

OFFICIAL STATEMENT DATED MARCH 1, 2021

IN THE OPINION OF BOND COUNSEL THE BONDS ARE VALID OBLIGATIONS OF THE DISTRICT AND INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER STATUTES, REGULATIONS, PUBLISHED RULINGS AND COURT DECISIONS EXISTING ON THE DATE OF SUCH OPINION, SUBJECT TO THE MATTERS DESCRIBED UNDER "TAX MATTERS" HEREIN.

The District designated the Bonds as "Qualified Tax-Exempt Obligations" for financial institutions. See "TAX MATTERS— Qualified Tax-Exempt Obligations for Financial Institutions" herein.

NEW ISSUE—BOOK-ENTRY ONLY
CUSIP No. 613704

RATINGS: Underlying rating "BBB"/ Insured "AA" (stable) S&P
See "BOND INSURANCE" and "MUNICIPAL BOND RATING" herein

\$8,155,000

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 15
(A political subdivision of the State of Texas, located in Montgomery County, Texas)
UNLIMITED TAX REFUNDING BONDS
SERIES 2021A

Dated: April 1, 2021

Due: March 1 (as shown below)

Interest on the Bonds (the "Bonds" or the "Series 2021A Bonds") will accrue from April 1, 2021, and will be payable on September 1 and March 1 of each year, commencing September 1, 2021. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("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. The Bonds will be issued in denominations of \$5,000, or integral multiples thereof. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of, premium, if any, 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" herein. The initial Paying Agent/Registrar is the Bank of New York Mellon Trust Company, N.A. in Dallas, Texas. See "REGISTRATION."

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 Build America Mutual Assurance Company ("BAM").



MATURITIES, AMOUNTS, INTEREST RATES AND PRICES

<u>Principal Amount</u>	<u>Maturity</u>	<u>Interest Rate (%)</u>	<u>Yield to Maturity(a)</u>	<u>Principal Amount</u>	<u>Maturity</u>	<u>Interest Rate (%)</u>	<u>Yield to Maturity</u>
\$50,000	2022	3.00%	0.42%	\$310,000	2027	3.00%	1.17%
\$280,000	2023	3.00%	0.54%	\$335,000	2028	3.00%	1.30%
\$310,000	2024	3.00%	0.72%	\$335,000	2029	3.00%	1.43%
\$310,000	2025	3.00%	0.90%	\$385,000	2030 (b)	2.00%	1.70%
\$310,000	2026	3.00%	1.05%	\$385,000	2031 (b)	2.00%	1.84%

\$795,000 2.000% Term Bond Due March 1, 2033 to Yield 2.10% (a) (b) (c)
 \$925,000 2.000% Term Bond Due March 1, 2035 to Yield 2.28% (a) (b) (c)
 \$920,000 2.250% Term Bond Due March 1, 2037 to Yield 2.36% (a) (b) (c)
 \$1,040,000 2.250% Term Bond Due March 1, 2039 to Yield 2.43% (a) (b) (c)
 \$1,465,000 2.500% Term Bond Due March 1, 2043 to Yield 2.55% (a) (b) (c)

- (a) The initial reoffering yields are established by and are the sole responsibility of the Underwriters (hereinafter defined) and may be subsequently changed.
- (b) The Bonds maturing on or after March 1, 2030, are subject to redemption in whole or from time to time in part, at the option of the District (hereinafter defined), on March 1, 2029, or on any date thereafter, at a price equal to the par value thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption. If fewer than all of the Bonds are redeemed, the Bonds to be redeemed shall be selected, on behalf of the District, by the Paying Agent/Registrar, in its capacity as Registrar, by lot or other customary method, in integral multiples of \$5,000 in any one maturity. See "THE BONDS—Optional Redemption."
- (c) Subject to mandatory sinking fund redemption as described herein. See "THE BONDS – Mandatory Redemption."

The proceeds of the Bonds will be used by Montgomery County Municipal Utility District No. 15 (the "District"), together with certain legally available funds of the District, to currently refund certain of the District's outstanding bonds(the "Outstanding Bonds") and to pay certain costs associated with the issuance of the bonds. See "PLAN OF FINANCING." The Bonds, when issued, will constitute valid and binding obligations of the District and will be payable from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. See "THE BONDS – Source of and Security for Payment." The Bonds are obligations solely of the District and are not obligations of the State of Texas, Montgomery County, the City of Conroe, or any entity other than the District. Neither the faith and credit nor the taxing power of the State of Texas, Montgomery County, or the City of Conroe, is pledged to the payment of the principal of or interest on the Bonds. **The Bonds are subject to certain investment considerations described under the caption "INVESTMENT CONSIDERATIONS."**

The Bonds are offered when, as and if issued by the District, subject to approval by the Attorney General of Texas and the approval of certain legal matters by Young & Brooks, Attorneys at Law, Houston, Texas, Bond Counsel. Certain legal matters will be passed on for the Underwriters by Norton Rose Fulbright US LLP. Delivery of the Bonds is expected through the facilities of DTC on or about April 8, 2021

SAMCO CAPITAL MARKETS, INC.

HILLTOPSECURITIES

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

Any information and expressions of opinion herein contained are subject to change 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.

Build America Mutual Assurance Company (“BAM”) makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM 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 BAM, supplied by BAM and presented under the heading “BOND INSURANCE” and “APPENDIX B – Specimen Municipal Bond Insurance Policy.”

The following statement is provided by the Underwriters. In accordance with their responsibilities under the federal securities laws, the Underwriters have reviewed the information in this Official Statement but do not guarantee its accuracy or completeness.

UNDERWRITING

The Bonds are being purchased by SAMCO Capital Markets, Inc. and Hilltop Securities Inc. (the “Underwriters”) pursuant to a proposal submitted to the District at a price of \$8,222,950.50 plus accrued interest on the Series 2021A Bonds from the Dated Date to the date of delivery. Such price includes an Underwriters’ discount of \$50,153.25 and produces a net effective interest rate of 2.217090%.

The Underwriters may offer and sell the Series 2021A Bonds to certain dealers (including dealers depositing Series 2021A Bonds into unit investment trusts) and others at prices lower than the public offering price stated on the cover page hereof. The initial offering price may be changed from time to time by the Underwriters.

The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

The Underwriters and their respective affiliates are full-service financial institutions engaged in various activities that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management. In the ordinary course of business, the Underwriters and their respective affiliates may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). The Underwriters and their respective affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offering of the Issuer. The Underwriters and their respective affiliates may make a market in credit default swaps with respect to municipal securities in the future. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the Issuer.

NO REGISTRATION OR QUALIFICATION FOR SALE OF BONDS

No registration statement relating to the Bonds has been filed with the Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities acts of any jurisdiction. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated 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.

The Bonds have been sold to the Underwriter on the basis of its representation that the Bonds will be sold in states other than Texas only pursuant to exemptions from registration or qualification or that the Underwriter will, where necessary, register or qualify the Bonds in accordance with the securities laws of the state in which the Bonds are offered or sold.

REGISTRATION

Paying Agent/Registrar:

The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. The Bonds will be issued in fully registered form in multiples of \$5,000 for any one maturity, and principal and semi-annual interest will be paid by the District through the Paying Agent/Registrar. Principal will be payable to the registered holder at maturity or redemption upon presentation to the Paying Agent/Registrar. Interest will be payable by check or draft, dated as of the interest payment date, and mailed by the Paying Agent/Registrar to registered holders as shown on the records of the Paying Agent/Registrar at the close of business on the 15th calendar day of the month next preceding each interest payment date.

Successor 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 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 either a national or state banking institution and shall be a corporation organized and doing business under the laws of the United States of America or of any State, shall be authorized under such laws to exercise trust powers, and shall be subject to supervision or examination by Federal or State banking authorities. Any successor Paying Agent/Registrar shall be selected by the District.

Assignments, Transfers, and Exchange:

In the event that Book-Entry is discontinued, the Bonds may be transferred, registered and assigned only on the registration books of the Paying Agent/Registrar, and such registration (exclusive of any tax or governmental charge therefor) shall be at the expense of the District. A Bond may be assigned by execution of the assignment form printed on the Bond. A new Bond or Bonds will be delivered by the Paying Agent/Registrar to the last assignee (the new registered owner) in exchange for such transferred and assigned Bonds not more than three days after receipt of the Bonds to be transferred in proper form. Such new Bond or Bonds must be in the denomination of \$5,000 for any one maturity, or any integral multiple thereof. The Bonds are transferable only on the bond register kept by the Registrar upon surrender and reissuance. The Bonds are exchangeable for an equal principal amount or maturity amount of Bonds of the same maturity in any authorized denomination upon surrender of the Bonds to be exchanged at the principal office of the Registrar.

Record Date:

The record date ("Record Date") for the interest payable on any interest payment date means the 15th calendar day of the month next preceding such interest payment date.

Record Date for Bonds to be Redeemed:

Neither the District nor the Paying Agent/Registrar shall be required (1) to issue, transfer, or exchange any Bond during a period beginning at the opening of business 15 days before the day of the first mailing of a notice of redemption of Bonds and ending at the close of business on the day of such mailing or (2) to transfer or exchange any Bond so selected for redemption in whole or in part when such redemption is scheduled to occur within 45 calendar days.

MUNICIPAL BOND RATING

S&P Global Ratings ("S&P") has assigned an underlying municipal bond rating of "BBB" (stable outlook) to this issue of Bonds based upon the District's underlying credit without bond insurance. An explanation of the significance of such rating may be obtained from S&P. The rating reflects only the view of S&P, and the District makes no representation of the appropriateness of such rating. The underlying rating of the District to be released by S&P will be maintained by S&P in addition to the rating by virtue of bond insurance. See "BOND INSURANCE." The District can make no assurance that the S&P rating will continue for any period of time or that such rating will not be revised downward or withdrawn entirely by S&P if in the judgment of S&P circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

S&P is expected to assign its municipal bond rating of "AA" (stable) 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 BAM. The District can make no assurance that S&P's rating will continue for any period of time or that such rating will not be revised downward or withdrawn entirely by S&P if in the judgment of S&P circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds. See "BOND INSURANCE."

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company (“BAM”) 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 an exhibit 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.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com.

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM's financial strength is rated “AA/Stable” by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC (“S&P”). An explanation of the significance of the rating and current reports may be obtained from S&P at www.standardandpoors.com. The rating of BAM should be evaluated independently. The rating reflects the S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Bonds 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 Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of December 31, 2020 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$485.4 million, \$160.7 million and \$324.7 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at www.buildamerica.com, is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM 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 BAM, supplied by BAM and presented under the heading “BOND INSURANCE”.

BAM GreenStar Bonds

The Bonds have been designated BAM GreenStar Bonds because BAM has determined that the use of bond proceeds by the Issuer as described in this Official Statement and in any additional information obtained by BAM aligns with one of the Green Bond Principals (GBPs) developed by the International Capital Markets Association (ICMA). The GBPs were developed by the ICMA with the goal of establishing universally accepted guidelines for the issuance of green bonds, and one of the key requirements addresses the use of proceeds. BAM has been identified by the ICMA as an observer organization that is active in

the field of green and/or social or sustainability finance and is Climate Bond Initiative approved verifier. The Credit Profile prepared by BAM for the Bonds will identify which of the following GBP categories applies to the Bonds:

- renewable energy
- energy efficiency
- pollution prevention and control
- environmentally sustainable management of living natural resources and land use
- terrestrial and aquatic biodiversity
- clean transportation
- climate change adaptation
- sustainable water and wastewater management
- green buildings.

Each of the GBPs correlates to one of the following UN Sustainable Development Goals which will also be included in the Credit Profile for the Bonds:

- clean water and sanitation
- affordable and clean energy
- sustainable cities and communities
- industry innovation and infrastructure
- responsible consumption and production
- climate action
- life below water
- life on land

The BAM GreenStar designation is based upon information obtained by BAM, which information BAM believes to be reliable, at the time of the issuance of the Bonds. BAM does not charge a fee in connection with the designation, does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. The designation is provided on an "AS IS" basis. BAM makes no representation or warranty, express or implied, including, but not limited to, the accuracy, results, timeliness, completeness, merchantability or fitness for any particular purpose with respect to the designation. A complete description of BAM GreenStar, and its limitations and terms of use, are available on BAM's website <https://buildamerica.com/greenstar> and <https://buildamerica.com/terms-of-use> and incorporated herein by reference. The BAM GreenStar designation is determined solely by BAM; it has not been reviewed or approved by the issuer of or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for such designation.

Additional Information Available from BAM

Credit Insights Videos. For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at <http://www.buildamerica.com/videos>. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Credit Profiles. Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at www.buildamerica.com/credit-profiles. BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Disclaimers. The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Bonds, whether at the initial offering or otherwise.

OFFICIAL STATEMENT SUMMARY

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

THE BONDS

- Description:** Montgomery County Municipal Utility District No. 15 Unlimited Tax Bonds, Series 2021A (the “Bonds” or the “Series 2021A Bonds”), issued pursuant to Chapter 49 and 54 of the Texas Water code, as amended, an election held within the Montgomery County Municipal Utility District No. 15 (the “District”) an election held within the District, and an order (the “Bond Order”) of the Board of Directors of the District. The Bonds will be dated April 1, 2021, with interest payable commencing September 1, 2021, and each March 1 and September 1, thereafter until the earlier of maturity or redemption. The Bonds mature on March 1 in the years as shown in the table on the cover page of this Official Statement. See “THE BONDS - General.”
- Book-Entry-Only System:** The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of 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 thereof. Principal of, premium, if any, 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.”
- Redemption Provisions:** Bonds maturing on or after March 1, 2030, are subject to early redemption, in whole or from time to time in part, on March 1, 2029, or on any date thereafter at the option of the District at a price of par plus accrued interest to the date of redemption. See “THE BONDS.” The Bonds maturing on March 1, 2033, 2035, 2037, 2039, and 2043 are Term Bonds and are subject to annual mandatory sinking fund redemption beginning on March 1 in the years 2032, 2034, 2036, 2038, and 2040 respectively. See “THE BONDS – Mandatory Redemption.”
- Source of Payment:** The Bonds are payable from a continuing direct annual ad valorem tax upon all taxable property within the District which, under Texas law, is not limited as to rate or amount. The Bonds are obligations of the District and are not obligations of the State of Texas, Montgomery County, the City of Conroe, or any other political subdivision or agency. See “THE BONDS - Sources of and Security for Payment.”
- Use of Proceeds:** Proceeds from the sale of the Bonds will be used: (1) to currently refund certain of the District’s outstanding bonds; and (2) to pay issuance expenses associated with the sale of the Bonds. See “USE OF BOND PROCEEDS.”
- Municipal Bond Rating:** S&P has assigned an underlying municipal bond rating of “BBB” (stable outlook) to this issue of Bonds based upon the District’s underlying credit without bond insurance. An explanation of the significance of such rating may be obtained from S&P. The rating reflects only the view of S&P, and the District makes no representation of the appropriateness of such rating. The underlying rating of the District to be released by S&P will be maintained by S&P in addition to the rating by virtue of bond insurance. See “BOND INSURANCE.” The District can make no assurance that the S&P rating will continue for any period of time or that such rating will not be revised downward or withdrawn entirely by S&P if in the judgment of S&P circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds. See “MUNICIPAL BOND RATING.”
- Municipal Bond Insurance:** S&P has assigned its municipal bond rating of “AA” (stable) 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 BAM. The District can make no assurance that S&P’s rating will continue for any period of time or that such rating will not be revised downward or withdrawn entirely by S&P if in the judgment of S&P circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds. See “BOND INSURANCE” and “MUNICIPAL BOND RATING” and “APPENDIX B – Specimen Municipal Bond Insurance Policy.”
- Qualified Tax-Exempt Obligations:** The District designated the Bonds as “qualified tax-exempt obligations” pursuant to section 265(b) of the Internal Revenue Code of 1986, as amended, and represents that the total amount of tax-exempt bonds (including the Bonds) issued by it during calendar year 2021 is not reasonably expected to exceed \$10,000,000 and that it will not designate more than \$10,000,000 of qualified tax-exempt

obligations during the calendar year 2021. See "TAX MATTERS -- Qualified Tax-Exempt Obligations for Financial Institutions."

Authorized But Unissued Bonds:

After the issuance of the Bonds, the District will have (i) \$17,382,000 authorized but unissued unlimited tax bonds that may be used for the purposes of financing water, sanitary sewer, or drainage facilities to serve the District, or to refund bonds issued for such purposes, (ii) \$1,195,000 authorized but unissued unlimited tax refunding bonds designated solely for the purpose of refunding outstanding bonds of the District. See "THE BONDS – Authority for Issuance."

Paying Agent/ Registrar:

The Bank of New York Mellon Trust Company, N.A., Dallas, Texas.

Legal Opinion:

Young & Brooks, Attorneys at Law, Bond Counsel, Houston, Texas. See "LEGAL MATTERS."

Payment Record:

The District has never defaulted on payment of principal of or interest on its bonded indebtedness.

Risk Factors:

The Bonds are subject to certain investment considerations, as set forth in this Official Statement. Prospective purchasers should carefully examine this Official Statement with respect to the investment security of the Bonds particularly the section captioned "RISK FACTORS."

THE DISTRICT

Description:

The District was created by Order of the Texas Water Rights Commission (now the Texas Commission on Environmental Quality "TCEQ") in 1972 and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended. The District contains approximately 835 acres of land and is located in southern Montgomery County, approximately 32 miles north, northwest of the Houston central business district. More specifically, the District is located approximately one mile to the east of I-45 and seven miles south of the City of Conroe. Needham Road/State Highway 242 runs through the middle of the District in an east-west direction. A portion of the District fronts on the West Fork of the San Jacinto River to the north; Wood Hollow Drive is located generally to the north of the District; the District is bounded by the Town of Woodloch on the east; vacant land lies to the south; the Spindle Wheel Subdivision lies to the southeast; and generally Gleneagles Drive borders the District on the west. The District is located within the extraterritorial jurisdiction of the City of Conroe. See "THE DISTRICT."

Development:

As of December 1, 2020, there were approximately 2,258 single family homes completed or under construction (2,178 were occupied as of December 1, 2020) and 53 vacant developed lots.

Commercial development in the District consisted of two service stations, a fast food restaurant, two commercial strip centers, a tractor supply store, an automotive aftermarket establishment, and two minor retail businesses. Under construction is a two story medical office building and two additional fast food restaurants. See "THE DISTRICT – Current Status of Residential Building in the District" and "– Existing Commercial Building Development."

Current Developers:

Woodmere Development Co., Ltd. ("Woodmere") is developing lots in the Montgomery Creek Ranch Subdivision and selling lots to three affiliated home building companies known as Foxwood Homes, Postwood Homes, and Briarwood Homes. Homes are presently being marketed in the \$180,000 - \$325,000 price range.

242, LLC ("242") is the developer of Harper's Preserve, Sections 6, 9, 23 and 24. Sections 6 and 9 are built out. Sections 23 and 24 lots are fully developed and homes are currently being marketed in the \$340,000 - \$540,000 price range.

Hurricane Harvey:

According to the District's engineer, the water, sewer, and drainage facilities serving the land within the District did not sustain any significant damage and there was no interruption of water and sewer service to residents of the District during or after the storm. According to representatives of the Developer and the District's engineer, approximately 50 of the homes within the District experienced a flooding as a result of Hurricane Harvey and all of such home have been rehabilitated. See "RISK FACTORS – Hurricane Harvey."

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. As described herein under "RISK FACTORS – 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 or 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 COVID-19 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 prior to the economic impact of the Pandemic and measures instituted to slow it. Accordingly, they are not necessarily indicative of the economic impact of the Pandemic on the District's financial condition.

SELECTED FINANCIAL INFORMATION

(Unaudited)

11/15/2020 Estimated Taxable Value	\$418,218,111	(a)
2020 Taxable Value	\$401,730,875	(b)
Direct Debt (See "DISTRICT DEBT")		
Outstanding Bonds (As of November 1, 2020)	\$28,370,000	(c)
Plus Series 2021 Bonds	<u>\$8,155,000</u>	
Total Direct Debt	\$36,525,000	
Estimated Overlapping Debt	<u>\$17,418,870</u>	
Direct and Estimated Overlapping Debt	\$53,943,870	
Percentage of Direct Debt to:		
11/15/2020 Taxable Value	8.73%	
2020 Taxable Value	9.09%	
See "DISTRICT DEBT"		
Percentage of Direct Overlapping Debt to:		
11/15/2020 Taxable Value	12.90%	
2020 Taxable Value	13.43%	
See "DISTRICT DEBT"		
2020 Tax Rate Per \$100 of Assessed Value:		
Debt Service	\$0.515	
Maintenance Tax	<u>\$0.265</u>	
Total 2020 Tax Rate	\$0.780	
Approximate General Fund Cash and Investment Balance (as of 11/10/2020)	\$4,029,120	
Approximate Debt Service Fund Cash and Investment Balance (as of 11/10/2020)	\$1,356,653	(d)

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- (a) Reflects data supplied by the Montgomery Central Appraisal District ("MCAD"). The Estimated Taxable Value as of 11/15/2020 was prepared by MCAD and provided to the District. Such value is not binding on MCAD, and any new value (subsequent to January 1, 2020) will not be included on the District's tax roll until the 2021 tax roll is prepared and certified by MCAD during the second half of 2021. See "TAX DATA" and "TAX PROCEDURES."
- (b) The 2020 Taxable Value was prepared by MCAD and provided to the District. See "TAX DATA" and "TAXING PROCEDURES."
- (c) Excluding the Refunded Bonds.
- (d) Represents the approximate cash and investment balance in the Debt Service Fund as of November 10, 2020. Neither Texas law nor the District's Bond Order requires the District to maintain any particular balance in the Debt Service Fund.

DEBT SERVICE REQUIREMENTS

The following sets forth the debt service requirements on the District's outstanding bonds less the debt service on the Refunded Bonds plus the debt service on the Bonds.

