

OFFICIAL STATEMENT DATED MARCH 10, 2021

IN THE OPINION OF BOND COUNSEL, THE BONDS ARE VALID OBLIGATIONS OF MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 98. IN THE OPINION OF SPECIAL TAX COUNSEL, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR PURPOSES OF FEDERAL INCOME TAXATION UNDER STATUTES, REGULATIONS, PUBLISHED RULINGS AND COURT DECISIONS EXISTING ON THE DATE OF SUCH OPINION. SEE "LEGAL MATTERS" AND "TAX MATTERS" HEREIN FOR A DISCUSSION OF THE OPINIONS OF BOND COUNSEL AND SPECIAL TAX COUNSEL, RESPECTIVELY.

THE BONDS HAVE BEEN DESIGNATED "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS. SEE "TAX MATTERS—Qualified Tax Exempt Obligations."

NEW ISSUE-Book-Entry Only

Insured Rating (AGM): S&P "AA" (stable outlook)
 Moody's "A2" (stable outlook)
 Underlying Rating: Moody's "Baa1"
 See "MUNICIPAL BOND RATING" and
 "MUNICIPAL BOND INSURANCE" herein.

\$1,140,000

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 98
(A political subdivision of the State of Texas located within Montgomery County)
UNLIMITED TAX REFUNDING BONDS
SERIES 2021

The bonds described above (the "Bonds") are obligations solely of Montgomery County Municipal Utility District No. 98 (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 ARE SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS DESCRIBED HEREIN. See "INVESTMENT CONSIDERATIONS" herein.

Interest accrues from April 1, 2021

Due: April 1, as shown below

Principal of the Bonds will be payable at maturity or earlier redemption at the principal payment office of the Paying Agent/Registrar, initially, Regions Bank, Houston, Texas (the "Paying Agent/Registrar"). Interest on the Bonds will accrue from April 1, 2021, and will be payable on October 1 and April 1 of each year commencing October 1, 2021, until maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Bonds will be issued in fully registered form only in denominations of \$5,000 each or integral multiples thereof. The Bonds mature and are subject to redemption prior to their maturity as shown below.

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



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.

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS

Principal Amount	Maturity (April 1)	CUSIP Number(b)	Interest Rate	Initial Reoffering Yield(c)	Principal Amount	Maturity (April 1)	CUSIP Number(b)	Interest Rate	Initial Reoffering Yield(c)
\$ 60,000	2022	61370R HS6	3.00 %	0.38 %	\$ 75,000	2027 (a)	61370R HX5	2.00 %	1.13 %
65,000	2023	61370R HT4	3.00	0.46	75,000	2028 (a)	61370R HY3	2.00	1.27
65,000	2024	61370R HU1	3.00	0.63	55,000	2029 (a)	61370R HZ0	2.00	1.41
70,000	2025	61370R HV9	3.00	0.84	***	***	***	***	***
70,000	2026	61370R HW7	3.00	1.00	295,000	2034 (a)	61370R JE5	2.00	2.07

\$310,000 Term Bonds due April 1, 2033 (a), 61370R JD7 (b), 2.00% Interest Rate, 2.02% Yield (c)

- (a) Bonds maturing on or after April 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 April 1, 2026, or on any date thereafter at a price of par value plus unpaid accrued interest from the most recent Interest Payment Date (as herein defined) 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 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. Accrued interest is to be added to the price.

The Bonds, when issued, will constitute valid and legally binding obligations of the District and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District, as further described herein. The Bonds are obligations solely of the District and are not obligations of the City of Houston, Montgomery County, the State of Texas, or any political subdivision or entity other than the District. Investment in the Bonds is subject to special investment considerations described herein. See "INVESTMENT CONSIDERATIONS."

The Bonds are offered when, as and if issued by the District, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Schwartz, Page & Harding, L.L.P., Bond Counsel, Houston, Texas, and McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Special Tax Counsel. Certain legal matters will be passed on for the Underwriter by McCall, Parkhurst & Horton L.L.P., Houston, Texas, Underwriter's Counsel. Delivery of the Bonds in book-entry form through DTC is expected on or about April 13, 2021.

SAMCO CAPITAL

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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 representation 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, 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 Schwartz, Page & Harding, L.L.P., 1300 Post Oak Blvd., Suite 1400, Houston, Texas 77056 upon payment of the costs of duplication therefor.

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 THE 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 “Bond Insurance” and “APPENDIX B—Specimen Municipal Bond Insurance Policy.”

SALE AND DISTRIBUTION OF THE BONDS

The Underwriter

The Bonds are being purchased by SAMCO Capital Markets, Inc. (the “Underwriter”) pursuant to a bond purchase agreement with the District (the “Bond Purchase Agreement”) at a price of \$1,147,624.99 (representing the par amount of the Bonds of \$1,140,000.00, plus a net premium on the Bonds of \$26,239.60, less an Underwriter’s discount of \$18,614.61) plus accrued interest. The Underwriter’s obligation is to purchase all of the Bonds, if any are purchased. See “PLAN OF FINANCING—Sources and Uses of Funds.”

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

Prices 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 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 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 and homebuilding activity 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, including the District, is subject to occasional severe weather events, including tropical storms and hurricanes. If the District were to sustain damage to its facilities requiring substantial repair or replacement, or if substantial damage were to occur to taxable property within the District as a result of such a weather event, the investment security of the Bonds could be adversely affected. The greater Houston area 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 the District’s Engineer, the District’s water, sewer and drainage system did not sustain any material damage and there was no interruption of water and sewer service as a result of Hurricane Harvey. Further, the District did not receive reports of any homes within the District that experienced structural 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. See “INVESTMENT CONSIDERATIONS—Extreme Weather Events; Hurricane Harvey.”

THE FINANCING

<i>The Issuer...</i>	Montgomery County Municipal Utility District No. 98 (the “District”), a political subdivision of the State of Texas, is located in Montgomery County, Texas. See “THE DISTRICT.”
<i>The Issue...</i>	\$1,140,000 Montgomery County Municipal Utility District No. 98 Unlimited Tax Refunding Bonds, Series 2021, dated April 1, 2021 (the “Bonds”). Interest on the Bonds will accrue from April 1, 2021, and will be payable on April 1 and October 1 of each year commencing October 1, 2021 until maturity or prior redemption. The Bonds mature serially on April 1 in each year from 2022 through 2029, both inclusive, and 2034, and as term bonds on April 1, 2033 (the “Term Bonds”) in the respective amounts and bear interest at the rates for each maturity shown on the cover page hereof. The Bonds maturing on April 1, 2027, are subject to optional redemption, in whole or, from time to time, in part, on April 1, 2026, or on any date thereafter, at a price equal to the principal amount of the Bonds to be redeemed plus accrued interest thereon to the date fixed for redemption. The Term Bonds are also subject to mandatory sinking fund redemption as more fully described herein. If less than all the Bonds are redeemed, the amounts thereof to be redeemed shall be selected by the District in integral multiples of \$5,000 in any one maturity. If less than all the Bonds within a maturity are redeemed, the Bonds to be redeemed shall be selected by DTC, as defined herein, in accordance with its procedures. The Bonds will be issued in fully registered form only, in denominations of \$5,000 or any integral multiple thereof. See “THE BONDS.”
<i>Book-Entry Only...</i>	The Bonds will be registered in the name of, and delivered only to, Cede & Co., the nominee of The Depository Trust Company, New York, New York (“DTC”), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the Beneficial Owners. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the Beneficial Owners of the Bonds. See “BOOK-ENTRY-ONLY SYSTEM.”
<i>Authority for Issuance...</i>	At an election held within the District on November 2, 2004, voters of the District authorized a total of \$30,000,000 principal amount in unlimited tax bonds for the purpose of refunding bonds of the District. The Bonds are issued by the District pursuant to said election and the terms and provisions of the Bond Order (as herein defined), Article XVI, Section 59 of the Texas Constitution; Chapter 1207 of the Texas Government Code, as amended; Chapters 49 and 54 of the Texas Water Code, as amended; and City of Houston Ordinance No. 97-416. See “THE BONDS— Authority for Issuance.”
<i>Source of Payment...</i>	The Bonds and the Remaining Outstanding Bonds (as hereinafter defined) are payable from a continuing, direct annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. The Bonds are obligations solely of the District and are not obligations of the State of Texas, Montgomery County, the City of Houston or any entity other than the District. See “THE BONDS—Source of and Security for Payment.”
<i>Payment Record...</i>	The District has previously issued \$18,745,000 principal amount of unlimited tax bonds in seven series and \$4,660,000 principal amount of unlimited tax refunding bonds in two series, of which \$15,645,000 in principal amount were outstanding (the “Outstanding Bonds”) as of March 1, 2021. The District has timely paid its debt service on the Outstanding Bonds.
<i>Use of Proceeds...</i>	Proceeds from the sale of the Bonds will be used to pay certain costs incurred in connection with the issuance of the Bonds and to refund \$1,065,000 principal amount of the Outstanding Bonds in order to achieve net savings in the District's annual debt service expense. See “PLAN OF FINANCING.”
<i>Qualified Tax-Exempt Obligations...</i>	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. See "TAX MATTERS— Qualified Tax-Exempt Obligations.”

*Municipal Bond Insurance
and Municipal Bond
Rating...*

It is expected that S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, ("S&P") and Moody's Investors Service ("Moody's") will assign a municipal bond rating 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. ("AGM" or the "Insurer"). Moody's has also assigned an underlying rating of "Baa1" to the Bonds. An explanation of their ratings may be obtained from S&P and Moody's. See "INVESTMENT CONSIDERATIONS—Bond Insurance Risk Factors," "MUNICIPAL BOND RATING," "MUNICIPAL BOND INSURANCE" and "APPENDIX B."

<i>Bond Counsel...</i>	Schwartz, Page & Harding, L.L.P., Houston, Texas.
<i>Special Tax Counsel...</i>	McCall, Parkhurst & Horton L.L.P., Dallas, Texas.
<i>Underwriter's Counsel...</i>	McCall, Parkhurst & Horton L.L.P., Houston, Texas.
<i>Paying Agent/Registrar...</i>	Regions Bank, Houston, Texas.
<i>Escrow Agent...</i>	Regions Bank, Houston, Texas.
<i>Verification Agent...</i>	Public Finance Partners LLC, Minneapolis, Minnesota.

THE DISTRICT

<i>Description...</i>	The District is a political subdivision of the State of Texas, created by order of the Texas Commission on Environmental Quality (the "Commission" or "TCEQ"), dated July 30, 2004, and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended. The District consists of approximately 238 acres of land. See "THE DISTRICT."
<i>Location...</i>	The District is located in southeastern Montgomery County, south of North Park Drive and east of US Highway 59. The District is located approximately 25 miles northeast of the central downtown business district of the City of Houston. The District is located entirely within the extraterritorial jurisdiction of the City of Houston and within the boundaries of the New Caney Independent School District. See "THE DISTRICT."
<i>Status of Development...</i>	<p>Approximately 202 acres have been developed into Kings Mill, Sections 1 through 12, which collectively encompass 915 lots. As of January 28, 2021, 806 homes were completed and occupied, 23 homes were listed in a builder's name and 86 developed lots were available for home construction.</p> <p>Anglia Homes is currently building homes in Kings Mill, Sections 10 through 12, which range in price from approximately \$221,000 to \$315,000.</p> <p>Approximately 25 acres of land in the District have been developed with trunk water, sewer and drainage facilities to serve commercial development. A Dairy Queen restaurant has been constructed on approximately 1.22 acres of such land, and a strip shopping center has been constructed on approximately 1.8 acres of land. In addition a Christian Brothers Automotive has been constructed on an approximately 1 acre tract of land.</p> <p>Approximately 11 acres of land in the District are undevelopable, which includes detention sites, plant sites and parks and open spaces. See "THE DISTRICT—Status of Development." See "THE DISTRICT—Status of Development."</p>

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 Valuation	\$208,280,795 (a)
Gross Direct Debt Outstanding	\$15,720,000 (b)
Estimated Overlapping Debt	<u>23,072,194 (c)</u>
Gross Direct Debt and Estimated Overlapping Debt	\$38,792,194
Ratio of Gross Direct Debt to:	
2020 Certified Taxable Assessed Valuation	7.55%
Ratio of Gross Direct Debt and Estimated Overlapping Debt to:	
2020 Certified Taxable Assessed Valuation	18.62%
Debt Service Funds Available as of March 4, 2021	\$2,034,922
Operating Funds Available as of March 4, 2021	\$5,008,152
Capital Projects Funds Available as of March 4, 2021	\$540,907
2020 Debt Service Tax Rate	\$0.54000
2020 Maintenance Tax Rate	<u>0.52465</u>
2020 Total Tax Rate	\$1.06465
Average Annual Debt Service Requirement (2021-2042)	\$958,656 (d)
Maximum Annual Debt Service Requirement (2022)	\$1,105,569 (d)
Tax Rate Required to Pay Average Annual Debt Service (2021-2042) at a 95% Collection Rate	
Based upon 2020 Certified Taxable Assessed Valuation	\$0.49 (e)
Tax Rate Required to Pay Maximum Annual Debt Service (2022) at a 95% Collection Rate	
Based upon 2020 Certified Taxable Assessed Valuation	\$0.56 (e)
Status of Development as of January 28, 2021:	
Completed and Occupied Single Family Homes	806
Completed and Unoccupied Single Family Homes	0
Homes Listed in Builder's Name	23
Vacant Lots	86
Commercial Connections	7
Estimated Population	2,821 (f)

- (a) As certified by the Montgomery Central Appraisal District (the "Appraisal District"). See "TAX PROCEDURES."
- (b) After the issuance of the Bonds. See "PLAN OF FINANCING—Outstanding Bonds."
- (c) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Estimated Overlapping Debt" and "Overlapping Taxes."
- (d) See "PLAN OF FINANCING—Debt Service Requirements."
- (e) See "TAX DATA—Tax Adequacy Debt Service" and "INVESTMENT CONSIDERATIONS—Maximum Impact on District Tax Rate".
- (f) Based upon 3.5 persons per occupied single-family residence.

OFFICIAL STATEMENT

\$1,140,000

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 98
(A political subdivision of the State of Texas located within Montgomery County)

UNLIMITED TAX REFUNDING BONDS
SERIES 2021

This OFFICIAL STATEMENT provides certain information in connection with the issuance by Montgomery County Municipal Utility District No. 98 (the "District") of its \$1,140,000 Unlimited Tax Refunding Bonds, Series 2021 (the "Bonds").

The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution, Chapter 1207 of the Texas Government Code, as amended; Chapters 49 and 54 of the Texas Water Code, as amended, City of Houston Ordinance No. 97-416, an election held within the District, and an Order authorizing the issuance of the Bonds (the "Bond Order") adopted by the Board of Directors of the District (the "Board").

This Official Statement includes descriptions, among others, of the Bonds and the Bond Order, and certain other information about the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of documents may be obtained from the District c/o Schwartz, Page & Harding, L.L.P., 1300 Post Oak Boulevard, Suite 1400, Houston, Texas 77056, upon payment of the cost of duplication.

PLAN OF FINANCING

Purpose

The proceeds of the Bonds are being used to refund and defease the outstanding portion of one series of the District's Outstanding Bonds as listed below in "Refunded Bonds" totaling \$1,065,000 (the "Refunded Bonds") in order to achieve a net savings in the District's debt service expense. The proceeds will also be used to pay the costs of issuance of the Bonds. See "Sources and Uses of Funds" below. A total of \$14,580,000 in principal amount of the Outstanding Bonds will remain outstanding after the issuance of the Bonds (the "Remaining Outstanding Bonds").

Outstanding Bonds

The following table lists the original principal amount and the current principal balance of the Outstanding Bonds as of March 1, 2021, the Refunded Bonds and the Remaining Outstanding Bonds.

Series	Original Principal Amount	Principal Outstanding As of March 1, 2021	Refunded Bonds	Remaining Outstanding Bonds
Unlimited Tax Bonds, Series 2013	\$ 1,385,000	\$ 1,110,000	\$ 1,065,000	\$ 45,000
Unlimited Tax Refunding Bonds, Series 2015	2,350,000	1,645,000	-	1,645,000
Unlimited Tax Bonds, Series 2015A	2,800,000	2,485,000	-	2,485,000
Unlimited Tax Bonds, Series 2016	4,300,000	3,900,000	-	3,900,000
Unlimited Tax Bonds, Series 2017	4,645,000	4,300,000	-	4,300,000
Unlimited Tax Refunding Bonds, Series 2019	2,310,000	2,205,000	-	2,205,000
Total	\$ 17,790,000	\$ 15,645,000	\$ 1,065,000	\$ 14,580,000
The Bonds				1,140,000
The Bonds and Remaining Outstanding Bonds				\$ 15,720,000

Refunded Bonds

The following table lists the principal amounts and maturity dates of the Refunded Bonds and the Redemption Date on which the Refunded Bonds will be redeemed.

<u>Maturity Date</u>	<u>Principal Amounts</u> <u>Series 2013</u>
2022	\$ 50,000
2023	55,000
2024	55,000
2025	60,000
2026	60,000
2027	65,000
2028	70,000
2029	50,000
2030	75,000
2031	75,000 (a)
2032	75,000 (a)
2033	75,000 (a)
2034	300,000 (a)
	<u>\$ 1,065,000</u>
Redemption Date:	April 15, 2021

(a) Represents term bond mandatory sinking fund payments.

