot or other random method (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form).

If a Bond subject to redemption is in a denomination larger than \$5,000, a portion of such Bond may be redeemed, but only in integral multiples of \$5,000. Upon surrender of any Bond for redemption in part, the Paying Agent/Registrar shall authenticate and deliver in exchange therefore a Bond or Bonds of like maturity and interest rate in an aggregate principal amount equal to the unredeemed portion of the Bond so surrendered.

Notice of any redemption identifying the Bonds to be redeemed in whole or in part shall be given by the Paying Agent/Registrar at least thirty (30) days prior to the date fixed for redemption by sending written notice by first class mail to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the Register. Such notices shall state the redemption date, the redemption price, the place at which the Bonds are to be surrendered for payment and, if less than all the Bonds outstanding are to be redeemed, the numbers of the Bonds or the portions thereof to be redeemed. Any notice given shall be conclusively presumed to have been duly given, whether or not the Registered Owner receives such notice. By the date fixed for redemption, due provision shall be made with the Paying Agent/Registrar for payment of the redemption price of the Bonds or portions thereof to be redeemed, plus accrued interest to the date fixed for redemption. When Bonds have been called for redemption in whole or in part and due provision has been made to redeem the same as herein provided, the Bonds or portions thereof so redeemed shall no longer be regarded as outstanding except for the purpose of receiving payment solely from the funds so provided for redemption, and the rights of the Registered Owners to collect interest which would otherwise accrue after the redemption date on any Bond or portion thereof called for redemption shall terminate on the date fixed for redemption.

Authority for Issuance

At a bond election held within the District, voters of the District authorized the issuance of \$63,090,000 principal amount of unlimited tax bonds for the purpose of purchasing and constructing a water, wastewater and/or storm drainage system. The Bonds are issued pursuant to such authorization. See "Issuance of Additional Debt" below.

The Bonds are issued by the District pursuant to an Order of the TCEQ, the terms and conditions of the Bond Order, Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, and general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas.

Before the Bonds can be issued, the Attorney General of Texas must pass upon the legality of certain related matters. The Attorney General of Texas does not guarantee or pass upon the safety of the Bonds as an investment or upon the adequacy of the information contained in this OFFICIAL STATEMENT.

Registration and Transfer

So long as any Bonds remain outstanding, the Paying Agent/Registrar shall keep the Register at its principal payment office and, subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar shall provide for the registration and transfer of Bonds in accordance with the terms of the Bond Order.

In the event the Book-Entry-Only System should be discontinued, each Bond shall be transferable only upon the presentation and surrender of such Bond at the principal payment office of the Paying Agent/Registrar, duly endorsed for transfer, or accompanied by an assignment duly executed by the Registered Owner or his authorized representative in form satisfactory to the Paying Agent/Registrar. Upon due presentation of any Bond in proper form for transfer, the Paying Agent/Registrar has been directed by the District to authenticate and deliver in exchange therefor, within three (3) business days after such presentation, a new Bond or Bonds, registered in the name of the transferee or transferees, in authorized denominations and of the same maturity and aggregate principal amount and paying interest at the same rate as the Bond or Bonds so presented.

All Bonds shall be exchangeable upon presentation and surrender thereof at the principal payment office of the Paying Agent/Registrar for a Bond or Bonds of the same maturity and interest rate and in any authorized denomination in an aggregate amount equal to the unpaid principal amount of the Bond or Bonds presented for exchange. The Paying Agent/Registrar is authorized to authenticate and deliver exchange Bonds. Each Bond delivered shall be entitled to the benefits and security of the Bond Order to the same extent as the Bond or Bonds in lieu of which such Bond is delivered.

Neither the District nor the Paying Agent/Registrar shall be required to transfer or to exchange any Bond during the period beginning on a Record Date and ending the next succeeding Interest Payment Date or to transfer or exchange any Bond called for redemption during the thirty (30) day period prior to the date fixed for redemption of such Bond.

The District or the Paying Agent/Registrar may require the Registered Owner of any Bond to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with the transfer or exchange of such Bond. Any fee or charge of the Paying Agent/Registrar for such transfer or exchange shall be paid by the District.

Lost, Stolen or Destroyed Bonds

In the event the Book-Entry-Only System should be discontinued, upon the presentation and surrender to the Paying Agent/Registrar of a mutilated Bond, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor a replacement Bond of like maturity, interest rate and principal amount, bearing a number not contemporaneously outstanding. If any Bond is lost, apparently destroyed, or wrongfully taken, the District, pursuant to the applicable laws of the State of Texas and in the absence of notice or knowledge that such Bond has been acquired by a bona fide purchaser, shall, upon receipt of certain documentation from the Registered Owner and an indemnity bond, execute and the Paying Agent/Registrar shall authenticate and deliver a replacement Bond of like maturity, interest rate and principal amount bearing a number not contemporaneously outstanding.

Registered owners of lost, stolen or destroyed bonds will be required to pay the District's costs to replace such bond. In addition, the District or the Paying Agent/Registrar may require the Registered Owner to pay a sum sufficient to cover any tax or other governmental charge that may be imposed.

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

Issuance of Additional Debt

The District's voters have authorized the issuance of \$63,090,000 principal amount of unlimited tax bonds for the purpose of purchasing and constructing a water, wastewater and/or storm water drainage system, and \$41,000,000 principal amount of unlimited tax bonds for the purpose of refunding existing bonds of the District and could authorize additional amounts. After the issuance of the Bonds, \$38,970,000 principal amount of unlimited tax bonds for a water, wastewater and/or storm water drainage system will remain authorized but unissued and \$40,880,000 principal amount of the unlimited tax bonds for refunding purposes will remain authorized but unissued.

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

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

Pursuant to Chapter 54 of the Water Code, a municipal utility district may petition the TCEQ for the power to issue bonds supported by property taxes to finance roads. Before the District could issue such bonds, the District would be required to receive a grant of such power from the TCEQ, authorization from the District's voters to issue such bonds, and approval of the bonds by the Attorney General of Texas. The District has not considered filing an application to the TCEQ for "road powers" nor calling such an election at this time.

Issuance of additional debt could dilute the investment security for the Bonds.

Annexation by the City of Houston

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City, the District must conform to a City of Houston consent ordinance. Generally, the District may be annexed by the City of Houston without the District's consent, and the City cannot annex territory within the District unless it annexes the entire District; however, the City may not annex the District unless (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed, and (ii) if the registered voters in the area to be annexed do not own more than 50 percent of the land in the area, a petition has been signed by more than 50 percent of the landowners consenting to the annexation. Annexation of territory by the City is a policy-making matter within the discretion of the Mayor and City Council of the City, and therefore, the District makes no representation that the City will ever annex the District and assume its debt, nor does the District make any representation concerning the ability of the City to pay debt service on the District's bonds if annexation were to occur.

Strategic Partnership

The District is authorized to enter into a strategic partnership agreement with the City to provide the terms and conditions under which the services would be provided and funded by the parties and under which the District would continue to exist for an extended period if the land within the District were to be annexed for full or limited purposes by the City. The terms of any such agreement would be determined by the City and the District and could provide for the conversion of a limited purpose annexation to a general purpose annexation within thirty (30) years of annexation. Although the City has negotiated and entered into such an agreement with one or more other districts in its extraterritorial jurisdiction, none is currently contemplated with respect to the District. However, no representation can be made regarding the future likelihood of an agreement or the terms thereof.

Consolidation

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

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

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

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

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) of the Bonds or other obligations of the District payable from revenues or from ad valorem taxes or both, amounts sufficient to provide for the payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested only in (a) direct noncallable obligations of the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to the investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and which mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds.

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

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

BOOK-ENTRY-ONLY SYSTEM

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC, DTC Direct Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) Bonds representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) prepayment or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will do so on a timely basis or that DTC, DTC Direct Participants or DTC Indirect Participants will 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 "Procedure" of DTC to be followed in dealing with DTC Direct Participants are on file with DTC.

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

DTC, the world's largest 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 3.6 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 from S&P Global Services of "AA+." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

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

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

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

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

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

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USE AND DISTRIBUTION OF BOND PROCEEDS

Proceeds from the sale of the Bonds will be used to pay the construction costs associated with the following items. See “THE SYSTEM.”

The construction costs below were compiled by Jones & Carter, Inc., the District's engineer (the “Engineer”), and were submitted to the TCEQ in the District's Bond Application. Non-construction costs are based upon either contract amounts or estimates of various costs by the Engineer and Masterson Advisors LLC (the “Financial Advisor”). The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Bonds and completion of agreed-upon procedures by the District's auditor. The surplus funds may be expended for any lawful purpose for which surplus construction funds may be used, if approved by the TCEQ, where required.

I. CONSTRUCTION COSTS

• Elan Boulevard and Birham Woods Drive Drainage Improvements	\$ 366,454
• Legends Ranch Central Drainage Storm Water Pump Station	426,419
• Legends Ranch Central Drainage Facility, Phas I	24,243
• North Tract Clearing	46,715
• South Tract Clearing	95,959
• Smart Water Meters Purchase & Installation	410,450
• Land Acquisition	379,794
• Engineering	203,307
Total Construction Costs	\$ 1,953,341

II. NON-CONSTRUCTION COSTS

• Legal Fees	\$ 58,750
• Financial Advisory Fees	47,000
• Developer Interest	104,679
• Underwriter's Discount (a)	38,995
• Bond Issuance Expenses	57,505
• TCEQ Fee (0.25%)	5,875
• Attorney General Fee (0.10%)	2,350
• Bond Application Report Cost	50,000
• Contingency (a)	31,505
Total Issuance Costs and Fees	\$ 396,659

TOTAL BOND ISSUE REQUIREMENT **\$ 2,350,000**

(a) The TCEQ approved a maximum Underwriter's discount of 3.0%. Contingency represents the difference in the estimated and actual amounts of Underwriter's Discount.

THE DISTRICT

General

The District is a municipal utility district created by an order of the TCEQ dated December 29, 2000. The rights, powers, privileges, authority and functions of the District are established by the general laws of the State of Texas pertaining to utility districts, particularly Article XVI, Section 59 of the Texas Constitution, and Chapters 49 and 54 of the Texas Water Code, as amended.

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District is also empowered to establish parks and recreational facilities for the residents of the District, to contract for or employ its own peace officers and, after approval by the TCEQ and the voters of the District, to establish, operate, and maintain fire-fighting facilities, independently or with one or more conservation and reclamation districts. Additionally, the District may, subject to the granting of road powers by the TCEQ and certain limitations, develop and finance roads.

The TCEQ exercises continuing supervisory jurisdiction over the District. The District is required to observe certain requirements of the City which, along with Texas law, limit the purposes for which the District may sell bonds to the acquisition, construction, and improvement of waterworks, wastewater, drainage, recreational, road, and fire-fighting facilities and the refunding of outstanding debt obligations; limit the net effective interest rate on such bonds and other terms of such bonds; require approval by the City of District construction plans for certain of such facilities; require the District to follow certain requirements regarding wastewater treatment plant facilities; and permit connections only to platted lots and reserves which have been approved by the Planning Commission of the City. Construction and operation of the District's water, wastewater and drainage systems are subject to the regulatory jurisdiction of additional government agencies. See "THE SYSTEM—Regulation."

Description and Location

The District contains approximately 456 acres of land, is located approximately 25 miles north of the central downtown business district of the City and lies wholly within the extraterritorial jurisdiction of the City. The District also lies within the boundaries of the Conroe Independent School District. The District lies approximately three miles east of the intersection of Interstate Highway 45 and Rayford/Sawdust Road. See "AERIAL PHOTOGRAPH."

Land Use

The District currently includes approximately 251 acres developed as single-family residential lots (1,056 lots), approximately 63 developable acres that have not been fully provided with water distribution, wastewater collection and storm drainage facilities, approximately 9 acres developed as a recreation center/parks and open spaces, approximately 24 acres which are undevelopable including easements, street right-of-way, drainage facilities, and plant sites and approximately 109 acres in the 100-year floodplain. The table below represents a detailed breakdown of the current acreage and development in the District.

	Approximate Acres	Lots
Estates of Legends Trace, Section One.....	48	171
Legends Trace, Section One.....	60	299
Legends Trace, Section Three.....	65	207
Wrights Landing at Legends Trace, Section One.....	22	104
Wrights Landing at Legends Trace, Section Two.....	22	104
Wrights Landing at Legends Trace, Section Three.....	34	171
Subtotal.....	251	1,056
Future Development.....	63	---
Recreation Center and Park Facilities	9	---
Non-Developable (a).....	133	---
Total.....	456	1,056

(a) Includes approximately 24 acres of easements, street right-of-way, drainage facilities, and plant sites and approximately 109 acres in the 100-year floodplain.

Status of Development

Single-Family Residential: Home construction in the District began in late 2008, and as of January 14, 2021, the District contained 998 single-family homes completed and occupied, 5 single-family homes completed and not occupied, and 53 single-family homes in various stages of construction. The estimated population in the District (based upon 3.5 persons per occupied single-family residence) is 3,493. See “Land Use” above. According to the 2020 tax roll, approximately 14% of currently completed homes in the District are considered rental properties. See “TAX DATA—Principal Taxpayers.”

Homebuilding: Homebuilders actively conducting homebuilding within the District are: Camillo Properties, Chesmar Homes, Highland Homes, History Maker Homes and Legend Homes. New homes in the District range in offering prices from approximately \$170,000 to \$415,000.

Future Development

The District is currently planned as a primarily single-family residential development. Approximately 63 developable acres of land currently within the District are not yet fully served with water distribution and supply, wastewater collection and treatment or storm drainage. While the Developers anticipate future development of this acreage as business conditions warrant, there can be no assurances if and when any of such undeveloped land will ultimately be developed. See “INVESTMENT CONSIDERATIONS—Undeveloped Acreage” and “—Future Debt.” The Engineer has stated that under current development plans, the remaining authorized but unissued bonds (\$38,970,000) should be sufficient to finance the construction of water, wastewater, and drainage facilities to complete the District's water, wastewater and drainage systems for full development of the District.

THE DEVELOPERS

Role of a Developer

In general, the activities of a landowner or developer in a municipal utility district such as the District include designing the project, defining a marketing program and setting building schedules; securing necessary governmental approvals and permits for development; arranging for the construction of streets and the installation of utilities; arranging for the construction of parks and recreational facilities; and selling or leasing improved tracts or commercial reserves to other developers or third parties. While a developer is required by the TCEQ to pave streets in areas where utilities are to be financed by a district through a specified bond issue, a developer is under no obligation to a district to undertake development activities according to any particular plan or schedule. Furthermore, there is no restriction on a developer's right to sell any or all of the land which the developer owns within a district. In addition, the developer is ordinarily the major taxpayer within the district during the early stages of development. The relative success or failure of a developer to perform in the above-described capacities may affect the ability of a district to collect sufficient taxes to pay debt service and retire bonds.

Prospective Bond purchasers should note that the prior real estate experience of the Developers should not be construed as an indication that further development within the District will occur, or that construction of taxable improvements upon property within the District will occur, or that marketing or leasing of taxable improvements constructed upon property within the District will be successful.

Legends Trace Interests, Ltd.

Legends Trace Interests, Ltd. (“Legends Trace”), a Texas limited partnership, has developed the portion of the District developed as Legends Trace. The general partner of Legends Trace is Camcorp Interests, Ltd. (“Camcorp”), a Texas limited partnership. All of Legends Trace’s development activities have been funded by a loan from the limited partners of Camcorp. Legends Classic Homes, Ltd. is the only homebuilder in Legends Trace and is also a subsidiary of Camcorp Interests, Ltd. Legends Trace does not own any undeveloped land in the District.

Legends Holding Co., L.P.

Legends Holding Co., L.P. (“Legends Holding”), a Texas limited partnership, has developed the portion of the District developed as Estates of Legends Trace. Legends Holding’s only asset is the land it owns in the District. The general partner of Legends Holding is LHC, LLC (“LHC”), a majority interest in which is owned by Mike Manners. All of Legends Holding’s development activities have been funded with internal funds. Legends Holding owns approximately 107 acres in the District, of which approximately 62 acres are in the floodplain.

Gracepoint Holding Company, L.L.C.

Gracepoint Holding Company, L.L.C., (“Gracepoint”), a Texas limited liability company, has developed approximately 84 acres as Wrights Landing at Legends Trace and is one of the homebuilders in Wrights Landing. Gracepoint owns no remaining undeveloped land in the District.

Legends Trace, Legends Holding and Gracepoint are collectively referred to herein as the “Developers.”

Obligations of the Developers

None of the Developers nor any other property owner is responsible for, liable for, or has made any commitment for payment of the Bonds or other obligations of the District. The Developers and other property owners have no legal commitment to the District or owners of the Bonds to continue development of land within the District and may sell or otherwise dispose of their property within the District, or any other assets, at any time. Further, the Developers’ financial condition is subject to change at any time.

MANAGEMENT OF THE DISTRICT

Board of Directors

The District is governed by the Board, consisting of five (5) directors, which has control over and management supervision of all affairs of the District. Directors are elected to four-year terms and elections are held in May in even numbered years only. Each of the Board members owns land within the District. Directors have staggered four-year terms. The current members and officers of the Board along with their titles and terms, are listed as follows:

<u>Name</u>	<u>District Board Title</u>	<u>Term Expires</u>
Jennifer Donato	President	May 2022
Ryan Temple	Vice President	May 2024
Ryan Tsamouris	Secretary	May 2022
Jeremy Davis	Assistant Secretary	May 2024
Jacqueline Voss	Director	May 2022

District Consultants

The District does not have a general manager or other full-time employees, but contracts for certain necessary services as described below.

Bond Counsel/Attorney: The District has engaged Mitchell & Zientek, LLP (the “Attorney” or “Bond Counsel”) as general counsel to the District and as Bond Counsel in connection with the issuance of the District’s bonds. The fees of the attorneys in their capacity as Bond Counsel are contingent upon the sale and delivery of the Bonds. Compensation to the attorneys for other services to the District is based on time charges actually incurred.