<u>Year</u>	<u>Outstanding Debt Service Requirements</u>	<u>LESS: Debt Service on the Refunded Bonds</u>	<u>Series 2021 Bonds</u>		<u>Total Debt Service</u>
			<u>Principal</u>	<u>Interest</u>	
2021	\$1,853,614	\$140,775		\$82,385	\$1,795,224
2022	\$2,014,444	\$281,550	\$50,000	\$196,975	\$1,979,869
2023	\$2,059,588	\$528,000	\$280,000	\$192,025	\$2,003,613
2024	\$2,259,675	\$545,250	\$310,000	\$183,175	\$2,207,600
2025	\$2,225,625	\$536,825	\$310,000	\$173,875	\$2,172,675
2026	\$2,276,291	\$528,350	\$310,000	\$164,575	\$2,222,516
2027	\$2,266,656	\$519,850	\$310,000	\$155,275	\$2,212,081
2028	\$2,290,263	\$535,763	\$335,000	\$145,600	\$2,235,100
2029	\$2,306,506	\$526,063	\$335,000	\$135,550	\$2,250,993
2030	\$2,339,503	\$564,963	\$385,000	\$126,675	\$2,286,215
2031	\$2,354,281	\$552,413	\$385,000	\$118,975	\$2,305,843
2032	\$2,390,009	\$564,350	\$400,000	\$111,125	\$2,336,784
2033	\$2,391,569	\$550,850	\$395,000	\$103,175	\$2,338,894
2034	\$2,468,800	\$610,819	\$465,000	\$94,575	\$2,417,556
2035	\$2,442,413	\$594,256	\$460,000	\$85,325	\$2,393,482
2036	\$2,434,163	\$577,600	\$450,000	\$75,663	\$2,382,226
2037	\$2,438,163	\$585,381	\$470,000	\$65,313	\$2,388,095
2038	\$1,825,250	\$592,256	\$490,000	\$54,513	\$1,777,507
2039	\$1,894,459	\$642,388	\$550,000	\$42,813	\$1,844,884
2040	\$1,747,731	\$503,175	\$420,000	\$31,375	\$1,695,931
2041	\$1,746,669	\$510,425	\$440,000	\$20,625	\$1,696,869
2042	\$1,763,222	\$511,775	\$455,000	\$9,438	\$1,715,885
2043	\$1,482,800	<u>\$203,625</u>	<u>\$150,000</u>	<u>\$1,875</u>	\$1,431,050
2044	\$612,028				\$612,028
2045	\$596,247				\$596,247
2046	\$384,638				\$384,638
2047	\$377,200				\$377,200
2048	\$369,763				\$369,763
2049	\$387,059				\$387,059
2050	<u>\$384,038</u>				<u>\$384,038</u>
TOTALS	\$52,382,667	\$11,706,702	\$8,155,000	\$2,370,900	\$51,201,865

Maximum Annual Debt Service Requirements (2034).....\$2,417,556

\$0.61 Tax Rate on the 11/15/2020 Estimated Taxable Value of \$418,218,111
 @ 95% collections produces.....\$2,423,573

\$0.64 Tax Rate on the 2020 Certified Taxable Value of \$401,730,875
 @ 95% collections produces.....\$2,442,524

OFFICIAL STATEMENT

relating to

\$8,155,000

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT No. 15

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

UNLIMITED TAX REFUNDING BONDS, SERIES 2021A

INTRODUCTION

This Official Statement provides certain information in connection with the issuance of Montgomery County Municipal Utility District No. 15 Unlimited Tax Refunding Bonds, Series 2021A (the "Bonds" or the "Series 2021A Bonds").

The Bonds are issued pursuant to Article XVI, Section 59 the Constitution and general laws of the State of Texas, particularly, Chapters 49 and 54 of the Texas Water Code, as amended, Chapter 1207 of the Texas Government Code, as amended, an election held within the District on November 4, 2014 and pursuant to an order (the "Bond Order") adopted by the Board of Directors (the "Board") of Montgomery County Municipal Utility District No. 15 (the "District").

This Official Statement includes descriptions of the Bonds, the Bond Order and certain information about the District and its financial condition. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the District's Bond Counsel upon payment of costs of duplication thereof.

RISK FACTORS

General:

The Bonds are obligations of the District and are not obligations of the State of Texas, Montgomery County, the City of Conroe, or any other political subdivision. The Bonds are payable from a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District. See "THE BONDS – Sources of and Security for Payment." The investment quality of the Bonds depends on the ability of the District to collect all taxes levied against the taxable property within the District, and, in the event of foreclosure of the District's tax lien, on the marketability of the property and the ability of the District to sell the property at a price sufficient to pay taxes levied by the District and by other overlapping taxing authorities. The District cannot and does not make any representations that over the life of the Bonds the taxable property within the District will accumulate or maintain taxable values sufficient to justify the continued payment of taxes by property owners.

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 or 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 COVID-19 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 prior to the economic impact of the Pandemic and measures instituted to slow it. Accordingly, they are not necessarily indicative of the economic impact of the Pandemic on the District's financial condition.

Marketability:

The District has no understanding (other than the initial reoffering yields) 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 spread between the bid and asked price of more traditional issuers, as such bonds are generally bought, sold or traded in the secondary market.

Tax Collection 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 market conditions limiting the proceeds from a foreclosure sale of taxable property and collection procedures. 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. The 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 "TAXING PROCEDURES - District's Rights in the Event of Tax Delinquencies."

Registered Owners' Remedies:

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 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. Even if such sovereign immunity were waived and a judgment against the District for money damages was obtained, the judgment 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.

Bankruptcy Limitation to Registered Owners' Rights:

The enforceability of the rights and remedies of the Registered Owners 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. Specifically, the District may voluntarily file a petition for protection from creditors under the federal bankruptcy laws. During the pendency of the bankruptcy proceedings, the remedy of mandamus would not be available to the Registered Owners unless authorized by a federal bankruptcy judge.

Subject to the requirements of Texas law, the District may voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Section 901-946, if the District: (a) is generally authorized to file for federal bankruptcy protection by State law; (b) is insolvent or unable to meet its debts as they mature; (c) desires to effect a plan to adjust such debts; and (d) 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. Under Texas law, the District must obtain the approval of the TCEQ prior to filing bankruptcy. Such law requires that the Texas Commission on Environmental Quality (the "TCEQ") investigates the financial condition of the District and authorizes the District to proceed only if the 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, a 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 Owners could potentially and adversely impair the value of the Registered Owners' 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 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 the district.

Approval of the Bonds:

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

Economic Factors:

The Houston metropolitan area has, in the past, experienced slower/negative job growth, increased unemployment, business failures and slow absorption of office space during periods of relatively low oil and natural gas prices. Certain of these factors are showing signs of recurring in the Harris County/Montgomery County area economy. These factors could affect the demand for new residential home construction and commercial development and hence the growth and maintenance of property values in the District. An oversupply of homes, along with a decreased demand in new housing because of general economic conditions or relatively high interest rates, may have an adverse impact on sale prices for homes and, consequently, may materially adversely affect property values or, in some instances, cause builders to abandon homebuilding plans altogether.

The maintenance of taxable values in the District is directly related to the housing and building industry. The housing and building industry has historically been a cyclical industry, affected by short and long-term interest rates, consumer demand, foreclosure rates, availability of mortgage and development funds, and labor conditions and general economic conditions. Currently, building in the Houston area has slowed as a result of general economic conditions and the tightening of criteria for mortgage lending nationwide. A return to relatively high mortgage interest rates similar to those experienced in the past or a decline in mortgage availability may adversely affect the availability and desirability of mortgage financing for new homes, hence reducing demand for homes within the District. Commercial building in the District could be adversely affected by such economic developments. High foreclosure rates may also affect mortgage lenders' willingness to accept risks and potential borrowers' ability to qualify for loans. The inability to qualify for mortgages may negatively affect some sales and the rate of growth of taxable values in the District.

Landowners/Developers under No Obligation to the District:

There are no commitments from or obligations of any landowner or the Developers (as defined herein) within the District to proceed at any particular rate or according to any specified plan with the development of land or the construction of homes in the District, and there is no restriction on any landowner's or Developer's right to sell their land.

Maintenance of District Tax Rates:

The District's 2020 combined debt service and maintenance tax rate is \$0.78 per \$100 of assessed valuation. The maintenance of the District's tax base is directly related to the housing industry in general. The housing industry has historically been a cyclical industry, affected by short-term and long-term interest rates, demand for developed property, availability of mortgage and development funds, labor conditions, and general economic conditions. In the 1980s and again in 2007 – 2010 the downturn in the Houston economy and concurrent increases in unemployment substantially reduced the demand for housing. In many instances, homeowners turned homes back to mortgage companies because of a negative equity position and, consequently, many repossessed homes were resold at substantially reduced prices. The demand for single family homes in the District, which is 32 miles from downtown Houston, also could be affected by competition from nearby residential developments. In addition to competition for new home sales from other developments, there are numerous previously-owned homes in more established neighborhoods closer to downtown Houston that have been on the market for an extended period of time.

Both the local demand for, and the sale of single-family homes are affected by most of the factors discussed herein and will directly affect the maintenance of taxable values in the District and the ability of the District to raise tax revenues sufficient to pay its debt service requirements.

Assuming no further construction of residential, multi-family and/or commercial projects within the District other than those which have heretofore been constructed, the value of such land and improvements currently located and under construction within the District could be a major determinant of the ability of the District to collect, and the willingness of property owners to pay, ad valorem taxes levied by the District. After issuance of the Bonds, the Maximum Annual Debt Service Requirement on the Bonds and the remaining Outstanding Bonds will be \$2,417,556 (2034). Assuming no increase or decrease from the 11/15/2020 Taxable Value of \$418,218,111 and no use of other District funds, a District tax rate of \$0.61 per \$100 of assessed valuation at 95% collection would be necessary to pay the Maximum Annual Debt Service Requirements. Assuming no increase or decrease from the 2020 Taxable Value of \$401,730,875 and no use of other District funds, a District tax rate of \$0.64 per \$100 of assessed valuation at 95% collection would be necessary to pay the Maximum Annual Debt Service Requirements. See "TAX DATA - Tax Rate Calculations."

Potential Effects of Oil Price Declines on the Houston Area:

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

Future Debt:

After the issuance of the Bonds, the District will have (i) \$17,382,000 authorized but unissued unlimited tax bonds that may be used for the purposes of financing water, sanitary sewer, or drainage facilities to serve the District, or to refund bonds issued for such purposes, and (ii) \$1,195,000 authorized but unissued unlimited tax refunding bonds designated solely for the purpose of refunding outstanding bonds of the District. All such bonds that will remain authorized but unissued can be issued subject to the approval of the Attorney General of the State of Texas and in the case of new money bonds, subject to the approval of the TCEQ.

The District has the right to issue additional new money bonds as may hereafter be approved by both the Board and the voters of the District, and to issue refunding bonds as approved by the Board. Any such additional new money bonds and refunding bonds would be issued on parity with the Bonds. Any future new money bonds to be issued by the District must also be approved by the TCEQ. According to the Engineer, such bond authorization should be adequate to finance the District's share of development costs to allow for the full development of land within the District. The District has also reserved the right to issue certain other additional bonds, special project bonds, and other obligations described in the Bond Order. All of the remaining bonds described above which have heretofore been authorized by the voters of the District, may be issued by the District from time to time as needed. If additional bonds are issued in the future and property values have not increased proportionately, such issuance might increase gross debt/property valuation ratios and thereby adversely affect the investment quality or security of the Bonds.

Financing Parks and Recreational Facilities:

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. Before the District could issue recreational facilities bonds payable from taxes, the following actions would be required: (a) amendments to existing city ordinances specifying the purposes for which the District may issue bonds; (b) preparation of a detailed park plan; (c) authorization of recreational facilities bonds by the qualified voters in the District; (d) approval of the park project and bonds by the TCEQ; and (e) approval of the bonds by the Attorney General of Texas. Also, the outstanding principal amount of such bonds may not exceed an amount equal to one percent of the value of the taxable property in the District. The Board has not discussed and presently has no plans to hold an election authorizing the issuance of recreational facilities bonds and authorizing a recreational facilities maintenance tax.

Current law may be changed in a manner to increase the amount of bonds which may be issued as related to a percentage of the value of taxable property or to allow a higher or lower maintenance tax rate for such purposes. The levy of taxes for such purposes may dilute the security for the Bonds.

Continuing Compliance with Certain Covenants:

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

Environmental Regulation and Air Quality:

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.

The HGB Area is currently designated as a severe ozone nonattainment area under the 1997 Ozone Standards. 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 has developed a formal request that the HGB Area be redesignated to attainment under the 1997 Ozone Standards. The TCEQ Commissioners approved publication of a proposed HGB Area redesignation request under the 1997 Ozone Standards on September 5, 2018.

The HGB Area is currently designated as a “moderate” nonattainment area under the 2008 Ozone Standard, with an attainment deadline of July 20, 2018. 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. According to the District’s Engineer, the District is not currently subject to the MS4 Permit. However, 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 became effective June 22, 2020, and is currently the subject of ongoing litigation.

Due to ongoing rulemaking activity, as well as 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.

Bond Insurance Investment Considerations:

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

Default of payment of principal of and interest on the Bonds does not accelerate the obligations of the Bond Insurer without appropriate consent. The Bond Insurer may direct and must consent to any remedies, and the Bond Insurer’s consent may be required in connection with amendments to any applicable bond documents.

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

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

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

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

Hurricane Harvey:

The Houston area, including the area in and around the District in Montgomery County, sustained widespread wind and rain damage and flooding as a result of Hurricane Harvey’s landfall along the Texas gulf coast on August 25, 2017, and historic levels of rainfall during the succeeding four days. According to representatives of the District’s consultants, the water, sewer, and drainage facilities serving the land within the District did not sustain any significant damage and there was no interruption of water and sewer service to District residents. According to the representatives of the Developers, approximately 50 homes within the District experienced flooding; substantially all of the homes that flooded have been rehabilitated since that time.

Inclement Weather:

The District is located approximately 61 miles from the Texas Gulf Coast. Land located in this area is susceptible to high winds, heavy rain and flooding caused by hurricanes, tropical storms, and other tropical disturbances. If a hurricane (or any other natural disaster) significantly damaged all or part of the improvements within the District, the assessed value of property within the District could be substantially reduced, with a corresponding decrease in tax revenues or necessity to increase the District’s tax rate. Further, there can be no assurance that a casualty loss to taxable property within the District will be covered by insurance (or that property owners will even carry flood 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 would be adversely affected.

Temporary Tax Exemption for Property Damaged by Disaster:

The Property Tax Code (hereinafter defined) 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.

Tax Payment Installments Following Disaster:

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

Atlas 14:

The National Weather Service recently completed a rainfall study known as NOAA Atlas 14, Volume 11 Precipitation-Frequency Atlas of the United States ("Atlas 14"). Floodplain boundaries within the Service Area may be redrawn based on the Atlas 14 study based on a higher statistical rainfall amount, resulting in the application of more stringent floodplain regulations applying to a larger area and potentially leaving less developable property within the Service Area. The application of 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.

PLAN OF FINANCING

Purpose:

Proceeds of the Bonds will be used to refund \$1,270,000 principal amount of the Unlimited Tax Bonds, Series 2012 (the "Series 2012 Bonds") and \$3,670,000 principal amount of the Unlimited Tax Bonds, Series 2014 (the "Series 2014 Bonds"), and \$2,975,000 principal amount of 2015 Unlimited Tax Bonds, Series 2015 (the "Series 2015 Bonds" collectively, the "Outstanding Bonds"). The Series 2012, the Series 2014, and the Series 2015 Bonds that are refunded are referred to herein collectively as the "Refunded Bonds." Bond proceeds will also be used to pay certain issuance costs of the Bonds. The refunding is being implemented in order to achieve a net present value savings in the District's annual debt service expense.

Currently Outstanding Bonds:

The District has previously issued 15 series of unlimited tax bonds or unlimited tax and revenue new money bonds. The District has also issued 3 series of unlimited tax refunding bonds. The following table lists: the original principal amount; the amount of bonds outstanding after the March 1, 2021, principal payments from such issues (including the bonds being refunded with the proceeds of the Bonds); and the principal amount outstanding after the refunding is completed.

<u>Original Principal Amount</u>	<u>Series</u>	<u>Principal Amount Outstanding</u>	<u>Principal Amount Outstanding after the Bonds</u>
\$1,800,000	1973 WW & SS Comb U/L Tax & Rev Bonds	\$0	\$0
\$1,500,000	1980 WW & SS Comb U/L Tax & Rev Bonds	\$0	\$0
\$2,810,000	1995 U/L Refunding Bonds	\$0	\$0
\$815,000	1997 U/L Tax & Rev Bonds	\$0	\$0
\$675,000	1998 U/L Tax & Rev Bonds	\$0	\$0
\$1,470,000	2008 U/L Tax Bonds	\$0	\$0
\$3,900,000	2009 U/L Tax Bonds	\$0	\$0
\$1,810,000	2011 U/L Tax Bonds	\$0	\$0
\$2,000,000	2011A U/L Tax Bonds	\$0	\$0
\$1,470,000	2012 U/L Tax Bonds	\$1,320,000	\$50,000
\$4,170,000	2014 U/L Tax Bonds	\$3,770,000	\$100,000
\$3,275,000	2015 U/L Tax Bonds	\$3,050,000	\$75,000
\$3,075,000	2016 U/L Tax Bonds	\$2,925,000	\$2,925,000
\$5,620,000	2016A U/L Tax Refunding Bonds	\$4,640,000	\$4,640,000
\$6,765,000	2017 U/L Tax Bonds	\$6,590,000	\$6,590,000
\$3,735,000	2018 U/L Tax Refunding Bonds	\$3,415,000	\$3,415,000
\$3,370,000	2018A U/L Tax Bonds	\$3,370,000	\$3,370,000
<u>\$7,025,000</u>	2021 U/L Tax Bonds	<u>\$7,205,000</u>	<u>\$7,205,000</u>
\$55,285,000		\$36,285,000	\$28,370,000

Payment of Refunded Bonds:

The Refunded Bonds, and the interest due thereon, are to be paid on the redemption date from funds to be deposited with The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, as paying agent for the Refunded Bonds (the "Paying Agent for the Refunded Bonds").

The Bond Order provides that from the proceeds of the sale of the Bonds and other available funds of the District, the District will deposit with the Paying Agent for the Refunded Bonds the amount necessary to accomplish the discharge and final payment of the Refunded Bonds (the "Refunding Deposit"). Such funds will be held by the Paying Agent for the Refunded Bonds in the Debt Service Fund for the Refunded Bonds. At the time of delivery of the Bonds, Robert Thomas CPA, LLC, will verify to the District, the Paying Agent for the Refunded Bonds, Bond Counsel, and the Financial Advisor that the Refunding Deposit is sufficient to pay, when due, the principal of and interest on the Refunded Bonds. See "VERIFICATION OF MATHEMATICAL CALCULATIONS." By the deposit of the cash with the Paying Agent for the Refunded Bonds and the making of irrevocable arrangements for the giving of notice of redemption of the Refunded Bonds, the terms of the prior order of the District securing payment of the Refunded Bonds shall have been satisfied and such Refunded Bonds will no longer be considered outstanding

except for the purpose of being paid from the Refunding Deposit, and the amounts so deposited will constitute firm banking arrangements under Texas law for the discharge and final payment of the Refunded Bonds.

Refunded Bonds:

Proceeds of the Bonds will be used to refund the principal amounts and maturity dates of the Refunded Bonds as set forth in the table below. The Refunded Bonds will be called for redemption on the day of closing of the Series 2021 Refunding Bonds.

Series 2012 Bonds			Series 2014 Bonds			Series 2015 Bonds		
<u>Year</u>	<u>Principal Amount</u>		<u>Year</u>	<u>Principal Amount</u>		<u>Year</u>	<u>Principal Amount</u>	
2023	\$50,000		2023	\$100,000		2023		
2024	\$50,000		2024			2024		
2025	\$50,000		2025	\$250,000	(d)	2025	\$300,000	(k)
2026	\$50,000		2026	\$125,000		2026		
2027	\$50,000		2027	\$125,000		2027		
2028	\$50,000		2028			2028		
2029	\$50,000		2029	\$300,000	(e)	2029	\$400,000	(l)
2030	\$75,000		2030			2030		
2031			2031	\$300,000	(f)	2031		
2032	\$150,000	(a)	2032			2032		
2033			2033	\$350,000	(g)	2033	\$500,000	(m)
2034			2034			2034		
2035	\$275,000	(b)	2035			2035	\$300,000	(n)
2036			2036	\$600,000	(h)	2036		
2037			2037			2037		
2038			2038			2038		
2039	<u>\$420,000</u>	(c)	2039	\$700,000	(i)	2039	\$675,000	(o)
			2040			2040		
			2041			2041		
			2042	<u>\$820,000</u>	(i)	2042		
						2043	<u>\$800,000</u>	(p)
	\$1,270,000			\$3,670,000			\$2,975,000	

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- (a) Represents the Term Bond with mandatory sinking fund provisions beginning in 2031 through and including 2032.
 - (b) Represents the Term Bond with mandatory sinking fund provisions beginning in 2033 through and including 2035.
 - (c) Represents the Term Bond with mandatory sinking fund provisions beginning in 2036 through and including 2039.
 - (d) Represents the Term Bond with mandatory sinking fund provisions beginning in 2024 through and including 2025.
 - (e) Represents the Term Bond with mandatory sinking fund provisions beginning in 2028 through and including 2029.
 - (f) Represents the Term Bond with mandatory sinking fund provisions beginning in 2030 through and including 2031.
 - (g) Represents the Term Bond with mandatory sinking fund provisions beginning in 2032 through and including 2033.
 - (h) Represents the Term Bond with mandatory sinking fund provisions beginning in 2034 through and including 2036.
 - (i) Represents the Term Bond with mandatory sinking fund provisions beginning in 2037 through and including 2039.
 - (j) Represents the Term Bond with mandatory sinking fund provisions beginning in 2040 through and including 2042.
 - (k) Represents the Term Bond with mandatory sinking fund provisions beginning in 2023 through and including 2025.
 - (l) Represents the Term Bond with mandatory sinking fund provisions beginning in 2026 through and including 2029.
 - (m) Represents the Term Bond with mandatory sinking fund provisions beginning in 2030 through and including 2033.
 - (n) Represents the Term Bond with mandatory sinking fund provisions beginning in 2034 through and including 2035.
 - (o) Represents the Term Bond with mandatory sinking fund provisions beginning in 2036 through and including 2039.
 - (p) Represents the Term Bond with mandatory sinking fund provisions beginning in 2040 through and including 2043.

Sources and Uses of Funds:

The proceeds from the sale of the Bonds will be applied as follows:

Sources of Funds:	
Principal Amount of the Bonds	\$8,155,000.00
Plus Net Original Issue Premium	\$118,103.75
Plus Accrued Interest	\$3,844.65
Total Sources of Funds	<u>\$8,276,948.40</u>

Uses of Funds:	
Deposit to Payment Account	\$7,943,937.09
Issuance Expenses (a)	\$279,013.41
Underwriter's Discount	\$50,153.25
Accrued Interest	\$3,844.65
Total Uses of Funds	<u>\$8,276,948.40</u>

(a) Includes municipal bond insurance premium.

THE BONDS

General:

The Bonds are dated April 1, 2021. The Bonds will mature on March 1 in the years and in the amounts set forth on the cover page of this Official Statement. Interest on the Bonds is payable on September 1, 2021, and each March 1 and September 1 thereafter until maturity or prior redemption. The Bonds will be issued in denominations of \$5,000 each or integral multiples thereof. The Bond Order authorizes the issuance and sale of the Bonds and prescribes terms, conditions and provisions for the payment of the principal of and interest on the Bonds by the District.

The Bonds will be issued only in fully registered form in any integral multiple of \$5,000 of principal amount for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of the Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. No physical delivery of the Bonds will be made to the owners thereof. Principal of, premium, if any, 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 beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" herein.

Interest on the Bonds shall be payable by check on or before each interest payment date, mailed by the Paying Agent/Registrar to the registered owners ("Registered Owners") as shown on the bond register (the "Register") kept by the Paying Agent/Registrar at the close of business on the 15th calendar day of the month immediately preceding each interest payment date to the address of such Registered Owner as shown on the Register, or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and a Registered Owner at the risk and expense of such Registered Owner.