Sources and Uses of Funds

The proceeds derived from the sale of the Bonds, exclusive of accrued interest, will be applied as follows:

Sources of Funds:	
Principal Amount of the Bonds.....	\$1,140,000.00
Net Premium on the Bonds	<u>26,239.60</u>
Total Sources of Funds.....	\$1,166,239.60
Uses of Funds:	
Deposit to Escrow Fund.....	\$1,066,820.00
Issuance Expenses and Underwriters' Discount (a).....	<u>99,419.60</u>
Total Uses of Funds.....	\$1,166,239.60

(a) Includes municipal bond insurance premium.

Escrow Agreement

The Refunded Bonds, and the interest due thereon, are to be paid on their scheduled interest payment dates until final payment or their redemption dates, from funds to be deposited with Regions Bank, Houston, Texas, as escrow agent (the "Escrow Agent").

The Bond Order provides that the District and the Escrow Agent will enter into an escrow agreement (the "Escrow Agreement") to be dated as of the date of the sale of the Bonds but effective on the date of delivery of the Bonds (expected to be April 13, 2021). The Bond Order further provides that from the proceeds of the sale of the Bonds, the District will deposit with the Escrow Agent the amount necessary to accomplish the discharge and final payment of the Refunded Bonds. Such funds will be held by the Escrow Agent in a segregated escrow account (the "Escrow Fund"). Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of principal of and interest on the Refunded Bonds and will not be available to pay principal of and interest on the Bonds or the Remaining Outstanding Bonds.

Defeasance of the Refunded Bonds

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

Debt Service Requirements

The following sets forth the debt service requirements for the Outstanding Bonds, less the debt service on the Refunded Bonds (\$1,065,000 principal amount), plus the debt service on the Bonds.

Year	Outstanding Debt Service	Less:		Plus: Debt Service on the Bonds			Debt Service Requirements
		Refunded Bonds Debt Service		Principal	Interest	Total	
2021	\$ 1,111,238	\$ 23,400			\$ 13,050	\$ 13,050	\$ 1,100,888
2022	1,116,356	95,988	\$ 60,000	25,200		85,200	1,105,569
2023	1,112,688	99,213	65,000	23,325		88,325	1,101,800
2024	1,105,303	97,219	65,000	21,375		86,375	1,094,459
2025	1,101,975	99,988	70,000	19,350		89,350	1,091,338
2026	1,097,634	97,588	70,000	17,250		87,250	1,087,297
2027	1,102,144	100,006	75,000	15,450		90,450	1,092,588
2028	1,094,872	102,094	75,000	13,950		88,950	1,081,728
2029	1,086,384	79,438	55,000	12,650		67,650	1,074,597
2030	1,033,081	101,625	80,000	11,300		91,300	1,022,756
2031	1,024,450	98,156	80,000	9,700		89,700	1,015,994
2032	1,010,000	94,594	75,000	8,150		83,150	998,556
2033	1,004,881	91,031	75,000	6,650		81,650	995,500
2034	996,972	307,125	295,000	2,950		297,950	987,797
2035	973,875						973,875
2036	947,500						947,500
2037	1,019,125						1,019,125
2038	988,938						988,938
2039	958,313						958,313
2040	731,563						731,563
2041	315,188						315,188
2042	305,063						305,063
Total	\$ 21,237,541	\$ 1,487,463	\$ 1,140,000	\$ 200,350		\$ 1,340,350	\$ 21,090,428

Maximum Annual Debt Service Requirement (2022).....\$1,105,569
 Average Annual Debt Service Requirements (2021-2042) \$958,656

THE BONDS

General

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

Description

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

Authority for Issuance

At an election held within the District on November 2, 2004, voters of the District authorized a total of \$30,000,000 principal amount of unlimited tax refunding bonds for the purpose of refunding outstanding bonds of the District. The Bonds are issued by the District pursuant to said election and to the terms and provisions of the Bond Order; Article XVI, Section 59 of the Texas Constitution; Chapter 1207, Texas Government Code, as amended; Chapters 49 and 54 of the Texas Water Code, as amended; and City of Houston Ordinance No. 97-416.

Source of and Security for Payment

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

Funds

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

Record Date

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

Redemption Provisions

Mandatory Redemption: The Term Bonds maturing on April 1, 2033 shall be redeemed, at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption, on April 1 in each of the years and in the principal amounts set forth in the following schedule (with each such scheduled principal amount reduced by the principal amount as may have been previously redeemed through the exercise of the District's reserved right of optional redemption, as provided under "Optional Redemption" below):

\$310,000 Term Bonds	
Due April 1, 2033	
Mandatory	Principal
Redemption Date	Amount
2030	\$ 80,000
2031	80,000
2032	75,000
2033 (maturity)	75,000

Notice of the mandatory redemption of Term Bonds will be provided at least thirty (30) calendar days prior to the date fixed for redemption, with the particular portions of the Term Bonds to be redeemed to be selected by lot or other customary method in accordance with the procedures of DTC so long as the Bonds are registered in accordance with the Book-Entry-Only System. See "BOOK-ENTRY-ONLY SYSTEM."

Optional Redemption: The District reserves the right, at its option, to redeem the Bonds (including any Term Bonds) maturing on or after April 1, 2027, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of \$5,000, on April 1, 2026, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. If fewer than all of the Bonds are to be redeemed, the particular maturity or maturities and the amounts thereof to be redeemed shall be determined by the District. If fewer than all of the Serial Bonds of the same maturity are to be redeemed, the particular Bonds shall be selected by DTC in accordance with its procedures so long as the Bonds are registered in accordance with the Book-Entry-Only System. See "BOOK-ENTRY- ONLY SYSTEM." If less than all of the entire outstanding principal amount of the Term Bond is to be redeemed, the District will notify the Paying Agent/Registrar of the reductions in the remaining mandatory redemption amounts to result from the optional redemption. Notice of each exercise of the reserved right of optional redemption shall be given by the Paying Agent/Registrar at least thirty (30) calendar days prior to the redemption date, in the manner specified in the Bond Order.

Effects of Redemption: By the redemption date, due provision shall be made with the Paying Agent/Registrar for payment of the principal of the Bonds (including any Term Bonds) or portions thereof to be redeemed, plus accrued interest to the redemption date. 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.

Method of Payment of Principal and Interest

The Board has appointed Regions Bank, Houston, Texas, as the initial Paying Agent/Registrar for the Bonds. The principal of and interest on the Bonds shall be paid to DTC, which will make distribution of the amounts so paid. See "BOOK-ENTRY-ONLY SYSTEM."

Registration

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

Replacement of Paying Agent/Registrar

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

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

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

Issuance of Additional Debt

The District's voters have authorized the issuance of a total of \$30,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities and could authorize additional amounts. The District currently has \$11,255,000 principal amount of unlimited tax bonds authorized but unissued for said improvements and facilities. The District's voters have also authorized a total of \$30,000,000 principal amount of unlimited tax refunding bonds for the purpose of refunding outstanding bonds of the District and could authorize additional amounts. After the issuance of the Bonds, the District will have \$29,650,000 principal amount of unlimited tax refunding bonds authorized but unissued.

The Bond Order imposes no limitation on the amount of additional parity bonds which may be authorized for issuance by the District's voters or the amount ultimately issued by the District.

The District also is authorized by statute to engage in fire-fighting activities, including the issuing of bonds payable from taxes for such purpose. Before the District could issue fire-fighting bonds payable from taxes, the following actions would be required: (a) authorization of a detailed master plan and bonds for such purpose by the qualified voters in the District; (b) approval of the master plan and issuance of bonds by the Texas Commission on Environmental Quality (the “Commission” or “TCEQ”); and (c) approval of bonds by the Attorney General of Texas. The District does not provide fire protection service, and the Board has not considered calling such an election at this time. Issuance of bonds for fire-fighting activities could dilute the investment security for the Bonds.

Financing Road Facilities

Pursuant to Chapter 54 of the Water Code, a municipal utility district may petition the Commission 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 Commission, 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 Commission for "road powers", or calling such an election at this time. Issuance of bonds for roads could dilute the investment security for the Bonds.

Financing Recreational Facilities

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

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

The District has not considered calling an election for such purposes but could consider doing so in the future.

The issuance of bonds for recreational facilities could dilute the investment security for the Bonds.

Annexation

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston, the District may be annexed for full purposes by the City of Houston, subject to compliance by the City of Houston with various requirements of Chapter 43 of the Texas Local Government Code, as amended. Such requirements may include the requirement that the City of Houston hold an election in the District whereby the qualified voters of the District approve the proposed annexation. If the District is annexed, the City of Houston must assume the District's assets and obligations (including the Bonds and the Remaining Outstanding Bonds) and abolish the District within ninety (90) days of the date of annexation. Annexation of territory by the City of Houston is a policy-making matter within the discretion of the Mayor and City Council of the City of Houston, and, therefore, the District makes no representation that the City of Houston will ever attempt to annex the District for full purposes and assume its debt. Moreover, no representation is made concerning the ability of the City of Houston to make debt service payments should annexation occur. Under the terms of the SPA (as hereinafter defined) between the District and the City of Houston, however, the City has agreed not to annex the District for full purposes (a traditional municipal annexation) for at least thirty (30) years from the effective date of the SPA. See "THE DISTRICT—Strategic Partnership Agreement. The District could consent to a full purpose annexation prior to that time by agreeing to amend the SPA to such effect, however, the District currently has no intention to do so.

Consolidation

The District has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its water and wastewater systems with the water and wastewater systems of the district or districts with which it is consolidating, subject to voter approval. In their consolidation agreement, the consolidating districts may agree to assume each other's bonds, notes and other obligations. If each district assumes the other's bonds, notes and other obligations, taxes may be levied uniformly on all taxable property within the consolidated district in payment of same. If the districts do not assume each other's bonds, notes and other obligations, each district's taxes are levied on property in each of the original districts to pay said debts created by the respective original district as if no consolidation had taken place. No representation is made concerning whether the District will consolidate with any other district, but the District currently has no plans to do so.

Remedies in Event of Default

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

Defeasance

The Bond Order provides that the District may discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal, interest and redemption price thereon in any manner permitted by law. Under current Texas law, such discharge may be accomplished either (i) by depositing with the Comptroller of Public Accounts of the State of Texas a sum of money equal to the principal of, premium, if any, and all interest to accrue on the Bonds to maturity or redemption or (ii) by depositing with any place of payment (paying agent) for obligations of the District payable from revenues or from ad valorem taxes or both, or a commercial bank or trust company designated in the proceedings authorizing such discharge, amounts sufficient to provide for the payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested only in (a) direct noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are

unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent; and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The foregoing obligations may be in book entry form, and shall mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds. If any of such Bonds are to be redeemed prior to their respective dates of maturity, provision must have been made for giving notice of redemption as provided in the Bond Order.

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

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

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by The Depository Trust Company, New York, New York, (“DTC”) while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District and the Financial Advisor believe the source of such information to be reliable, but neither of the District or the Financial Advisor take any responsibility for the accuracy or completeness thereof.

The District cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the 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 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a rating of “AA+” from S&P Global Ratings. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual 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.

THE DISTRICT

General

The District is a municipal utility district created by an order of the Texas Commission on Environmental Quality dated July 30, 2004, under Article XVI, Section 59 of the Texas Constitution, and operates under the provisions of Chapter 49 and Chapter 54 of the Texas Water Code, as amended, and other general statutes of Texas applicable to municipal utility districts. The District, which lies wholly within the extraterritorial jurisdiction of the City of Houston, is subject to the continuing supervisory jurisdiction of the Commission.

The District is empowered, among other things, to finance, 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 may also provide solid waste disposal and collection services. The District is also empowered to establish, operate and maintain fire-fighting facilities, independently or jointly with one or more conservation and reclamation districts, municipalities or other political subdivisions, after approval by the Commission and the voters of the District. Additionally, the District may, subject to certain limitations, develop and finance recreational facilities and may also, subject to the granting of road powers by the Commission and certain limitations, develop and finance roads. See "THE BONDS—Issuance of Additional Debt," "Financing Recreational Facilities" and "Financing Road Facilities."

The District is required to observe certain requirements of the City of Houston which limit the purposes for which the District may sell bonds to finance 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 Houston of District construction plans; and permit connections only to lots and reserves described in a plat that has been approved by the City of Houston and filed in the real property records of Montgomery County. The District is also required to obtain certain Commission approvals prior to acquiring, constructing and financing road and fire-fighting facilities, as well as voter approval of the issuance of bonds for said purposes and/or for the purposes of financing recreational facilities. Construction and operation of the District's drainage system is subject to the regulatory jurisdiction of additional State of Texas and local agencies. See "THE SYSTEM."

Strategic Partnership Agreement

The District and the City of Houston (the "City") have entered into a Strategic Partnership Agreement dated effective November 22, 2013 (the "SPA") pursuant to Chapter 43 of the Texas Local Government Code. The SPA provides for a "limited purpose annexation" for that portion of the District which is developed for retail and commercial purposes in order to apply certain City health, safety, planning and zoning ordinances within the District. Areas of residential development within the District are not subject to the limited purpose annexation. The SPA also provides that the City will not annex the District for "full purposes" for at least thirty (30) years from the effective date of the SPA. Also, as a condition to full purpose annexation, any unpaid reimbursement obligations due to a developer by the District for water, wastewater and drainage facilities must be assumed by the City to the maximum extent permitted by Commission rules. The procedures for full purpose annexation under the SPA may differ from those otherwise applicable under Chapter 43, Texas Local Government Code, including any requirements for an election. See "THE BONDS—Annexation."

As of the effective date of the SPA, the City was authorized to impose the one percent (1%) City sales and use tax within the portion of the District included in the limited purpose annexation. Such portion includes primarily the 25 acres of retail and commercial development within the District. The City pays to the District an amount equal to one half (1/2) of all sales and use tax revenue generated within such area of the District and received by the City from the Comptroller of Public Accounts of the State of Texas (the "Sales Tax Revenue"). Pursuant to State law, the District is authorized to use Sales Tax Revenue generated under the SPA for any lawful purpose. None of the anticipated Sales Tax Revenue is pledged toward the payment of principal and interest on the Bonds or the Remaining Outstanding Bonds.

Description and Location

The District is located in southeastern Montgomery County, south of North Park Drive and east of US Highway 59. The District is located approximately 25 miles northeast of the central downtown business district of the City of Houston. The District is located entirely within the extraterritorial jurisdiction of the City of Houston and within the boundaries of the New Caney Independent School District. The District presently contains approximately 238 acres.

Residential Development

Approximately 202 acres have been developed into Kings Mill, Sections 1 through 12 which collectively encompass 915 lots. As of January 28, 2021, 806 homes were completed and occupied, 23 homes were listed in a builder's name and 86 developed lots were available for home construction.

Anglia Homes is currently building homes in Kings Mill, Sections 10 through 12 which range in price from approximately \$221,000 to \$315,000.

Commercial Development

Approximately 25 acres of land in the District have been developed with trunk water, sewer and drainage facilities to serve commercial development. A Dairy Queen restaurant has been constructed on approximately 1.22 acres of such land, and a strip shopping center has been constructed on approximately 1.8 acres of land. In addition a Christian Brothers Automotive has been constructed on an approximately 1 acre tract of land.

Undeveloped Acreage

Approximately 11 acres of land in the District are undevelopable, which includes detention sites, plant sites and parks and open spaces. There is no additional undeveloped land in the District.

MANAGEMENT

Board of Directors

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

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Andy Rodriguez, Jr.	President	May 2022
Garth Howard	Vice President	May 2024
Ken Wolf	Secretary	May 2024
Joe Chernow	Assistant Secretary	May 2022
Stanley Alexander	Assistant Secretary	May 2024

The District has no full-time employees but instead contracts with the entities described below for professional services:

Tax Assessor/Collector

Land and improvements in the District are being appraised for taxation by the Montgomery Central Appraisal District. The District contracts with Wheeler & Associates, Inc. to act as Tax Assessor/Collector for the District.

System Operator

The District contracts with Municipal Operations & Consulting, Inc. for maintenance and operation of the District's system.

Bookkeeper

The District contracts with Municipal Accounts & Consulting, L.P. for bookkeeping services for the District.

Engineer

The District's consulting engineer is Edminster, Hinshaw, Russ & Associates, Inc. (the "Engineer").

Auditor

As required by the Texas Water Code, the District retains an independent auditor to audit the District's financial statements annually, which audited financial statements are filed with the Commission. The financial statements of the District, as of February 29, 2020, and for the year then ended, included in this offering document, have been audited by McCall Gibson Swedlund Barfoot PLLC, independent auditors, as stated in their report appearing herein. See "APPENDIX A" for a copy of the District's February 29, 2020, audited financial statements. The District has engaged McCall Gibson Swedlund Barfoot PLLC to audit the District's financial statements for the fiscal year ended February 28, 2021.

Bond Counsel and General Counsel

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

Special Tax Counsel

McCall, Parkhurst & Horton L.L.P. serves as Special Tax Counsel to the District. The fee to be paid Special Tax Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds.

Financial Advisor

Masterson Advisors LLC (the "Financial Advisor") serves as financial advisor to the District. The fee to be paid the Financial Advisor is contingent upon sale and delivery of the Bonds.

