OFFICIAL STATEMENT DATED AUGUST 18, 2021

In the opinion of The Muller Law Group PLLC, Bond Counsel, based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds (herein defined) is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual, or receipt of interest on, the Bonds. See "TAX MATTERS."

The Bonds are NOT designated as "qualified tax-exempt obligations" for financial institutions. See "TAX MATTERS – NOT Qualified Tax-Exempt Obligations."

NEW ISSUE – Book-Entry-Only

S&P Global Ratings (BAM Insured)............................"AA"
Moody's Investors Service, Inc. (Underlying).... "Baa3"

CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1

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

$10,610,000 **Unlimited Tax Bonds** **Series 2021**	**$5,145,000** **Unlimited Tax Road Bonds** **Series 2021**

Dated: September 16, 2021 **Due: September 1, as shown on the inside cover**

Interest on the $10,610,000 Conroe Municipal Management District No. 1 Unlimited Tax Bonds, Series 2021 (the "System Bonds") and the $5,145,000 Conroe Municipal Management District No. 1 Unlimited Tax Road Bonds, Series 2021 (the "Road Bonds," and together with the System Bonds, the "Bonds") accrues from the date of delivery and is payable on March 1, 2022, and on each September 1 and March 1 (each an "Interest Payment Date") thereafter until the earlier of maturity or redemption, and will be calculated on the basis of a 360-day year composed of 12 30-day months. Interest on the Bonds will be payable by check dated as of the Interest Payment Date, and mailed by the Paying Agent/Registrar (herein defined) to registered owners 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. The Bonds will be issued in fully registered form only, without coupons, in principal denominations of $5,000 or any integral multiple thereof, and when issued, will be registered in the name of Cede & Co., as registered owner and nominee for the Depository Trust Company, New York, New York ("DTC"), acting as securities depository for the Bonds until DTC resigns or is discharged. The Bonds initially will be available to purchasers in book-entry form only. So long as Cede & Co., as the nominee of DTC, is the registered owner of the Bonds, principal of and interest on the Bonds will be payable by the paying agent to DTC, which will be solely responsible for making such payment to the beneficial owners of the Bonds. The initial paying agent for the Bonds is Regions Bank, an Alabama banking corporation, Houston, Texas (the "Paying Agent/Registrar"). The Bonds are obligations solely of Conroe Municipal Management District No. 1 (the "District") and are not obligations of the State of Texas; Montgomery County, Texas; the City of Conroe, Texas; or any other political subdivision or entity other than the District.

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

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under separate municipal bond insurance policies to be issued concurrently with the delivery of the Bonds by **BUILD AMERICA MUTUAL ASSURANCE COMPANY.**

The System Bonds constitute the fourth series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing water, wastewater, and storm drainage facilities to serve the District (the "System") and the Road Bonds constitute the fourth series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing road improvements to serve the District. Voters in the District have authorized a total of $250,800,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the System, and for purpose of refunding such bonds, and $187,550,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing road improvements to serve the District, and for purpose of refunding such bonds. Additionally, voters in the District have authorized $29,700,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities to serve the District, and for the purpose of refunding such bonds. Following the issuance of the Bonds, $225,225,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the System, and for purpose of refunding such bonds; $167,125,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing road improvements to serve the District, and for purpose of refunding such bonds; and $29,700,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities to serve the District, and for the purpose of refunding such bonds, will remain authorized but unissued. The Bonds, when issued, will constitute valid and binding obligations of the District, payable from the proceeds of two (2) separate continuing direct annual ad valorem taxes, each without legal limitation as to rate or amount, levied against all taxable property within the District.

The Bonds are offered by the Initial Purchasers (herein defined) subject to prior sale, when, as, and if issued by the District and accepted by the Initial Purchasers, subject, among other things, to the approval of the Attorney General of Texas and the opinion of The Muller Law Group, PLLC, Sugar Land, Texas, Bond Counsel. Certain legal matters will be passed upon for the District by Orrick, Herrington & Sutcliffe LLP, Houston, Texas, Disclosure Counsel. Delivery of the Bonds is expected on or about September 16, 2021.

PRINCIPAL AMOUNTS, MATURITIES, INTEREST RATES, INITIAL REOFFERING YIELDS, AND CUSIPS

$10,610,000 Unlimited Tax Bonds, Series 2021

$10,610,000 Serial Bonds

Due (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 208422 (b)	Due (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 208422 (b)
2022	$ 310,000	4.500%	0.400%	GC3	2035 (c)	$ 425,000	2.125%	2.150%	GR0
2023	310,000	4.500%	0.500%	GD1	2036 (c)	440,000	2.125%	2.200%	GS8
2024	315,000	4.500%	0.650%	GE9	2037 (c)	450,000	2.250%	2.250%	GT6
2025	325,000	4.500%	0.800%	GF6	2038 (c)	465,000	2.250%	2.300%	GU3
2026	335,000	4.500%	0.950%	GG4	2039 (c)	475,000	2.250%	2.350%	GV1
2027 (c)	345,000	4.500%	1.050%	GH2	2040 (c)	490,000	2.375%	2.400%	GW9
2028 (c)	355,000	2.625%	1.250%	GJ8	2041 (c)	505,000	2.375%	2.450%	GX7
2029 (c)	365,000	2.000%	1.550%	GK5	2042 (c)	515,000	2.000%	2.650%	GY5
2030 (c)	375,000	2.000%	1.700%	GL3	2043 (c)	530,000	2.000%	2.650%	GZ2
2031 (c)	385,000	2.000%	1.850%	GM1	2044 (c)	545,000	2.000%	2.650%	HA6
2032 (c)	395,000	2.000%	2.000%	GN9	2045 (c)	560,000	2.000%	2.650%	HB4
2033 (c)	405,000	2.000%	2.050%	GP4	2046 (c)	575,000	2.000%	2.650%	HC2
2034 (c)	415,000	2.000%	2.100%	GQ2					

$5,145,000 Unlimited Tax Road Bonds, Series 2021

$3,525,000 Serial Bonds

Due (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 208422 (b)	Due (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 208422 (b)
2023	$ 155,000	3.500%	0.400%	HD0	2032 (c)	$ 195,000	2.000%	1.800%	HN8
2024	160,000	3.500%	0.500%	HE8	2033 (c)	200,000	2.000%	2.000%	HP3
2025	165,000	3.500%	0.650%	HF5	2034 (c)	210,000	2.000%	2.100%	HQ1
2026	165,000	3.500%	0.800%	HG3	2035 (c)	215,000	2.000%	2.200%	HR9
2027 (c)	170,000	2.000%	1.000%	HH1	2036 (c)	220,000	2.000%	2.250%	HS7
2028 (c)	175,000	1.000%	1.300%	HJ7	2037 (c)	225,000	2.125%	2.300%	HT5
2029 (c)	180,000	2.000%	1.250%	HK4	2038 (c)	230,000	2.125%	2.350%	HU2
2030 (c)	185,000	2.000%	1.450%	HL2	2039 (c)	240,000	2.250%	2.400%	HV0
2031 (c)	190,000	2.000%	1.600%	HM0	2040 (c)	245,000	2.250%	2.450%	HW8

$1,620,000 Term Bonds

$775,000 Term Bonds Due September 1, 2043 (c)(d), Interest Rate: 2.375% (Price: $97.897) (a), CUSIP No. 208422 HZ1 (b)

$845,000 Term Bonds Due September 1, 2046 (c)(d), Interest Rate: 2.375% (Price: $96.782) (a), CUSIP No. 208422 JC0 (b)

(a) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Initial Purchasers. Initial reoffering yields represent the initial offering price, which may be changed for subsequent purchasers. The initial yield indicated above represents the lower of the yields resulting when priced to maturity or to the first call date.

(b) CUSIP numbers have been assigned to the Bonds by CUSIP Global Services, managed by S&P Global Market Intelligence LLC on behalf of the American Bankers Association, and are included solely for the convenience of the purchasers of the Bonds. None of the District, the Financial Advisor (herein defined), or the Initial Purchasers shall be responsible for the selection or the correctness of the CUSIP numbers shown herein.

(c) The Bonds maturing on September 1, 2027, and thereafter, shall be subject to redemption and payment at the option of the District, in whole or from time to time in part on September 1, 2026, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. See "THE BONDS – Redemption Provisions – *Optional Redemption*."

(d) Subject to mandatory redemption by lot or other customary method of random selection on September 1 in the years and in the amounts set forth under "THE BONDS – Redemption Provisions – *Mandatory Redemption*."

USE OF INFORMATION IN OFFICIAL STATEMENT

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

This Official Statement does not alone constitute, and is not authorized by the District for use in connection with, an offer to sell or the solicitation of any offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

All of the summaries of the statutes, resolutions, orders, contracts, audits, engineering, and other related reports set forth herein are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions and reference is made to such documents, copies of which are available from Bond Counsel upon payment of duplication costs, for further information.

The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information herein.

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 "MUNICIPAL BOND INSURANCE" and "APPENDIX C."

This Official Statement contains, in part, estimates, assumptions, and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates, assumptions, or matters of opinion, or as to the likelihood that they will be realized. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein since the date hereof. The District has agreed to keep this Official Statement current by amendment or sticker to reflect material changes in the affairs of the District and to the extent such information actually comes to its attention, the other matters described herein, until delivery of the Bonds to the Initial Purchasers and thereafter only as specified under "OFFICIAL STATEMENT – Updating of Official Statement" and "CONTINUING DISCLOSURE."

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

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SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the System Bonds, the District has accepted the bid of Huntington Securities, Inc. (the "System Bond Initial Purchaser") to purchase the System Bonds at the interest rates shown on the inside cover hereof at a price of 97.010000% of par, resulting in a net effective interest rate to the District 2.427823%, as calculated pursuant to Chapter 1204, Texas Government Code, as amended. No assurance can be given that any trading market will be developed for the System Bonds after their sale by the District to the System Bonds Initial Purchaser. The District has no control over the price at which the System Bonds are subsequently sold, and the initial yields at which the System Bonds are priced and reoffered are established by and are the sole responsibility of the System Bonds Initial Purchaser.

After requesting competitive bids for the Road Bonds, the District has accepted the bid of SAMCO Capital Markets, Inc. (the "Road Bond Initial Purchaser," and together with the System Bond Initial Purchaser, the "Initial Purchasers") to purchase the Road Bonds at the interest rates shown on the inside cover hereof at a price of 97.111585% of par, resulting in a net effective interest rate to the District 2.446051%, as calculated pursuant to Chapter 1204, Texas Government Code, as amended. No assurance can be given that any trading market will be developed for the Road Bonds after their sale by the District to the Road Bonds Initial Purchaser. The District has no control over the price at which the Road Bonds are subsequently sold, and the initial yields at which the Road Bonds are priced and reoffered are established by and are the sole responsibility of the Road Bonds Initial Purchaser.

Prices and Marketability

The delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Initial Purchasers on or before the date of delivery of the Bonds stating the prices at which a substantial amount of the Bonds of each maturity has been sold to the public. For this purpose, the term "public" shall not include any person who is a bond house, broker, dealer, or similar person or organization acting in the capacity of underwriter or wholesaler. Other than described in the Notice of Sale, the District has no understanding with the Initial Purchasers regarding the reoffering yields or prices of the Bonds. Information concerning reoffering yields or prices is the responsibility of the Initial Purchasers.

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

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

Securities Laws

No registration statement relating to the Bonds has been filed with the United States Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon 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 other jurisdictions. 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 offered, sold, or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds should not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdiction.

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, BAM will issue separate Municipal Bond Insurance Policies for the Bonds (each a "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as "APPENDIX C."

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 June 30, 2021, and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were $488.6 million, $165.5 million and $323.1 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 "MUNICIPAL BOND INSURANCE."

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 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.

RATINGS

The Bonds have received an insured rating of “AA” from S&P solely in reliance upon the issuance of the municipal bond insurance policy by BAM at the time of delivery of the Bonds. An explanation of the ratings of S&P may only be obtained from S&P. S&P is located at 55 Water Street, New York, New York 10041, telephone number (212) 208-8000 and has engaged in providing ratings for corporate bonds since 1923 and municipal bonds since 1940. Long-term debt ratings assigned by S&P reflect its analysis of the overall level of credit risk involved in financings. At present, S&P assigns long-term debt ratings with symbols “AAA” (the highest rating) through “D” (the lowest rating). The ratings express only the view of S&P at the time the ratings are given. Furthermore, a security rating is not a recommendation to buy, sell, or hold securities. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by S&P, if in its judgment, circumstances so warrant.

Moody’s Investors Service, Inc. (“Moody’s”) has assigned an underlying rating of “Baa3” to the Bonds. An explanation of the ratings of Moody’s may be obtained from Moody’s, 7 World Trade Center at 250 Greenwich Street, New York, New York 10007. The ratings express only the view of Moody’s at the time the ratings are given. A security rating is not a recommendation to buy, sell, or hold securities. Furthermore, there is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by Moody’s, if, in its judgment, circumstances so warrant. Any such revisions or withdrawal of the ratings may have an adverse effect on the market price of the Bonds.

The District is not aware of any ratings assigned the Bonds other than the ratings of S&P and Moody’s.

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OFFICIAL STATEMENT SUMMARY

The following material is qualified in its entirety by the more detailed information and financial statements appearing elsewhere herein. The offering of the Bonds to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement.

THE BONDS

Description	The $10,610,000 Conroe Municipal Management District No. 1 Unlimited Tax Bonds, Series 2021 (the "System Bonds") and the $5,145,000 Conroe Municipal Management District No. 1 Unlimited Tax Road Bonds, Series 2021 (the "Road Bonds," and together with the System Bonds, the "Bonds") are dated September 16, 2021, and mature on September 1 in the years and amounts set forth on the inside cover hereof. Interest on the Bonds accrues from the date of delivery and is payable on March 1, 2022, and each September 1 and March 1 thereafter until the earlier of maturity or redemption, and will be calculated on the basis of a 360-day year composed of 12 30-day months. The Bonds are offered in fully registered form in integral multiples of $5,000 of principal amount for any one (1) maturity. See "THE BONDS – General."
Redemption Provisions	The Bonds maturing on and after September 1, 2027, are subject to redemption, in whole or from time to time in part, at the option of the District beginning on September 1, 2026, and on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date of redemption. See "THE BONDS – Redemption Provisions – *Optional Redemption*." The Road Bonds maturing on September 1 in the years 2043 and 2046 are term bonds and are also subject to the mandatory redemption provisions set forth under "THE BONDS – Redemption Provisions – *Mandatory Redemption*."
Source of Payment	The Bonds, when issued, will constitute valid and binding obligations of the District, payable from the proceeds of two (2) separate continuing direct annual ad valorem taxes, each without legal limitation as to rate or amount, levied against all taxable property within Conroe Municipal Management District No. 1 (the "District"). The Bonds are obligations solely of the District and are not obligations of the State of Texas ("Texas"); Montgomery County, Texas (the "County"); the City of Conroe, Texas (the "City"); or any other political subdivision or entity other than the District. See "THE BONDS – Source of Payment."
Authority for Issuance	The System Bonds constitute the fourth series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing water, wastewater, and storm drainage facilities to serve the District (the "System") and the Road Bonds constitute the fourth series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing road improvements to serve the District. Voters in the District have authorized a total of $250,800,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the System, and for purpose of refunding such bonds, and $187,550,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing road improvements to serve the District, and for purpose of refunding such bonds. Additionally, voters in the District have authorized $29,700,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities to serve the District, and for the purpose of refunding such

bonds. Following the issuance of the Bonds, $225,225,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the System, and for purpose of refunding such bonds; $167,125,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing road improvements to serve the District, and for purpose of refunding such bonds; and $29,700,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities to serve the District, and for the purpose of refunding such bonds, will remain authorized but unissued.

The System Bonds are issued pursuant to an order of the Texas Commission on Environmental Quality (the "TCEQ"); Chapter 375 of the Texas Local Government Code; the general laws of Texas, including Chapters 49 and 54 of the Texas Water Code, as amended; Article XVI, Section 59 of the Texas Constitution; the resolution adopted by the Board of Directors of the District (the "Board") authorizing the issuance of the System Bonds (the "System Bond Resolution"); and an election held within the District on November 3, 2015.

The Road Bonds are issued pursuant to Chapter 375 of the Texas Local Government Code; the general laws of Texas, including Chapters 49 and 54 of the Texas Water Code, as amended; Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution; the resolution adopted by the Board authorizing the issuance of the Road Bonds (the "Road Bond Resolution," and together with the System Bond Resolution, the "Bond Resolutions"); and an election held within the District on November 3, 2015. See "THE BONDS – Authority for Issuance" and "THE BONDS – Issuance of Additional Debt."

Outstanding Bonds .... The following bonds have previously been issued by the District for the purpose of acquiring or constructing the System: $5,500,000 Unlimited Tax Bonds, Series 2018; $7,160,000 Unlimited Tax Bonds, Series 2019; and $2,305,000 Unlimited Tax Bonds, Series 2020. At the delivery of the Bonds, $14,135,000 principal amount of such previously issued debt will remain outstanding (the "Outstanding System Bonds"). The following bonds have been previously issued by the District for the purpose of acquiring or constructing road improvements to serve the District: $4,785,000 Unlimited Tax Road Bonds, Series 2018; $2,915,000 Unlimited Tax Road Bonds, Series 2019; and $7,580,000 Unlimited Tax Road Bonds, Series 2020. At the delivery of the Bonds, $14,545,000 principal amount of such previously issued debt will remain outstanding (the "Outstanding Road Bonds," and together with the Outstanding System Bonds, the "Outstanding Bonds"). The District has never issued bonds for the purpose of acquiring or constructing parks and recreational facilities to serve the District, or for refunding purposes. See "THE BONDS – Outstanding Bonds."

Short-Term Debt.. In connection with the System Bonds, the District issued its $6,160,000 Bond Anticipation Note, Series 2020 (the "BAN"), dated December 18, 2020. The BAN accrues interest at a rate of 0.500% per year (computed on the basis of a 365-day year and the actual days elapsed) and matures on December 17, 2021. See "THE BONDS – Short-Term Debt."

Use and Distribution of System Bond Proceeds .... Proceeds from the sale of the System Bonds will be used to redeem the BAN, the proceeds of which were used to reimburse the Developers (herein defined) for a portion of the improvements and related costs shown under "USE AND DISTRIBUTION OF SYSTEM BOND PROCEEDS." Additionally, proceeds from the sale of the System Bonds will be used to reimburse the Developers for the improvements and related costs that were not reimbursed by the BAN and to pay developer interest; six (6) months of capitalized interest; BAN interest; and other certain costs associated with the issuance of the BAN and the System Bonds. See "USE AND DISTRIBUTION OF SYSTEM BOND PROCEEDS."

Use and Distribution of Road Bond Proceeds .... Proceeds from the sale of the Road Bonds will be used to reimburse the Developers for the improvements and related costs shown under "USE AND DISTRIBUTION OF ROAD BOND PROCEEDS." Additionally, proceeds from the sale of the Road Bonds will be used to pay developer interest; six (6) months of capitalized interest; and other certain costs associated with the issuance of the Road Bonds. See "USE AND DISTRIBUTION OF ROAD BOND PROCEEDS."

Municipal Bond Insurance .... Build America Mutual Assurance Company ("BAM"). See "MUNICIPAL BOND INSURANCE."

Ratings........ S&P Global Ratings (BAM Insured): "AA." Moody's Investors Service, Inc. (Underlying): "Baa3." See "RATINGS."

NOT Qualified Tax-Exempt Obligations ..... The District did NOT designate the Bonds as "Qualified Tax-Exempt Obligations" for financial institutions. See "TAX MATTERS – NOT Qualified Tax-Exempt Obligations."

General & Bond Counsel........ The Muller Law Group, PLLC, Sugar Land, Texas.

Disclosure Counsel .... Orrick Herrington & Sutcliffe LLP, Houston, Texas.

Financial Advisor........ Robert W. Baird & Co. Incorporated, Houston, Texas.

Engineer .... LJA Engineering, Inc., Houston, Texas.

THE DISTRICT

The Issuer .... The District was created by Order of the TCEQ dated April 21, 2015. The District operates under Chapter 375 of the Texas Local Government Code in addition to Chapters 49 and 54 of the Texas Water Code pursuant to Article XVI, Section 59 and Article III, Section 52 and 52-a, of the Texas Constitution. The District consists of approximately 2,046 acres. See "THE DISTRICT – General."

Location .... The District is located in the County and is situated wholly within the limits of the City. The District is generally bounded on the east by Interstate Highway 45 ("IH-45"), south of Loop 336 and north of the West Fork of the San Jacinto River and east of Sgt. Ed Holcomb Boulevard. Primary access to the District will be from the frontage along IH-45 along Grand Central Parkway. Secondary access points will be from Loop 336 along Crescent Campus Boulevard, Urban Avenue and Town Park Drive. The District is located in the Ransom House Survey, A-245 and the Joseph House Survey, A-250. See "THE DISTRICT – Location."

Developers and Principal Landowners ...... The Johnson Development Corporation, through its affiliated entities Conroe CS Texas Holdings LP ("CS Texas") and GCP Loan Subsidiary 1 LP ("GCP1"), manages the development of residential, commercial, and mixed-use land within the District. CS Texas, a

Delaware limited partnership, having Johnson Conroe CS GP, LLC as its general partner, purchased all of the property within the District. Its president is Larry D. Johnson of The Johnson Development Corporation, with over 40 years of experience in developing master-planned communities. GCP1 is a Texas limited partnership whose general partner is CS Loan Sub 1 LLC and whose limited partner is CS Texas, and is the primary development entity in the District. CS Texas and GCP1 are collectively referred to herein as the "Developers." As of July 1, 2021, the Developers owned approximately 1,537 acres in the District. See "THE DEVELOPERS AND PRINCIPAL LANDOWNERS – Description of the Developers and Principal Landowners" and "DEVELOPMENT WITHIN THE DISTRICT."

Fidelis Realty Partners ("Fidelis"), through its affiliated entity I-45/Loop 336 Associates LLP ("336 Associates"), is the developer of commercial land within the District. 336 Associates is owned in part and controlled by Fidelis. Fidelis was founded in 2003 as a commercial real estate development company based in the City of Houston, Texas ("Houston"). Fidelis currently manages over 10 million square feet of commercial and retail space, focusing primarily on the Houston market. The Developers and Fidelis are principal landowners in the District and constitute the District's two (2) largest taxpayers. See "THE DEVELOPERS AND PRINCIPAL LANDOWNERS – Description of the Developers and Principal Landowners" and "DEVELOPMENT WITHIN THE DISTRICT."

Development within the District .... Land within the District will be developed as the approximately 2,046-acre master-planned community "Grand Central Park." As of July 1, 2021, approximately 288 acres (993 lots) have been developed, including: 569 complete and occupied homes; 10 complete and unoccupied homes; 11 model homes; 166 homes under construction; and 237 vacant developed lots. In addition, approximately 102 acres have been developed by Fidelis as "336 Marketplace." 336 Marketplace currently contains several tenants, as detailed under "DEVELOPMENT WITHIN THE DISTRICT." The remainder of the District consists of approximately 464 remaining developable acres and approximately 1,192 undevelopable acres. See "DEVELOPMENT WITHIN THE DISTRICT – Status of Development within the District."

Homebuilders Active within the District ... Homebuilders active within the District include: Lennar Homes; Village Builders; Coventry Homes; Highland Homes; Perry Homes; Tri Pointe Homes (formerly Trendmaker Homes); Gehan Homes; David Weekley Homes; Westin Homes; Darling Homes; Drees Custom Homes; and Jaeger Homes. The homes being marketed in the District range in price from approximately $235,000 to over $565,000.