Authority for Issuance:

The Bonds are issued pursuant to the authority of the Bond Order, Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended and Chapter 1207 of the Texas Government Code as amended. After the issuance of the Bonds, the District will have (i) \$17,382,000 authorized but unissued unlimited tax bonds that may be used for the purposes of financing water, sanitary sewer, or drainage facilities to serve the District, or to refund bonds issued for such purposes, and (ii) \$1,195,000 authorized but unissued unlimited tax refunding bonds designated solely for the purpose of refunding outstanding bonds of the District.

Optional Redemption:

The Bonds scheduled to mature on or after March 1, 2030, are subject to redemption prior to scheduled maturity at the option of the District, in whole or from time to time in part, on March 1, 2029, and on any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest from the most recent interest payment date to the redemption date. If fewer than all of the Bonds are redeemed at any time, the District shall determine the maturity or maturities and the amounts thereof to be redeemed. If fewer than all of the Bonds within a maturity are to be redeemed, the Paying Agent/Registrar shall select the Bonds to be so redeemed by lot or other random selection method.

Notice of each exercise of the right of redemption will be given by the Paying Agent/Registrar at least 30 calendar days prior to the date fixed for redemption in the manner specified in the Bond Order. When Bonds have been called for redemption, the right of the registered owners of such Bonds to collect interest which would otherwise accrue after the date for redemption will be terminated.

The Bonds of a denomination larger than \$5,000 in principal amount may be redeemed in part (\$5,000 in principal or any integral multiple thereof). Any Bond to be partially redeemed must be surrendered in exchange for one or more new Bonds of the same maturity for the unredeemed portion of the principal.

Mandatory Redemption:

The Bonds maturing March 1 in the years 2033, 2035, 2037, 2039, and 2043 (the "Term Bonds") shall be subject to annual mandatory sinking fund redemption as shown on the table(s) below.

\$795,000 Term Bonds, due March 1, 2033

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
March 1, 2032	\$400,000
March 1, 2033 (maturity)	\$395,000

\$925,000 Term Bonds, due March 1, 2035

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
March 1, 2034	\$465,000
March 1, 2035 (maturity)	\$460,000

\$920,000 Term Bonds, due March 1, 2037

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
March 1, 2036	\$450,000
March 1, 2037 (maturity)	\$470,000

\$1,040,000 Term Bonds, due March 1, 2039

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
March 1, 2038	\$490,000
March 1, 2039 (maturity)	\$550,000

\$1,465,000 Term Bonds, due March 1, 2043

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
March 1, 2040	\$420,000
March 1, 2041	\$440,000
March 1, 2042	\$455,000
March 1, 2043 (maturity)	\$150,000

Notice of Redemption; Partial Redemption:

While the Bonds are in book-entry-only form, pursuant to the Bond Order, the Term Bonds will be scheduled for annual mandatory sinking fund redemption by DTC in accordance with its procedures. If the book-entry-only system is discontinued, the Paying Agent/Registrar shall select by lot the Term Bonds, if any, to be redeemed and issue a notice of redemption in the manner provided below. The principal amount of the Term Bonds of a maturity required to be redeemed pursuant to the operation of such mandatory redemption requirements shall be reduced, at the option of and as determined by the District, by the principal amount of any Term Bonds of such maturity which, prior to the date of the mailing of notice of such mandatory redemption, (1) shall have been acquired by the District and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the District, or (3) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory redemption requirement.

Notice of each exercise of the right of redemption will be given at least 30 calendar days prior to the date fixed for redemption in the manner specified in the Bond Order. When Bonds have been called for redemption, the right of the registered owners of such Bonds to collect interest which would otherwise accrue after the date for redemption will be terminated.

The Bonds of a denomination larger than \$5,000 in principal amount may be redeemed in part (\$5,000 in principal or any integral multiple thereof). Any Bond to be partially redeemed must be surrendered in exchange for one or more new Bonds of the same maturity for the unredeemed portion of the principal.

Sources of and Security for Payment:

The Bonds are payable from the proceeds of a continuing direct annual ad valorem tax levied, without legal limitation as to rate or amount, against taxable property located within the District. The Bonds are obligations of the District and are not obligations of the State of Texas, Montgomery County, the City of Conroe, or any other political subdivision or agency. In the Bond Order the District covenants to levy a tax sufficient in rate and amount to pay principal of and interest on the Bonds when due, full allowance being made for delinquencies and costs of collection, and the District undertakes to collect such tax. The net proceeds from taxes levied for debt service purposes will be deposited in the District's Debt Service Fund and will be used to pay principal of and interest on the Bonds and on any additional bonds payable from taxes which the District may hereafter issue.

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 with 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, (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 or 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-only 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 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 as outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment or redemption of the Bonds have been made as described above, all rights of the District to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided however, that the right to call the Bonds for redemption is not extinguished if the District" (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

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

Funds:

The Bond Order confirms the previous establishment of the District's Debt Service Fund. The Debt Service Fund is to be kept separate from all other funds of the District and used for payment of debt service on the Bonds, the Outstanding Bonds, and any of the District's duly authorized additional bonds. Amounts on deposit in the Debt Service Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar and to pay the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Bonds and any additional bonds.

Issuance of Additional Debt:

If authorized by the District's voters and with the approval of the TCEQ, the District may issue bonds necessary to provide and maintain improvements for which the District was created. See "THE DISTRICT." After the issuance of the Bonds, the District will have (i) \$17,382,000 authorized but unissued unlimited tax bonds that may be used for the purposes of financing water, sanitary sewer, or drainage facilities to serve the District, or to refund bonds issued for such purposes, and (ii) \$1,195,000 authorized but unissued unlimited tax refunding bonds designated solely for the purpose of refunding outstanding bonds of the District. The Bond Order imposes no limitation on the amount of additional parity bonds which may be issued by the District, and in the Bond Order the District reserves the right to issue additional unlimited tax bonds, unlimited tax and revenue bonds, revenue bonds, and inferior lien bonds. See "RISK FACTORS - Future Debt."

Registration, Transfer, and Exchange:

In the event that the Book-Entry System is discontinued, the Bonds are transferable only at the designated principal corporate trust office of the Paying Agent/Registrar upon presentation and surrender of the Bonds accompanied by a duly executed assignment. The Bonds are exchangeable for an equal principal amount of Bonds of the same type, maturity, and interest rate, in any authorized denomination. No service charge will be made for any transfer or exchange, but the District or the Paying Agent/Registrar may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith. Neither the District nor the Paying Agent/Registrar is required to (i) issue, transfer or exchange any Bond during the period beginning at the opening of business 15 calendar days before the date of the first mailing of any notice of redemption of Bonds and ending at the close of business on the date of such mailing or (ii) thereafter to transfer or exchange any Bonds selected for redemption when such redemption is scheduled within 45 calendar days.

Replacement of Mutilated, Lost or Stolen Bonds:

The District has agreed to replace mutilated, destroyed, lost or stolen Bonds upon surrender of the mutilated Bonds to the Paying Agent/Registrar, upon receipt of satisfactory evidence of such destruction, loss or theft, and receipt by the District and Paying Agent/Registrar of security or indemnity as may be required by either of them to hold them harmless. The District may require payment of taxes, governmental charges and other expenses in connection with any such replacement.

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.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Securities is to be transferred and how the principal of, premium, if any, Maturity Value, and interest on the Securities are to be paid to and credited by DTC while the Securities 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, the Financial Advisor, and the Underwriter believe the source of such information to be reliable but take no responsibility for the accuracy or completeness thereof.

The District and the Underwriter cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Securities, 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 Securities), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the United States Securities and Exchange Commission, 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, New York, will act as securities depository for the Securities. The Securities will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered certificate will be issued for each maturity of the Securities, each in the aggregate principal amount or Maturity Value, as the case may be, of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act 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. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect

only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners.

The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Certificate documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

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

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

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

The information in this section concerning DTC and DTC's book-entry-only system has been obtained from sources that the District believes to be reliable, but neither of the District, the Financial Advisor nor the Underwriter takes any responsibility for the accuracy thereof. Termination by the District of the DTC Book-Entry-Only System may require consent of DTC Participants under DTC Operational Arrangements.

THE DISTRICT

General:

The District is a municipal utility district created by Order of the Texas Water Rights Commission (now the TCEQ) in 1972. The rights, powers, privileges, authorities and functions of the District are established by the general laws of the State of Texas pertaining to municipal utility districts, particularly Chapters 49 and 54, Texas Water Code, as amended. The District is subject to the continuing supervision of the TCEQ. The District is empowered to purchase, construct, operate, and maintain all works, improvements, facilities, and plants necessary for the supply of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water. In addition, the District is empowered, if approved by the electorate, the TCEQ and other governmental entities having jurisdiction, to establish, operate and maintain a fire department, either independently or with certain other districts, and to develop parks and recreational facilities.

The District contains approximately 835 acres of land and is located in southern Montgomery County, approximately 32 miles north, northwest of the Houston central business district. More specifically, the District is located approximately one mile to the east of I-45 and seven miles south of the City of Conroe. State Highway 242 runs through the middle of the District in an east-west direction. A portion of the District fronts on the West Fork of the San Jacinto River to the northeast; Whispering Oaks subdivision and Needham Road is located to the north of the District; the northern half of District is bounded by the Needham Road on the east; the southern half of the district is bounded by Harpers Preserve to the east; vacant land lies to the south; the Huntington Estates lies to the southeast; and Tall Timbers and The Woodlands Township bounds the west. The District is

located within the extraterritorial jurisdiction of the City of Conroe. The District is located in the Conroe Independent School District.

Summary of Land Use:

A summary of the approximate land use in the District appears in the following table:

<u>Type of Land Use</u>	<u>Approximate Acres</u>	
Fully Developed Acreage	549	(a)
Acres Currently Being Developed	8	(c)
Additional Developable Acreage	60	(d)
Undevelopable Acreage	200	(e)
Recreational Vehicle Park	<u>18</u>	
Total Approximate Acres	835	

-
- (a) Approximate amounts, rounded to the nearest acre.
 - (b) Acreage served by water, sewer, and drainage facilities and where the street paving work is completed or substantially completed. Includes approximately 533 acres improved for single family residential use and approximately 20 developed acres available and most likely to be improved for commercial usage.
 - (c) Includes those acres are currently under development Montgomery Creek Ranch, Sections 22; such lots will be available for homebuilding during the
 - (d) Generally includes, but is not limited to, acreage along FM 242 that may be developed commercial purposes in the future; the District makes no representation that such land will ever be developed.
 - (e) Includes District plant sites, HOA recreational facilities, utility/drainage easements, detention ponds, permanent floodplain areas, street rights-of-ways, and acreage owned by Conroe ISD used for a junior high school sight.

Current Status of Residential Development in the District:

The District's single family building development is comprised of detached single family homes that sell in the \$240,000 to \$640,000 price range. As of December 1, 2020, there are approximately 2,258 completed homes/homes under construction and approximately 53 vacant developed lots located within the District that are available to be built upon. According to the District's records, approximately 55 homes were added to the District during calendar year 2020.

	<u>Approx. Acreage</u>	<u>Total Lots</u>	<u>Completed Homes</u>	<u>Homes Under Construction</u>	<u>Vacant Developed Lots</u>
Gleneagles, Sections 1 – 3 (a)	161	522	522	0	0
Gleneagles, Section 4a	24	110	110	0	0
Gleneagles, Section 6	26	144	144	0	0
Montgomery Creek Ranch, Sections 1 - 19	251	1205	1205	0	0
Montgomery Creek Ranch, Section 20	11	52	48	1	3
Montgomery Creek Ranch, Section 21	11	57	13	20	20
Montgomery Creek Ranch, Section 22 (b)	8	39	-	-	-
Harper's Preserve, Sections 6 & 9 (c)	47	190	190	0	0
Harper's Preserve, Sections 23 & 24 (d)	<u>18</u>	<u>46</u>	<u>0</u>	<u>5</u>	<u>41</u>
TOTAL	557	2,365	2,232 (e)	26	64

- (a) Most of these sections were developed and built out during 1970 – 1990. Acreage includes approximately 10 acres of commercial property.
- (b) The 39 lots in Montgomery Creek Ranch, Sections 22 will be available for home building during the first quarter of 2021.
- (c) Harper's Preserve, Sections 6 and 9 were developed by 242, LLC. Homes in these sections were marketed in the \$240,000 - \$640,000 price range.
- (d) Harper's Preserve, Sections 23 and 24 were developed by 242, LLC; such lots became available for home building during September of 2020. It is currently anticipated that homes in these Sections will be marketed in the \$350,000 - \$640,000 price range.
- (e) As of December 1, 2020, there were 2,178 occupied homes in the District.

Existing Commercial Building Development:

The commercial building development currently located in the District includes: two service stations, a fast food restaurant, two commercial strip centers, a tractor supply store, an automotive aftermarket establishment, a car wash, and two small retail businesses. Under construction is a two story medical office building and two additional fast food restaurants.

Management of the District:

The District is governed by the Board of Directors, which has control over the management of all affairs of the District. All of the Directors own property and reside within the District. A directors' election is held within the District on the first Saturday in May in even numbered years. Directors are elected to serve four year staggered terms. The current members and officers of the Board are listed below:

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Helen Capozzelli	President	2022
Ashley F. Peterson	Vice President	2024
Sandra V. Day	Secretary	2022
Christina L. Urbano	Assistant Secretary	2024
Daniel L. Dean	Operator Liaison	2024

Although the District does not have a general manager or any other employees, it has contracted for bookkeeping, tax assessing services, annual auditing of its books and other services as follows:

Tax Assessor/Collector - The District's Tax Assessor/Collector is Tammy McRae who is also the Montgomery County Tax Assessor.

Bookkeeper - The District's accountant/bookkeeper is Myrtle Cruz, Inc., which acts as accountant/bookkeeper for approximately 337 utility districts.

Auditor - The District has engaged Breedlove & Co., P.C., Certified Public Accountant, as auditor. The TCEQ requires that utility districts file annual audits with it. A copy of the District's audited financial report for the year ended June 30, 2020, is included as Appendix A to this Official Statement with the consent of the auditor.

Utility System Operator - The District's operator is Regional Water Corporation which acts as operator for 15 other utility districts and other municipalities.

Engineer - The consulting engineer for the District is AEI Engineering a Baxter Woodson Company.

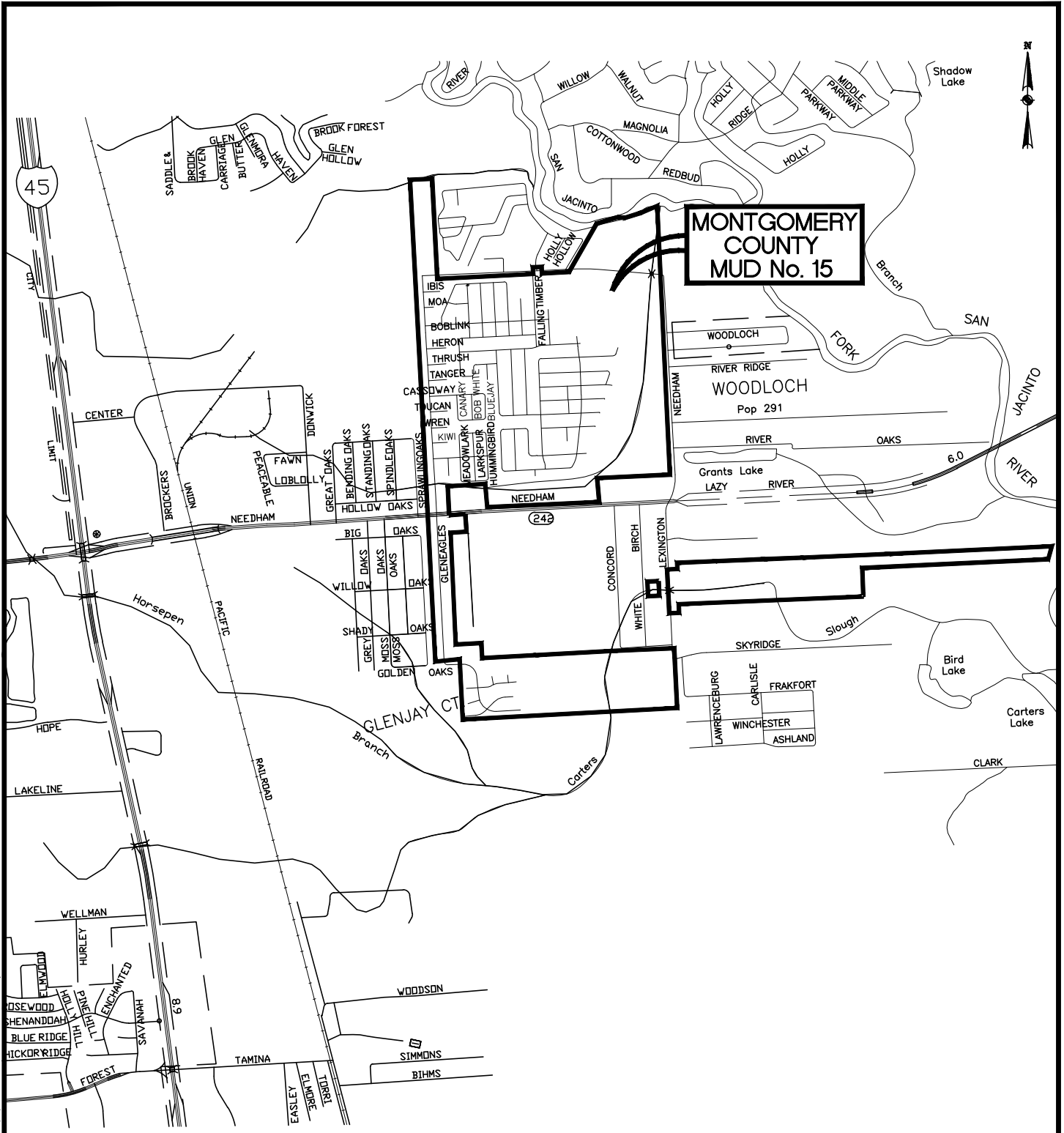
Financial Advisor - The District has engaged The GMS Group, L.L.C., as Financial Advisor for a fee to be computed on each separate issuance of bonds, contingent upon such bonds being delivered.

Legal Counsel - The District employs Young & Brooks, Attorneys at Law as Bond Counsel in connection with issuance of the Bonds. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued, sold and delivered and, therefore, such fees are contingent on the sale and delivery of the Bonds. Young & Brooks, Attorneys at Law also act as general counsel for the District on matters other than the issuance of bonds.

District Investment Policy:

The District had adopted an Investment Policy as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code. The District's goal is to preserve principal and maintain liquidity while securing a competitive yield on its portfolio. Funds of the District are invested in short-term obligations of the U.S. Treasury and federal agencies, certificates of deposit insured by the Federal Deposit Insurance Corporation ("FDIC") or secured by collateral evidenced by perfected safekeeping receipts held by a third party bank, and public funds investment pools rated in the highest rating category by a nationally recognized rating service. The District does not currently own or intend to purchase long-term securities or derivative products.

LOCATION MAP



P:\221\221-102-001 Bond Issue 12\work\Location Map.dwg, 12/7/2015 4:09:23 PM, monet snyder

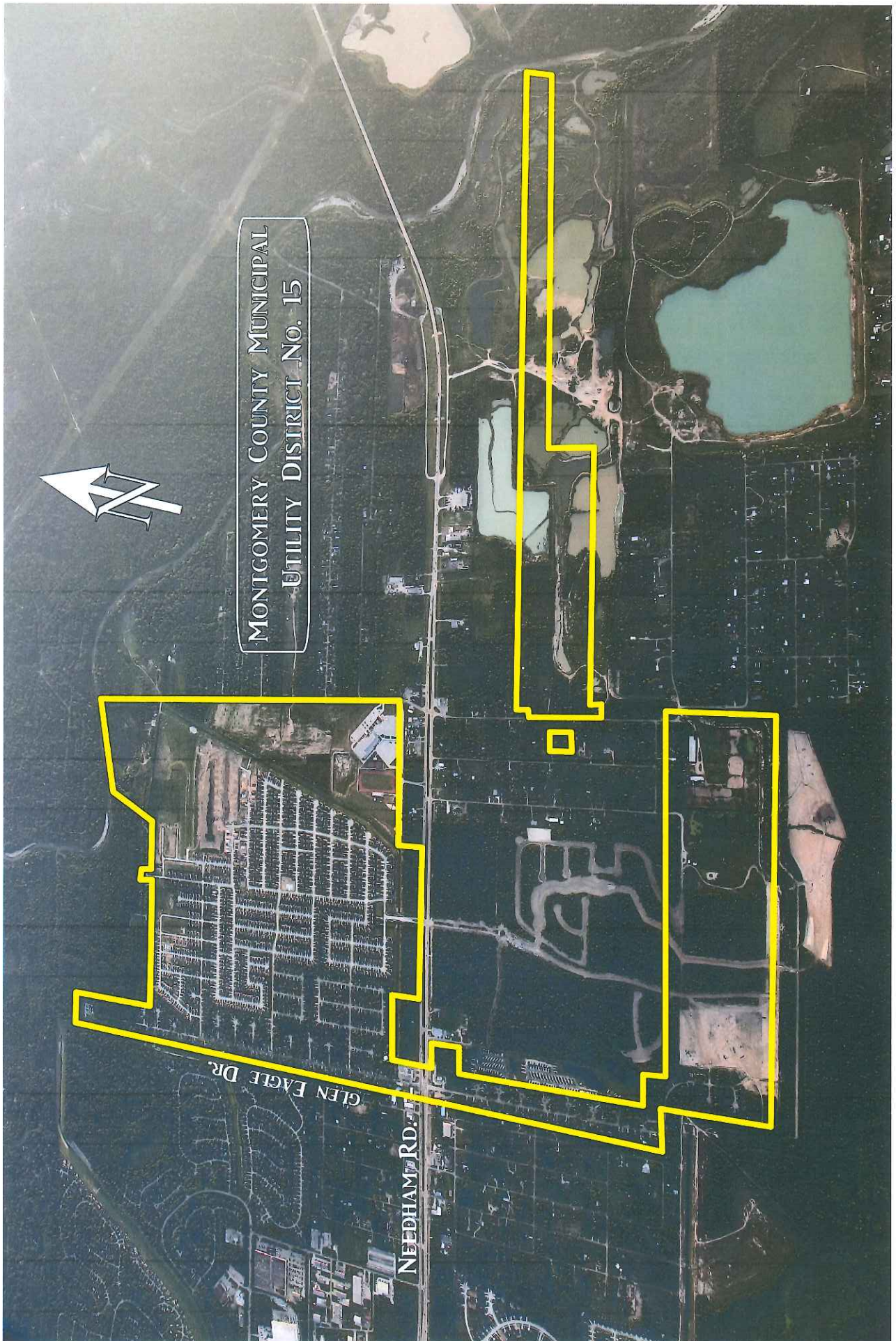
AEI
 ENGINEERING
 REGISTRATION No. F-1697

616 CYPRESS CREEK PARKWAY
 (FM 1960 WEST), SUITE 250
 HOUSTON, TEXAS 77090
 (281)350-7027
 WWW.AEIENGINEERING.COM

MONTGOMERY COUNTY M.U.D. No. 15
 MONTGOMERY COUNTY, TEXAS

LOCATION MAP

AERIAL PHOTOGRAPH



MONTGOMERY COUNTY MUNICIPAL
UTILITY DISTRICT No. 15



GLEN EAGLE DR.