Financial Advisor: Masterson Advisors LLC serves as the District’s Financial Advisor. The fee for services rendered in connection with the issuance of the Bonds is based on a percentage of the Bonds actually issued, sold and delivered and, therefore, such fee is contingent upon the sale and delivery of the Bonds.

Auditor: The financial statements of the District as of August 31, 2020, and for the year then ended, included in this offering document, have been audited by BKD, LLP, independent auditors (the “Auditor”), as stated in their report appearing herein. See APPENDIX A for a copy of the District’s audited financial statements for the fiscal year ended August 31, 2020.

Engineer: The District's consulting engineer is Jones & Carter, Inc. (the “Engineer”).

Tax Appraisal: The Montgomery Central Appraisal District has the responsibility of appraising all property within the District. See “TAXING PROCEDURES.”

Tax Assessor/Collector: The District has appointed an independent tax assessor/collector to perform the tax collection function. Bob Leared Interests (the “Tax Assessor/Collector”) has been employed by the District to serve in this capacity.

Bookkeeper: The District has contracted with Myrtle Cruz, Inc. (the “Bookkeeper”) for bookkeeping services.

Utility System Operator: The operator of the District's internal water and wastewater system is Municipal Operations & Consulting, Inc. (the "Operator").

THE SYSTEM

Regulation

Construction and operation of the District's water, wastewater and storm drainage system (the "System") as it now exists or as it may be expanded from time to time is subject to regulatory jurisdiction of federal, state and local authorities. The TCEQ exercises continuing, supervisory authority over the District. Discharge of treated sewage into Texas waters is also subject to the regulatory authority of the TCEQ and the United States Environmental Protection Agency. Montgomery County, the City of Houston, and the Texas Department of Health also exercise regulatory jurisdiction over the District's System.

Water Supply

The District is a party to a water facilities contract with Montgomery County Municipal Utility District No. 89 ("MCMUD 89") and Spring Creek Utility District ("Spring Creek UD") for the joint ownership of the Legends Ranch Water Plant No. 2 ("Water Plant No. 2"). Water Plant No. 2 consists of a 1,000 gallon per minute ("gpm") well, a 1,700 gpm well, one 333,600-gallon ground storage tank and one 100,400-gallon ground storage tank, three 15,000-gallon pressure tanks and 5,150 gpm of booster pump capacity. Overall, the District owns approximately 44.9% of the Water Plant No. 2 facilities shared with MCMUD 89 and approximately 21.3% of the shared facilities with Spring Creek UD. This existing ownership capacity of shared facilities is sufficient to serve 1,061 single-family equivalent connections served by the District as of January 2021.

The District has an emergency water interconnect agreement with Montgomery County Municipal Utility District No. 127 ("MUD 127") and interconnect agreements with MCMUD 89 and Spring Creek UD.

Lone Star Groundwater-Conservation District

The District is located within the boundaries of the Lone Star Groundwater Conservation District (the "Conservation District"), which was created by the Texas Legislature to conserve, protect and enhance the groundwater resources of Montgomery County. The Conservation District has adopted rules and a regulatory plan for the conservation, preservation, protection, recharge and prevention of waste of groundwater, groundwater reservoirs or their subdivisions and to control subsidence caused by the withdrawal of groundwater from those groundwater resources or their subdivisions.

The Conservation District requires persons and entities, including the District, MCMUD 89 and Spring Creek UD that pump groundwater from wells to apply for and obtain permits for the withdrawal of groundwater under terms and conditions provided in the Conservation District's rules. The Conservation District had adopted its District Regulatory Plan, which calls for the reduction of groundwater withdrawal throughout Montgomery County to volumes that do not exceed the recharge capabilities of aquifers in the County to prevent the long-term depletion of the aquifers. The regulatory plan allows for the creation of management zones within the County to facilitate conservation of use of groundwater and development of other water resources from surface water or re-use of treated effluent.

Large water users, including the District, MCMUD 89 and Spring Creek UD, were required to prepare and submit a two-part Water Resources Assessment Plan ("WRAP") that identifies methods and plans for reduction of groundwater usage through the development of alternate water resources, including the design and construction of infrastructure and facilities to purchase and transport water to affected areas within the County. The initial requirement and deadline for reduction of groundwater use by 30% was January 1, 2016.

The District, MCMUD 89 and Spring Creek UD participated in a joint WRAP prepared by the San Jacinto River Authority, and the District is in compliance with Conservation District requirements.

The Conservation District currently bills permit holders, including the District, MCMUD 89 and Spring Creek UD, \$0.085 per 1,000 gallons of water pumped from wells to finance the Conservation District's operations. This amount is subject to future increases.

San Jacinto River Authority GRP Agreement

In response to the Conservation District requirements, the San Jacinto River Authority (“SJRA”) expressed a willingness to assume responsibility to construct and operate a surface water treatment plant at or near Lake Conroe and a water transmission system to major populated areas of Montgomery County, thus enabling the entire county to comply with the Conservation District requirements.

SJRA offered to enter into a contract for groundwater reduction planning, alternative water supply, and related goods and services (the “GRP Contract”) with all large water users in Montgomery County to achieve the goals for reduction of groundwater pumpage for the entire county. Approximately 130 larger volume water users in Montgomery County, including the District, MCMUD 89 and Spring Creek UD, approved and entered into the GRP Contract (collectively the “Participants”) and are in compliance with SJRA and Conservation District requirements applicable to groundwater pumpage from the MUD 89 well and Spring Creek UD well.

Pursuant to the GRP Contract, SJRA has developed, implemented and is enforcing a groundwater reduction plan (“GRP”) covering all Participants to achieve and maintain compliance with the Conservation District requirements. The initial focus of the GRP will be the design and construction of a surface water treatment and transmission system (the “Project”) to be owned and operated by SJRA for the benefit of all Participants.

The SJRA is designing, permitting, financing, constructs, owns, operates and maintains the Project, and the Project is being constructed in phases. Certain large volume Participants are being wholly-converted to treated surface water while other users may continue to use groundwater. This approach is expected to minimize overall Project cost, equalize costs for Participants and avoid geographic advantages and disadvantages.

All Participants are paying a monthly groundwater pumpage fee for groundwater pumped from wells, if any. The pumpage fee has been set so that Participants are neither benefitted nor penalized for utilizing groundwater, and allowances have been made for Participant costs of operating and maintaining their wells.

Participants that receive treated surface water from the Project are paying the prevailing rate for water, which rate has been set so the Participants are neither benefitted nor penalized for being required to take water from the Project under the GRP, and allowances have been made for Participant costs of operating on-site water facilities, as well as operating and maintaining their wells. The pumpage fees and water service fees received from the Project are comparable, so that all Participants are paying equivalent charges without preference for customers within or outside the areas converted to surface water.

SJRA issues bonds to finance the capital costs of the Project, and groundwater pumpage fees and water service fees are being used to cover costs of debt service on the bonds. The SJRA pumpage fees are currently \$2.73 per 1,000 gallons of water pumped from wells, and MCMUD 89 and Spring Creek UD are paying the pumpage fees based upon the amount of water pumped by each district each month. The District pays its share of groundwater pumpage and Conservation District fees indirectly through its Water Facilities Contract with MCMUD 89. The District, MCMUD 89 and Spring Creek UD pass these pumpage and Conservation District fees on to customers in the districts.

The District does not currently receive water from the Project and is not aware of any immediate plans to receive treated surface water from the Project.

Wastewater Treatment

The District is provided wastewater treatment from a 300,000 gallon per day (“gpd”) wastewater treatment plant with capacity to serve 1,200 equivalent single-family connections. As of January 2021, the District was serving approximately 998 active single-family equivalent connections.

Storm Drainage Facilities

On April 15, 2003, the District entered into a cost sharing agreement with MCMUD 89 and Spring Creek UD for the construction and financing of drainage and detention facilities, which include a regional detention pond and pump station. The regional detention pond and drainage facilities are owned by Spring Creek UD with each participant owning the beneficial right to the drainage capacity funded by it. The pump station facilities are allocated based on each district's prorata share of the ultimate acreage to be served by the detention facilities. While detention pond allocations will vary in accordance with the construction of additional capacity, pump station pro rata shares are as follows: the District (31.25%); MCMUD No. 89 (41.63%); and Spring Creek UD (27.12%).

Water Distribution, Wastewater Collection and Storm Drainage Facilities

Water distribution, wastewater collection and storm drainage facilities have been constructed to serve 1,056 single family lots and a recreation center in the District. See "THE DISTRICT—Land Use."

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 District's Engineer, none of the developable acreage within the District is located within the 100- year flood plain. Approximately 109 acres of undevelopable land is included in the floodplain. A portion of the undevelopable land in the floodplain has been sold to the Texas Department of Transportation for a detention pond and right of way serving the proposed Grand Parkway Project and the remaining acreage is being used for open space, recreational, and future commercial purposes. See "INVESTMENT CONSIDERATIONS—Extreme Weather Events; Hurricane Harvey."

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

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Water and Wastewater Operations

The following statement sets forth in condensed form the General Operating Fund as shown in the District's audited financial statements for the years ended August 31, 2016 through 2020. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Reference is made to "APPENDIX A" for further and complete information.

	Fiscal Year Ended August 31				
	2020	2019	2018	2017	2016
Revenues:					
Property taxes	\$ 1,349,693	\$ 1,020,388	\$ 873,994	\$ 831,687	\$ 813,714
Water service	228,835	185,201	182,952	138,579	117,884
Sewer service	374,811	335,031	283,903	225,471	196,006
Regional water fees	351,419	259,945	280,289	207,039	158,192
Bulk water sales	-	-	-	17,730	-
Penalty and interest	5,702	9,063	6,653	8,080	8,131
Tap connection/inspection fees	118,160	124,223	263,745	114,600	40,375
Interest income	24,203	19,874	8,086	4,403	2,736
Other income	26,490	20,531	17,897	30,007	15,921
Total Revenues	\$ 2,479,313	\$ 1,974,256	\$ 1,917,519	\$ 1,577,596	\$ 1,352,959
Expenditures:					
Purchased services	\$ 727,451	\$ 684,818	\$ 583,973	\$ 440,595	\$ 382,994
Professional fees	172,360	193,004	155,186	176,241	161,248
Contracted services	286,083	260,307	215,652	150,428	131,332
Utilities	42,381	38,290	31,415	26,473	26,853
Repairs and maintenance	707,999 (a)	255,754	208,868	159,864	123,118
Tap connections	59,830	77,140	134,729	53,140	19,640
Other expenditures	77,431	60,061	70,865	59,340	52,972
Capital outlay	60,653	61,090	93,067	143,499	-
Debt issuance costs	45,030	-	38,750	33,229	-
Total Expenditures	\$ 2,179,218	\$ 1,630,464	\$ 1,532,505	\$ 1,242,809	\$ 898,157
NET REVENUES	\$ 300,095	\$ 343,792	\$ 385,014	\$ 334,787	\$ 454,802
Other Financing Sources:					
Internal transfers	\$ -	\$ 38,750	\$ 38,210	\$ -	\$ -
General Operating Fund					
Balance (Beginning of Year)	\$ 2,412,151	\$ 2,029,609	\$ 1,606,385	\$ 1,271,598	\$ 816,796
General Operating Fund					
Balance (End of Year)	\$ 2,712,246	\$ 2,412,151	\$ 2,029,609	\$ 1,606,385	\$ 1,271,598

(a) Increase in repairs and maintenance expense in fiscal year 2020 due to the purchase and installation of Smart Meters in the District.

FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)

2020 Certified Taxable Assessed Value.....	\$242,635,701 (a)
Estimated Taxable Assessed Value as of December 1, 2020	\$256,656,012 (b)
Gross Direct Debt Outstanding	\$21,065,000 (c)
Estimated Overlapping Debt	<u>10,273,644 (d)</u>
Gross Direct Debt and Estimated Overlapping Debt.....	\$31,338,644
Ratios of Gross Direct Debt to:	
2020 Certified Taxable Assessed Value	8.68%
Estimated Taxable Assessed Value as of December 1, 2020	8.21%
Ratios of Gross Direct Debt and Estimated Overlapping Debt to:	
2020 Certified Taxable Assessed Value.....	12.92%
Estimated Taxable Assessed Value as of December 1, 2020	12.21%
Debt Service Funds Available as of February 11, 2021	\$2,512,852
Capital Project Funds Available as of February 11, 2021	\$723,666
Operating Funds Available as of February 11, 2021	\$3,379,921

- (a) As certified by the Montgomery Central Appraisal District (the "Appraisal District"). See "TAXING PROCEDURES."
 (b) The Estimated Taxable Assessed Value has been provided by the Appraisal District as of December 1, 2020. Increases in value from January 1, 2020 through December 1, 2020 will be not certified until the fall of 2021 as part of the 2021 taxable assessed valuation. No tax will be levied on such amount until it is certified by the Appraisal District. See "TAXING PROCEDURES."
 (c) After the issuance of the Bonds. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds."
 (d) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Estimated Overlapping Debt" and "—Overlapping Taxes."

Investments of the District

The District has adopted an Investment Policy as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code. The District's goal is to preserve principal and maintain liquidity while securing a competitive yield on its portfolio. Funds of the District will be invested in short term U.S. Treasuries, certificates of deposit insured by the Federal Deposit Insurance Corporation ("FDIC") or secured by collateral evidenced by perfected safekeeping receipts held by a third party bank, and public funds investment pools rated in the highest rating category by a nationally recognized rating service. The District does not currently own, nor does it anticipate, the inclusion of long-term securities or derivative products in the District portfolio.

Outstanding Bonds (As of February 1, 2021)

Series	Original Principal Amount	Principal Currently Outstanding
2012	\$ 2,650,000	\$ 195,000
2014	3,000,000	2,250,000
2016	5,170,000	4,455,000
2017	5,500,000	4,600,000
2018	5,450,000	5,250,000
2020	<u>1,965,000</u>	<u>1,965,000</u>
Total	\$ 23,735,000	\$ 18,715,000

Debt Service Requirements

The following sets forth the debt service on the Outstanding Bonds and the Bonds. See “USE AND DISTRIBUTION OF BOND PROCEEDS.”

Year	Outstanding Bonds Debt Service Requirements	Plus: Debt Service on the Bonds			Total Debt Service Requirements
		Principal	Interest	Total	
2021	\$ 1,419,190		\$ 17,734	\$ 17,734	\$ 1,436,924
2022	1,406,175	\$ 100,000	42,563	142,563	1,548,738
2023	1,395,675	100,000	41,563	141,563	1,537,238
2024	1,382,606	100,000	40,563	140,563	1,523,169
2025	1,374,056	100,000	39,563	139,563	1,513,619
2026	1,365,906	100,000	38,563	138,563	1,504,469
2027	1,256,631	100,000	37,563	137,563	1,394,194
2028	1,243,881	100,000	35,563	135,563	1,379,444
2029	1,235,131	100,000	33,563	133,563	1,368,694
2030	1,220,819	100,000	31,563	131,563	1,352,381
2031	1,215,794	100,000	29,563	129,563	1,345,356
2032	1,199,969	100,000	27,563	127,563	1,327,531
2033	1,188,119	100,000	25,563	125,563	1,313,681
2034	1,180,144	100,000	23,563	123,563	1,303,706
2035	1,166,131	100,000	21,563	121,563	1,287,694
2036	1,161,319	100,000	19,563	119,563	1,280,881
2037	1,162,263	100,000	17,563	117,563	1,279,825
2038	1,141,200	100,000	15,563	115,563	1,256,763
2039	1,114,219	100,000	13,563	113,563	1,227,781
2040	1,051,875	100,000	11,563	111,563	1,163,438
2041	838,938	225,000	9,563	234,563	1,073,500
2042	806,969	225,000	4,781	229,781	1,036,750
Total	\$ 26,527,009	\$ 2,350,000	\$ 578,766	\$ 2,928,766	\$ 29,455,774

Average Annual Debt Service Requirements (2021-2042)\$1,338,899
 Maximum Annual Debt Service Requirement (2022)..... \$1,548,738

Estimated Overlapping Debt

The following table indicates the outstanding debt payable from ad valorem taxes, of governmental entities within which the District is located and the estimated percentages and amounts of such indebtedness attributable to property within the District. Debt figures equated herein to outstanding obligations payable from ad valorem taxes are based upon data obtained from individual jurisdictions or Texas Municipal Reports compiled and published by the Municipal Advisory Council of Texas. Furthermore, certain entities listed below may have issued additional obligations since the date listed and may have plans to incur significant amounts of additional debt. Political subdivisions overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for the purposes of operation, maintenance and/or general revenue purposes in addition to taxes for the payment of debt service and the tax burden for operation, maintenance and/or general revenue purposes is not included in these figures. The District has no control over the issuance of debt or tax levies of any such entities.

Taxing Jurisdiction	Outstanding Bonds	As of	Overlapping	
			Percent	Amount
Montgomery County.....	\$ 504,845,000	2/28/2021	0.38%	\$ 1,918,411
Conroe Independent School District.....	1,351,160,000	2/28/2021	0.58%	7,836,728
Lone Star College District.....	518,505,000	2/28/2021	0.10%	518,505
Total Estimated Overlapping Debt.....				\$ 10,273,644
The District's Total Direct Debt (a).....				21,065,000
Total Direct and Estimated Overlapping Debt.....				\$ 31,338,644
Direct and Estimated Overlapping Debt as a Percentage of:				
2020 Certified Taxable Assessed Valuation of \$242,635,701.....				12.92%
Estimated Taxable Assessed Valuation as of December 1, 2020 of \$256,656,012.....				12.21%

(a) Includes the Bonds and the Outstanding Bonds.

Overlapping Taxes

Property within the District is subject to taxation by several taxing authorities in addition to the District. On January 1 of each year a tax lien attaches to property to secure the payment of all taxes, penalties and interest imposed on such property. The lien exists in favor of each taxing unit, including the District, having the power to tax the property. The District's tax lien is on parity with tax liens of taxing authorities shown below. In addition to ad valorem taxes required to pay debt service on bonded debt of the District and other taxing authorities (see "Estimated Overlapping Debt" above), certain taxing jurisdictions, including the District, are also 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 of the taxes levied for the 2020 tax year by all taxing jurisdictions overlapping the District. No recognition is given to local assessments for civic association dues, fire department contributions, solid waste disposal charges or any other levy of entities other than political subdivisions.