INFECTIOUS DISEASE OUTBREAK – COVID-19

Infectious Disease Outlook (COVID-19) ...... The World Health Organization has declared a pandemic following the outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus (the "Pandemic"), which is currently affecting many parts of the world, including the United States and Texas. As described under "INVESTMENT CONSIDERATIONS – Infectious Disease Outlook – COVID-19," federal, state, and local governments have all taken actions to respond to the Pandemic, including disaster declarations by both the President of the United States and the Governor of Texas. Such actions are focused on limiting instances where the public can congregate or interact with each other, which affects economic growth within Texas.

Since the disaster declarations were made, the Pandemic has negatively affected travel, commerce, and financial markets locally and globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide and within Texas.

Such adverse economic conditions, if they continue, could result in declines in the demand for residential and commercial property in the Houston metropolitan area and could reduce or negatively affect property values or homebuilding activity within the District. The Bonds are secured by the proceeds of two (2) separate continuing direct annual ad valorem taxes, each without legal limitation as to rate or amount, levied against all taxable property within the District, and a reduction in property values may require an increase in such tax rates, 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 indicative of the economic impact of the Pandemic on the District's financial condition. See "INVESTMENT CONSIDERATIONS – Infectious Disease Outlook – COVID-19."

INVESTMENT CONSIDERATIONS

THE DISTRICT'S TAX IS LEVIED ONLY ON THE PROPERTY LOCATED WITHIN THE DISTRICT. THEREFORE, THE INVESTMENT SECURITY AND QUALITY OF THE BONDS IS DEPENDENT UPON THE SUCCESSFUL DEVELOPMENT OF PROPERTY LOCATED WITHIN THE DISTRICT AND THE PAYMENT AND COLLECTION OF TAXES LEVIED THEREON, INCLUDING TAXES LEVIED BY THE DISTRICT AND THE PARTICIPANTS.

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

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SELECTED FINANCIAL INFORMATION
(UNAUDITED)

2021 Assessed Valuation	$	324,665,361	(a)
(100% of the taxable value as of January 1, 2021)			
Estimated Assessed Valuation as of May 1, 2021	$	374,497,245	(b)
(100% of the estimated taxable value as of May 1, 2021)			
Direct Debt:			
The Outstanding Bonds (as of the delivery of the Bonds)	$	28,680,000	
The System Bonds	$	10,610,000	
The Road Bonds	$	5,145,000	
Total	$	44,435,000	
Estimated Overlapping Debt	$	23,529,588	
Total Direct and Estimated Overlapping Debt	$	67,964,588	
Direct Debt Ratios:			
Based on the 2021 Assessed Valuation		13.69	%
Based on the Estimated Assessed Valuation as of May 1, 2021		11.87	%
Direct and Estimated Overlapping Debt Ratios:			
Based on the 2021 Assessed Valuation		20.93	%
Based on the Estimated Assessed Valuation as of May 1, 2021		18.15	%
System Debt Service Fund Balance (as of July 21, 2021)	$	934,964	(c)
Road Debt Service Fund Balance (as of July 21, 2021)	$	974,970	(d)
System Construction Fund Balance (as of July 21, 2021)	$	515,714	
Road Construction Fund Balance (as of July 21, 2021)	$	211,226	
Operating Fund Balance (as of July 21, 2021)	$	214,765	
2020 Tax Rate per $100 of Assessed Valuation			
Debt Service (System)		$ 0.36	
Debt Service (Road)		$ 0.35	
Maintenance & Operations		$ 0.19	
Total		$ 0.90	(e)
Average Annual Debt Service Requirement on the Outstanding System Bonds and the System Bonds (2022–2046)	$	1,372,997	(f)
Maximum Annual Debt Service Requirement on the Outstanding System Bonds and the System Bonds (2042)	$	1,544,213	(f)
System Debt Service Tax Rate per $100 of Assessed Valuation Required to Pay the Average Annual Debt Service Requirement on the Outstanding System Bonds and the System Bonds (2022–2046) at 95% Tax Collections:			
Based on the 2021 Assessed Valuation ($324,665,361)		$ 0.45	
Based on the Estimated Assessed Valuation as May 1, 2021 ($374,497,245)		$ 0.39	
System Debt Service Tax Rate per $100 of Assessed Valuation Required to Pay the Maximum Annual Debt Service Requirement on the Outstanding System Bonds the System Bonds (2042) at 95% Tax Collections:			
Based on the 2021 Assessed Valuation ($324,665,361)		$ 0.51	
Based on the Estimated Assessed Valuation as May 1, 2021 ($374,497,245)		$ 0.44	
Average Annual Debt Service Requirement on the Outstanding Road Bonds and the Road Bonds (2022–2046)	$	1,083,473	(f)
Maximum Annual Debt Service Requirement on the Outstanding Road Bonds and the Road Bonds (2042)	$	1,224,235	(f)

Road Debt Service Tax Rate per $100 of Assessed Valuation Required to Pay the Average Annual Debt Service Requirement on the Outstanding Road Bonds and the Road Bonds (2022–2046) at 95% Tax Collections:	
Based on the 2021 Assessed Valuation ($324,665,361)	$ 0.36
Based on the Estimated Assessed Valuation as May 1, 2021 ($374,497,245)	$ 0.31
Road Debt Service Tax Rate per $100 of Assessed Valuation Required to Pay the Maximum Annual Debt Service Requirement on the Outstanding Road Bonds the Road Bonds (2042) at 95% Tax Collections:	
Based on the 2021 Assessed Valuation ($324,665,361)	$ 0.40
Based on the Estimated Assessed Valuation as May 1, 2021 ($374,497,245)	$ 0.35
Single-Family Homes (including 166 under construction) as of July 1, 2021	756

(a) Represents the certified assessed valuation of all taxable property located within the District as of January 1, 2021, provided by the Appraisal District (herein defined). Such amount includes $3,803,313 of assessed valuation assigned to properties that remain under review by the Appraisal Review Board (herein defined). Such amount represents the estimated minimum amount of assessed valuation that will ultimately be approved by the Appraisal Review Board, upon which the District will levy its tax. See "TAX DATA" and "TAXING PROCEDURES."

(b) Provided by the Appraisal District for informational purposes only, this amount is an estimate of the value of all taxable property located within the District as of May 1, 2021, and includes an estimate of values resulting from the construction of taxable improvements from January 1, 2021, through May 1, 2021. No taxes will be levied against this amount. See "TAX DATA" and "TAXING PROCEDURES."

(c) Neither Texas Law nor the System Bond Resolution requires that the District maintain any particular sum in the System Debt Service Fund (herein defined). The funds in the System Debt Service Fund are pledged only to pay debt service on the Outstanding System Bonds and the System Bonds, not the Outstanding Road Bonds or the Road Bonds.

(d) Neither Texas Law nor the Road Bond Resolution requires that the District maintain any particular sum in the Road Debt Service Fund (herein defined). The funds in the Road Debt Service Fund are pledged only to pay debt service on the Outstanding Road Bonds and the Road Bonds, not the Outstanding System Bonds or the System Bonds.

(e) See "TAX DATA – Tax Rate Calculations."

(f) See "DISTRICT DEBT."

OFFICIAL STATEMENT

relating to

CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1

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

$10,610,000	**$5,145,000**
Unlimited Tax Bonds	**Unlimited Tax Road Bonds**
Series 2021	**Series 2021**

INTRODUCTION

This Official Statement provides certain information in connection with the issuance by Conroe Municipal Management District No. 1 (the "District") of its $10,610,000 Unlimited Tax Bonds, Series 2021 (the "System Bonds") and the $5,145,000 Unlimited Tax Road Bonds, Series 2021 (the "Road Bonds," and together with the System Bonds, the "Bonds").

The System Bonds are issued pursuant to an order of the Texas Commission on Environmental Quality (the "TCEQ"); Chapter 375 of the Texas Local Government Code; the general laws of the State of Texas ("Texas"), including Chapters 49 and 54 of the Texas Water Code, as amended; Article XVI, Section 59 of the Texas Constitution; the resolution adopted by the Board of Directors of the District (the "Board") authorizing the issuance of the System Bonds (the "System Bond Resolution"); and an election held within the District on November 3, 2015.

The Road Bonds are issued pursuant to Chapter 375 of the Texas Local Government Code; the general laws of Texas, including Chapters 49 and 54 of the Texas Water Code, as amended; Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution; the resolution adopted by the Board authorizing the issuance of the Road Bonds (the "Road Bond Resolution," and together with the System Bond Resolution, the "Bond Resolutions"); and an election held within the District on November 3, 2015.

Unless otherwise indicated, capitalized terms used herein have the same meaning assigned to such terms in the Bond Resolutions. The initial purchaser of the System Bonds (the "System Bond Initial Purchaser") and the initial purchaser of the Road Bonds (the "Road Bond Initial Purchaser") are collectively referred to herein as the "Initial Purchasers."

Included herein are descriptions of the Bonds and certain information about the District and its finances. 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 Bond Counsel (herein defined) at 202 Century Square Boulevard, Sugar Land, Texas 77478 or during the offering period from the Financial Advisor (herein defined) at 1331 Lamar Street, Suite 1360, Houston, Texas 77010 upon payment of reasonable copying, mailing, and handling charges.

INVESTMENT CONSIDERATIONS

General

The Bonds, which are obligations of the District and are not obligations of Texas; Montgomery County, Texas (the "County"); the City of Conroe, Texas (the "City"); or any political subdivision, will be secured by the proceeds of two (2) separate continuing direct annual ad valorem taxes, each without legal limitation as to rate or amount, levied against all taxable property within the District. The ultimate security for payment of the principal of and interest on the Bonds depends on the ability of the District to collect from the property owners within the District all taxes levied against the property, or in the event of foreclosure, on the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The collection by the District of delinquent taxes owed to it and the enforcement by the registered owners of the District's obligations to collect sufficient taxes may be a costly and lengthy process. Furthermore, the District cannot and does not make any representations that continued development of property within the District will accumulate or maintain taxable values sufficient to justify continued payment by property owners or that there will be a market for the property. See "THE BONDS – Source of Payment" and "INVESTMENT CONSIDERATIONS – Bankruptcy Limitation to Registered Owners' Rights."

Factors Affecting Taxable Values and Tax Payments

Economic Factors: The rate of development within the District is directly related to the vitality of the single-family housing industry in the City of Houston, Texas ("Houston"), metropolitan area. New single-family housing construction can be significantly affected by factors such as interest rates, construction costs, and consumer demand. Decreased levels of such construction activity would restrict the growth of property values in the District. The District cannot predict the pace or magnitude of any future development in the District. See "DEVELOPMENT WITHIN THE DISTRICT."

Location and Access: The District is located in an outlying area of the Houston metropolitan area, within the City, approximately five (5) miles north of The Woodlands, Texas. Many of the single-family developments with which the District competes are in a more developed state and have lower taxes. As a result, particularly during times of increased competition, the residential and commercial development within the District may be at a competitive disadvantage to residential and commercial projects located closer to major urban centers or in a more developed state. See "THE DISTRICT – Location" and "DEVELOPMENT WITHIN THE DISTRICT."

Competition: The demand for and construction of taxable improvements in the District could be affected by competition from other developments near the District. In addition to competition for new single-family home sales from other developments, there are numerous previously-owned single-family homes in more established commercial centers and neighborhoods closer to Houston that are for sale. Such existing developments could represent additional competition for new development proposed to be constructed within the District.

The competitive position of the Developers (herein defined) in the sale of the land, and the sale or leasing of residents is affected by most of the factors discussed in this section. Such a competitive position is directly related to the growth and maintenance of taxable values in the District and tax revenues to be received by the District. The District can give no assurance that building and marketing programs in the District by the Developers will be implemented or, if implemented, will be successful.

Dependence on Principal Taxpayers: The ability of any principal landowner to make full and timely payments of taxes levied against its property by the District and similar taxing authorities will directly affect the District's ability to meet its debt service obligations. As illustrated under "TAX DATA – Principal Taxpayers," the District's principal taxpayers in 2021 own property located within the District which comprises of approximately 39.08% of the District's 2021 assessed valuation. The Developers own property located within the District which comprises of approximately 4.25% of the District's 2021 assessed valuation and I-45/Loop 336 Associates LLP ("336 Associates") owns property located within the District which comprises of approximately 21.99% of the District's 2021 assessed valuation. In the event that the Developers, 336 Associates, any other taxpayer, or any combination of taxpayers, should default in the payment of taxes in an amount which exceeds District's debt service fund surplus, the ability of the District to make timely payment of debt service on the Bonds will be dependent on its ability to enforce and liquidate its tax liens, which is a time-consuming process. Failure to recover or borrow funds in a timely fashion could result in an excessive District tax rate. The District is not required by law or the Bond Resolutions to maintain any specified amount of surplus in its interest and sinking fund. See "THE DEVELOPERS AND PRINCIPAL LANDOWNERS," "TAX DATA – Principal Taxpayers," and "TAXING PROCEDURES – Levy and Collection of Taxes."

Developers' Obligation to the District: The Developers have informed the District of the current plan to continue to develop land in the District for residential, commercial, and mixed-use purposes. However, the Developers are not obligated to implement such plan on any particular schedule or at all. Thus, the furnishing of information related to the proposed development by the Developers should not be interpreted as such a commitment. The District makes no representation about the probability of development continuing in a timely manner or about the ability of the Developers, or any other subsequent landowners to whom a party may sell all or a portion of their holdings within the District, to implement any plan of development. Furthermore, there is no restriction on the Developers' right to sell the land. The District can make no prediction as to the effects that current or future economic or governmental circumstances may have on the any plans of the Developers. Failure to construct taxable improvements on developed lots and tracts and failure of the Developers to develop the land would restrict the rate of growth of taxable value in the District. The District is also dependent upon the Developers for the timely payment of ad valorem taxes, and the District cannot predict what the future financial condition of the Developers will be or what effect, if any, such conditions may have on their collective and respective ability to pay taxes. See "TAX DATA –

Principal Taxpayers," "THE DEVELOPERS AND PRINCIPAL LANDOWNERS," and "DEVELOPMENT WITHIN THE DISTRICT."

Impact on District Tax Rates: Assuming no further development or home construction, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of property owners to pay their taxes. The 2021 assessed valuation of all taxable property located within the District is $324,665,361 and the estimated assessed valuation as of May 1, 2021, of all taxable property located within the District is $374,497,245.

After issuance of the System Bonds, the maximum annual debt service requirement on the Outstanding System Bonds (herein defined) and the System Bonds will be $1,544,213 (2042) and the average annual debt service requirement on the Outstanding System Bonds and the System Bonds will be $1,372,997 (2022-2046). Assuming no decrease to the District's 2021 assessed valuation, debt service tax rates of $0.51 and $0.45 per $100 of assessed valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement on the Outstanding System Bonds and the System Bonds, and the average annual debt service requirement on the Outstanding System Bonds and the System Bonds, respectively. Assuming no decrease from the District's estimated assessed valuation as of May 1, 2021, debt service tax rates of $0.44 and $0.39 per $100 of assessed valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement on the Outstanding System Bonds and the System Bonds, and the average annual debt service requirement on the Outstanding System Bonds and the System Bonds, respectively.

After issuance of the Road Bonds, the maximum annual debt service requirement on the Outstanding Road Bonds (herein defined) and the Road Bonds will be $1,224,235 (2042) and the average annual debt service requirement on the Outstanding Road Bonds and the Road Bonds will be $1,083,473 (2022-2046). Assuming no decrease to the District's 2021 assessed valuation, debt service tax rates of $0.40 and $0.36 per $100 of assessed valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement on the Outstanding Road Bonds and the Road Bonds, and the average annual debt service requirement on the Outstanding Road Bonds and the Road Bonds, respectively. Assuming no decrease from the District's estimated assessed valuation as of May 1, 2021, debt service tax rates of $0.35 and $0.31 per $100 of assessed valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement on the Outstanding Road Bonds and the Road Bonds, and the average annual debt service requirement on the Outstanding Road Bonds and the Road Bonds, respectively.

The District can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the proposed District tax rate, or to justify continued payment of taxes by property owners. For the 2020 tax year, the District levied a maintenance and operations tax of $0.19 per $100 of assessed valuation, a system debt service tax of $0.36 per $100 of assessed valuation, and a road debt service tax of $0.35 per $100 of assessed valuation. See "DISTRICT DEBT," "TAX DATA," and "TAXING PROCEDURES."

Tax Collections and Foreclosure Remedies

The District has a right to seek judicial foreclosure on a tax lien, but such remedy may prove to be costly and time consuming and, since the future market or resale market, if any, of the taxable real property within the District is uncertain, there can be no assurance that such property could be sold and delinquent taxes paid. See "TAXING PROCEDURES."

Hydrogen Sulfide Odor

In the early stages of development, the District was advised of reports of an odor emanating from a 52-inch sewer force main (the "Force Main") that runs beneath Grand Central Parkway. The Force Main was installed and is owned by the City. The odor was reported to be caused by a build-up of hydrogen sulfide in the line.

At certain levels, hydrogen sulfide may pose a health and safety risk. The District has not received any reports or other information to indicate that the hydrogen sulfide in the District has reached an unsafe level. According to the Developers, the odor resulted in the loss of some potential home sales.

The District and the City have recently completed construction and installation of a sanitary venting facility within the District to mitigate odor. While the sanitary venting facility has been successfully applied to reduce the odor, there is no guarantee that the facility will eliminate all odor in the District.

Limitation to Registered Owners' Remedies

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners (herein defined) have the right to seek a writ of mandamus, requiring the District to levy adequate taxes each year to make such payments. Except for mandamus, the Bond Resolutions do not specifically provide for remedies to protect and enforce the interest 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.

Bankruptcy Limitation to Registered Owners' Rights

The enforceability of the rights and remedies of registered owners of the Bonds may be limited by laws relating to bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Subject to the requirements of Texas law discussed below, a political subdivision such as the District may voluntarily file a petition for relief from creditors under Chapter 9 of the U.S. Bankruptcy Code, 11 USC sections 901-946. The filing of such petition would automatically stay the enforcement of Registered Owners' remedies, including mandamus and the foreclosure of tax liens upon property within the District discussed above. The automatic stay would remain in effect until the federal bankruptcy judge hearing the case dismisses the petition, enters an order granting relief from the stay or otherwise allows creditors to proceed against the petitioning political subdivision. A political subdivision, such as the District, may qualify as a debtor eligible to proceed in a Chapter 9 case only if it (1) is generally authorized to file for federal bankruptcy protection by applicable state law, (2) is insolvent or unable to meet its debts as they mature, (3) desires to effect a plan to adjust such debts, and (4) has either obtained the agreement of or has negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiations are impracticable. Under Texas law, a municipal utility district, such as the District, must obtain the approval of the TCEQ as a condition to seeking relief under the U.S. Bankruptcy Code. The TCEQ is required to investigate the financial condition of a financially troubled district and authorize such district to proceed under federal bankruptcy law only if such district has fully exercised its right 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 involving the protection of the automatic stay until the bankruptcy court, after a hearing, enters an order granting relief from the stay or 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 determining the decision of whether to grant the petitioning district relief from its creditors. While such a decision might be applicable, the concomitant delay and loss of remedies to the Registered Owners could potentially and adversely impair the value of the Registered Owners' claims.

If a petitioning district were allowed to proceed voluntarily under Chapter 9 of the U.S. 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 a Registered Owner 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 owner's claim against a district. A district cannot be placed into bankruptcy involuntarily.

Environmental Regulations

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

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

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

Air Quality Issues: Air quality control measures required by the United States Environmental Protection Agency (the "EPA") and the TCEQ may impact new industrial, commercial, and residential development in the Houston area. Under the Clean Air Act ("CAA") Amendments of 1990, the eight-county Houston Galveston area ("HGB area") – Harris, Galveston, Brazoria, Chambers, Fort Bend, Waller, Montgomery and Liberty counties – has been designated a nonattainment area under three (3) 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 Texas has been able to demonstrate steady progress and improvements in air quality in the HGB area, the HGB area remains subject to CAA nonattainment requirements.

While the EPA has revoked the 1997 Ozone Standards, 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, 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 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 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 adopted the request and maintenance plan for the 1997 one-hour and eight-hour standards on December 12, 2018. On May 16, 2019, the EPA proposed a determination that the HGB Area has met the redesignation criteria and continues to attain the 1997 one-hour and eight-hour standards, the termination of the anti-backsliding obligations, and approval of the proposed maintenance plan.

The HGB Area is currently designated as a "serious" nonattainment area under the 2008 Ozone Standard, with an attainment deadline of July 20, 2021. If the EPA ultimately determines that the HGB Area has failed to meet the attainment deadline based on the relevant data, the area is subject to reclassification to a nonattainment classification that provides for more stringent controls on emissions from the industrial sector. In addition, the EPA may impose a moratorium on the awarding of federal highway construction grants and other federal grants for certain public works construction projects if it finds that an area fails to demonstrate progress in reducing ozone levels.

The HGB Area is currently designated as a "marginal" nonattainment area under the 2015 Ozone Standard, with an attainment deadline of August 3, 2021. For purposes of the 2015 Ozone Standard, the HGB Area consists of only six (6) 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 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:

Pursuant to the federal Safe Drinking Water Act ("SDWA") and the EPA's National Primary Drinking Water Regulations ("NPDWRs"), which are implemented by the TCEQ's Water Supply Division, a municipal utility district's provision of water for human consumption is subject to extensive regulation as a public water system.

Municipal utility districts must generally provide treated water that meets the primary and secondary drinking water quality standards adopted by the TCEQ, the applicable disinfectant residual and inactivation standards, and the other regulatory action levels established under the agency's rules. The EPA has established NPDWRs for more than ninety (90) contaminants and has identified and listed other contaminants which may require national drinking water regulation in the future.

Texas Pollutant Discharge Elimination System ("TPDES") permits set limits on the type and quantity of discharge, in accordance with state and federal laws and regulations. The TCEQ reissued the TPDES Construction General Permit (TXR150000), with an effective date of March 5, 2018, which is a general permit authorizing the discharge of stormwater runoff associated with small and large construction sites and certain nonstormwater discharges into surface water in the state. It has a 5-year permit term, and is then subject to renewal. Moreover, the Clean Water Act ("CWA") and Texas Water Code require municipal wastewater treatment plants to meet secondary treatment effluent limitations and more stringent water quality-based limitations and requirements to comply with the Texas water quality standards. Any water quality-based limitations and requirements with which a municipal utility district must comply may have an impact on the municipal utility district's ability to obtain and maintain compliance with TPDES permits.

The TCEQ issued the General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the "MS4 Permit") on January 24, 2019. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. While the District is currently not subject to the MS4 Permit, if the District's inclusion were required at a future date, the District could incur substantial costs to develop, implement, and maintain the necessary plans as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff in order to comply with the MS4 Permit.

In 2015, the EPA and the United States Army Corps of Engineers ("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 expands the scope of the federal government's CWA jurisdiction over intrastate water bodies and wetlands. The CWR could have an adverse impact on municipal utility districts, including the District, particularly with respect to jurisdictional wetland determinations, and could increase the size and scope of activities requiring USACE permits. The CWR has been challenged in various jurisdictions, including the Southern District of Texas, and the litigation challenging the CWR is still pending.

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 (4) categories of waters that are considered "waters of the United States," and thus federally regulated under the CWA: (i) territorial seas and traditional navigable waters; (ii) perennial and intermittent tributaries to territorial seas and traditional navigable waters; (iii) certain lakes, ponds, and impoundments of jurisdictional waters; and (iv) wetlands adjacent to jurisdictional waters. The new rule also identifies certain specific categories that are not "waters of the United States," and therefore not federally regulated under the CWA: (a) groundwater; (b) ephemeral features that flow only in direct response to precipitation; (c) diffuse stormwater runoff and directional sheet flow over upland; (d) certain ditches; (e) prior converted cropland; (f) certain artificially irrigated areas; (g) certain artificial lakes and ponds; (h) certain water-filled depressions and certain pits; (i) certain stormwater control features; (j) certain groundwater recharge, water reuse, and wastewater recycling structures; and (k) waste treatment systems. The NWPR is effective June 22, 2020, and is currently the subject of ongoing litigation.