NEEDHAM RD.

THE SYSTEM

Regulation:

The District's share of the cost of water, wastewater and storm drainage facilities has been financed with proceeds of the Outstanding Bonds; such facilities have been designed in accordance with accepted engineering practices and the recommendations of certain governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities including, among others, the TCEQ and Montgomery County.

Operation of the District's waterworks and wastewater facilities are subject to regulation by, among others, the United States Environmental Protection Agency, the TCEQ and the Texas Department of Health. In many cases, regulations promulgated by these agencies have become effective only recently and are subject to further development and revision.

Description of the System:

- Water Supply -

The District's source of water is provided by three existing wells which have a total capacity of 2,294 gpm with 740,000 gallons of ground storage tank capacity, hydropneumatic tanks totaling 45,000 gallons and booster pumps with a total rated capacity of 6,200 gpm. According to TCEQ criteria, the District's water supply facilities have capacity to serve 3,176 equivalent single family connections, 400 of which are committed to Montgomery County Municipal Utility District No. 95 under the terms of the Agreement discussed below. (The District's water supply system is currently operating at approximately 50% of capacity). See "Agreement with Montgomery County Municipal Utility District No. 95".

- Wastewater Treatment -

The District's existing wastewater treatment plant has a total of 600,000 gpd of treatment capacity. According to the District's Engineer, this capacity is anticipated to accommodate approximately 2,222 equivalent single family connections ("ESFCs") according to the TCEQ's regulatory flow rates of 270 gpd/ESFC that the district was approved to use in the 2014 Bond Issue No. 10. The District's actual flow rate is substantially less than the TCEQ's regulatory flow rate; and with the expansion to 900,000 gpd of treatment planned in this bond issue, the District has adequate capacity to serve the additional connections to be added to the system for the foreseeable future.

Approximately 400 ESFCs have been committed to Montgomery County Municipal Utility District No. 95 under the terms of the Agreement discussed below. See "Agreement with Montgomery County Municipal Utility District No. 95".

The District is in the process of designing a 300,000 gallon per day expansion to the District's wastewater treatment plant. Upon completion of such expansion the District will own wastewater treatment plant capacity capable of serving approximately 3,333 ESFC's.

- Drainage System -

The drainage of the entire District is distributed through two drainage ditches to the West Fork of the San Jacinto River. When a rainfall event occurs, the rain flows overland and within a storm sewer system ranging in size from 24 to 72 inches in diameter; the storm sewer is relieved at various locations with manmade drainage channels. The southern portion of the District, south of Highway 242, the area drains north to a drainage ditch just north of Highway 242. This drainage ditch drains northward to San Jacinto River. The area contained by Gleneagles, Section 4A and Highway 242 also drains to the same drainage ditch. Gleneagles, Section 4A and Section 6 are directed to a different manmade drainage ditch that joins the first drainage ditch and both drain to the San Jacinto River. Drainage for Montgomery Creek Ranch, Sections 1 – 12 and 14 - 16 is directed to a man-made drainage ditch that joins the San Jacinto River. Gleneagles, Section 3 drains to the south out of the District to a drainage ditch that flows to the San Jacinto River.

According to the District's Engineer, approximately 252 acres in the District are located in the 100-year flood plain. Approximately 100 acres are located in developed sections of the District; the lots/tracts of land in the developed sections have been elevated and removed from the 100-year flood plain. Approximately 152 acres are in the flood plain/floodway and represent a portion of the undevelopable land within the District.

- Agreement with Montgomery County Municipal Utility District No. 95 -

The District has entered into a 50-year Waste Disposal, Water Supply and Drainage Services Agreement (the "Agreement") with Montgomery County Municipal Utility District No. 95 ("MUD 95"). Under the terms of the Agreement, MUD 95 purchases capacity in and agrees to contribute to future operation and maintenance costs of the District's water supply and distribution and wastewater treatment and collection systems, and the District purchases capacity in and agrees to contribute to future operation and maintenance costs of the MUD 95 drainage channel that serves MUD 95 and the District.

Groundwater Regulation; GRP Contract:

In 2001, the Texas Legislature created the Lone Star Groundwater Conservation District (the "Conservation District") to manage and protect Montgomery County's groundwater aquifers. The District is located within the boundaries of the Conservation District and, therefore, the withdrawal of groundwater by the District's water wells is subject to permitting and regulation by the Conservation District.

- Groundwater Regulation -

In 2009, the Conservation District adopted amendments to its District Regulatory Plan which required large-volume water users in the county, such as the District, to reduce groundwater pumpage and convert to alternative sources of water, including surface water. As described hereinafter, the District entered into a contract with the San Jacinto River Authority (the "Authority") to achieve compliance with such groundwater reduction requirements.

In August of 2015, in *City of Conroe, Texas et. al. vs. Richard J. Tram, et. al.*, filed in the 284th Judicial District Court, Montgomery County, Texas, the City of Conroe, Texas and various investor owned utilities sued the Conservation District and its Board of Directors claiming that the 2009 groundwater reduction requirements adopted by the Conservation District were beyond its legal authority and constitute an unconstitutional taking of the plaintiffs' water. In September 2018, the 284th Judicial District Court ruled that such groundwater reductions requirements were invalid. While the Conservation District initially appealed the ruling, the Conservation District approved a settlement offer with the plaintiffs on January 22, 2019. The settlement was accepted on January 24, 2019, and included the withdrawal of the Conservation District's appeal. On February 5, 2019, the Conservation District issued its notice of impending regulatory changes to comply with that judgment. In addition, in March of 2019, the Conservation District adopted an amended Groundwater Management Plan and submitted the plan to the Texas Water Development Board for review and approval in accordance with the requirements of Chapter 36 of the Texas Water Code. In May of 2019, the Texas Water Development Board rejected the amended Groundwater Management Plan. The Conservation District appealed the rejection of the amended Groundwater Management Plan, and, following mediation, the District submitted its revised Groundwater Management Plan to the Texas Water Development Board on April 14, 2020. The revised management plan was approved by the Texas Water Development Board on June 4, 2020. On September 9, 2020, the Conservation District adopted new rules that supersede the substantive requirements of the 2009 District Regulatory Plan, in that such new rules (a) no longer require a reduction in groundwater pumpage and conversion to alternative sources of water, and (b) no longer require participation in a groundwater reduction plan. Such new rules further provide, among other things, that the Conservation District may implement proportional reductions in groundwater pumpage in the future. The full impact of these matters on the District is not known at this time. Regulatory changes by the Conservation District may impact the District's production of groundwater from its wells.

- GRP Contract -

In response to the Conservation District's adoption of groundwater reduction requirements in 2009, the San Jacinto River Authority (the "Authority") developed and adopted a Groundwater Reduction Plan ("GRP") and entered into contracts ("GRP Contracts") with 151 water providers ("GRP Participants") to participate in the Authority's GRP and the related construction of surface water treatment facilities and pipelines to convert the water systems of certain GRP Participants from primarily groundwater supplies to primarily surface water supplies. The District entered into a GRP Contract with the Authority dated as of February 1, 2014. The Authority has issued, in phases, \$554,280,000 principal amount of bonds secured by payments made by the GRP Participants ("GRP Fees"), which payments consist of (i) a fee on groundwater withdrawals by GRP Participants ("Pumpage Fee"), and/or (ii) a fee on surface water delivered by the Authority to certain GRP Participants ("Surface Water Fee"). GRP Participants, such as the District, are obligated by the GRP Contracts to make payments to the Authority sufficient to provide for the payment of the outstanding GRP Division bonds pursuant to such contracts. The Pumpage Fee has increased from \$0.50 in 2009 to \$2.73 per 1,000 gallons effective September 1, 2019 and the Surface Water Fee has increased from \$2.44 in 2014 to \$3.15 per 1,000 gallons effective September 1, 2019.

In 2016, the City of Conroe and the City of Magnolia advised the Authority that it would not pay the rate increases that became effective September 1, 2016 of \$0.07 per thousand gallons for the Pumpage Fee and the Surface Water Fee. The Pumpage Fee and Surface Water Fee were further increased effective September 1, 2017. The City of Conroe and the City of Magnolia have not paid more than the rates set in 2015. On August 31, 2016, the Authority filed suit in the District Court of Travis County, Texas, pursuant to Chapter 1205 of the Texas Government Code (the "EDJA suit"), seeking a declaratory judgment that (i) the Authority is authorized to set rates for its GRP Participants pursuant to the procedures set forth in the GRP Contracts, (ii) the Authority adopted its fiscal year 2017 Rate Order, including the setting of its fiscal year 2017 rates, in accordance with the procedures set forth in the GRP Contracts, (iii) the Authority's fiscal year 2017 rates, the Rate Order, and the GRP Contract are legal and valid, and (iv) the City of Conroe's refusal to pay the fiscal year 2017 rate is a breach of its GRP Contract. The Cities of Conroe, Magnolia, and Splendora, Texas, along with two privately-owned water utilities, Quadvest, L.P. and Woodlands Oaks Utility, L.P. (collectively, the "Intervenors") intervened in opposition.

The Third Court of Appeals, Austin ruled in September 2018 that the EDJA suit was properly filed by the Authority and should be sent back to the District Court for further proceedings on the first three declarations sought by the Authority, as described above. The Third Court of Appeals ruled that the Authority could not pursue the fourth declaration, as described above, under the EDJA suit. A separate suit would need to be filed to achieve such declaration. The Intervenors filed a petition for review

with the Texas Supreme Court, which petition was granted. The Texas Supreme Court issued an opinion in March 2020 holding, in summary, that the Authority may pursue declarations under the EDJA suit with respect to the valid execution of the GRP Contracts. The EDJA suit has been remanded to the District Court for further proceedings.

While the EDJA suit was pending before the Texas Supreme Court, Quadvest, L.P., Woodlands Oaks Utility, L.P., and certain other privately-owned water utilities filed suit against the Authority in District Court in Montgomery County, Texas, alleging breach of contract claims related to the GRP Fees (the "rate suit"). The Authority filed cross-claims against the Cities of Conroe, Magnolia, Texas, in the rate suit seeking to recover unpaid GRP Fees from such Cities. In response, the Cities of Conroe, Magnolia, Texas, filed pleas arguing that immunity barred the Authority's claims. The District Court granted the pleas and the Authority has filed an appeal of the ruling with the Ninth Court of Appeals, Beaumont. The Authority has filed a separate rate suit against Quadvest, L.P. and Woodlands Oaks Utility, L.P. to recover unpaid GRP Fees from such utilities.

Quadvest, L.P. and Woodlands Oaks Utility, L.P. have also filed a suit against the Authority in the U.S. District Court for the Southern District of Texas, Houston Division, alleging violations of federal antitrust law when it entered into the GRP Contracts.

At this time, no evaluation can be made as to the outcome of the above lawsuit or the impacts on the Authority and the resultant impact on GRP Participants such as the District.

Operating History:

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. The information included in the table below relating to the District's General Fund (water and sewer system operations) is provided for information purposes only.

	FISCAL YEAR ENDING JUNE 30 (a)				
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
REVENUES					
Maintenance taxes	\$966,872	\$866,386	\$842,633	\$1,002,101	\$780,430
Water service	\$333,588	\$336,477	\$325,324	\$323,296	\$298,419
Wastewater service	\$918,743	\$928,039	\$891,241	\$868,873	\$828,740
Regional water authority	\$410,046	\$364,101	\$372,271	\$372,506	\$330,209
Penalty and interest	\$23,161	\$31,180	\$33,945	\$32,116	\$33,673
Reconnection fee	\$12,285	\$14,644	\$18,675	\$17,747	\$22,035
Tap connection fees	\$1,612	(\$77,725)	(\$51,418)	\$20,591	(\$7,844)
Interest of temporary investments	\$45,445	\$34,620	\$8,690	\$5,584	\$3,978
Miscellaneous income	\$1,526	\$1,306	-	\$195	\$508
TOTAL REVENUES	\$2,713,278	\$2,499,028	\$2,441,361	\$2,643,009	\$2,290,148
EXPENDITURES					
Bulk water and sewer purchases	\$969,268	\$734,665	\$814,410	\$736,882	\$673,083
Professional fees	\$344,350	\$379,335	\$364,701	\$369,027	\$219,489
Purchased and contracted services	\$406,543	\$369,762	\$311,259	\$326,394	\$314,471
Recurring operating expenditures	\$109,843	\$81,923	\$97,463	\$84,307	\$100,142
Repairs and maintenance	\$265,098	\$243,139	\$301,363	\$179,230	\$251,060
Utilities	\$46,190	\$30,152	\$45,194	\$34,547	\$11,414
Capital outlay	\$933,402	\$198,152	\$1,202,364	\$279,565	\$290,738
Bond sale expenses	\$0	\$0	-	-	-
Developer reimbursement and interest	\$0	\$0	-	-	-
TOTAL EXPENDITURES	\$3,074,694	\$2,037,128	\$3,136,754	\$2,009,952	\$1,860,397
EXCESS REVENUE/EXPENDITURE	<u>(\$361,416)</u>	<u>\$461,900</u>	<u>(\$695,393)</u>	<u>\$633,057</u>	<u>\$429,751</u>

(a) Source: District's annual financial statements.

(b) As of November 10, 2020, the cash balance in the General Fund was approximately \$4,029,120. For the fiscal year ending June 30, 2021, the District is budgeting General Fund revenues of approximately \$4,401,000 and Operating expenditures of approximately \$2,081,000. Additionally, the District has identified approximately \$1,245,630 of capital projects that may be funded with the General Fund during fiscal year 2021.

THE DEVELOPER

Role of a Developer in a Municipal Utility District:

In general, activities of developers in special utility districts such as the District include defining a marketing program and building schedule, securing necessary governmental approvals and permits, arranging for construction of roads and installation of utilities (including in some cases, a contribution of 30% of the costs of certain water, sewer, and drainage facilities pursuant to the rules of the TCEQ), as well as gas, telephone, and electric service, and selling improved lots and commercial reserves to builders or others. In addition, developers are ordinarily major taxpayers during the development phase of the property within a utility district, and their ability to pay taxes may affect the security of a district's bonds.

The Current Developers:

- Woodmere Development Co., Ltd. -

Woodmere Development Co., Ltd. ("Woodmere") is the developer of the Montgomery Creek Ranch Subdivision. Woodmere has completed the land development work in Montgomery Creek, Sections 1-12 and 14-20. Woodmere is currently selling 45-foot and 55-foot lots in the subdivision to Long Lake Ltd., dba Foxwood Homes, Postwood Homes, and Briarwood Homes (these homebuilding entities have ownership that is common to Woodmere). Homes are currently being marketed in the Montgomery Creek Ranch Subdivision in the \$194,000 - \$325,000 price range. In addition to certain reimbursements from proceeds of the outstanding Bonds, Woodmere currently anticipates District reimbursement for certain facilities located in Montgomery Creek Ranch, Sections 21 & 22 from future District bond issues.

- 242, LLC -

242, LLC ("242") is the developer of the Harper's Preserve, Section 6 and Section 9. All of the land development work in these sections has been completed and both Sections' are substantially built out. According to 242, the 4 builders (Gehan Homes, MHI Homes, Chesmar and Highland Homes) in these sections marketed homes in the \$238,900 - \$400,000 price range.

242 has recently completed the land development work associated with Harper's Preserve, Section 23 (13 lots) and Section 24 (33 lots). Homes in Section 23 are being constructed by MI Homes who will be marketing homes in the \$490,000-\$540,000 price range. Homes in Section 24 are being constructed by Empire Homes who is marketing homes in the \$340,000-\$420,000 price range. In addition to certain reimbursements from proceeds of the outstanding Bonds, 242, LLC anticipates additional reimbursement from the District for facilities located in Harper's Preserve Sections 23 and 24.

DISTRICT DEBT
(unaudited)

11/15/2020 Estimated Taxable Value	\$418,218,111	(a)
2020 Taxable Value	\$401,730,875	(b)
Direct Debt		
Outstanding Bonds (As of December 1, 2020)	\$28,370,000	(c)
Plus Series 2021 Bonds	<u>\$8,155,000</u>	
Total Direct Debt	\$36,525,000	
Estimated Overlapping Debt	<u>\$17,418,870</u>	
Direct and Estimated Overlapping Debt	\$53,943,870	
Percentage of Direct Debt to:		
11/15/2020 Estimated Taxable Value	8.73%	
2020 Taxable Value	9.09%	
Percentage of Direct Overlapping Debt to:		
11/15/2020 Estimated Taxable Value	12.90%	
2020 Taxable Value	13.43%	
2020 Tax Rate Per \$100 of Assessed Value:		
Debt Service	\$0.515	
Maintenance Tax	<u>\$0.265</u>	
Total 2020 Tax Rate	\$0.780	
Approximate General Fund Cash and Investment Balance (as of 11/10/2020)	\$4,029,120	
Approximate Debt Service Fund Cash and Investment Balance (as of 11/10/2020)	\$1,356,653	(d)

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- (a) Reflects data supplied by the Montgomery Central Appraisal District ("MCAD"). The Estimated Taxable Value as of 11/15/2020 was prepared by MCAD and provided to the District. Such value is not binding on MCAD, and any new value (subsequent to January 1, 2020) will not be included on the District's tax roll until the 2021 tax roll is prepared and certified by MCAD during the second half of 2021. See "TAX DATA" and "TAX PROCEDURES."
- (b) The 2020 Taxable Value was prepared by the MCAD and provided to the District. See "TAX DATA" and "TAXING PROCEDURES."
- (c) Excluding the Refunded Bonds.
- (d) Represents the approximate cash and investment balance in the Debt Service Fund as of November 10, 2020. Neither Texas law nor the District's Bond Order requires the District to maintain any particular balance in the Debt Service Fund.

Estimated Overlapping Debt:

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, and certain other sources. Except for the amount relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person is entitled to rely upon such information as being accurate or complete. Furthermore, certain of the entities listed below may have issued additional bonds, the amount of which cannot be determined. Political subdivisions overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for operation, maintenance, and/or general revenue purposes in addition to taxes for payment of their debt, and some are presently levying and collecting such taxes.

<u>Taxing Jurisdiction</u>	<u>Outstanding Debt</u>	<u>Percent</u>	<u>Overlapping Debt Amount</u>
Conroe Independent School District	\$1,397,970,000	0.94%	\$13,205,136
Montgomery County	\$532,615,000	0.62%	\$3,288,075
Lone Star College System	\$542,290,000	0.17%	<u>\$925,659</u>
Total Estimated Overlapping Debt			\$17,418,870
 The District's Direct Debt (a)			 <u>\$36,525,000</u>
Total Direct and Estimated Overlapping Debt			\$53,943,870

(a) Includes the Bonds.

TAX DATA

Debt Service/Maintenance Tax:

In 2020, the District levied a tax of \$0.515 per \$100 of assessed valuation for debt service purposes. In addition, the District also levied \$0.265 per \$100 of assessed valuation for maintenance purposes in 2020. The proceeds of the maintenance tax are deposited into the District's Operating Fund and used to pay certain operating costs. A maintenance tax has been levied in the District since 1995.

Analysis of Tax Base:

Based on information provided to the District by its Tax Assessor/Collector, the following table represents the composition of property comprising the District's gross tax roll valuations and the exemptions (including supplemental adjustments made by MCAD) for 2016 through 2020. See "DISTRICT DEBT."

<u>Year</u>	<u>Type of Property</u>			<u>Gross Valuations</u>	<u>Exemptions (a)</u>	<u>Taxable Valuation (b)</u>
	<u>Land</u>	<u>Improvements</u>	<u>Personal Property</u>			
2020	\$81,302,915	\$414,479,430	\$22,202,850	\$517,985,195	\$116,254,320	\$401,730,875
2019	\$55,604,195	\$391,212,040	\$8,136,619	\$454,952,854	\$95,110,888	\$359,841,966
2018	\$53,550,500	\$323,581,340	\$6,077,339	\$383,209,179	\$72,933,522	\$312,110,794
2017	\$46,675,480	\$299,011,130	\$5,218,832	\$350,905,442	\$70,899,610	\$280,005,832
2016	\$35,564,880	\$264,449,880	\$3,366,528	\$303,381,288	\$68,773,653	\$234,607,635

(a) A majority of the exemptions is a result of the 20% Homestead Exemption granted to homeowners by the District.

(b) Reflects the gross Assessed Valuation supplied by MCAD, less exemptions.

Tax Distribution:

The following table sets forth the tax rate distribution of the District for the years 2016 through 2020.

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Debt Service	\$0.515	\$0.55	\$0.59	\$0.59	\$0.5096
Maintenance/Operation	<u>\$0.265</u>	<u>\$0.27</u>	<u>\$0.28</u>	<u>\$0.30</u>	<u>\$0.4273</u>
Total	\$0.780	\$0.82	\$0.87	\$0.89	\$0.9369

Principal Taxpayers:

The list of principal taxpayers for 2020 and the other information in this table was provided by MCAD based on certified tax rolls provided net of any exemptions. Such data does not reflect any corrections subsequent to action of the Appraisal District.

<u>Taxpayer</u>	<u>Type of Property</u>	<u>2020 Valuation</u>	<u>% of Total</u>
242 Glen Eagle LP	Land & improvements	\$5,205,580	1.30%
BK 8227 Ltd	Land & improvements	\$3,695,890	0.92%
10161 Hwy 242, LLC	Land & improvements	\$3,012,230	0.75%
Lund Ventures LLC	Land & improvements	\$2,518,610	0.63%
Shops at Harper Crossing I LLC	Land & improvements	\$2,253,120	0.56%
ExchangeRight Net Leased Portfolio 26 DST	Land & improvements	\$1,529,775	0.38%
Vaquero Conroe Partners LP	Land & improvements	\$1,494,110	0.37%
Panjwani Properties Ltd	Land & improvements	\$1,277,850	0.32%
Entergy Texas Inc.	Land & improvements	\$1,228,300	0.31%
Homeowner	Land, improvements & personal property	<u>\$1,044,200</u>	<u>0.26%</u>
TOTAL		\$23,259,665	5.80%

Levy and Collection:

The following represents the collection history of District taxes:

<u>Tax Year</u>	<u>Taxable Assessed Valuation</u>	<u>Tax Rate</u>	<u>Adjusted Levy</u>	<u>Cumulative Collections (a)</u>	
				<u>Dollars</u>	<u>Percent</u>
2020	\$401,730,875	\$0.7800	\$3,133,501	(b)	(b)
2019	\$359,841,966	\$0.8200	\$2,950,704	\$2,941,369	100%
2018	\$312,110,794	\$0.8700	\$2,715,364	\$2,709,372	100%
2017	\$280,005,832	\$0.8900	\$2,492,052	\$2,487,777	100%
2016	\$234,607,635	\$0.9369	\$2,198,039	\$2,194,619	100%

(a) Represents the cumulative tax collections as of January 31, 2021. According to the tax collector's office the current tax collections have been 96% or better each year for the past several years.