THE SYSTEM

Regulation

According to the Engineer, the District's water distribution, wastewater collection, and storm drainage facilities (collectively, the "System") have been designed in accordance with accepted engineering practices and the then current requirements of various agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities. The construction and operation of the System was to be accomplished in accordance with the standards and specifications and requirements of such entities and is subject to inspection by each such entity. The Commission exercises continuing supervisory authority over the District. Discharge of treated sewage is subject to the regulatory authority of the Commission and the U.S. Environmental Protection Agency. Construction of drainage facilities is subject to the regulatory authority of the Harris County Flood Control District, Montgomery County and, in some instances, the Commission. Montgomery County, the City of Houston, and the Texas Department of Health also exercise regulatory jurisdiction over the System. The regulations and requirements of entities exercising regulatory jurisdiction over the System are subject to further development and revision which, in turn, could require additional expenditures by the District in order to achieve compliance. In particular, additional or revised requirements in connection with any permit for the wastewater treatment plant which provides service to the District beyond the criteria existing at the time of construction of the plant could result in the need to construct additional facilities in the future. The following descriptions are based upon information supplied by the District's Engineer.

Water Distribution and Sanitary Sewer Collection and Drainage System

The District's System includes water, sanitary sewer and drainage facilities to serve the subdivisions and land described under the section "THE DISTRICT—Residential Development and"—Commercial Development."

Water Supply

The District receives potable water from the City of Houston pursuant to a Treated Water Supply Contract (the "Water Agreement"). The District has available water supply capacity pursuant to the Water Agreement in an amount sufficient to serve current development within the District, and has the option to reserve additional capacity to serve future development as needed.

The District has a water re-pressurization plant, which includes a 200,000 gallon ground storage tank and a 80,000 gallon ground storage tank, a 10,000 gallon and a 20,000 gallon (30,000 gallon total) hydro-pneumatic tank, and booster pumps.

The District's water supply system is sufficient to serve 1,125 equivalent single family connections. The District is currently serving 806 equivalent single family connections.

The District has an emergency water supply interconnect contract currently in design with Kings Manor Municipal Utility District. Plans and specifications for the proposed interconnect are in the process of being reviewed and approved by the TCEQ.

Subsidence District Requirements

The District is 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 District receives its water supply from the City of Houston and therefore is not subject to the rules of the Conservation District.

Wastewater Treatment

Wastewater treatment for the District is provided by the City of Houston's Kingwood West Wastewater Treatment Plant, pursuant to a Sanitary Sewer Service Agreement with the City of Houston. The District has the right to capacity in the amount of 315,000 gallons per day or 1,260 equivalent single-family connections (at 250 gallons per day per equivalent single-family connection).

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 no assurance that homes built in such area will not be flooded. The District's drainage system has been designed and constructed to all current standards.

No areas in the District are located within the 100-year flood plain. 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.

FINANCIAL STATEMENT (UNAUDITED)

2020 Certified Taxable Assessed Valuation	\$208,280,795 (a)
Gross Direct Debt Outstanding.....	\$15,720,000 (b)
Estimated Overlapping Debt	<u>23,072,194 (c)</u>
Total Gross Direct Debt and Estimated Overlapping Debt	\$38,792,194
Ratio of Gross Direct Debt to:	
2020 Certified Taxable Assessed Valuation	7.55%
Ratio of Gross Direct Debt and Estimated Overlapping Debt to:	
2020 Certified Taxable Assessed Valuation.....	18.62%
Debt Service Funds Available as of March 4, 2021	\$2,034,922
Operating Funds Available as of March 4, 2021	\$5,008,152
Capital Projects Funds Available as of March 4, 2021	\$540,907

Area of District – 238 Acres
Estimated 2021 Population – 2,821 (d)

- (a) As certified by the Montgomery Central Appraisal District (the “Appraisal District”). See “TAX PROCEDURES.”
- (b) After the issuance of the Bonds. See “PLAN OF FINANCING—Outstanding Bonds.”
- (c) See “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Estimated Overlapping Debt” and “Overlapping Taxes.”
- (d) Based upon 3.5 persons per occupied single-family residence.

District Investment Policy

The policy of the District is to invest District funds only in instruments which further the following investment objectives of the District stated in order of importance: (1) preservation and safety of principal; (2) liquidity; and (3) yield. The District does not currently own, nor does it anticipate the inclusion of, long term securities or derivative products in the District portfolio.

WATER AND SEWER OPERATIONS

General

The Bonds are payable from the levy of an ad valorem tax, without legal limitation as to rate or amount, upon all taxable property in the District. However, net revenues, if any, derived from operation of the District's water and sewer operations are not pledged to the payment of the Bonds but are available for any lawful purpose including the payment of debt service on the Bonds and the Remaining Outstanding Bonds, at the discretion and upon action of the Board. It is not anticipated that any significant revenues will be available for the payment of debt service on the Bonds or the Remaining Outstanding Bonds.

Waterworks and Sewer System Operating Statement

The following statement sets forth in condensed form the historical results of operation of the District's General Fund as shown in the District's audited financial statements for the fiscal years ended February 28, 2017 through 2020 and an unaudited summary for the period ending January 31, 2021 from the District's bookkeeper. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Such summary is based upon information obtained from the District's audited financial statements. Reference is made to such records and statements for further and more complete information.

	Unaudited March 1, 2020 thru January 31, 2021 (a)	Fiscal Year Ended February 28,			
		2020	2019	2018	2017
REVENUES:					
Property Taxes	\$ 881,509	\$ 991,828	\$ 835,304	\$ 821,475	\$ 725,977
Water Service	309,163	349,361	332,697	325,810	305,747
Sewer Service	618,708	708,375	632,713	560,818	531,927
Penalty and Interest	25,665	39,213	33,752	34,407	32,172
Tap Connection and Inspection Fees	15,275	92,200	57,288	68,913	65,050
Sales Tax Revenues	14,907	20,786	-	-	-
Investment Income	63,417	86,464	47,060	17,793	9,084
Other Income	2,449	2,844	3,202	3,451	3,974
TOTAL REVENUES	\$ 1,931,093	\$ 2,291,071	\$ 1,942,016	\$ 1,832,667	\$ 1,673,931
EXPENDITURES					
Purchased Services	\$ 718,191	\$ 822,197	\$ 756,242	\$ 658,858	\$ 589,169
Professional Fees	147,307	111,878	93,502	108,798	138,213
Contracted Services	233,674	222,625	213,840	208,583	173,212
Utilities	9,470	10,760	10,682	9,363	8,942
Repairs and Maintenance	130,020	110,074	132,188	80,983	253,046
Other Expenditures	73,827	106,895	82,949	82,228	95,883
Capital Outlay	36,843	-	8,789	22,817	-
TOTAL EXPENDITURES	\$ 1,349,332	\$ 1,384,429	\$ 1,298,192	\$ 1,171,630	\$ 1,258,465
NET REVENUES	\$ 581,761	\$ 906,642	\$ 643,824	\$ 661,037	\$ 415,466
Interfund Transfers	\$ 7,853	\$ -	\$ -	\$ -	\$ 122,903
Fund Balance (Beginning of Period)	\$ 4,335,029	\$ 3,428,387	\$ 2,784,563	\$ 2,123,526	\$ 1,585,157
Fund Balance (End of Period)	\$ 4,924,643	\$ 4,335,029	\$ 3,428,387	\$ 2,784,563	\$ 2,123,526

(a) Unaudited. Provided by the District's bookkeeper.

ESTIMATED OVERLAPPING DEBT STATEMENT

Other governmental entities whose boundaries overlap the District have outstanding bonds payable from ad valorem taxes. The following statement of direct and estimated overlapping ad valorem tax debt was developed from information contained in "Texas Municipal Reports" published by the Municipal Advisory Council of Texas or other publicly available information. Except for the amount relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person is entitled to rely upon such information as being accurate or complete. Political subdivisions overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for operation, maintenance, and/or general revenue purposes in addition to taxes for payment of their debt, and some are presently levying and collecting such taxes.

Taxing Jurisdiction	Outstanding Debt	As of	Overlapping	
			Percent	Amount
Montgomery County.....	\$ 504,845,000	2/28/2021	0.34%	\$ 1,699,308
Lone Star College System.....	518,505,000	2/28/2021	0.09%	466,655
New Caney Independent School District.....	495,115,000	2/28/2021	4.22%	20,906,231
Total Estimated Overlapping Debt.....				\$ 23,072,194
The District.....	15,720,000	(a)	100.00%	15,720,000
Total Direct and Estimated Overlapping Debt.....				\$ 38,792,194
Direct and Estimated Overlapping Debt as a Percentage of 2020 Certified Taxable Assessed Valuation of \$208,280,795.....				18.62%

(a) After issuance of the Bonds.

Overlapping Taxes for 2020

<u>Overlapping Entity</u>	<u>2020 Tax Rate per \$100 Assessed Valuation</u>
Montgomery County	\$ 0.431200
New Caney ISD	1.476100
Lone Star College System	0.107800
Montgomery County ESD No. 6	0.100000
Montgomery County Hospital District	0.05880
The District	1.064650
Total	\$ 3.238550

TAX DATA

Tax Collections

The following statement of tax collections sets forth in condensed form the historical tax collection experience of the District. This summary has been prepared for inclusion herein, based upon information from District records. Reference is made to such records for further and more complete information.

Tax Year	Taxable Assessed Valuation	Tax Rate	Total Tax Levy	Total Collections as of February 28, 2021	
				Amount	Percent
2016	\$ 153,190,473	\$ 1.135	\$ 1,738,708	\$ 1,738,708	100.00%
2017	171,656,987	1.120	1,922,556	1,922,556	100.00%
2018	179,789,049	1.085	1,949,070	1,947,242	99.91%
2019	192,079,741	1.070	2,054,145	2,048,985	99.75%
2020	208,505,922	1.065	2,217,457	2,098,334	94.63%

Taxes are due upon receipt of a bill therefor and become delinquent after January 31 of the following year or 30 days after the date billed, whichever is later, or, if billed after January 10, they are delinquent on the first day of the month next following the 21st day after such taxes are billed. No split payments are allowed and no discounts are allowed.

Tax Rate Distribution

	2020	2019	2018	2017	2016
Debt Service	\$ 0.54000	\$ 0.56000	\$ 0.61500	\$ 0.65000	\$ 0.65000
Maintenance & Operations	0.52465	0.51000	0.47000	0.47000	0.48500
Total	\$ 1.06465	\$ 1.07000	\$ 1.08500	\$ 1.12000	\$ 1.13500

Tax Rate Limitations

Debt Service: Unlimited (no legal limit as to rate or amount).

Maintenance & Operations: \$1.35 per \$100 Assessed Valuation

Debt Service Tax

The Board will covenant 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 which, when added to other funds legally available to the District for payment of outstanding debt obligations, is adequate to provide funds to pay the principal of and interest on such debt.

Maintenance Tax

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements, if such maintenance tax is authorized by a vote of the District's electors. On November 2, 2004, voters in the District authorized the Board to levy such a maintenance tax in an amount not to exceed \$1.35 per \$100 assessed valuation. Such tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds, the Remaining Outstanding Bonds and any additional unlimited tax bonds which may be issued in the future. The District set a maintenance tax for 2020 in the amount of \$0.52465 per \$100 assessed valuation.

Principal Taxpayers

The following list of principal taxpayers was provided by the District's Tax Assessor/Collector based upon the 2020 certified tax roll of \$208,280,795, which reflects ownership at January 1, 2020.

<u>Taxpayer</u>	<u>Type of Property</u>	<u>2020 Certified Taxable Assessed Valuation</u>	<u>Percentage of Certified Tax Roll</u>
Centre at Northpark LLC	Land & Improvements	\$ 4,732,030	2.27%
Shops at Northpark Ltd.	Land & Improvements	2,174,330	1.04%
Miramesa NWH LLC	Land	1,988,760	0.95%
Lennar Homes of Texas Land and Construction	Land	1,390,030	0.67%
Angelo & Rosemarie Enterprises II LTD	Land & Improvements	981,360	0.47%
Romeo Homes Texas LLC	Land & Improvements	848,390	0.41%
Global New Millennium Partners Ltd.	Land & Improvements	810,000	0.39%
Hacienda Services Inc	Land & Improvements	683,480	0.33%
Individual	Land & Improvements	519,800	0.25%
Woodmark Holdings LLC	Land & Improvements	517,200	0.25%
Total		\$ 14,645,380	7.03%

Summary of Assessed Valuation

The following breakdown of the 2016 through 2020 Certified Taxable Assessed Valuations has been provided by the District's Tax Assessor/Collector based on information contained in the 2016 through 2020 tax rolls of the District. Differences in values from other information herein are due to differences in dates of information provided.

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Land	\$ 26,071,000	\$ 25,675,610	\$ 23,198,410	\$ 20,569,300	\$ 20,405,760
Improvements	186,515,300	169,619,000	158,754,560	152,975,250	135,025,160
Personal Property	1,508,636	1,659,542	1,194,619	804,975	870,975
Less: Exemptions	(5,814,141)	(4,874,411)	(3,358,540)	(2,692,538)	(3,111,422)
Total Assessed Valuation	\$ 208,280,795	\$ 192,079,741	\$ 179,789,049	\$ 171,656,987	\$ 153,190,473

Tax Adequacy for Debt Service

The calculations shown below assume, solely for purposes of illustration, no increase or decrease in assessed valuation over the 2020 Certified Taxable Assessed Valuation and no use of debt service funds on hand, and utilize tax rates necessary to pay the District's maximum and average annual debt service requirement at a 95% collection rate. See "INVESTMENT CONSIDERATIONS— Impact on District Tax Rates."

Average Annual Debt Service Requirement (2021-2042).....	\$958,656
\$0.49 Tax Rate on the 2020 Certified Taxable Assessed Valuation @ 95% collections	\$969,547
Maximum Annual Debt Service Requirement (2022).....	\$1,105,569
\$0.56 Tax Rate on the 2020 Certified Taxable Assessed Valuation @ 95% collections	\$1,108,054

TAX PROCEDURES

Property Tax Code and County-Wide Appraisal District

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

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property and tangible personal property in the District is subject to taxation by the District; however, it is expected that no effort will be made by the District to collect taxes on personal property other than on personal property rendered for taxation, business inventories and the property of privately-owned utilities. Principal categories of exempt property include: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; farm products owned by the producer; all oil, gas and mineral interests owned by an institution of higher education; certain property owned by exclusively charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; solar and wind-powered energy devices; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years or older or under a disability for purposes of payment of disability insurance benefits under the Federal Old-Age Survivors and Disability Insurance Act to the extent deemed advisable by the Board. The District would be required to call an election on such residential homestead exemption upon petition by at least twenty percent (20%) of the number of qualified voters who voted in the District's preceding election and would be required to offer such an exemption if a majority of voters approve it at such election. For the 2021 tax year, the District has granted an exemption of \$5,000 of assessed valuation for persons 65 years of age and older and to individuals who are under a disability for purposes of payment of disability insurance benefits under the Federal Old-Age Survivors and Disability Insurance Act. The District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between \$5,000 and \$12,000 of assessed valuation depending upon the disability rating of the veteran, if such rating is less than 100%. A veteran who receives a disability rating of 100% is entitled to an exemption for the full value of the veteran's residence homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if (i) the residence homestead was donated by a charitable organization at no cost to the disabled veteran or, (ii) the residence was donated by a charitable organization at some cost to the disabled veteran if such cost is less than or equal to fifty percent (50%) of the total good faith estimate of the market value of the residence as of the date the donation is made. Also, the surviving spouse of a member of (i) a member of the armed forces or, (ii) a first responder as defined under Texas law, who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

A "Freeport Exemption" applies to goods, wares, merchandise, other tangible personal property and ores, other than oil, natural gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining oil or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit" Exemption is applicable to certain tangible personal property, as defined by the Property Tax Code, acquired in or imported into Texas for storage purposes and which is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. The exemption excludes oil, natural gas, petroleum products, aircraft and certain special inventory including dealer's motor vehicles, dealer's vessel and outboard motor vehicle, dealer's heavy equipment and retail manufactured housing inventory. The exemption applies to covered property if it is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit personal property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax

year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. However, taxing units who took official action as allowed by prior law before October 1, 2011, to tax goods-in-transit property, and who pledged such taxes for the payment of debt, may continue to impose taxes against the goods-in-transit property until the debt is discharged without further action, if cessation of the imposition would impair the obligations of the contract by which the debt was created. The District has taken official action to allow taxation of all such goods-in-transit personal property, but may choose to exempt same in the future by further official action.

General Residential Homestead Exemption

Texas law authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the appraised value of residential homesteads, but not less than \$5,000 if any exemption is granted, from ad valorem taxation. The law provides, however, that where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. For the 2021 tax year, the District has not granted a general residential homestead exemption.

Valuation of Property for Taxation

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

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

District and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units, including the District, may appeal orders of the Appraisal Review Board by filing a petition for review in district court within forty-five (45) days after notice is received that a final order has been entered. In such event, the property value in question may be determined by the court, or by a jury, if requested by any party. Additionally, taxing units may bring suit against the Appraisal District to comply with the Property Tax Code. The District may challenge the level of appraisal of a certain category of property, the exclusion of property from the appraisal rolls or the grant, in whole or in part, of an exemption. The District may not, however, protest a valuation of any individual property.

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

Agricultural, Open Space, Timberland and Inventory Deferment

The Property Tax Code permits land designated for agricultural use (including wildlife management), open space, or timberland to be appraised at its value based on the land's capacity to produce agriculture or timber products rather than at its fair market value. The Property Tax Code permits, under certain circumstances, that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of any of such designations must apply for the designation, and the Appraisal District is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions and not as to others. If a claimant receives the designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use for the three (3) years prior to the loss of the designation for agricultural, timberland or open space land. According to the District's Tax Assessor/Collector, as of January 1, 2020, no land within the District was designated for agricultural use, open space, inventory deferment or timberland.