Due to possible litigation challenging the new rule, there still remains significant 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 permitting requirements.

Hurricane Harvey

The Texas Gulf Coast, including the County, sustained widespread 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 (4) days.

According to the Engineer (herein defined), the District's system sustained no material damage and there was no interruption of water and sewer service as a result of Hurricane Harvey. According to the Engineer (to the best of their knowledge), no homes within the District experienced flooding or other significant damage as a result of Hurricane Harvey.

The District cannot predict the effect that additional extreme weather events may have upon the District and the Texas Gulf Coast. Additional extreme weather events have the potential to cause damage within the District and along the Texas Gulf Coast generally that could have a negative effect on taxable assessed valuations in the District and the economy of the District and the region. See "TAXING PROCEDURES – Valuation of Property for Taxation."

Potential Impact of Natural Disaster

The District is located within 100 miles of the Texas Gulf Coast and, as it has in the past, could be impacted by wide-spread fires, earthquakes, or weather events such as hurricanes, tornadoes, tropical storms, or other severe weather events that could produce high winds, heavy rains, hail, and flooding. In the event that a natural disaster should damage or destroy improvements and personal property in the District, the assessed value of such taxable properties could be substantially reduced, resulting in a decrease in the taxable assessed valuation of the District or an increase in the District's tax rates.

There can be no assurance that a casualty will be covered by insurance (certain casualties, including flood, are usually excepted unless specific insurance is purchased), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild, repair, or replace any taxable properties in the District that were damaged. Even if insurance proceeds are available and damaged properties are rebuilt, there could a lengthy period in which assessed values in the District would be adversely affected. There can be no assurance the District will not sustain damage from such natural disasters.

Infectious Disease Outbreak – COVID-19

The World Health Organization has declared a pandemic following the outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus (the "Pandemic"), which is currently affecting many parts of the world, including the United States and 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 Governor of Texas (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 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 Texas business or any order or rule of a Texas agency that would in any way prevent, hinder, or delay necessary action in coping with the disaster, and issuing executive orders that have the force and effect of law. The Governor has issued a number of executive orders relating to COVID-19 preparedness and mitigation and reopening of Texas. These include, for example, the issuance on March 2, 2021, of Executive Order GA-34, which, among other things, removed any COVID-19-related operating limits for any business or other establishment and ended the Texas-wide mask mandate, effective March 10, 2021. The Governor's order also maintains, in providing or obtaining services every person (including individuals, businesses, and other legal entities) should use good-faith efforts and available resources to follow the minimum standard health protocols. Executive Order GA-34 remains in place until amended, rescinded, or superseded by the Governor. On May 18, 2021, the Governor issued Executive Order GA-36, which supersedes Executive Order GA-34 in part. Executive GA-36 prohibits governmental entities in Texas, including counties, cities, school districts, public health authorities, and government officials from requiring or mandating any person to wear a face covering and subjects a governmental entity or official to a fine up to $1,000 for noncompliance, subject to certain exceptions. Executive orders remain in place until they are amended, rescinded, or superseded by the Governor. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at https://gov.texas.gov/. Neither the information on (nor accessed through) such website of the Governor is incorporated by reference, either expressly or by implication, into this Official Statement.

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 metropolitan 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.

The District continues to monitor the spread of COVID-19 and the potential impact of COVID-19 on the District. 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 indicative of the economic impact of the Pandemic on the District's financial condition.

Potential Effects of Oil Price Declines on the Houston Area

The recent declines in oil prices in the U.S. and globally, which at times have led to the lowest such prices in three (3) 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.

Marketability

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

Bond Insurance Risk Factors

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 mandatory or optional redemption or acceleration resulting from default 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 mandatory or optional prepayment of the Bonds by the issuer which is recovered by the issuer 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 provider of the Policy (the “Bond Insurer”) at such time and in such amounts as would have been due absence such prepayment by the District unless the Bond Insurer chooses to pay such amounts at an earlier date.

Under most circumstances, default of payment of principal and interest does not obligate acceleration of 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 “MUNICIPAL BOND INSURANCE” and “RATINGS.”

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 related to insolvency of insurance companies.

Neither the District or the Initial Purchasers 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 District 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 “MUNICIPAL BOND INSURANCE” for further information provided by the Bond Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Bond Insurer.

Continuing Compliance with Certain Covenants

Failure of the District to comply with such covenants contained in the Bond Resolutions 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 issue. See "TAX MATTERS."

Future Debt

Following the issuance of the Bonds, $225,225,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, wastewater, and storm drainage facilities to serve the District (the “System”), and for purpose of refunding such bonds; $167,125,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing road improvements to serve the District, and for purpose of refunding such bonds; and $29,700,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities to serve the District, and for the purpose of refunding such bonds, will remain authorized but unissued, and such additional bonds as may hereafter be approved by both the Board and voters of the District. The District also has the right to issue certain other additional bonds, special project bonds, and other obligations described in the Bond Resolutions. If additional bonds are issued in the future and property values have not increased proportionately, such issuance may increase gross debt/property valuation ratios and thereby adversely affect the investment quality or security of the Bonds. See “THE BONDS – Issuance of Additional Debt.”

Pending approval by the Board, the District may issue a bond anticipation note in the second half of 2021 to fund projects to be included in future unlimited tax bonds to be issued by the District for the purpose of acquiring or constructing the System, tentatively slated for issuance in the second half of 2022.

Following the issuance of the Bonds, the District will owe the Developers approximately $26,955,000 in reimbursable expenses for District projects, the funds for which were advanced by the Developers. See "THE SYSTEM" and "DEVELOPMENT WITHIN THE DISTRICT."

Consolidation

Under Texas law, the District may be consolidated with other municipal utility districts, with the assets and liabilities of the consolidated districts belonging to the consolidated district. No representation is made that the District will ever consolidate with one (1) or more districts, although no consolidation is presently contemplated by the District.

Approval of the Bonds

The Attorney General of Texas must approve the legality of the Bonds prior to their delivery. The Attorney General of Texas does not pass upon or guarantee the security of the Bonds as an investment, nor does he pass upon the adequacy or accuracy of the information contained herein.

Changes in Tax Legislation

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

2021 Legislative Session

The 87th Texas Legislature convened on January 12, 2021, and adjourned on May 31, 2021. The Governor called a special session that convened on July 8, 2021, and a second special session that convened on August 7, 2021. The Governor may call one (1) or more additional special sessions, which may last no more than 30 days, and for which the Governor sets the agenda. The Texas Legislature may enact laws that materially change current law as it relates to the District and its finances during a special session. The District makes no representation regarding any actions the Texas Legislature may take.

THE BONDS

General

The Bonds will mature on September 1 of the years and in the principal amounts, and will bear interest at the rates per annum, set forth on the inside cover hereof. Interest on the Bonds accrues from the date of delivery and is payable on March 1, 2022, and on each September 1 and March 1 (each an "Interest Payment Date") thereafter until the earlier of maturity or redemption, and will be calculated on the basis of a 360-day year composed of 12 30-day months. The Bonds will be issued in fully registered form only, without coupons, in principal denominations of $5,000 of principal amount or any integral multiple thereof, and when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York ("DTC"), acting as securities depository for the Bonds until DTC resigns or is discharged. The Bonds initially will be available to purchasers in book-entry form only. So long as Cede & Co., as the nominee of DTC, is the registered owner of the Bonds, principal of and interest on the Bonds will be payable by the paying agent to DTC, which will be solely responsible for making such payment to the beneficial owners of the Bonds. The initial paying agent and registrar for the Bonds is Regions Bank, an Alabama banking corporation, Houston, Texas (the "Paying Agent/Registrar").

Record Date for Interest Payment

Interest on the Bonds will be paid to the registered owner (the "Registered Owners") appearing on the registration and transfer books (the "Register") of the Paying Agent/Registrar at the close of business on the 15th calendar day of the month next preceding each interest payment date (the "Record Date") and shall be paid by the Paying Agent/Registrar (i) by check sent United States mail, first class postage prepaid, to the address of the registered owner recorded in the registration and transfer books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. If the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the principal payment office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

In the event of non-payment of interest on a scheduled payment date and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar when funds for the payment of such interest have been received. Notice of the Special Record Date and of the scheduled payment date of the past due interest ("Special Payment Date" which shall be 15 days after the Special Record Date) shall be sent at least five (5) business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each registered owner of a Bond appearing in the registration and transfer books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing such notice.

Redemption Provisions

Optional Redemption

The Bonds maturing on and after September 1, 2027, are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on September 1, 2026, and on any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest from the most recent payment date to the date fixed for redemption. The Paying Agent/Registrar shall give written notice of redemption, by registered mail, overnight delivery, or other comparably secure means, not less than 30 days prior to the redemption date, to each registered securities depository (and to each national information service that disseminates redemption notices) known to the Paying Agent/Registrar, but neither the failure to give such notice nor any defect therein shall affect the sufficiency of notice given to the Registered Owner as herein above stated. The Paying Agent/Registrar may provide written notice of redemption to DTC by facsimile.

The Bonds of a denomination larger than $5,000 may be redeemed in part ($5,000 or any multiple thereof). Any Bond to be partially redeemed must be surrendered in exchange for one (1) or more new Bonds of the same maturity for the unredeemed portion of the principal of the Bonds so surrendered. In the event of redemption of less than all of the Bonds, the particular Bonds to be redeemed shall be selected by the District; if less than all of the Bonds of a particular maturity are to be redeemed; the Paying Agent/Registrar is required to select the Bonds of such maturity to be redeemed by lot.

Mandatory Redemption

The Road Bonds maturing on September 1 in the years 2043 and 2046 are term bonds (the "Term Bonds") and shall be redeemed by lot or other customary method of random selection (or by DTC in accordance with its procedures while the Road Bonds are in book-entry-only form) prior to maturity, at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption (the "Mandatory Redemption Date"), on September 1 in each of the years and in the principal amounts set forth in the following schedule:

$775,000 Term Bonds Maturing on September 1, 2043

Mandatory Redemption Date	Principal Amount
September 1, 2041	$ 250,000
September 1, 2042	$ 260,000
September 1, 2043 (Maturity)	$ 265,000

$845,000 Term Bonds Maturing on September 1, 2046

Mandatory Redemption Date	Principal Amount
September 1, 2044	$ 275,000
September 1, 2045	$ 280,000
September 1, 2046 (Maturity)	$ 290,000

On or before 30 days prior to each Mandatory Redemption Date set forth above, the Paying Agent/Registrar shall (i) determine the principal amount of such Term Bonds that must be mandatorily redeemed on such Mandatory Redemption Date, after taking into account deliveries for cancellation and optional redemptions as more fully provided for below, (ii) select, by lot or other customary random method, the Term Bonds or portions of the Term Bonds of such maturity to be mandatorily redeemed on such Mandatory Redemption Date, and (iii) give notice of such redemption as provided in the Road Bond Resolution. The principal amount of the Term Bonds to be mandatorily redeemed on such Mandatory Redemption Date, either has been purchased in the open market and delivered or tendered for cancellation by or on behalf of the District to the

Paying Agent/Registrar or optionally redeemed and which, in either case, has not previously been made the basis for a reduction under this section.

Registration, Transfer and Exchange

In the event the Book-Entry-Only System (herein defined) should be discontinued, the Bonds are transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar or its corporate trust office and such transfer or exchange shall be without expenses or service charge to the Registered Owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange, and transfer. A Bond may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond or Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the principal payment office of the Paying Agent/Registrar, or sent by the United States mail, first class, postage prepaid, to the new Registered Owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the Registered Owner or assignee of the Registered Owner in not more than three (3) business days after the receipt of the Bonds to be cancelled, and the written instrument of transfer or request for exchange duly executed by the Registered Owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of $5,000 for any one (1) maturity and for a like aggregate principal amount as the Bond or Bonds surrendered for exchange or transfer. See "BOOK-ENTRY-ONLY SYSTEM" for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds.

Mutilated, Lost, Stolen or Destroyed Bonds

In the event the Book-Entry-Only System should be discontinued, the District has agreed to replace mutilated, destroyed, lost, or stolen Bonds upon surrender of the mutilated Bonds, receipt of satisfactory evidence of such destruction, loss, or theft, and receipt by the District and the Paying Agent/Registrar of security or indemnity to hold them harmless. Upon the issuance of a new bond the District may require payment of taxes, governmental charges and other expenses (including the fees and expenses of the Paying Agent/Registrar), bond printing and legal fees in connection with any such replacement.

Replacement of Paying Agent/Registrar

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

Source of Payment

While the Bonds or any part of the principal thereof or interest thereon remain outstanding and unpaid, the District covenants to levy and annually assess and collect in due time, form, and manner, and at the same time as other District taxes are assessed, levied, and collected, in each year, beginning with the current year, two (2) separate continuing direct annual ad valorem taxes, each without legal limitation as to rate or amount, levied against all taxable property within the District, sufficient to pay the interest on the Bonds as the same becomes due and to pay each installment of the principal of the Bonds as the same matures, with full allowance being made for delinquencies and cost of collection. In the Bond Resolutions, the District covenants that said taxes are irrevocably pledged to the payment of the interest and principal of the Bonds and any unlimited tax bonds hereafter issued. The Bonds are obligations of the District and are not the obligations of the Texas; the County; the City; or any other political subdivision or any entity other than the District.

Payment Record

The District has never defaulted on the timely payment of principal and interest on its bonded indebtedness. See "THE BONDS – Source of Payment."

Short-Term Debt

In connection with the System Bonds, the District issued its $6,160,000 Bond Anticipation Note, Series 2020 (the "BAN"), dated December 18, 2020. The BAN accrues interest at a rate of 0.500% per year (computed on the basis of a 365-day year and the actual days elapsed) and matures on December 17, 2021.

Outstanding Bonds

The following bonds have previously been issued by the District for the purpose of acquiring or constructing the System: $5,500,000 Unlimited Tax Bonds, Series 2018; $7,160,000 Unlimited Tax Bonds, Series 2019; and $2,305,000 Unlimited Tax Bonds, Series 2020. At the delivery of the Bonds, $14,135,000 principal amount of such previously issued debt will remain outstanding (the "Outstanding System Bonds"). The following bonds have been previously issued by the District for the purpose of acquiring or constructing road improvements to serve the District: $4,785,000 Unlimited Tax Road Bonds, Series 2018; $2,915,000 Unlimited Tax Road Bonds, Series 2019; and $7,580,000 Unlimited Tax Road Bonds, Series 2020. At the delivery of the Bonds, $14,545,000 principal amount of such previously issued debt will remain outstanding (the "Outstanding Road Bonds," and together with the Outstanding System Bonds, the "Outstanding Bonds"). The District has never issued bonds for the purpose of acquiring or constructing parks and recreational facilities to serve the District, or for refunding purposes.

Authority for Issuance

The System Bonds constitute the fourth series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing the System and the Road Bonds constitute the fourth series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing road improvements to serve the District. Voters in the District have authorized a total of $250,800,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the System, and for purpose of refunding such bonds, and $187,550,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing road improvements to serve the District, and for purpose of refunding such bonds. Additionally, voters in the District have authorized $29,700,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities to serve the District, and for the purpose of refunding such bonds.

The System Bonds are issued pursuant to an order of the TCEQ; Chapter 375 of the Texas Local Government Code; the general laws of Texas, including Chapters 49 and 54 of the Texas Water Code, as amended; Article XVI, Section 59 of the Texas Constitution; the System Bond Resolution; and an election held within the District on November 3, 2015.

The Road Bonds are issued pursuant to Chapter 375 of the Texas Local Government Code; the general laws of Texas, including Chapters 49 and 54 of the Texas Water Code, as amended; Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution; the Road Bond Resolution; and an election held within the District on November 3, 2015.

Issuance of Additional Debt

The District may issue additional bonds. Following the issuance of the Bonds, $225,225,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the System, and for purpose of refunding such bonds; $167,125,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing road improvements to serve the District, and for purpose of refunding such bonds; and $29,700,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities to serve the District, and for the purpose of refunding such bonds, will remain authorized but unissued.

Pending approval by the Board, the District may issue a bond anticipation note in the second half of 2021 to fund projects to be included in future unlimited tax bonds to be issued by the District for the purpose of acquiring or constructing the System, tentatively slated for issuance in the second half of 2022.

Following the issuance of the Bonds, the District will owe the Developers approximately $26,955,000 in reimbursable expenses for District projects, the funds for which were advanced by the Developers.

Based on present engineering cost estimates and on development plans provided by the Developers, in the opinion of the Engineer, following the issuance of the Bonds, the District will have adequate authorized but unissued bonds to repay the Developers the remaining amounts owed for the existing financed facilities, and to finance the extension of the facilities to serve the remaining undeveloped land within the District. See "DEVELOPMENT WITHIN THE DISTRICT," "THE SYSTEM," and "INVESTMENT CONSIDERATIONS – Future Debt."

Registered Owners' Remedies

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners have the right to seek a writ of mandamus, requiring the District to levy adequate taxes each year to make such payments. Except for mandamus, the Bond Resolutions do 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. See "INVESTMENT CONSIDERATIONS – Limitation to Registered Owners' Remedies."

Legal Investment and Eligibility to Secure Public Funds in Texas

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

> (a) All bonds, notes, and other obligations issued by a district shall be legal and authorized investments for all banks, trust companies, building and loan associations, savings and loan associations, insurance companies of all kinds and types, fiduciaries, and trustees, and for all interest and sinking funds and other public funds of the state, and all agencies, subdivisions, and instrumentalities of the state, including all counties, cities, towns, villages, school districts, and all other kinds and types of districts, public agencies, and bodies politic.
>
> (b) A district's bonds, notes, and other obligations are eligible and lawful security for all deposits of public funds of the state, and all agencies, subdivisions, and instrumentalities of the state, including all counties, cities, towns, villages, school districts, and all other kinds and types of districts, public agencies, and bodies politic, to the extent of the market value of the bonds, notes, and other obligations when accompanied by any unmatured interest coupons attached to them.

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

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

Defeasance

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

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

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

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by The Depository Trust Company, New York, New York ("DTC"), while the Bonds are registered in its nominee name. The information in this section concerning DTC and the book-entry-only system (the "Book-Entry-Only System") has been provided by DTC for use in disclosure documents such as this Official Statement. The District and the Financial Advisor (herein defined) believe the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

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

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be required by an authorized representative of DTC. One (1) fully-registered Bond certificate will be issued for each of the Bonds, each in the aggregate principal amount of such issue, 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 (the "Direct Participants") deposit with DTC.

DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (the "Indirect Participants," and together with the Direct Participants, the "Direct and Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC rules applicable to its Direct and Indirect Participants are on file with the SEC. More information about DTC can be found at www.dtcc.com.

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

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

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

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

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 Issue as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, principal, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct and Indirect 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, Paying Agent/Registrar or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent/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 Bonds 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, Bond certificates are required to be printed and delivered.

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

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

Use of Certain Terms in Other Sections of Official Statement

In reading this Official Statement it should be understood that while the Bonds are in the book-entry form, references in other sections herein to Registered Owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the book-entry system, and (ii) except as described above, notices that are to be given to Registered Owners under the Bond Resolutions will be given only to DTC.

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USE AND DISTRIBUTION OF SYSTEM BOND PROCEEDS

Proceeds from the sale of the System Bonds will be used to redeem the BAN, the proceeds of which were used to reimburse the Developers for a portion of the improvements and related costs shown below. Additionally, proceeds from the sale of the System Bonds will be used to reimburse the Developers for the improvements and related costs that were not reimbursed by the BAN and to pay developer interest; six (6) months of capitalized interest; BAN interest; and other certain costs associated with the issuance of the BAN and the System Bonds, as shown below.

CONSTRUCTION COSTS	**District's Share**
A. Developer Contribution Items	
1. Grand Central Parkway Section 6 – W, WW, & D	$ 49,572
2. Grand Central Parkway Section 7 – W, WW, & D	341,149
3. Grand Central Parkway Section 8 – W, WW, & D	242,563
4. Grand Central Parkway Section 9 – W, WW, & D	160,962
5. Grand Central Parkway Section 10 & 11 – W, WW, & D	927,632
6. Grand Central Parkway Section 12 – W, WW, & D	998,897
7. Grand Central Parkway Section 14 – W, WW, & D	361,985
8. Grand Central Parkway Section 15 & 16 – W, WW, & D	913,687
9. Grand Central Parkway Section 17 – W, WW, & D	588,269
10. Grand Central Parkway Section 19 – W, WW, & D	329,385
11. Town Park Dr. Phase II and Grand Central Park Section 13 – W, WW, & D	1,561,560
12. Grand Central Parkway Section 6 – Clearing and Grubbing	860
13. Grand Central Parkway Phase 2 & Grand Central Park Sections 7 & 8 – Clearing and Grubbing	15,112
14. Grand Central Park Channel 8-1 – Clearing and Grubbing and Drainage Channel Improvement	244,458
15. Engineering	1,216,814
16. Geotechnical	111,105
17. SWPPP	251,240
Total Developer Contribution Items	$ 8,315,250
B. District Items	
1. None	$ –
Total District Items	$ –
TOTAL CONSTRUCTION COSTS	**$ 8,315,250**
NON-CONSTRUCTION COSTS	
A. Legal Fees	$ 240,675
B. Fiscal Agent Fees	212,200
C. Interest Costs	
1. Capitalized Interest (Six (6) Months)	135,603
2. Developer Interest	720,332
3. BAN Interest	22,952
D. Bond Discount	317,239
E. Bond Issuance Expenses	47,256
F. BAN Issuance Expenses	139,324
G. Bond Application Costs	58,500
H. Operating Costs	200,000
I. Attorney General Fee (Maximum)	9,500
J. TCEQ Bond Issuance Fee (0.25%)	26,525
K. Contingency (a)	164,644
TOTAL NON-CONSTRUCTION COSTS	**$ 2,294,750**
TOTAL BOND ISSUE REQUIREMENT	**$ 10,610,000**

(a) Represents the difference between the estimated and actual amounts of Capitalized Interest, BAN Interest, and Bond Discount.

Non-construction costs are based upon either contract amounts or various cost estimates by the Engineer and the Financial Advisor. The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the System Bonds and completion of agreed-upon procedures by the District's auditor.

In the instance that approved estimated amounts exceed the actual costs, the difference comprises a surplus which may be expended for uses authorized under the applicable rules of the TCEQ. In the instance that actual costs exceed previously approved estimated amounts and contingencies, additional TCEQ approval and the issuance of additional bonds may be required. However, the District cannot and does not guarantee the sufficiency of such funds for such purposes.

USE AND DISTRIBUTION OF ROAD BOND PROCEEDS

Proceeds from the sale of the Road Bonds will be used to reimburse the Developers for the improvements and related costs shown below. Additionally, proceeds from the sale of the Road Bonds will be used to pay developer interest; six (6) months of capitalized interest; and other certain costs associated with the issuance of the Road Bonds, as shown below.

		District's Share
CONSTRUCTION COSTS		
A.	Proposed Road Improvement Projects	$ 4,343,579
	TOTAL CONSTRUCTION COSTS	**$ 4,343,579**
NON-CONSTRUCTION COSTS		
A.	Legal Fees	$ 132,900
B.	Fiscal Agent Fees	102,900
C.	Interest Costs	
	1. Capitalized Interest (Six (6) Months)	59,341
	2. Developer Interest	292,301
D.	Bond Discount	148,609
E.	Bond Issuance Expenses	23,081
F.	Engineering Report Costs	20,000
G.	Attorney General Fee (0.10%)	5,145
H.	Contingency (a)	17,144
	TOTAL NON-CONSTRUCTION COSTS	**$ 801,421**
TOTAL BOND ISSUE REQUIREMENT		**$ 5,145,000**

(a) Represents the difference between the estimated and actual amounts of Capitalized Interest and Bond Discount.