(b) The 2020 taxes were due on January 31, 2021; such taxes were 90% collected as of January 31, 2021

Tax Rate Calculations:

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 assessed valuation which would be required to meet certain debt service requirements if no growth in the District occurs beyond the dates noted on the table below. The foregoing further assumes collection of 95% of taxes levied, and assumes the issuance of the Bonds but no additional bonds.

Maximum Debt Service Requirements (2034).....	\$2,417,556
Tax Rate of \$0.61 on the 11/15/2020 Estimated Taxable Value (a) produces.....	\$2,423,573
Tax Rate of \$0.64 on the 2020 Taxable Value (a) produces.....	\$2,442,524

(a) All calculations based upon the Taxable Values of the District. The Board has adopted a 20% homestead exemption each year since 1987.

Estimated Overlapping Taxes:

Property within the District is subject to taxation by several taxing authorities in addition to the District. Under Texas law, a tax lien attaches to property to secure the payment of all taxes, penalty and interest for the year, on January 1, of that year. The tax lien on property in favor of the District is on parity with tax liens of other taxing jurisdictions. See "TAXING PROCEDURES." In addition to ad valorem taxes required to make debt service payments on bonded debt of the District and of such other jurisdictions (see "DISTRICT DEBT -- Estimated Overlapping Debt"), certain taxing jurisdictions are authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

Set forth below are all 2020 taxes levied by such taxing jurisdictions, assuming each assesses at 100% basis of assessment. No recognition is given to local assessments for civic association dues, fire department contributions, solid waste disposal charges, or any other levy of entities other than political subdivisions.

<u>Taxing Jurisdictions</u>	<u>2020 Tax Rate Per \$100 Assessed Valuation</u>
Montgomery County	\$0.4312
Montgomery County Hospital District	\$0.0588
Conroe ISD	\$0.4375
Lone Star College System	\$0.1078
Emergency Service Dist. No. 4	<u>\$0.0912</u>
	\$1.1265
The District	<u>\$0.7800</u>
Estimated Total Tax Rate	\$1.9065

TAXING PROCEDURES

Authority to Levy Taxes:

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in an amount sufficient to pay the principal and interest on the Bonds, and any additional bonds payable from taxes that the District may hereafter issue (see "RISK FACTORS – Future Debt") and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Order to levy such a tax from year to year as described more fully in this Official Statement under the caption "THE BONDS – Sources of and Security for Payment." Under Texas law, the Board may also levy and collect an annual ad valorem tax for the operation and maintenance of the District and its water and wastewater system (see "TAX DATA – Maintenance Tax") and for the payment of certain contractual obligations, if authorized by the voters in the District.

Tax Code and County-Wide Appraisal District:

Title 1 of the Texas Tax Code (the "Property Tax Code") specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Property Tax Code are complex and are not fully summarized here. The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units in a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district. The Montgomery Central Appraisal District (the "Appraisal District") has the responsibility for appraising property for all taxing units within Montgomery County, including the District. Such appraisal values are subject to review and change by the Montgomery County Appraisal Review Board (the "Appraisal Review Board").

Property Subject to Taxation by the District:

General. Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes, and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; certain goods, wares, and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites, and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years or older and of certain disabled persons, to the extent deemed advisable by the Board. The District has granted a \$25,000 residential homestead exemption for the disabled and for over-65 individuals. The District may be required to offer such an exemption if a majority of voters approve it at an election. The District would be required to call such an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax-supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, to between \$5,000 and \$12,000 depending on the disability rating of the veteran. A veteran who receives a disability rating of 100% is entitled to an exemption for the full amount of the veteran's residence homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if (i) the residence homestead was donated by a charitable organization at no cost to the disabled veteran, or (ii) the residence was donated by a charitable organization at some cost to the disabled veteran if such cost is less than or equal to fifty percent (50%) of the total good faith estimate of the market value of the residence as of the date the donation is made. Also, the surviving spouse of (i) a member of the armed forces, or (ii) a first responder as defined under Texas law, who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. Also, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the spouse.

Residential Homestead Exemptions. The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the appraised value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted by May 1. The District has granted a 20% residential homestead exemption each year since 1987.

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

Tax Abatement:

Montgomery County may designate all or part of the area within the District as a reinvestment zone. The District, at its option and discretion, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a

tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement, which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (10) years, all or any part of any increase in the 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 the terms of the tax abatement. The terms of all tax abatement agreements must be substantially the same.

Valuation of Property for Taxation:

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Tax Code.

The Property Tax Code permits land designated for agricultural use, open space, or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its market value. The Property Tax Code permits, under certain circumstances, that residential real property inventory held by a person in the trade or business are valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use, open space, or timberland designation or residential real property inventory designation must apply for the designation, and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. If a landowner of qualified open-space land is a member of the U.S. armed forces, subject to certain conditions, the appraisal of the land as qualified open-space land does not change while the landowner is deployed or stationed outside of Texas. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it for another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three (3) years for agricultural use and taxes for the previous five (5) years for open space land and timberland.

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

District and Taxpayer Remedies:

Under certain circumstances, taxpayers and taxing units (such as the District) may appeal orders of the Appraisal Review Board by filing a timely petition for review in State district court. In such event, the value of the property in question will be determined by the court or by a jury if requested by any party. Additionally, taxing units may bring suit against the Appraisal District to compel compliance with the Property Tax Code.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the District and provides for taxpayer referenda that could result in the repeal of certain tax increases. The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property values, appraisals that are higher than renditions, and appraisals of property not previously on an appraisal roll.

Levy and Collection of Taxes:

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes, and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of 6% of the amount of the tax for the first calendar month it is delinquent, plus 1% for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of 12% regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. The delinquent tax accrues interest at a rate of 1% for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, which may be rejected by taxing units. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the

payment of tax on a residence homestead for payment of tax, penalties and interest, if the person requests an installment agreement and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) 65 years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continue to accrue during the period of deferral.

Rollback of Operation and Maintenance Tax Rate:

Chapter 49 of the Texas Water Code, as amended, classifies districts differently based on the current operation and maintenance tax rate or on the percentage of build-out that the District has completed. Districts that have adopted an operation and maintenance tax rate for the current year that is 2.5 cents or less per \$100 of taxable value are classified as "Low Tax Rate Districts." Districts that have financed, completed, and issued bonds to pay for all improvements and facilities necessary to serve at least 95% of the projected build-out of the district are classified as "Developed Districts." Districts that do not meet either of the classifications previously discussed are classified herein as "Developing Districts." The impact each classification has on the ability of a district to increase its maintenance and operations tax rate pursuant to SB 2 is described for each classification below.

Low Tax Rate Districts. Low Tax Rate Districts that adopt a total tax rate that would impose more than 1.08 times the amount of the total tax imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions, are required to hold a rollback 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 tax year on a residence homestead appraised at the average appraised value of a resident 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, subject to certain homestead exemptions for the preceding tax year, plus any unused increment rates, as calculated and described in Section 26.013 of the Property Tax Code, are required to hold a rollback 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 are classified as Developing Districts. The qualified voters of these districts, upon the Developing District's adoption of a total tax rate that would impose more than 1.08 times the amount of the total tax rate imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions, are authorized to petition for an election to reduce the operation and maintenance tax rate. If a rollback 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 tax year on a residence homestead appraised at the average appraised value of a resident 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 on an annual basis, at the time a district sets its tax rate, beginning with the 2020 tax rate. The District is designated a Developing District for the 2020 tax year. 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 rollback election calculation.

District's Rights in the Event of Tax Delinquencies:

Taxes levied by the District are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State of Texas and each local taxing unit, including the District, having power to tax the property. The District's tax lien is on parity with tax liens of other such taxing units (see "TAX DATA – Estimated Overlapping Taxes"). A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the

District is determined by applicable federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

Except with respect to owners of residential homestead property who are: (i) 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 years after the deed issued at foreclosure is filed of record and may redeem all other property within six 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 "RISK FACTORS – Tax Collection Limitations."

ANNEXATION AND CONSOLIDATION

Annexation:

The District is located within the extraterritorial jurisdiction of the City of Conroe, Texas. Texas law provides that under certain circumstances, land within the District may be annexed by the City of Conroe without the consent of the District, which annexation could modify the sources of and security for payment of the Bonds. If the entire District is so annexed, the City of Conroe must assume the District's assets and obligations (including the Bonds) and abolish the District. No representation is made that the City of Conroe will ever annex all or part of the territory within the District and assume payment of the Bonds. Moreover, no representation is made concerning the ability of Conroe to make debt service payments should assumption of the Bonds occur.

Consolidation:

A district (such as the District) has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its assets, such as cash and the utility system, with the water and wastewater systems of districts with which it is consolidating as well as its liabilities (which would include the Bonds). No representation is made concerning the likelihood of consolidation.

LEGAL MATTERS

Legal Opinion:

The District will furnish the Underwriter a transcript of certain certified proceedings held incident to the authorization and issuance of the Bonds, including a certified copy of the approving opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Bonds are valid and legally binding obligations of the District. The District will also furnish the legal opinion of Young & Brooks ("Bond Counsel") to the effect that based upon an examination of such transcript the Bonds are legal, valid and binding obligations of the District and to the effect that the interest on the Bonds is exempt from federal income taxation under existing statutes, regulations, published rulings and court decisions. Such opinions express no opinion with respect to the sufficiency of the security for or the marketability of the Bonds.

Legal Review:

Bond Counsel has reviewed the information appearing in the Official Statement under the captions "REGISTRATION," "PLAN OF FINANCING," "THE BONDS," "THE DISTRICT – General," "TAXING PROCEDURES," "ANNEXATION AND CONSOLIDATION," "LEGAL MATTERS" (as it relates to the opinion of bond counsel), "TAX MATTERS," and "CONTINUING DISCLOSURE OF INFORMATION" (except for the subsection "Compliance with Prior Undertakings") solely to determine whether such information, insofar as it relates to matters of law, fairly summarizes the procedures and documents referred to therein. Bond Counsel has not, however, independently verified any of the factual information contained in this Official Statement nor has it conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon Bond Counsel's limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any information contained herein, other than the matters discussed immediately above.

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

No-Litigation Certificate:

On the date of delivery of the Bonds to the Underwriter, the District will execute and deliver to the Underwriter, a certificate to the effect that no litigation of any nature has been filed or is pending, as of that date, of which the District has notice, to restrain or enjoin the issuance or delivery of the Bonds, or which would affect the provisions made for their payment or security, or in any manner question the validity of the Bonds.

TAX MATTERS

Opinion:

On the date of initial delivery of the Bonds, Young & Brooks, Houston, Texas, Bond Counsel, will render its 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, Bond 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 its opinion, Bond Counsel will rely upon (a) certain information and representations of the District, including information and representations contained in the District's federal tax certificate, (b) covenants of the District contained in the Bond documents relating to certain matters, including arbitrage and the use of the proceeds of the Bonds and the property financed or refinanced therewith and (c) the verification report prepared by Robert Thomas CPA, LLC. Failure by the District to comply with the aforementioned representations or covenants could cause the interest on the Bonds to become includable in gross income retroactively to the date of issuance.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The opinion of Bond Counsel is conditioned on compliance by the Issuer with such requirements, and Bond Counsel has not been retained to monitor compliance with these requirements subsequent to the issuance of the Bonds.

Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond 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 District with respect to the Bonds or the Project. No assurances can be given as to whether 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 Bond Counsel. If an Internal Revenue Service 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 initial public offering price to be paid for one or more maturities of the Bonds (the "Original Issue Discount Bonds") may be less than the principal amount thereof, or one or more periods for the payment of interest on the bonds may not be equal to the accrual period or be in excess of one year. In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, any owner who has purchased such Original Issue Discount Bond in the initial public offering 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 accrual period. 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 statutes, regulations, published rulings and court decisions, all of which are subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, 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 taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL 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.

Information Reporting and Backup Withholding:

Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Bonds will be sent to each registered holder and to the Internal Revenue Service. Payments of interest and principal may be subject to backup withholding under section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner's social security number or other taxpayer identification number ("TIN"), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient's federal income tax. Special rules apply to partnerships, estates, and trusts, and in certain circumstances, and in respect of Non-U.S. Holders, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

Qualified Tax-Exempt Obligations for Financial Institutions:

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(a)(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 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 covenants 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 \$10,000,000 limitation and the Bonds would not be “qualified tax-exempt obligations.”**

REGISTRATION AND QUALIFICATION UNDER SECURITIES LAWS

The offer and sale of the Bonds have not been registered or qualified 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 qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated 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 provisions.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Robert Thomas, CPA, LLC, a firm of independent public accountants, will deliver to the District, on or before the settlement date of the Bonds, its verification report indicating that it has verified, in accordance with attestation standards established by the American Institute of Certified Public Accountants, the mathematical accuracy of (a) the mathematical computations of the adequacy of the anticipated cash deposits listed in the underwriter’s schedules to pay, when due, the maturing principal of, interest on and related call premium requirements, if any, of the Refunded Bonds; (b) the mathematical computations of yield used by Bond 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 Conroe Ordinance No. 1381-97.

The verification report prepared by Robert Thomas, CPA, LLC will be solely based upon data, information and documents provided to Robert Thomas, CPA, LLC by the District and its representatives. Robert Thomas, CPA, LLC has restricted its procedures to recalculating the computations provided by the District and its representatives and has not evaluated or examined the assumptions or information used in the computations.

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Order, the District has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to the Municipal Securities Rulemaking Board (the “MSRB”) or any successor to its functions as a repository through its Electronic Municipal Market Access (“EMMA”) system.

Annual Reports:

The District will provide certain updated financial information and operating data annually. The information to be updated with respect to the District includes the quantitative financial information and operating data of the general type included in the District's audited financial statements and supplemental schedules as found in this Official Statement under the headings "SELECTED FINANCIAL INFORMATION," "TAX DATA," to the extent available, and "APPENDIX A - ANNUAL FINANCIAL REPORT." The District will update and provide this information within six months after the end of each of its fiscal years ending in and 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 it commissions an audit and the audit is completed by the required time. If the audit of such financial statements is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to the MSRB within such six-month period, and audited financial statements when the audit report on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in the Bond Order or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

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

Event Notices:

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax 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; (15) incurrence of a financial obligation of the District, if material, or agreements to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the District, any of which reflect financial difficulties. The term "financial obligation" when used in this paragraph shall have the meaning ascribed to it under SEC Rule 15c2-12 (the "Rule"). The term "material" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Order makes any provision for debt service reserves, liquidity enhancement, the pledge of property (other than ad valorem tax and net system revenues) to secure payment of the Bonds, or appointment of a trustee. Further, with respect to the Bonds, there are no "obligated persons" within the meaning of the Rule other than the District. 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:

The District has agreed to provide the foregoing information only to the MSRB. Investors will be able to access, without charge from the MSRB, continuing disclosure information filed with the MSRB through its EMMA system at www.emma.msrb.org.

Limitations and Amendments:

The District has agreed to update information and to provide notices of material events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders or beneficial owners of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

The District may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if but only if (1) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date

of such amendment, as well as such changed circumstances, and (2) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the Registered Owners and beneficial owners of the Bonds. The District also may amend or repeal the agreement in the Bond Order if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction determines that such provisions are invalid or unenforceable, but only to the extent that its right to do so would not prevent the Underwriter from lawfully purchasing the Bonds in the initial offering. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating so provided.

Compliance with Prior Undertakings:

The District was not timely informed of the withdrawal of the rating of the insurer of its Series 2016 Bonds on December 1, 2017, and accordingly the District did not file notice of the resulting rating change to the Series 2016 Bonds within ten business days after the rating change occurred. Notice of late filing was made. The District is otherwise in compliance in all material respects with all continuing disclosure agreements made by it in connection with SEC Rule 15c2-12 for the last five years.

OFFICIAL STATEMENT

Sources of Information:

The information contained in this Official Statement has been obtained primarily from the District's records, the Engineer, the Tax Assessor/Collector, MCAD, and other sources which are believed reliable, but the District makes no representation as to the accuracy or completeness of the information derived from such other sources. The summaries of the statutes, orders, resolutions, and engineering and other related reports 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.

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.

Financial Advisor:

The Official Statement was compiled and edited under the supervision of the District's Financial Advisor, The GMS Group, L.L.C. The fees to be paid the Financial Advisor for services rendered in connection with the issuance and sale of the Bonds are based on a percentage of the Bonds actually issued, sold and delivered and therefore such fees are contingent on the sale and delivery of the Bonds.

Consultants:

In approving this Official Statement, the District has relied upon the following consultants.

Engineer: The information contained in this Official Statement relating to engineering matters generally, to the description of the System, and, in particular, that engineering related information included in the sections entitled "THE DISTRICT – General" " – Summary of Land Use," " - Current Status of Single Family Residential Development in the District" and "THE SYSTEM" has been provided by AEI Engineering, L.L.C. and has been included in reliance upon the authority of such firm as an expert in the field of civil engineering.

Tax Collector: The information contained in this Official Statement relating to the assessed valuation of property and, in particular, such information contained in the section captioned "TAX DATA," has been provided by the Montgomery County Appraisal District and by Ms. Tammy J. McRae, the District's Tax Assessor/Collector, in reliance upon their authority as experts in the field of tax assessing and appraising.

Auditors: The financial statements of the District and the accompanying report by Breedlove & Co., P.C., Certified Public Accountants, as shown in Appendix A, have been published with the consent of such firm.

Updating of Official Statement:

The District will keep the Official Statement current by amendment or sticker to reflect material changes in the affairs of the District and, to the extent that information comes to its attention, to the other matters described in the Official Statement until the delivery of the Bonds to the Underwriter, unless the Underwriter notifies the District that less than all of the Bonds have been sold to ultimate customers on or before such date, in which case the obligation will extend until the earlier of the time when all of the Bonds have been sold or 90 days after delivery of the Bonds.

Continuing Availability of Financial Information:

Pursuant to Texas law, the District has its financial statements prepared in accordance with generally accepted accounting principles, and has its financial statements audited by a certified public accountant in accordance with generally accepted auditing standards within 120 days after the close of its fiscal year. The District audit report is filed with the TCEQ within 135 days after the close of its fiscal year.

The District's financial records and audit reports are available for public inspection during regular business hours at the office of the District and copies will be provided on written request, to the extent permitted by law, upon payment of copying charges. Requests for copies should be addressed to the District in care of Young & Brooks, Attorneys at Law, 10000 Memorial Drive, Suite 260, Houston, Texas 77024.

Certification as to Official Statement:

The District, acting by and through its Board of Directors in its official capacity and in reliance upon the consultants listed above, hereby certifies, as of the date hereof, that to the best of its knowledge and belief, the information, statements, and descriptions pertaining to the District and its affairs herein contain no untrue statements of a material fact and do not omit to state any material fact necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading. The information, descriptions and statements concerning entities other than the District, including particularly other governmental entities, have been obtained from sources believed to be reliable, but the District has made no independent investigation of such matters and makes no representation as to the accuracy or completeness thereof.

This Official Statement was approved by the Board of Directors of Montgomery County Municipal Utility District No. 15 as of the date shown on the cover page.

APPENDIX A

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT No. 15
MONTGOMERY COUNTY, TEXAS
ANNUAL FINANCIAL REPORT

JUNE 30, 2020

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 15

REPORT ON FINANCIAL STATEMENTS
(With Supplemental Material)

YEAR ENDED JUNE 30, 2020

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BREEDLOVE & CO., P.C.

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RICHARD W. BREEDLOVE, CPA
President

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Vice President

NICOLE BREEDLOVE HUNT, CPA
Vice President

INDEPENDENT AUDITORS' REPORT

November 11, 2020

Board of Directors
Montgomery County Municipal Utility District No. 15
Montgomery County, Texas

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Montgomery County Municipal Utility District No. 15, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Montgomery County Municipal Utility District No. 15'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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Montgomery County Municipal Utility District No. 15, as of June 30, 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 budgetary comparison information on pages 3 through 6 and pages 25 through 27 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 an opinion on the financial statements that collectively comprise Montgomery County Municipal Utility District No. 15's basic financial statements. The accompanying Texas Supplementary Information is presented for purposes of additional analysis and is not a required part of the financial statements. The Texas Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Texas Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Breckhorn & Co., P.C.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 15

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2020

In June 1999, the Governmental Accounting Standards Board (GASB) adopted Statement 34, Basic Financial Statements, and Management Discussion and Analysis, for State and Local Governments. This standard requires that a "Management Discussion and Analysis" of the district be included with its annual audit and basic financial statements. Montgomery County Municipal Utility District 15 (MUD 15) implemented GASB 34 for the first time supplementing the audit for fiscal year ending June 30, 2004, as required.

GOVERNMENTAL FUND STRUCTURE

MUD 15 has four types of funds, which are:

- Debt Service - used to collect, hold, and pay long-term debt principal and interest payments;
- Capital Projects - dedicated to the construction or acquisition of capital facilities and improvements;
- General Operating - are all revenues and expenditures not listed in other funds; and
- Special Revenue - used to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

The debt service fund is divided into two different types of accounts. They are TexPool, which is an investment pool controlled by the state and a money market.

The capital project fund is a repository for large projects and capital acquisitions. At present MUD 15 is providing new taps and services for a new development in the district. The account includes monies received and paid out using bond series 2018A, 2018, 2017, 2016, 2015, and 2012 proceeds for this development, series 2014 proceeds for a new water plant, and series 2011A proceeds for wastewater treatment plant expansion.

The general operating fund is maintained in TexPool, a money market, and certificates of deposit. Moneys are transferred in and out of these accounts and the general operating checking account monthly as required.

The special revenue funds are maintained in checking accounts. Moneys are collected for bulk water and sewer sales and expensed for maintenance of joint water plant and joint wastewater treatment plant facilities.

FINANCIAL ANALYSIS AND HIGHLIGHTS

This district maintained a debt service tax rate at \$0.55 and \$0.59 per \$100 valuation in 2019 and 2018, respectively. The 2020 debt service will be \$0.55 per \$100 valuation. The average annual debt service increased over the prior year (approximately \$1,716,000/year at June 30, 2020).

During the June 30, 2010 fiscal year, the district entered into an agreement with MUD 95 to supply water and wastewater services to their district. In the current year the district collected monies from MUD 95 that are being used for wastewater plant expansion. In addition, the district set up two special revenue funds to account for the joint water plant and joint wastewater treatment plant facilities with MUD 95.

Standard & Poor's gave the new series 2018A, 2018, 2017, 2016A, 2016, 2015, 2014, 2012, and 2011A bonds a BBB rating which indicates good financial strength.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 15

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2020 (Continued)

CAPITAL ASSETS ANALYSIS AND HIGHLIGHTS

MUD 15 was created in 1972 and encompasses 831.7839 acres. Of these, 637 acres are either developed or can be developed. This is equivalent to an estimated 1,512 connections. The remaining 194 acres are either in a floodway, ditch, detention pond, parks water or wastewater treatment plants.

The district sold its first bonds in June of 1973 and at the end of fiscal year 2020 had an outstanding debt of \$29,890,000.