Tax Abatement

The City of Houston and Montgomery County may designate all or part of the District as a reinvestment zone, and the District, Montgomery County and (if it were to annex the area) the City of Houston may thereafter enter into tax abatement agreements with the owners of property within the zone. The tax abatement agreements may exempt from ad valorem tax, by the applicable taxing jurisdictions, and by the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with a comprehensive plan. According to the District's Tax Assessor/Collector, to date, none of the area within the District has been designated as a reinvestment zone.

Levy and Collection of Taxes

The District is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. The District adopts its tax rate each year after it receives a tax roll certified by the Appraisal District. Taxes are due upon receipt of a bill therefor, and become delinquent after January 31 of the following year or 30 days after the date billed, whichever is later, or, if billed after January 10, they are delinquent on the first day of the month next following the 21st day after such taxes are billed. A delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month the tax remains unpaid beginning the first calendar month it is delinquent. A delinquent tax also incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent plus a one percent (1%) penalty for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. However, a tax delinquent on July 1 incurs a total penalty of twelve percent (12%) of the amount of the delinquent tax without regard to the number of months the tax has been delinquent, which penalty remains at such rate without further increase. If the tax is not paid by July 1, an additional penalty of up to the amount of the compensation specified in the District's contract with its delinquent tax collection attorney, but not to exceed twenty percent (20%) of the total tax, penalty and interest, may, under certain circumstances, be imposed by the District. With respect to personal property taxes that become delinquent on or after February 1 of a year and that remain delinquent sixty (60) days after the date on which they become delinquent, as an alternative to the penalty described in the foregoing sentence, an additional penalty on personal property of up to the amount specified in the District's contract with its delinquent tax attorney, but not to exceed twenty percent (20%) of the total tax, penalty and interest, may, under certain circumstances, be imposed by the District prior to July 1. The District's contract with its delinquent tax collection attorney currently specifies a twenty percent (20%) additional penalty. The District may waive penalties and interest on delinquent taxes only for the items specified in the Property Tax Code. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency of taxes under certain circumstances. The owner of a residential homestead property who is (i) a person sixty-five (65) years of age or older, (ii) under a disability for purpose of payment of disability insurance benefits under the Federal Old Age Survivors and Disability Insurance Act, or (iii) qualifies as a disabled veteran under Texas law, is entitled by law to pay current taxes on a residential homestead in installments or to defer the payment of taxes without penalty during the time of ownership. Additionally, a person who is delinquent on taxes for a residential homestead is entitled to an agreement with the District to pay such taxes in installments over a period of between 12 and 36 months (as determined by the District) when such person has not entered into another installment agreement with respect to delinquent taxes with the District in the preceding 24 months.

Rollback of Operation and Maintenance Tax Rate

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

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

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

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

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

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property against which the tax is levied. In addition, on January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of other such taxing units. See "Estimated Overlapping Debt Statement." A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien. Further, personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalties, and interest.

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

INVESTMENT CONSIDERATIONS

General

The Bonds, which are obligations of the District and not obligations of the State of Texas, Montgomery County, the City of Houston, or any other political entity other than the District, will be secured by an annual ad valorem tax levied, without legal limitation as to rate or amount, on all taxable property within the District. The ultimate security for payment of the principal of and interest on the Bonds depends on the ability of the District to collect from the property owners within the District sufficient taxes levied against the property, or, in the event of foreclosure, on the value of the taxable property with respect to taxes levied by the District and by other taxing authorities.

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

Extreme Weather Events; Hurricane Harvey

The greater Houston area, including the District, is subject to occasional severe weather events, including tropical storms and hurricanes. If the District were to sustain damage to its facilities requiring substantial repair or replacement, or if substantial damage were to occur to taxable property within the District as a result of such a weather event, the investment security of the Bonds could be adversely affected. The greater Houston area 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 the District's Engineer, the District's water, sewer and drainage system did not sustain any material damage and there was no interruption of water and sewer service as a result of Hurricane Harvey. Further, the District did not receive reports of any homes within the District that experienced structural 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

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

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

Impact on District Tax Rates

Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of District property owners to pay their taxes. The 2020 Certified Taxable Assessed Valuation of the District (see "FINANCIAL STATEMENT") is \$208,280,795. After issuance of the Bonds, the maximum annual debt service requirement will be \$1,105,569 (2022) and the average annual debt service requirement will be \$958,656 (2021-2042). Assuming no increase or decrease from the 2020 Certified Taxable Assessed Valuation and no use of funds other than tax collections, a tax rate of \$0.56 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the maximum annual debt service requirement of \$1,105,569 and a tax rate of \$0.49 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the average annual debt service requirement of \$958,656. See "DEBT SERVICE REQUIREMENTS". Although calculations have been made regarding average and maximum tax rates necessary to pay the debt service on the Bonds and the Remaining Outstanding Bonds based upon the 2020 Certified Taxable Assessed Valuation, the District can make no representations regarding the future level of assessed valuation within the District. Increases in the tax rate may be required in the event major taxpayers do not pay their District taxes timely. See "TAX PROCEDURES" and "TAX DATA—Tax Adequacy for Debt Service."

Future Debt

The District reserves in the Bond Order the right to issue the remaining \$11,255,000 in principal amount of authorized but unissued unlimited tax bonds for purchasing, constructing, acquiring, owning, operating, repairing, improving or extending a water, sewer and drainage system for the District and the \$29,650,000 in principal amount of authorized but unissued unlimited tax bonds for the purpose of refunding the outstanding bonds of the District. According to the District's Engineer, the District currently owes Friendswood Development Company, LLC, the developer of the commercial acreage, approximately \$1,665,000 for facilities constructed on behalf of the District. The District's obligation to pay this amount is subject to the developer's performance of certain conditions set forth in their development agreement with the District. It is expected that the District may issue additional bonds to reimburse Friendswood Development Company, LLC for such facilities. In addition, the District may issue any additional bonds approved by District voters in future elections. See "THE BONDS—Issuance of Additional Debt," "Financing Road Facilities," and "Financing Parks and Recreational Facilities." The issuance of such obligations may adversely affect the investment security of the 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." The District does not employ any formula with regard to assessed valuations or tax collections or otherwise to limit the amount of bonds which may be issued. Any bonds issued by the District, however, must be approved by the Attorney General of Texas and the Board and any bonds issued to acquire or construct water, sewer and drainage facilities or recreational facilities must be approved by the Commission. The Engineer has stated that the District's authorized but unissued bonds will be adequate to complete the development of the District.

Environmental Regulations

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

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

Sanctions against a municipal utility district or other type of special purpose district for failure to comply with environmental laws and regulations may include a variety of civil and criminal enforcement measures, including assessment of monetary penalties, imposition of remedial requirements and issuance of injunctions to ensure future compliance. Environmental laws and compliance with environmental laws and regulations can increase the cost of planning, designing, constructing and operating water production and wastewater treatment facilities. Environmental laws can also inhibit growth and development within the District. Further, changes in regulations occur frequently, and any changes that result in more stringent and costly requirements could materially impact the District.

Air Quality Issues. Air quality control measures required by the United States Environmental Protection Agency (the “EPA”) and the 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 TCEQ issued the General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the “MS4 Permit”) 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. While the District is currently not subject to the MS4 Permit, if the District’s inclusion were required at a future date, the District could incur substantial costs to develop, implement, and maintain the necessary plans as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff in order to comply with the MS4 Permit.

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

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

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

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

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

Tax Collections Limitations

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time consuming and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedure against a taxpayer, or (c) market conditions limiting the proceeds from a foreclosure sale of taxable property. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. Attorney's fees and other costs of collecting any such taxpayer's delinquencies could substantially reduce the net proceeds to the District from a tax foreclosure sale. Finally, a 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 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. See “TAX PROCEDURES—District's Rights in the Event of Tax Delinquencies.”

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 (1) is 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.

Continuing Compliance with Certain Covenants

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

Bond Insurance Risk Factors

The District 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 claim 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.

Future and Proposed Legislation

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

Marketability

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.

MUNICIPAL BOND RATING

It is expected that S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, ("S&P") and Moody's Investors Service ("Moody's") will assign a municipal bond rating 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 "Baa1" to the Bonds. An explanation of the ratings may be obtained from the company furnishing each rating.

The ratings reflect only the view of such organizations and the District makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that it 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 B 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."

LEGAL MATTERS

Legal Opinions

The District will furnish to the Underwriter a transcript of certain certified proceedings incident to the issuance and authorization of the Bonds, including a certified copy of the approving legal opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Attorney General has examined a transcript of proceedings authorizing the issuance of the Bonds, and that based upon such examination, the Bonds are valid and binding obligations of the District payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. The District will also furnish the approving legal opinion of Schwartz, Page & Harding, L.L.P., Houston, Texas, Bond Counsel, to the effect that, based upon an examination of such transcript, the Bonds are valid and binding obligations of the District under the Constitution and laws of the State of Texas, except to the extent that enforcement of the rights and remedies of the Registered Owners of the Bonds may be limited by laws relating to bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. The legal opinion of Bond Counsel will further state that the Bonds are payable, both as to principal and interest, from the levy of ad valorem taxes, without legal limitation as to rate or amount, upon all taxable property within the District. The District will also furnish the legal opinion of McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Special Tax Counsel to the District, to the effect that interest on the Bonds is excludable from gross income of the owners for federal income tax purposes under existing law and not subject to the alternative minimum tax on individuals, or, except as described therein, corporations.

In addition to serving as Bond Counsel, Schwartz, Page & Harding, L.L.P., also serves as counsel to the District on matters not related to the issuance of bonds. The legal fees to be paid to Bond Counsel and Special Tax Counsel for services rendered in connection with the issuance of the Bonds are based upon a percentage of bonds actually issued, sold and delivered, and, therefore, such fees are contingent upon the sale and delivery of the Bonds. Certain legal matters will be passed upon for the Underwriter by McCall, Parkhurst & Horton L.L.P., Houston, Texas.

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

Legal Review

In its capacity as Bond Counsel, Schwartz, Page & Harding, L.L.P., has reviewed the information appearing in this Official Statement under the captioned sections "PLAN OF FINANCING – Escrow Agreement," and " – Defeasance of the Refunded Bonds" (but only insofar as such section relates to the legal opinion of Bond Counsel), "THE BONDS," "THE DISTRICT – General", "Strategic Partnership Agreement" and "–MANAGEMENT - Bond Counsel and General Counsel," "TAX PROCEDURES," and "LEGAL MATTERS – Legal Opinions" (but only insofar as such section relates to the opinion of Bond Counsel) solely to determine whether such information fairly summarizes the law and documents referred to therein. In its capacity as Special Tax Counsel, McCall, Parkhurst & Horton L.L.P, Dallas, Texas, has reviewed the information appearing in this Official Statement under the caption "LEGAL MATTERS – Legal Opinions" (insofar as such section relates to the opinion of Special Tax Counsel) and "TAX MATTERS" solely to determine whether such information fairly summarizes the law referred to therein. Such firms have not independently verified factual information contained in this Official Statement, nor have such firms conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon such firms' limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of any of the other information contained herein.

TAX MATTERS

Opinion

On the date of initial delivery of the Bonds, McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Special Tax Counsel, will render their opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, Special Tax Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds.

In rendering their opinion, Special Tax Counsel will rely upon (a) the opinion of Schwartz, Page & Harding, L.L.P., Houston, Texas, Bond Counsel, that the Bonds are valid and binding obligations of the District payable from the proceeds of a generally-applicable ad valorem tax, (b) the District's federal tax certificate and the verification report prepared by Public Finance Partners, LLC, and (c) covenants of the District with respect to arbitrage, the application of the proceeds to be received from the issuance and sale of the Bonds and certain other matters. Although it is expected that the Bonds will qualify as tax-exempt obligations for federal income tax purposes as of the date of issuance, the tax-exempt status of the Bonds could be affected by future events. However, future events beyond the control of the District, as well as the failure to observe the aforementioned representations or covenants, could cause the interest on the Bonds to become taxable retroactively to the date of issuance.

Special Tax Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Special Tax Counsel's opinion is not a guarantee of a result. The Existing Law is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that such Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Bonds.

A ruling was not sought from the Internal Revenue Service by the Issuer with respect to the Bonds. No assurances can be given as to whether or not the Internal Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Special Tax Counsel. If an audit is commenced, under current procedures the Internal Revenue Service is likely to treat the District as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

Federal Income Tax Accounting Treatment of Original Issue Discount

The Underwriter has represented that the initial public offering price to be paid for the Bonds (the "Original Issue Discount Bonds"), as stated on the cover of the Official Statement, is less than the principal amount thereof. As such, the difference between (i) the amount payable at the maturity of each Original Issue Discount Bond, and (ii) the initial offering price to the public 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 in the initial public offering of the Bonds.

Under existing law, such an 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 for which such Original Issue Discount Bond continues to be owned by such owner. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

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 Original Issue Discount Bond was held by such initial owner) is includable in gross income.

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

The federal income tax consequences of the purchase, ownership, 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 the treatment of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Bonds.

Collateral Federal Income Tax Consequences

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on Existing Law which is subject to change or modification retroactively.

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences. The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, including financial institutions, life insurance and property and casualty insurance companies, 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, certain S corporations with accumulated earnings and profits and excess passive investment income, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health insurance premium assistance credit, and individuals otherwise allowed an earned income credit. THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIFIC PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP, AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

Under Section 6012 of the Code, holders of tax-exempt obligations, such as the Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Bonds, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount bonds" to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

State, Local and Foreign Taxes

Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the Bonds under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

Qualified Tax-Exempt Obligations

Section 265(a) of the Code provides, in pertinent part, that interest paid or incurred by a taxpayer, including a "financial institution," on indebtedness incurred or continued to purchase or carry tax-exempt obligations is not deductible in determining the taxpayer's taxable income. Section 265(b) of the Code provides an exception to the disallowance of such deduction for any interest expense paid or incurred on indebtedness of a taxpayer that is a "financial institution" allocable to tax-exempt obligations, other than "private activity bonds," that are designated by a "qualified small issuer" as "qualified tax-exempt obligations." A "qualified small issuer" is any governmental issuer (together with any "on- behalf of" and "subordinate" issuers) who issues no more than \$10,000,000 of tax-exempt obligations during the calendar year. Section 265(b)(5) of the Code defines the term "financial institution" as any "bank" described in Section 585(a)(2) of the Code, or any person accepting deposits from the public in the ordinary course of such person's trade or business that is subject to federal or state supervision as a financial institution. Notwithstanding the exception to the disallowance of the deduction of interest on indebtedness related to "qualified tax-exempt obligations" provided by Section 265(b) of the Code, Section 291 of the Code provides that the allowable deduction to a "bank," as defined in Section 585(1)(2) of the Code, for interest on indebtedness incurred or continued to purchase "qualified tax-exempt obligations" shall be reduced by twenty-percent (20%) as a "financial institution preference item."

The District has designated the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b) of the Code. In furtherance of that designation, the District will covenant to take such action that would assure, or to refrain from such action that would adversely affect, the treatment of the Bonds as "qualified tax-exempt obligations." Potential purchasers should be aware that if the issue price to the public exceeds \$10,000,000, there is a reasonable basis to conclude that the payment of a de minimis amount of premium in excess of \$10,000,000 is disregarded; however, the Internal Revenue Service could take a contrary view. If the Internal Revenue Service takes the position that the amount of such premium is not disregarded, then such obligations might fail to satisfy the aforementioned dollar limitation and the Bonds would not be "qualified tax-exempt obligations."

VERIFICATION OF MATHEMATICAL CALCULATIONS

Public Finance Partners LLC will deliver to the District, on or before the settlement date of the Bonds, its verification report indicating that it has verified the mathematical accuracy of (a) the mathematical computations of the adequacy of the funds deposited with the Escrow Agent, to pay, when due, the maturing principal of, and interest on the Refunded Bonds, (b) the mathematical computations of yield used by Special Tax Counsel to support its opinion that interest on the Bonds will be excluded from gross income for federal income tax purposes and (c) compliance with the City of Houston Ordinance No. 97-416.

Public Finance Partners LLC relied on the accuracy, completeness and reliability of all information provided to it by, and on all decisions and approvals of, the District. In addition, Public Finance Partners LLC has relied on any information provided to it by the District's retained advisors, consultants or legal counsel.

NO-LITIGATION CERTIFICATE

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

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 Engineer, the Tax Assessor/Collector, the Appraisal District and information from other sources believed to be reliable. No guarantee is made by the District as to the accuracy or completeness of the information derived from sources other than the District, and the inclusion herein of information from sources other than the District is not to be construed as a representation on the part of the District to such effect, 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. In addition to compiling and editing, the Financial Advisor has obtained the information set forth herein under the caption indicated from the following sources: "THE DISTRICT" and "THE SYSTEM"—Edminster, Hinshaw, Russ & Associates, Inc. "THE BONDS" and "LEGAL MATTERS – Legal Opinions" (insofar as such section relates to the legal opinion of Bond Counsel and Special Tax Counsel)—Schwartz, Page & Harding, L.L.P. and McCall, Parkhurst & Horton L.L.P., as applicable; "TAX MATTERS"— McCall, Parkhurst & Horton L.L.P.; "FINANCIAL STATEMENT" and "TAX DATA"— Montgomery Central Appraisal District, Wheeler & Associates, Inc. and the Municipal Advisory Council.

The Financial Advisor has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as 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.