Non-construction costs are based upon either contract amounts or various cost estimates by the Engineer and the Financial Advisor. The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Road Bonds and completion of agreed-upon procedures by the District's auditor.

In the instance that approved estimated amounts exceed the actual costs, the difference comprises a surplus which may be expended for approved uses. However, the District cannot and does not guarantee the sufficiency of such funds for such purposes.

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PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(August 2021)






PHOTOGRAPHS TAKEN WITHIN THE DISTRICT

(August 2021)

THE DISTRICT

General

The District was created by Order of the TCEQ dated April 21, 2015. The District operates under Chapter 375 of the Texas Local Government Code in addition to Chapters 49 and 54 of the Texas Water Code pursuant to Article XVI, Section 59 and Article III, Section 52 and 52-a, of the Texas Constitution. The District consists of approximately 2,046 acres

Among other purposes, the District is authorized to purchase, construct, operate, and maintain public water, wastewater, and drainage facilities, roads, and recreational facilities.

Location

The District is located in the County and is situated wholly within the limits of the City. The District is generally bounded on the east by Interstate Highway 45 ("IH-45"), south of Loop 336 and north of the West Fork of the San Jacinto River and east of Sgt. Ed Holcomb Boulevard. Primary access to the District will be from the frontage along IH-45 along Grand Central Parkway. Secondary access points will be from Loop 336 along Crescent Campus Boulevard, Urban Avenue and Town Park Drive. The District is located in the Ransom House Survey, A-245 and the Joseph House Survey, A-250.

Management of the District

- Board of Directors -

The District is governed by a board, consisting of five (5) directors appointed by the City, which has control over and management and supervision of all affairs of the District. Directors serve staggered four (4) year terms.

Name	Title	Term Expires April
Keaton Hineman	President	2025
Kyler Ferris	Assistant Vice President	2025
Charlie Reinhardt	Secretary	2023
Tom Matthews	Assistant Secretary / Treasurer	2023
Eric Wright	Vice President	2023

- Consultants -

Tax Assessor/Collector – Land and improvements in the District are being appraised by the Montgomery Central Appraisal District (the "Appraisal District"). The tax assessor/collector for the District is Assessments of the Southwest, Inc.

Bookkeeper – The District contracts with Municipal Accounts & Consulting, LP as bookkeeper for the District.

Engineer – The District's consulting engineer is LJA Engineering, Inc. (the "Engineer").

Auditor – As required by the Texas Water Code, the District retains an independent auditor to audit the District's financial statements annually, which annual audit is filed with the TCEQ. A copy of the District's audit prepared by McCall Gibson Swedlund Barfoot, PLLC for the fiscal year ending July 31, 2020, is included as "APPENDIX A."

Financial Advisor – Robert W. Baird & Co. Incorporated serves as the District's financial advisor ("the "Financial Advisor"). The fee for services rendered in connection with the issuance of the Bonds is based on the percentage of the Bonds actually issued, sold, and delivered and, therefore, such fee is contingent upon the sale and delivery of the Bonds. The Financial Advisor is not obligated to undertake and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information herein.

Bond & General Counsel – The District has engaged The Muller Law Group, PLLC as bond counsel ("Bond Counsel") in connection with the issuance of the District's Bonds. The fees of Bond Counsel are based on the percentage of the Bonds actually issued, sold, and delivered and, therefore, such fee is earned upon the sale and delivery of the Bonds. The Muller Law Group, PLLC also serves as the District's general counsel.

Disclosure Counsel – Orrick Herrington & Sutcliffe LLP has been designated as disclosure counsel ("Disclosure Counsel"). The fees of Disclosure Counsel in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds.

AGREEMENTS WITH CITY OF CONROE AND MONTGOMERY COUNTY

Agreements with City of Conroe

The Developers, acting on behalf of the District, entered into the Utility Functions Agreement (the "Utility Agreement") with the City. Pursuant to the Utility Agreement, the District is responsible for acquiring and constructing for the benefit of, and for ultimate conveyance to, the City, the water distribution, wastewater collection, drainage, and road facilities (the "Facilities") to serve development within the District. The City has agreed to accept the Facilities for operation and maintenance in consideration for the District's financing, acquisition, and construction of the Facilities. The City agrees to charge residents of the District the same water and wastewater rates that the City charges in other parts of the City.

The Utility Agreement provides that the Facilities shall be designed and constructed in accordance with the City's requirements. The City agrees to provide the District with its ultimate requirements for water supply capacity and wastewater treatment capacity without charging the District any type of capital charge. In accordance with the Utility Agreement, the District is authorized to issue bonds for the purpose of financing the construction and acquisition of the Facilities.

The Utility Agreement provides that the City will pay an annual payment to the District. The annual payment, which is waived by the District during the period under which the City makes payments to the District under a Reimbursement Agreement and Economic Development Agreement (hereinafter defined), entered into between the Developers and the City, is equal to the total assessed value in the District for the given year multiplied by the portion of the City's tax rate that is attributable to water, wastewater, and drainage facilities.

The term of the Utility Agreement is the earlier of the dissolution of the District by the City or 40 years. The City's right to dissolve the District is restricted per the Utility Agreement. Under the terms of the Utility Agreement, the City agrees that it will not dissolve the District until certain conditions have been met, including (i) 90% of the District's facilities have been developed and (ii) the Developers have been reimbursed for advancing funds to construct the Facilities to the maximum extent permitted by the rules of the TCEQ or the City assumes any obligations for such payment by the District under such rules.

In addition to the Utility Agreement, the City and the District entered into two (2) reimbursement agreements related to financing certain public improvements to serve property within the District (the "Reimbursement Agreements"). The Reimbursement Agreements call for the City to reimburse the District a maximum of $10,000,000 plus interest expenses related to floodplain streambed reclamation and mitigation, wetland reclamation and mitigation, recreational facilities and design, testing, construction, and costs to obtain permits necessary to serve residential property within the District.

To meet its reimbursement obligations under the Reimbursement Agreements, initially, the City will set aside 75% of its tax revenues on the incremental residential value of the District (the "Tier I Revenue"). When the Tier I Revenue is sufficient to support a bond issue in the principal amount of $5,000,000, the City will issue its first reimbursement payment to the District (the "Tier I Payment"). After the Tier I Payment, the City will set aside 50% of its tax revenues on the incremental residential value of the District (the "Tier II Revenue"). As the assessed valuation of residential property within the District increases, the Reimbursement Agreements call for a determination as to whether such Tier II Revenue is sufficient to support an additional bond issue in principal amounts of $2,500,000, the City will issue subsequent payments to the District (the "Tier II Payments"). The City will continue to issue Tier II Payments until such time that the total of the Tier I Payment and all Tier II Payments is $10,000,000 in projects, plus any related interest.

In addition to the Reimbursement Agreements, the City and the District also entered into the Economic Development Agreement related to the development of commercial property within the District (the "Economic Development Agreement"). The Economic Development Agreement calls for the City to reimburse the District a maximum of $10,000,000 plus interest for the expenses related to floodplain and streambed and mitigation, wetlands reclamation and mitigation and design, testing, surveying, construction, and costs to obtain permits necessary to serve non-residential property within the District. The City will pledge 75% of the ad valorem taxes levied within the commercial portion of the District combined with 25% of the sales tax collections within the District to support the reimbursement of up to approximately $10,000,000 in projects, plus developer interest. The sales tax portion of the revenue pledged must be at least 25% of the revenue supporting the bonds to be issued. The revenue from the commercial portions of the District must be sufficient to support at least $3,000,000 in principal amount of bonds issued by the City. For the commercial portion of revenues, the sales tax must comprise at least 25% (but is not limited to 25%) of the revenues that will support the issuance of bonds. In order to qualify for reimbursement, the total sales tax revenue generated in the District would, at a minimum, be roughly equal to the debt service on the bonds. To achieve full reimbursement on the commercial portion of the District, the combination of annual ad valorem tax revenue and annual sales revenue would need to be approximately $855,000.

Reimbursement Agreement with Montgomery County

The District and the County entered into the County Reimbursement Agreement whereby the County will reimburse the District for certain road infrastructure costs (the "County Reimbursement Agreement"). The County Reimbursement Agreement calls for the County to reimburse the District a maximum of $20,000,000 for roads and public improvements, including related drainage and storm sewer facilities. Pursuant to the County Reimbursement Agreement, the County has agreed to annually pay the District an amount equal to 90% of the County's tax rate minus the debt service portion of its tax rate levied on any incremental value (the "Incremental Value") above $27,900,000 (the "Base Value"). The County will make annual payments to the District until the total payment reaches $20,000,000.

THE DEVELOPERS AND PRINCIPAL LANDOWNERS

The Role of a Developer

In general, the activities of a developer in a municipal utility district such as the District include purchasing the land within the District, designing the subdivision, designing the utilities and streets to be constructed in the subdivisions, designing any community facilities to be built, defining a marketing program and building schedule, securing necessary governmental approvals and permits for development, arranging for the construction of roads and the installation of utilities (including, in some cases, water, wastewater, 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, developers, or other third parties. In certain instances, the developer will be required to pay up to 30% of the cost of constructing certain water, wastewater, and drainage facilities in a municipal utility district pursuant to the rules of the TCEQ. The relative success or failure of a developer to perform such activities in development of property within a municipal utility district may have a profound effect on the security of the unlimited tax bonds issued by a district. A developer is generally under no obligation to a district to develop the property which it owns in the district. Furthermore, there is no restriction on a developer's right to sell any or all of the land which it owns within a district. In addition, a developer is ordinarily the major taxpayer within a municipal utility district during the development phase of the property.

A current unaudited balance sheet and income statement for 336 Associates are included as "APPENDIX B."

Description of the Developers and Principal Landowners

The Johnson Development Corporation, through its affiliated entities Conroe CS Texas Holdings LP ("CS Texas") and GCP Loan Subsidiary 1 LP ("GCP1"), manages the development of residential, commercial, and mixed-use land within the District. CS Texas, a Delaware limited partnership, having Johnson Conroe CS GP, LLC as its general partner, purchased all of the property within the District. Its president is Larry D. Johnson of The Johnson Development Corporation, with over 40 years of experience in developing master-planned communities. GCP1 is a Texas limited partnership whose general partner is CS Loan Sub 1 LLC and whose limited partner is CS Texas, and is the primary development entity in the District. CS Texas and GCP1 are collectively referred to herein as the "Developers." As of July 1, 2021, the Developers owned approximately 1,537 acres in the District.

Fidelis Realty Partners ("Fidelis"), through its affiliated entity 336 Associates, is the developer of commercial land within the District. 336 Associates is owned in part and controlled by Fidelis. Fidelis was founded in 2003 as a commercial real estate development company based in Houston. Fidelis currently manages over 10 million square feet of commercial and retail space, focusing primarily on the Houston market.

Development Financing

On November 21, 2013, CS Texas, a Delaware limited partnership, having Johnson Conroe CS GP, LLC as its general partner, purchased approximately 2,100 acres of land within the District. CS Texas financed the acquisition with equity plus combined loans totaling approximately $61,800,000 from PSPIB Realty U.S. Inc., Tricon U.S. Lender Inc. and Johnson Conroe CS Investors LLC. The loans mature November 21, 2023, and the combined balance of the loans was approximately $77,913,352 as of July 1, 2021.

GCP1 has financed the development of the District with a revolving development loan with Woodforest National Bank in the amount of $20,000,000. Interest on the loan accrues monthly at the greater of the prime rate plus 1% or 5% per annum, compounded monthly, and payable from 92% of lot and land sale proceeds, plus the reimbursement of District receivables. The loan is secured by real estate, assignment of District reimbursements and assignment for certain contracts and matures March 31, 2023. As of July 1, 2021, the principal balance was approximately $7,286,664.

Lot Sales Contracts

The Developers have entered into lot sales contracts with each of Lennar Homes, Village Builders, Coventry Homes, Highland Homes, Perry Homes, Tri Pointe Homes (formerly Trendmaker Homes), Gehan Homes, David Weekley Homes, Westin Homes, Darling Homes, Drees Custom Homes, and Jaeger Homes. The contracts for the sale of lots between the Developers and the builders require that earnest money be deposited with a title company, typically 10% of the total price of the completed lots. The sales contracts establish certain required lot purchases quarterly, with the earnest money deposit being returned to the builders upon purchase of the last lots under each contract. The Developers' sole remedy for builders not purchasing lots in accordance with the contracts is cancellation of the contract and retention of the remaining earnest money on deposit.

According to the Developers, Coventry Homes and Village Builders are not in compliance with their respective lot sales contracts. The District has worked with Coventry Homes to design a new product that aims to better meet market demand and price points, with the goal of bringing Coventry Homes into compliance with its lot sales obligations. Village Builders has designed a new product that also aims to achieve such results, with the goal of bringing Village Builders into compliance with its lot sales obligations. Additionally, Lennar Homes is in the process of amending its lot sales contract. According to the Developers, all other builders are in compliance with their respective lot sales contracts.

As of July 1, 2021, the total number of lots contracted and purchased by each builder is listed below:

Builder	Total Lots Contracted	Total Lots Purchased
Lennar Homes	17	97
Village Builders	–	42
Coventry Homes	–	79
Highland Homes	–	70
Perry Homes	–	179
Tri Pointe Homes (a)	–	42
David Weekley Homes	–	126
Westin Homes	–	102
Darling Homes	–	52
Drees Custom Homes	–	89
Jaeger Homes	–	32
Gehan Homes	–	28
Total	17	938

(a) Formerly Trendmaker Homes.

DEVELOPMENT WITHIN THE DISTRICT

Land within the District will be developed as the approximately 2,046-acre master-planned community "Grand Central Park." As of July 1, 2021, approximately 288 acres (993 lots) have been developed, including: 569 complete and occupied homes; 10 complete and unoccupied homes; 11 model homes; 166 homes under construction; and 237 vacant developed lots. In addition, approximately 102 acres have been developed by Fidelis as "336 Marketplace." 336 Marketplace currently contains several tenants, including: America's Best Contacts & Eyeglasses; AT&T; Bank of America; Burlington; Chase Bank; Chick-Fil-A; Dick's Sporting Goods; DSW; Five Below; Greater Houston Pediatric Dentistry; Hand & Stone Massage; HomeGoods; Ideal Dental; Kroger; Marshalls; Mattress Firm; McAlister's Deli; Memorial Hermann; Michaels; MOD Pizza; Nails of America; Partners in Primary Care; Ross Dress for Less; Salata; Sprint; Starbucks; Supercuts; Teriyaki

Madness; T-Mobile; Torchy's Tacos; Ulta Beauty; Valvoline Instant Oil Change; ViVi Nails & Spa; Wasabi Bistro; Whataburger; and Wingstop. Additional tenants within 336 Marketplace are anticipated. The remainder of the District consists of approximately 464 remaining developable acres and approximately 1,192 undevelopable acres.

Continuing Information

336 Associates owns property located within the District which comprises of approximately 21.99% of the District's 2021 assessed valuation. 336 Associates has entered into an agreement with the District to provide certain information pertinent to its development in the District. The District may provide such information annually to certain information depositories in compliance with SEC Rule 15c2-12 of the Securities Exchange Act (the "Rule") or to one (1) of these parties only if and so long as (i) 336 Associates owns more than 20% of the taxable property within the District by value, as reflected by the most recently certified tax rolls (and without effect to special valuation provisions), (ii) 336 Associates made tax or other payments to the District which were used to pay more than 20% of the District's debt service requirements in the applicable fiscal year for all bonds, or (iii) at the end of such fiscal year 336 Associates is obligated to the District to provide or pay for District facilities or debt in an amount which exceeds 20% of the amount of the District's unlimited tax bonds then outstanding. See "CONTINUING DISCLOSURE OF INFORMATION" and "TAX DATA – Principal Taxpayers."

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Status of Development within the District

The following is a status of construction of single-family housing within the District as of July 1, 2021:

DEVELOPMENT AREA	ACRES	LOTS	HOMES				VACANT DEVELOPED LOTS
			COMPLETE - OCCUPIED	COMPLETE - UNOCCUPIED	MODELS	UNDER CONSTRUCTION	
Grand Central Park							
Section 1	32.576	85	84	1	–	–	–
Section 2	16.859	58	58	–	–	–	–
Section 3	7.850	22	21	–	–	1	–
Section 4	11.457	70	42	–	–	–	28
Section 5	22.282	70	19	1	–	2	48
Section 6	22.986	56	42	–	1	8	5
Section 7	7.622	21	19	1	–	1	–
Section 8	13.188	38	38	–	–	–	–
Section 9	3.707	9	9	–	–	–	–
Section 10	22.698	71	48	–	–	20	3
Section 11	6.202	12	8	1	–	2	1
Section 12	24.476	46	38	–	–	6	2
Section 13	3.813	11	–	–	10	–	1
Section 14	5.620	40	40	–	–	–	–
Section 15	9.093	25	9	1	–	10	5
Section 16	6.602	35	31	2	–	2	–
Section 17	10.486	43	21	1	–	15	6
Section 18	6.688	31	25	1	–	5	–
Section 19	5.951	28	13	–	–	12	3
Section 20	34.246	148	4	1	–	67	76
Section 21	9.579	40	–	–	–	3	37
Section 22	4.244	34	–	–	–	12	22
Total	288.225	993	569	10	11	166	237
Commercial	101.696						
Remaining Developable	464.029						
Undevelopable	1,191.750						
Total	2,045.700						

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DISTRICT DEBT

System Debt Service Requirement Schedule

The following schedule sets forth the debt service requirements for the Outstanding System Bonds and the principal and interest requirements for the System Bonds. Totals may not sum due to rounding.

		The System Bonds			
Year Ending 12/31	Outstanding System Debt Service (a)	Principal	Interest	Total Debt Service	Total System Debt Service
2022	$ 877,629	$ 310,000	$ 259,906	$ 569,906	$ 1,447,535
2023	875,879	310,000	257,256	567,256	1,443,135
2024	888,664	315,000	243,306	558,306	1,446,970
2025	890,264	325,000	229,131	554,131	1,444,395
2026	896,239	335,000	214,506	549,506	1,445,745
2027	896,344	345,000	199,431	544,431	1,440,775
2028	905,294	355,000	183,906	538,906	1,444,200
2029	903,169	365,000	174,588	539,588	1,442,756
2030	912,206	375,000	167,288	542,288	1,454,494
2031	920,250	385,000	159,788	544,788	1,465,038
2032	926,869	395,000	152,088	547,088	1,473,956
2033	932,356	405,000	144,188	549,188	1,481,544
2034	937,069	415,000	136,088	551,088	1,488,156
2035	940,831	425,000	127,788	552,788	1,493,619
2036	948,069	440,000	118,756	558,756	1,506,825
2037	958,431	450,000	109,406	559,406	1,517,838
2038	957,594	465,000	99,281	564,281	1,521,875
2039	960,781	475,000	88,819	563,819	1,524,600
2040	967,094	490,000	78,131	568,131	1,535,225
2041	971,538	505,000	66,494	571,494	1,543,031
2042	974,713	515,000	54,500	569,500	1,544,213
2043	611,619	530,000	44,200	574,200	1,185,819
2044	141,875	545,000	33,600	578,600	720,475
2045	143,500	560,000	22,700	582,700	726,200
2046	–	575,000	11,500	586,500	586,500
	$ 20,338,274	$ 10,610,000	$ 3,376,643	$ 13,986,643	$ 34,324,917

(a) Outstanding debt as of the delivery of the System Bonds.

Average Annual Requirement on the Outstanding System Bonds and the System Bonds (2022–2046) .... $ 1,372,997

Maximum Annual Requirement on the Outstanding System Bonds and the System Bonds (2042) .... $ 1,544,213

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Road Debt Service Requirement Schedule

The following schedule sets forth the debt service requirements for the Outstanding Road Bonds and the principal and interest requirements for the Road Bonds. Totals may not sum due to rounding.

Year Ending 12/31	Outstanding Road Debt Service (a)	The Road Bonds Principal	The Road Bonds Interest	The Road Bonds Total Debt Service	Total Road Debt Service
2022	$ 874,434	$ –	$ 113,736	$ 113,736	$ 988,170
2023	873,869	155,000	118,681	273,681	1,147,550
2024	872,729	160,000	113,256	273,256	1,145,985
2025	871,004	165,000	107,656	272,656	1,143,660
2026	873,589	165,000	101,881	266,881	1,140,470
2027	870,424	170,000	96,106	266,106	1,136,530
2028	877,668	175,000	92,706	267,706	1,145,374
2029	873,735	180,000	90,956	270,956	1,144,691
2030	876,560	185,000	87,356	272,356	1,148,916
2031	881,210	190,000	83,656	273,656	1,154,866
2032	885,220	195,000	79,856	274,856	1,160,076
2033	888,249	200,000	75,956	275,956	1,164,205
2034	895,411	210,000	71,956	281,956	1,177,368
2035	901,771	215,000	67,756	282,756	1,184,528
2036	907,324	220,000	63,456	283,456	1,190,780
2037	911,464	225,000	59,056	284,056	1,195,520
2038	914,761	230,000	54,275	284,275	1,199,036
2039	917,211	240,000	49,388	289,388	1,206,599
2040	928,443	245,000	43,988	288,988	1,217,430
2041	928,055	250,000	38,475	288,475	1,216,530
2042	931,698	260,000	32,538	292,538	1,224,235
2043	619,335	265,000	26,363	291,363	910,698
2044	428,675	275,000	20,069	295,069	723,744
2045	429,450	280,000	13,538	293,538	722,988
2046	–	290,000	6,888	296,888	296,888
	$ 20,232,286	$ 5,145,000	$ 1,709,549	$ 6,854,549	$ 27,086,835

(a) Outstanding debt as of the delivery of the Road Bonds.

Average Annual Requirement on the Outstanding Road Bonds and the Road Bonds (2022–2046) .... $ 1,083,473

Maximum Annual Requirement on the Outstanding Road Bonds and the Road Bonds (2042) .... $ 1,224,235

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DISTRICT FINANCIAL DATA

Assessed Value

2021 Assessed Valuation (100% of the taxable value as of January 1, 2021)	$ 324,665,361	(a)
Estimated Assessed Valuation as of May 1, 2021 (100% of the estimated taxable value as of May 1, 2021)	$ 374,497,245	(b)
Direct Debt:		
The Outstanding Bonds (as of the delivery of the Bonds)	$ 28,680,000	
The System Bonds	$ 10,610,000	
The Road Bonds	$ 5,145,000	
Total	$ 44,435,000	
Estimated Overlapping Debt	$ 23,529,588	
Total Direct and Estimated Overlapping Debt	$ 67,964,588	
Direct Debt Ratios:		
Based on the 2021 Assessed Valuation	13.69 %	
Based on the Estimated Assessed Valuation as of May 1, 2021	11.87 %	
Direct and Estimated Overlapping Debt Ratios:		
Based on the 2021 Assessed Valuation	20.93 %	
Based on the Estimated Assessed Valuation as of May 1, 2021	18.15 %	
System Debt Service Fund Balance (as of July 21, 2021)	$ 934,964	(c)
Road Debt Service Fund Balance (as of July 21, 2021)	$ 974,970	(d)
System Construction Fund Balance (as of July 21, 2021)	$ 515,714	
Road Construction Fund Balance (as of July 21, 2021)	$ 211,226	
Operating Fund Balance (as of July 21, 2021)	$ 214,765	

(a) Represents the certified assessed valuation of all taxable property located within the District as of January 1, 2021, provided by the Appraisal District. Such amount includes $3,803,313 of assessed valuation assigned to properties that remain under review by the Appraisal Review Board (herein defined). Such amount represents the estimated minimum amount of assessed valuation that will ultimately be approved by the Appraisal Review Board, upon which the District will levy its tax. See "TAX DATA" and "TAXING PROCEDURES."