The following is a synopsis of the district's capital assets:

- **Underground Facilities:**

A large portion of the district's underground infrastructure dates back to its first bond and the subsequent bond sales in the early 80s. Generally, the district's underground facilities are considered aging, and major repairs are being encountered. The District has implemented a rehabilitation program to make needed repairs in a cost-effective manner.

- **Wastewater Treatment Plant:**

The original wastewater treatment plant (WWTP) was replaced in 1997 and was increased to 300 thousand gallons per day (MGPD) in 1999. Last year, the plant had capacity to serve 1,071 connections based on 280 gallons per connection per day. An expansion of the WWTP was completed during in 2014 that doubled its size to 600 MGPD. The overall quality of the WWTP is very good.

- **Lift Stations:**

Currently, the district has five lift stations, all of which are of good quality. They are located at the WWTP, next to the pool on Gleneagles Drive, north end of Fallen Timbers, in section three along Glenoaks Drive, and in Montgomery Creek Ranch Section 3.

- **Water Wells:**

The district has three water wells that are located at the Water Plants (WP). Their current combined capacity is approximately 3,823 equivalent single-family connections. The overall quality of the water wells is good.

- **Ground Storage Tanks:**

The district also has two ground storage tanks with a combined capacity of 640,000 gallons. Both storage tanks are located at the WP. The overall quality of the storage tanks is good.

- **Hydropneumatic Tank:**

The district has two hydropneumatic tanks with a combined capacity to serve 2,500 connections. The overall quality of the pressure tanks is good.

- **Booster Pumps:**

The district has seven water booster pumps rated 15Hp (250 GPM), three at 30Hp (500GPM), 40Hp (750 GPM), 75Hp (1500 GPM), and 75Hp (1500 GPM) and can service up to 3,983 connections. The overall quality of the pumps is fair to good.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 15

MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020
(Continued)

- Standby Generators:

The district currently has seven standby generators located at each of the following locations: WWTP, Water Plants 1 and 2, and four lift stations. There is sufficient generating capacity to operate the entire district during a prolonged power outage. The overall condition of the generators is very good.

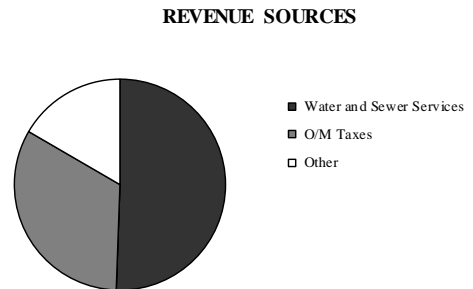
BUDGET AND ECONOMIC ANALYSIS AND HIGHLIGHTS

Typically, the district revenues are collected from water and sewer services and maintenance taxes. The following is a comparative breakdown of the actual revenue sources, including the general fund and special revenue funds less inter-fund activity for the fiscal years ended June 30, 2020 and 2019:

Revenue Source Table and Pie Chart

REVENUE SOURCE	FY 2020-2019	FY 2019-2018	INCREASE (DECREASE)	% CHANGE
Water and Sewer Services	1 433 686	1 334 683	99 003	7.42%
O/M Taxes	966 872	866 386	100 486	11.60%
Other	480 293	438 564	41 729	9.51%
Total	2 880 851	2 639 633	241 218	9.14%

Total revenues were 34% lower than the general fund and special revenue funds’ budgets in total. This negative variance in the budget revenues was mainly due to less than expected maintenance tax revenue, miscellaneous revenue and water revenue.



MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 15

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020
(Continued)**

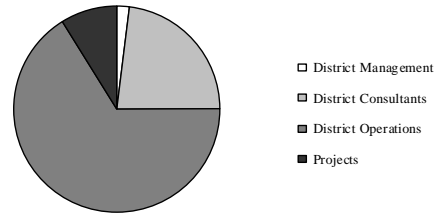
The expense side of the budget resulted in a less than 1% positive variance from the general fund and special revenue funds’ budgets in total. The following is a comparative breakdown of the actual expenditures, including the general fund and special revenue funds less inter-fund activity for the fiscal years ended June 30, 2020 and 2019:

Expenditure Table and Pie Chart

EXPENDITURE	FY 2020-2019	FY 2019-2018	INCREASE (DECREASE)	% CHANGE
District Management	85 011	43 988	41 023	93.26%
District Consultants	482 886	514 167	(31 281)	-6.08%
District Operations	1 689 539	1 481 949	207 590	14.01%
Projects	955 602	198 152	757 450	382.26%
Total	3 213 038	2 238 256	974 782	43.55%

Revenues were up 9.14% and expenses were up 43.55% from fiscal year 2019 to 2020. The increase in revenue was due to increased water and sewer services revenue caused by more connections for the 2020 fiscal year compared to the 2019 fiscal year and greater maintenance tax revenue due to higher assessments. The increase in expenses was due to significantly more capital expenditures in in 2020 than in 2019.

EXPENDITURES



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MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 15

**STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2020**

	General Fund	Special Revenue Fund I	Special Revenue Fund II	Debt Service Fund
<u>ASSETS</u>				
Cash and temporary investments	\$ 4 795 260	\$ 34 419	\$ 85 296	\$ -
Restricted cash and temporary investments	-	-	-	1 824 655
Taxes receivable	27 230	-	-	15 034
Other receivables	153 870	18 532	12 178	-
Internal receivables	184 749	51 305	19 890	177 534
Prepaid expenses	6 189	-	-	6 186
Capital assets (net of accumulated depreciation)				
Land	-	-	-	-
Infrastructure	-	-	-	-
Construction in progress	-	-	-	-
Total assets	<u>\$ 5 167 298</u>	<u>\$ 104 256</u>	<u>\$ 117 364</u>	<u>\$ 2 023 409</u>
<u>LIABILITIES</u>				
Accounts payable and accrued liabilities	\$ 218 575	\$ 95 378	\$ 58 351	\$ 5 464
Retainage payable	92 020	-	-	-
Refundable deposits	225 885	-	-	-
Due to other districts	-	-	5 000	-
Due to developer	-	-	-	-
Internal payables	248 729	36 500	85 000	50 900
Long-term liabilities:				
Due within one year	-	-	-	-
Due after one year	-	-	-	-
Total liabilities	<u>785 209</u>	<u>131 878</u>	<u>148 351</u>	<u>56 364</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Unavailable tax revenue	27 230	-	-	15 034
Total deferred inflows of resources	<u>27 230</u>	<u>-</u>	<u>-</u>	<u>15 034</u>
<u>FUND BALANCES/NET POSITION</u>				
Fund balances:				
Restricted:				
Debt service funds	-	-	-	1 952 011
Unassigned	4 354 859	(27 622)	(30 987)	-
Total fund balances	<u>4 354 859</u>	<u>(27 622)</u>	<u>(30 987)</u>	<u>1 952 011</u>
Total liabilities and fund balances	<u>\$ 5 167 298</u>	<u>\$ 104 256</u>	<u>\$ 117 364</u>	<u>\$ 2 023 409</u>
Net position:				
Net investment in capital assets				
Restricted for debt service				
Unrestricted				
Total net position				
Total liabilities, deferred inflows of resources and net position				

See the Accompanying Independent Auditors' Report and Notes to Financial Statements.

Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$ -	\$ 4 914 975	\$ -	\$ 4 914 975
49 908	1 874 563	-	1 874 563
-	42 264	-	42 264
15 931	200 511	-	200 511
-	433 478	(433 478)	-
-	12 375	-	12 375
-	-	3 015 275	3 015 275
-	-	20 783 860	20 783 860
-	-	933 402	933 402
<u>\$ 65 839</u>	<u>\$ 7 478 166</u>	<u>\$ 24 299 059</u>	<u>\$ 31 777 225</u>
\$ -	\$ 377 768	\$ (5 498)	\$ 372 270
-	92 020	-	92 020
-	225 885	-	225 885
-	5 000	-	5 000
184 097	184 097	-	184 097
12 349	433 478	(433 478)	-
-	-	810 000	810 000
-	-	29 080 000	29 080 000
<u>196 446</u>	<u>1 318 248</u>	<u>29 451 024</u>	<u>30 769 272</u>
-	42 264	(42 264)	-
-	42 264	(42 264)	-
-	1 952 011	(1 952 011)	-
(130 607)	4 165 643	(4 165 643)	-
(130 607)	6 117 654	(6 117 654)	-
<u>\$ 65 839</u>	<u>\$ 7 478 166</u>		
		(5 157 463)	(5 157 463)
		1 952 011	1 952 011
		4 213 405	4 213 405
		1 007 953	1 007 953
		<u>\$ 24 299 059</u>	<u>\$ 31 777 225</u>

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 15

**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>General Fund</u>	Special Revenue <u>Fund I</u>	Special Revenue <u>Fund II</u>	Debt Service <u>Fund</u>
Revenues:				
Charges for water service	\$ 345 873	\$ -	\$ 694 556	\$ -
Charges for sewer service	904 743	442 170	-	-
Property taxes	-	-	-	1 969 577
Maintenance taxes	966 872	-	-	-
Groundwater reduction plan fee	410 046	-	-	-
Tap connection fee and inspection fees	15 612	-	-	-
Investment earnings	45 445	58	57	8 498
Penalties and interest	23 161	-	-	15 594
Miscellaneous income	1 526	-	-	6 559
Total revenues	<u>2 713 278</u>	<u>442 228</u>	<u>694 613</u>	<u>2 000 228</u>
Expenditures/expenses:				
Service operations:				
Bulk water purchases	567 641	-	-	-
Bulk sewer purchases	401 627	-	-	-
Solid waste disposal	-	137 717	-	-
Contracted services	90 156	24 660	18 720	3 598
Professional fees	344 350	2 500	2 500	4 628
Director fees	10 950	-	-	-
Repairs and maintenance	265 098	158 025	36 954	-
Utilities	46 190	69 101	21 715	-
Solid waste management	316 387	-	-	-
Groundwater reduction plan	-	-	512 403	-
Other	98 893	38 612	62 505	30 697
Capital outlay	933 402	22 200	-	-
Debt service				
Principal	-	-	-	635 000
Interest	-	-	-	1 022 242
Depreciation	-	-	-	-
Total expenditures/expenses	<u>3 074 694</u>	<u>452 815</u>	<u>654 797</u>	<u>1 696 165</u>
Excess (deficiency) of revenues and transfers in over expenditures and transfers out	(361 416)	(10 587)	39 816	304 063
Change in net position				
Fund balance/net position:				
Beginning of the year	<u>4 716 275</u>	<u>(17 035)</u>	<u>(70 803)</u>	<u>1 647 948</u>
End of the year	<u>\$ 4 354 859</u>	<u>\$ (27 622)</u>	<u>\$ (30 987)</u>	<u>\$ 1 952 011</u>

See the Accompanying Independent Auditors' Report and Notes to Financial Statements.

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$ -	\$ 1 040 429	\$ (567 641)	\$ 472 788
-	1 346 913	(401 627)	945 286
-	1 969 577	(2 847)	1 966 730
-	966 872	(1 315)	965 557
-	410 046	-	410 046
-	15 612	-	15 612
82	54 140	-	54 140
-	38 755	-	38 755
-	8 085	-	8 085
<u>82</u>	<u>5 850 429</u>	<u>(973 430)</u>	<u>4 876 999</u>
-	567 641	(567 641)	-
-	401 627	(401 627)	-
-	137 717	-	137 717
-	137 134	-	137 134
1 250	355 228	-	355 228
-	10 950	-	10 950
-	460 077	-	460 077
-	137 006	-	137 006
-	316 387	-	316 387
-	512 403	-	512 403
89	230 796	-	230 796
-	955 602	(955 602)	-
-	635 000	(635 000)	-
-	1 022 242	35 750	1 057 992
-	-	1 532 063	1 532 063
<u>1 339</u>	<u>5 879 810</u>	<u>(992 057)</u>	<u>4 887 753</u>
(1 257)	(29 381)	29 381	
		(10 754)	(10 754)
<u>(129 350)</u>	<u>6 147 035</u>	<u>(5 128 328)</u>	<u>1 018 707</u>
<u>\$ (130 607)</u>	<u>\$ 6 117 654</u>	<u>\$ (5 109 701)</u>	<u>\$ 1 007 953</u>

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 15

SUMMARY OF ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

NOTE (1) SIGNIFICANT ACCOUNTING POLICIES

Montgomery County Municipal Utility District No. 15 (the District) was created by an order of the Texas Water Rights Commission effective September 19, 1972, in accordance with Texas Water Code Chapter 54. The Board of Directors held its first meeting on October 6, 1972, and the first bonds were sold on June 22, 1973. The District was established to provide water, sewer, and drainage service to the residents of the District.

The accompanying financial statements of the District have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The more significant accounting policies of the District are described below.

A. REPORTING ENTITY

The District is a Texas Utility District with a five-member board of directors, who are elected by individuals residing within the boundaries of the District. The Directors are elected to serve four-year terms, with two members elected at one election and the other three elected two years later.

The District follows the standards promulgated by GASB Statement No. 14, The Financial Reporting Entity, and GASB Statement No. 39, Determining Whether Certain Organizations are Component Units, to define the reporting entity. The financial statements include all operations over which the District is financially accountable. The District is a participant in two joint ventures but has not identified any entities which would be component units of the District.

B. BASIS OF PRESENTATION

The District is a special-purpose government that is governed by a separately elected governing body. It is legally separate and fiscally independent of other state and local governments. The accompanying financial statements present the activities of the District.

The financial transactions of the District are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues, and expenditures. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the District:

1. Governmental Funds

General Fund - To account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - To account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Debt Service Fund - To account for all financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Capital Projects Fund - To account for all financial resources that are restricted, committed, or assigned to expenditure for capital outlays.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 15

**SUMMARY OF ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020
(Continued)**

NOTE (1) SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. BASIS OF PRESENTATION (Continued)

2. Fund Balances

Beginning with fiscal year 2011, the District implemented GASB Statement No. 54, "Fund Balance Reporting and Government Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints place on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance - amounts that are in nonspendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation
- Committed fund balance - amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., board of directors). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest-level action to remove or change the constraint.
- Assigned fund balance - amounts the District intends to use for a specific purpose. Intent can be expressed by the board of directors or by an official or body to which the board of directors delegates the authority.
- Unassigned fund balance - amounts that are available for any purpose.

The District uses the following classifications for net position:

Net investment in capital assets - To indicate the value of capital invested in capital assets less accumulated depreciation, net of associated debt.

Restricted - To indicate the funds restricted within the General Fund for the purposes of contingencies or emergencies. The Board must approve any changes in the restriction of this fund balance.

Unrestricted - To indicate net assets that are available for use in future periods.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 15

SUMMARY OF ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

(Continued)

NOTE (1) SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. BASIS OF ACCOUNTING

All Governmental Funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded in the accounting period in which they become available and measurable. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recognized in the period in which the fund liability is incurred, if measurable. The exception to this general rule is that principal and interest on general obligation long-term debt is recognized when due. Property taxes considered available by the District and included in revenue include taxes collected during the year and taxes collected after year end which were considered available to defray the expenditures of the current year. Deferred tax revenues are those taxes which the District does not reasonably expect to be collected soon enough in the subsequent period to finance current expenditures.

The District has adopted GASB 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments." In compliance with GASB 34, the District has presented a Statement of Net Assets and Statement of Activities for the year ended June 30, 2020. These statements are presented on an accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded in the period they are earned, and expenses are recorded in the period they are incurred. The "Adjustments" column on these statements represents the infrastructure of the District and related debt to reflect an accrual basis rather than a modified accrual basis of accounting. In addition, tax revenues are adjusted to reflect an accrual basis rather than a modified accrual basis of accounting. Depreciation is retroactively recorded for all infrastructure assets. All fund balances are adjusted to reflect net position.

D. CAPITAL ASSETS

The cost of capital assets includes all costs associated with the creation of the District, the sale of bonds, and the construction of facilities including infrastructure (immovable) assets which are of value only to the District. Interest costs related to bond proceeds are being expensed which includes construction in progress.

The District capitalized the cost of meters and boxes and residential lines as part of the water system as capital assets. The full cost of facilities owned by the District is capitalized; funds provided by others are shown as contributions on the balance sheet. Depreciation of capital assets is not recorded in the accounts of governmental funds but is recorded as an Adjustment on the Statement of Activities and Governmental Funds Revenues, Expenditures, and Changes in Fund Balance. The District capitalized all land and land improvements, buildings and facilities and improvements over \$7,500, and equipment and other assets over \$1,500. Assets are depreciated on a straight-line basis using lives established by the Texas Commission on Environmental Quality ranging from 3 years to 45 years. Land is not a depreciable asset.

E. BOND DISCOUNTS

The District expenses bond discounts upon issuance of the bonds.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 15

**SUMMARY OF ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020
(Continued)**

NOTE (1) SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. INTER-FUND TRANSACTIONS

Transfers from one fund to another fund are reported as inter-fund receivables and payables if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. Operating transfers represent legally authorized transfers from the fund receiving resources to the fund through which the resources are to be expended. Transfers of residual equities are reported as additions to or deductions from the fund balance of the governmental fund types. Inter-fund transactions are eliminated in the Adjustments column for the Statement of Net Position and Statement of Activities.

G. BUDGET

The District adopts a budget each fiscal year for the general fund and each special revenue fund on substantially the same basis used to reflect actual revenues and expenditures. The budget was formally adopted by the board members at a duly advertised public meeting. Approval by the Board of Directors is required for revisions that alter the total expenditures. Reported budgeted amounts are as adopted and approved by the Board of Directors. Budgeted amounts lapse annually.

H. USE OF ESTIMATES

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although those estimates are based on our knowledge of current events or actions that may happen in the future, actual results could differ from those estimates.

I. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

Total Fund Balance at June 30, 2020	<u>\$ 6 117 654</u>
Capital assets used in governmental activities are not financial and are not reported in the funds	24 732 537
Conversion of property tax assessments to full accrual basis	42 264
Interest paid on bonds is adjusted to accrual basis	5 498
Long-term debt obligations are not reported in the funds	<u>(29 890 000)</u>
Adjustment to fund balance to arrive at net position	<u>(5 109 701)</u>
Net Position at June 30, 2020	<u><u>\$ 1 007 953</u></u>

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 15

SUMMARY OF ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2020
 (Continued)

NOTE (1) SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS
 (Continued)

Amounts reported for governmental activities in the statement of activities are different because:

Change in fund balance	\$ (29 381)
Government funds report capital outlays as expenditures. However, for government-wide financial statements, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay and conveyance of capital assets exceeded depreciation in the current period.	(576 461)
Interest paid on bonds is adjusted to accrual basis	(35 750)
Principal payments on debt are reported as expenditures in the funds. However, they do not affect net position.	635 000
Conversion of property tax assessments to full accrual basis	<u>(4 162)</u>
Change in net position of governmental activities	<u><u>\$ (10 754)</u></u>

NOTE (2) WATER AND SEWER SERVICE RATES

Effective October 9, 2013, the District adopted the following rates which remain in effect at June 30, 2020:

Water Service

Residential and Apartment Monthly Charges per connection:

First 5,000 gallons of water used (minimum bill)	\$ 10.00
Each 1,000 gallons of water used over 5,000 gallons, up to 10,000	1.00
Each 1,000 gallons of water used over 10,000 gallons, up to 15,000	1.50
Each 1,000 gallons of water used over 15,000 gallons, up to 20,000	2.00
Each 1,000 gallons of water used thereafter	2.50

Sewer Service

Residential and Apartment Monthly Charge:

First 25,000 gallons of water used	\$ 37.28
Each 1,000 gallons of water used thereafter	2.50
Apartment connections per unit	20.00

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 15

SUMMARY OF ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2020
 (Continued)

NOTE (2) WATER AND SEWER SERVICE RATES (Continued)

Service Fee

Cost of initiating water and/or sewer service to new customers (non-refundable)	\$ 15.00
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Tap Fees and Sewer Inspection

Residential Tap Fee:		
Up to and including 3/4 inch tap		\$ 1,200
Over 3/4-inch tap	Established by separate agreement	
Residential sewer inspection fee		\$ 75.00

Groundwater Reduction Plan Fee

The consumer shall pay a Groundwater Reduction Plan Fee per 1,000 gallons, equal to the pumpage fees per 1,000 gallons of water that the District is required to pay to the San Jacinto River Authority with respect to water that is delivered to the consumer.

Deposits

Per Residential Customer	minimum	\$ 80.00
	maximum	\$ 300.00
Builder deposit		\$1 500.00
Commercial, Apartment or non-profit Corporation		Greater of \$400 or 2.5 times the estimated monthly bill
Builder Inspections		\$ 60.00

NOTE (3) RESTRICTED CASH AND TEMPORARY INVESTMENTS

The following balances were restricted by the Bond Orders as of June 30, 2020:

	<u>Restricted for</u>	
	<u>Servicing of</u>	<u>Acquisition of</u>
	<u>Bonded Debt</u>	<u>Capital Assets</u>
Cash and Temporary Investments	<u>\$ 1 824 655</u>	<u>\$ 49 908</u>

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 15

SUMMARY OF ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 (Continued)

NOTE (4) PRECONSTRUCTION AGREEMENTS

On October 8, 2003, the District entered into an agreement with Woodmere Development Co., Ltd. to proceed with the construction of water, sewer, drainage, and on-site storm water detention or retention facilities to serve 321 acres within the District for single-family residential use. The facilities were and will be constructed upon approval from the Texas Commission on Environmental Quality. The District acquires the facilities when a taxable value is sufficient to generate annual debt service requirements on bonds issued for such construction at a rate not exceeding \$1.25 per \$100 taxable value over a term that does not exceed 30 years. In addition, the District's annual debt service tax rate is not projected to exceed \$1.10 per \$100 taxable value over the life on the bonds, and the District must be able to sell and deliver its bonds for the purpose of purchasing the facilities. During the years ended June 30, 2010 through 2019, bonds were sold to pay for these facilities.

On February 13, 2008, the District entered into an agreement with 242, LLC to proceed with the construction of water, sewer, drainage, and on-site storm water detention or retention facilities to serve Gleneagles Section 5A and 31.17 adjacent acres (49+ acres). The facilities were constructed upon approval from the Texas Commission on Environmental Quality. The District would acquire the facilities when a taxable value is sufficient to generate annual debt service requirements on bonds issued for such construction at a rate that does not exceed \$1.10 per \$100 taxable value over a term that does not exceed 20 years. In addition, the District's annual debt service tax rate is not projected to exceed \$1.10 per \$100 taxable value over the life on the bonds, and the District must be able to sell and deliver its bonds for the purpose of purchasing the facilities. During the years ended June 30, 2019 and 2018 bonds were sold to pay for these facilities.

NOTE (5) DEPOSITS AND INVESTMENTS

Custodial Credit Risk – Deposits

The contracted depository bank used by the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund was Compass Bank for operations. The largest cash, savings, and time deposit combined account balance was \$4,754,531 and occurred on January 9, 2020. Those amounts were adequately insured by the FDIC and pledged collateral.

Investment Policies

At the balance sheet date, operating cash account deposits with a carrying value of \$879,016 held by depository banks were secured by the FDIC and pledged collateral.