Underwriter

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

Consultants

In approving this Official Statement, the District has relied upon the following consultants. Each consultant has agreed to the use of information provided by such firms.

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" (as it relates to District facilities) has been provided by Edminster, Hinshaw, Russ & Associates, Inc. and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

Appraisal District: The information contained in this Official Statement relating to the Assessed Valuations of the District has been provided by the Montgomery Central Appraisal District and has been included herein in reliance upon the authority of such entity as experts in assessing the values of property in Montgomery County, including the District.

Tax Assessor Collector: The information contained in this Official Statement relating to the historical breakdown of the Certified Taxable Assessed Valuations, principal taxpayers, and certain other historical data concerning tax rates and tax collections has been provided by Wheeler & Associates, Inc. and is included herein in reliance upon Wheeler & Associates, Inc. as an expert in collecting taxes.

Auditor: The financial statements of the District, as of February 29, 2020, and for the fiscal year then ended, included in this offering document, have been audited by McCall Gibson Swedlund Barfoot PLLC, independent auditors, as stated in their report appearing herein. See "APPENDIX A" for a copy of the District's February 29, 2020 audited financial statements.

Bookkeeper: The information related to the "unaudited" summary of the District's General Operating Fund as it appears in "WATER AND SEWER OPERATIONS" has been provided by Municipal Accounts & Consulting, L.P. and is included herein in reliance upon the authority of such firm as experts in the tracking and managing the various funds of municipal utility districts.

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 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 and reliance upon the experts listed above, 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 annually to the MSRB certain updated financial information and operating data. The information to be updated with respect to the District includes all quantitative financial information and operating data of the general type included in this Official Statement under the headings "FINANCIAL STATEMENT," "TAX DATA," "THE SYSTEM" "WATER AND SEWER OPERATIONS", "PLAN OF FINANCING—Debt Service Requirements" (most of which information is contained in the District's audited financial statements in Appendix A (Independent Auditor's Report and Financial Statements of the District and Certain Supplemental Schedules)). The District will update and provide this information within six (6) months after the end of each fiscal year 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 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 by the required time, 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 February 28. Accordingly, it must provide updated information by August 31 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

Specified Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other 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; (13) consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material to a decision to purchase or sell Bonds; (15) incurrence of a financial obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District, 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, any of which reflect financial difficulties. The terms "financial obligation" and "material" when used in this paragraph shall have the meanings ascribed to them 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 updated information only to the MSRB. The MSRB makes the information available to the public without charge through an 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 Holders and beneficial owners of the Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

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

MISCELLANEOUS

All estimates, statements and assumptions in this Official Statement and the Appendix 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.

This Official Statement was approved by the Board of Directors of Montgomery County Municipal Utility District No. 98, as of the date shown on the cover page.

/s/ Andy Rodriguez, Jr.
President, Board of Directors

ATTEST:

/s/ Ken Wolf
Secretary, Board of Directors

APPENDIX A

**Independent Auditor's Report and Financial Statements
of the District for the fiscal year ended February 29, 2020**

**MONTGOMERY COUNTY MUNICIPAL
UTILITY DISTRICT NO. 98**

MONTGOMERY COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

FEBRUARY 29, 2020

**MONTGOMERY COUNTY MUNICIPAL
UTILITY DISTRICT NO. 98**

MONTGOMERY COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

FEBRUARY 29, 2020

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Montgomery County Municipal
Utility District No. 98
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. 98 (the "District"), as of and for the year ended February 29, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District'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 February 29, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information required by the Texas Commission on Environmental Quality as published in the *Water District Financial Management Guide* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The supplementary information, excluding that portion marked "Unaudited" on which we express no opinion or provide any assurance, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

June 4, 2020

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 98
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED FEBRUARY 29, 2020**

Management’s discussion and analysis of Montgomery County Municipal Utility District No. 98’s (the “District”) financial performance provides an overview of the District’s financial activities for the fiscal year ended February 29, 2020. Please read it in conjunction with the District’s financial statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The basic financial statements include: (1) combined fund financial statements and government-wide financial statements and (2) notes to the financial statements. The combined fund financial statements and government-wide financial statements combine both: (1) the Statement of Net Position and Governmental Funds Balance Sheet and (2) the Statement of Activities and Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances. This report also includes required and other supplementary information in addition to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The District’s annual report includes two financial statements combining the government-wide financial statements and the fund financial statements. The government-wide financial statements provide both long-term and short-term information about the District’s overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The Statement of Net Position includes all of the District’s assets, liabilities, and deferred inflows and outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

The Statement of Activities reports how the District’s net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid.

FUND FINANCIAL STATEMENTS

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has three governmental fund types. The General Fund accounts for resources not accounted for in another fund, customer service revenues, costs and general expenditures. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 98
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED FEBRUARY 29, 2020**

FUND FINANCIAL STATEMENTS (Continued)

Governmental funds are reported in each of the financial statements. The focus in the fund statements provides a distinctive view of the District's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of the District and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. The adjustments columns, the Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position and the Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities explain the differences between the two presentations and assist in understanding the differences between these two perspectives.

NOTES TO THE FINANCIAL STATEMENTS

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

OTHER INFORMATION

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information ("RSI"). A budgetary comparison schedule is included as RSI for the General Fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities by \$2,913,662 as of February 29, 2020.

A portion of the District's net position reflects its net investment in capital assets (water, wastewater and drainage facilities less any debt used to acquire those assets that is still outstanding). The District uses these assets to provide water and wastewater services.

The following is a comparative analysis of government-wide changes in net position:

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 98
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED FEBRUARY 29, 2020**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	<u>Summary of Changes in the Statement of Net Position</u>		
	<u>2020</u>	<u>2019</u>	<u>Change Positive (Negative)</u>
Current and Other Assets	\$ 7,931,125	\$ 7,110,341	\$ 820,784
Capital Assets (Net of Accumulated Depreciation)	<u>13,257,843</u>	<u>13,536,072</u>	<u>(278,229)</u>
Total Assets	<u>\$ 21,188,968</u>	<u>\$ 20,646,413</u>	<u>\$ 542,555</u>
Deferred Outflows of Resources	<u>\$ 85,485</u>	<u>\$ 47,998</u>	<u>\$ 37,487</u>
Due to Developer	\$ 1,666,464	\$ 1,654,754	\$ (11,710)
Bonds Payable	16,196,684	16,659,548	462,864
Other Liabilities	<u>497,643</u>	<u>492,681</u>	<u>(4,962)</u>
Total Liabilities	<u>\$ 18,360,791</u>	<u>\$ 18,806,983</u>	<u>\$ 446,192</u>
Net Position:			
Net Investment in Capital Assets	\$ (3,407,443)	\$ (3,617,552)	\$ 210,109
Restricted	1,967,385	2,046,291	(78,906)
Unrestricted	<u>4,353,720</u>	<u>3,458,689</u>	<u>895,031</u>
Total Net Position	<u>\$ 2,913,662</u>	<u>\$ 1,887,428</u>	<u>\$ 1,026,234</u>

The following table provides a summary of the District's operations for the years ended February 29, 2020, and February 28, 2019. The District's net position increased by \$1,026,234 during the current fiscal year.

	<u>Summary of Changes in the Statement of Activities</u>		
	<u>2020</u>	<u>2019</u>	<u>Change Positive (Negative)</u>
Revenues:			
Property Taxes	\$ 2,056,240	\$ 1,954,732	\$ 101,508
Charges for Services	1,197,132	1,064,683	132,449
Other Revenues	<u>169,469</u>	<u>119,295</u>	<u>50,174</u>
Total Revenues	<u>\$ 3,422,841</u>	<u>\$ 3,138,710</u>	<u>\$ 284,131</u>
Expenses for Services	<u>2,396,607</u>	<u>2,244,797</u>	<u>(151,810)</u>
Change in Net Position	\$ 1,026,234	\$ 893,913	\$ 132,321
Net Position, Beginning of Year	<u>1,887,428</u>	<u>993,515</u>	<u>893,913</u>
Net Position, End of Year	<u>\$ 2,913,662</u>	<u>\$ 1,887,428</u>	<u>\$ 1,026,234</u>

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 98
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED FEBRUARY 29, 2020**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of February 29, 2020, were \$7,594,623, an increase of \$813,148 from the prior year.

The General Fund fund balance increased by \$906,642, primarily due to property tax revenues and service revenues exceeding operating expenditures.

The Debt Service Fund fund balance decreased by \$81,481, primarily due to the structure of the District's debt service requirements.

The Capital Projects Fund fund balance decreased by \$12,013, primarily due to the use of surplus funds to cover current year capital costs.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors did not amend the budget during the current fiscal year. Actual revenues were \$326,500 more than budgeted primarily due to higher than anticipated revenues across most categories. Actual expenditures were \$14,959 more than budgeted primarily due to higher than anticipated purchased wastewater service and miscellaneous costs, offset by less than anticipated repairs and maintenance costs and capital outlay.

CAPITAL ASSETS

The District's capital assets as of February 29, 2020, amount to \$13,257,843 and include land, as well as the water, wastewater and drainage systems. Significant capital asset activity completed during the current fiscal year was the Sumerset Shores Crossing water plant access driveway. The water plant no. 1 and lift station no. 1 generator and water plant recoating project were in construction in progress at year end.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2020	2019	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 3,273,284	\$ 3,273,284	\$
Construction in Progress	68,622	42,526	26,096
Capital Assets, Net of Accumulated Depreciation:			
Water System	2,667,740	2,761,082	(93,342)
Wastewater System	3,380,953	3,484,430	(103,477)
Drainage System	3,867,244	3,974,750	(107,506)
Total Net Capital Assets	\$ 13,257,843	\$ 13,536,072	\$ (278,229)

Additional information on the District's capital assets can be found in Note 6 of this report.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 98
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED FEBRUARY 29, 2020**

LONG-TERM DEBT ACTIVITY

As of February 29, 2020, the District had total bond debt payable of \$16,265,000. The changes in the debt position of the District during the current fiscal year are summarized as follows:

Bond Debt Payable, March 1, 2019	\$ 16,750,000
Add: Bond Sale - Series 2019 Refunding	2,310,000
Less: Bond Principal Paid and Refunded	<u>2,795,000</u>
Bond Debt Payable, February 29, 2020	<u>\$ 16,265,000</u>

The District’s Series 2013 bonds are not rated or insured. The Series 2015 Refunding, Series 2015A, Series 2017 and Series 2019 Refunding bonds carry an underlying rating of “Baa1” from Moody’s and an insured rating of “AA” from Standard & Poor’s by virtue of bond insurance issued by Assured Guaranty Municipal Corp. The Series 2016 bonds carry an underlying rating of “Baa1” from Moody’s and an insured rating of “AA” from Standard & Poor’s by virtue of bond insurance issued by Municipal Assurance Corp. Credit enhanced ratings provided through bond insurance policies are subject to change based on the rating of the bond insurance company. The above ratings are as of February 29, 2020 and reflect all rating changes of the bond insurer through the year then ended.

CONTACTING THE DISTRICT’S MANAGEMENT

This financial report is designed to provide a general overview of the District’s finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Montgomery County Municipal Utility District No. 98, c/o Schwartz Page & Harding, LLP, 1300 Post Oak Blvd., Suite 1400, Houston, Texas 77056.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 98
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
FEBRUARY 29, 2020

	General Fund	Debt Service Fund
ASSETS		
Cash	\$ 173,353	\$ 128,128
Investments	4,249,916	2,079,134
Receivables:		
Property Taxes	18,691	20,581
Penalty and Interest on Delinquent Taxes		
Service Accounts	93,902	
Accrued Interest	34,342	19,809
Other	455	
Due from Other Funds	66,935	
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	\$ 4,637,594	\$ 2,247,652
 DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charges on Refunding Bonds	\$ -0-	\$ -0-
 TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 4,637,594	\$ 2,247,652

The accompanying notes to the financial
statements are an integral part of this report.

<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 100	\$ 301,581	\$	\$ 301,581
1,110,277	7,439,327		7,439,327
	39,272		39,272
		2,437	2,437
	93,902		93,902
	54,151		54,151
	455		455
	66,935	(66,935)	
		3,273,284	3,273,284
		68,622	68,622
		9,915,937	9,915,937
<u>\$ 1,110,377</u>	<u>\$ 7,995,623</u>	<u>\$ 13,193,345</u>	<u>\$ 21,188,968</u>
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 85,485</u>	<u>\$ 85,485</u>
<u><u>\$ 1,110,377</u></u>	<u><u>\$ 7,995,623</u></u>	<u><u>\$ 13,278,830</u></u>	<u><u>\$ 21,274,453</u></u>

The accompanying notes to the financial statements are an integral part of this report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 98
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
FEBRUARY 29, 2020

	General Fund	Debt Service Fund
LIABILITIES		
Accounts Payable	\$ 171,723	\$
Accrued Interest Payable		
Due to Developers	11,710	
Due to Other Funds		59,362
Due to Taxpayers		8,782
Security Deposits	100,441	
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	\$ 283,874	\$ 68,144
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	\$ 18,691	\$ 20,581
FUND BALANCES		
Restricted for Authorized Construction	\$	\$
Restricted for Debt Service		2,158,927
Unassigned	4,335,029	
TOTAL FUND BALANCES	\$ 4,335,029	\$ 2,158,927
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 4,637,594	\$ 2,247,652
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

The accompanying notes to the financial
statements are an integral part of this report.

Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$ 2,137	\$ 173,860	\$	\$ 173,860
		214,560	214,560
	11,710	1,654,754	1,666,464
7,573	66,935	(66,935)	
	8,782		8,782
	100,441		100,441
		620,000	620,000
		<u>15,576,684</u>	<u>15,576,684</u>
<u>\$ 9,710</u>	<u>\$ 361,728</u>	<u>\$ 17,999,063</u>	<u>\$ 18,360,791</u>
<u>\$ -0-</u>	<u>\$ 39,272</u>	<u>\$ (39,272)</u>	<u>\$ -0-</u>
\$ 1,100,667	\$ 1,100,667	\$ (1,100,667)	\$
	2,158,927	(2,158,927)	
	<u>4,335,029</u>	<u>(4,335,029)</u>	
<u>\$ 1,100,667</u>	<u>\$ 7,594,623</u>	<u>\$ (7,594,623)</u>	<u>\$ -0-</u>
<u>\$ 1,110,377</u>	<u>\$ 7,995,623</u>		
		\$ (3,407,443)	\$ (3,407,443)
		1,967,385	1,967,385
		<u>4,353,720</u>	<u>4,353,720</u>
		<u>\$ 2,913,662</u>	<u>\$ 2,913,662</u>

The accompanying notes to the financial statements are an integral part of this report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 98
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
FEBRUARY 29, 2020

Total Fund Balances - Governmental Funds	\$	7,594,623
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Land and capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		13,257,843
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Interest paid in advance as part of a refunding bond sale is recorded as a deferred outflow in the governmental activities and systematically charged to interest expense over the remaining life of the new debt or the old debt, whichever is shorter.		85,485
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Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2019 and prior tax levies became part of recognized revenue in the governmental activities of the District.		41,709
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Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:

Due to Developer	\$ (1,654,754)	
Accrued Interest Payable	(214,560)	
Bonds Payable	<u>(16,196,684)</u>	<u>(18,065,998)</u>

Total Net Position - Governmental Activities	\$	<u>2,913,662</u>
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The accompanying notes to the financial statements are an integral part of this report.

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MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 98
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED FEBRUARY 29, 2020

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	\$ 991,828	\$ 1,095,585
Water Service	349,361	
Wastewater Service	708,375	
Penalty and Interest	39,213	10,809
Tap Connection and Inspection Fees	92,200	
Sales Tax Revenues	20,786	
Investment Revenues	86,464	34,379
Miscellaneous Revenues	2,844	43
TOTAL REVENUES	\$ 2,291,071	\$ 1,140,816
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 111,878	\$ 2,485
Contracted Services	222,625	35,608
Purchased Water Service	259,743	
Purchased Wastewater Service	562,454	
Utilities	10,760	
Repairs and Maintenance	110,074	
Depreciation		
Other	106,895	12,091
Capital Outlay		
Debt Service:		
Bond Principal		630,000
Bond Interest		542,026
Bond Issuance Costs		117,591
Payment to Refunded Bond Escrow Agent		5,000
TOTAL EXPENDITURES/EXPENSES	\$ 1,384,429	\$ 1,344,801
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES	\$ 906,642	\$ (203,985)
OTHER FINANCING SOURCES (USES)		
Refunding Bonds	\$	\$ 2,310,000
Payment to Refunded Bond Escrow Agent		(2,166,362)
Bond Discount		(21,134)
TOTAL OTHER FINANCING SOURCES (USES)	\$ -0-	\$ 122,504
NET CHANGE IN FUND BALANCES	\$ 906,642	\$ (81,481)
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - MARCH 1, 2019	3,428,387	2,240,408
FUND BALANCES/NET POSITION - FEBRUARY 29, 2020	\$ 4,335,029	\$ 2,158,927

The accompanying notes to the financial
statements are an integral part of this report.

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 2,087,413	\$ (31,173)	\$ 2,056,240
	349,361		349,361
	708,375		708,375
	50,022	(2,826)	47,196
	92,200		92,200
	20,786		20,786
24,953	145,796		145,796
	2,887		2,887
<u>\$ 24,953</u>	<u>\$ 3,456,840</u>	<u>\$ (33,999)</u>	<u>\$ 3,422,841</u>
\$ 1,494	\$ 115,857	\$	\$ 115,857
281	258,514		258,514
	259,743		259,743
	562,454		562,454
	10,760		10,760
	110,074		110,074
	118,986	313,420	313,420
35,191	35,191	(35,191)	118,986
	630,000	(630,000)	
	542,026	(12,818)	529,208
	117,591		117,591
	5,000	(5,000)	
<u>\$ 36,966</u>	<u>\$ 2,766,196</u>	<u>\$ (369,589)</u>	<u>\$ 2,396,607</u>
<u>\$ (12,013)</u>	<u>\$ 690,644</u>	<u>\$ 335,590</u>	<u>\$ 1,026,234</u>
\$	\$ 2,310,000	\$ (2,310,000)	\$
	(2,166,362)	2,166,362	
	(21,134)	21,134	
<u>\$ -0-</u>	<u>\$ 122,504</u>	<u>\$ (122,504)</u>	<u>\$ -0-</u>
\$ (12,013)	\$ 813,148	\$ (813,148)	\$
		1,026,234	1,026,234
<u>1,112,680</u>	<u>6,781,475</u>	<u>(4,894,047)</u>	<u>1,887,428</u>
<u>\$ 1,100,667</u>	<u>\$ 7,594,623</u>	<u>\$ (4,680,961)</u>	<u>\$ 2,913,662</u>

The accompanying notes to the financial statements are an integral part of this report.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 98
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED FEBRUARY 29, 2020**

Net Change in Fund Balances - Governmental Funds	\$	813,148
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.		(31,173)
Governmental funds report penalty and interest revenue on property taxes when collected. However, in the Statement of Activities, revenue is recorded when penalties and interest are assessed.		(2,826)
Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.		(313,420)
Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected.		35,191
Governmental funds report bond discounts as other financing uses in the year paid. However, in the Statement of Net Position, bond discounts are amortized over the life of the bonds and the current year amortized portion is recorded in the Statement of Activities.		21,134
Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Position, bond principal payments are reported as decreases in long-term liabilities.		630,000
Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.		12,818
Governmental funds report bond proceeds as other financing sources. Issued bonds increase long-term liabilities in the Statement of Net Position.		(2,310,000)
Governmental funds report the payment to the refunded bond escrow agent as an other financing use and a debt service expenditure. However, the refunding of outstanding bonds decreases long-term liabilities in the Statement of Net Position.		<u>2,171,362</u>
Change in Net Position - Governmental Activities	\$	<u>1,026,234</u>

The accompanying notes to the financial statements are an integral part of this report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 98
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 29, 2020

NOTE 1. CREATION OF DISTRICT

Montgomery County Municipal Utility District No. 98 (the “District”) was created by an order of the Texas Commission on Environmental Quality (the “Commission”), dated July 30, 2004, 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.

The District is governed by a Board of Directors consisting of five individuals who are residents or owners of property within the District and elected by voters within the District. The Board of Directors 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.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”). In addition, the accounting records of the District are maintained generally in accordance with the *Water District Financial Management Guide* published by the Commission.

The District is a political subdivision of the State of Texas governed by an elected board. GASB has established the criteria for determining whether or not an entity is a primary government or a component unit of a primary government. The primary criteria are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District’s financial statement as component units.

Financial Statement Presentation

These financial statements have been prepared in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting (“GASB Codification”).

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 98
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 29, 2020

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

The GASB Codification sets forth standards for external financial reporting for all state and local government entities, which include a requirement for a Statement of Net Position and a Statement of Activities. It requires the classification of net position into three components: Net Investment in Capital Assets; Restricted; and Unrestricted. These classifications are defined as follows:

- Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

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

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. The District's Statement of Net Position and Statement of Activities are combined with the governmental fund financial statements. The District is viewed as a special-purpose government and has the option of combining these financial statements.

The Statement of Net Position is reported by adjusting the governmental fund types to report on the full accrual basis, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Any amounts recorded due to and due from other funds are eliminated in the Statement of Net Position.

The Statement of Activities is reported by adjusting the governmental fund types to report only items related to current year revenues and expenditures. Items such as capital outlay are allocated over their estimated useful lives as depreciation expense. Internal activities between governmental funds, if any, are eliminated by adjustment to obtain net total revenue and expense of the government-wide Statement of Activities.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 98
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 29, 2020

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

As discussed above, the District's fund financial statements are combined with the government-wide statements. The fund statements include a Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances.

Governmental Funds

The District has three governmental funds and considers each to be a major fund.

General Fund – To account for resources not required to be accounted for in another fund, customer service revenues, costs and general expenditures.

Debt Service Fund - To account for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes.

Capital Projects Fund – To account for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

Basis of Accounting

The District uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both “measurable and available.” Measurable means the amount can be determined. Available means collectable within the current period or soon enough thereafter to pay current liabilities. The District considers revenue reported in governmental funds to be available if they are collectable within 60 days after year-end. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred except for principal and interest on long-term debt, which are recognized as expenditures when payment is due.

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 98
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 29, 2020

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Engineering fees and certain other costs are capitalized as part of the asset.

The District chose to early implement GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. Interest costs will no longer be capitalized as part of the asset but will be shown as an expenditure in the fund financial statements and as an expense in the government-wide financial statements.

Assets are capitalized, including infrastructure assets, if they have an original cost greater than \$5,000 and a useful life over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation. Estimated useful lives are as follows:

	Years
Water System	10-45
Wastewater System	10-45
Drainage System	10-45

Budgeting

An annual unappropriated budget is adopted for the General Fund by the District’s Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. The original General Fund budget for the current year was not amended. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund presents the original and revised budget amounts, if revised, compared to the actual amounts of revenues and expenditures for the current year.

Pensions

A pension plan has not been established. The District does not have employees, except that the Internal Revenue Service has determined that the directors are considered to be employees for federal payroll tax purposes only.

Measurement Focus

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are presented using the economic resources

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 98
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 29, 2020

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus

measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets and liabilities associated with the activities are reported. Fund equity is classified as net position.

Governmental fund types are accounted for on a spending or financial flow measurement focus. Accordingly, only current assets and current liabilities are included on the Balance Sheet, and the reported fund balances provide an indication of available spendable or appropriable resources. Operating statements of governmental fund types report increases and decreases in available spendable resources. Fund balances in governmental funds are classified using the following hierarchy:

Nonspendable: amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District does not have any nonspendable fund balances.

Restricted: amounts that can be spent only for specific purposes because of constitutional provisions, or enabling legislation, or because of constraints that are imposed externally.

Committed: amounts that can be spent only for purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. This action must be made no later than the end of the fiscal year. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. The District does not have any committed fund balances.

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

Unassigned: all other spendable amounts in the General Fund.

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

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

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 98
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 29, 2020

NOTE 3. LONG-TERM DEBT

	Series 2013	Refunding Series 2015	Series 2015A
Amount Outstanding – February 29, 2020	\$ 1,155,000	\$ 1,795,000	\$ 2,555,000
Interest Rates	2.75%-4.75%	3.00%-3.25%	3.00%-4.125%
Maturity Dates - Serially Beginning/Ending	April 1, 2020/2034	April 1, 2020/2029	April 1, 2020/2039
Interest Payment Dates	April 1, October 1	April 1, October 1	April 1, October 1
Callable Dates	April 1, 2021*	April 1, 2023*	April 1, 2023*
	Series 2016	Series 2017	Refunding Series 2019
Amount Outstanding – February 29, 2020	\$ 4,000,000	\$ 4,450,000	\$ 2,310,000
Interest Rates	2.00%-3.125%	2.125%-4.00%	2.00%-3.00%
Maturity Dates - Serially Beginning/Ending	April 1, 2020/2040	April 1, 2020/2042	April 1, 2020/2033
Interest Payment Dates	April 1, October 1	April 1, October 1	April 1, October 1
Callable Dates	April 1, 2024*	April 1, 2024*	April 1, 2025*

* Or any date thereafter, callable at par plus accrued interest to the date fixed for redemption. The Series 2013 term bonds maturing on April 1, 2034, are subject to mandatory sinking fund redemption beginning on April 1, 2031. The Series 2015 Refunding term bonds maturing on April 1, 2025 and April 1, 2027, are subject to mandatory sinking fund redemption beginning on April 1, 2024 and April 1, 2026, respectively. The Series 2015A term bonds maturing on April 1, 2023, April 1, 2027, April 1, 2030, April 1, 2032, April 1, 2034, and April 1, 2039, are subject to mandatory sinking fund redemption beginning on April 1, 2021, April 1, 2024, April 1, 2028, April 1, 2031, April 1, 2033 and April 1, 2036, respectively. The Series 2016 term bonds maturing April 1, 2027, April 1, 2030, April 1, 2034, and April 1, 2040, are subject to mandatory sinking fund redemption beginning on April 1, 2025, April 1, 2028, April 1, 2031, and April 1, 2039, respectively. The Series 2017 term bonds maturing on April 1, 2031 and April 1, 2036, are subject to mandatory sinking fund redemption beginning on April 1, 2030 and April 1, 2035, respectively.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 98
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 29, 2020

NOTE 3. LONG-TERM DEBT (Continued)

The following is a summary of transactions regarding long-term liabilities for the year ended February 29, 2020:

	March 1, 2019	Additions	Retirements	February 29, 2020
Bonds Payable	\$ 16,750,000	\$ 2,310,000	\$ 2,795,000	\$ 16,265,000
Unamortized Discounts	(94,912)	(21,134)	(43,703)	(72,343)
Unamortized Premiums	4,460		433	4,027
Bonds Payable, net	\$ 16,659,548	\$ 2,288,866	\$ 2,751,730	\$ 16,196,684
		Amount Due Within One Year		\$ 620,000
		Amount Due After One Year		15,576,684
		Bonds Payable, net		\$ 16,196,684

As of February 29, 2020, the District had authorized but unissued bonds in the amount of \$11,255,000 in tax bonds and \$29,725,000 in refunding bonds.

As of February 29, 2020, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2021	\$ 620,000	\$ 505,451	\$ 1,125,451
2022	625,000	486,238	1,111,238
2023	650,000	466,358	1,116,358
2024	665,000	447,688	1,112,688
2025	675,000	430,304	1,105,304
2026-2030	3,630,000	1,853,011	5,483,011
2031-2035	3,800,000	1,269,384	5,069,384
2036-2040	4,300,000	587,751	4,887,751
2041-2043	1,300,000	51,814	1,351,814
	\$ 16,265,000	\$ 6,097,999	\$ 22,362,999

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

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 98
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 29, 2020

NOTE 3. LONG-TERM DEBT (Continued)

During the year ended February 29, 2020, the District levied an ad valorem debt service tax rate of \$0.56 per \$100 of assessed valuation, which resulted in a tax levy of \$1,077,719 on the adjusted taxable valuation of \$192,450,190 for the 2019 tax year. 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 and the cost of assessing and collecting taxes. See Note 7 for the maintenance tax.

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

NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS

- A. The bond orders state that any profit realized from or interest accruing on such investments shall belong to the fund from which the monies for such investments were taken; provided however, that at the discretion of the Board of Directors, the profits realized from and interest accruing on investments made from any fund may be transferred to the Debt Service Fund.
- B. The District has covenanted that it will take all necessary steps to comply with the requirement that rebatable arbitrage earnings on the investment of the gross proceeds of the Bonds, within the meaning of section 148(f) of the Internal Revenue Code, be rebated to the federal government. The minimum requirement for determination of the rebatable amount is on the five-year anniversary of the issue.
- C. The bond orders state that the District is required to provide continuing disclosure of certain general financial information and operating data, as well as notice of certain material events as defined by federal securities laws, with respect to the District to the Nationally Recognized Municipal Securities Information Repositories and the State Information Depository. This information, along with the audited annual financial statements, is to be provided within six months after the end of each fiscal year and shall continue to be provided through the life of the bonds.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 98
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 29, 2020

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District’s deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes. Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District’s deposits was \$3,861,581 and the bank balance was \$3,866,566. The District was not exposed to custodial credit risk at year end. The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at February 29, 2020, as listed below:

	Cash	Certificates of Deposit	Total
GENERAL FUND	\$ 173,353	\$ 2,600,000	\$ 2,773,353
DEBT SERVICE FUND	128,128	960,000	1,088,128
CAPITAL PROJECTS FUND	100		100
TOTAL DEPOSITS	\$ 301,581	\$ 3,560,000	\$ 3,861,581

Investments

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all District funds must be invested in accordance with the following investment objectives: understanding the suitability of the investment to the District’s financial requirements, first; preservation and safety of principal, second; liquidity, third; marketability of the investments if the need arises to liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth; and yield, sixth. The District’s investments must be made “with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person’s own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived.” No person may invest District funds without express written authority from the Board of Directors.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 98
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 29, 2020

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. The District has adopted a written investment policy to establish the guidelines by which it may invest. This policy is reviewed annually. The District’s investment policy may be more restrictive than the Public Funds Investment Act.

The District invests in Texas Cooperative Liquid Assets Securities System Trust (“Texas CLASS”), an external public funds investment pool that is not SEC-registered. Public Trust Advisors, LLC serves as the pool’s administrator and investment advisor. The pool is subject to the general supervision of the Board of Trustees and its Advisory Board. Wells Fargo Bank, N.A. serves as custodian for the pool. Investments held by Texas CLASS are priced to market on a weekly basis. The investments are considered to be Level I investments because their fair value is measured by quoted prices in active markets. The fair value of the District’s position in the pool is the same as the value of the pool shares. There are no limitations or restrictions on withdrawals from Texas CLASS.

As of February 29, 2020, the District had the following investments and maturities:

<u>Fund and Investment Type</u>	<u>Fair Value</u>	<u>Maturities of Less Than 1 Year</u>
<u>GENERAL FUND</u>		
Texas CLASS	\$ 1,649,916	\$ 1,649,916
Certificates of Deposit	2,600,000	2,600,000
<u>DEBT SERVICE FUND</u>		
Texas CLASS	1,119,134	1,119,134
Certificates of Deposit	960,000	960,000
<u>CAPITAL PROJECTS FUND</u>		
Texas CLASS	<u>1,110,277</u>	<u>1,110,277</u>
TOTAL INVESTMENTS	<u>\$ 7,439,327</u>	<u>\$ 7,439,327</u>

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. As of February 29, 2020, the District investments in Texas CLASS were rated AAAM by Standard and Poor’s. The District also manages credit risk by investing in certificates of deposit covered by FDIC insurance.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 98
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 29, 2020

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investments in Texas CLASS to have a maturity of less than one year due to the fact the share position can usually be redeemed each day at the discretion of the District, unless there has been a significant change in value. The District also manages interest rate risk by investing in certificates of deposit with maturities of one year or less.

Restrictions

All cash and investments of the Debt Service Fund are restricted for the payment of debt service and the cost of assessing and collecting taxes. All cash and investments of the Capital Projects Fund are restricted for the purchase of capital assets.

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended February 29, 2020:

	March 1, 2019	Increases	Decreases	February 29, 2020
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 3,273,284		\$ 9,095	\$ 3,273,284
Construction in Progress	42,526	35,191	9,095	68,622
Total Capital Assets Not Being Depreciated	\$ 3,315,810	\$ 35,191	\$ 9,095	\$ 3,341,906
Capital Assets Subject to Depreciation				
Water System	\$ 3,669,900	\$ 9,095	\$ -	\$ 3,678,995
Wastewater System	4,374,644			4,374,644
Drainage System	4,836,234			4,836,234
Total Capital Assets Subject to Depreciation	\$ 12,880,778	\$ 9,095	\$ - 0 -	\$ 12,889,873
Accumulated Depreciation				
Water System	\$ 908,818	\$ 102,437	\$ -	\$ 1,011,255
Wastewater System	890,214	103,477		993,691
Drainage System	861,484	107,506		968,990
Total Accumulated Depreciation	\$ 2,660,516	\$ 313,420	\$ - 0 -	\$ 2,973,936
Total Depreciable Capital Assets, Net of Accumulated Depreciation	\$ 10,220,262	\$ (304,325)	\$ - 0 -	\$ 9,915,937
Total Capital Assets, Net of Accumulated Depreciation	\$ 13,536,072	\$ (269,134)	\$ 9,095	\$ 13,257,843

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 98
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 29, 2020

NOTE 7. MAINTENANCE TAX

On November 2, 2004, the voters of the District approved the levy and collection of a maintenance tax in an amount not to exceed \$1.35 per \$100 of assessed valuation of taxable property within the District. This maintenance tax is to be used by the General Fund to pay expenditures of operating the District's waterworks and wastewater systems. During the current fiscal year, the District levied an ad valorem maintenance tax rate of \$0.51 per \$100 of assessed valuation, which resulted in a tax levy of \$981,495 on the adjusted taxable valuation of \$192,450,190 for the 2019 tax year.

NOTE 8. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, error and omission and natural disasters for which the District carries commercial insurance. There have been no significant changes in coverage from the prior year and settlements have not exceeded coverage in the past three years.

NOTE 9. WATER SUPPLY AND WASTE DISPOSAL CONTRACTS

In April 2004, one of the District's developers entered into water supply and waste disposal contracts with the City of Houston. These contracts were assumed by the District in January 2005 and have terms of 40 years. During the current year, the District incurred costs of \$259,743 and \$562,454 under the terms of the water supply and waste disposal contracts, respectively.

NOTE 10. UNREIMBURSED DEVELOPER COSTS

The District has executed developer financing agreements with a Developer within the District. The agreements call for the Developer to fund costs associated with water, sewer, and drainage facilities until such time as the District can sell bonds. As reflected in the Statement of Net Position, \$1,654,754 has been recorded as a liability for facilities financed by the Developer. Reimbursement to the Developer is anticipated to come from future bond sales.