(b) Provided by the Appraisal District for informational purposes only, this amount is an estimate of the value of all taxable property located within the District as of May 1, 2021, and includes an estimate of values resulting from the construction of taxable improvements from January 1, 2021, through May 1, 2021. No taxes will be levied against this amount. See "TAX DATA" and "TAXING PROCEDURES."

(c) Neither Texas Law nor the System Bond Resolution requires that the District maintain any particular sum in the System Debt Service Fund (herein defined). The funds in the System Debt Service Fund are pledged only to pay debt service on the Outstanding System Bonds and the System Bonds, not the Outstanding Road Bonds or the Road Bonds.

(d) Neither Texas Law nor the Road Bond Resolution requires that the District maintain any particular sum in the Road Debt Service Fund (herein defined). The funds in the Road Debt Service Fund are pledged only to pay debt service on the Outstanding Road Bonds and the Road Bonds, not the Outstanding System Bonds or the System Bonds.

Unlimited Tax Bonds Authorized but Unissued

Election Date	Purpose	Authorized	Issued to Date	Unissued
11/03/2015	Water, Wastewater, and Drainage	$ 250,800,000	$ 25,575,000 (a)	$ 225,225,000
11/03/2015	Roads	187,550,000	20,425,000 (b)	167,125,000
11/03/2015	Parks and Recreation	29,700,000	–	29,700,000

(a) Includes the System Bonds.

(b) Includes the Road Bonds.

Investment Authority and Investment Practices of the District

The District has adopted an Investment Policy (the "Policy") as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code (the "Act"). The District's goal is to preserve principal and maintain liquidity in a diversified portfolio while securing a competitive yield on its portfolio. Funds of the District are to be invested only in accordance with the Policy. The Policy states that the funds of the District may be invested in short-term obligations of the U.S. or its agencies or instrumentalities, in certificates of deposits insured by the Federal Deposit Insurance Corporation and secured by collateral authorized by the Act, and in TexPool and Texas Class, which are public fund investment pools rated in the highest rating category by a nationally recognized rating service.

Estimated Direct and Overlapping Debt Statement

Other governmental entities whose boundaries overlap the District have outstanding bonds payable from ad valorem taxes. The following statement of direct and estimated overlapping ad valorem tax debt was developed from several sources, including information contained in the "Texas Municipal Report," published by the Municipal Advisory Council of Texas. 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 since the dates stated in this table, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot presently 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 of debt service, and the tax burden for operation, maintenance and/or general purposes is not included in these figures.

Taxing Jurisdiction	Outstanding Debt as of July 31, 2021	Estimated Overlapping Percent	Estimated Overlapping Amount
City of Conroe	$ 347,635,000	2.97%	$ 10,330,590
Montgomery County	486,675,000	0.48%	2,358,989
Montgomery County Hospital District	–	–	–
Lone Star College System	614,815,000	0.14%	831,705
Conroe ISD	1,351,160,000	0.74%	10,008,304
Total Estimated Overlapping Debt			$ 23,529,588
The District		100.00%	$ 44,435,000 (a)
Direct and Estimated Overlapping Debt			$ 67,964,588 (a)

(a) Includes the Bonds.

Debt Ratios

	Direct Debt (a)	Direct and Estimated Overlapping Debt (a)
2021 Assessed Valuation ($324,665,361)	13.69%	20.93%
Estimated Assessed Valuation as of May 1, 2021 ($374,497,245)	11.87%	18.15%

(a) Includes the Bonds.

TAX DATA

General

All taxable property within the District is subject to the assessment, levy and collection by the District of a continuing, direct, annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds (and any future tax-supported bonds which may be issued from time to time as authorized). Taxes are levied by the District each year against the District's assessed valuation as of January 1 of that year. Taxes become due October 1 of such year, or when billed, and generally become delinquent after January 31 of the following year. The Board covenants in the Bond Resolutions to assess and levy for each year that all or any part of the Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds. The actual rate of such tax will be determined from year to year as a function of the District's tax base, its debt service requirements and available funds. In addition, the District has the power and authority to assess, levy and collect ad valorem taxes, in an amount not to exceed $1.00 per $100 of assessed valuation for system operation and maintenance purposes and $0.10 for road facilities maintenance purposes. For the 2020 tax year, the District levied a maintenance and operations tax of $0.19 per $100 of assessed valuation, a system debt service tax of $0.36 per $100 of assessed valuation, and a road debt service tax of $0.35 per $100 of assessed valuation.

Tax Rate Limitation

System Debt Service:	Unlimited (no legal limit as to rate or amount).
Road Debt Service:	Unlimited (no legal limit as to rate or amount).
Maintenance and Operations:	$1.00 per $100 of Assessed Valuation.
Road Facilities Maintenance:	$0.10 per $100 of Assessed Valuation.

Debt Service Tax

The District maintains a separate debt service fund for the Outstanding System Bonds and the System Bonds (the "System Debt Service Fund"). Funds in the System Debt Service Fund are not available to pay principal or interest on the Outstanding Road Bonds or the Road Bonds. The District maintains a separate debt service fund for the Outstanding Road Bonds and the Road Bonds (the "Road Debt Service Fund"). Funds in the Road Debt Service Fund are not available to pay principal or interest on the Outstanding System Bonds or the System Bonds.

For the 2020 tax year, the District levied a system debt service tax of $0.36 per $100 of assessed valuation and a road debt service tax of $0.35 per $100 of assessed valuation. Such tax is in addition to taxes which the District is authorized to levy for maintenance and operations purposes.

Maintenance and Operations Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements if such maintenance tax is authorized by vote of the District's electors. On November 3, 2015, the Board was authorized to levy such maintenance and operations tax in an amount not to exceed $1.00 per $100 of assessed valuation for water, wastewater, drainage facilities and park and recreational facilities; and $0.10 per $100 of assessed valuation for road facilities on all taxable property within the District. For the 2020 tax year, the District levied a maintenance and operations tax of $0.19 per $100 of assessed valuation. Such tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on debt issued by the District.

Tax Exemption

To date, the District has not adopted a general residential homestead exemption or a residential homestead exemption for individuals who are disabled or are 65 years of age or older. See "TAXING PROCEDURES."

Additional Penalties

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

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Historical Collections

The following table illustrates the collection history of the District for the 2016–2020 tax years:

Tax Year	Assessed Valuation	Tax Rate (a)	Adjusted Levy	Percent Collections Current Year	Tax Year Ending 09/30	Percent Collections as of 06/30/2021
2016	$ 13,318,610	$ 0.90	$ 119,867	100.00%	2017	100.00%
2017	56,090,526	0.90	504,815	99.99%	2018	100.00%
2018	119,446,819	0.90	1,075,021	99.90%	2019	100.00%
2019	164,452,749	0.90	1,480,075	99.67%	2020	99.97%
2020	222,654,381	0.90	2,003,889	99.45% (a)	2021	99.45% (b)

(a) Total tax rate per $100 of assessed valuation.

(b) In process of collections.

Tax Rate Distribution

The following table illustrates the components of the tax rate for the District's 2016–2020 tax years:

	2020	2019	2018	2017	2016
System Debt Service	$0.360	$0.445	$0.295	$ –	$ –
Road Debt Service	0.350	0.275	0.260	–	–
Maintenance and Operations	0.190	0.180	0.345	0.900	0.900
Total	$0.900	$0.900	$0.900	$0.900	$0.900

Analysis of Tax Base

The following table illustrates the District's total taxable assessed value for the 2017– 2021 tax years by type of property:

Type of Property	2021 Assessed Valuation (a)	2020 Assessed Valuation	2019 Assessed Valuation	2018 Assessed Valuation	2017 Assessed Valuation
Land	$ 115,832,227	$ 90,647,177	$ 80,899,347	$ 74,315,557	$ 65,400,200
Improvements	248,179,035	160,179,820	100,304,650	64,479,200	9,564,630
Personal Property	8,698,537	7,706,552	4,879,644	25,990	20,000
Exemptions	(51,847,751)	(35,879,168)	(21,630,882)	(19,373,928)	(18,894,304)
Total	$ 320,862,048	$ 222,654,381	$ 164,452,759	$ 119,446,819	$ 56,090,526

(a) Such amounts do not include $3,803,313 of assessed valuation assigned to properties that remain under review by the Appraisal Review Board. Such amount represents the estimated minimum amount of assessed valuation that will ultimately be approved by the Appraisal Review Board, upon which the District will levy its tax. See "TAXING PROCEDURES."

Principal Taxpayers

The following tables illustrates the principal taxpayers, type of property, and their assessed values as of January 1, 2021:

Taxpayer	Type of Property	Assessed Valuation 2021 Tax Roll	Percent of 2021 Tax Roll
I-45/Loop 336 Associates LLC (a)	Commercial	$ 71,408,770	21.99%
GCP Loan Subsidiary 1 LP / Conroe CS Texas Holdings LP (a)	Land & Improvements	13,788,380	4.25%
Watermark at Conroe TX LLC	Commercial	12,678,850	3.91%
Marcel Boulevard LLC	Commercial	12,089,090	3.72%
336 Residential Propco LLC	Land	4,198,500	1.29%
Westin Homes and Properties LP	Land & Improvements	3,591,980	1.11%
Jaeger Homes Inc	Land & Improvements	3,485,730	1.07%
Perry Homes LLC	Land & Improvements	2,634,759	0.81%
Highland Homes Houston LLC	Land & Improvements	2,103,550	0.65%
MHI Partnership LTD	Land & Improvements	2,047,840	0.63%
Total		$ 128,027,449	39.43%

(a) See "DEVELOPERS AND PRINCIPAL LANDOWNERS."

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per $100 of taxable assessed valuation that would be required to meet certain debt service requirements if no growth in the District occurs beyond the 2021 assessed valuation of $324,665,361 or the estimated assessed valuation as of May 1, 2021, of $374,497,245. The foregoing further assumes collection of 95% of taxes levied and the sale of no additional bonds by the District.

Average Annual Debt Service Requirement on the Outstanding System Bonds and the System Bonds (2022–2046)	$ 1,372,997
System Tax Rate of $0.45 on the 2021 Assessed Valuation	$ 1,387,944
System Tax Rate of $0.39 on the Estimated Assessed Valuation as of May 1, 2021	$ 1,387,512
Maximum Annual Debt Service Requirement on the Outstanding System Bonds and the System Bonds (2042)	$ 1,544,213
System Tax Rate of $0.51 on the 2021 Assessed Valuation	$ 1,573,004
System Tax Rate of $0.44 on the Estimated Assessed Valuation as of May 1, 2021	$ 1,565,398
Average Annual Debt Service Requirement on the Outstanding Road Bonds and the Road Bonds (2022–2046)	$ 1,083,473
Road Tax Rate of $0.36 on the 2021 Assessed Valuation	$ 1,110,356
Road Tax Rate of $0.31 on the Estimated Assessed Valuation as of May 1, 2021	$ 1,102,894
Maximum Annual Debt Service Requirement on the Outstanding Road Bonds and the Road Bonds (2042)	$ 1,224,235
System Tax Rate of $0.40 on the 2021 Assessed Valuation	$ 1,233,728
System Tax Rate of $0.35 on the Estimated Assessed Valuation as of May 1, 2021	$ 1,245,203

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Estimated Overlapping Taxes

Property within the District is subject to taxation by several taxing authorities in addition to the District. Under Texas law, if ad valorem taxes levied by a taxing authority become delinquent, a lien is created upon the property which has been taxed. A tax lien on property in favor of the District is on a parity with tax liens of other taxing jurisdictions. In addition to ad valorem taxes required to make debt service payments on bonded debt of the District and of such other jurisdictions, 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 is an estimation of all 2020 taxes levied by such jurisdictions per $100 of assessed valuation. Such levies do not include local assessments for community associations, fire department contributions, charges for solid waste disposal, or any other charges made by entities other than political subdivisions. See "DISTRICT FINANCIAL DATA – Estimated Direct and Overlapping Debt Statement."

Taxing Jurisdiction	2020 Tax Rate (a)
The District	$ 0.900000
City of Conroe	0.437500
Montgomery County	0.431200
Montgomery County Hospital District	0.058800
Lone Star College System	0.107800
Conroe ISD	1.212500
Total	$ 3.147800

(a) Total tax rate per $100 of assessed valuation.

TAXING PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax on all taxable property within the District in an amount sufficient to pay the principal of and interest on the Bonds and any additional bonds payable from taxes which the District may hereafter issue, and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Resolutions to levy such a tax from year to year as described more fully above under "THE BONDS – Source of Payment." Under Texas law, the Board is also authorized to levy and collect an annual ad valorem tax for the operation and maintenance of the System and roads serving the District, and for the payment of certain contractual obligations if authorized by its voters. See "INVESTMENT CONSIDERATIONS – Future Debt" and "TAX DATA – Tax Rate Limitation."

Property Tax Code and County-wide Appraisal District

Title I of the Texas Property Tax Code (the "Property Tax Code") specifies the taxing procedures of all political subdivisions of Texas, including the District. Provisions of the Property Tax Code are complex and are not fully summarized herein.

The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district. The Appraisal District has the responsibility of appraising property for all taxing units within the County, including the District. Such appraisal values are subject to review and change by the Montgomery Central Appraisal Review Board (the "Appraisal Review Board"). The appraisal roll, as approved by the Appraisal Review Board, must be used by the District in establishing its tax rolls and tax rate.

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 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; certain farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; travel trailers; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years of age or older and certain disabled persons, to the extent deemed advisable by the Board. The District may be required to offer such exemptions if a majority of voters approve the same at an election. The District would be required to call an election upon petition by 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, but only to the maximum extent of between $5,000 and $12,000 depending upon the disability rating of the veteran claiming the exemption. A veteran who receives a disability rating of 100% is entitled to an exemption of full value of the veteran's residential homestead. Furthermore, qualifying surviving spouses of persons 65 years of age and older are entitled to receive a resident homestead exemption equal to the exemption received by the deceased spouse, and surviving spouses of a deceased veteran who had received a disability rating of 100% are entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse until such surviving spouse remarries.

A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. This exemption also applies to a residence homestead that was donated by a charitable organization at some cost to such veterans. 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 surviving spouse.

The surviving spouse of a first responder who is killed or fatally injured in the line of duty is entitled to an exemption of the total appraised value of the surviving spouse's residence homestead if the surviving spouse has not remarried since the first responder's death, and said property was the first responder's residence homestead at the time of death. Such exemption would be transferred to a subsequent residence homestead of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

The District has never granted a general homestead exemption or an exemption for homesteads of persons 65 years of age or older and certain disabled persons.

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State to exempt up to 20% of the appraised market 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 April 30. The District does not grant a residential homestead exemption at this time.

Freeport Goods Exemption: 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 such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2012 and subsequent years, such Goods-in-Transit Exemption includes tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one (1) 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 property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. The District has taken official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years.

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 formally 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 100% of market value, as such is defined in the Property Tax Code. Nevertheless, certain land may be appraised at less than market value, as such is defined in the Property Tax Code. The Texas Constitution limits increases in the appraised value of residence homesteads to 10% annually regardless of the market value of the property.

The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its fair market value. The Property Tax Code permits, under certain circumstances, that residential real property inventory held by a person in the trade or business be valued at the price all of such property would bring if sold as a unit to a purchaser who would continue the business. Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by one (1) political subdivision 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 property in the Appraisal District at least once every three (3) years. It is not known what frequency of reappraisals 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.

Effective January 1, 2020, Section 11.35 of the Property Tax Code, authorizes a temporary tax exemption for certain damaged property in governor-declared disaster areas. In order to qualify for the exemption, the property must be at least 15% damaged, as determined by the chief appraiser of the appraisal district. Upon a property owner's application for an exemption, the chief appraiser must assign a damage rating of Level I – 15% (minimal damage), Level II – 30% (nonstructural damage), Level III – 60% (significant structural damage), or Level IV – 100% (total loss).

Property owners are entitled to the exemption if the Governor declares the disaster area prior to a taxing unit adopting a tax rate for the year in which the disaster occurs. However, if the disaster declaration occurs on or after the date a taxing unit adopts a tax rate, property owners are only entitled to receive the exemption if the governing body of the taxing unit adopts the exemption within 60 days of the disaster declaration.

The amount of the exemption for qualifying property is determined by multiplying the appraisal value by the level rating percentage, which is then prorated by the number of days from the disaster declaration to December 31 of the tax year in which the disaster is declared as a percentage of total days in the year. The exemption expires on January 1 of the first tax year in which the property is reappraised.

District and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units (such as the District) may appeal the orders of the Appraisal Review Board by filing a timely petition for review in Texas district court. In such event, the property value in question may be determined by the court, or by a jury, if requested by any party. Additionally, taxing units may bring suit against the Appraisal District to 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 which 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, 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, except set forth herein with respect to residential homesteads. 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. For those taxes billed at a later date and that become delinquent on or after June 1, they will also incur an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. 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.

Effective September 1, 2019, a property owner serving on active duty for any branch of the United States armed forces who is transferred out of the state may defer payment on property taxes without incurring any penalty or interest. Deferred tax payments are due no later than 60 days after the earliest of the following to occur: (1) the person is discharged from active military service, (2) the person returns to the state for more than 10 days, or (3) the person returns to non-active-duty status in the reserves. After the deferral period expires, any unpaid delinquent taxes will accrue interest but will not incur any penalty.

Rollback of Operation and Maintenance Tax Rate

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

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 an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Low Tax Rate District is the current year's debt service and contract tax rate plus 1.08 times the previous year's operation and maintenance tax rate.

Developed Districts

Developed Districts that adopt a total tax rate that would impose more than 1.035 times the amount of the total tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions for the preceding tax year, plus any unused increment rates from the previous three (3) tax years, as calculated and described in Section 26.013 of the Tax Code, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Developed District is the current year's debt service and contract tax rate plus 1.035 times the previous year's operation and maintenance tax rate plus any unused increment rates from the previous three (3) tax years. In addition, if any part of a Developed District lies within an area declared for disaster by the Governor or the President, 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.

Other Districts

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

The District

For the 2020 tax year, the District made the determination of its status as a Developing District. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

District’s Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property as of January 1 of the year in which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties and interest ultimately imposed for the year on the property. The lien exists in favor of the State and each taxing unit, including the District, having the power to tax the property. The District’s tax lien is on a parity with the tax liens of other such taxing units. A tax lien on real property takes priority over the claims 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 federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty and interest.

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. However, the District is required to enter into a payment plan agreement upon the request of a taxpayer on residential homestead. Such agreement must be in writing, provide for monthly payments of the taxes due over a period of time from 12-36 months.

A taxpayer may only request a payment plan if they have not previously entered into such an agreement in the preceding 24 months. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights or by bankruptcy proceedings which restrict the collection of taxpayer debts. A taxpayer may redeem property within six (6) months for commercial property and two (2) years for residential and other types of property after the purchaser's deed at the foreclosure sale is filed in the county records.

THE SYSTEM

General

The water, sanitary water and drainage facilities and systems, the purchase, acquisition and construction of which will be financed by the District with the proceeds of the Bonds, have been designed in accordance with accepted engineering practices and the recommendation of certain governmental agencies having regulatory or supervisory jurisdiction over construction and operation of such facilities. According to the Engineer, the design of the water, sanitary water and drainage facilities and systems have been approved by all governmental agencies that have jurisdiction over the District.

Historical Operations of the System

		Fiscal Year Ended July 31			
	2021 (a)	2020	2019	2018	2017
REVENUES:					
Property Taxes	$ 421,155	$ 296,254	$ 424,145	$ 490,314	$ 119,867
Montgomery County Contract Payments	–	4,250,169	97,435	–	–
Investment Revenues	68	1,423	3,701	2,088	15
Miscellaneous Revenues	233	–	–	449	223
TOTAL REVENUES	$ 421,456	$ 4,547,846	$ 525,281	$ 492,851	$ 120,105
EXPENDITURES:					
Professional Fees	$ 177,708	$ 289,866	$ 309,816	$ 374,443	$ 338,630
Contracted Services	48,165	51,985	39,018	48,532	37,080
Repairs and Maintenance	–	555,256	109,134	10,600	
Other	22,313	32,970	21,037	72,909	12,595
Capital Outlay	88,245	3,677,499	38,875	–	–
TOTAL EXPENDITURES	$ 336,431	$ 4,607,576	$ 517,880	$ 506,484	$ 388,305
EXCESS/DEFICIENCY	$ 85,025	$ (59,730)	$ 7,401	$ (13,633)	$ (268,200)
OTHER FINANCING SOURCES/USES					
Transfers In (Out)	$ –	$ –	$ 20,061	$ –	$ –
Developer Advances	$ –	$ –	$ –	$ 150,000	$ 300,000
NET CHANGE IN FUND BALANCE	$ 85,025	$ (59,730)	$ 27,462	$ 136,367	$ 31,800
BEGINNING FUND BALANCE	$ 159,948	$ 219,678	$ 192,216	$ 55,849	$ 24,049
ENDING FUND BALANCE	$ 244,973	$ 159,948	$ 219,678	$ 192,216	$ 55,849

(a) Unaudited; obtained from the District's bookkeeper. As of June 30, 2021.

Description of the System

- Water Supply and Distribution -

The District obtains water from the City's existing trunk water lines at several locations adjacent to the District. These lines include an existing 20-inch water line at the intersection of Grand Central Parkway and Interstate I-45 Feeder Road; an existing 20-inch line from Crescent Campus Boulevard and South Loop 336 West; an existing 20-inch line from Urban Avenue and South Loop 336 West; and an existing 20-inch line from Town Park Drive and South Loop 336 West. By agreement, the City shall provide the District with its ultimate requirements for water supply, as needed and required by the District.

- Wastewater Treatment and Conveyance System -

The wastewater generated within the District will flow by gravity through an internal network of wastewater collection lines and tie into the City's 54-inch sanitary trunk line generally located in an existing sanitary easement along Grand Central Parkway. The wastewater will then flow by gravity into the City's wastewater treatment plant. By agreement, the City represents that it has sufficient capacity in its wastewater treatment system to serve the development of the District as needed and required by the District. In addition, the City agrees to make any necessary improvements to its wastewater treatment system.

- Drainage -

Portions of the developable land within the District currently are or were previously located in the 100-year flood plain. The "100-year flood plain" is a hypothetical engineering and meteorological concept that defines a geographical area that would supposedly be flooded by a rain storm in intensity statistically having a 1% chance of occurring in any one (1) year. Generally speaking, homes must be built above the 100-year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance subsidies. The portions of the developable land that are currently being developed that were previously in the 100-year flood plain have been raised above the 100-year flood plain through the use of flood plain reclamation (fill) and internal and outfall drainage facilities. Developable property within the District that is currently below the 100-year flood plain will need to be raised above the 100-year flood plain before development can occur. An engineering or regulatory determination that an area is above the 100-year flood plain is no assurance that homes built in such area will not be flooded. If substantial or frequent flooding of homes were to occur in the District, the marketing of homes and the future growth of property values in the District could be adversely affected.

The District lies immediately adjacent to the West Fork of the San Jacinto River giving it direct access to the river. The District has two (2) existing creeks, Grand Lake Creek and Silverdale Creek, that traverse the property north to south providing outfall drainage conveyance to the West Fork of the San Jacinto River. The natural pattern for overland flow within the District is to sheet flow into these two (2) creeks or flowing southwest directly into the West Fork of the San Jacinto River. Flows from developed projects may also outfall into the Strom Water Channel Excavation to serve Grand Central Park – Phase 1, funded in a prior bond issue, to Grand Lake Creek and ultimately conveying to the West Fork of the San Jacinto River. Storm water runoff within the District will utilized a combination of a curb and gutter street system and open ditch/swales to convey runoff to the existing and proposed drainage facilities ultimately our falling into the San Jacinto River. Storm sewer pipe for the Grand Central Parkway, Crescent Campus Boulevard, Urban Avenue, and Town Park Drive is proposed to be funded with the bond proceeds.