Statutes authorize the District to invest in direct or indirect obligations of the United States, the State or any county, school district, or other political subdivision of the State. Funds of the District may be placed in certificates of deposit of State or National banks or savings associations within the State. The District held investments in the amount of \$106,471 at June 30, 2020, in certificate of deposit accounts in one financial institution. The District holds investments at June 30, 2020, in accordance with the Board approved investment policy, in TexPool State Treasury ("TexPool"). In following the Public Funds Collateral Act, TexPool invests the District's funds in obligations of the United States, obligations issued by a public agency that is payable from taxes, revenues, or a combination thereof that has been rated by a nationally recognized rating agency with a rating of not less than A, or any security in which a public entity may invest under the Public Funds Investment Act of 1987. Surety bonds and investment securities are used as collateral to secure both the amount of the deposits with TexPool plus any accrued interest. A separate financial report for TexPool is prepared in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Copies of the report can be obtained from TexPool

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 15

SUMMARY OF ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2020
 (Continued)

NOTE (5) DEPOSITS AND INVESTMENTS (Continued)

Participant Services, c/o Federated Investors, 1001 Texas Ave., 14th Floor, Houston, Texas 77002. The carrying and market value of the temporary investments held was \$5,910,522 as of June 30, 2020. These investments consisted of \$3,043,993 in money market accounts, \$2,760,058 in TexPool and \$106,471 in certificate of deposit accounts.

Local governments are subject to the Public Funds Investment Act as amended during the 1995 legislative session. The Act directs local governments to adopt a written investment policy that primarily emphasizes safety of principal and liquidity. Also addressed under the Act are the areas of investment diversification, yield, maturity, and quality of investment management. The District has substantially complied with the Act's provisions during its fiscal year ended June 30, 2020.

NOTE (6) CAPITAL ASSETS

	<u>Balances Beginning Of Year</u>	<u>Additions</u>	<u>Disposals</u>	<u>Depreciation</u>	<u>Balances End Of Year</u>
Land	\$ 3 015 275	\$ -	\$ -	\$ -	\$ 3 015 275
Physical Plant	\$ 31 956 801	\$ 22 200	\$ -	\$ -	\$ 31 979 001
Less: Accumulated Depreciation	<u>(9 663 078)</u>	<u>-</u>	<u>-</u>	<u>(1 532 063)</u>	<u>(11 195 141)</u>
Net book value	<u>\$ 22 293 723</u>	<u>\$ 22 200</u>	<u>\$ -</u>	<u>\$ (1 532 063)</u>	<u>\$ 20 783 860</u>
Construction in progress	<u>\$ -</u>	<u>\$ 933 402</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 933 402</u>

Additions to the physical plant include a driveway for the wastewater treatment plant. Construction in progress includes a new motor control center, building, access road and generator at water plant no. 1, improvements to lift station no. 1, and fencing at Montgomery Creek Ranch homeowners' association.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 15

SUMMARY OF ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2020
 (Continued)

NOTE (7) BONDS PAYABLE

	<u>Series 2012</u>	<u>Series 2014</u>	<u>Series 2015</u>	<u>Series 2016</u>
Amounts outstanding June 30, 2020	\$ 1 370 000	\$ 3 870 000	\$ 3 125 000	\$ 3 000 000
Interest Rates	3.0% to 4.0%	2.5% to 4.0%	2.0% to 3.625%	2.0% to 3.625%
Maturity dates, serially beginning/ending	March 1, 2019/2039	March 1, 2018/2042	March 1, 2019/2043	March 1, 2019/2043
Interest payment dates	September 1 March 1	September 1 March 1	September 1 March 1	September 1 March 1
	<u>Series 2016 (R)</u>	<u>Series 2017</u>	<u>Series 2018 (R)</u>	<u>Series 2018A</u>
Amounts outstanding June 30, 2020	\$ 4 855 000	\$ 6 765 000	3 535 000	\$ 3 370 000
Interest Rates	2.0% to 3.0%	2.25% to 3.625%	2.0% to 3.0%	4.0% to 4.125%
Maturity dates, serially beginning/ending	March 1, 2017/2037	March 1, 2018/2043	March 1, 2018/2037	March 1, 2019/2045
Interest payment dates	September 1 March 1	September 1 March 1	September 1 March 1	September 1 March 1
			\$ 30 525 000	
			-	
			<u>(635 000)</u>	
			<u>\$ 29 890 000</u>	

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, and are further payable from and secured by a lien on and pledge of the net revenues to be received from the operation of the District's waterworks and sanitary sewer system. The taxes were levied September 1 or as soon after September 1 as it took to set the tax rate. The ad valorem tax was due upon receipt and was considered delinquent if not paid by February 1, at which time penalties and interest were assessed. According to the District's tax calendar, the lien date was January 1.

In the governmental funds, property taxes are initially recorded as receivables and unearned revenue at the time the tax levy is billed. Revenues recognized during the fiscal year ended June 30, 2020, include collections during the current period or within 60 days of year-end related to the 2019 and prior years' tax levies.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 15

SUMMARY OF ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

(Continued)

NOTE (7) BONDS PAYABLE (Continued)

During the year ended June 30, 2020, the District levied an ad valorem debt service tax at the rate of \$0.55 per \$100 of assessed valuation, which resulted in a tax levy of \$1,982,488 on the taxable valuation of \$360,452,346 for the 2019 tax year. The Bond Resolutions require 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. The debt service cash balance at June 30, 2020 was \$1,824,655.

As of June 30, 2020, the debt service requirements on the bonds outstanding are as follows:

<u>Fiscal Years Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 810 000	\$ 970 276	\$ 1 780 276
2022	935 000	949 512	1 884 512
2023	1 005 000	925 756	1 930 756
2024	1 060 000	899 169	1 959 169
2024	1 060 000	870 444	1 930 444
Thereafter	25 020 000	8 396 188	33 416 188
	<u>\$ 29 890 000</u>	<u>\$ 13 011 345</u>	<u>\$ 42 901 345</u>

NOTE (8) SIGNIFICANT BOND RESOLUTIONS AND LEGAL REQUIREMENTS

In accordance with State statutes, the District should require that security (market value basis) be provided by depositories for all funds held by them. At the balance sheet date, federal insurance and securities pledged were in excess of the District's deposits.

The Bond Resolutions state that so long as any of the bonds or coupons remain outstanding, the District covenants that it will at all times keep insured such parts of the system as are customarily insured by municipal corporations and political subdivisions in Texas operating like properties in similar locations under the same circumstances with a responsible insurance company or companies against risk, accidents or casualties against which and to the extent insurance is customarily carried by such municipal corporations and political subdivisions; provided, however, that at any time while any contractor engaged in construction work shall be fully responsible. At June 30, 2020, the District had physical damage coverage of \$12,120,000 and comprehensive general liability coverage with a maximum limit of \$1,000,000 for each occurrence and a \$3,000,000 general aggregate limit.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 15

SUMMARY OF ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 (Continued)

NOTE (9) MAINTENANCE TAXES

An election held August 9, 1986, authorized a maintenance tax not to exceed \$0.50 per \$100 valuation on all property subject to taxation within the District. During the year ended June 30, 2020, the District levied an ad valorem maintenance tax at the rate of \$0.27 per \$100 of assessed valuation, which resulted in a tax levy of \$973,221 on the taxable valuation of \$360,452,346 for the 2019 tax year. This maintenance tax is being used by the general fund to pay expenditures of operating the District's waterworks, storm drainage and sanitary sewer system. The taxes were levied September 1 or as soon after September 1 as it took to set the tax rate. The maintenance tax was due upon receipt and was delinquent if not paid before February 1, at which time penalties and interest were assessed. According to the District's tax calendar, the lien date was January 1.

In the governmental funds, property taxes are initially recorded as receivables and unearned revenue at the time the tax levy is billed. Revenues recognized during the fiscal year ended June 30, 2020, include collections during the current period or within 60 days of year-end related to the 2019 and prior years' tax levies.

NOTE (10) WATER SUPPLY AND WASTEWATER TREATMENT AGREEMENT

On May 24, 2010, the District entered into an agreement with Montgomery County Municipal Utility District No. 95 (MUD 95) to provide water and wastewater treatment to that district. Under the agreement MUD 95 purchased water plant capacity and wastewater treatment plant capacity from the District for \$882,000. The District granted credits to MUD 95 for the costs of interconnect between the districts and future shared improvements of shared facilities in the amount of \$584,252. The result was a payment of \$297,748 received from MUD 95 during the year ended June 30, 2010. Under the agreement, MUD 95 will owe the District \$202,500 for water plant improvements and capacity reservation once certain conditions are met. During the year ended June 30, 2014, the conditions were met, and the District received the \$202,500 payment. In addition, during the year ended June 30, 2013, the District received a \$388,271 contribution from MUD 95 for wastewater plant improvements. After the wastewater treatment plant expansion was completed during the year ended June 30, 2014 and all costs were incurred, the District had a receivable from MUD 95 of \$15,931 at June 30, 2013. The amount remains receivable at June 30, 2020. The term of the contract is fifty years with twelve months written notice to terminate the contract.

On May 13, 2015, the agreement with MUD 95 was amended to make certain clarifications and updates, and to provide for the connection of additional tracts in the District to the Shared Drainage Facilities. The District shall pay \$150,270 to MUD 95 if and when a physical tie-in to the Shared Drainage Facilities is made for Parcel 4. This payment was made during the fiscal year ended June 30, 2019.

The operations for the joint wastewater treatment plant and joint water plant are reported under the Special Revenue Funds I and II, respectively, on the Statement of Net Assets and Governmental Funds Balance Sheet and the Statement of Activities and Governmental Funds Revenues, Expenditures, and Changes in Fund Balance.

The fixed operating costs of the joint facilities include legal, renewal of permits and licenses (except any such costs which are included in the costs of construction and expansion), insurance, laboratory, mowing, bookkeeping, and auditing costs based on ownership interest in the joint facilities. MUD 95 currently owns 18.67% of the joint wastewater treatment plant and 17.73% of the joint water plant. The District currently owns 81.33% of the joint wastewater treatment plant and 82.27% of the joint water plant.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 15

SUMMARY OF ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

(Continued)

NOTE (10) WATER SUPPLY AND WASTEWATER TREATMENT AGREEMENT (Continued)

The variable operating costs of the joint wastewater treatment plant and joint water plant include costs such as repairs and maintenance, utilities, chemicals, sludge haul, groundwater reduction fees and all expenses which are not fixed operating costs. Joint wastewater treatment plant variable costs are allocated based on each district's equivalent connections to the sanitary sewer collection system during a month divided by the equivalent connections served by the wastewater treatment plant during the same month. Joint water plant variable costs are allocated based on the ratio of flows (total meter readings) by each district through the joint water plant.

During the year ended June 30, 2020, the District's share of costs for the joint wastewater treatment plant and the joint water plant was \$401,627 and \$567,641, respectively.

NOTE (11) JOINT FINANCING, CONSTRUCTION AND MAINTENANCE OF WATER DISTRIBUTION AND SANITARY SEWER COLLECTION FACILITIES

On May 13, 2015, the District entered into an agreement with MUD 95 for services to be provided to the portion of Harper's Preserve development located within the District. Under the agreement, MUD 95 will bill and collect from the Harper's Preserve residents that reside within the District's boundaries for monthly water and sewer services. The agreement also provides that MUD 95 will maintain the Harper's Preserve Facilities located within the District, except for major repairs. The cost of the District's Pro Rata Share of the Joint Use Facilities will be reimbursed to the developer out of future bond sales.

NOTE (12) EMERGENCY WATER SUPPLY CONTRACT

On October 8, 2003, the District entered into an emergency water supply agreement with MUD 95. Under the contract, MUD 95 constructed a water line to connect with the District's water supply system, and the District constructed a water line from their water supply system to the point of interconnect. Each district is responsible for maintaining its respective interconnect lines. Water delivered during emergencies shall cost \$1 per 1,000 gallons to be reviewed every ten years. The term of the contract is for fifty years unless earlier terminated upon mutual written consent of the districts.

NOTE (13) SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 11, 2020 (the date the financial statements were available to be issued) and noted that the coronavirus pandemic was ongoing subsequent to year end. The economic effects of this pandemic on the District are unknown at the date of this report. No other subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

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MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 15

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original and		Variance
	Final Budget*	Actual	Positive (Negative)
Revenues:			
Charges for water service	\$ 365 000	\$ 345 873	\$ (19 127)
Charges for sewer service	860 000	904 743	44 743
Maintenance taxes	1 100 000	966 872	(133 128)
Ground water reduction plan fee	400 000	410 046	10 046
Tap connection fee and inspection fees	(50 000)	15 612	65 612
Investment earnings	35 000	45 445	10 445
Penalties and interest	35 000	23 161	(11 839)
Miscellaneous income	<u>1 500 000</u>	<u>1 526</u>	<u>(1 498 474)</u>
Total revenues	<u>4 245 000</u>	<u>2 713 278</u>	<u>(1 531 722)</u>
Expenditures/expenses:			
Service operations:			
Bulk water purchases	525 000	567 641	(42 641)
Bulk sewer purchases	315 000	401 627	(86 627)
Contracted services	91 000	90 156	844
Professional fees	277 000	344 350	(67 350)
Director fees	15 000	10 950	4 050
Repairs and maintenance	230 500	265 098	(34 598)
Utilities	40 000	46 190	(6 190)
Solid waste management	275 000	316 387	(41 387)
Other	110 500	98 893	11 607
Capital outlay	<u>2 175 630</u>	<u>933 402</u>	<u>1 242 228</u>
Total expenditures/expenses	<u>4 054 630</u>	<u>3 074 694</u>	<u>979 936</u>
Excess (deficiency) of revenues over expenditures	190 370	(361 416)	(551 786)
Fund balance/net position:			
Beginning of the year	<u>4 716 275</u>	<u>4 716 275</u>	<u>-</u>
End of the year	<u>\$ 4 906 645</u>	<u>\$ 4 354 859</u>	<u>\$ (551 786)</u>

* Budget was not amended during the year. Therefore, the original budget is the same as the final budget.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 15

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL – SPECIAL REVENUE FUND I
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original and Final Budget*	Actual	Variance Positive (Negative)
Revenues:			
Charges for sewer service	\$ 317 400	\$ 442 170	\$ 124 770
Investment earnings	-	58	58
Total revenues	<u>317 400</u>	<u>442 228</u>	<u>124 828</u>
Expenditures/expenses:			
Service operations:			
Solid waste disposal	110 000	137 717	(27 717)
Contracted services	25 400	24 660	740
Professional fees	3 500	2 500	1 000
Repairs and maintenance	55 000	158 025	(103 025)
Utilities	71 500	69 101	2 399
Other	<u>52 000</u>	<u>38 612</u>	<u>13 388</u>
Total expenditures/expenses	<u>317 400</u>	<u>430 615</u>	<u>(113 215)</u>
Excess (deficiency) of revenues over expenditures	-	11 613	11 613
Fund balance/net position:			
Beginning of the year	<u>(17 035)</u>	<u>(17 035)</u>	<u>-</u>
End of the year	<u>\$ (17 035)</u>	<u>\$ (5 422)</u>	<u>\$ 11 613</u>

* Budget was not amended during the year. Therefore, the original budget is the same as the final budget.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 15

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL – SPECIAL REVENUE FUND II
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original and Final Budget*	Actual	Variance Positive (Negative)
Revenues:			
Charges for water service	\$ 636 450	\$ 694 556	\$ 58 106
Investment earnings	<u> -</u>	<u> 57</u>	<u> 57</u>
Total revenues	<u>636 450</u>	<u>694 613</u>	<u>58 163</u>
Expenditures/expenses:			
Service operations:			
Contracted services	22 700	18 720	3 980
Professional fees	3 500	2 500	1 000
Repairs and maintenance	30 000	36 954	(6 954)
Utilities	30 000	21 715	8 285
Groundwater reduction plan	505 000	512 403	(7 403)
Other	<u>45 250</u>	<u>62 505</u>	<u>(17 255)</u>
Total expenditures/expenses	<u>636 450</u>	<u>654 797</u>	<u>(18 347)</u>
Excess (deficiency) of revenues over expenditures	-	39 816	39 816
Fund balance/net position:			
Beginning of the year	<u>(70 803)</u>	<u>(70 803)</u>	<u> -</u>
End of the year	<u>\$ (70 803)</u>	<u>\$ (30 987)</u>	<u>\$ 39 816</u>

* Budget was not amended during the year. Therefore, the original budget is the same as the final budget.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 15

TSI-1. SERVICES AND RATES
FOR THE YEAR ENDED JUNE 30, 2020

1. Services Provided by the District:

Retail Water
Retail Wastewater and Solid Waste Collection and Disposal

2. Retail Service Providers

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

Most prevalent type of meter (if not a 5/8"): 3/4" meter

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons Over Minimum</u>	<u>Usage Levels</u>
Water	\$10.00	5,000	N	\$1.00 1.50 2.00 2.50	5,001 - 10,000 10,001 - 15,000 15,001 - 20,000 20,001 - over
Wastewater and Solid Waste Collection and Disposal	\$37.28	25,000	N	\$2.50	25,001 – over

District employs winter averaging for wastewater usage? Yes No X

Total charges per 10,000 gallons usage: Water \$15.00 Wastewater \$37.28

b. Water and Wastewater Retail Connections:

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered	-	-	x 1.0	-
< or =3/4"	1 986	1 960	x 1.0	1 960
1"	12	12	x 2.5	30
1 1/2"	2	2	x 5.0	10
2"	23	20	x 8.0	160
3"	3	3	x 15.0	45
4"	-	-	x 25.0	-
6"	1	1	x 50.0	50
8"	1	1	x 80.0	80
10"	-	-	x 115.0	-
Total Water	2 028	1 999		2 335
Total Wastewater	1 959	1 940	x 1.0	1 983

3. Total water consumption (rounded to the nearest 1,000) during the fiscal year:

Gallons pumped into system: 216,036 Water Accountability Ratio: .879
Gallons billed to customers: 189,924

See the Accompanying Independent Auditors' Report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 15

TSI-1. SERVICES AND RATES
FOR THE YEAR ENDED JUNE 30, 2020
(Continued)

4. Location of District:

County in which district is located			<u>Montgomery</u>
Is the District located entirely within one county?			Yes No <u>X</u> <u> </u>
Is the District located within a city?	Entirely <u> </u>	Partly <u> </u>	Not at All <u> X</u>
Is the District located within a city's extra territorial jurisdiction (ETJ)?	Entirely <u> X</u>	Partly <u> </u>	Not at All <u> </u>
ETJ's in which district is located			<u>Conroe</u>
Are Board members appointed by an office outside the District?			Yes No <u> </u> <u> X</u>

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 15

TSI-2. GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2020

Personnel Expenditures (including benefits)*	\$ -
Professional Fees	
Auditing	13 040
Legal	41 972
Engineering	288 338
Financial advisor fee	1 000
Purchased Services for Resale	
Bulk water purchases	567 641
Bulk sewer purchases	401 627
Solid waste disposal	-
Contracted Services	
Bookkeeping	21 469
Operator	68 687
Appraisal district	-
Other contracted services	-
Utilities	46 190
Repairs and Maintenance	265 098
Administrative Expenditures	
Directors' fees	10 950
Office supplies	42 722
Insurance	7 684
Other administrative expenditures	48 487
Capital Outlay	
Capitalized Assets	933 402
Expenditures not Capitalized	-
Tap Connection Expenditures	-
Solid Waste Management	316 387
Developer Reimbursement and Developer Interest	-
Other Expenditures	-
	<hr/>
TOTAL EXPENDITURES	<u>\$ 3 074 694</u>

*Number of persons employed by the District:

Full-time	<hr/>
Part-time	<hr/>

See the Accompanying Independent Auditors' Report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 15

**TSI-3. TEMPORARY INVESTMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

<u>Funds</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balances End of Year</u>	<u>Accrued Interest Receivable at End of Year</u>
General Fund					
Money Market Savings		varies	-	\$ 1 375 238	\$ -
TexPool		varies	-	2 643 526	-
Certificate of Deposit:					
Veritex Bank	33000348001X	1.85%	08/03/20	<u>106 471</u>	<u>799</u>
Total General Fund				<u>4 125 235</u>	<u>799</u>
Debt Service Fund					
Money Market Savings		varies	-	1 320 122	-
Money Market Savings		varies	-	106 689	-
Money Market Savings		varies	-	241 944	-
TexPool		varies	-	<u>116 532</u>	<u>-</u>
Total Debt Service Fund				<u>1 785 287</u>	<u>-</u>
Total - All Funds				<u>\$ 5 910 522</u>	<u>\$ 799</u>

See the Accompanying Independent Auditors' Report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 15

**TSI-4. TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Maintenance Taxes</u>	<u>Debt Service Taxes</u>
Taxes Receivable, Beginning of Year	\$ 16 349	\$ 30 077
2019 Tax Roll	973 221	1 982 488
Adjustments and overpayments	<u>(7 664)</u>	<u>(15 758)</u>
Total to be Accounted for	<u>981 906</u>	<u>1 996 807</u>
Tax Collections		
Current year	967 361	1 970 550
Prior years	<u>(489)</u>	<u>(973)</u>
Total Collections	<u>966 872</u>	<u>1 969 577</u>
Total Receivable, End of Year	<u>\$ 15 034</u>	<u>\$ 27 230</u>
Total Receivable, by Years		
2019	\$ 5 647	\$ 11 503
2018	2,314	4,877
2017	1 616	3 179
2016 and prior	<u>5 457</u>	<u>7 671</u>
Taxes Receivable, End of Year	<u>\$ 15 034</u>	<u>\$ 27 230</u>

ASSESSED VALUATION SUMMARY

Property Valuations	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Land	\$ 55 604 185	\$ 54 491 890	\$ 46 675 480	\$ 35 564 880	\$ 30 165 420
Improvements	388 872 480	325 391 610	296 266 910	256 353 980	205 160 920
Personal Property	8 028 869	6 327 959	5 218 832	3 366 528	2 628 446
Exemptions	<u>(92 053 188)</u>	<u>(74 888 364)</u>	<u>(68 368 065)</u>	<u>(60 392 909)</u>	<u>(53 713 488)</u>
Total Property Valuations	<u>\$ 360 452 346</u>	<u>\$ 311 323 095</u>	<u>\$ 279 793 157</u>	<u>\$ 234 892 479</u>	<u>\$ 184 241 298</u>
Tax Rates per \$100 Valuation					
Debt service tax rates	\$ 0.5500	\$ 0.5900	\$ 0.5900	\$ 0.5096	\$ 0.6097
Maintenance tax rates*	<u>0.2700</u>	<u>0.2800</u>	<u>0.3000</u>	<u>0.4273</u>	<u>0.4278</u>
Total Tax Rates per \$100 Valuation	<u>\$ 0.8200</u>	<u>\$ 0.8700</u>	<u>\$ 0.8900</u>	<u>\$ 0.9369</u>	<u>\$ 1.0375</u>
Tax Rolls	<u>\$ 2 955 709</u>	<u>\$ 2 708 511</u>	<u>\$ 2 490 159</u>	<u>\$ 2 200 708</u>	<u>\$ 1 911 503</u>
Percent of Taxes Collected to Taxes					
Levied	<u>99.4%</u>	<u>99.7%</u>	<u>99.8%</u>	<u>99.8%</u>	<u>99.9%</u>