NOTE 11. INTERFUND RECEIVABLES AND PAYABLES

As of February 29, 2020, the Debt Service Fund owed the General Fund \$59,362 for maintenance tax collections and the Capital Projects Fund owed the General Fund \$7,573 for engineering costs.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 98
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 29, 2020

NOTE 12. STRATEGIC PARTNERSHIP AGREEMENT

The District entered into a Strategic Partnership Agreement dated effective November 22, 2013, with the City of Houston, Texas. The agreement provides that in accordance with Subchapter F of Chapter 43 of the Local Government Code and Act, the City shall annex a tract of land defined as the “Tract” for the limited purposes of applying the City’s Planning and Zoning Ordinances (under certain circumstances) and to impose a sales tax within the Tract within the boundaries of the District. The District will continue to develop, to own, and to operate and maintain a water, wastewater, and drainage system in the District.

All taxable property within the District shall not be liable for any present or future debts of the City, and current and future taxes levied by the City shall not be levied on taxable property within the District. The District’s assets, liabilities, indebtedness, and obligations will remain the responsibility of the District during the period preceding full-purpose annexation.

The qualified voters of the Tract may vote in certain City elections pursuant to Local Government Code. The City is responsible for notifying the voters within the Tract.

The City shall impose a Sales and Use Tax within the boundaries of the Tract upon the limited-purpose annexation of the Tract. The Sales and Use Tax shall be imposed on the receipts from the sale and use at retail of taxable items at the rate of one percent or the rate specified under the future amendments to Chapter 321 of the Tax Code. The City agreed to pay to the District an amount equal to one-half of all Sales and Use Tax revenues generated within the boundaries of the Tract. The City agreed to deliver to the District its share of the sales tax receipts within 30 days of the City receiving the funds from the State Controller’s office. During the current fiscal year, the District recorded \$20,786 of sales tax revenues.

NOTE 13. ESCROW REQUIREMENTS AND DIRECTIVE NOT TO EXPEND

The Commission directed the District to place \$760,722 of the Series 2017 bond proceeds in escrow as follows: \$280,240 for Kings Mill, Section 10 water, wastewater and drainage and \$480,482 for Kings Mill Section 11 water, wastewater and drainage. On March 14, 2018, the Commission authorized the release of these funds from escrow. The District was also directed not to expend a total of \$594,000 for a water plant generator pending receipt of plans and specifications approved by all entities with jurisdiction.

NOTE 14. REFUNDING BOND SALE

On April 17, 2019, the District issued \$2,310,000 of Unlimited Tax Refunding Bonds, Series 2019, to refund portions of the Series 2010 and Series 2011 bonds. The net proceeds of \$2,166,362 plus \$5,000 of available Debt Service Fund monies were used to retire portions of the Series 2010 and Series 2011 bonds in the amounts of \$805,000 and \$1,360,000, respectively. As a result, the refunded bonds are considered to be defeased and the liability for these bonds has been removed from the Statement of Net Position. The effect of the refunding decreases total debt service by \$259,235 and obtains net present value savings of \$201,758.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 98
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 29, 2020

NOTE 15. USE OF SURPLUS FUNDS

In accordance with Rule 30 T.A.C. 293.83(c)(3) of the Commission, the District approved the use of surplus Capital Projects Fund monies in the amounts of \$9,095 to pay the cost of constructing a concrete driveway from Somerset Shores Crossing to the gate located at the water plant site and \$283,200 to pay the cost of recoating ground storage tanks and hydro pneumatic tanks at the water plant. During the current fiscal year, the Capital Projects Fund expended \$9,095 for the driveway project. The District expended \$8,907 on the recoating project in the current year. This project will be completed in the fiscal year ending February 28, 2021.

NOTE 16. UNCERTAINTIES

On March 11, 2020, the World Health Organization declared the COVID-19 virus a global pandemic. As a result, economic uncertainties have arisen which could have an impact on the operations of the District. The District is carefully monitoring the situation and evaluating its options during this time. No adjustments have been made to these financial statements as a result of this uncertainty, as the potential financial impact of this pandemic is unknown at this time.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 98

REQUIRED SUPPLEMENTARY INFORMATION

FEBRUARY 29, 2020

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 98
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED FEBRUARY 29, 2020

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Property Taxes	\$ 830,500	\$ 991,828	\$ 161,328
Water Service	345,200	349,361	4,161
Wastewater Service	657,400	708,375	50,975
Penalty and Interest	35,000	39,213	4,213
Tap Connection and Inspection Fees	25,500	92,200	66,700
Sales Tax Revenues		20,786	20,786
Investment Revenues	66,371	86,464	20,093
Miscellaneous Revenues	<u>4,600</u>	<u>2,844</u>	<u>(1,756)</u>
TOTAL REVENUES	<u>\$ 1,964,571</u>	<u>\$ 2,291,071</u>	<u>\$ 326,500</u>
EXPENDITURES			
Service Operations:			
Professional Fees	\$ 111,500	\$ 111,878	\$ (378)
Contracted Services	225,050	222,625	2,425
Purchased Water Service	267,000	259,743	7,257
Purchased Wastewater Service	477,261	562,454	(85,193)
Utilities	11,950	10,760	1,190
Repairs and Maintenance	145,809	110,074	35,735
Other	80,900	106,895	(25,995)
Capital Outlay	<u>50,000</u>	<u></u>	<u>50,000</u>
TOTAL EXPENDITURES	<u>\$ 1,369,470</u>	<u>\$ 1,384,429</u>	<u>\$ (14,959)</u>
NET CHANGE IN FUND BALANCE	\$ 595,101	\$ 906,642	\$ 311,541
FUND BALANCE - MARCH 1, 2019	<u>3,428,387</u>	<u>3,428,387</u>	<u></u>
FUND BALANCE - FEBRUARY 29, 2020	<u>\$ 4,023,488</u>	<u>\$ 4,335,029</u>	<u>\$ 311,541</u>

See accompanying independent auditor's report.

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MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 98

SUPPLEMENTARY INFORMATION REQUIRED BY THE

WATER DISTRICT FINANCIAL MANAGEMENT GUIDE

FEBRUARY 29, 2020

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 98
SERVICES AND RATES
FOR THE YEAR ENDED FEBRUARY 29, 2020**

1. SERVICES PROVIDED BY THE DISTRICT DURING THE FISCAL YEAR:

<u> X </u>	Retail Water	<u> </u>	Wholesale Water	<u> X </u>	Drainage
<u> X </u>	Retail Wastewater	<u> </u>	Wholesale Wastewater	<u> </u>	Irrigation
<u> </u>	Parks/Recreation	<u> </u>	Fire Protection	<u> </u>	Security
<u> X </u>	Solid Waste/Garbage	<u> </u>	Flood Control	<u> </u>	Roads
<u> </u>	Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)				
<u> X </u>	Other : The District purchases water and wastewater services from the City of Houston				

2. RETAIL SERVICE PROVIDERS

a. RETAIL RATES FOR A 5/8" METER (OR EQUIVALENT):

Based on the rate order effective July 1, 2018.

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons over Minimum Use</u>	<u>Usage Levels</u>
WATER:	\$ 29.55	8,000	N	\$ 3.23	8,001 and Over
WASTEWATER:	\$ 65.64	8,000	N	\$5.68	8,001 and Over

District employs winter averaging for wastewater usage?

 X
Yes No

Total monthly charges per 10,000 gallons usage: Water: \$36.01 Wastewater: \$77.00 Total: \$113.01

See accompanying independent auditor's report.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 98
SERVICES AND RATES
FOR THE YEAR ENDED FEBRUARY 29, 2020**

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered	_____	_____	x 1.0	_____
≤ ³ / ₄ "	<u>824</u>	<u>816</u>	x 1.0	<u>816</u>
1"	<u>7</u>	<u>7</u>	x 2.5	<u>18</u>
1½"	<u>2</u>	<u>2</u>	x 5.0	<u>10</u>
2"	<u>9</u>	<u>9</u>	x 8.0	<u>72</u>
3"	_____	_____	x 15.0	_____
4"	_____	_____	x 25.0	_____
6"	_____	_____	x 50.0	_____
8"	_____	_____	x 80.0	_____
10"	_____	_____	x 115.0	_____
Total Water Connections	<u><u>842</u></u>	<u><u>834</u></u>		<u><u>916</u></u>
Total Wastewater Connections	<u><u>830</u></u>	<u><u>822</u></u>	x 1.0	<u><u>822</u></u>

3. TOTAL WATER CONSUMPTION DURING THE FISCAL YEAR ROUNDED TO THE NEAREST THOUSAND: (Unaudited)

Gallons billed to customers:	69,210,000	Water Accountability Ratio: 99.5% (Gallons billed/Gallons purchased)
Gallons purchased:	70,606,000	From: City of Houston, Texas
Leaks and Flushing:	1,015,000	

See accompanying independent auditor's report.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 98
SERVICES AND RATES
FOR THE YEAR ENDED FEBRUARY 29, 2020**

4. STANDBY FEES (authorized only under TWC Section 49.231):

Does the District have Debt Service standby fees? Yes No

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

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes No

County in which District is located:

Montgomery County, Texas

Is the District located within a city?

Entirely Partly Not at all

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

Entirely Partly Not at all

ETJ in which District is partly located:

City of Houston, Texas.

Are Board Members appointed by an office outside the District?

Yes No

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 98
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED FEBRUARY 29, 2020

PROFESSIONAL FEES:	
Auditing	\$ 13,000
Engineering	38,710
Legal	<u>60,168</u>
TOTAL PROFESSIONAL FEES	<u>\$ 111,878</u>
PURCHASED SERVICES FOR RESALE:	
Purchased Water Service	\$ 259,743
Purchased Wastewater Service	<u>562,454</u>
TOTAL PURCHASED SERVICES FOR RESALE	<u>\$ 822,197</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 20,181
Operations and Billing	42,002
Solid Waste Disposal	<u>160,442</u>
TOTAL CONTRACTED SERVICES	<u>\$ 222,625</u>
UTILITIES:	
Electricity	\$ 9,393
Telephone	<u>1,367</u>
TOTAL UTILITIES	<u>\$ 10,760</u>
REPAIRS AND MAINTENANCE	<u>\$ 110,074</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 8,700
Election Costs	1,069
Insurance	10,211
Office Supplies and Postage	20,389
Payroll Taxes	666
Travel and Meetings	7,688
Other	<u>6,676</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 55,399</u>

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 98
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED FEBRUARY 29, 2020

TAP CONNECTIONS	\$ <u>35,200</u>
OTHER EXPENDITURES:	
Laboratory Fees	\$ 1,759
Permit Fees	1,544
Reconnection Fees	920
Inspection Fees	6,875
Regulatory Assessment	<u>5,198</u>
TOTAL OTHER EXPENDITURES	\$ <u>16,296</u>
TOTAL EXPENDITURES	\$ <u>1,384,429</u>

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 98
INVESTMENTS
FEBRUARY 29, 2020

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
<u>GENERAL FUND</u>					
Texas CLASS	XXXX1001	Varies	Daily	\$ 1,649,916	\$
Certificate of Deposit	XXXX5457	2.75%	04/28/20	240,000	5,551
Certificate of Deposit	XXXX0462	2.75%	03/17/20	240,000	6,311
Certificate of Deposit	XXXX0959	2.05%	10/09/20	200,000	1,606
Certificate of Deposit	XXXX9691	2.00%	11/12/20	240,000	1,420
Certificate of Deposit	XXXX2397	2.22%	08/15/20	240,000	2,876
Certificate of Deposit	XXXX2198	2.65%	05/07/20	240,000	5,175
Certificate of Deposit	XXXX9384	1.70%	01/20/21	240,000	447
Certificate of Deposit	XXXX0546	2.75%	06/30/20	240,000	4,376
Certificate of Deposit	XXXX2908	2.60%	07/06/20	240,000	4,069
Certificate of Deposit	XXXX7521	2.10%	09/12/20	240,000	2,334
Certificate of Deposit	XXXX0234	1.80%	02/12/21	<u>240,000</u>	<u>177</u>
TOTAL GENERAL FUND				<u>\$ 4,249,916</u>	<u>\$ 34,342</u>
<u>DEBT SERVICE FUND</u>					
Texas CLASS	XXXX1003	Varies	Daily	\$ 1,119,134	\$
Certificate of Deposit	XXXX8121	2.15%	09/17/20	240,000	2,318
Certificate of Deposit	XXXX2191	2.62%	04/15/20	240,000	5,496
Certificate of Deposit	XXXX6004	2.65%	03/18/20	240,000	6,029
Certificate of Deposit	XXXX443	2.60%	03/17/20	<u>240,000</u>	<u>5,966</u>
TOTAL DEBT SERVICE FUND				<u>\$ 2,079,134</u>	<u>\$ 19,809</u>
<u>CAPITAL PROJECTS FUND</u>					
Texas CLASS	XXXX1005	Varies	Daily	<u>\$ 1,110,277</u>	<u>\$ -0-</u>
TOTAL - ALL FUNDS				<u>\$ 7,439,327</u>	<u>\$ 54,151</u>

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 98
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED FEBRUARY 29, 2020

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE -				
MARCH 1, 2019	\$	30,302		\$ 40,143
Adjustments to Beginning				
Balance		<u>(1,278)</u>	\$ 29,024	<u>(1,696)</u> \$ 38,447
Original 2019 Tax Levy	\$	910,198		\$ 999,432
Adjustment to 2019 Tax Levy		<u>71,297</u>	<u>981,495</u>	<u>78,287</u> <u>1,077,719</u>
TOTAL TO BE				
ACCOUNTED FOR		\$ 1,010,519		\$ 1,116,166
TAX COLLECTIONS:				
Prior Years	\$	28,749		\$ 38,087
Current Year		<u>963,079</u>	<u>991,828</u>	<u>1,057,498</u> <u>1,095,585</u>
TAXES RECEIVABLE -				
FEBRUARY 29, 2020		<u>\$ 18,691</u>		<u>\$ 20,581</u>
TAXES RECEIVABLE BY				
YEAR:				
2019	\$	18,416		\$ 20,221
2018		<u>275</u>		<u>360</u>
TOTAL		<u>\$ 18,691</u>		<u>\$ 20,581</u>

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 98
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED FEBRUARY 29, 2020

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
PROPERTY VALUATIONS:				
Land	\$ 25,675,600	\$ 23,242,620	\$ 20,585,150	\$ 20,423,360
Improvements	169,618,990	158,754,540	152,982,160	135,025,150
Personal Property	1,645,684	1,304,544	804,975	870,975
Exemptions	<u>(4,490,084)</u>	<u>(3,074,687)</u>	<u>(2,628,896)</u>	<u>(2,738,202)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 192,450,190</u>	<u>\$ 180,227,017</u>	<u>\$ 171,743,389</u>	<u>\$ 153,581,283</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.56	\$ 0.615	\$ 0.65	\$ 0.650
Maintenance	<u>0.51</u>	<u>0.470</u>	<u>0.47</u>	<u>0.485</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 1.07</u>	<u>\$ 1.085</u>	<u>\$ 1.12</u>	<u>\$ 1.135</u>
ADJUSTED TAX LEVY*	<u>\$ 2,059,214</u>	<u>\$ 1,955,459</u>	<u>\$ 1,923,523</u>	<u>\$ 1,743,144</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>98.12 %</u>	<u>99.97 %</u>	<u>100.00 %</u>	<u>100.00 %</u>

* Based upon the adjusted tax levy at the time of the audit for the fiscal year in which the tax was levied.

Maintenance Tax – Maximum tax rate in an amount of \$1.35 per \$100 assessed valuation approved by voters on November 2, 2004.

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 98
LONG-TERM DEBT SERVICE REQUIREMENTS
FEBRUARY 29, 2020

S E R I E S - 2 0 1 3			
Due During Fiscal Years Ending February 28/29	Principal Due April 1	Interest Due April 1/ October 1	Total
2021	\$ 45,000	\$ 48,769	\$ 93,769
2022	45,000	47,475	92,475
2023	50,000	45,988	95,988
2024	55,000	44,214	99,214
2025	55,000	42,219	97,219
2026	60,000	39,988	99,988
2027	60,000	37,588	97,588
2028	65,000	35,006	100,006
2029	70,000	32,093	102,093
2030	50,000	29,437	79,437
2031	75,000	26,625	101,625
2032	75,000	23,156	98,156
2033	75,000	19,594	94,594
2034	75,000	16,031	91,031
2035	300,000	7,125	307,125
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
	\$ 1,155,000	\$ 495,308	\$ 1,650,308

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 98
LONG-TERM DEBT SERVICE REQUIREMENTS
FEBRUARY 29, 2020

SERIES - 2015 REFUNDING

Due During Fiscal Years Ending February 28/29	Principal Due April 1	Interest Due April 1/ October 1	Total
2021	\$ 150,000	\$ 52,638	\$ 202,638
2022	150,000	48,137	198,137
2023	160,000	43,488	203,488
2024	170,000	38,537	208,537
2025	175,000	33,363	208,363
2026	185,000	27,962	212,962
2027	190,000	22,338	212,338
2028	200,000	16,487	216,487
2029	205,000	10,156	215,156
2030	210,000	3,413	213,413
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
	<u>\$ 1,795,000</u>	<u>\$ 296,519</u>	<u>\$ 2,091,519</u>

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 98
LONG-TERM DEBT SERVICE REQUIREMENTS
FEBRUARY 29, 2020

S E R I E S - 2 0 1 5 A

Due During Fiscal Years Ending February 28/29	Principal Due April 1	Interest Due April 1/ October 1	Total
2021	\$ 70,000	\$ 92,406	\$ 162,406
2022	75,000	90,138	165,138
2023	80,000	87,619	167,619
2024	80,000	85,018	165,018
2025	85,000	82,284	167,284
2026	90,000	79,331	169,331
2027	95,000	76,209	171,209
2028	100,000	72,919	172,919
2029	105,000	69,459	174,459
2030	115,000	65,747	180,747
2031	120,000	61,781	181,781
2032	125,000	57,569	182,569
2033	130,000	53,106	183,106
2034	140,000	48,294	188,294
2035	145,000	43,128	188,128
2036	200,000	36,750	236,750
2037	200,000	28,875	228,875
2038	200,000	20,625	220,625
2039	200,000	12,375	212,375
2040	200,000	4,125	204,125
2041			
2042			
2043			
	<u>\$ 2,555,000</u>	<u>\$ 1,167,758</u>	<u>\$ 3,722,758</u>

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 98
LONG-TERM DEBT SERVICE REQUIREMENTS
FEBRUARY 29, 2020

S E R I E S - 2 0 1 6			
Due During Fiscal Years Ending February 28/29	Principal Due April 1	Interest Due April 1/ October 1	Total
2021	\$ 100,000	\$ 111,250	\$ 211,250
2022	100,000	109,250	209,250
2023	100,000	107,250	207,250
2024	100,000	105,250	205,250
2025	100,000	103,250	203,250
2026	100,000	101,125	201,125
2027	100,000	98,875	198,875
2028	100,000	96,625	196,625
2029	100,000	94,250	194,250
2030	100,000	91,750	191,750
2031	100,000	89,250	189,250
2032	100,000	86,500	186,500
2033	100,000	83,500	183,500
2034	100,000	80,500	180,500
2035	200,000	76,000	276,000
2036	400,000	67,000	467,000
2037	400,000	55,000	455,000
2038	400,000	43,000	443,000
2039	400,000	31,000	431,000
2040	400,000	18,750	418,750
2041	400,000	6,250	406,250
2042			
2043			
	\$ 4,000,000	\$ 1,655,625	\$ 5,655,625

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 98
LONG-TERM DEBT SERVICE REQUIREMENTS
FEBRUARY 29, 2020

S E R I E S - 2 0 1 7			
Due During Fiscal Years Ending February 28/29	Principal Due April 1	Interest Due April 1/ October 1	Total
2021	\$ 150,000	\$ 137,313	\$ 287,313
2022	150,000	131,313	281,313
2023	150,000	125,313	275,313
2024	150,000	120,719	270,719
2025	150,000	117,438	267,438
2026	150,000	113,969	263,969
2027	150,000	110,313	260,313
2028	150,000	106,469	256,469
2029	150,000	102,438	252,438
2030	150,000	98,313	248,313
2031	150,000	94,000	244,000
2032	150,000	89,500	239,500
2033	150,000	85,000	235,000
2034	150,000	80,406	230,406
2035	150,000	75,719	225,719
2036	200,000	70,125	270,125
2037	200,000	63,625	263,625
2038	300,000	55,500	355,500
2039	300,000	45,563	345,563
2040	300,000	35,438	335,438
2041	300,000	25,313	325,313
2042	300,000	15,188	315,188
2043	300,000	5,063	305,063
	\$ 4,450,000	\$ 1,904,038	\$ 6,354,038

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 98
LONG-TERM DEBT SERVICE REQUIREMENTS
FEBRUARY 29, 2020

REFUNDING SERIES - 2019

Due During Fiscal Years Ending February 28/29	Principal Due April 1	Interest Due April 1/ October 1	Total
2021	\$ 105,000	\$ 63,075	\$ 168,075
2022	105,000	59,925	164,925
2023	110,000	56,700	166,700
2024	110,000	53,950	163,950
2025	110,000	51,750	161,750
2026	105,000	49,600	154,600
2027	110,000	47,313	157,313
2028	115,000	44,638	159,638
2029	115,000	41,475	156,475
2030	135,000	37,725	172,725
2031	285,000	31,425	316,425
2032	295,000	22,725	317,725
2033	300,000	13,800	313,800
2034	310,000	4,650	314,650
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
	<u>\$ 2,310,000</u>	<u>\$ 578,751</u>	<u>\$ 2,888,751</u>

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 98
LONG-TERM DEBT SERVICE REQUIREMENTS
FEBRUARY 29, 2020

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending February 28/29	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2021	\$ 620,000	\$ 505,451	\$ 1,125,451
2022	625,000	486,238	1,111,238
2023	650,000	466,358	1,116,358
2024	665,000	447,688	1,112,688
2025	675,000	430,304	1,105,304
2026	690,000	411,975	1,101,975
2027	705,000	392,636	1,097,636
2028	730,000	372,144	1,102,144
2029	745,000	349,871	1,094,871
2030	760,000	326,385	1,086,385
2031	730,000	303,081	1,033,081
2032	745,000	279,450	1,024,450
2033	755,000	255,000	1,010,000
2034	775,000	229,881	1,004,881
2035	795,000	201,972	996,972
2036	800,000	173,875	973,875
2037	800,000	147,500	947,500
2038	900,000	119,125	1,019,125
2039	900,000	88,938	988,938
2040	900,000	58,313	958,313
2041	700,000	31,563	731,563
2042	300,000	15,188	315,188
2043	300,000	5,063	305,063
	<u>\$ 16,265,000</u>	<u>\$ 6,097,999</u>	<u>\$ 22,362,999</u>

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 98
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED FEBRUARY 29, 2020

Description	Original Bonds Issued	Bonds Outstanding March 1, 2019
Montgomery County Municipal Utility District No. 98 Unlimited Tax Bonds - Series 2010	1,125,000	845,000
Montgomery County Municipal Utility District No. 98 Unlimited Tax Bonds - Series 2011	1,600,000	1,405,000
Montgomery County Municipal Utility District No. 98 Unlimited Tax Bonds - Series 2013	1,385,000	1,200,000
Montgomery County Municipal Utility District No. 98 Unlimited Tax Refunding Bonds - Series 2015	2,350,000	1,935,000
Montgomery County Municipal Utility District No. 98 Unlimited Tax Bonds - Series 2015A	2,800,000	2,620,000
Montgomery County Municipal Utility District No. 98 Unlimited Tax Bonds - Series 2016	4,300,000	4,100,000
Montgomery County Municipal Utility District No. 98 Unlimited Tax Bonds - Series 2017	4,645,000	4,645,000
Montgomery County Municipal Utility District No. 98 Unlimited Tax Refunding Bonds - Series 2019	<u>2,310,000</u>	
TOTAL	<u>\$ 20,515,000</u>	<u>\$ 16,750,000</u>
Bond Authority:	<u>Tax Bonds*</u>	<u>Refunding Bonds</u>
Amount Authorized by Voters	\$ 30,000,000	\$ 30,000,000
Amount Issued	<u>18,745,000</u>	<u>275,000</u>
Remaining to be Issued	<u>\$ 11,255,000</u>	<u>\$ 29,725,000</u>
Debt Service Fund cash and investment balances as of February 29, 2020:		<u>\$ 2,207,262</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:		<u>\$ 972,304</u>

See accompanying independent auditor's report.

<u>Current Year Transactions</u>				
<u>Bonds Sold</u>	<u>Retirements</u>		<u>Bonds Outstanding February 29, 2020</u>	<u>Paying Agent</u>
	<u>Principal</u>	<u>Interest</u>		
	845,000	20,625	\$ -0-	Regions Bank Houston, TX
	1,405,000	33,118		Regions Bank Houston, TX
	45,000	49,950	1,155,000	Regions Bank Houston, TX
	140,000	56,987	1,795,000	Regions Bank Houston, TX
	65,000	94,431	2,555,000	Regions Bank Houston, TX
	100,000	113,250	4,000,000	Regions Bank Houston, TX
	195,000	144,213	4,450,000	Regions Bank Houston, TX
<u>2,310,000</u>		<u>29,452</u>	<u>2,310,000</u>	Regions Bank Houston, TX
<u>\$ 2,310,000</u>	<u>\$ 2,795,000</u>	<u>\$ 542,026</u>	<u>\$ 16,265,000</u>	

See Note 3 for interest rate, interest payment dates and maturity dates.

* Includes all bonds secured with tax revenues. Bonds in this category may also be secured with other revenues in combination with taxes.

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 98
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS

	Amounts		
	2020	2019	2018
REVENUES			
Property Taxes	\$ 991,828	\$ 835,304	\$ 821,475
Water Service	349,361	332,697	325,810
Wastewater Service	708,375	632,713	560,818
Penalty and Interest	39,213	33,752	34,407
Tap Connection and Inspection Fees	92,200	57,288	68,913
Sales Tax Revenues	20,786		
Investment Revenues	86,464	47,060	17,793
Miscellaneous Revenues	2,844	3,202	3,451
TOTAL REVENUES	\$ 2,291,071	\$ 1,942,016	\$ 1,832,667
EXPENDITURES			
Professional Fees	\$ 111,878	\$ 93,502	\$ 108,798
Contracted Services	222,625	213,840	208,583
Purchased Services	822,197	756,242	658,858
Utilities	10,760	10,682	9,363
Repairs and Maintenance	110,074	132,188	80,983
Other	106,895	82,949	82,228
Capital Outlay		8,789	22,817
TOTAL EXPENDITURES	\$ 1,384,429	\$ 1,298,192	\$ 1,171,630
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 906,642	\$ 643,824	\$ 661,037
OTHER FINANCING SOURCES (USES)			
Transfers In (Out)	\$ -0-	\$ -0-	\$ -0-
NET CHANGE IN FUND BALANCE	\$ 906,642	\$ 643,824	\$ 661,037
BEGINNING FUND BALANCE	3,428,387	2,784,563	2,123,526
ENDING FUND BALANCE	\$ 4,335,029	\$ 3,428,387	\$ 2,784,563

See accompanying independent auditor's report.

		Percentage of Total Revenue						
2017	2016	2020	2019	2018	2017	2016		
\$ 725,977	\$ 564,199	43.4 %	43.1 %	44.7 %	43.3 %	39.0 %		
305,747	274,461	15.2	17.1	17.8	18.3	19.0		
531,927	474,093	30.9	32.6	30.6	31.9	32.9		
32,172	31,489	1.7	1.7	1.9	1.9	2.2		
65,050	92,325	4.0	2.9	3.8	3.9	6.4		
		0.9						
9,084	4,744	3.8	2.4	1.0	0.5	0.3		
3,974	3,435	0.1	0.2	0.2	0.2	0.2		
<u>\$ 1,673,931</u>	<u>\$ 1,444,746</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>		
\$ 138,213	\$ 93,860	4.9 %	4.8 %	5.9 %	8.3 %	6.5 %		
173,212	149,204	9.7	11.0	11.4	10.3	10.3		
589,169	521,329	35.9	38.9	36.0	35.2	36.1		
8,942	9,290	0.5	0.6	0.5	0.5	0.6		
253,046	133,818	4.8	6.8	4.4	15.1	9.3		
95,883	105,895	4.7	4.3	4.5	5.7	7.3		
	137,965		0.5	1.2		9.5		
<u>\$ 1,258,465</u>	<u>\$ 1,151,361</u>	<u>60.5 %</u>	<u>66.9 %</u>	<u>63.9 %</u>	<u>75.1 %</u>	<u>79.6 %</u>		
\$ 415,466	\$ 293,385	39.5 %	33.1 %	36.1 %	24.9 %	20.4 %		
\$ 122,903	\$ -0-							
\$ 538,369	\$ 293,385							
1,585,157	1,291,772							
<u>\$ 2,123,526</u>	<u>\$ 1,585,157</u>							

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 98
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS

	Amounts		
	2020	2019	2018
REVENUES			
Property Taxes	\$ 1,095,585	\$ 1,094,059	\$ 1,134,928
Penalty and Interest	10,809	6,369	14,603
Investment Revenues	34,379	22,613	11,165
Miscellaneous Revenues	43	96	2,800
TOTAL REVENUES	\$ 1,140,816	\$ 1,123,137	\$ 1,163,496
EXPENDITURES			
Tax Collection Expenditures	\$ 46,153	\$ 42,900	\$ 42,058
Debt Service Principal	630,000	420,000	410,000
Debt Service Interest and Fees	546,057	554,686	434,573
Bond Issuance Costs	117,591		
Payment to Refunded Bond Escrow Agent	5,000		
TOTAL EXPENDITURES	\$ 1,344,801	\$ 1,017,586	\$ 886,631
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (203,985)	\$ 105,551	\$ 276,865
OTHER FINANCING SOURCES (USES)			
Long-Term Debt Issued	\$	\$	\$
Refunding Bonds	2,310,000		
Payment to Refunded Bond Escrow Agent	(2,166,362)		
Bond Discount	(21,134)		
Bond Premium			
TOTAL OTHER FINANCING SOURCES (USES)	\$ 122,504	\$ -0-	\$ -0-
NET CHANGE IN FUND BALANCE	\$ (81,481)	\$ 105,551	\$ 276,865
BEGINNING FUND BALANCE	2,240,408	2,134,857	1,857,992
ENDING FUND BALANCE	\$ 2,158,927	\$ 2,240,408	\$ 2,134,857
TOTAL ACTIVE RETAIL WATER CONNECTIONS	834	808	758
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	822	797	749

See accompanying independent auditor's report.

		Percentage of Total Revenue				
<u>2017</u>	<u>2016</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
\$ 975,915	\$ 877,745	96.1 %	97.4 %	97.5 %	98.6 %	98.2 %
6,696	6,542	0.9	0.6	1.3	0.7	0.7
6,768	2,655	3.0	2.0	1.0	0.7	0.3
181	7,265			0.2		0.8
<u>\$ 989,560</u>	<u>\$ 894,207</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 36,993	\$ 33,150	4.0 %	3.8 %	3.6 %	3.7 %	3.7 %
305,000	205,000	55.2	37.4	35.2	30.8	22.9
336,371	268,956	47.9	49.4	37.4	34.0	30.1
	113,787	10.3				12.7
		0.4				
<u>\$ 678,364</u>	<u>\$ 620,893</u>	<u>117.8 %</u>	<u>90.6 %</u>	<u>76.2 %</u>	<u>68.5 %</u>	<u>69.4 %</u>
<u>\$ 311,196</u>	<u>\$ 273,314</u>	<u>(17.8) %</u>	<u>9.4 %</u>	<u>23.8 %</u>	<u>31.5 %</u>	<u>30.6 %</u>
\$	\$ 49,666					
	2,350,000					
	(2,241,766)					
	6,065					
<u>\$ -0-</u>	<u>\$ 163,965</u>					
\$ 311,196	\$ 437,279					
1,546,796	1,109,517					
<u>\$ 1,857,992</u>	<u>\$ 1,546,796</u>					
<u>732</u>	<u>688</u>					
<u>726</u>	<u>683</u>					

See accompanying independent auditor's report.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 98
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
FEBRUARY 29, 2020**

District Mailing Address - Montgomery County Municipal Utility District No. 98
c/o Schwartz Page & Harding, LLP
1300 Post Oak Blvd., Suite 1400
Houston, TX 77056

District Telephone Number - (713) 623-4531

Board Members	Term of Office (Elected or Appointed)	Fees of Office for the year ended <u>February 29, 2020</u>	Expense Reimbursements for the year ended <u>February 29, 2020</u>	<u>Title</u>
Andy Rodriguez, Jr.	05/18 05/22 (Elected)	\$ 2,250	\$ 1,231	President
Garth Howard	05/16 05/20 (Elected)	\$ 2,250	\$ 1,673	Vice President
Ken Wolf	05/16 05/20 (Elected)	\$ 1,950	\$ 1,465	Secretary
Anthony Dainard	05/16 05/20 (Elected)	\$ -0-	\$ -0-	Assistant Secretary
Joe Chernow	05/18 05/22 (Elected)	\$ 2,250	\$ 1,334	Assistant Secretary

Notes: No Director has any business or family relationships (as defined by the Texas Water Code) with major landowners in the District, with the District's developers or with any of the District's consultants.

Submission date of most recent District Registration Form: March 6, 2020

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200 as set by Board Resolution (TWC Section 49.060). Fees of Office are the amounts actually paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 98
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
FEBRUARY 29, 2020

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended February 29, 2020</u>	<u>Title</u>
Schwartz, Page & Harding, LLP	08/17/04	\$ 64,783 \$ 21,528	General Counsel Bond Counsel
McCall Gibson Swedlund Barfoot PLLC	03/07/13	\$ 13,000 \$ 1,500	Auditor Bond Related
Municipal Accounts & Consulting	08/17/04	\$ 22,931	Bookkeeper
Perdue Brandon Fielder Collins & Mott, L.L.	05/04/06	\$ 2,485	Delinquent Tax Attorney
Edminster, Hinshaw, Russ and Associates, Inc.	09/07/06	\$ 64,806	Engineer
Masterson Advisors LLC	05/03/18	\$ 26,194	Financial Advisor
Mark M. Burton	10/07/04	\$ -0-	Investment Officer
Municipal Operations & Consulting, Inc.	10/07/04	\$ 174,839	Operator
Wheeler & Associates, Inc.	10/07/04	\$ 19,201	Tax Assessor/ Collector

See accompanying independent auditor's report.

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