- Roads -

The roads within the District vary in width in accordance with standards adopted by the City, but are sized to accommodate the anticipated traffic demands of full build-out of the property within the District.

LEGAL MATTERS

Legal Opinions

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

Bond Counsel has reviewed the information appearing under "THE BONDS (except for information under the subheading "Registered Owners' Remedies"), "THE DISTRICT – General," "TAXING PROCEDURES," "LEGAL MATTERS – Legal Opinions," "TAX MATTERS," and "CONTINUING DISCLOSURE (except for the information under the subheading "Compliance with Prior Undertakings"), solely to determine whether such information fairly summarizes matters of law and the provisions of the documents referred to therein. Bond Counsel has not, however, independently verified any of the factual information contained herein nor has it conducted an investigation of the affairs of the District or the Developers 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.

The legal fees paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the bonds actually issued, sold and delivered and, therefore, such fees are contingent upon the sale and delivery of the Bonds.

No Material Adverse Change

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

No-Litigation Certificate

The District will furnish the Initial Purchasers a certificate, dated as of the date of delivery of the Bonds, executed by both the President or the Vice President and the Secretary or the Assistant Secretary of the Board, to the effect that no litigation of any nature has been filed or is to their knowledge then pending or threatened, either in state or federal courts, contesting or attaching the Bonds; restraining or enjoining the issuance, execution, or delivery of the Bonds; affecting the provisions made for the payment of or security for the Bonds; in any manner questioning the authority or proceedings for the issuance, execution, or delivery of the Bonds; or affecting the validity of the Bonds.

TAX MATTERS

In the opinion of Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Beneficial Owners of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of Owners who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of obligations, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The District has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events, or matters.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Bonds may otherwise affect a Beneficial Owner's federal, state, or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislature proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations, or litigation, as to which Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the District or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The District has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the District or the Beneficial Owners regarding the tax-exempt status of the Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the District and its appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the District legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Bonds, and may cause the District or the Beneficial Owners to incur significant expense.

NOT Qualified Tax-Exempt Obligations

The Bonds are NOT designated as "qualified tax-exempt obligations" for financial institutions within the meaning of Section 265(b) of the Code.

CONTINUING DISCLOSURE

In the Bond Resolutions, the District has 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, audited financial statements and timely notice of specified material events, in an electronic format as prescribed by the Municipal Securities Rulemaking Board ("MSRB"). The MSRB has established the Electronic Municipal Market Access ("EMMA") system.

Annual Reports

The District will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included under “DISTRICT DEBT,” “TAX DATA,” and “APPENDIX A.” The District will update and provide this information within six (6) months after the end of each of its fiscal years.

Any information so provided shall be prepared in accordance with generally accepted accounting principles or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report 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 (6) month period, and audited financial statements when and if the audit report becomes available. The District’s current fiscal year end is July 31. Accordingly, it must provide updated information by the last day in January 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.

In addition, on the same annual basis provided above, the District has agreed to provide information with respect to 336 Associates, any person or entity to whom 336 Associates voluntarily assigns (except as collateral) the right to receive a payment out of the proceeds from the sale of the bonds of the District, and each other person or entity, if any, to whom the District voluntarily makes or agrees or has agreed to make a payment out of such proceeds. The District will be obligated to provide information concerning the 336 Associates and any such other person or entity only if and so long as: (1) such person owns more than 20% of the taxable property within the District by value, as reflected by the most recently certified tax rolls (and without effect to special valuation provisions), (2) such person has made tax or other payments to the District which were used or available to pay more than 20% of the District’s debt service requirements in the applicable fiscal year, or (3) at the end of such fiscal year such person is obligated to the District to provide or pay for District facilities or debt in an amount which exceeds 20% of the amount of the District’s bonds then outstanding.

The financial information that will be provided with respect to the 336 Associates and any other person or entity (as provided above) is included hereto as “APPENDIX B.”

Material 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 10 business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other material events affecting the tax-exempt status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the District or other obligated person within the meaning of the Rule; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or obligated person, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the District or obligated person, any of which reflect financial difficulties. The term "material" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. The term “financial obligation” when used in this paragraph shall have the meaning ascribed to it under federal securities laws. The term “financial obligation” does not include municipal securities for which a final official statement has been provided to the MSRB consistent with the Rule. Neither the Bonds nor the Bond Resolutions makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described above under "CONTINUING DISCLOSURE – Annual Reports."

Availability of Information from EMMA

The District has agreed to provide the information only to the MSRB. The MSRB has prescribed that such information must be filed via EMMA. The MSRB makes the information available to the public without charge and investors will be able to access continuing disclosure information filed with the MSRB at www.emma.msrb.org.

Limitations and Amendments

The District has agreed to update information and to provide notices of material events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although 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 the changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The District may amend or repeal the agreement in the Bond Resolutions 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 Initial Purchasers 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 "CONTINUING DISCLOSURE – Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance with Prior Undertakings

The District has no known failures to comply in all material respects with its prior continuing disclosure agreements in accordance with the Rule.

OFFICIAL STATEMENT

Preparation

The information herein has been obtained from sources as set forth under the following captions:

> "THE DISTRICT" and "THE SYSTEM" – LJA Engineering, Inc.; "THE DEVELOPERS AND PRINCIPAL LANDOWNERS" and "DEVELOPMENT WITHIN THE DISTRICT" – The Johnson Development Corporation; "TAX DATA" – Assessments of the Southwest, Inc. and the Montgomery Central Appraisal District; "AGREEMENTS WITH CITY OF CONROE AND MONTGOMERY COUNTY," "THE BONDS," "CONTINUING DISCLOSURE," "TAXING PROCEDURES," "LEGAL MATTERS" and "TAX MATTERS" – The Muller Law Group, PLLC.

Experts

In approving this Official Statement, the District has relied upon the following experts in addition to the Financial Advisor:

> *The Engineer:* The information contained herein relating to engineering matters and to the description of the System and, in particular, that information included in the sections entitles "THE DISTRICT" and "THE SYSTEM," has been provided by LJA Engineering, Inc. and has been included in reliance upon the authority of said firm as experts in the field of civil engineering.

Tax Assessor/Collector and Appraisal District: The information contained herein relating to principal taxpayers and tax collection rates and the certified assessed valuation of property in the District and, in particular, such information contained in the section captioned "TAX DATA," has been provided by the Assessments of the Southwest, Inc. and the Montgomery Central Appraisal District in reliance upon their authority as experts in appraising and tax assessing.

Updating of Official Statement

If, subsequent to the date of this Official Statement, the District learns, through the ordinary course of business and without undertaking any investigation or examination for such purposes, or is notified by the Initial Purchasers, of any adverse event which causes this Official Statement to be materially misleading, and unless the Initial Purchasers elect to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Initial Purchasers an appropriate amendment or supplement to this Official Statement satisfactory to the Initial Purchaser; provided, however, that the obligation of the District to so amend or supplement this Official Statement will terminate when the District delivers the Bonds to the Initial Purchasers, unless the Initial Purchasers notify the District in writing on or before such date that less than all of the Bonds have been sold to ultimate customers, in which case the District's obligations hereunder will extend for an additional period of time (but not more than 90 days after the date the District delivers the Bonds) until all of the Bonds have been sold to ultimate customers.

Certification as to Official Statement

The District, acting by and through its Board in its official capacity, in reliance upon the experts 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 light of the circumstances under which they were made, not misleading. The information, description 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 or verification of such matters and makes no representation as to the accuracy or completeness thereof.

CONCLUDING STATEMENT

The information set forth herein has been obtained from the District's records, audited financial statements and other sources which are considered to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will ever be realized. All of the summaries of the statutes, documents and resolutions contained herein are made subject to all of the provisions of such statutes, documents and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such summarized documents for further information. Reference is made to official documents in all respects.

This Official Statement was approved by the Board of Directors of Conroe Municipal Management District No. 1 as of the date shown on the cover hereof.

/s/ Keaton Hineman
President, Board of Directors
Conroe Municipal Management District No. 1

ATTEST:

/s/ Charlie Reinhardt
Secretary, Board of Directors
Conroe Municipal Management District No. 1

APPENDIX A

FINANCIAL STATEMENTS OF THE DISTRICT

CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1

MONTGOMERY COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

JULY 31, 2020

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

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Board of Directors
Conroe Municipal Management District No. 1
Montgomery County, Texas

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities and each major fund of Conroe Municipal Management District No. 1 (the "District"), as of and for the year ended July 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of July 31, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

McCall Gibson Swedlund Barfoot PLLC

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

November 18, 2020

CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2020

Management's discussion and analysis of Conroe Municipal Management District No. 1's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended July 31, 2020. Please read it in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

FUND FINANCIAL STATEMENTS

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has three governmental fund types. The General Fund accounts for maintenance tax revenues as well as operating and administrative costs. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of District facilities and related costs.

FUND FINANCIAL STATEMENTS (Continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, liabilities exceeded assets by $4,402,265 as of July 31, 2020.

The following is a comparative analysis of the Statement of Net Position as of July 31, 2020, and July 31, 2019:

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Summary of Changes in the Statement of Net Position

	2020	2019	Change Positive (Negative)
Current and Other Assets	$ 2,213,394	$ 3,609,238	$ (1,395,844)
Intangible Asset (Net of Accumulated Amortization)	34,724,318	28,046,923	6,677,395
Capital Assets (Net of Accumulated Depreciation)	657,639	671,474	(13,835)
Total Assets	$ 37,595,351	$ 32,327,635	$ 5,267,716
Due to Developer	$ 20,284,443	$ 16,106,220	$ (4,178,223)
Long-Term Liabilities	19,554,577	20,041,942	487,365
Other Liabilities	2,158,596	2,173,315	14,719
Total Liabilities	$ 41,997,616	$ 38,321,477	$ (3,676,139)
Net Position:			
Net Investment in Capital Assets	$ (5,272,217)	$ (6,602,593)	$ 1,330,376
Restricted	1,257,795	1,006,721	251,074
Unrestricted	(387,843)	(397,970)	10,127
Total Net Position	$ (4,402,265)	$ (5,993,842)	$ 1,591,577

The following table provides a summary of the District's operations for the years ending July 31, 2020, and July 31, 2019.

Summary of Changes in the Statement of Activities

	2020	2019	Change Positive (Negative)
Revenues:			
Property Taxes	$ 1,480,323	$ 1,074,773	$ 405,550
Contract Payment	4,250,169	97,435	4,152,734
Other Revenues	37,376	30,305	7,071
Total Revenues	$ 5,767,868	$ 1,202,513	$ 4,565,355
Expenses for Services	4,176,291	3,587,456	(588,835)
Change in Net Position	$ 1,591,577	$ (2,384,943)	$ 3,976,520
Net Position, Beginning of Year	(5,993,842)	(3,608,899)	(2,384,943)
Net Position, End of Year	$ (4,402,265)	$ (5,993,842)	$ 1,591,577

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUND

The District's combined fund balances as of July 31, 2020 were $2,145,233, an increase of $308,947 from the prior year.

The General Fund fund balance decreased by $59,730, primarily due to operating expenditures and capital outlay exceeding property tax revenues and contract payments.

The Debt Service Fund fund balance increased by $376,003, primarily due to the structure of the District's debt service requirements.

The District's Capital Projects Fund decreased by $7,326. The District sold its Series 2019 Bond Anticipation Note (BAN) and used the proceeds to reimburse developers for various projects. The BAN, which has been recorded as a current liability in the Statement of Net Position, will be retired upon the issuance of bonds.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors amended the budget during the fiscal year to reduce the anticipated property tax revenue and to reduce the anticipated repairs and maintenance expenditures. Actual revenues were $4,153,394 more than budgeted revenues, primarily due to higher contract payments and property tax revenues than budgeted offset by lower investment revenues than budgeted. Actual expenditures were $3,973,416 more than budgeted expenditures, primarily due to greater than anticipated costs across all categories, especially capital outlay.

CAPITAL ASSETS

As of the end of the current fiscal year, the District had $657,639 of stormwater channel drainage facilities, net of accumulated depreciation. Additional information on the District's capital assets can be found in Note 6.

Capital Assets At Year-End, Net of Accumulated Depreciation

	2020	2019	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Construction in Progress	$ 40,125	$ 38,875	$ 1,250
Capital Assets, Net of Accumulated Depreciation:			
Drainage System	617,514	632,599	(15,085)
Total Net Capital Assets	$ 657,639	$ 671,474	$ (13,835)

INTANGIBLE ASSETS

Per the Utility Functions Agreement with the City of Conroe, water, wastewater, drainage and road facilities constructed by the District are to be conveyed to the City, and stormwater detention, floodplain reclamation and recreational facilities constructed are to remain assets of the District. Intangible Assets include the right to receive water and wastewater service. Additional information on the District's intangible assets can be found in Note 6.

Intangible Assets At Year-End, Net of Accumulated Amortization

	2020	2019	Change Positive (Negative)
Right to receive services	$ 38,492,054	$ 30,336,089	$ 8,155,965
Accumulated Amortization	3,767,736	2,289,166	1,478,570
Right to receive services; Net of Accumulated Amortization	$ 34,724,318	$ 28,046,923	$ 6,677,395

LONG TERM DEBT ACTIVITY

As of July 31, 2020, the District had total bond debt payable in the principal amount of $20,105,000. The changes in the debt position of the District during the fiscal year ended July 31, 2020, are summarized as follows:

Bond Debt Payable, August 1, 2019	$ 20,360,000
Less: Bond Principal Paid	255,000
Bond Debt Payable, July 31, 2020	$ 20,105,000

The District's Series 2018, Series 2018 Road, Series 2019 and Series 2019 Road Bonds are not rated. The District also has developer liabilities for the construction of facilities and operating advances. See Note 8.

On August 20, 2020 and September 17, 2020, subsequent to fiscal year-end, the District closed on the sale of $2,305,000 of Series 2020 Unlimited Tax Bonds and $7,580,000 of Series 2020 Unlimited Tax Road Bonds, respectively. See Note 16.

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Conroe Municipal Management District No. 1, c/o The Muller Law Group, PLLC, 202 Century Square Boulevard, Sugar Land, TX 77478.

CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET JULY 31, 2020

	General Fund	Debt Service Fund
ASSETS		
Cash	$ 457	$ 31,967
Investments	128,902	1,541,746
Property Taxes Receivable	2,209	8,834
Due from Other Funds	60,979	
Intangible Asset - Right to Receive Service Net of Accumulated Amortization)		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	$ 192,547	$ 1,582,547
LIABILITIES		
Accounts Payable	$ 30,390	$
Accrued Interest Payable		
Due to Developer		
Due to Other Funds		34,911
Due to Taxpayers		8,363
Bond Anticipation Note Payable		
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	$ 30,390	$ 43,274
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	$ 2,209	$ 8,834
FUND BALANCES		
Restricted for Authorized Construction	$	$
Restricted for Debt Service		1,530,439
Unassigned	159,948	
TOTAL FUND BALANCES	$ 159,948	$ 1,530,439
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 192,547	$ 1,582,547
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
$	$ 32,424	$	$ 32,424
499,279	2,169,927		2,169,927
	11,043		11,043
	60,979	(60,979)	
		34,724,318	34,724,318
		40,125	40,125
		617,514	617,514
$ 499,279	$ 2,274,373	$ 35,320,978	$ 37,595,351
$	$ 30,390	$	$ 30,390
18,365	18,365	281,478	299,843
		20,284,443	20,284,443
26,068	60,979	(60,979)	
	8,363		8,363
		1,330,000	1,330,000
		490,000	490,000
		19,554,577	19,554,577
$ 44,433	$ 118,097	$ 41,879,519	$ 41,997,616
$ -0-	$ 11,043	$ (11,043)	$ -0-
$ 454,846	$ 454,846	$ (454,846)	$
	1,530,439	(1,530,439)	
	159,948	(159,948)	
$ 454,846	$ 2,145,233	$ (2,145,233)	$ -0-
$ 499,279	$ 2,274,373		
		$ (5,272,217)	$ (5,272,217)
		1,257,795	1,257,795
		(387,843)	(387,843)
		$ (4,402,265)	$ (4,402,265)

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

CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JULY 31, 2020

Total Fund Balances - Governmental Funds		$ 2,145,233
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital and intangible assets and in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		35,381,957
Deferred inflows of resources related to property tax revenues for the 2019 and prior tax levies became part of recognized revenue in the governmental activities of the District.		11,043
Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:		
Due to Developer	$ (20,284,443)	
Accrued Interest Payable	(281,478)	
Bond Anticipation Note Payable	(1,330,000)	
Bonds Payable Within One Year	(490,000)	
Bonds Payable After One Year	(19,554,577)	(41,940,498)
Total Net Position - Governmental Activities		$ (4,402,265)

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

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CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JULY 31, 2020

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	$ 296,254	$ 1,179,109
Montgomery County Contract Payment	301,834	
City of Conroe Contract Payment	3,948,335	
Penalty and Interest		11,629
Investment Revenues	1,423	13,264
TOTAL REVENUES	$ 4,547,846	$ 1,204,002
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	$ 289,866	$ 3,189
Contracted Services	51,985	21,589
Repairs and Maintenance	555,256	
Amortization		
Depreciation		
Other	32,970	1,806
Capital Outlay	3,677,499	
Developer Interest		
Debt Service:		
Bond Principal		255,000
Bond Interest		546,415
Bond Anticipation Note Interest		
Issuance Costs		
TOTAL EXPENDITURES/EXPENSES	$ 4,607,576	$ 827,999
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES	$ (59,730)	$ 376,003
OTHER FINANCING SOURCES (USES)		
Bond Anticipation Note Proceeds	$ -0-	$ -0-
NET CHANGE IN FUND BALANCES	$ (59,730)	$ 376,003
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - AUGUST 1, 2019	219,678	1,154,436
FUND BALANCES/NET POSITION - JULY 31, 2020	$ 159,948	$ 1,530,439

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
$	$ 1,475,363	$ 4,960	$ 1,480,323
	301,834		301,834
	3,948,335		3,948,335
	11,629		11,629
11,060	25,747		25,747
$ 11,060	$ 5,762,908	$ 4,960	$ 5,767,868
$	$ 293,055	$	$ 293,055
	73,574		73,574
	555,256		555,256
		1,478,570	1,478,570
		15,085	15,085
	34,776		34,776
301,492	3,978,991	(3,978,991)	
956,163	956,163		956,163
	255,000	(255,000)	
	546,415	132,666	679,081
18,365	18,365		18,365
72,366	72,366		72,366
$ 1,348,386	$ 6,783,961	$ (2,607,670)	$ 4,176,291
$ (1,337,326)	$ (1,021,053)	$ 2,612,630	$ 1,591,577
$ 1,330,000	$ 1,330,000	$ (1,330,000)	$ -0-
$ (7,326)	$ 308,947	$ (308,947)	$
		1,591,577	1,591,577
462,172	1,836,286	(7,830,128)	(5,993,842)
$ 454,846	$ 2,145,233	$ (6,547,498)	$ (4,402,265)

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

CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JULY 31, 2020

Net Change in Fund Balances - Governmental Funds	$ 308,947
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.	4,960
Governmental funds do not account for depreciation and amortization. However, in the Statement of Net Position, capital and intangible assets are depreciated and amortized and expense is recorded in the Statement of Activities.	(1,493,655)
Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets and intangible assets are increased by new purchases and the Statement of Activities is not affected.	3,978,991
Governmental funds report bond principal payments as expenditures in the year paid. However, in the Statement of Net Position, bond principal payments are reported as decreases in long-term liabilities.	255,000
Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.	(132,666)
Governmental funds report bond anticipation note proceeds as other financing sources. Issued bond anticipation notes increase long-term liabilities in the Statement of Net Position.	(1,330,000)
Change in Net Position - Governmental Activities	$ 1,591,577

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

NOTE 1. CREATION OF DISTRICT

Conroe Municipal Management District No. 1 (the "District") was created effective April 21, 2015, by an Order of the Texas Commission on Environmental Quality (the "Commission"). The District is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water, sanitary sewer, storm sewer drainage, irrigation, and to construct roads as well as parks and recreational facilities for the residents of the District. The Board of Directors held its organizational meeting on April 23, 2015 and sold its first bonds on January 28, 2018.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

Financial Statement Presentation

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

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

- Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

- Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

- Unrestricted Net Position – This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

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

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements (Continued)

Governmental Fund

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

General Fund - To account for maintenance tax revenues, as well as operating and administrative costs.

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

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

Basis of Accounting

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

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 inflows of resources related to property 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.

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

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

Assets are capitalized, including infrastructure assets, if they have an original cost greater than $5,000 and a useful life over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation. Drainage facilities are depreciated over periods ranging from 10 to 45 years. All other equipment is depreciated over periods ranging from 3 to 20 years.

Intangible Assets

Intangible assets, consisting of rights to receive water and wastewater service, are reported in the government-wide Statement of Net Position. Intangible assets are valued at the cost of water and wastewater facilities conveyed to the City and amortized over the term of the applicable service contract, which is 50 years from the execution date of the contract.

Budgeting

An annual unappropriated budget is adopted for the General Fund by the District's Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. The original General Fund budget for the current year was amended. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund presents the original and revised budget amounts, if revised, compared to the actual amounts of revenues and expenditures for the current year.

Pensions

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets and liabilities associated with the activities are reported. Fund equity is classified as net position.

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

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

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

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

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

Unassigned: all other spendable amounts in the General Fund.

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Estimates

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

NOTE 3. LONG-TERM DEBT

The following is a summary of transactions regarding long-term liabilities for the year ended July 31, 2020:

	August 1, 2019	Additions	Retirements	July 31, 2020
Bonds Payable	$ 20,360,000	$ -0-	$ 255,000	$ 20,105,000
Unamortized Discounts	(63,058)		(2,635)	(60,423)
Total Long-Term Liabilities	$ 20,296,942	$ -0-	$ 252,365	$ 20,044,577

Amount Due Within One Year	$ 490,000
Amount Due After One Year	19,554,577
Bonds Payable	$ 20,044,577

As of July 31, 2020, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2021	$ 490,000	$ 673,298	$ 1,163,298
2022	550,000	661,644	1,211,644
2023	570,000	647,267	1,217,267
2024	590,000	632,071	1,222,071
2025	620,000	615,880	1,235,880
2026-2030	3,485,000	2,795,503	6,280,503
2031-2035	4,270,000	2,188,392	6,458,392
2036-2040	5,210,000	1,367,238	6,577,238
2041-2044	4,320,000	333,456	4,653,456
	$ 20,105,000	$ 9,914,749	$ 30,019,749

NOTE 3. LONG-TERM DEBT (Continued)

	Series 2018	Series 2018 Road
Amount Outstanding – July 31, 2020	$ 5,365,000	$ 4,665,000
Interest Rates	2.00% - 4.00%	3.00% - 4.00%
Maturity Date – Serially, Beginning/Ending	September 1, 2020/2042	September 1, 2020/2042
Interest Payment Dates	September 1/ March 1	September 1/ March 1
Callable Dates	September 1, 2023*	September 1, 2023*

	Series 2019	Series 2019 Road
Amount Outstanding – July 31, 2020	$ 7,160,000	$ 2,915,000
Interest Rates	2.000% - 3.625	2.00% - 3.60%
Maturity Date – Serially, Beginning/Ending	September 1, 2020/2043	September 1, 2020/2043
Interest Payment Dates	September 1/ March 1	September 1/ March 1
Callable Dates	September 1, 2024*	September 1, 2024*

* Or on any date thereafter, at par plus unpaid accrued interest to the date of redemption, in whole or in part, at the option of the District. Series 2018 term bonds due September 1, 2042 are subject to mandatory redemption by random selection beginning September 1, 2039. Series 2018 Road term bonds due September 1, 2042 are subject to mandatory redemption by random selection beginning September 1, 2036. Series 2019 term bonds due September 1 in each of the years 2029, 2037, 2039 and 2043 are subject to mandatory redemption by random selection beginning September 1, 2027. Series 2019 Road term bonds due beginning September 1 in each of the years 2040 and 2043 are subject to mandatory redemption by random selection beginning September 1, 2038.

Subsequent to fiscal year-end, the District closed on the sale of two series of bonds. See Note 16.

NOTE 3. LONG-TERM DEBT (Continued)

As of July 31, 2020, the District had authorized but unissued bonds in the amount of $238,140,000 for utility facilities, $179,850,000 for road facilities, and $29,700,000 for parks and recreational facilities. 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.

During the year ended July 31, 2020, the District levied an ad valorem debt service tax rate of $0.445 per $100 of assessed valuation for utility facility debt and $0.275 per $100 of assessed valuation for road facility debt which resulted in a tax levy of $1,184,060 on the adjusted taxable valuation of $164,452,749 for the 2019 tax year. The Bond Orders require the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 7 for the maintenance tax levy.

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

NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS

The District has covenanted that it will take all necessary steps to comply with the requirement that rebatable arbitrage earnings on the investment of the gross proceeds of the bonds, within the meaning of section 148 (f) of the Internal Revenue Code, be rebated to the federal government. The minimum requirement for determination of the rebatable amount is on each 5th-year anniversary of each issue.

The Bond Orders state that the District is required to provide continuing disclosure of certain general financial information and operating data with respect to the District to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access ("EMMA") system. This information, along with the audited annual financial statements, is to be provided within six months after the end of each fiscal year and shall continue to be provided through the life of the bonds.

In accordance with Series 2018, Series 2018 Road, Series 2019 and Series 2019 Road bond orders, a portion of the bond proceeds was deposited into the Debt Service Fund and restricted for the payment of bond interest. Transactions for the current year are summarized as follows:

Restricted for Bond Interest, August 1, 2019	$	510,559
Less: Interest Paid - Series 2019 & 2019 Road		187,327
Less: Interest Paid– Series 2018 & 2018 Road		190,949
Restricted for Bond Interest, July 31, 2020	$	132,283

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes.

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District's deposits was $32,424 and the bank balance was $42,019. The District was not exposed to custodial credit risk at year-end.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at July 31, 2020, as listed below:

	Cash
DEPOSITS - GENERAL FUND	$ 457
DEBT SERVICE FUND	31,967
TOTAL DEPOSITS	$ 32,424

Investments

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

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

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

The District invests in TexPool, an external investment pool that is not SEC-registered. The State Comptroller of Public Accounts of the State of Texas has oversight of the pool. Federated Investors, Inc. manages the daily operations of the pool under a contract with the Comptroller. TexPool meets the criteria established in GASB Statement No. 79 and measures all of its portfolio assets at amortized cost. As a result, the District also measures its investment in TexPool at amortized cost for financial reporting purposes. There are no limitations or restrictions on withdrawals from TexPool.

As of July 31, 2020, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities of Less Than 1 Year
GENERAL FUND		
TexPool	$ 128,902	$ 128,902
DEBT SERVICE FUND		
TexPool	1,541,746	1,541,746
CAPITAL PROJECTS FUND		
TexPool	499,279	499,279
TOTAL INVESTMENTS	$ 2,169,927	$ 2,169,927

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. As of July 31, 2020, the District's investment in TexPool was rated AAAm by Standard and Poor's. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investment in TexPool to have a maturity of less than one year due to the fact the share position can usually be redeemed each day at the discretion of the District, unless there has been a significant change in value.

Restrictions

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

NOTE 6. CAPITAL AND INTANGIBLE ASSETS

Capital Assets activity for the year ended July 31, 2020:

	August 1, 2019	Increases	Decreases	July 31, 2020
Capital Assets Not Being Depreciated				
Construction in Progress	$ 38,875	$ 8,157,215	$ 8,155,965	$ 40,125
Capital Assets Subject to Depreciation				
Drainage System	$ 676,950	$ - 0 -	$ - 0 -	$ 676,950
Accumulated Depreciation				
Drainage System	$ 44,351	$ 15,085	$ - 0 -	$ 59,436
Total Depreciable Capital Assets, Net of Accumulated Depreciation	$ 632,599	$ (15,085)	$ - 0 -	$ 617,514
Total Capital Assets, Net of Accumulated Depreciation	$ 671,474	$ 8,142,130	$ 8,155,965	$ 657,639

In accordance with a Utility Functions Agreement with the City of Conroe, Texas, water, wastewater, drainage and road facilities constructed by the District have been conveyed to the City of Conroe for operation and maintenance. As a result of the conveyance of these assets, the City agreed to provide water and wastewater services to the District, contingent upon customer payment for those services, which becomes an intangible asset of the District. As of July 31, 2020, the District had the following intangible assets:

	August 1, 2019	Increases	Decreases	July 31, 2020
Intangible Assets Subject to Amortization				
Right to receive service	$ 30,336,089	$ 8,155,965	$ - 0 -	$ 38,492,054
Accumulated Amortization				
Right to receive service	$ 2,289,166	$ 1,478,570	$	$ 3,767,736
Total Intangible Assets, Net of Accumulated Amortization	$ 28,046,923	$ 6,677,395	$ - 0 -	$ 34,724,318

NOTE 7. MAINTENANCE TAX

On November 3, 2015, the voters of the District approved the levy and collection of a maintenance tax not to exceed $1.00 per $100 of assessed valuation of taxable property within the District. This maintenance tax is to be used by the General Fund to pay expenditures of operating the District's facilities as well as any other lawfully authorized purpose. During the year ended July 31, 2020, the District levied an ad valorem maintenance tax rate of $0.180 per $100 of assessed valuation which resulted in tax levy of $296,015 on the adjusted taxable valuation of $164,452,749 for the 2019 tax year.

NOTE 7. MAINTENANCE TAX (Continued)

On November 3, 2015, the voters of the District approved the levy and collection of a maintenance tax not to exceed $0.10 per $100 of assessed valuation of taxable within the District to be used to pay construction and maintenance expenditures related to road facilities. As of the end of the current fiscal year, the District has not yet levied this particular tax.

NOTE 8. DUE TO DEVELOPER

The District has executed agreements for the construction of improvements and reimbursement of advances with Developers within the District. The agreements call for the Developer to fund costs associated with water, wastewater, drainage, park and road facilities and operating advances until such time as the District can sell bonds. As reflected in the Statement of Net Position, $550,000 has been recorded as a liability for operating advances. As of July 31, 2020, the Developer has indicated that approximately $19,734,443 had been expended on behalf of the District in accordance with the agreement on completed projects. These liabilities have been recorded in the Statement of Net Position for these projects and reimbursement is contingent upon approval from the Commission and the future sale of bonds.

NOTE 9. RISK MANAGEMENT

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

NOTE 10. UTILITY FUNCTIONS AGREEMENT

On October 24, 2013, Conroe CS Texas Holdings LP, (the "Developer") acting on behalf of the District entered into the Utility Functions Agreement with the City of Conroe (the "City"). The Agreement was assigned to the District by the Developer on April 23, 2015. Pursuant to this Agreement, the City consented to the creation of the District within its city limits. The District is responsible for acquiring and constructing for the benefit of, and for ultimate conveyance to, the City, the water distribution, wastewater collection, drainage and road facilities (the "Facilities") to serve development within the District. The City has agreed to accept the Facilities for operation and maintenance in consideration for the District's financing, acquisition and construction of the Facilities. The City agrees to charge residents of the District the same water and wastewater rates that the City charges in other parts of the City.

NOTE 10. UTILITY FUNCTIONS AGREEMENT (Continued)

The Agreement provides that the Facilities shall be designed and constructed in accordance with the City's requirements. The City agrees to provide the District with its ultimate requirements for water supply capacity and wastewater treatment capacity without charging the District any type of capital charge. In accordance with the Agreement, the District is authorized to issue bonds for the purpose of financing the construction and acquisition of the Facilities.

The Agreement provides that the City will pay an annual rebate to the District. The annual rebate, which is waived by the District during the period under which the City makes payments to the District under the Reimbursement Agreement and Economic Development Agreement (see Note 11), is equal to the total assessed value in the District for the given year multiplied by the portion of the City's tax rate that is attributable to water, sewer and drainage facilities.

The term of the Agreement is the earlier of the dissolution of the District by the City or 40 years. The City's right to dissolve the District is restricted per the Agreement. Under the terms of the Agreement, the City agrees that it will not dissolve the District until certain conditions have been met, including (i) 90% of the District's facilities have been developed and (ii) the Developers have been reimbursed for advancing funds to construct the Facilities to the maximum extent permitted by the rules of the Commission or the City assumes any obligations for such payment by the District under such rules.

NOTE 11. REIMBURSEMENT AND ECONOMIC DEVELOPMENT AGREEMENTS WITH THE CITY OF CONROE

On October 24, 2013, the Developer entered into separate Reimbursement and Economic Development Agreements with the City. The Agreements were assigned to the District on April 23, 2015.

The Reimbursement Agreement calls for the City to reimburse the District a maximum of $10,000,000 plus interest for expenses related to floodplain streambed reclamation and mitigation, wetland reclamation and mitigation, recreational facilities and design, testing, construction and costs to obtain permits necessary to serve residential property within the District.

The Economic Development Agreement calls for the City to reimburse the District a maximum of $10,000,000 plus interest for the expenses related to floodplain and streambed and mitigation, wetlands reclamation and mitigation and design, testing, surveying, construction and costs to obtain permits necessary to serve non-residential property within the District. The First Amendment dated December 12, 2019 allows a credit of $1,306,800 to be applied toward the final payment due from the City and excludes certain land, improvements and personal property and the sales and use taxes conducted on certain property from calculations related to the agreement.

NOTE 11. REIMBURSEMENT AND ECONOMIC DEVELOPMENT AGREEMENTS WITH THE CITY OF CONROE (Continued)

Both agreements call for an annual calculation of District credits based on increased ad valorem tax revenue received by the City as a result of growth in the District's taxable value and specify the dates and methodology by which the District credits are to be calculated and when they are to be paid. As of July 31, 2020, the District received $3,948,335 from the City to the District per these Agreements, all of which was received during the current fiscal year.

NOTE 12. ROAD AND PUBLIC IMPROVEMENTS AGREEMENT WITH MONTGOMERY COUNTY

On November 13, 2013, the Developer entered into an Agreement with Montgomery County (the "County"). The Agreement was assigned to the District on April 23, 2015. It calls for the County to reimburse the District a maximum of $20,000,000 for roads and public improvements, including related drainage and storm sewer facilities.

The Agreement specifies the methodology by which annual payments, which are based on the District's taxable values, are to be calculated and additionally authorizes the District to issue bonds supported by these payments. As of July 31, 2020, the District received $399,269 from Montgomery County related to this agreement, of which $301,834 was received in the current fiscal year.

NOTE 13. INTERLOCAL AGREEMENT WITH THE CITY OF CONROE

Effective June 10, 2015, the District entered into an Interlocal Agreement with the City for the design, permitting and construction of regional road improvements and other improvements including drainage and landscaping necessary to serve property within the City and the District.

The Agreement authorizes the City to manage the construction projects and for the District to monitor and approve periodic payments related to such projects. Upon completion of the applicable facilities, the City shall submit a final accounting of all projects and the District shall remit any remaining payment to or receive any refund from the City within 60 days of its receipt of the final accounting. Notwithstanding the foregoing, the District shall not be obligated to reimburse the City for overhead administrative costs.

NOTE 14. ECONOMIC DEPENDENCY

The District's Developer owns a substantial portion of the taxable property within the District. In addition, the District could be dependent upon the Developer for operating advances to meet its financial obligations. The Developer's ability to make full and timely payments of taxes and operating advances could directly affect the District's ability to meet its financial obligations.

NOTE 15. SALE OF BOND ANTICIPATION NOTE

On December 20, 2019, the District closed on the sale of its $1,330,000 Series 2019 Bond Anticipation Note (BAN). Proceeds from the BAN sale were used to reimburse the Developer for a portion of the costs associated with clearing and grubbing to serve Grand Central Parkway Sections 5 and 6, and Grand Central Parkway Phase 2: construction of water, wastewater and drainage facilities to serve Grand Central Parkway Sections 5, 6 and Grand Central Parkway Phase 2 and 3; the associated engineering costs, geotechnical fees and stormwater pollution prevention programs; and to pay for issuance costs of the BAN. The BAN will be redeemed with proceeds from the Series 2020 Unlimited Tax Bonds. See Note 16.

NOTE 16. SUBSEQUENT EVENT BOND SALES

On August 20, 2020, subsequent to fiscal year-end, the District closed on the sale of its $2,305,000 Series 2020 Unlimited Tax Bonds. Proceeds from the bond sale will be used to redeem the Series 2019 BAN, and to reimburse the Developer for a portion of the costs associated with clearing and grubbing to serve Grand Central Parkway Sections 5 and 6 and Grand Central Parkway Phase 2; construction of water, wastewater and drainage facilities to serve Grand Central Parkway Sections 5, 6 and Grand Central Parkway Phase 2 and 3; the associated engineering costs, geotechnical fees and stormwater pollution prevention programs; and to pay developer interest, BAN interest, and for issuance costs of the bonds.

On September 17, 2020, subsequent to fiscal year-end, the District closed on the sale of its $7,580,000 Series 2020 Unlimited Tax Road Bonds. Proceeds from the bond sale were used to reimburse the Developer for road improvements and related costs; and to pay developer interest, six months of capitalized interest, and for issuance costs of the bonds.

NOTE 17. UNCERTAINTIES

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

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CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1

REQUIRED SUPPLEMENTARY INFORMATION

JULY 31, 2020

CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND FOR YEAR ENDED JULY 31, 2020

	Original Budget	Final Amended Budget	Actual	Variance Positive (Negative)
REVENUES				
Property Taxes	$ 422,625	$ 289,452	$ 296,254	$ 6,802
Montgomery County Contract Payment	100,000	100,000	301,834	201,834
City of Conroe Contract Payment			3,948,335	3,948,335
Investment Revenues	5,000	5,000	1,423	(3,577)
TOTAL REVENUES	$ 527,625	$ 394,452	$ 4,547,846	$ 4,153,394
EXPENDITURES				
Service Operations:				
Professional Fees	$ 148,660	$ 148,660	$ 289,866	$ (141,206)
Contracted Services	45,000	45,000	51,985	(6,985)
Repairs and Maintenance	140,000	50,000	555,256	(505,256)
Other	45,500	45,500	32,970	12,530
Capital Outlay	345,000	345,000	3,677,499	(3,332,499)
TOTAL EXPENDITURES	$ 724,160	$ 634,160	$ 4,607,576	$ (3,973,416)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ (196,535)	$ (239,708)	$ (59,730)	$ 179,978
OTHER FINANCING SOURCES(USES)				
Developer Advances	$ 245,000	245,000	-0-	(245,000)
NET CHANGE IN FUND BALANCE	$ 48,465	$ 5,292	$ (59,730)	$ (65,022)
FUND BALANCE - AUGUST 1, 2019	219,678	219,678	219,678	
FUND BALANCE - JULY 31, 2020	$ 268,143	$ 224,970	$ 159,948	$ (65,022)

See accompanying independent auditor's report.

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CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1

SUPPLEMENTARY INFORMATION REQUIRED BY THE

WATER DISTRICT FINANCIAL MANAGEMENT GUIDE

JULY 31, 2020

CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1
SERVICES AND RATES
FOR THE YEAR ENDED JULY 31, 2020

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

N/A	Retail Water	N/A	Wholesale Water	X	Drainage
N/A	Retail Wastewater	N/A	Wholesale Wastewater	N/A	Irrigation
X	Parks/Recreation	N/A	Fire Protection	N/A	Security
N/A	Solid Waste/Garbage	N/A	Flood Control	N/A	Roads
N/A	Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)				
N/A	Other (specify): ____				

The District receives retail water and wastewater services from the City of Conroe (the "City"). In this arrangement certain water and wastewater facilities constructed by the District will be conveyed to the City. The City will maintain the facilities and operate the facilities for the benefit of the residents of the District. Therefore, the District will not be responsible for operation of the utilities within its boundaries.

2. RETAIL SERVICE PROVIDERS

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

Based on the rate order approved N/A .

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1,000 Gallons over Minimum Use	Usage Levels
WATER:	N/A				
WASTEWATER:	N/A				
SURCHARGE:	N/A				

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

Total monthly charges per 10,000 gallons usage: Water: $N/A Wastewater: $N/A Surcharge: $N/A

CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1
SERVICES AND RATES
FOR THE YEAR ENDED JULY 31, 2020

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFCs
Unmetered			x 1.0	
≤¾"			x 1.0	
1"			x 2.5	
1½"			x 5.0	
2"			x 8.0	
3"			x 15.0	
4"			x 25.0	
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water Connections	N/A	N/A		
Total Wastewater Connections	N/A	N/A	x 1.0	

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

Gallons pumped:	N/A	Water Accountability Ratio: N/A (Gallons billed and sold/Gallons pumped and purchased)
Gallons billed to customers:	N/A	

See accompanying independent auditor's report.

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

Does the District have Debt Service standby fees? Yes ___ No X

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

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes X No _____

County in which District is located:

Montgomery County, Texas

Is the District located within a city?

Entirely X Partly ______ Not at all ____

City in which District is located:

City of Conroe, Texas

Are Board Members appointed by an office outside the District?

Yes X No _____

By City of Conroe, Texas

CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JULY 31, 2020

PROFESSIONAL FEES:		
Auditing	$	17,450
Engineering		48,759
Legal-General		101,054
Legal-Contruction Water,Wastewater,Drainage, Roads, Parks		73,649
Legal-Wetland-Environmental		48,954
TOTAL PROFESSIONAL FEES	$	289,866
CONTRACTED SERVICES:		
Bookkeeping	$	51,985
UTILITIES	$	5,812
REPAIRS AND MAINTENANCE	$	555,256
ADMINISTRATIVE EXPENDITURES:		
Insurance	$	8,224
Legal Notices		680
Office Supplies and Postage		13,598
Other		4,656
TOTAL ADMINISTRATIVE EXPENDITURES	$	27,158
CAPITAL OUTLAY	$	3,677,499
TOTAL EXPENDITURES	$	4,607,576

See accompanying independent auditor's report.

CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1
INVESTMENTS
FOR THE YEAR ENDED JULY 31, 2020

Fund	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
GENERAL FUND					
TexPool	XXXX0005	Varies	Daily	$ 128,761	$
TexPool	XXXX0007	Varies	Daily	141	
TOTAL GENERAL FUND				$ 128,902	$ - 0 -
DEBT SERVICE FUND					
TexPool	XXXX0002	Varies	Daily	$ 927,477	$
TexPool	XXXX0004	Varies	Daily	614,269	
TOTAL DEBT SERVICE FUND				$ 1,541,746	$ - 0 -
CAPITAL PROJECTS FUND					
TexPool	XXXX0001	Varies	Daily	$ 237,154	$
TexPool	XXXX0003	Varies	Daily	26,255	
TexPool	XXXX0006	Varies	Daily	183,776	
TexPool	XXXX0008	Varies	Daily	41,053	
TexPool	XXXX0009	Varies	Daily	11,041	
TOTAL CAPITAL PROJECTS FUND				$ 499,279	$ - 0 -
TOTAL - ALL FUNDS				$ 2,169,927	$ - 0 -

See accompanying independent auditor's report.

CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JULY 31, 2020

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE - AUGUST 1, 2019	$ 2,352		$ 3,731	
Adjustments to Beginning Balance	96	$ 2,448	152	$ 3,883
Original 2019 Tax Levy	$ 287,673		$ 1,150,690	
Adjustment to 2019 Tax Levy	8,342	296,015	33,370	1,184,060
TOTAL TO BE ACCOUNTED FOR		$ 298,463		$ 1,187,943
TAX COLLECTIONS:				
Prior Years	$ 2,448		$ 3,883	
Current Year	293,806	296,254	1,175,226	1,179,109
TAXES RECEIVABLE - JULY 31, 2020		$ 2,209		$ 8,834
TAXES RECEIVABLE BY YEAR:				
2019		$ 2,209		$ 8,834

See accompanying independent auditor's report.

CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JULY 31, 2020

	2019	2018	2017	2016
PROPERTY VALUATIONS:				
Land	$ 64,026,667	$ 74,315,557	$ 65,400,200	$ 30,547,000
Improvements	100,304,650	64,429,990	9,564,630	201,160
Personal Property	21,752,314	25,990	20,000	94
Exemptions	(21,630,882)	(19,352,216)	(18,894,304)	(17,429,644)
TOTAL PROPERTY VALUATIONS	$ 164,452,749	$ 119,419,321	$ 56,090,526	$ 13,318,610
TAX RATES PER $100 VALUATION:				
Debt Service	$ 0.720	$ 0.555	$ - 0 -	$ - 0 -
Maintenance	0.180	0.345	0.90	0.90
TOTAL TAX RATES PER $100 VALUATION	$ 0.900	$ 0.900	$ 0.90	$ 0.90
ADJUSTED TAX LEVY*	$ 1,480,075	$ 1,074,773	$ 504,815	$ 119,867
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	99.25 %	100.00 %	100.00 %	100.00 %

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

Maintenance Tax – A tax not to exceed $1.00 per $100 of assessed valuation approved by voters on November 3, 2015.

Road Maintenance Tax – A tax not to exceed $0.10 per $100 of assessed valuation approved by voters on November 3, 2015.

See accompanying independent auditor's report.

CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2020

	SERIES - 2018		
Due During Fiscal Years Ending July 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2021	$ 140,000	$ 187,413	$ 327,413
2022	150,000	184,613	334,613
2023	155,000	180,112	335,112
2024	160,000	175,463	335,463
2025	170,000	170,663	340,663
2026	175,000	165,562	340,562
2027	180,000	160,313	340,313
2028	190,000	154,912	344,912
2029	200,000	149,213	349,213
2030	205,000	142,962	347,962
2031	215,000	136,300	351,300
2032	225,000	129,044	354,044
2033	235,000	121,168	356,168
2034	245,000	112,944	357,944
2035	255,000	104,368	359,368
2036	265,000	95,444	360,444
2037	275,000	85,837	360,837
2038	290,000	75,525	365,525
2039	300,000	64,650	364,650
2040	315,000	53,400	368,400
2041	325,000	40,800	365,800
2042	340,000	27,800	367,800
2043	355,000	14,200	369,200
2044			
	$ 5,365,000	$ 2,732,706	$ 8,097,706

See accompanying independent auditor's report.

CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2020

	SERIES-2018 ROAD		
Due During Fiscal Years Ending July 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2021	$ 125,000	$ 168,525	$ 293,525
2022	130,000	164,775	294,775
2023	135,000	160,875	295,875
2024	140,000	156,825	296,825
2025	145,000	152,625	297,625
2026	150,000	148,275	298,275
2027	160,000	143,775	303,775
2028	165,000	138,975	303,975
2029	175,000	133,817	308,817
2030	180,000	128,132	308,132
2031	190,000	122,056	312,056
2032	195,000	115,406	310,406
2033	205,000	108,582	313,582
2034	210,000	101,150	311,150
2035	220,000	93,275	313,275
2036	230,000	85,025	315,025
2037	240,000	76,400	316,400
2038	250,000	66,800	316,800
2039	260,000	56,800	316,800
2040	270,000	46,400	316,400
2041	285,000	35,600	320,600
2042	295,000	24,200	319,200
2043	310,000	12,400	322,400
2044			
	$ 4,665,000	$ 2,440,693	$ 7,105,693

See accompanying independent auditor's report.

CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2020

	SERIES - 2019		
Due During Fiscal Years Ending July 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2021	$ 160,000	$ 226,088	$ 386,088
2022	190,000	222,493	412,493
2023	200,000	218,298	418,298
2024	205,000	213,740	418,740
2025	215,000	208,695	423,695
2026	225,000	203,083	428,083
2027	235,000	196,985	431,985
2028	240,000	190,212	430,212
2029	250,000	182,862	432,862
2030	260,000	175,213	435,213
2031	270,000	167,262	437,262
2032	285,000	158,759	443,759
2033	295,000	149,512	444,512
2034	305,000	139,762	444,762
2035	320,000	129,606	449,606
2036	330,000	118,837	448,837
2037	345,000	107,231	452,231
2038	360,000	94,894	454,894
2039	370,000	82,119	452,119
2040	385,000	68,906	453,906
2041	405,000	54,828	459,828
2042	420,000	39,875	459,875
2043	435,000	24,379	459,379
2044	455,000	8,247	463,247
	$ 7,160,000	$ 3,381,886	$ 10,541,886

See accompanying independent auditor's report.

CONRUE MUNICIPAL MANAGEMENT DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2020

	SERIES-2019 ROAD		
Due During Fiscal Years Ending July 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2021	$ 65,000	$ 91,272	$ 156,272
2022	80,000	89,763	169,763
2023	80,000	87,982	167,982
2024	85,000	86,043	171,043
2025	90,000	83,897	173,897
2026	90,000	81,603	171,603
2027	95,000	79,149	174,149
2028	100,000	76,468	176,468
2029	105,000	73,545	178,545
2030	105,000	70,447	175,447
2031	110,000	67,223	177,223
2032	115,000	63,790	178,790
2033	120,000	60,088	180,088
2034	125,000	56,137	181,137
2035	130,000	51,960	181,960
2036	135,000	47,554	182,554
2037	140,000	42,912	182,912
2038	145,000	38,031	183,031
2039	150,000	32,905	182,905
2040	155,000	27,568	182,568
2041	165,000	21,967	186,967
2042	170,000	16,020	186,020
2043	175,000	9,810	184,810
2044	185,000	3,330	188,330
	$ 2,915,000	$ 1,359,464	$ 4,274,464

See accompanying independent auditor’s report.

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ONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2020

Due During Fiscal Years Ending July 31	ANNUAL REQUIREMENTS FOR ALL SERIES Total Principal Due	Total Interest Due	Total Principal and Interest Due
2021	$ 490,000	$ 673,298	$ 1,163,298
2022	550,000	661,644	1,211,644
2023	570,000	647,267	1,217,267
2024	590,000	632,071	1,222,071
2025	620,000	615,880	1,235,880
2026	640,000	598,523	1,238,523
2027	670,000	580,222	1,250,222
2028	695,000	560,567	1,255,567
2029	730,000	539,437	1,269,437
2030	750,000	516,754	1,266,754
2031	785,000	492,841	1,277,841
2032	820,000	466,999	1,286,999
2033	855,000	439,350	1,294,350
2034	885,000	409,993	1,294,993
2035	925,000	379,209	1,304,209
2036	960,000	346,860	1,306,860
2037	1,000,000	312,380	1,312,380
2038	1,045,000	275,250	1,320,250
2039	1,080,000	236,474	1,316,474
2040	1,125,000	196,274	1,321,274
2041	1,180,000	153,195	1,333,195
2042	1,225,000	107,895	1,332,895
2043	1,275,000	60,789	1,335,789
2044	640,000	11,577	651,577
	$ 20,105,000	$ 9,914,749	$ 30,019,749

See accompanying independent auditor’s report.

CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1
CHANGE IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED JULY 31, 2020

Description	Original Bonds Issued	Bonds Outstanding August 1, 2019
Conroe Municipal Management District No. 1 Unlimited Tax Bonds - Series 2018	$ 5,500,000	$ 5,500,000
Conroe Municipal Management District No. 1 Unlimited Tax Road Bonds - Series 2018	4,785,000	4,785,000
Conroe Municipal Management District No. 1 Unlimited Tax Bonds - Series 2019	7,160,000	7,160,000
Conroe Municipal Management District No. 1 Unlimited Tax Road Bonds - Series 2019	2,915,000	2,915,000
TOTAL	$ 20,360,000	$ 20,360,000

Bond Authority:	Bonds	Road Bonds	Recreational Facilities Bonds
Amount Authorized by Voters	$ 250,800,000	$ 187,550,000	$ 29,700,000
Amount Issued	12,660,000	7,700,000	
Remaining to be Issued	$ 238,140,000	$ 179,850,000	$ 29,700,000

Debt Service Fund cash and investments balances as of July 31, 2020:	$ 1,573,713
Average annual debt service payment (principal and interest) for remaining term of all debt:	$ 1,250,823

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

See accompanying independent auditor's report.

Current Year Transactions				
	Retirements			
Bonds Sold	Principal	Interest	Bonds Outstanding July 31, 2020	Paying Agent
$	$ 135,000	$ 188,763	$ 5,365,000	Regions Bank, an Alabama Banking Corporation Houston, TX
	120,000	170,325	4,665,000	Regions Bank, an Alabama Banking Corporation Houston, TX
		133,450	7,160,000	Regions Bank, an Alabama Banking Corporation Houston, TX
		53,877	2,915,000	Regions Bank, an Alabama Banking Corporation Houston, TX
$ - 0 -	$ 255,000	$ 546,415	$ 20,105,000	

See accompanying independent auditor's report.

CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS

	Amounts		
	2020	2019	2018
REVENUES			
Property Taxes	$ 296,254	$ 424,145	$ 490,314
Contract Payments	4,250,169	97,435	
Investment Revenues	1,423	3,701	2,088
Miscellaneous Revenues			449
TOTAL REVENUES	$ 4,547,846	$ 525,281	$ 492,851
EXPENDITURES			
Professional Fees	$ 289,866	$ 309,816	$ 374,443
Contracted Services	51,985	39,018	48,532
Repairs and Maintenance	555,256	109,134	10,600
Other	32,970	21,037	72,909
Capital Outlay	3,677,499	38,875	
TOTAL EXPENDITURES	$ 4,607,576	$ 517,880	$ 506,484
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ (59,730)	$ 7,401	$ (13,633)
OTHER FINANCING SOURCES (USES)			
Transfers In(Out)	$ - 0 -	$ 20,061	$ - 0 -
Developer Advances			150,000
TOTAL OTHER FINANCING SOURCES	$ - 0 -	$ 20,061	$ 150,000
NET CHANGE IN FUND BALANCE	$ (59,730)	$ 27,462	$ 136,367
BEGINNING FUND BALANCE	219,678	192,216	55,849
ENDING FUND BALANCE	$ 159,948	$ 219,678	$ 192,216

* First year audit

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2017	2016*	2020	2019	2018	2017	2016*
$ 119,867	$ 71,279	6.5 %	80.8 %	99.5 %	99.8 %	100.0 %
		93.5	18.5			
15	7		0.7	0.4		
223				0.1	0.2	
$ 120,105	$ 71,286	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
$ 338,630	$ 453,876	6.4 %	59.0 %	76.0	281.9	636.7
37,080	45,191	1.1	7.4	9.8	30.9	63.4
		12.2	20.8	2.2		
12,595	18,391	0.7	4.0	14.8	10.5	25.8
		80.9	7.4			
$ 388,305	$ 517,458	101.3 %	98.6 %	102.8 %	323.3 %	725.9 %
$ (268,200)	$ (446,172)	(1.3) %	1.4 %	(2.8) %	(223.3) %	(625.9) %
$ - 0 -	$ - 0 -					
300,000	370,000					
$ 300,000	$ 370,000					
$ 31,800	$ (76,172)					
24,049	100,221					
$ 55,849	$ 24,049					

See accompanying independent auditor’s report.

CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS

	Amounts		
	2020	2019	2018
REVENUES			
Property Taxes	$ 1,179,109	$ 659,046	$
Penalty and Interest	11,629	6,067	
Investment Revenues	13,264	13,880	3,899
TOTAL REVENUES	$ 1,204,002	$ 678,993	$ 3,899
EXPENDITURES			
Tax Collection Expenditures	$ 24,971	$ 17,342	$ - 0 -
Debt Service Interest and Fees	548,028	355,394	
TOTAL EXPENDITURES	$ 827,999	$ 372,736	$ - 0 -
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ 376,003	$ 306,257	$ 3,899
OTHER FINANCING SOURCES (USES)			
Transfers In (Out)	$	$ (20,061)	$ - 0 -
Long-Term Debt Issued		319,610	544,731
TOTAL OTHER FINANCING SOURCES (USES)	$ - 0 -	$ 299,549	$ 544,731
NET CHANGE IN FUND BALANCE	$ 376,003	$ 605,806	$ 548,630
BEGINNING FUND BALANCE	1,154,436	548,630	
ENDING FUND BALANCE	$ 1,530,439	$ 1,154,436	$ 548,630

* First year audit

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2017	2016*	2020	2019	2018	2017	2016*
$ - 0 -	$ - 0 -	97.9 %	97.1 %	%	%	%
		1.0	0.9			
		1.1 %	2.0 %	100.0 %		
$ - 0 -	$ - 0 -	100.0 %	100.0 %	100.0 %	%	%
$ - 0 -	$ - 0 -	2.1 %	2.6 %	%	%	%
		45.5	52.3			
$ - 0 -	$ - 0 -	68.8 %	54.9 %	%	%	%
$ - 0 -	$ - 0 -	31.2 %	45.1 %	100.0 %	N/A %	N/A %
$ - 0 -	$ - 0 -					
$ - 0 -	$ - 0 -					
$ - 0 -	$ - 0 -					
$ - 0 -	$ - 0 -					

See accompanying independent auditor’s report.

CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JULY 31, 2020

District Mailing Address	-	Conroe Municipal Management District No. 1 c/o The Muller Law Group, PLLC 202 Century Square Boulevard Sugar Land, TX 77478
District Telephone Number	-	(281) 500-6050

Board Members	Term of Office (Elected or Appointed)	Expense Reimbursements for year ended July 31, 2020	Title
Chris Denison	04/19 04/23 (Appointed)	$ -0-	President
Dennis Bailey	04/17 04/21 (Appointed)	$ -0-	Vice President
Charlie Reinhardt	04/19 04/23 (Appointed)	$ -0-	Secretary
Keaton Hineman	06/20 04/21 (Appointed)	$ -0-	Assistant Vice President
Tom Matthews	10/19 04/23 (Appointed)	$ -0-	Assistant Secretary

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

Submission date of most recent District Registration Form: October 22, 2020

See accompanying independent auditor's report.

CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JULY 31, 2020

Consultants:	Date Hired	Fees for the year ended July 31, 2020	Title
The Muller Law Group, PLLC	04/23/15	$ 184,731	General Counsel
		$ 40,000	Bond Related
McCall Gibson Swedlund Barfoot PLLC	07/20/16	$ 11,250	Auditor
		$ 20,400	Bond Related
AVANTA Services-Purchased by Municipal Accounts & Consulting	05/20/15	$ 43,144	Bookkeeper
Municipal Accounts & Consulting	04/15/20	$ 16,606	Bookkeeper
LJA Engineering, Inc.	04/23/15	$ 48,759	Engineer
Robert W. Baird & Co. Incorporated	04/23/15	$ 13,300	Financial Advisor
Assessments of the Southwest, Inc.	04/23/15	$ 8,020	Tax Assessor/ Collector
Environmental Consultants:			
Sharon M Mattox, PLLC	04/20/15	$ 1,250	Environmental Counsel
Berg Oliver Associates, Inc.	04/30/15	$ 40,800	Environmental Services
Irvine & Conner	04/30/15	$ 1,170	Environmental Counsel

See accompanying independent auditor's report.

APPENDIX B

DEVELOPER FINANCIALS (UNAUDITED)

-I-45/Loop 336 Associates LLP-

* Amounts in usd

Property = z627610 z627611 z627612

Income Statement

Period = Dec 2020

Book = Accrual ; Tree = ysi_is

	Period to Date	%	Year to Date	%
Net Income (Loss)				
Net Operating Income				
Income				
Base Rental Income				
Base Rent	384,242.79	0.00	3,658,137.27	0.00
Total Base Rental Income	384,242.79	0.00	3,658,137.27	0.00
Reimbursements				
Reimb - Com Area Operate-CY	37,716.18	0.00	609,116.58	0.00
Reimb - Com Area Operate-PY	-1,591.91	0.00	29,857.04	0.00
Reimb - Real Estate Tax-CY	506,313.86	0.00	1,695,538.72	0.00
Reimb - Real Estate Tax-PY	0.00	0.00	1,153.80	0.00
Reimb - Insurance-CY	12,907.37	0.00	83,269.29	0.00
Reimb - Insurance-PY	0.00	0.00	2,237.00	0.00
Reimb - Utilities	2,476.48	0.00	26,023.81	0.00
Reimb - Owners Assoc Dues	46,927.20	0.00	184,225.75	0.00
Total Reimbursements	604,749.18	0.00	2,631,421.99	0.00
Other Income				
Ground Rent	115,608.33	0.00	1,387,299.96	0.00
Other Income	3,371.22	0.00	49,688.77	0.00
Total Other Income	118,979.55	0.00	1,436,988.73	0.00
Total Income	1,107,971.52	0.00	7,726,547.99	0.00
Operating Expenses				
Recoverable Expenses				
Repairs and Maint - Recoverable				
Lighting - Rec	259.80	0.00	746.93	0.00
Roof Contract Service - Rec	788.05	0.00	7,529.38	0.00
Parking Lot R/M - Rec	0.00	0.00	22,526.83	0.00
Parking Lot Other - Rec	2,598.00	0.00	31,176.00	0.00
Fire and Life Safety Contract - Rec	1,324.99	0.00	13,695.93	0.00
Service Contract Other - Rec	0.00	0.00	15,820.75	0.00
Garbage Removal - Rec	2,604.03	0.00	24,899.82	0.00
Owners Associate Dues - Rec	13,090.89	0.00	157,091.56	0.00
Exterminator Contract Serv - Rec	340.99	0.00	1,840.28	0.00
Signage - Rec	0.00	0.00	5,750.25	0.00
R/M Other - Rec	0.00	0.00	349.11	0.00
Total Repairs and Maint - Recoverable	21,006.75	0.00	281,426.84	0.00
Landscaping - Recoverable				
Landscaping Contract Serv - Rec	11,586.90	0.00	134,774.75	0.00
Landscaping Plants - Rec	3,101.36	0.00	8,151.22	0.00
Landscaping Lawn Sprklr Maint - Rec	2,881.62	0.00	19,138.40	0.00
Landscaping Other - Rec	0.00	0.00	6,668.20	0.00
Total Landscaping - Recoverable	17,569.88	0.00	168,732.57	0.00
Utilities - Recoverable				
Electric - Rec	-173.19	0.00	35,671.04	0.00
Water - Rec	7,271.56	0.00	36,846.29	0.00
Utilities Other - Rec	38,214.72	0.00	183,837.40	0.00
Total Utilities - Recoverable	45,313.09	0.00	256,354.73	0.00
Insurance - Recoverable				
General Liab Insurance - Rec	588.04	0.00	6,983.16	0.00

* Amounts in usd

Property = z627610 z627611 z627612

Income Statement

Period = Dec 2020

Book = Accrual ; Tree = ysi_is

	Period to Date	%	Year to Date	%
Property Insurance - Rec	8,698.30	0.00	104,295.00	0.00
Insurance Other - Rec	952.38	0.00	2,318.56	0.00
Total Insurance - Recoverable	10,238.72	0.00	113,596.72	0.00
Management Fees - Recoverable				
Management Staff Wages - Rec	2,468.32	0.00	29,619.85	0.00
Management Fee Contractual - Rec	20,708.50	0.00	278,331.98	0.00
Total Management Fees - Recoverable	23,176.82	0.00	307,951.83	0.00
Administrative - Recoverable				
Admin RE Tax Appl Fee - Rec	0.00	0.00	34,467.65	0.00
Total Administrative - Recoverable	0.00	0.00	34,467.65	0.00
Marketing - Recoverable				
Marketing Seasonal Decor - Rec	33,332.90	0.00	133,331.67	0.00
Total Marketing - Recoverable	33,332.90	0.00	133,331.67	0.00
RE and Personal Prop Tax - Rec				
Real Estate Taxes - Rec	774,791.35	0.00	2,098,272.08	0.00
Total RE and Personal Prop Tax - Rec	774,791.35	0.00	2,098,272.08	0.00
Other Taxes - Recoverable				
Margin Taxes - Rec	5,816.85	0.00	40,460.18	0.00
Total Other Taxes - Recoverable	5,816.85	0.00	40,460.18	0.00
Total Recoverable Expenses	931,246.36	0.00	3,434,594.27	0.00
Non-Recoverable Expenses				
Repairs and Maint - Non-Recoverable				
Fire and Life Safety Contract - Non	0.00	0.00	1,109.56	0.00
Owners Associate Dues - Non	3,367.37	0.00	40,408.44	0.00
Signage - Non	0.00	0.00	400.00	0.00
R/M Other - Non	0.00	0.00	62.62	0.00
Total Repairs and Maint - Non-Recoverable	3,367.37	0.00	41,980.62	0.00
Landscaping - Non-Recoverable				
Landscaping Contract Serv - Non	0.00	0.00	4,546.50	0.00
Total Landscaping - Non-Recoverable	0.00	0.00	4,546.50	0.00
Janitorial - Non-Recoverable				
Janitorial Contract - Non	351.81	0.00	3,940.27	0.00
Total Janitorial - Non-Recoverable	351.81	0.00	3,940.27	0.00
Utilities - Non-Recoverable				
Electric - Non	838.71	0.00	6,237.22	0.00
Cable - Non	453.00	0.00	3,397.27	0.00
Total Utilities - Non-Recoverable	1,291.71	0.00	9,634.49	0.00
Mgmt Fees - Non-Recoverable				
Management Onsite Costs - Non	635.15	0.00	5,863.01	0.00
Total Mgmt Fees - Non-Recoverable	635.15	0.00	5,863.01	0.00
Adminstrative - Non-Recoverable				
Admin Other - Non	1,813.38	0.00	31,305.04	0.00
Total Administrative - Non-Recoverable	1,813.38	0.00	31,305.04	0.00
Marketing/Lease - Non-Recoverable				
Marketing Other - Non	270.63	0.00	21,803.70	0.00
Total Marketing/Lease - Non-Recoverable	270.63	0.00	21,803.70	0.00
RE and Personal Prop Tax - Non-Rec				
Real Estate Taxes - Non	0.00	0.00	240,078.74	0.00
Total RE and Personal Prop Tax - Non-Rec	0.00	0.00	240,078.74	0.00

* Amounts in usd

Property = z627610 z627611 z627612

Income Statement

Period = Dec 2020

Book = Accrual ; Tree = ysi_is

	Period to Date	%	Year to Date	%
Total Non-Recoverable Expenses	7,730.05	0.00	359,152.37	0.00
Total Operating Expenses	938,976.41	0.00	3,793,746.64	0.00
Total Net Operating Income	168,995.11	0.00	3,932,801.35	0.00
Non-Operating (Income)/Expense				
Non-Operating - Other Income				
Interest Income	0.00	0.00	461,216.28	0.00
Total Non-Operating - Other Income	0.00	0.00	461,216.28	0.00
Interest Expense - 3rd Party				
Int Exp - Perm Mrtg #1 - 3rd Party	162,500.00	0.00	1,950,000.00	0.00
Int Exp - Line of Credit - 3rd Party	19,347.44	0.00	284,640.33	0.00
Loan Fee Expense - 3rd Party	158.45	0.00	3,312.91	0.00
Total Interest Expense - 3rd Party	182,005.89	0.00	2,237,953.24	0.00
Non-Operating Other Exp				
Audit Fees	0.00	0.00	21,900.00	0.00
Tax Return Fees	155.54	0.00	7,896.04	0.00
Legal Fees	8,648.75	0.00	35,832.74	0.00
Other Professional Fees	160.00	0.00	13,330.82	0.00
Registered Agent Fees	61.08	0.00	61.08	0.00
Misc State Tax/Franchise Fee	47.27	0.00	47.27	0.00
Total Non-Operating Other Exp	9,072.64	0.00	79,067.95	0.00
Total Non-Operating (Income)/Expense	191,078.53	0.00	1,855,804.91	0.00
Total Net Income (Loss)	-22,083.42	0.00	2,076,996.44	0.00

* Amounts in usd

Property = z627610 z627611 z627612

Balance Sheet

Period = Dec 2020

Book = Accrual ; Tree = ysi_bs

	Current Balance
Assets	
Cash	
Property Operating Cash Account	3,419,242.92
Total Cash	3,419,242.92
Accounts Receivable Tenant	
Accounts Receivable	1,506,908.62
A/R - Tenant Other	224,468.71
Total Accounts Receivable Tenant	1,731,377.33
Other Receivables	
Receivables - Other	68,801.51
Total Other Receivables	68,801.51
Prepaid Expenses	
PP Utility Deposits	5,705.46
PP Insurance	15,276.30
PP Other	506,807.74
Total Prepaid Expenses	527,789.50
Land	
Land - Original Cost	19,428,941.57
WIP - Land	5,433.84
Total Land	19,434,375.41
Building	
Building Improvement	55,065.08
Tenant Improvement	2,957,882.21
WIP - Tenant Improvement	393,720.67
WIP - Building Improvement	66,387,239.74
Total Building	69,793,907.70
Furniture/Fixture/Equipment	
FFE - Furniture and Fixtures	21,318.62
Total Furniture/Fixture/Equipment	21,318.62
Lease Comm/Other Deferred Costs	
Deferred Misc Cap Leasing	99,551.75
Deferred Lease Commission	3,187,327.47
Deferred Loan Fees	841,583.69
WIP - Deferred Cost	480,630.05
Total Lease Comm/Other Deferred Costs	4,609,092.96
Total Assets	99,605,905.95
Liabilities and Equity	
Liabilities	
Accounts Payable	
Accounts Payable	23,669.71
Total Accounts Payable	23,669.71

* Amounts in usd

Property = z627610 z627611 z627612

Balance Sheet

Period = Dec 2020

Book = Accrual ; Tree = ysi_bs

	Current Balance
State Income Tax Payable	
St Gross Recpt Tax Pd-CY	40,564.38
Total State Income Tax Payable	40,564.38
Prepaid Liabilities	
Prepaid Rent	79,601.92
Total Prepaid Liabilities	79,601.92
Deposits	
Deposits - Security	137,274.83
Total Deposits	137,274.83
Accrued Expenses	
Accrued Interest	162,500.00
Accrued Property Taxes	2,338,350.82
Accrued Expenses - Other	34,459.40
Total Accrued Expenses	2,535,310.22
LT Liability - 3rd Party	
Permanent Mortgage #1 - 3rd Party	60,000,000.00
Line of Credit - 3rd Party	13,700,000.00
Total LT Liability - 3rd Party	73,700,000.00
Total Liabilities	76,516,421.06
Equity	
Owners Equity	
Contributions / APIC	30,660,481.47
Contributions - Partner 1	32,898.39
Contributions - Partner 2	16,870.97
Distributions / Dividends	-12,668,843.75
Distributions - Partner 1	-642,281.25
Distributions - Partner 2	-329,375.00
BOP Inc/Loss Allocation	356,596.32
CY Ordinary Income	5,663,137.74
Total Owners Equity	23,089,484.89
Total Equity	23,089,484.89
Total Liabilities and Equity	99,605,905.95

APPENDIX C

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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

Notices (Unless Otherwise Specified by BAM)

Email:
claims@buildamerica.com
Address:
1 World Financial Center, 27th floor
200 Liberty Street
New York, New York 10281
Telecopy:
212-962-1524 (attention: Claims)