	Tax Rate per \$100 <u>Assessed Valuation</u>
Montgomery County.....	\$ 0.43120
Conroe Independent School District.....	1.21250
Lone Star College System.....	0.10780
Montgomery County ESD #8.....	0.10000
Montgomery County Hospital District.....	0.05880
Total Overlapping Tax Rate.....	\$ 1.91030
The District.....	1.37000
Total Tax Rate.....	\$ 3.28030

TAX DATA

Debt Service Tax

The Board covenants in the Bond Order to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Bonds. See “Historical Tax Rate Distribution” and “Tax Roll Information” below and “TAXING PROCEDURES.”

Maintenance Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for the operation and maintenance of the District, if such a maintenance tax is authorized by the District's voters. A maintenance tax election was conducted May 3, 2003, and voters of the District authorized, among other things, the Board to levy a maintenance tax at a rate not to exceed \$1.50 per \$100 appraised valuation. A maintenance tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds. See “Debt Service Tax” above.

Historical Tax Rate Distribution

	2020	2019	2018	2017	2016
Debt Service	\$ 0.71	\$ 0.74	\$ 0.78	\$ 0.78	\$ 0.78
Maintenance and Operations	0.66	0.64	0.60	0.60	0.61
Total	\$ 1.37	\$ 1.38	\$ 1.38	\$ 1.38	\$ 1.39

Tax Exemptions

The District is currently not granting any tax exemptions.

Additional Penalties

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

Historical Tax Collections

The following statement of tax collections sets forth in condensed form a portion of the historical tax experience of the District. Such table has been prepared for inclusion herein, based upon information obtained from the District's Tax Assessor/Collector. See “Tax Roll Information” below.

Tax Year	Net Certified	Tax Rate	Total Tax Levy (b)	Total Collections	
	Taxable Valuation (a)			as of January 31, 2021 (c)	
				Amount	Percent
2016	\$ 136,425,051	\$ 1.39	\$ 1,893,518	\$ 1,893,518	100.00%
2017	146,182,131	1.38	2,014,543	2,010,175	99.78%
2018	171,282,275	1.38	2,360,978	2,356,794	99.82%
2019	209,078,221	1.38	2,882,217	2,877,613	99.84%
2020	242,635,701	1.37	3,320,317	3,251,833	97.94%

- (a) Net valuation represents final gross appraised value as certified by the Appraisal District less any exemptions granted. See “Tax Roll Information” below for gross appraised value and exemptions granted by the District.
- (b) Represents actual tax levy, including any adjustments by the Appraisal District, as of the date hereof.
- (c) Represents unaudited collections.

Tax Roll Information

The District’s assessed value as of January 1 of each year is used by the District in establishing its tax rate. See “TAXING PROCEDURES—Valuation of Property for Taxation.” The following represents the composition of property comprising 2016 through 2020 certified tax rolls. A breakdown of the Estimated Taxable Assessed Value as of December 1, 2020 is not available. No tax will be levied on estimated values. Taxes are levied on taxable value certified by the Appraisal District as of January 1 of each year.

	2020	2019	2018	2017	2016
Land	\$ 37,488,310	\$ 35,108,650	\$ 34,967,050	\$ 28,609,740	\$ 23,388,630
Improvements	209,769,120	176,816,000	137,821,690	118,930,330	114,326,810
Personal Property	2,576,109	2,532,321	2,113,608	1,894,350	1,572,064
Less: Exemptions	<u>(7,197,838)</u>	<u>(5,378,750)</u>	<u>(3,620,073)</u>	<u>(3,252,289)</u>	<u>(2,862,453)</u>
Total	\$ 242,635,701	\$ 209,078,221	\$ 171,282,275	\$ 146,182,131	\$ 136,425,051

Principal Taxpayers

The following table represents the principal taxpayers, the taxable assessed valuation of such property, and such property’s taxable appraised valuation as a percentage of the 2020 Certified Taxable Assessed Value of \$242,635,701. This represents ownership as of January 1, 2020. A principal taxpayer list related to the Estimated Taxable Assessed Value as of December 1, 2020 is not available.

Taxpayer	Type of Property	2020 Certified Taxable Assessed Value	% of 2020 Certified Taxable Assessed Valuation
Camillo A-1 Property Owner LLC (b)	Land & Improvements	\$ 11,887,180	4.90%
SRP Sub LLC (b)	Land, Improvements & Personal Property	10,525,292	4.34%
2018 4 IH Borrower LP (b)	Land & Improvements	4,090,270	1.69%
Camillo B Houses #1 LLC (b)	Land & Improvements	3,156,940	1.30%
Legend Classic Homes Ltd. (c)	Land, Improvements & Personal Property	1,903,010	0.78%
Camillo Properties #7 LLC (b)	Land & Improvements	1,371,980	0.57%
Tarbert LLC (b)	Land & Improvements	1,273,290	0.52%
Legends Trace Interests Ltd. (a)	Land & Improvements	992,880	0.41%
LCD Holdings LP	Land & Improvements	892,180	0.37%
Camillo LT 2018-SFR LLC (b)	Land & Improvements	806,330	0.33%
Total		<u>\$ 36,899,352</u>	<u>15.21%</u>

(a) See “THE DEVELOPERS.”

(b) Consists of single-family homes being leased to residents in the District. See “THE DISTRICT—Status of Development.”

(c) Homebuilder.

Tax Adequacy for Debt Service

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of taxable assessed valuation which would be required to meet average annual and maximum annual debt service requirements if no growth in the District’s tax base occurred beyond the 2020 Certified Taxable Assessed Value of \$242,635,701 and the Estimated Taxable Assessed Value as of December 1, 2020 of \$256,656,012. The calculations contained in the following table represent the tax rates required to pay principal of and interest on the Bonds and the Outstanding Bonds when due, assuming no further increase or any decrease in taxable assessed values in the District, collection of ninety-five percent (95%) of taxes levied, the sale of no additional bonds, and no other funds available for the payment of debt service. See “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements.”

Average Annual Debt Service Requirement (2021-2042)	\$1,338,899
\$0.59 Tax Rate on 2020 Certified Taxable Assessed Value.....	\$1,359,973
\$0.55 Tax Rate on Estimated Taxable Assessed Value as of December 1, 2020.....	\$1,341,028
Maximum Annual Debt Service Requirement (2022).....	\$1,548,738
\$0.68 Tax Rate on 2020 Certified Taxable Assessed Value.....	\$1,567,427
\$0.64 Tax Rate on Estimated Taxable Assessed Value as of December 1, 2020.....	\$1,560,469

No representation or suggestion is made that the Estimate of Value as of December 1, 2020 for the District will be certified as taxable value by the Appraisal District, and no person should rely upon such amount or its inclusion herein as assurance of their attainment. See “TAXING PROCEDURES.”

TAXING PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in an amount sufficient to pay the principal of and interest on the Bonds, the Outstanding Bonds, and any additional bonds payable from taxes which the District may hereafter issue (see “INVESTMENT CONSIDERATIONS—Future Debt”) and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Order to levy such a tax from year-to-year as described more fully herein under “THE BONDS—Source of Payment.” Under Texas law, the Board may also levy and collect an annual ad valorem tax for the operation and maintenance of the District. See “TAX DATA—Debt Service Tax” and “—Maintenance Tax.”

Property Tax Code and County-Wide Appraisal District

The Texas Property Tax Code (the “Property Tax Code”) specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Property Tax Code are complex and are not fully summarized here.

The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district. The Montgomery Central Appraisal District (the “Appraisal District”) has the responsibility for appraising property for all taxing units within Montgomery County, including the District. Such appraisal values are subject to review and change by the Montgomery Central Appraisal Review Board (the “Appraisal Review Board”).

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; certain goods, wares and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years of age or older and of certain disabled persons to the extent deemed advisable by the Board. The District may be required to call such an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the previous election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between \$3,000 and \$12,000 of taxable valuation depending upon the disability rating of the veteran claiming the exemption, and qualifying surviving spouses of persons 65 years of age or older will be entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse. A veteran who receives a disability rating of 100% is entitled to an exemption for the full amount of the veteran's residential 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 the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead spouse. The surviving spouse of a first responder who is killed or fatally injured in the line of duty is entitled to an exemption of the total appraised value of the surviving spouse's residence homestead if the surviving spouse has not remarried since the responder's death, and said property was the first responder's residence homestead at the time of death. Such exemption would be transferrable to a subsequent residence homestead of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received. See "TAX DATA."

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) (not less than \$5,000) of the appraised value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the 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. The adoption of a homestead exemption may be considered each year but must be adopted by May 1. See "TAX DATA."

Freeport Goods and Goods-in-Transit Exemptions: A "Freeport Exemption" applies to goods, wares, ores, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating 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 the same categories of tangible personal property which are covered by the Freeport Exemption, if, for tax year 2011 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2012 and subsequent years, such Goods-in-Transit Exemption includes tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit personal property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. The District has taken official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years.

Tax Abatement

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

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Generally, assessments under the Property Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Tax Code. In determining market value, either the replacement cost or the income or the market data method of valuation may be used, whichever is appropriate. Nevertheless, certain land may be appraised at less than market value under the Property Tax Code. Increases in the appraised value of residence homesteads are limited by the Texas Constitution to ten percent (10%) annually regardless of the market value of the property.

The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its 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. Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it as to another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three (3) years for agricultural use, open space land and timberland.

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

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 (such as the District) may appeal the orders of the Appraisal Review Board by filing a timely 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. Additionally, taxing units may bring suit against the Appraisal District to compel compliance with the Property Tax Code. The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. However, a person who is (i) 65 years of age or older, (ii) disabled or (iii) qualifies as a disabled veteran under Texas law is entitled by law to pay current taxes on his residential homestead in installments or to receive a deferral or abatement of delinquent taxes without penalty during the time he owns or occupies his property as his residential homestead. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, may be rejected. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead, if the person requests an installment agreement and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in equal monthly installments and must extend for a period of at least 12 months and no more than 36 months.

Rollback of Operation and Maintenance Tax Rate

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

Special Taxing Units: Special Taxing Units that adopt a total tax rate that would impose more than 1.08 times the amount of the total tax imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions, 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 Special Taxing Unit is the current year's debt service and contract tax rate plus 1.08 times the previous year's operation and maintenance tax rate.

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

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

The District: A determination as to a district’s status as a Special Taxing Unit, Developed District or Developing District will be made by the Board of Directors on an annual basis, beginning with the 2020 tax year. For the 2020 tax year, the District has been determined to be a Developing District. The District cannot give any assurances as to what its classification will be at any point in time or whether the District’s future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

District’s Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State of Texas and each local taxing unit, including the District, having power to tax the property. The District’s tax lien is on a parity with tax liens of such other taxing units. See “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—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; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. Personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both, subject to the restrictions on residential homesteads described above under “Levy and Collection of Taxes”. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights or by bankruptcy proceedings which restrict the collection of taxpayer debts. A taxpayer may redeem property within six (6) months for commercial property and two (2) years for residential and all other types of property after the purchaser’s deed issued at the foreclosure sale is filed in the county records. 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. 1825, as amended. See “INVESTMENT CONSIDERATIONS—General” and “—Tax Collections Limitations and Foreclosure Remedies.”

INVESTMENT CONSIDERATIONS

General

The Bonds are obligations solely of the District and are not obligations of the City, Montgomery County, the State of Texas, or any entity other than the District. Payment of the principal of and interest on the Bonds depends upon the ability of the District to collect taxes levied on taxable property within the District in an amount sufficient to service the District’s bonded debt or in the event of foreclosure, on the value of the taxable property in the District and the taxes levied by the District and other taxing authorities upon the property within the District. See “THE BONDS—Source of Payment.” The collection by the District of delinquent taxes owed to it and the enforcement by Registered Owners of the District’s obligation to collect sufficient taxes may be a costly and lengthy process. Furthermore, the District cannot and does not make any representations that continued development of taxable property within the District will accumulate or maintain taxable values sufficient to justify continued payment of taxes by property owners or that there will be a market for the property or that owners of the property will have the ability to pay taxes. See “Registered Owners’ Remedies and Bankruptcy Limitations” below.

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 Texas. 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 Texas Governor (the “Governor”) declared COVID-19 an imminent threat of disaster for all counties in Texas (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 of Texas.

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 this disaster and issuing executive orders that have the force and effect of law. The Governor has issued a number of executive orders relating to COVID-19 preparedness and mitigation. Many of the federal, state and local actions and policies under the aforementioned disaster declarations are focused on limiting instances where the public can congregate or interact with each other, which affects economic growth within Texas.

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 Texas. Stock values and crude oil prices, in the U.S. and globally, have seen significant declines attributed to COVID-19 concerns. Texas 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.

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.

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 such 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 operations and maintenance expenses payable from ad valorem taxes.

Extreme Weather Events; Hurricane Harvey

The greater Houston area 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 has experienced several 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 Jones & Carter, Inc. (the "Engineer") and Municipal Operations & Consulting, Inc. (the "Operator"), there was no interruption of water and sewer service as a result of Hurricane Harvey. The outfall channel which serves Wrights Landing at Legends Trace Section 3 was damaged and repairs included the regrading of the channel to original conditions and re-setting of rip rap and channel lock erosion control blocks. The District applied for FEMA funding and was approved for 90% funding by FEMA for the total estimated repair cost of \$90,000. Further, according to the District's Operator and Engineer, no homes within the District experienced significant flooding or other material damage as a result of Hurricane Harvey.

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

Specific Flood Type Risks

River (or Fluvial) Flood: 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 sheetflow overland. 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 floods are very dangerous and destructive not only because of the force of the water, but also the hurtling debris that is often swept up in the flow. They can occur within minutes or a few hours of excessive rainfall. They can also occur even if no rain has fallen, for instance, after a levee or dam has failed, or after a sudden release of water by a debris or ice jam. Controlled releases from a dam or levee also could potentially create a flooding condition in rivers or man-made drainage systems (canals or channels) downstream.

Ponding (or Pluvial) Flood: occurs when heavy rainfall creates a flood event independent of an overflowing water body, typically in relatively flat areas. Intense rainfall can over capacitate a drainage system which becomes trapped and flows out into streets and nearby structures until it reaches a natural outlet. Ponding can also occur in a flood pool upstream or behind a dam or levee.

Economic Factors and Interest Rates

A substantial percentage of the taxable value of the District results from the current market value of single-family residences and developed lots. The market value of such properties is related to general economic conditions in Houston, the State of Texas and the nation and those conditions can affect the demand for such properties. Demand for residential lots or commercial tracts and the construction thereon can be significantly affected by factors such as interest rates, credit availability (see “Credit Market and Liquidity in the Financial Markets” below), construction costs and the prosperity and demographic characteristics of the urban center toward which the marketing of such properties is directed. Decreased levels of construction activity would tend to restrict the growth of or reduce property values in the District.

Credit Markets and Liquidity in the Financial Markets

Interest rates and the availability of mortgage and development funding have a direct impact on the construction activity, particularly short-term interest rates at which developers are able to obtain financing for development costs. Interest rate levels may affect the ability of a landowner with undeveloped property to undertake and complete construction activities within the District. Because of the numerous and changing factors affecting the availability of funds, particularly liquidity in the national credit markets, the District is unable to assess the future availability of such funds for continued construction within the District. In addition, since the District is located approximately 25 miles from the central downtown business district of the City of Houston, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the Houston metropolitan and regional economies and national credit and financial markets. A downturn in the economic conditions of Houston and the nation could adversely affect development and home-building plans in the District and restrain the growth of or reduce the District’s property tax base.

Landowner Obligation to the District

There are no commitments from or obligations of the Developers, or any landowner to the District to proceed at any particular rate or according to any specified plan with the development of land or construction of improvements in the District, and there is no restriction on any landowner’s right to sell its land. Failure to construct taxable improvements on developed tracts of land or developed lots would restrict the rate of growth of taxable values in the District. The District cannot and does not make any representations that over the life of the Bonds, the District will increase or maintain its taxable value.

Undeveloped Acreage

There are approximately 63 developable acres of land within the District that have not been provided with water, sanitary sewer, storm sewer and other facilities, which are necessary for the construction of taxable improvements. The District makes no representation as to when or if development of the undeveloped acreage will occur. See “THE DISTRICT—Land Use” and “—Status of Development.”

Rental Homes

According to the 2020 tax roll, approximately 14% of currently completed homes in the District are considered rental properties. Such properties are primarily owned by principal taxpayers of the District and leased to residents in the District. The owners of these rental properties are responsible for the payment of property taxes and maintenance of the homes. See “TAX DATA—Principal Taxpayers.”

Tax Collections Limitations and Foreclosure Remedies

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other 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 procedures against a taxpayer, or (c) market conditions affecting the marketability of taxable property within the District and limiting the proceeds from a foreclosure sale of such property. Moreover, the proceeds of any sale of property within the District available to pay debt service on the Bonds may be limited by the existence of other tax liens on the property (see "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED) —Overlapping Taxes"), by the current aggregate tax rate being levied against the property, and by other factors (including the taxpayers' right to redeem property within two years of foreclosure for residential and agricultural use property and six months for other property). Finally, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes assessed against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two other ways: first, a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid.

Registered Owners' Remedies and Bankruptcy Limitations

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

Subject to the requirements of Texas law discussed below, a political subdivision such as the District may voluntarily file a petition for relief from creditors under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Sections 901-946. The filing of such petition would automatically stay the enforcement of Registered Owner's remedies, including mandamus. The automatic stay would remain in effect until the federal bankruptcy judge hearing the case dismisses the petition, enters an order granting relief from the stay or otherwise allows creditors to proceed against the petitioning political subdivision. A political subdivision such as the District may qualify as a debtor eligible to proceed in a Chapter 9 case only if it is (1) authorized to file for federal bankruptcy protection by applicable state law, (2) is insolvent or unable to meet its debts as they mature, (3) desires to effect a plan to adjust such debts, and (4) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiation is impracticable. Special districts such as the District must obtain the approval of the TCEQ as a condition to seeking relief under the Federal Bankruptcy Code. The TCEQ is required to investigate the financial condition of a financially troubled district and authorize such district to proceed under federal bankruptcy law only if such district has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

Notwithstanding noncompliance by a district with Texas law requirements, the District could file a voluntary bankruptcy petition under Chapter 9, thereby invoking the protection of the automatic stay until the bankruptcy court, after a hearing, dismisses the petition. A federal bankruptcy court is a court of equity and federal bankruptcy judges have considerable discretion in the conduct of bankruptcy proceedings and in making the decision of whether to grant the petitioning district relief from its creditors. While such a decision might be appealable, the concomitant delay and loss of remedies to the Registered Owner could potentially and adversely impair the value of the Registered Owner's claim.

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

A district may not be forced into bankruptcy involuntarily.

Future Debt

The District has the right to issue obligations other than the Bonds, including tax anticipation notes and bond anticipation notes, and to borrow for any valid corporate purpose. The District's voters have authorized the issuance of \$63,090,000 principal amount of unlimited tax bonds for the purpose of purchasing and constructing a water, wastewater and/or storm water drainage system, and \$41,000,000 principal amount of unlimited tax bonds for the purpose of refunding existing bonds of the District and could authorize additional amounts. After the issuance of the Bonds, \$38,970,000 principal amount of unlimited tax bonds for a water, wastewater and/or storm water drainage system and \$40,880,000 principal amount of unlimited tax bonds for refunding purposes will remain authorized but unissued. In addition, voters may authorize the issuance of additional bonds secured by ad valorem taxes in future elections. 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.

After the sale of the Bonds, the District will have fully reimbursed the Developers for funds expended for all of the developed sections. The District may issue additional bonds or use excess operating funds in order to develop the remainder of the undeveloped but developable land (approximately 63 acres) currently in the District and to reimburse the Developers for funds expended on behalf of the District. The District does not employ any formula with respect to appraised valuations, tax collections or otherwise to limit the amount of parity bonds which it may issue. The issuance of additional bonds for a water, wastewater and/or storm drainage system is subject to approval by the TCEQ pursuant to its rules regarding issuance and feasibility of bonds. In addition, future changes in health or environmental regulations could require the construction and financing of additional improvements without any corresponding increases in taxable value in the District. See "THE BONDS—Issuance of Additional Debt."

Environmental Regulation

Wastewater treatment and water supply facilities are subject to stringent and complex environmental laws and regulations. Facilities must comply with environmental laws at the federal, state, and local levels. These laws and regulations can restrict or prohibit certain activities that affect the environment in many ways such as:

- Requiring permits for construction and operation of water supply wells and wastewater treatment facilities;
- Restricting the manner in which wastes are released into the air, water, or soils;
- Restricting or regulating the use of wetlands or other property;
- Requiring action to prevent or mitigate pollution;
- Imposing substantial liabilities for pollution resulting from facility operations.

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/Greenhouse Gas Issues: Air quality control measures required by the United States Environmental Protection Agency (the "EPA") and the Texas Commission on Environmental Quality (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 issued 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. The District has applied for coverage under the MS4 Permit and is awaiting final approval from the TCEQ. 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 became 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.

Marketability of the Bonds

The District has no agreement 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 of the Bonds may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional issuers as such bonds are generally bought, sold or traded in the secondary market.

Risk Factors Related to the Purchase of Municipal Bond Insurance

The Underwriter has entered into an agreement with Assured Guaranty Municipal Corp. ("AGM" or the "Insurer") for the purchase of a municipal bond insurance policy (the "Policy"). At the time of entering into the agreement, the Insurer was rated "AA" (stable outlook) by S&P and "A2" (stable outlook) by Moody's. See "MUNICIPAL BOND INSURANCE."

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

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

Neither the District nor the Underwriter has made independent investigation into the claims paying ability of the Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal and interest on the Bonds and the claims paying ability of the Insurer, particularly over the life of the investment. See “MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE” for further information provided by the Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Insurer.

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 retroactive to the date of original issuance. See “TAX MATTERS.”

Changes in Tax Legislation

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

LEGAL MATTERS

Legal Proceedings

Delivery of the Bonds will be accompanied by the unqualified approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the District under the Constitution and laws of the State of Texas payable from the proceeds of an annual ad valorem tax levied by the District, without limit as to rate or amount, upon all taxable property within the District, based upon their examination of a transcript of certified proceedings relating to the issuance and sale of the Bonds, and the approving legal opinion of Bond Counsel, to a like effect. The District will also furnish the legal opinion of Mitchell & Zientek, LLP, Bond Counsel, Houston, Texas, to the District, to the effect that (i) interest on the Bonds is excludable from gross income of the holders for federal tax purposes under existing law, and (ii) interest on the Bonds is not subject to the alternative minimum tax on individuals.

Bond Counsel has reviewed the information appearing in this OFFICIAL STATEMENT under “THE BONDS,” “THE DISTRICT—General,” “TAXING PROCEDURES,” “LEGAL MATTERS,” “TAX MATTERS,” and “CONTINUING DISCLOSURE OF INFORMATION” solely to determine whether such information fairly summarizes matters of law and the provisions of the documents referred to therein. Such firm has not independently verified factual information contained in this Official Statement, nor has such firm 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.

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

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 from that set forth or contemplated in the Preliminary Official Statement.

No-Litigation Certificate

The District will furnish the Underwriter a certificate, executed by both the President or Vice President and Secretary or Assistant Secretary of the Board, and dated as of the date of delivery of the Bonds, to the effect that there is not pending, and to their knowledge, there is not threatened, any litigation affecting the validity of the Bonds, or the levy and/or collection of taxes for the payment thereof, or the organization or boundaries of the District, or the title of the officers thereof to their respective offices, and that no additional bonds or other indebtedness have been issued since the date of the statement of indebtedness or nonencumbrance certificate submitted to the Attorney General of Texas in connection with approval of the Bonds.

TAX MATTERS

In the opinion of Mitchell & Zientek, LLP, Bond Counsel, (i) interest on the Bonds is excludable from gross income for federal income tax purposes under existing law, and (ii) interest on the Bonds is not subject to the alternative minimum tax on individuals.

The Internal Revenue Code of 1986, as amended (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 proceeds and the source of repayment, limitations on the investment of proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of 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.

Bond Counsel's opinion will assume continuing compliance with the covenants of the Bond Order pertaining to those sections of the Code which affect the exclusion from gross income of interest on the Bonds 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 Bond Counsel has not independently verified. If the District should fail to comply with the covenants in the Bond Order or if the foregoing representations should be determined to be inaccurate or incomplete, interest on the Bonds could become taxable from the date of delivery of the Bonds, regardless of the date on which the event causing such taxability occurs.

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. Payments of interest on tax-exempt obligations such as the Bonds are in many cases required to be reported to the Service. Additionally, backup withholding may apply to any such payments to any owner who is not an "exempt recipient" and who fails to provide certain identifying information. Individuals generally are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients.

Except as stated above, Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the ownership of, receipt of interest on, or disposition of, the Bonds.

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, taxpayers owning an interest in a FASIT that holds tax-exempt obligations, and individuals otherwise qualifying for the earned income 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.

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

Federal Income Tax Accounting Treatment of Original Discount Bonds

The issue price of certain of the Bonds (the “Original Issue Discount Bonds”) is less than the stated redemption price at maturity. In such case, under existing law, and based upon the assumptions hereinafter stated (a) the difference between (i) the stated amount payable at the maturity of each Original Issue Discount Bond and (ii) the issue price of such Original Issue Discount Bond constitutes original issue discount with respect to such Original Issue Discount Bond in the hands of any owner who has purchased such Original Issue Discount Bond at the initial public offering price in the initial public offering of the Bonds; and (b) such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Bond continues to be owned by such owner.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Bond was held by such initial owner) is includable in gross income. (Because original issue discount is treated as interest for federal income tax purposes, the discussion regarding interest on the Bonds under the caption “TAX MATTERS” generally applies, except as otherwise provided below, to original issue discount on an Original Issue Discount Bond held by an owner who purchased such Bond at the initial offering price in the initial public offering of the Bonds, and should be considered in connection with the discussion in this portion of the Official Statement.)

The foregoing is based on the assumptions that (a) the Underwriter has purchased the Bonds for contemporaneous sale to the general public and not for investment purposes, and (b) all of the Original Issue Discount Bonds have been offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm's-length transactions for a cash price (and with no other consideration being included) equal to the initial offering prices thereof stated on the cover page of this Official Statement, and (c) the respective initial offering prices of the Original Issue Discount Bonds to the general public are equal to the fair market value thereof. Neither the District nor Bond Counsel warrants that the Original Issue Discount Bonds will be offered and sold in accordance with such assumptions.

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

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

Qualified Tax-Exempt Obligations for Financial Institutions

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

The Issuer has designated the Bonds as “qualified tax-exempt obligations” and has represented that the aggregate amount of tax-exempt bonds (including the Bonds) issued by the Issuer and entities aggregated with the Issuer under the Code during calendar year 2021 is not expected to exceed \$10,000,000 and that the Issuer and entities aggregated with the Issuer under the Code have not designated more than \$10,000,000 in “qualified tax-exempt obligations” (including the Bonds) during calendar year 2021.

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

MUNICIPAL BOND RATING

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, ("S&P") and Moody's Investors Service, Inc. ("Moody's") are expected to assign municipal bond ratings of "AA" (stable outlook) and "A2" (stable outlook, respectively, to this issue of Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by Assured Guaranty Municipal Corp. Moody's has also assigned an underlying rating of "Baa2" to the Bonds. An explanation of the ratings may be obtained from S&P and Moody's.

There is no assurance that such ratings will continue for any given period of time or that they will not be revised or withdrawn entirely by Moody's or S&P, if in their judgment, circumstances so warrant. Any such revisions or withdrawal of the ratings may have an adverse effect on the market price of the Bonds.

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. ("AGM") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as APPENDIX A to this Official Statement.

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

Assured Guaranty Municipal Corp.

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and international public finance (including infrastructure) and structured finance markets and asset management services. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM's financial strength is rated "AA" (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("KBRA") and "A2" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On October 29, 2020, KBRA announced it had affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

On July 16, 2020, S&P announced it had affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On August 13, 2019, Moody's announced it had affirmed AGM's insurance financial strength rating of "A2" (stable outlook). AGM can give no assurance as to any further ratings action that Moody's may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2020.

Capitalization of AGM

December 31, 2020:

- The policyholders' surplus of AGM was approximately \$2,864 million.
- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. ("MAC") (as described below) were approximately \$940 million. Such amount includes 100% of AGM's contingency reserve and 60.7% of MAC's contingency reserve.
- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately \$2,112 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, (ii) the net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiaries Assured Guaranty UK Limited ("AGUK") and Assured Guaranty (Europe) SA ("AGE"), and (iii) 60.7% of the net unearned premium reserve of MAC.

The policyholders' surplus of AGM and the contingency reserves, net unearned premium reserves and deferred ceding commission income of AGM and MAC were determined in accordance with statutory accounting principles. The net unearned premium reserves and net deferred ceding commissions of AGUK and AGE were determined in accordance with accounting principles generally accepted in the United States of America.

Merger of MAC into AGM

AGM and MAC have received approval to merge MAC into AGM, with AGM as the surviving company. The merger is expected to be effective on April 1, 2021. MAC is currently an indirect subsidiary of AGM. AGM's affiliate, Assured Guaranty Corp., a Maryland-domiciled insurance company ("AGC"), indirectly owns 39.3% of MAC. In connection with the merger transaction, AGM and AGC will each reassume the remaining outstanding par they ceded to MAC in 2013, and AGC will sell its share of MAC to AGM. AGM will then cause MAC to merge with and into AGM. Once the merger is completed, all of MAC's direct insured par exposure will become insured obligations of AGM.

Incorporation of Certain Documents by Reference

Portions of the following document filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof: the Annual Report on Form 10-K for the fiscal year ended December 31, 2020 (filed by AGL with the SEC on February 26, 2021).

All information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at <http://www.sec.gov>, at AGL's website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AGM included herein under the caption "MUNICIPAL BOND INSURANCE – Assured Guaranty Municipal Corp." or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters

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

PREPARATION OF OFFICIAL STATEMENT

Sources and Compilation of Information

The financial data and other information contained in this OFFICIAL STATEMENT has been obtained primarily from the District's records, the Developers, the Engineer, the Tax Assessor/Collector, the Appraisal District and information from other sources. All of these sources are believed to be reliable, but no guarantee is made by the District as to the accuracy or completeness of the information derived from such sources, and its inclusion herein is not to be construed as a representation on the part of the District except as described below under "Certification of Official Statement." Furthermore, there is no guarantee that any of the assumptions or estimates contained herein will be realized. The summaries of the agreements, reports, statutes, resolutions, engineering and other related information set forth in this OFFICIAL STATEMENT are included herein subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents for further information.

Financial Advisor

Masterson Advisors LLC is employed as the Financial Advisor to the District to render certain professional services, including advising the District on a plan of financing and preparing the OFFICIAL STATEMENT. In its capacity as Financial Advisor, Masterson Advisors LLC has compiled and edited this OFFICIAL STATEMENT. The Financial Advisor has reviewed the information in this OFFICIAL STATEMENT in accordance with, and as a part of, its responsibilities to the District and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

Consultants

In approving this OFFICIAL STATEMENT the District has relied upon the following consultants.

Tax Assessor/Collector: The information contained in this OFFICIAL STATEMENT relating to the breakdown of the District's historical assessed value and principal taxpayers, including particularly such information contained in the section entitled "TAX DATA" has been provided by Bob Leared Interests, and is included herein in reliance upon the authority of such individual as an expert in assessing property values and collecting taxes.

Engineer: The information contained in this OFFICIAL STATEMENT relating to engineering and to the description of the System and, in particular that information included in the sections entitled "THE DISTRICT" and "THE SYSTEM" has been provided by Jones & Carter, Inc., and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

Auditor: The financial statements of the District as of August 31, 2020, and for the year then ended, included in this offering document, have been audited by BKD, LLP, independent auditors, as stated in their report appearing herein. See "APPENDIX A" for a copy of the District's August 31, 2020, financial statements.

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 elects to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Underwriter an appropriate amendment or supplement to the Official Statement satisfactory to the Underwriter, provided, however, that the obligation of the District to the Underwriter 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 as required by law (but not more than 90 days after the date the District delivers the Bonds).

Certification of Official Statement

The District, acting through its Board in its official capacity, hereby certifies, as of the date hereof, that the information, statements, and descriptions or any addenda, supplement and amendment thereto pertaining to the District and its affairs contained herein, to the best of its knowledge and belief, contain no untrue statement of a material fact and do not omit to state any material fact necessary to make the statements herein, in the light of the circumstances under which they are made, not misleading. With respect to information included in this OFFICIAL STATEMENT other than that relating to the District, the District has no reason to believe that such information contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements herein, in the light of the circumstances under which they are made, not misleading; however, the Board has made no independent investigation as to the accuracy or completeness of the information derived from sources other than the District. In rendering such certificate, the official executing this certificate may state that he has relied in part on his examination of records of the District relating to matters within his own area of responsibility, and his discussions with, or certificates or correspondence signed by, certain other officials, employees, consultants and representatives of the District.

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide certain financial information and operating data annually to the MSRB. The financial information and operating data which will be provided includes all quantitative financial information and operating data of the general type included in this Official Statement under the headings "THE SYSTEM—Water and Wastewater Operations," "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED), except for Estimated Overlapping Debt," "TAX DATA," and in APPENDIX A (Independent Auditor's Report and Financial Statements of the District and supplemental schedules). The District will update and provide this information within six months after the end of each of its fiscal years ending in or after 2021. 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 "Rule"). The updated information will include audited financial statements, if the District 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 will provide unaudited financial statements within such six month period, and audited financial statements when and if such audited financial statements become 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 August 31. Accordingly, it must provide updated information by 11:59 P.M. Houston, Texas time on the last day of February 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 MRSB, 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 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 Rule 15c2-12 of the United States Securities and Exchange Commission (the "SEC") (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 an definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person within the meaning of the Rule, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person within the meaning of the Rule, any of which affect Beneficial Owners of the Bonds, if material- and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person within the meaning of the Rule, 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 financial information, operating data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information from the MSRB

The District has agreed to provide the foregoing information only to the MSRB. The MSRB makes the information available to the public without charge through its Electronic Municipal Market Access internet portal at www.emma.msrb.org.

Limitations and Amendments

The District has agreed to update information and to provide notices of specified 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 or Beneficial Owners of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

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

Compliance With Prior Undertakings

During the last five years, the District has complied in all material respects with all continuing disclosure agreements made by the District in accordance with SEC Rule 15c2-12 with the exception of the following: When the District filed its annual financial information and operating data for the fiscal years ended August 31, 2015 through 2019, it failed to include the Overlapping Taxes. The filing for the Overlapping Taxes for fiscal years 2015 through 2019 was filed on February 25, 2021. In addition, on March 13, 2020, Moody's upgraded the District's underlying rating from "Baa3" to "Baa2" related to its outstanding Series 2018 Bonds, Series 2017 Bonds and Series 2016 Bonds, and the District did not file timely notice after the rating change occurred. The event notice of such rating changes was filed with the MSRB on March 10, 2021.

MISCELLANEOUS

All estimates, statements and assumptions in this OFFICIAL STATEMENT and APPENDIX A hereto have been made on the basis of the best information available and are believed to be reliable and accurate. Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact, and no representation is made that any such statements will be realized.

/s/Ms. Jennifer Donato
President, Board of Directors

ATTEST:

/s/Mr. Ryan Tsamouris
Secretary, Board of Directors

AERIAL LOCATION MAP
(Approximate boundary as of November 2020)

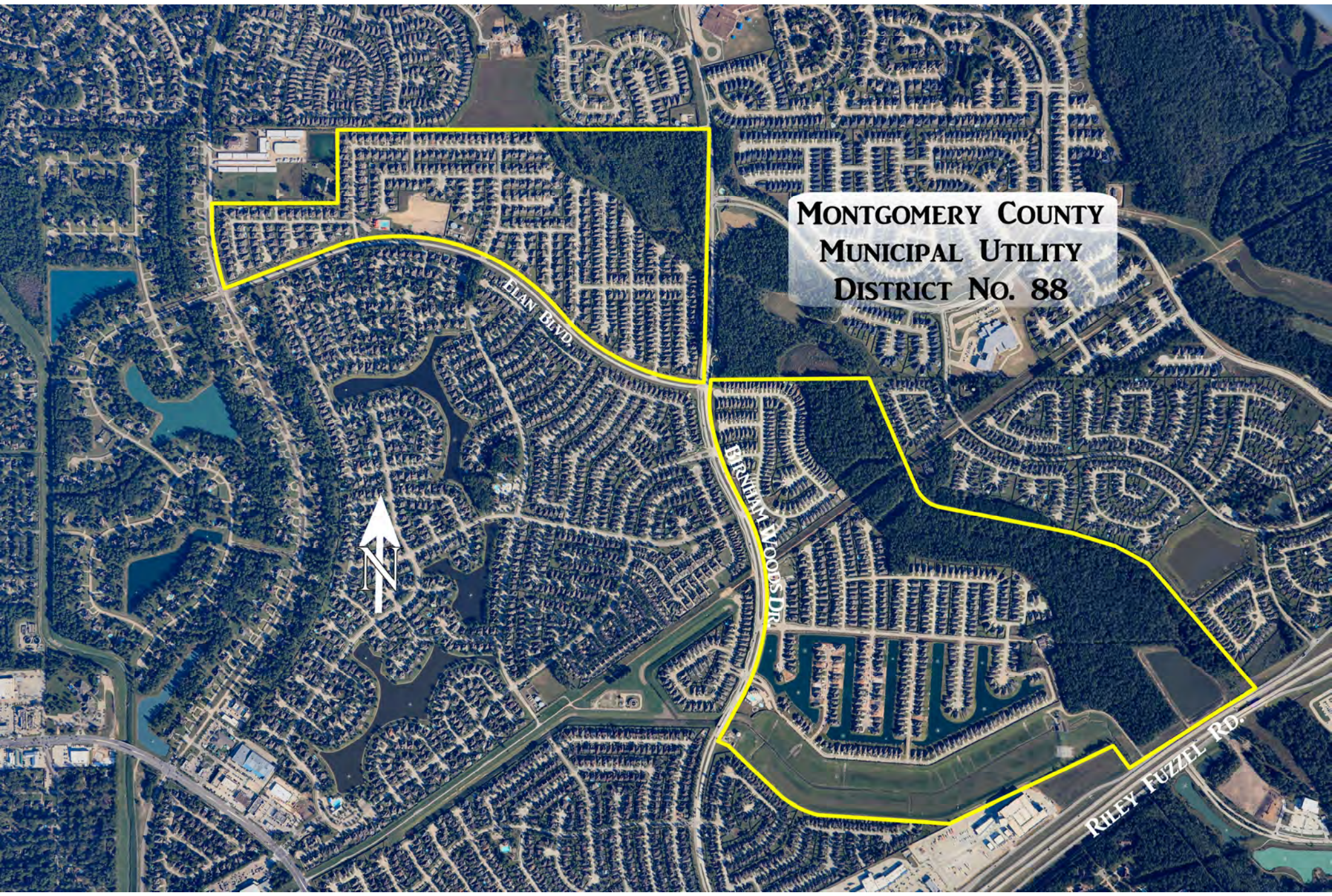
**MONTGOMERY COUNTY
MUNICIPAL UTILITY
DISTRICT No. 88**



ELAN BLVD.

BIRNHAM WOODS DR.

RILEY FUZZEL RD.



PHOTOGRAPHS OF THE DISTRICT
(Taken November 2020)













APPENDIX A

**Independent Auditor's Report and Financial Statements of the District
for the year ended August 31, 2020**

Montgomery County Municipal Utility District No. 88

Montgomery County, Texas

Independent Auditor's Report and Financial Statements

August 31, 2020



Montgomery County Municipal Utility District No. 88
August 31, 2020

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Independent Auditor's Report

Board of Directors
Montgomery County Municipal Utility District No. 88
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. 88 (the District), as of and for the year ended August 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements 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 the District as of August 31, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 schedule listed in the table of contents be presented to supplement the basic financial statements. Such information, although not 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 other information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

BKD, LLP

Houston, Texas
January 11, 2021

Montgomery County Municipal Utility District No. 88

Management's Discussion and Analysis

August 31, 2020

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to financial statements. This report also contains supplementary information required by the Governmental Accounting Standards Board and other information required by the District's state oversight agency, the Texas Commission on Environmental Quality (the Commission).

In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities which engage in a single governmental program, such as the provision of water, sanitary sewer and drainage services. Other activities, such as the provision of recreation facilities and solid waste collection, are minor activities and are not budgeted or accounted for as separate programs. The financial statements of special-purpose governments combine two types of financial statements into one statement. These two types of financial statements are the government-wide financial statements and the fund financial statements. The fund financial statements are presented on the left side of the statements, a column for adjustments is to the right of the fund financial statements and the government-wide financial statements are presented to the right side of the adjustments column. The following sections describe the measurement focus of the two types of statements and the significant differences in the information they provide.

Government-wide Financial Statements

The focus of government-wide financial statements is on the overall financial position and activities of the District. The District's government-wide financial statements include the statement of net position and statement of activities, which are prepared using accounting principles that are similar to commercial enterprises. The purpose of the statement of net position is to attempt to report all of the assets, liabilities, and deferred inflows and outflows of resources of the District. The District reports all of its assets when it acquires or begins to maintain the assets and reports all of its liabilities when they are incurred.

The difference between the District's assets, liabilities, and deferred inflows and outflows of resources is labeled as net position and this difference is similar to the total stockholders' equity presented by a commercial enterprise.

The purpose of the statement of activities is to present the revenues and expenses of the District. Again, the items presented on the statement of activities are measured in a manner similar to the approach used by a commercial enterprise in that revenues are recognized when earned or established criteria are satisfied and expenses are reported when incurred by the District. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues are reported even when they may not be collected for several months or years after the end of the accounting period and expenses are recorded even though they may not have used cash during the current year.

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Although the statement of activities looks different from a commercial enterprise's statement of income, the financial statement is different only in format, not substance. Whereas the bottom line in a commercial enterprise is its net income, the District reports an amount described as change in net position, essentially the same thing.

Fund Financial Statements

Unlike government-wide financial statements, the focus of fund financial statements is directed to specific activities of the District rather than the District as a whole. Except for the general fund, a specific fund is established to satisfy managerial control over resources or to satisfy finance-related legal requirements established by external parties or governmental statutes or regulations.

Governmental Funds

Governmental-fund financial statements consist of a balance sheet and a statement of revenues, expenditures and changes in fund balances and are prepared on an accounting basis that is significantly different from that used to prepare the government-wide financial statements.

In general, these financial statements have a short-term emphasis and, for the most part, measure and account for cash and other assets that can easily be converted into cash. For example, amounts reported on the balance sheet include items such as cash and receivables collectible within a very short period of time, but do not include capital assets such as land and water, sewer and drainage systems. Fund liabilities include amounts that are to be paid within a very short period after the end of the fiscal year. The difference between a fund's assets, liabilities, and deferred inflows and outflows of resources is labeled the fund balance and generally indicates the amount that can be used to finance the next fiscal year's activities. Likewise, the operating statement for governmental funds reports only those revenues and expenditures that were collected in cash or paid with cash, respectively, during the current period or very shortly after the end of the fiscal year.

Because the focus of the government-wide and fund financial statements is different, there are significant differences between the totals presented in these financial statements. For this reason, there is an analysis in the notes to financial statements that describes the adjustments to fund balances to arrive at net position presented in the governmental activities column on the statement of net position. Also, there is an analysis in the notes to financial statements that reconciles the total change in fund balances for all governmental funds to the change in net position, as reported in the governmental activities column in the statement of activities.

Notes to Financial Statements

The notes to financial statements provide additional information that is essential to a full understanding of the data found in the government-wide and fund financial statements.

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Management's Discussion and Analysis (Continued)
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Financial Analysis of the District as a Whole

The District's overall financial position and activities for the past two years are summarized as follows, based on the information included in the government-wide financial statements.

Summary of Net Position

	<u>2020</u>	<u>2019</u>
Current and other assets	\$ 5,186,486	\$ 4,950,738
Capital assets	<u>15,963,962</u>	<u>16,251,953</u>
Total assets	<u>21,150,448</u>	<u>21,202,691</u>
Deferred outflows of resources	<u>50,593</u>	<u>0</u>
Total assets and deferred outflows of resources	<u>\$ 21,201,041</u>	<u>\$ 21,202,691</u>
Long-term liabilities	\$ 19,744,087	\$ 20,331,954
Other liabilities	<u>391,763</u>	<u>307,983</u>
Total liabilities	<u>20,135,850</u>	<u>20,639,937</u>
Net position:		
Net investment in capital assets	(2,953,155)	(3,092,559)
Restricted	1,299,878	1,224,228
Unrestricted	<u>2,718,468</u>	<u>2,431,085</u>
Total net position	<u>\$ 1,065,191</u>	<u>\$ 562,754</u>

The total net position of the District increased by \$502,437 or about 89 percent. The majority of the increase in net position is related to property tax revenues intended to pay principal on the District's bonded indebtedness, which is shown as long-term liabilities in the government-wide financial statements. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Summary of Changes in Net Position

	<u>2020</u>	<u>2019</u>
Revenues:		
Property taxes	\$ 2,882,704	\$ 2,362,016
Charges for services	955,065	780,177
Other revenues	<u>196,578</u>	<u>216,483</u>
Total revenues	<u>4,034,347</u>	<u>3,358,676</u>

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Management's Discussion and Analysis (Continued)
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Summary of Changes in Net Position (Continued)

	2020	2019
Expenses:		
Services	\$ 2,136,683	\$ 1,679,788
Depreciation	542,479	524,734
Debt service	852,748	979,894
Total expenses	<u>3,531,910</u>	<u>3,184,416</u>
Change in net position	502,437	174,260
Net position, beginning of year	<u>562,754</u>	<u>388,494</u>
Net position, end of year	<u><u>\$ 1,065,191</u></u>	<u><u>\$ 562,754</u></u>

Financial Analysis of the District's Funds

The District's combined fund balances as of the end of the fiscal year ended August 31, 2020, were \$4,780,773, an increase of \$193,449 from the prior year.

The general fund's fund balance increased by \$300,095, primarily due to property taxes and service revenues exceeding service operation expenditures. In addition, tap connection and inspection fees revenues exceeded the related tap connections expenditures.

The debt service fund's fund balance increased by \$102,953 due to property taxes exceeding bond principal and interest requirements and contracted services expenditures.

The capital projects fund's fund balance decreased by \$209,599 due to capital outlay expenditures exceeding interest income.

General Fund Budgetary Highlights

There were several differences between the final budgetary amounts and actual amounts. The major differences between budget and actual were due to repairs and maintenance expenditures and property taxes and regional water fee revenues being greater than anticipated and purchased services expenditures being less than anticipated. The fund balance as of August 31, 2020, was expected to be \$2,872,978 and the actual end-of-year fund balance was \$2,712,246.

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Capital Assets and Related Debt

Capital Assets

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

Capital Assets (Net of Accumulated Depreciation)

	2020	2019
Land and improvements	\$ 585,329	\$ 585,329
Construction in progress	225,814	42,053
Water facilities	2,915,526	3,034,505
Wastewater facilities	6,226,274	6,392,494
Drainage facilities	5,955,220	6,139,116
Recreational facilities	55,799	58,456
Total capital assets	\$ 15,963,962	\$ 16,251,953

During the current year, additions to capital assets were as follows:

Construction in progress related to The Estates of Legends Trace, Section 1, drainage improvements	\$ 195,245
Wright's Landing lift station generator addition	57,010
Interim wastewater treatment expansion to 0.3 MGD per day	2,233
Total additions to capital assets	\$ 254,488

Developers of the District have constructed water, sewer and drainage facilities on behalf of the District under the terms of contracts with the District. The District has agreed to purchase these facilities from the proceeds of future bond issues, subject to the approval of the Commission. At August 31, 2020, a liability for developer-constructed capital assets of \$1,293,250 was recorded in the government-wide financial statements.

Since inception, the developers have advanced \$202,500 to the District for operations (net of repayments). These advances have been recorded as liabilities in the government-wide financial statements.

Debt

The changes in the debt position of the District during the fiscal year ended August 31, 2020, are summarized as follows.

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August 31, 2020

Long-term debt payable, beginning of year	\$ 20,331,954
Increases in long-term debt	1,960,622
Decreases in long-term debt	<u>(2,548,489)</u>
 Long-term debt payable, end of year	 <u>\$ 19,744,087</u>

During the fiscal year ended August 31, 2020, the District issued \$1,965,000 in unlimited tax refunding bonds to refund \$1,845,000 of outstanding Series 2012 bonds. The District refunded the bonds to reduce total debt service payments over future years by \$127,759 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$99,540.

At August 31, 2020, the District had \$41,320,000 of unlimited tax bonds authorized, but unissued, for the purposes of acquiring, construction and improving the water, sanitary sewer and drainage systems within the District.

The District's bonds carry an underlying rating of "Baa2" from Moody's Investors Service (Moody's). The Series 2016, 2018 and 2020 refunding bonds carry a "A2" rating from Moody's by virtue of bond insurance issued by Assured Guaranty Municipal Corp. The Series 2017 bonds carry a "AA" rating from Standard & Poor's by virtue of bond insurance issued by Build America Mutual Assurance Company.

Other Relevant Factors

Relationship to the City of Houston

Under existing Texas law, since the District lies partially within the extraterritorial jurisdiction (ETJ) of the City of Houston (the City), the District must conform to the City ordinance consenting to the creation of the District. After it was created, a portion of the District later fell within the ETJ of the City of Conroe, but was subsequently converted to the City at the District's option under applicable law. The District may be annexed by the City without the District's consent. If the District is annexed, the City must assume the District's assets and obligations (including the bonded indebtedness) and abolish the District within 90 days.

Montgomery County Municipal Utility District No. 88
Statement of Net Position and Governmental Funds Balance Sheet
August 31, 2020

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash	\$ 2,410,610	\$ 1,094,282	\$ 807,125	\$ 4,312,017	\$ -	\$ 4,312,017
Certificates of deposit	345,336	211,605	-	556,941	-	556,941
Receivables:						
Property taxes	6,222	7,728	-	13,950	-	13,950
Service accounts	207,676	-	-	207,676	-	207,676
Accrued interest	7,381	837	-	8,218	-	8,218
Interfund receivables	31,159	4,412	53,236	88,807	(88,807)	-
Due from others	34,330	-	-	34,330	-	34,330
Prepaid expenditures	53,354	-	-	53,354	-	53,354
Capital assets (net of accumulated depreciation):						
Land and improvements	-	-	-	-	585,329	585,329
Construction in progress	-	-	-	-	225,814	225,814
Infrastructure	-	-	-	-	15,152,819	15,152,819
Total assets	3,096,068	1,318,864	860,361	5,275,293	15,875,155	21,150,448
Deferred Outflows of Resources						
Deferred amount on debt refundings	-	-	-	-	50,593	50,593
Total assets and deferred outflows of resources	\$ 3,096,068	\$ 1,318,864	\$ 860,361	\$ 5,275,293	\$ 15,925,748	\$ 21,201,041

Montgomery County Municipal Utility District No. 88
Statement of Net Position and Governmental Funds Balance Sheet (Continued)
August 31, 2020

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Liabilities						
Accounts payable	\$ 188,334	\$ 590	\$ 54,283	\$ 243,207	\$ -	\$ 243,207
Retainage payable	-	-	16,938	16,938	-	16,938
Customer deposits	110,228	-	-	110,228	-	110,228
Due to others	21,390	-	-	21,390	-	21,390
Interfund payables	57,648	31,159	-	88,807	(88,807)	-
Long-term liabilities:						
Due within one year	-	-	-	-	790,000	790,000
Due after one year	-	-	-	-	18,954,087	18,954,087
Total liabilities	377,600	31,749	71,221	480,570	19,655,280	20,135,850
Deferred Inflows of Resources						
Deferred property tax revenues	6,222	7,728	0	13,950	(13,950)	0
Fund Balances/Net Position						
Fund balances:						
Nonspendable, prepaid expenditures	53,354	-	-	53,354	(53,354)	-
Restricted:						
Unlimited tax bonds	-	1,279,387	-	1,279,387	(1,279,387)	-
Water, sewer and drainage	-	-	789,140	789,140	(789,140)	-
Assigned, operating reserve	34,330	-	-	34,330	(34,330)	-
Unassigned	2,624,562	-	-	2,624,562	(2,624,562)	-
Total fund balances	2,712,246	1,279,387	789,140	4,780,773	(4,780,773)	0
Total liabilities, deferred inflows of resources and fund balances	\$ 3,096,068	\$ 1,318,864	\$ 860,361	\$ 5,275,293		
Net position:						
Net investment in capital assets					(2,953,155)	(2,953,155)
Restricted for debt service					1,287,115	1,287,115
Restricted for capital projects					12,763	12,763
Unrestricted					2,718,468	2,718,468
Total net position					\$ 1,065,191	\$ 1,065,191

Montgomery County Municipal Utility District No. 88
Statement of Activities and Governmental Funds Revenues,
Expenditures and Changes in Fund Balances
Year Ended August 31, 2020

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues						
Property taxes	\$ 1,349,693	\$ 1,561,575	\$ -	\$ 2,911,268	\$ (28,564)	\$ 2,882,704
Water service	228,835	-	-	228,835	-	228,835
Sewer service	374,811	-	-	374,811	-	374,811
Regional water fee	351,419	-	-	351,419	-	351,419
Penalty and interest	5,702	23,490	-	29,192	(12,917)	16,275
Tap connection and inspection fees	118,160	-	-	118,160	-	118,160
Interest income	24,203	9,416	2,034	35,653	-	35,653
Other income	26,490	-	-	26,490	-	26,490
	<u>2,479,313</u>	<u>1,594,481</u>	<u>2,034</u>	<u>4,075,828</u>	<u>(41,481)</u>	<u>4,034,347</u>
Expenditures/Expenses						
Service operations:						
Purchased services	727,451	-	-	727,451	-	727,451
Professional fees	172,360	4,320	-	176,680	10,432	187,112
Contracted services	286,083	36,590	-	322,673	-	322,673
Utilities	42,381	-	-	42,381	-	42,381
Repairs and maintenance	707,999	-	-	707,999	6,798	714,797
Tap connections	59,830	-	-	59,830	-	59,830
Other expenditures	77,431	4,440	568	82,439	-	82,439
Capital outlay	60,653	-	211,065	271,718	(271,718)	-
Depreciation	-	-	-	-	542,479	542,479
Debt service:						
Principal retirement	-	770,000	-	770,000	(770,000)	-
Interest and fees	-	661,641	-	661,641	30,904	692,545
Debt issuance costs	45,030	115,173	-	160,203	-	160,203
Debt defeasance	-	20,000	-	20,000	(20,000)	-
	<u>2,179,218</u>	<u>1,612,164</u>	<u>211,633</u>	<u>4,003,015</u>	<u>(471,105)</u>	<u>3,531,910</u>
Excess (Deficiency) of Revenues						
Over Expenditures	<u>300,095</u>	<u>(17,683)</u>	<u>(209,599)</u>	<u>72,813</u>	<u>429,624</u>	

Montgomery County Municipal Utility District No. 88
Statement of Activities and Governmental Funds Revenues,
Expenditures and Changes in Fund Balances (Continued)
Year Ended August 31, 2020

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Other Financing Sources (Uses)						
General obligation bonds issued	\$ -	\$ 1,965,000	\$ -	\$ 1,965,000	\$ (1,965,000)	
Discount on debt issued	-	(4,378)	-	(4,378)	4,378	
Deposit with escrow agent	-	(1,839,986)	-	(1,839,986)	1,839,986	
	<u>0</u>	<u>120,636</u>	<u>0</u>	<u>120,636</u>	<u>(120,636)</u>	
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	300,095	102,953	(209,599)	193,449	(193,449)	
Change in Net Position					502,437	\$ 502,437
Fund Balances/Net Position						
Beginning of year	<u>2,412,151</u>	<u>1,176,434</u>	<u>998,739</u>	<u>4,587,324</u>	<u>-</u>	<u>562,754</u>
End of year	<u>\$ 2,712,246</u>	<u>\$ 1,279,387</u>	<u>\$ 789,140</u>	<u>\$ 4,780,773</u>	<u>\$ 0</u>	<u>\$ 1,065,191</u>

Montgomery County Municipal Utility District No. 88

Notes to Financial Statements

August 31, 2020

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Montgomery County Municipal Utility District No. 88 (the District) was created by an order of the Texas Natural Resource Conservation Commission, now known as the Texas Commission on Environmental Quality (the Commission), effective December 29, 2000, in accordance with the Texas Water Code, Chapter 54. The District operates in accordance with Chapters 49 and 54 of the Texas Water Code and is subject to the continuing supervision of the Commission. The principal functions of the District are to finance, construct, own and operate waterworks, wastewater and drainage facilities and to provide such facilities and services to the customers of the District.

The District is governed by a Board of Directors (the Board) consisting of five individuals who are residents or owners of property within the District and are elected by voters within the District. The Board sets the policies of the District. The accounting and reporting policies of the District conform to accounting principles generally accepted in the United States of America for state and local governments, as defined by the Governmental Accounting Standards Board. The following is a summary of the significant accounting and reporting policies of the District:

Reporting Entity

The accompanying government-wide financial statements present the financial statements of the District. There are no component units that are legally separate entities for which the District is considered to be financially accountable. Accountability is defined as the District's substantive appointment of the voting majority of the component unit's governing board. Furthermore, to be financially accountable, the District must be able to impose its will upon the component unit or there must be a possibility that the component unit may provide specific financial benefits to, or impose specific financial burdens on, the District.

Government-wide and Fund Financial Statements

In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities which engage in a single governmental program, such as the provision of water, wastewater, drainage and other related services. The financial statements of special-purpose governments combine two types of financial statements into one statement. These two types of financial statements are the government-wide financial statements and the fund financial statements. The fund financial statements are presented with a column for adjustments to convert to the government-wide financial statements.

The government-wide financial statements report information on all of the activities of the District. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Governmental activities generally are financed through taxes, charges for services and intergovernmental revenues. The statement of activities reflects the revenues and expenses of the District.

Montgomery County Municipal Utility District No. 88

Notes to Financial Statements

August 31, 2020

The fund financial statements provide information about the District's governmental funds. Separate statements for each governmental fund are presented. The emphasis of fund financial statements is directed to specific activities of the District.

The District presents the following major governmental funds:

General Fund – The general fund is the primary operating fund of the District which accounts for all financial resources not accounted for in another fund. Revenues are derived primarily from property taxes, charges for services and interest income.

Debt Service Fund – The debt service fund is used to account for financial resources that are restricted, committed or assigned to expenditures for principal and interest related costs, as well as the financial resources being accumulated for future debt service.

Capital Projects Fund – The capital projects fund is used to account for financial resources that are restricted, committed or assigned to expenditures for capital outlays.

Fund Balances – Governmental Funds

The fund balances for the District's governmental funds can be displayed in up to five components:

Nonspendable – Amounts that are not in a spendable form or are required to be maintained intact.

Restricted – Amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers.

Committed – Amounts that can be used only for the specific purposes determined by resolution of the Board. Commitments may be changed or lifted only by issuance of a resolution by the District's Board.

Assigned – Amounts intended to be used by the District for specific purposes as determined by management. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

Unassigned – The residual classification for the general fund and includes all amounts not contained in the other classifications.

The District considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. The District applies committed amounts first, followed by assigned amounts, and then unassigned amounts when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Montgomery County Municipal Utility District No. 88
Notes to Financial Statements
August 31, 2020

Measurement Focus and Basis of Accounting

Government-wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows.

Nonexchange transactions, in which the District receives (or gives) value without directly giving (or receiving) equal value in exchange, include property taxes and donations. Recognition standards are based on the characteristics and classes of nonexchange transactions. Revenues from property taxes are recognized in the period for which the taxes are levied. Intergovernmental revenues are recognized as revenues, net of estimated refunds and uncollectible amounts, in the accounting period when an enforceable legal claim to the assets arises and the use of resources is required or is first permitted. Donations are recognized as revenues, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met. Amounts received before all eligibility requirements have been met are reported as liabilities.

Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and liabilities are generally included on the balance sheet. The statement of governmental funds revenues, expenditures and changes in fund balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in spendable resources. General capital asset acquisitions are reported as expenditures and proceeds of long-term debt are reported as other financing sources. Under the modified accrual basis of accounting, revenues are recognized when both measurable and available. The District considers revenues reported in the governmental funds to be available if they are collectible within 60 days after year-end. Principal revenue sources considered susceptible to accrual include taxes, charges for services and investment income. Other revenues are considered to be measurable and available only when cash is received by the District. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized as expenditures when payment is due.

Deferred Outflows and Inflows of Resources

A deferred outflow of resources is a consumption of net position that is applicable to a future reporting period and a deferred inflow of resources is an acquisition of net position that is applicable to a future reporting period.

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Notes to Financial Statements

August 31, 2020

Interfund Transactions

Transfers from one fund to another fund are reported as interfund receivables and payables if there is intent to repay the amount and if there is the ability to repay the advance on a timely basis. Operating transfers represent legally authorized transfers from the fund receiving resources to the fund through which the resources are to be expended.

Pension Costs

The District does not participate in a pension plan and, therefore, has no pension costs.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and deferred inflows and outflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

Investments and Investment Income

Investments in certificates of deposit, mutual funds, U.S. Government and agency securities, and certain pooled funds, which have a remaining maturity of one year or less at the date of purchase, are recorded at amortized cost. All other investments are carried at fair value. Fair value is determined using quoted market prices.

Investment income includes dividends and interest income and the net change for the year in the fair value of investments carried at fair value. Investment income is credited to the fund in which the investment is recorded.

Property Taxes

An appraisal district annually prepares appraisal records listing all property within the District and the appraised value of each parcel or item as of January 1. Additionally, on January 1, a tax lien attaches to property to secure the payment of all taxes, penalty and interest ultimately imposed for the year on the property. After the District receives its certified appraisal roll from the appraisal district, the rate of taxation is set by the Board of the District based upon the aggregate appraisal value. Taxes are due and payable October 1 or when billed, whichever is later, and become delinquent after January 31 of the following year.

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Notes to Financial Statements
August 31, 2020

In the governmental funds, property taxes are initially recorded as receivables and deferred inflows of resources at the time the tax levy is billed. Revenues recognized during the fiscal year ended August 31, 2020, include collections during the current period or within 60 days of year-end related to the 2019 and prior years' tax levies.

In the government-wide statement of net position, property taxes are considered earned in the budget year for which they are levied. For the District's fiscal year ended August 31, 2020, the 2019 tax levy is considered earned during the current fiscal year. In addition to property taxes levied, any delinquent taxes are recorded net of amounts considered uncollectible.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an individual cost of \$5,000 or more and an estimated useful life of two years or more. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset lives are not capitalized.

Capital assets are depreciated using the straight-line method over their estimated useful lives as follows:

	Years
Water production and distribution facilities	10-45
Wastewater collection and treatment facilities	10-45
Drainage facilities	10-45
Recreational facilities	10-25

Debt Issuance Costs

Debt issuance costs, other than prepaid insurance, do not meet the definition of an asset or deferred outflows of resources since the costs are not applicable to a future period and, therefore, are recognized as an expense/expenditure in the period incurred.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Premiums and discounts on bonds are recognized as a component of long-term liabilities and amortized over the life of the related debt using the effective interest rate method. Bonds payable are reported net of the applicable bond premium or discount.

Montgomery County Municipal Utility District No. 88
Notes to Financial Statements
August 31, 2020

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

Net Position/Fund Balances

Fund balances and net position are reported as restricted when constraints placed on them are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or are imposed by law through constitutional provisions or enabling legislation.

When both restricted and unrestricted resources are available for use, generally, it is the District's policy to use restricted resources first.

Reconciliation of Government-wide and Fund Financial Statements

Amounts reported for net position of governmental activities in the statement of net position and fund balances in the governmental funds balance sheet are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds.	\$ 15,963,962
Property tax revenue recognition and the related reduction of deferred inflows of resources are subject to availability of funds in the fund financial statements.	13,950
Deferred amount on debt refundings for governmental activities are not financial resources and are not reported in the funds.	50,593
Long-term debt obligations are not due and payable in the current period and are not reported in the funds.	<u>(19,744,087)</u>
Adjustment to fund balances to arrive at net position.	<u><u>\$ (3,715,582)</u></u>

Amounts reported for change in net position of governmental activities in the statement of activities are different from change in fund balances in the governmental funds statement of revenues, expenditures and changes in fund balances because:

Change in fund balances.	\$ 193,449
Governmental funds report capital outlays as expenditures. However, for government-wide financial statements, the cost of capitalized assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation and noncapitalized costs exceeded capital outlay expenditures in the current year.	(287,991)

Montgomery County Municipal Utility District No. 88
Notes to Financial Statements
August 31, 2020

Governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	\$ 4,378
Governmental funds report proceeds of the sales of bonds because they provide current financial resources to governmental funds. Principal payments on debt are recorded as expenditures. None of these transactions, however, have any effect on net position.	664,986
Revenues collected in the current year, which have previously been reported in the statement of activities, are reported as revenues in the governmental funds.	(41,481)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(30,904)</u>
Change in net position of governmental activities.	<u><u>\$ 502,437</u></u>

Note 2: Deposits and Investments

Deposits

Custodial credit risk is the risk that, in the event of a bank failure, a government's deposits may not be returned to it. The District's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance; a surety bond; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities of the State of Texas; or certain collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States.

At August 31, 2020, none of the District's bank balances were exposed to custodial credit risk.

Investments

The District may legally invest in obligations of the United States or its agencies and instrumentalities, direct obligations of Texas or its agencies or instrumentalities, collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States, other obligations guaranteed as to principal and interest by the State of Texas or the United States or their agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States,

Montgomery County Municipal Utility District No. 88
Notes to Financial Statements
August 31, 2020

obligations of states, agencies and counties and other political subdivisions with an investment rating not less than "A," insured or collateralized certificates of deposit, and certain bankers' acceptances, repurchase agreements, mutual funds, commercial paper, guaranteed investment contracts and investment pools.

The District's investment policy may be more restrictive than the Public Funds Investment Act.

At August 31, 2020, the District had no investments, other than certificates of deposit.

Investment Income

Investment income of \$35,653 for the year ended August 31, 2020, consisted of interest income.

Note 3: Capital Assets

A summary of changes in capital assets for the year ended August 31, 2020, is presented below:

Governmental Activities	Balances, Beginning of Year	Additions	Reclassifi- cations	Balances, End of Year
Capital assets, non-depreciable:				
Land and improvements	\$ 585,329	\$ -	\$ -	\$ 585,329
Construction in progress	42,053	195,245	(11,484)	225,814
Total capital assets, non-depreciable	<u>627,382</u>	<u>195,245</u>	<u>(11,484)</u>	<u>811,143</u>
Capital assets, depreciable:				
Water production and distribution facilities	3,756,374	-	-	3,756,374
Wastewater collection and treatment facilities	7,637,956	59,243	11,484	7,708,683
Drainage facilities	7,456,129	-	-	7,456,129
Recreational facilities	66,427	-	-	66,427
Total capital assets, depreciable	<u>18,916,886</u>	<u>59,243</u>	<u>11,484</u>	<u>18,987,613</u>
Less accumulated depreciation:				
Water production and distribution facilities	(721,869)	(118,979)	-	(840,848)
Wastewater collection and treatment facilities	(1,245,462)	(236,947)	-	(1,482,409)
Drainage facilities	(1,317,013)	(183,896)	-	(1,500,909)
Recreational facilities	(7,971)	(2,657)	-	(10,628)
Total accumulated depreciation	<u>(3,292,315)</u>	<u>(542,479)</u>	<u>0</u>	<u>(3,834,794)</u>
Total governmental activities, net	<u>\$ 16,251,953</u>	<u>\$ (287,991)</u>	<u>\$ 0</u>	<u>\$ 15,963,962</u>

Montgomery County Municipal Utility District No. 88
Notes to Financial Statements
August 31, 2020

Note 4: Long-term Liabilities

Changes in long-term liabilities for the year ended August 31, 2020, were as follows:

Governmental Activities	Balances, Beginning of Year	Increases	Decreases	Balances, End of Year	Amounts Due in One Year
Bonds payable:					
General obligation bonds	\$ 19,365,000	\$ 1,965,000	\$ 2,615,000	\$ 18,715,000	\$ 790,000
Less discounts on bonds	528,796	4,378	66,511	466,663	-
	<u>18,836,204</u>	<u>1,960,622</u>	<u>2,548,489</u>	<u>18,248,337</u>	<u>790,000</u>
Developer advances	202,500	-	-	202,500	-
Due to developers	<u>1,293,250</u>	<u>-</u>	<u>-</u>	<u>1,293,250</u>	<u>-</u>
Total governmental activities long-term liabilities	<u>\$ 20,331,954</u>	<u>\$ 1,960,622</u>	<u>\$ 2,548,489</u>	<u>\$ 19,744,087</u>	<u>\$ 790,000</u>

General Obligation Bonds

	Series 2012	Series 2014
Amounts outstanding, August 31, 2020	\$195,000	\$2,250,000
Interest rates	2.70% to 3.00%	2.000% to 4.125%
Maturity dates, serially beginning/ending	September 1, 2021/2022	September 1, 2021/2036
Interest payment dates	September 1/ March 1	September 1/ March 1
Callable dates*	September 1, 2019	September 1, 2022
	Series 2016	Series 2017
Amounts outstanding, August 31, 2020	\$4,455,000	\$4,600,000
Interest rates	2.00% to 4.00%	2.00% to 3.50%
Maturity dates, serially beginning/ending	September 1, 2021/2039	September 1, 2021/2040
Interest payment dates	September 1/ March 1	September 1/ March 1
Callable dates*	September 1, 2023	September 1, 2024

*Or any date thereafter; callable at par plus accrued interest to the date of redemption.

Montgomery County Municipal Utility District No. 88
Notes to Financial Statements
August 31, 2020

	Series 2018	Refunding Series 2020
Amounts outstanding, August 31, 2020	\$5,250,000	\$1,965,000
Interest rates	4.00% to 6.00%	2.00% to 3.00%
Maturity dates, serially beginning/ending	September 1, 2021/2042	September 1, 2021/2035
Interest payment dates	September 1/ March 1	September 1/ March 1
Callable dates*	September 1, 2024	September 1, 2026

*Or any date thereafter; callable at par plus accrued interest to the date of redemption.

Annual Debt Service Requirements

The District has been paying the amount due September 1 within the fiscal year preceding this due date, and the following schedule has been prepared assuming that this practice will be followed in future years. The schedule shows the annual debt service requirements to pay principal and interest on general obligation bonds outstanding at August 31, 2020:

Year	Principal	Interest	Total
2021	790,000	629,189	\$ 1,419,189
2022	805,000	601,175	1,406,175
2023	820,000	575,675	1,395,675
2024	830,000	552,606	1,382,606
2025	845,000	529,057	1,374,057
2026-2030	4,030,000	2,292,369	6,322,369
2031-2035	4,290,000	1,660,160	5,950,160
2036-2040	4,755,000	875,874	5,630,874
2041-2042	1,550,000	95,906	1,645,906
Total	<u>\$ 18,715,000</u>	<u>\$ 7,812,011</u>	<u>\$ 26,527,011</u>

The bonds are payable from the proceeds of an ad valorem tax levied upon all property within the District subject to taxation, without limitation as to rate or amount.

Bonds voted	\$ 63,090,000
Bonds sold	21,770,000
Refunding bonds voted	41,000,000
Refunding bonds authorization used	120,000

Montgomery County Municipal Utility District No. 88
Notes to Financial Statements
August 31, 2020

Due to Developers

Developers of the District have constructed underground utilities on behalf of the District. The District has agreed to reimburse the developers for these construction costs and interest to the extent approved by the Commission. The District's engineer estimates reimbursable costs for completed projects are \$1,293,250. These amounts have been recorded in the financial statements as long-term liabilities.

Since inception, developers have advanced \$202,500 (net of repayments) to the District for operations. These advances have been recorded as long-term liabilities in the financial statements.

Note 5: Significant Bond Resolution and Commission Requirements

- A. The Bond Resolutions require that the District levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due. During the year ended August 31, 2020, the District levied an ad valorem debt service tax at the rate of \$0.7400 per \$100 of assessed valuation, which resulted in a tax levy of \$1,547,178 on the taxable valuation of \$209,078,221 for the 2019 tax year. The interest and principal requirements paid from the tax revenues were \$1,428,608.
- B. The Commission required the District to escrow \$75,676 from the proceeds of its Series 2017 bonds and \$504,700 from the proceeds of its Series 2018 bonds. During the current year, \$504,700 was released from escrow from the Series 2018 bonds. At the balance sheet date, the remaining escrowed amounts of \$75,676 from the Series 2017 bonds was invested in a money market fund.

Note 6: Maintenance Taxes

At an election held May 3, 2003, voters authorized a maintenance tax not to exceed \$1.50 per \$100 valuation on all property within the District subject to taxation. During the year ended August 31, 2020, the District levied an ad valorem maintenance tax at the rate of \$0.6400 per \$100 of assessed valuation, which resulted in a tax levy of \$1,338,101 on the taxable valuation of \$209,078,221 for the 2019 tax year. The maintenance tax is being used by the general fund to pay expenditures of operating the District.

Note 7: Wastewater Treatment Plant Lease

On November 10, 2017, the District and AUC Group, LP, entered into an agreement for the lease of a wastewater treatment plant expansion to 0.3 MGD. The cost of the lease is \$26,400 per month. The term of the lease is 60 months following substantial completion of installation and startup of the equipment, which began November 1, 2018. Lease expenditures during the fiscal year ended

Montgomery County Municipal Utility District No. 88
Notes to Financial Statements
August 31, 2020

August 31, 2020, were \$268,800 (including a credit received for prior overpayments), which is included in purchased services on the statement of activities. In connection with this lease, at August 31, 2020, the District has prepaid \$52,800 for future rent. Future minimum lease payments are: 2021 - \$316,800, 2022 - \$316,800, 2023 - \$316,800 and 2024 - \$52,800.

Note 8: Contracts With Other Districts

Storm Water Facilities Agreement

On April 15, 2003, the District, Montgomery County Municipal Utility District No. 89 (District No. 89) and Spring Creek Utility District (Spring Creek) entered into a cost-sharing agreement for the construction and financing of drainage and detention facilities. District No. 89 was responsible for the design and construction of the facilities. Pump station facilities will be allocated based on each district's pro rata share of the ultimate acreage to be served by the facilities. Pro rata shares are as follows:

The District	30.7 %
District No. 89	40.8
Spring Creek	28.5
Totals	100.0 %

The pro rata share of the drainage and detention will be owned 100 percent by Spring Creek. The District incurred costs of \$86,963 during the current year. The District has contributed \$9,780 as its share of an operating reserve.

Water Supply Agreement

On October 7, 2004, the District and District No. 89 entered into a water facilities contract for the financing and construction of a second water plant and water well. Construction of the second water plant was completed during a prior year. The District's ownership interest in the capacity of the plant is 44.9 percent and District No. 89's is 55.1 percent. On August 15, 2008, the District, District No. 89 and Spring Creek (collectively, "the Districts") entered into a First Amendment to Water Facilities Contract for expansion of District No. 89's Water Plant No. 2. On September 19, 2011, the Districts entered into a Second Amendment to Water Facilities Contract to allow construction to begin and to provide for the District to reimburse Spring Creek for its share of construction costs. On December 6, 2012, the Districts entered into a Third Amendment to Water Facilities Contract, to reduce Spring Creek's ultimate capacity in the facilities. On June 14, 2018, the Districts entered into a Fourth Amendment to the Water Facilities Contract, to allocate a portion of capacity from Spring Creek and District No. 89 to the District.

Montgomery County Municipal Utility District No. 88

Notes to Financial Statements

August 31, 2020

District No. 89 is responsible for the operation and maintenance of the plant for the benefit of the participants. The participants share fixed operating costs, based on allocated capacity and variable costs based on each district's pro rata share of metered monthly usage. For the year ended August 31, 2020, the District's share of operating costs was \$88,739. The District has contributed \$24,550 as its share of an operating reserve.

Groundwater Reduction Agreement

District No. 89 has entered into a Contract for Groundwater Reduction Planning, Alternative Water Supply and Related Goods and Services (GRP Contract) with the San Jacinto River Authority (the Authority) in order to meet the Lone Star Groundwater Conservation District (the Conservation District) requirements. As a participant in the Authority's Groundwater Reduction Plan, District No. 89 has complied with all current Conservation District requirements for surface water conversion and is obligated to pay to the Authority a groundwater withdrawal fee for all groundwater produced and used by District No. 89, and will be required to pay a water purchase fee for any water actually purchased from the Authority in the future. As of August 31, 2020, the Authority was billing District No. 89 \$2.73 per 1,000 gallons of water pumped. This rate is subject to future increases. The District pays its Authority fees indirectly through its Water Facilities Contract with District No. 89. District No. 89 began billing the participants in July 2010. During the year ended August 31, 2020, the District incurred \$282,949 for groundwater withdrawal fees.

Regional Water Authority

The District is within the boundaries of the Conservation District, which was created by the Texas Legislature. The Conservation District was created to provide a regional entity to acquire surface water and build the necessary facilities to convert from groundwater to surface water in order to meet conversion requirements mandated by the Harris-Galveston Subsidence District, which regulates groundwater withdrawal. As of August 31, 2020, the Conservation District was billing District No. 89 \$0.085 per 1,000 gallons of water pumped from its wells. The District pays its Conservation District fees indirectly through its Water Facilities Contract with District No. 89. The Conservation District fee is subject to future increases.

Road Utilities Agreement

On August 4, 2005, the District entered into an agreement with District No. 89 for the purpose of sharing the cost of constructing and maintaining utilities located in roadways located in or adjacent to the District. The contract is for a period of 40 years.

District No. 89 holds title for the benefit of the participants. The District's share of construction costs of the road utilities were funded by contribution of funds from developers within the District. At August 31, 2020, the District's 50 percent ownership of the road utilities is recorded as a capital asset of the District.

Montgomery County Municipal Utility District No. 88
Notes to Financial Statements
August 31, 2020

Operating costs are to be shared based on ownership. During the fiscal year ended August 31, 2020, the District was not billed for operating expenditures under the terms of the agreement.

Note 9: 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 in the past three fiscal years.

Note 10: Refunding Bonds

During the fiscal year ended August 31, 2020, the District issued \$1,965,000 in unlimited tax refunding bonds to refund \$1,845,000 of outstanding Series 2012 bonds. The District refunded the bonds to reduce total debt service payments over future years by \$127,759 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$99,540.

Note 11: Uncertainties

As a result of the spread of the SARS-CoV-2 virus and the incidence of COVID-19, economic uncertainties have arisen which may negatively affect the financial position and results of operations of the District. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

Required Supplementary Information

Montgomery County Municipal Utility District No. 88
Budgetary Comparison Schedule – General Fund
Year Ended August 31, 2020

	Original Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property taxes	\$ 1,210,466	\$ 1,349,693	\$ 139,227
Water service	210,000	228,835	18,835
Sewer service	325,000	374,811	49,811
Regional water fee	240,000	351,419	111,419
Penalty and interest	8,500	5,702	(2,798)
Tap connection and inspection fees	130,000	118,160	(11,840)
Investment income	9,500	24,203	14,703
Other income	-	26,490	26,490
	<u>2,133,466</u>	<u>2,479,313</u>	<u>345,847</u>
Expenditures			
Service operations:			
Purchased services	836,269	727,451	108,818
Professional fees	175,400	172,360	3,040
Contracted services	256,900	286,083	(29,183)
Utilities	40,000	42,381	(2,381)
Repairs and maintenance	233,525	707,999	(474,474)
Other expenditures	75,545	77,431	(1,886)
Tap connections	55,000	59,830	(4,830)
Capital outlay	-	60,653	(60,653)
Debt issuance costs	-	45,030	(45,030)
	<u>1,672,639</u>	<u>2,179,218</u>	<u>(506,579)</u>
Excess of Revenues Over Expenditures	460,827	300,095	(160,732)
Fund Balance, Beginning of Year	<u>2,412,151</u>	<u>2,412,151</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 2,872,978</u></u>	<u><u>\$ 2,712,246</u></u>	<u><u>\$ (160,732)</u></u>

Montgomery County Municipal Utility District No. 88
Notes to Required Supplementary Information
August 31, 2020

Budgets and Budgetary Accounting

An annual operating budget is prepared for the general fund by the District's consultants. The budget reflects resources expected to be received during the year and expenditures expected to be incurred. The Board of Directors is required to adopt the budget prior to the start of its fiscal year. The budget is not a spending limitation (a legally restricted appropriation). The original budget of the general fund was not amended during fiscal 2020.

The District prepares its annual operating budget on a basis consistent with accounting principles generally accepted in the United States of America. The Budgetary Comparison Schedule - General Fund presents the original and revised budget amounts, if revised, compared to the actual amounts of revenues and expenditures for the current year.

Other Information

Montgomery County Municipal Utility District No. 88
Other Schedules Included Within This Report
August 31, 2020

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

- [X] Notes Required by the Water District Accounting Manual
See "Notes to Financial Statements," Pages 13-26
- [X] Schedule of Services and Rates
- [X] Schedule of General Fund Expenditures
- [X] Schedule of Temporary Investments
- [X] Analysis of Taxes Levied and Receivable
- [X] Schedule of Long-term Debt Service Requirements by Years
- [X] Changes in Long-term Bonded Debt
- [X] Comparative Schedule of Revenues and Expenditures – General Fund and Debt Service Fund –
Five Years
- [X] Board Members, Key Personnel and Consultants

Montgomery County Municipal Utility District No. 88

Schedule of Services and Rates

Year Ended August 31, 2020

1. Services provided by the District:

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

2. Retail service providers

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

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate Per 1,000 Gallons Over Minimum</u>	<u>Usage Levels</u>
Water:	\$ 12.00	6,999	N	\$ 1.50	7,000 to 12,999
				\$ 1.75	13,000 to 20,000
				\$ 5.00	20,001 to No Limit
Wastewater:	\$ 30.65	0	Y		
Regional water fee:	\$ 0.085	1	N	\$ 0.085	1 to No Limit
SJRA fee	\$ 3.00	1	N	\$ 3.00	1 to No Limit
Does the District employ winter averaging for wastewater usage?				Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
Total charges per 10,000 gallons usage (including fees):				Water \$ 47.35	Wastewater \$ 30.65

b. Water and wastewater retail connections:

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFC*</u>
Unmetered	-	-	x1.0	-
≤ 3/4"	1,053	1,044	x1.0	1,044
1"	6	6	x2.5	15
1 1/2"	-	-	x5.0	-
2"	9	9	x8.0	72
3"	-	-	x15.0	-
4"	-	-	x25.0	-
6"	-	-	x50.0	-
8"	-	-	x80.0	-
10"	-	-	x115.0	-
Total water	1,068	1,059		1,131
Total wastewater	1,052	1,043	x1.0	1,043

3. Total water consumption (in thousands) during the fiscal year:

Gallons pumped into the system:	145,748
Gallons billed to customers:	147,386
Water accountability ratio (gallons billed/gallons pumped):	101.12%

*"ESFC" means equivalent single-family connections

Montgomery County Municipal Utility District No. 88
Schedule of General Fund Expenditures
Year Ended August 31, 2020

Personnel (including benefits)		\$	-
Professional Fees			
Auditing	\$	15,600	
Legal		70,997	
Engineering		85,763	
Financial advisor		-	172,360
		<hr/>	
Purchased Services for Resale			
Bulk water and wastewater service purchases			727,451
Regional Water Fee			-
Contracted Services			
Bookkeeping		11,625	
General manager		-	
Appraisal district		-	
Tax collector		-	
Security		47,629	
Other contracted services		47,333	106,587
		<hr/>	
Utilities			42,381
Repairs and Maintenance			707,999
Administrative Expenditures			
Directors' fees		10,650	
Office supplies		40,956	
Insurance		9,604	
Other administrative expenditures		16,221	77,431
		<hr/>	
Capital Outlay			
Capitalized assets		53,855	
Expenditures not capitalized		6,798	60,653
		<hr/>	
Tap Connection Expenditures			59,830
Solid Waste Disposal			179,496
Fire Fighting			-
Parks and Recreation			-
Other Expenditures			45,030
			<hr/>
Total expenditures			<u>\$ 2,179,218</u>

Montgomery County Municipal Utility District No. 88
Schedule of Temporary Investments
August 31, 2020

	Interest Rate	Maturity Date	Face Amount	Accrued Interest Receivable
General Fund				
Certificates of Deposit				
No. 1852002715	2.20%	10/08/20	\$ 105,336	\$ 2,082
No. 95900011904	2.75%	11/12/20	<u>240,000</u>	<u>5,299</u>
			<u>345,336</u>	<u>7,381</u>
Debt Service Fund				
Certificate of Deposit				
No. 13412	0.95%	10/01/20	<u>211,605</u>	<u>837</u>
Totals			<u><u>\$ 556,941</u></u>	<u><u>\$ 8,218</u></u>

Montgomery County Municipal Utility District No. 88
Analysis of Taxes Levied and Receivable
Year Ended August 31, 2020

	Maintenance Taxes	Debt Service Taxes
Receivable, Beginning of Year	\$ 18,934	\$ 23,580
Additions and corrections to prior years' taxes	(1,120)	(1,455)
Adjusted receivable, beginning of year	17,814	22,125
 2019 Original Tax Levy	 1,273,836	 1,472,872
Additions and corrections	64,265	74,306
Adjusted tax levy	1,338,101	1,547,178
Total to be accounted for	1,355,915	1,569,303
Tax collections: Current year	(1,335,597)	(1,544,284)
Prior years	(14,096)	(17,291)
Receivable, end of year	\$ 6,222	\$ 7,728
 Receivable, by Years		
2019	\$ 2,504	\$ 2,894
2018	1,819	2,365
2017	1,899	2,469
Receivable, end of year	\$ 6,222	\$ 7,728

Montgomery County Municipal Utility District No. 88
Analysis of Taxes Levied and Receivable (Continued)
Year Ended August 31, 2020

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Property Valuations				
Land	\$ 35,108,650	\$ 34,967,050	\$ 28,609,740	\$ 23,388,630
Improvements	176,816,000	137,821,690	118,930,330	114,326,810
Personal property	2,532,321	2,113,608	1,894,350	1,572,064
Exemptions	<u>(5,378,750)</u>	<u>(3,433,473)</u>	<u>(2,944,009)</u>	<u>(2,862,453)</u>
Total property valuations	<u>\$ 209,078,221</u>	<u>\$ 171,468,875</u>	<u>\$ 146,490,411</u>	<u>\$ 136,425,051</u>
Tax Rates per \$100 Valuation				
Debt service tax rates	\$ 0.7400	\$ 0.7800	\$ 0.7800	\$ 0.7800
Maintenance tax rates*	<u>0.6400</u>	<u>0.6000</u>	<u>0.6000</u>	<u>0.6100</u>
Total tax rates per \$100 valuation	<u>\$ 1.3800</u>	<u>\$ 1.3800</u>	<u>\$ 1.3800</u>	<u>\$ 1.3900</u>
Tax Levy	<u>\$ 2,885,279</u>	<u>\$ 2,366,270</u>	<u>\$ 2,021,569</u>	<u>\$ 1,896,308</u>
Percent of Taxes Collected to Taxes Levied**				
	<u>99%</u>	<u>99%</u>	<u>99%</u>	<u>100%</u>

*Maximum tax rate approved by voters: \$1.50 on May 3, 2003

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

Montgomery County Municipal Utility District No. 88
Schedule of Long-term Debt Service Requirements by Years
August 31, 2020

Due During Fiscal Years Ending August 31	Series 2012		
	Principal Due September 1	Interest Due September 1, March 1	Total
2021	\$ 95,000	\$ 5,565	\$ 100,565
2022	100,000	3,000	103,000
Totals	\$ 195,000	\$ 8,565	\$ 203,565

The District pays the amount due September 1 prior to that date. This schedule has been prepared assuming this practice will continue in the future.

Montgomery County Municipal Utility District No. 88
Schedule of Long-term Debt Service Requirements by Years (Continued)
August 31, 2020

Due During Fiscal Years Ending August 31	Series 2014		
	Principal Due September 1	Interest Due September 1, March 1	Total
2021	\$ 125,000	\$ 80,906	\$ 205,906
2022	125,000	77,156	202,156
2023	125,000	73,406	198,406
2024	125,000	69,656	194,656
2025	125,000	65,906	190,906
2026	130,000	62,156	192,156
2027	130,000	57,931	187,931
2028	130,000	53,381	183,381
2029	130,000	48,831	178,831
2030	130,000	44,120	174,120
2031	130,000	39,244	169,244
2032	130,000	34,370	164,370
2033	130,000	29,494	159,494
2034	130,000	24,131	154,131
2035	130,000	18,770	148,770
2036	325,000	13,406	338,406
Totals	\$ 2,250,000	\$ 792,864	\$ 3,042,864

The District pays the amount due September 1 prior to that date. This schedule has been prepared assuming this practice will continue in the future.

Montgomery County Municipal Utility District No. 88
Schedule of Long-term Debt Service Requirements by Years (Continued)
August 31, 2020

Due During Fiscal Years Ending August 31	Series 2016		
	Principal Due September 1	Interest Due September 1, March 1	Total
2021	\$ 160,000	\$ 139,031	\$ 299,031
2022	165,000	132,631	297,631
2023	175,000	129,331	304,331
2024	180,000	125,613	305,613
2025	190,000	121,563	311,563
2026	195,000	116,813	311,813
2027	205,000	111,938	316,938
2028	210,000	105,787	315,787
2029	220,000	99,488	319,488
2030	230,000	92,887	322,887
2031	240,000	85,988	325,988
2032	250,000	78,487	328,487
2033	255,000	70,363	325,363
2034	270,000	62,075	332,075
2035	280,000	53,300	333,300
2036	290,000	43,850	333,850
2037	300,000	33,700	333,700
2038	315,000	23,200	338,200
2039	325,000	11,781	336,781
	\$ 4,455,000	\$ 1,637,826	\$ 6,092,826
Totals	\$ 4,455,000	\$ 1,637,826	\$ 6,092,826

The District pays the amount due September 1 prior to that date. This schedule has been prepared assuming this practice will continue in the future.

Montgomery County Municipal Utility District No. 88
Schedule of Long-term Debt Service Requirements by Years (Continued)
August 31, 2020

Due During Fiscal Years Ending August 31	Series 2017		
	Principal Due September 1	Interest Due September 1, March 1	Total
2021	\$ 300,000	\$ 133,875	\$ 433,875
2022	300,000	124,875	424,875
2023	300,000	115,875	415,875
2024	300,000	109,875	409,875
2025	300,000	103,875	403,875
2026	300,000	97,125	397,125
2027	200,000	90,000	290,000
2028	200,000	84,750	284,750
2029	200,000	78,750	278,750
2030	200,000	72,750	272,750
2031	200,000	66,500	266,500
2032	200,000	60,250	260,250
2033	200,000	54,000	254,000
2034	200,000	47,500	247,500
2035	200,000	41,000	241,000
2036	200,000	34,500	234,500
2037	200,000	28,000	228,000
2038	200,000	21,000	221,000
2039	200,000	14,000	214,000
2040	200,000	7,000	207,000
Totals	\$ 4,600,000	\$ 1,385,500	\$ 5,985,500

The District pays the amount due September 1 prior to that date. This schedule has been prepared assuming this practice will continue in the future.

Montgomery County Municipal Utility District No. 88
Schedule of Long-term Debt Service Requirements by Years (Continued)
August 31, 2020

Due During Fiscal Years Ending August 31	Series 2018		
	Principal Due September 1	Interest Due September 1, March 1	Total
2021	\$ 100,000	\$ 222,562	\$ 322,562
2022	100,000	216,563	316,563
2023	100,000	210,563	310,563
2024	100,000	204,562	304,562
2025	100,000	198,563	298,563
2026	100,000	194,562	294,562
2027	100,000	190,562	290,562
2028	100,000	186,563	286,563
2029	100,000	182,562	282,562
2030	100,000	178,563	278,563
2031	100,000	174,563	274,563
2032	100,000	170,563	270,563
2033	100,000	166,562	266,562
2034	100,000	162,562	262,562
2035	100,000	158,563	258,563
2036	100,000	154,562	254,562
2037	450,000	150,562	600,562
2038	450,000	132,000	582,000
2039	450,000	113,438	563,438
2040	750,000	94,875	844,875
2041	775,000	63,937	838,937
2042	775,000	31,969	806,969
Totals	\$ 5,250,000	\$ 3,559,781	\$ 8,809,781

The District pays the amount due September 1 prior to that date. This schedule has been prepared assuming this practice will continue in the future.

Montgomery County Municipal Utility District No. 88
Schedule of Long-term Debt Service Requirements by Years (Continued)
August 31, 2020

Due During Fiscal Years Ending August 31	Refunding Series 2020		
	Principal Due September 1	Interest Due September 1, March 1	Total
2021	\$ 10,000	\$ 47,250	\$ 57,250
2022	15,000	46,950	61,950
2023	120,000	46,500	166,500
2024	125,000	42,900	167,900
2025	130,000	39,150	169,150
2026	135,000	35,250	170,250
2027	140,000	31,200	171,200
2028	145,000	28,400	173,400
2029	150,000	25,500	175,500
2030	150,000	22,500	172,500
2031	160,000	19,500	179,500
2032	160,000	16,300	176,300
2033	170,000	12,700	182,700
2034	175,000	8,875	183,875
2035	<u>180,000</u>	<u>4,500</u>	<u>184,500</u>
Totals	<u>\$ 1,965,000</u>	<u>\$ 427,475</u>	<u>\$ 2,392,475</u>

The District pays the amount due September 1 prior to that date. This schedule has been prepared assuming this practice will continue in the future.

Montgomery County Municipal Utility District No. 88
Schedule of Long-term Debt Service Requirements by Years (Continued)
August 31, 2020

Due During Fiscal Years Ending August 31	Annual Requirements For All Series		
	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2021	\$ 790,000	\$ 629,189	\$ 1,419,189
2022	805,000	601,175	1,406,175
2023	820,000	575,675	1,395,675
2024	830,000	552,606	1,382,606
2025	845,000	529,057	1,374,057
2026	860,000	505,906	1,365,906
2027	775,000	481,631	1,256,631
2028	785,000	458,881	1,243,881
2029	800,000	435,131	1,235,131
2030	810,000	410,820	1,220,820
2031	830,000	385,795	1,215,795
2032	840,000	359,970	1,199,970
2033	855,000	333,119	1,188,119
2034	875,000	305,143	1,180,143
2035	890,000	276,133	1,166,133
2036	915,000	246,318	1,161,318
2037	950,000	212,262	1,162,262
2038	965,000	176,200	1,141,200
2039	975,000	139,219	1,114,219
2040	950,000	101,875	1,051,875
2041	775,000	63,937	838,937
2042	775,000	31,969	806,969
Totals	\$ 18,715,000	\$ 7,812,011	\$ 26,527,011

Montgomery County Municipal Utility District No. 88
Changes in Long-term Bonded Debt
Year Ended August 31, 2020

Bond

	Series 2012	Series 2014	Series 2016
Interest rates	2.70% to 3.00%	2.000% to 4.125%	2.00% to 4.00%
Dates interest payable	September 1/ March 1	September 1/ March 1	September 1/ March 1
Maturity dates	September 1, 2021/2022	September 1, 2021/2036	September 1, 2021/2039
Bonds outstanding, beginning of current year	\$ 2,130,000	\$ 2,375,000	\$ 4,610,000
Bonds sold during current year	-	-	-
Principal refunded	1,845,000	-	-
Retirements, principal	90,000	125,000	155,000
Bonds outstanding, end of current year	<u>\$ 195,000</u>	<u>\$ 2,250,000</u>	<u>\$ 4,455,000</u>
Interest paid during current year	<u>\$ 41,533</u>	<u>\$ 84,656</u>	<u>\$ 145,231</u>

Paying agent's name and address:

Series 2012 - The Bank of New York Mellon Trust Company, N.A., Dallas, Texas
Series 2014 - The Bank of New York Mellon Trust Company, N.A., Dallas, Texas
Series 2016 - The Bank of New York Mellon Trust Company, N.A., Dallas, Texas
Series 2017 - The Bank of New York Mellon Trust Company, N.A., Dallas, Texas
Series 2018 - The Bank of New York Mellon Trust Company, N.A., Dallas, Texas
Series 2020 - The Bank of New York Mellon Trust Company, N.A., Dallas, Texas

Bond authority:

	Tax Bonds	Other Bonds	Refunding Bonds
Amount authorized by voters	\$ 63,090,000	0	\$ 41,000,000
Amount issued	\$ 21,770,000	0	\$ 120,000
Remaining to be issued	<u>\$ 41,320,000</u>	<u>0</u>	<u>\$ 40,880,000</u>
Debt service fund cash and temporary investment balances as of August 31, 2020:			<u>\$ 1,305,887</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:			<u>\$ 1,205,773</u>

Issues

Series 2017	Series 2018	Refunding Series 2020	Totals
2.00% to 3.50%	4.00% to 6.00%	2.00% to 3.00%	
September 1/ March 1	September 1/ March 1	September 1/ March 1	
September 1, 2021/2040	September 1, 2021/2042	September 1, 2021/2035	
\$ 4,900,000	\$ 5,350,000	\$ -	\$ 19,365,000
-	-	1,965,000	1,965,000
-	-	-	1,845,000
<u>300,000</u>	<u>100,000</u>	<u>-</u>	<u>770,000</u>
<u>\$ 4,600,000</u>	<u>\$ 5,250,000</u>	<u>\$ 1,965,000</u>	<u>\$ 18,715,000</u>
<u>\$ 142,875</u>	<u>\$ 228,563</u>	<u>\$ 15,750</u>	<u>\$ 658,608</u>

Montgomery County Municipal Utility District No. 88
Comparative Schedule of Revenues and Expenditures – General Fund
Five Years Ended August 31,

	Amounts				
	2020	2019	2018	2017	2016
General Fund					
Revenues					
Property taxes	\$ 1,349,693	\$ 1,020,388	\$ 873,994	\$ 831,687	\$ 813,714
Water service	228,835	185,201	182,952	138,579	117,884
Sewer service	374,811	335,031	283,903	225,471	196,006
Bulk water sales	-	-	-	17,730	-
Regional water fees	351,419	259,945	280,289	207,039	158,192
Penalty and interest	5,702	9,063	6,653	8,080	8,131
Tap connection and inspection fees	118,160	124,223	263,745	114,600	40,375
Investment income	24,203	19,874	8,086	4,403	2,736
Other income	26,490	20,531	17,897	30,007	15,921
Total revenues	<u>2,479,313</u>	<u>1,974,256</u>	<u>1,917,519</u>	<u>1,577,596</u>	<u>1,352,959</u>
Expenditures					
Service operations:					
Purchased services	727,451	684,818	583,973	440,595	382,994
Professional fees	172,360	193,004	155,186	176,241	161,248
Contracted services	286,083	260,307	215,652	150,428	131,332
Utilities	42,381	38,290	31,415	26,473	26,853
Repairs and maintenance	707,999	255,754	208,868	159,864	123,118
Other expenditures	77,431	60,061	70,865	59,340	52,972
Tap connections	59,830	77,140	134,729	53,140	19,640
Capital outlay	60,653	61,090	93,067	143,499	-
Debt service, debt issuance costs	45,030	-	38,750	33,229	-
Total expenditures	<u>2,179,218</u>	<u>1,630,464</u>	<u>1,532,505</u>	<u>1,242,809</u>	<u>898,157</u>
Excess of Revenues Over Expenditures	300,095	343,792	385,014	334,787	454,802
Other Financing Sources					
Interfund transfers in	-	38,750	38,210	-	-
Excess of Revenues and Transfers In Over Expenditures and Transfers Out	300,095	382,542	423,224	334,787	454,802
Fund Balance, Beginning of Year	<u>2,412,151</u>	<u>2,029,609</u>	<u>1,606,385</u>	<u>1,271,598</u>	<u>816,796</u>
Fund Balance, End of Year	<u>\$ 2,712,246</u>	<u>\$ 2,412,151</u>	<u>\$ 2,029,609</u>	<u>\$ 1,606,385</u>	<u>\$ 1,271,598</u>
Total Active Retail Water Connections	<u>1,059</u>	<u>962</u>	<u>861</u>	<u>675</u>	<u>561</u>
Total Active Retail Wastewater Connections	<u>1,043</u>	<u>957</u>	<u>846</u>	<u>664</u>	<u>553</u>

Percent of Fund Total Revenues

2020	2019	2018	2017	2016
54.4 %	51.7 %	45.6 %	52.7 %	60.1 %
9.2	9.4	9.5	8.8	8.7
15.1	16.9	14.8	14.3	14.5
-	-	-	1.1	-
14.2	13.2	14.6	13.1	11.7
0.2	0.5	0.4	0.5	0.6
4.8	6.3	13.8	7.3	3.0
1.0	1.0	0.4	0.3	0.2
1.1	1.0	0.9	1.9	1.2
<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
29.3	34.7	30.4	27.9	28.3
7.0	9.8	8.1	11.2	11.9
11.5	13.2	11.3	9.5	9.7
1.7	1.9	1.6	1.7	2.0
28.6	13.0	10.9	14.0	9.1
3.1	3.0	3.7	3.8	3.9
2.4	3.9	7.0	3.4	1.5
2.5	3.1	4.9	5.3	-
1.8	-	2.0	2.0	-
<u>87.9</u>	<u>82.6</u>	<u>79.9</u>	<u>78.8</u>	<u>66.4</u>
<u>12.1 %</u>	<u>17.4 %</u>	<u>20.1 %</u>	<u>21.2 %</u>	<u>33.6 %</u>

Montgomery County Municipal Utility District No. 88
Comparative Schedule of Revenues and Expenditures – Debt Service Fund
Five Years Ended August 31,

	Amounts				
	2020	2019	2018	2017	2016
Debt Service Fund					
Revenues					
Property taxes	\$ 1,561,575	\$ 1,326,504	\$ 1,135,715	\$ 1,062,416	\$ 802,231
Penalty and interest	23,490	9,297	5,401	8,480	7,149
Investment income	9,416	18,156	10,661	5,066	3,761
Total revenues	<u>1,594,481</u>	<u>1,353,957</u>	<u>1,151,777</u>	<u>1,075,962</u>	<u>813,141</u>
Expenditures					
Current:					
Professional fees	4,320	1,067	2,355	3,194	1,400
Contracted services	36,590	47,508	16,518	26,767	20,417
Other expenditures	4,440	2,794	2,138	2,850	1,500
Debt service:					
Principal retirement	770,000	760,000	650,000	340,000	330,000
Interest and fees	661,641	637,566	451,985	337,270	285,808
Debt issuance costs	115,173	-	-	-	-
Debt defeasance	20,000	-	-	-	-
Total expenditures	<u>1,612,164</u>	<u>1,448,935</u>	<u>1,122,996</u>	<u>710,081</u>	<u>639,125</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(17,683)</u>	<u>(94,978)</u>	<u>28,781</u>	<u>365,881</u>	<u>174,016</u>
Other Financing Sources (Uses)					
General obligation bonds issued	1,965,000	-	-	-	-
Discount on debt issued	(4,378)	-	-	-	-
Deposit with escrow agent	(1,839,986)	-	-	-	-
Total other financing sources	<u>120,636</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>102,953</u>	<u>(94,978)</u>	<u>28,781</u>	<u>365,881</u>	<u>174,016</u>
Fund Balance, Beginning of Year	<u>1,176,434</u>	<u>1,271,412</u>	<u>1,242,631</u>	<u>876,750</u>	<u>702,734</u>
Fund Balance, End of Year	<u>\$ 1,279,387</u>	<u>\$ 1,176,434</u>	<u>\$ 1,271,412</u>	<u>\$ 1,242,631</u>	<u>\$ 876,750</u>

Percent of Fund Total Revenues

2020	2019	2018	2017	2016
97.9 %	98.0 %	98.6 %	98.7 %	98.6 %
1.5	0.7	0.5	0.8	0.9
0.6	1.3	0.9	0.5	0.5
<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
0.3	0.1	0.2	0.3	0.2
2.3	3.5	1.4	2.5	2.5
0.3	0.2	0.2	0.3	0.2
48.3	56.1	56.4	31.6	40.6
41.5	47.1	39.3	31.3	35.1
7.2	-	-	-	-
1.2	-	-	-	-
<u>101.1</u>	<u>107.0</u>	<u>97.5</u>	<u>66.0</u>	<u>78.6</u>
<u>(1.1) %</u>	<u>(7.0) %</u>	<u>2.5 %</u>	<u>34.0 %</u>	<u>21.4 %</u>

Montgomery County Municipal Utility District No. 88
Board Members, Key Personnel and Consultants
Year Ended August 31, 2020

Complete District mailing address:	Montgomery County Municipal Utility District No. 88 c/o Roach & Mitchell, PLLC 2800 Post Oak Boulevard, Suite 4100 Houston, Texas 77056
District business telephone number:	832.390.2268
Submission date of the most recent District Registration Form (TWC Sections 36.054 and 49.054):	October 16, 2018
Limit on fees of office that a director may receive during a fiscal year:	\$ 7,200

Board Members	Term of Office Elected & Expires	Fees*	Expense Reimbursements	Title at Year-end
Jennifer Donato	Elected 05/18- 05/22	\$ 1,500	\$ 0	President
Ryan Temple	Elected 05/20- 05/24	2,400	0	Vice President
Ryan Tsamouris	Appointed 10/18- 05/22	2,250	0	Secretary
Jeremy Davis	Elected 05/20- 05/24	2,100	0	Assistant Secretary
Jacqueline Voss	Appointed 08/19- 05/22	2,400	0	Director

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

Montgomery County Municipal Utility District No. 88
Board Members, Key Personnel and Consultants (Continued)
Year Ended August 31, 2020

Consultants	Date Hired	Fees and Expense Reimbursements	Title
BKD, LLP	07/07/11	\$ 17,600	Auditor
Bob Leared Interests	11/01/01	19,039	Tax Assessor/ Collector
Jones & Carter, Inc.	07/05/12	175,908	Engineer
Masterson Advisors LLC	05/10/18	28,618	Financial Advisor
Mitchell & Zientek, LLP	08/13/20	6,437	Attorney
Montgomery Central Appraisal District	Legislative Action	21,991	Appraiser
Municipal Operations & Consulting, Inc.	06/04/15	300,988	Operator
Myrtle Cruz, Inc.	11/01/01	16,161	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	03/01/07	4,320	Delinquent Tax Attorney
Roach & Mitchell, PLLC	10/08/15	104,995	Former Attorney
Investment Officer			
Mary Jarmon	11/01/01	N/A	Bookkeeper

APPENDIX B

Specimen Municipal Bond Insurance Policy



MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

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

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

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

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

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc.
1633 Broadway, New York, N.Y. 10019
(212) 974-0100