* Maximum Tax Rate Approved by Voters: \$0.50 on August 9, 1986

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 15

**TSI-5. LONG-TERM DEBT SERVICE REQUIREMENTS - BY YEARS
JUNE 30, 2020**

Series 2012			
Due During Fiscal Years Ending	Principal Due March 1	Interest Due March 1, September 1	Total
2021	\$ 50 000	\$ 51 800	\$ 101 800
2022	50 000	50 300	100 300
2023	50 000	48 750	98 750
2024	50 000	47 150	97 150
2025	50 000	45 500	95 500
2026	50 000	43 800	93 800
2027	50 000	42 050	92 050
2028	50 000	40 300	90 300
2029	50 000	38 500	88 500
2030	75 000	36 650	111 650
2031	75 000	33 800	108 800
2032	75 000	30 800	105 800
2033	75 000	27 800	102 800
2034	100 000	24 800	124 800
2035	100 000	20 800	120 800
2036	100 000	16 800	116 800
2037	100 000	12 800	112 800
2038	100 000	8 800	108 800
2039	120 000	4 800	124 800
Total	\$ 1 370 000	\$ 626 000	\$ 1 996 000

See the Accompanying Independent Auditors' Report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 15

TSI-5. LONG-TERM DEBT SERVICE REQUIREMENTS - BY YEARS
JUNE 30, 2020
 (Continued)

Series 2014

Due During Fiscal Years Ending	Principal Due March 1	Interest Due March 1, September 1	Total
2021	\$ 100 000	\$ 136 550	\$ 236 550
2022	100 000	134 050	234 050
2023	100 000	131 550	231 550
2024	125 000	129 050	254 050
2025	125 000	125 300	250 300
2026	125 000	121 550	246 550
2027	125 000	117 800	242 800
2028	150 000	114 050	264 050
2029	150 000	109 175	259 175
2030	150 000	104 300	254 300
2031	150 000	99 050	249 050
2032	175 000	93 800	268 800
2033	175 000	87 675	262 675
2034	200 000	81 550	281 550
2035	200 000	74 050	274 050
2036	200 000	66 550	266 550
2037	225 000	59 050	284 050
2038	225 000	50 613	275 613
2039	250 000	42 175	292 175
2040	250 000	32 800	282 800
2041	275 000	22 800	297 800
2042	295 000	11 800	306 800
Total	\$ 3 870 000	\$ 1 945 288	\$ 5 815 288

See the Accompanying Independent Auditors' Report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 15

TSI-5. LONG-TERM DEBT SERVICE REQUIREMENTS - BY YEARS
JUNE 30, 2020
 (Continued)

Series 2015

Due During Fiscal Years Ending	Principal Due March 1	Interest Due March 1, September 1	Total
2021	\$ 75 000	\$ 104 400	\$ 179 400
2022	75 000	102 900	177 900
2023	100 000	101 250	201 250
2024	100 000	98 250	198 250
2025	100 000	95 250	195 250
2026	100 000	92 250	192 250
2027	100 000	89 250	189 250
2028	100 000	86 250	186 250
2029	100 000	83 250	183 250
2030	125 000	80 250	205 250
2031	125 000	75 875	200 875
2032	125 000	71 500	196 500
2033	125 000	67 125	192 125
2034	150 000	62 750	212 750
2035	150 000	57 688	207 688
2036	150 000	52 625	202 625
2037	150 000	47 375	197 375
2038	175 000	42 125	217 125
2039	200 000	36 000	236 000
2040	200 000	29 000	229 000
2041	200 000	21 750	221 750
2042	200 000	14 500	214 500
2043	200 000	7 250	207 250
Total	\$ 3 125 000	\$ 1 518 863	\$ 4 643 863

See the Accompanying Independent Auditors' Report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 15

TSI-5. LONG-TERM DEBT SERVICE REQUIREMENTS - BY YEARS
JUNE 30, 2020
 (Continued)

Series 2016

Due During Fiscal Years Ending	Principal Due March 1	Interest Due March 1, September 1	Total
2021	\$ 75 000	\$ 83 750	\$ 158 750
2022	75 000	81 875	156 875
2023	100 000	80 375	180 375
2024	100 000	78 375	178 375
2025	100 000	76 375	176 375
2026	100 000	74 375	174 375
2027	100 000	71 875	171 875
2028	100 000	69 375	169 375
2029	100 000	66 875	166 875
2030	125 000	64 375	189 375
2031	125 000	61 094	186 094
2032	125 000	57 812	182 812
2033	125 000	54 375	179 375
2034	125 000	50 938	175 938
2035	150 000	47 186	197 186
2036	150 000	42 688	192 688
2037	150 000	38 186	188 186
2038	150 000	33 688	183 688
2039	175 000	29 187	204 187
2040	175 000	23 939	198 939
2041	175 000	18 469	193 469
2042	200 000	13 000	213 000
2043	200 000	6 500	206 500
Total	<u><u>\$ 3 000 000</u></u>	<u><u>\$ 1 224 687</u></u>	<u><u>\$ 4 224 687</u></u>

See the Accompanying Independent Auditors' Report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 15

TSI-5. LONG-TERM DEBT SERVICE REQUIREMENTS - BY YEARS
JUNE 30, 2020
 (Continued)

Refunding Series 2016A			
Due During Fiscal Years Ending	Principal Due March 1	Interest Due March 1, September 1	Total
2021	\$ 215 000	\$ 123 082	\$ 338 082
2022	220 000	118 781	338 781
2023	235 000	114 381	349 381
2024	240 000	109 681	349 681
2025	245 000	104 881	349 881
2026	255 000	99 981	354 981
2027	260 000	94 563	354 563
2028	270 000	88 712	358 712
2029	280 000	82 300	362 300
2030	285 000	75 300	360 300
2031	300 000	68 175	368 175
2032	310 000	59 925	369 925
2033	320 000	51 400	371 400
2034	335 000	42 600	377 600
2035	350 000	32 550	382 550
2036	360 000	22 050	382 050
2037	375 000	11 250	386 250
Total	<u>\$ 4 855 000</u>	<u>\$ 1 299 612</u>	<u>\$ 6 154 612</u>

See the Accompanying Independent Auditors' Report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 15

TSI-5. LONG-TERM DEBT SERVICE REQUIREMENTS - BY YEARS
JUNE 30, 2020
 (Continued)

Series 2017

Due During Fiscal Years Ending	Principal Due March 1	Interest Due March 1, September 1	Total
2021	\$ 175 000	\$ 213 856	\$ 388 856
2022	175 000	209 918	384 918
2023	175 000	205 762	380 762
2024	200 000	201 075	401 075
2025	200 000	195 575	395 575
2026	225 000	189 200	414 200
2027	225 000	182 450	407 450
2028	225 000	175 700	400 700
2029	250 000	168 575	418 575
2030	250 000	161 075	411 075
2031	275 000	153 200	428 200
2032	275 000	144 778	419 778
2033	300 000	135 793	435 793
2034	300 000	126 231	426 231
2035	300 000	116 481	416 481
2036	325 000	106 325	431 325
2037	325 000	95 762	420 762
2038	375 000	84 153	459 153
2039	400 000	70 825	470 825
2040	425 000	56 387	481 387
2041	425 000	41 512	466 512
2042	450 000	25 918	475 918
2043	490 000	8 881	498 881
Total	<u>\$ 6 765 000</u>	<u>\$ 3 069 432</u>	<u>\$ 9 834 432</u>

See the Accompanying Independent Auditors' Report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 15

TSI-5. LONG-TERM DEBT SERVICE REQUIREMENTS - BY YEARS
JUNE 30, 2020
 (Continued)

Refunding Series 2018			
Due During Fiscal Years Ending	Principal Due March 1	Interest Due March 1, September 1	Total
2021	\$ 120 000	\$ 119 944	\$ 239 944
2022	170 000	116 194	286 194
2023	170 000	111 094	281 094
2024	170 000	105 994	275 994
2025	165 000	100 969	265 969
2026	165 000	96 019	261 019
2027	185 000	90 769	275 769
2028	210 000	84 844	294 844
2029	200 000	78 619	278 619
2030	205 000	72 419	277 419
2031	195 000	66 247	261 247
2032	245 000	58 300	303 300
2033	240 000	48 600	288 600
2034	260 000	38 600	298 600
2035	255 000	28 300	283 300
2036	275 000	17 700	292 700
2037	305 000	6 100	311 100
Total	<u>\$ 3 535 000</u>	<u>\$ 1 240 712</u>	<u>\$ 4 775 712</u>

See the Accompanying Independent Auditors' Report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 15

TSI-5. LONG-TERM DEBT SERVICE REQUIREMENTS - BY YEARS
JUNE 30, 2020
 (Continued)

Series 2018A			
Due During Fiscal Years Ending	Principal Due March 1	Interest Due March 1, September 1	Total
2021	\$ -	\$ 136 894	\$ 136 894
2022	70 000	135 494	205 494
2023	75 000	132 594	207 594
2024	75 000	129 594	204 594
2025	75 000	126 594	201 594
2026	100 000	123 094	223 094
2027	100 000	119 094	219 094
2028	100 000	115 094	215 094
2029	125 000	110 594	235 594
2030	125 000	105 594	230 594
2031	125 000	100 593	225 593
2032	125 000	95 594	220 594
2033	150 000	90 094	240 094
2034	150 000	84 094	234 094
2035	150 000	78 094	228 094
2036	150 000	72 094	222 094
2037	150 000	66 000	216 000
2038	175 000	59 297	234 297
2039	175 000	52 078	227 078
2040	175 000	44 859	219 859
2041	175 000	37 641	212 641
2042	175 000	30 422	205 422
2043	200 000	22 688	222 688
2044	225 000	13 922	238 922
2045	225 000	4 641	229 641
Total	<u>\$ 3 370 000</u>	<u>\$ 2 086 751</u>	<u>\$ 5 456 751</u>

See the Accompanying Independent Auditors' Report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 15

TSI-5. LONG-TERM DEBT SERVICE REQUIREMENTS - BY YEARS
JUNE 30, 2020
 (Continued)

Annual Requirements for All Series			
Due During Fiscal Years Ending	Principal Due March 1	Interest Due March 1, September 1	Total
2021	\$ 810 000	\$ 970 276	\$ 1 780 276
2022	935 000	949 512	1 884 512
2023	1 005 000	925 756	1 930 756
2024	1 060 000	899 169	1 959 169
2025	1 060 000	870 444	1 930 444
2026	1 120 000	840 269	1 960 269
2027	1 145 000	807 851	1 952 851
2028	1 205 000	774 325	1 979 325
2029	1 255 000	737 888	1 992 888
2030	1 340 000	699 963	2 039 963
2031	1 370 000	658 034	2 028 034
2032	1 455 000	612 509	2 067 509
2033	1 510 000	562 862	2 072 862
2034	1 620 000	511 563	2 131 563
2035	1 655 000	455 149	2 110 149
2036	1 710 000	396 832	2 106 832
2037	1 780 000	336 523	2 116 523
2038	1 200 000	278 676	1 478 676
2039	1 320 000	235 065	1 555 065
2040	1 225 000	186 985	1 411 985
2041	1 250 000	142 172	1 392 172
2042	1 320 000	95 640	1 415 640
2043	1 090 000	45 319	1 135 319
2044	225 000	13 922	238 922
2045	225 000	4 641	229 641
Total	<u>\$ 29 890 000</u>	<u>\$ 13 011 345</u>	<u>\$ 42 901 345</u>

See the Accompanying Independent Auditors' Report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 15

**TSI-6. CHANGE IN LONG-TERM BONDED DEBT
JUNE 30, 2020**

	Bond Issues			
	Series 2012	Series 2014	Series 2015	Series 2016
Interest Rate	3.0% - 4.0%	2.5% - 4.0%	2.0% - 3.625%	2.0% - 3.0%
Date Interest Payable	9/1;3/1	9/1;3/1	9/1;3/1	9/1;3/1
Maturity Dates	3/1/2019 - 3/1/2039	3/1/2018 - 3/1/2042	3/1/2019 - 3/1/2043	3/1/2020 - 3/1/2043
Bonds Outstanding at Beginning of Current Year	\$ 1 420 000	\$ 3 970 000	\$ 3 200 000	\$ 3 075 000
Sale of Bonds	\$ -	\$ -	\$ -	\$ -
Retirements of Principal	\$ 50 000	\$ 100 000	\$ 75 000	\$ 75 000
Bonds Outstanding at End of Current Year	\$ 1 370 000	\$ 3 870 000	\$ 3 125 000	\$ 3 000 000
Bond Interest Paid During the Year	\$ 53 300	\$ 105 900	\$ 139 550	\$ 85 625

Paying Agents Name and Address

Series 2012,
2014, 2015,
2016, 2016A, Bank of New York Mellon, N.A.
2017, 2018 and Post Office Box 2320
2018A: Dallas, Texas 75221-2320

Series 2011A Wells Fargo Bank, N.A.
400 West 15th Street
Austin, TX 78701

	Tax Bonds	Refunding Bonds
Bond Authority:		
Amount authorized by voters	\$ 60 682 000	\$ 5 000 000
Amount issued	\$ 32 725 000	\$ 3 495 000
Remaining to be issued	\$ 27 957 000	\$ 1 505 000
Debt Service Fund Cash and Temporary Investment Balances as of June 30, 2020:		<u>\$ 1 824 655</u>
Average Annual Debt Service Payment (Principal and Interest) for Remaining Term of All Debt		<u>\$ 1 716 054</u>

See the Accompanying Independent Auditors' Report.

Bond Issues

<u>Series 2016A (R)</u>	<u>Series 2017</u>	<u>Series 2018 (R)</u>	<u>Series 2018 (A)</u>
2.0% - 3.0%	2.25% - 3.625%	2.0% - 3.0%	4.0% - 4.125%
9/1;3/1	9/1;3/1	9/1;3/1	9/1;3/1
3/1/2017 - 3/1/2037	3/1/2018 - 3/1/2043	9/1/2018 - 9/1/2037	3/1/2019 - 3/1/2045
\$ 5 065 000	\$ 6 765 000	\$ 3 660 000	\$ 3 370 000
\$ -	\$ -	\$ -	\$ -
\$ 210 000	\$ -	\$ 125 000	\$ -
\$ 4 855 000	\$ 6 765 000	\$ 3 535 000	\$ 3 370 000
\$ 127 281	\$ 215 825	\$ 123 644	\$ 171 117

See the Accompanying Independent Auditors' Report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 15

**TSI-7. COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES,
GENERAL FUND AND DEBT SERVICE FUND
FIVE YEARS ENDED JUNE 30, 2020**

	Amounts		
	<u>2020</u>	<u>2019</u>	<u>2018</u>
General Fund Revenues			
Maintenance taxes	\$ 966 872	\$ 866 386	\$ 842 633
Water service	333 588	336 477	325 324
Wastewater service	918 743	928 039	891 241
Regional water authority	410 046	364 101	372 271
Penalty and interest	23 161	31 180	33 945
Reconnection fee	12 285	14 644	18 675
Tap connection fees	1 612	(77 725)	(51 418)
Interest on temporary investments	45 445	34 620	8 690
Miscellaneous income	1 526	1 306	-
Total General Fund Revenues	<u>2 713 278</u>	<u>2 499 028</u>	<u>2 441 361</u>
General Fund Expenditures			
Bulk water and sewer purchases	969 268	734 665	814 410
Professional fees	344 350	379 335	364 701
Purchased and contracted services	406 543	369 762	311 259
Recurring operating expenditures	109 843	81 923	97 463
Repairs and maintenance	265 098	243 139	301 363
Utilities	46 190	30 152	45 194
Capital outlay	933 402	198 152	1 202 364
Total General Fund Expenditures	<u>3 074 694</u>	<u>2 037 128</u>	<u>3 136 754</u>
Excess Revenues (Expenditures)	<u><u>\$ (361 416)</u></u>	<u><u>\$ 461 900</u></u>	<u><u>\$ (695 393)</u></u>
Debt Service Fund Revenues			
Property taxes	\$1 969 577	\$1 824 924	\$1 650 813
Penalty and interest	15 594	10 573	12 926
Interest on temporary investments	8 498	7 500	4 064
Miscellaneous income	6 559	-	7 909
Total Debt Service Revenues	<u>2 000 228</u>	<u>1 842 997</u>	<u>1 675 712</u>
Debt Service Fund Expenditures			
Tax collection services	29 259	30 029	24 108
Other recurring operating expenditures	9 662	5 854	12 736
Debt service, interest and fees			
Principal retirement	635 000	555 000	400 000
Interest and fees	1 022 242	860 262	740 574
Bond sale expenses/professional fees	-	-	160 249
Total Debt Service Expenditures	<u>1 696 163</u>	<u>1 451 145</u>	<u>1 337 667</u>
Excess Revenues (Expenditures)	<u><u>\$ 304 065</u></u>	<u><u>\$ 391 852</u></u>	<u><u>\$ 338 045</u></u>
Total Active Retail Water Connections	<u>1 999</u>	<u>1 954</u>	<u>1 886</u>
Total Active Retail Wastewater Connections	<u>1 940</u>	<u>1 940</u>	<u>1 875</u>

See the Accompanying Independent Auditors' Report.

Amounts		Percent of Fund Total Revenues						
2017	2016	2020	2019	2018	2017	2016		
\$1 002 101	\$ 780 430	35.5	%	34.6	34.5	%	37.9	%
323 296	298 419	12.3		13.5	13.3		12.2	
868 873	828 740	33.8		37.1	36.5		32.9	
372 506	330 209	15.1		14.6	15.2		14.1	
32 116	33 673	0.9		1.2	1.4		1.2	
17 747	22 035	0.5		0.6	0.8		0.7	
20 591	(7 844)	0.1		(3.1)	(2.1)		0.8	
5 584	3 978	1.7		1.4	0.4		0.2	
195	508	0.1		0.1	-		-	
<u>2 643 009</u>	<u>2 290 148</u>	<u>100.0</u>		<u>100.0</u>	<u>100.0</u>		<u>100.0</u>	
736 882	673 083	35.7		29.4	33.4		27.9	
369 027	219 489	12.7		15.2	14.9		14.0	
326 394	314 471	15.0		14.8	12.7		12.3	
84 307	100 142	4.0		3.3	4.0		3.2	
179 230	251 060	9.8		9.7	12.3		6.8	
34 547	11 414	1.7		1.2	1.9		1.3	
279 565	290 738	34.4		7.9	49.2		10.6	
<u>2 009 952</u>	<u>1 860 397</u>	<u>113.3</u>		<u>81.5</u>	<u>128.4</u>		<u>76.1</u>	
<u>\$ 633 057</u>	<u>\$ 429 751</u>	<u>(13.3)</u>	%	<u>18.5</u>	<u>(28.4)</u>		<u>23.9</u>	%
\$1 196 378	\$ 1 112 377	98.5	%	99.0	98.5		98.9	%
11 311	10 875	0.8		0.6	0.8		0.9	
2 103	1 450	0.4		0.4	0.2		0.2	
-	-	0.3		-	0.5		-	
<u>1 209 792</u>	<u>1 124 702</u>	<u>100.0</u>		<u>100.0</u>	<u>100.0</u>		<u>100.0</u>	
22 265	18 438	1.5		1.6	1.4		1.8	
6 600	10 785	0.5		0.3	0.8		0.5	
405 000	360 000	31.7		30.1	23.9		33.5	
665 098	813 031	51.1		46.7	44.2		55.0	
226 736	-	-		-	9.6		18.7	
<u>1 325 699</u>	<u>1 202 254</u>	<u>84.8</u>		<u>78.7</u>	<u>79.9</u>		<u>109.5</u>	
<u>\$ (115 907)</u>	<u>\$ (77 552)</u>	<u>15.2</u>	%	<u>21.3</u>	<u>20.1</u>		<u>(9.5)</u>	%
<u>1 810</u>	<u>1 735</u>							
<u>1 804</u>	<u>1 729</u>							

See the Accompanying Independent Auditors' Report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 15

TSI-8. BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JUNE 30, 2020

Complete District Mailing Address: Montgomery County Municipal Utility District No. 15
10000 Memorial Drive, Suite 260
Houston, Texas 77024

District Business Telephone Number: (713) 951-0800

Submission Date of the most recent District Registration Form
(TWC Sections 36.054 and 49.054): May 13, 2030

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

<u>Names</u>	<u>Term of office (Elected or Appointed)</u>	<u>Fees of Office Paid* FYE 6/30/20</u>	<u>Expense Reimburse- ments FYE 6/30/20</u>	<u>Title at Year End</u>
Board Members:				
Helen Capozzelli	(Elected) 05/18 - 05/22	\$ 3 750	\$ 1 536	President
Ashley F. Peterson	(Appointed) 03/19 - 05/20 (Elected) 05/20 - 05/24	\$ 2 100	\$ -	Vice President
Sandra V. Day	(Elected) 05/18 - 05/22	\$ 1 800	\$ -	Secretary
Christina L. Urbano	(Appointed) 05/19 - 05/20 (Elected) 05/20 - 05/24	\$ 1 950	\$ -	Assistant Secretary
Daniel L. Dean	(Elected) 05/16 - 05/20 05/20 - 05/24	\$ 1 350	\$ -	Operator Liaison

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

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 15

TSI-8. BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
 JUNE 30, 2020
 (Continued)

<u>Names</u>	<u>Date Hired</u>	<u>Fees Paid* FYE 6/30/20</u>	<u>Expense Reimburse- ments FYE 6/30/20</u>	<u>Title at Year End</u>
Consultants:				
Myrtle Cruz, Inc.	Prior to 06/83	\$ 32 269	\$ 2 850	Bookkeeper
Young & Brooks	10/72	\$ 84 698	\$ 652	Attorney
AEI Engineering, Inc.	06/96	\$ 300 839	\$ 4 907	Engineer
Montgomery Central Appraisal District	12/87	\$ 24 861	\$ -	County Appraiser
Breedlove & Co., P.C.	06/86	\$ 18 040	\$ -	Auditor
Regional Water Corporation	08/99	\$ 101 267	\$ 216 456	Operator
The GMS Group, L.L.C.	1994	\$ 1 000	\$ -	Financial Advisor

* Fees Paid are the amounts actually paid to a consultant during the district's fiscal year.

APPENDIX B

SPECIMEN MUNICIPAL BOND INSURANCE POLICY



BAM

MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

BONDS: \$ _____ in aggregate principal
amount of [NAME OF TRANSACTION]
[and maturing on]

Effective Date: _____

Risk Premium: \$ _____
Member Surplus Contribution: \$ _____
Total Insurance Payment: \$ _____

BUILD AMERICA MUTUAL ASSURANCE COMPANY (“BAM”), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the “Trustee”) or paying agent (the “Paying Agent”) for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, 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 first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner’s right to receive payment of such 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 BAM. 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 BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner’s right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

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 (as defined herein) 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 BAM 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 made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. “Notice” means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or 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, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

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

To the fullest extent permitted by applicable law, BAM 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 BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM 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, 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. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

SPECIMEN

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

200 Liberty Street, 27th floor
New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN