OFFICIAL STATEMENT DATED AUGUST 17, 2021

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. IN THE FURTHER OPINION OF BOND COUNSEL, INTEREST ON THE BONDS IS NOT A SPECIFIC PREFERENCE ITEM FOR PURPOSES OF 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" HEREIN.

The District has designated the Bonds as "qualified tax-exempt obligations" for purposes of the calculation of interest expense by financial institutions which may own the Bonds. See "TAX MATTERS -- Qualified Tax-Exempt Obligations for Financial Institutions."

NEW ISSUE
BOOK-ENTRY ONLY
CUSIP No. 613715

RATINGS: (S&P– BAM) "AA" (stable outlook)
(See "BOND INSURANCE" herein)
Underlying Rating: Moody's "A3"

MONTGOMERY COUNTY WATER CONTROL & IMPROVEMENT DISTRICT NO. 1

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

$3,775,000

UNLIMITED TAX BONDS, SERIES 2021

Bonds Dated: September 1, 2021 | **Due: March 1, as shown on inside cover**

The $3,775,000 Unlimited Tax Bonds, Series 2021 (the "Bonds") are obligations solely of Montgomery County Water Control & Improvement District No. 1 (the "District") and are not obligations of the State of Texas; Montgomery County, Texas; the City of Houston, Texas; or any other political subdivision or agency. See "THE BONDS--Source of and Security for Payment."

Interest on the Bonds will accrue from September 1, 2021, will be payable March 1, 2022 and each September 1 and March 1 thereafter, and will be calculated on the basis of a 360-day year of twelve 30-day months. The Bonds are issuable only in fully registered form in principal denominations of $5,000 or integral multiples thereof initially registered solely in the name of Cede & Co., as 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. is the registered owner of the Bonds, as nominee for DTC, the Bonds shall be payable to Cede & Co., which will in turn, remit such amount to DTC participants (as defined herein) for subsequent disbursement to the beneficial owners of the Bonds. See "THE BONDS--Book-Entry-Only System."

Principal of, interest on and the redemption price for the Bonds are payable by UMB Bank N.A., Houston, Texas or any successor paying agent/registrar (the "Paying Agent/Registrar"). Interest on the Bonds will be payable by check mailed on or before the interest payment date to registered owners (the "Registered Owners") shown on the records of the Paying Agent/Registrar on the fifteenth (15th) day of the month preceding each interest payment date or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and the Registered Owner at the risk and expense of the Registered Owner. See "THE BONDS--Description."

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

BAM
BUILD AMERICA MUTUAL

SEE INSIDE COVER PAGE FOR MATURITY SCHEDULE

The Bonds, when issued, will constitute valid and legally binding obligations of the District and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. See "THE BONDS--Source of and Security for Payment." The Bonds are subject to special investment considerations described herein. See "RISK FACTORS." **Neither the State of Texas, Montgomery County, Texas, the City of Houston, Texas, nor any political subdivision other than the District shall be obligated to pay the principal of and interest on the Bonds.**

The Bonds will be delivered when, as, and if issued by the District and accepted by the initial purchaser of the Bonds (the "Underwriter"), subject, amongst other things, to the approval of the Initial Bonds by the Attorney General of the State of Texas and by the approval of certain legal matters by Michael A. Cole, P. C., Houston, 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 September 28, 2021.

MATURITY SCHEDULE

Bonds Dated: September 1, 2021 **Due: March 1, as shown below**

Serial Bonds

Maturity	*Amount*	*Interest Rate*	*Initial Yield(a)*	*CUSIP (b)*	*Maturity*	*Amount*		*Interest Rate*	*Initial Yield(a)*	*CUSIP (b)*
2022	$70,000	2.000%	0.200%	613715 QD6	2026	$75,000	(c)	2.000%	0.800%	613715 QH7
2023	70,000	2.000%	0.300%	613715 QE4	2027	85,000	(c)	2.000%	1.000%	613715 QJ3
2024	70,000	2.000%	0.450%	613715 QF1	***	***	**	***	***	***
2025	70,000	2.000%	0.600%	613715 QG9	2042	1,220,000	(c)	2.125%	2.250%	613715 QZ7

Term Bonds

$160,000 Term Bonds, Due March 1, 2029 (c)(d), 2.000% Interest Rate, 1.200% Initial Yield (a)
CUSIP (b) 613715 QL8
(Interest to accrue from the Dated Date)

$425,000 Term Bonds, Due March 1, 2034 (c)(d), 2.000% Interest Rate, 1.750% Initial Yield (a)
CUSIP (b) 613715 QR5
(Interest to accrue from the Dated Date)

$1,530,000 Term Bonds, Due March 1, 2041 (c)(d), 2.100% Interest Rate, 2.180% Initial Yield (a)
CUSIP (b) 613715 QY0
(Interest to accrue from the Dated Date)

(a) Initial yield represents the initial reoffering yield to the public which has been established by the Underwriter for public offerings and which subsequently may be changed. The initial yields indicated above represent the lower of the yields resulting when priced to maturity or to the first call date. Accrued interest on the Bonds from September 1, 2021 is to be added to the price.

(b) CUSIP numbers have been assigned to the Bonds by CUSIP Global Services and are included solely for the convenience of the purchasers of the Bonds. Neither the District nor the Underwriter shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

(c) Bonds maturing on or after March 1, 2029, are subject to redemption prior to maturity at the option of the District, as a whole or, from time to time, in part, on September 1, 2028, or on any date thereafter, at par plus accrued interest from the most recent interest payment date to the date fixed for redemption. See "THE BONDS–Optional Redemption."

(d) Term Bonds are also subject to mandatory redemption in part by lot or other customary method at a price of par plus accrued interest to the redemption date. See "THE BONDS–Mandatory Redemption."

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

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

All of the summaries of the statutes, orders, contracts, audited financial statements, engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from the District, c/o Michael A. Cole, P.C., 5120 Bayard Lane, Houston, Texas 77006 upon payment of duplication costs.

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 condition 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 that information actually comes to its attention, the other matters described in this Official Statement until delivery of the Bonds to the Underwriter and thereafter only as specified in "PREPARATION OF OFFICIAL STATEMENT-- Updating of Official Statement" and "CONTINUING DISCLOSURE OF INFORMATION."

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 offering document.

SALE AND DISTRIBUTION OF THE BONDS

Prices and Marketability

The delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Underwriter prior to 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 or similar person acting in the capacity of underwriter or wholesaler. Otherwise, the District has no understanding with the Underwriter or control regarding the reoffering yields or prices of the Bonds. Information concerning reoffering yields or prices is the sole responsibility of the Underwriter.

THE PRICES AND OTHER TERMS RESPECTING THE OFFERING AND SALE OF THE BONDS MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER AFTER THE BONDS ARE RELEASED FOR SALE, AND THE BONDS MAY BE OFFERED AND SOLD AT PRICES OTHER THAN THE INITIAL OFFERING PRICES, INCLUDING SALES TO DEALERS WHO MAY SELL THE BONDS INTO INVESTMENT ACCOUNTS. IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The District has no control over trading of the Bonds in the secondary market. Moreover, there is no guarantee that a secondary market will be made in the Bonds. In such a secondary market, the difference between the bid and asked price of special district bonds may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional governmental 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 the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities laws of any other jurisdiction. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any other jurisdiction in which the Bonds may be offered, sold or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdictions.

Underwriter

After requesting competitive bids for the Bonds, the District accepted the bid resulting in the lowest net effective interest rate, which bid was tendered by SAMCO Capital (the “Underwriter”) bearing the interest rates shown on the inside cover page hereof, at a price of 98.02596% of the par value thereof plus accrued interest to the date of delivery which resulted in a net effective interest rate of 2.222158% as calculated pursuant to Chapter 1204, Texas Government Code, as amended (the “IBA” method).

The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into unit investment trusts) and others at prices lower than the public offering price stated on the inside cover page hereof. The initial offering price may be changed from time to time by the Underwriter within the guidelines prescribed by applicable laws and regulations of the SEC.

Municipal Bond Rating

S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”) is expected to assign its municipal rating of "AA" (stable outlook) to the Bonds, as a result of a municipal bond insurance policy issued by Build America Mutual Assurance Company at the time of delivery of the Bonds (see “BOND INSURANCE” and “APPENDIX B–Specimen Municipal Bond Insurance Policy”). An explanation of the significance of such rating may be obtained from S&P. The rating reflects only the view of S&P and the District makes no representation as to the appropriateness of such rating.

In connection with the sale of the Bonds, the District made application to Moody’s Investors Service, Inc. (“Moody’s”), which has assigned a rating of “A3" to the Bonds. An explanation of the significance of such rating may be obtained from Moody’s. The rating reflects only the view of Moody’s and the District makes no representation as to the appropriateness of such rating.

The District can make no assurance that the S&P or Moody’s ratings will continue for any period of time or that such rating will not be revised downward or withdrawn entirely by S&P or Moody’s if in the judgment of S&P or Moody’s circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

SUMMARY

The following information is a summary of certain information contained herein and is qualified in its entirety by the more detailed information and financial statements appearing elsewhere in this Official Statement, reference to which is made for all purposes. This summary should not be detached and should be used in conjunction with more complete information contained herein.

- The District -

Description	Montgomery County Water Control & Improvement District No. 1, Montgomery County, Texas (the "District") was created by the Texas Water Rights Commission, predecessor of the Texas Commission on Environmental Quality ("TCEQ"), in 1964. The District, which contains approximately 1,091.2335 acres, lies entirely within Montgomery County, Texas and within the exclusive extraterritorial jurisdiction of the City of Houston, Texas ("Houston"). It is located in southwest Montgomery County, Texas approximately 30 miles north of Houston's central business district and approximately 15 miles south of the City of Conroe, Texas. See "THE DISTRICT--Description and Location."
Development	Land within the District has been developed as the residential subdivisions of Timber Ridge, Timberlakes, Spring Acres, Timberwood, Grogan's Mill and Woodmill Creek Section 1; the apartment complex of Wyndemere Estates (360 units); the apartment complex of Broadstone Woodmill Creek Apartments (381 units); the Townhomes at Woodmill Creek (171 units); the approximately 35 unit Grogan's Ridge Office Condominiums; the Cedarstone office complex (5 office buildings); and the office development of Stream Realty (two office buildings). As of July 2021, there were 2,807 active equivalent single-family connections to the utility system in the District. See "THE DISTRICT--Development of the District" and "–Current Development Within the District." The entire District is being served with water, sewer and drainage facilities.
Authority	The rights, powers, privileges, authority and functions of the District are established by the general laws of the State of Texas pertaining to municipal utility districts, including particularly Chapters 49 and 54 of the Texas Water Code, as amended. See "THE DISTRICT--Authority, Purpose and Functions."

- The Bonds -

Description	The $3,775,000 Unlimited Tax Bonds, Series 2021 (the "Bonds") bear interest at the rates per annum set forth on the inside cover page hereof, from September 1, 2021, and are payable March 1, 2022 and each September 1 and March 1 thereafter until the earlier of maturity or prior redemption. The Bonds mature serially on March 1 in the years 2022 through 2027, inclusive, and in 2042 in the principal amounts set forth on the inside cover page hereof. Bonds maturing in each of the years March 1, 2029, 2034 and 2041 are the "Term Bonds." The Term Bonds are subject to mandatory redemption as described herein under "THE BONDS–Mandatory Redemption." Bonds scheduled to mature on or after March 1, 2029, are subject to optional redemption at the option of the District on any date on or after September 1, 2028, at a price of par plus accrued interest to the date of redemption. See "THE BONDS--Description" and "--Optional Redemption."
Source of Payment	Principal of and interest on the Bonds are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against taxable property within the District. The Bonds are obligations of the District and are not obligations of Montgomery County, Texas; Houston, Texas; the State of Texas; or any political subdivision other than the District. See "THE BONDS--Source of and Security for Payment."

Use of Proceeds	Proceeds of the Bonds will be used for rehabilitation of the water distribution system and to reimburse Pinpoint Commercial, L.P., a developer within the District, for certain system improvements, and to pay the costs of issuance of the Bonds. See "THE BONDS — Use of Proceeds."
Payment Record	The District has never defaulted on the payment of any bond obligation. See "DISTRICT DEBT."
Qualified Tax-Exempt Obligations	The District has designated the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended, and represents that the total amount of tax-exempt bonds (including the Bonds) issued by it during the calendar year 2021 is not reasonably expected to exceed $10,000,000. See "TAX MATTERS--Qualified Tax Exempt Obligations."
Book-Entry Only System	The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company pursuant to the Book-Entry Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal and interest on the Bonds will be payable by the Paying Agent/Registrar (as defined herein) to Cede & Co. and Cede & Co. will make distribution of the amounts so paid to the beneficial owners of the Bonds (see "THE BONDS--Book-Entry-Only System").
Municipal Bond Rating	The District made application to Moody's Investors Service, Inc., which has assigned a rating of "A3" to the Bonds based upon the District's underlying credit. See "SALE AND DISTRIBUTION OF THE BONDS–Municipal Bond Rating."
Municipal Bond Rating and Municipal Bond Insurance	S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC is expected to assign a municipal rating of "AA" (stable outlook) as a result of a municipal bond insurance policy issued by Build America Mutual Assurance Company. See "SALE AND DISTRIBUTION OF THE BONDS–Municipal Bond Rating," "BOND INSURANCE" and "APPENDIX B–Specimen Municipal Bond Insurance Policy."
Legal Opinions	Michael A. Cole, P. C., Houston, Texas. See "LEGAL MATTERS."
Disclosure Counsel	Orrick, Herrington & Sutcliffe LLP, Houston, Texas.
Financial Advisor	Blitch Associates, Inc., Houston, Texas.

RISK FACTORS

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

- Financial Highlights -
(Unaudited)

2021 Taxable Assessed Valuation (100% of Market Value)		$405,293,757	(a)
Direct Debt			
Outstanding Bonds (As of July 1, 2021)		$16,009,997	
The Bonds		3,775,000	
Total Direct Debt		$19,784,997	
Estimated Overlapping Debt		15,807,630	(b)
Direct and Estimated Overlapping Debt		$35,592,628	
Direct Debt Ratios:			
Direct Debt to Value		4.80%	
Direct & Estimated Overlapping Debt to Value		8.78%	
2020 Tax Rate per $100 of Assessed Value			
Debt Service		$0.3100	
Maintenance		0.4376	
Total		$0.7476	
	Current	***Total***	
2019 Tax Collection Percentage	98.44%	99.36%	
Five-Year Average (2015/2019) Collection Percentage	98.41%	99.50%	
Average Annual Debt Service Requirements (2022/42) (c)		$1,239,226	
Maximum Annual Debt Service Requirements (2022) (c)		$1,243,198	
Tax Rate Required to pay such Requirements at 98% Collection			
Average (2022/2042)		$0.312	
Maximum (2022)		$0.313	
Fund Balances as of July 20, 2021 (Cash & Investments)			
General Fund		$4,571,999	
Debt Service Fund		$943,813	
Capital Projects Fund		$9,713	

(a) Certified by the Montgomery Central Appraisal District (the "Appraisal District"). Includes uncertified values of $13,845,702 shown at the 2020 certified amounts of $12,559,367. See "TAX PROCEDURES."
(b) See "DISTRICT DEBT--Estimated Overlapping Debt."
(c) Includes the Bonds and the Outstanding Bonds.

MONTGOMERY COUNTY WATER CONTROL
& IMPROVEMENT DISTRICT NO. 1
$3,775,000
UNLIMITED TAX BONDS, SERIES 2021

This Official Statement of Montgomery County Water Control & Improvement District No. 1 (the "District") is provided to furnish certain information with respect to the sale by the District of its $3,775,000 Unlimited Tax Bonds, Series 2021 (the "Bonds").

The Bonds are issued pursuant to the Texas Constitution, the general laws of the State of Texas and a resolution authorizing the issuance of the Bonds (the "Bond Resolution") adopted by the Board of Directors of the District (the "Board"), Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended and approval of the TCEQ. See "THE BONDS."

This Official Statement includes descriptions of the Bonds, the Bond Resolution and certain other information about the District. Document descriptions contained herein are only summaries and are qualified in their entirety by reference to each such document, copies of which may be obtained by contacting the District, c/o Michael A. Cole, P. C., located at 5120 Bayard Lane, Houston, Texas 77006-6512.

THE BONDS

Description

The following is a description of some of the terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Bond Resolution. A copy of the Bond Resolution may be obtained upon request to the District and payment of the applicable copying charges.

The Bonds will mature on March 1 of the years and in principal amounts, and will bear interest from September 1, 2021, at the rates per annum, set forth on the inside cover page of this Official Statement. Interest on the Bonds will be payable on March 1, 2022, and semiannually thereafter on each September 1 and March 1thereafter until the earlier of maturity or redemption. Principal of and interest on the Bonds will be payable to Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York ("DTC"), by the paying agent/registrar, initially UMB Bank N.A., Houston, Texas (the "Paying Agent/Registrar"). Cede & Co. will make distribution of the principal and interest so paid to the beneficial owners of the Bonds. For so long as DTC shall continue to serve as securities depository for the Bonds, all transfers of beneficial ownership interest will be made by book-entry only and no investor or other party purchasing, selling or otherwise transferring beneficial ownership of the Bonds is to receive, hold or deliver any Bond certificate.

If at any time, DTC ceases to hold the Bonds as securities depository, then principal of the Bonds will be payable to the registered owner at maturity or redemption upon presentation and surrender at the principal payment office of the Paying Agent/Registrar. Interest on the Bonds will be payable by check, dated as of the interest payment date, and mailed by the Paying Agent/Registrar to the registered owners as shown on the records of the Paying Agent/Registrar at the close of business on the 15th day of the month next preceding the interest payment date (the "Record Date"). The Bonds of each maturity will be issued in fully-registered form only in the principal amount of $5,000 or any integral multiple thereof.

If the specified date for any payment of principal (or redemption price) or interest on the Bonds shall be a Saturday, Sunday or legal holiday or equivalent (other than a moratorium) for banking institutions generally in the City of Houston, Texas, such payment may be made on the next succeeding date which is not one of the foregoing days without additional interest and with the same force and effect as if made on the specified date for such payments.

Use of Proceeds

Proceeds of the Bonds will be used for rehabilitation of the water distribution system and to reimburse Pinpoint Commercial, L.P., a developer within the District, for certain system improvements, and to pay the costs of issuance of the Bonds.

The costs outlined below have been provided by AEI Engineering, a Baxter & Woodman Company, the District's consulting engineer (the "Engineer"), and reflect those costs approved by the Texas Commission on Environmental Quality ("TCEQ"). Amounts indicated below may not add due to rounding.

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

Construction Costs	
Developer Projects:	
Woodmill Creek Water, Sewer & Drainage	$346,699
Woodmill Creek Lift Station/Piping	1,995,237
Woodmill Creek, Section 1 Water & Sewer	631,845
District Projects:	
Water Distribution Rehabilitation	222,180
Total Construction Costs	$3,195,961
Non Construction Costs	
Legal Fees	$90,500
Financial Advisor Fees	60,250
Developer Interest	208,164
Bond Discount (3.00%)	113,250
Bond Issuance Expenses	35,912
Bond Application Report	57,750
Attorney General Fee (0.10%)	3,775
TCEQ Bond Issuance Fee (0.25%)	9,438
Total Non Construction Costs	$579,039
The Bonds	$3,775,000

In the instance that approved estimated amounts exceed actual costs, the difference comprises a surplus which may be expended for uses approved by 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. The Engineer has advised the District that the proceeds of the sale of the Bonds should be sufficient to pay the costs of the above-described facilities; however, the District cannot and does not guarantee the sufficiency of such funds for such purposes.

Book-Entry-Only System

This section describes how ownership of the Bonds are to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by DTC, while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District and the Underwriter believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

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

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 requested by an authorized representative of DTC. One fully-registered certificate will be issued for the Bonds, 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 ("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 a 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 companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through DTC Participants, which will receive a credit for such purchases on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct or 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 interest 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 the 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 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 such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and principal, interest and Maturity Amount 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 Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, 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 and principal, interest and Maturity Amount 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 Paying Agent/Registrar, disbursement of such payments to Direct Participants shall 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 securities depository with respect to the Bonds at any time by giving reasonable notice to the District or Paying Agent/Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, Bonds are required to be printed and delivered.

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

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

Registration and Transfer

The Bonds will be transferable only on the bond register kept by the Paying Agent/Registrar upon surrender and reissuance. The Bonds are exchangeable for an equal aggregate principal of Bonds of the same maturity and of any authorized denomination upon surrender of the Bonds to be exchanged at the principal office of the Paying Agent/Registrar in Houston, Texas. No service charge will be made for any registration, transfer or exchange of Bonds, but the District or the Paying Agent/Registrar may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith. Neither the District nor the Paying Agent/Registrar is required to issue, transfer or exchange any Bond during the period beginning at the opening of business on a Record Date and ending at the close of business on the next succeeding interest payment date or to transfer or exchange any Bond selected for redemption, in whole or in part, beginning 15 calendar days prior to the date of the first mailing of any notice of redemption and ending at the close of business on the date of such mailing, or to transfer or exchange any Bond called for redemption during the thirty (30) day period prior to the date fixed for redemption of such Bond.

Optional Redemption

The District reserves the right, at its option, to redeem the Bonds maturing on and after March 1, 2029, in whole or in part in principal amounts of $5,000 or any integral multiple thereof on September 1, 2028, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. If fewer than all of the Bonds are to be optionally redeemed, the particular maturities and amounts of Bonds to be redeemed shall be selected by the District. If fewer than all of the Bonds of a certain maturity are to be redeemed, the Paying Agent/Registrar shall select by lot those Bonds to be redeemed (or such Bonds shall be selected by DTC in accordance with its procedures while the Bonds are in book-entry-only form).

At least thirty (30) days prior to the date fixed for any such redemption a written notice of such redemption shall be given to the registered owner of each Bond or a portion thereof being called for redemption by depositing such notice in the United States mail, first class, postage prepaid, addressed to each such registered owner at his address shown on the registration books of the Paying Agent/Registrar; provided, however, that the failure to receive such notice shall not affect the validity or effectiveness of the proceedings for the redemption of any Bond. By the date fixed for any such redemption due provision shall be made with the Paying Agent/Registrar for the payment of the required redemption price for the Bonds or the portions thereof which are to be so redeemed, plus accrued interest to the date fixed for redemption. If a portion of any Bond shall be redeemed, a substitute Bond having the same maturity date, bearing interest at the same rate, in any integral multiple of $5,000, and in aggregate principal amount equal to the unredeemed position thereof, will be issued to the registered owner upon the surrender of the Bonds being redeemed, at the expense of the District, all as provided for in the Bond Resolution.

Mandatory Redemption

The Bonds maturing March 1 in each of the years 2029, 2034 and 2041 (collectively, the "Term Bonds") are subject to mandatory redemption in part prior to maturity in the amounts (subject to redemption as described below) and on the dates set out below, at a price equal to the principal amount to be redeemed plus accrued interest to the redemption date:

Redemption Date	***Principal Amount***
$160,000 Term Bonds Due March 1, 2029	
March 1, 2028	$80,000
March 1, 2029 (maturity)	80,000
$425,000 Term Bonds Due March 1, 2034	
March 1, 2030	$80,000
March 1, 2031	85,000
March 1, 2032	85,000
March 1, 2033	85,000
March 1, 2034 (maturity)	90,000
$1,530,000 Term Bonds Due March 1, 2041	
March 1, 2035	$90,000
March 1, 2036	90,000
March 1, 2037	45,000
March 1, 2038	40,000
March 1, 2039	35,000
March 1, 2040	35,000
March 1, 2041 (maturity)	1,195,000

The particular Term Bonds to be mandatorily redeemed shall be selected by lot or other customary random selection method. The principal amount of the Term Bonds of a maturity required to be redeemed pursuant to the operation of such mandatory redemption requirements shall be reduced, at the option of and as determined by the District, by the principal amount of any Term Bonds of such maturity which, at least 45 days prior to such mandatory redemption, (1) shall have been acquired by the District and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the District, or (3) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory redemption requirement.

Ownership

The District, the Paying Agent/Registrar and any agent of either may treat the person in whose name any Bond is registered as the absolute owner of such Bond for the purpose of receiving payment of the principal and the interest thereon, and for all other purposes, whether or not such Bond is overdue. Neither the District, the Paying Agent/Registrar nor any agent of either shall be bound by any notice or knowledge to the contrary. All payments made to the person deemed to be the owner of any Bond in accordance with the Bond Resolution shall be valid and effective and shall discharge the liability of the District and the Paying Agent/Registrar for such Bond to the extent of the sums paid.

Source of and Security for Payment

The Bonds and the Outstanding Bonds (as hereinafter defined) (together with any additional unlimited tax or combination unlimited tax bonds as may hereafter be issued) are payable as to principal and interest from the proceeds of a continuing, direct, annual ad valorem tax without legal limitation as to rate or amount, levied against all taxable property located within the District. In the Bond Resolution, the District covenants to levy annually a tax sufficient in amount to pay principal of and interest on the Bonds, full allowance being made for delinquencies and costs of collection. Collected taxes will be placed in the District's debt service fund and used solely to pay principal and interest on the Bonds, the Outstanding Bonds and on any additional bonds payable from taxes which may be issued. See "Issuance of Additional Debt" below.

Replacement of Paying Agent/Registrar

Provision is made in the Bond Resolution for the replacement of the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the District, the new paying agent/registrar shall act in the same capacity as the previous Paying Agent/Registrar. In order to act as Paying Agent/Registrar for the Bonds, any paying agent/registrar selected by the District shall be a national or state banking institution, 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.

Authority for Issuance

At elections held within the District on January 12, 1965, October 25, 1969, September 26, 1981, May 7, 1994, December 12, 1998, and May 8, 2010, the voters of the District authorized the issuance of an aggregate of $31,380,000 in bonds for waterworks, wastewater treatment, sanitary sewer and surface water facilities, of which $3,775,000 unlimited tax bonds remain authorized but unissued. See "Issuance of Additional Debt" below.

The Bonds are issued pursuant to the Texas Constitution, the general laws of the State of Texas and the Bond Resolution; Article XVI, Section 59 of the Texas Constitution; Chapters 49 and 54 of the Texas Water Code, as amended; Chapter 1207 of the Texas Government Code, as amended; and City of Houston Ordinance No. 97-416.

Outstanding Debt

The District has previously issued and has outstanding its $9,595,000 Unlimited Tax Refunding Bonds, Series 2016 (the "Series 2016 Bonds"), $5,040,000 Unlimited Tax Bonds, Series 2017 (the "Series 2017 Bonds") and $2,619,997 Unlimited Tax Refunding Bonds, Series 2021 (the "Series 2021 Refunding Bonds").

As of July 1, 2021, $8,570,000 of the Series 2016 Bonds, $4,865,000 of the Series 2017 Bonds and $2,574,997 of the Series 2021 Refunding Bonds remain outstanding (collectively, the "Outstanding Bonds"). All other previously issued bonds of the District have been retired. The District has timely made all payments due on the Outstanding Bonds.

Issuance of Additional Debt

The District may issue additional bonds to provide those improvements for which the District was created. The District has no authorized but unissued bonds, but has called a $33,550,000 bond election for November 2, 2021, of which $2,000,000 are for refunding bonds.

According to the District's Engineer, although the District's water, sanitary sewer and drainage facilities have been extended to serve the entirety of the District, additional authorized bonds will be necessary to replace and renovate the utility system within the District and the District's share of shared and regional facilities for the next ten to fifteen years; consequently, additional bonds may have to be authorized by District voters. Depending upon increases in assessed valuation of taxable property within the District and the amount, maturity schedule and time of issuance of such additional bonds, increases in the District's annual tax rate may be required to provide for the payment of the principal of and interest on such additional bonds and the Bonds. Additional tax bonds and/or tax and revenue bonds may be voted in the future. The Board is further empowered to borrow money for any lawful purpose and pledge the revenues of the waterworks and sewer system therefor and to issue bond anticipation notes and tax anticipation notes.

The Bond Resolution imposes no limitation on the amount of additional bonds which may be issued by the District. Any additional bonds issued by the District may be on a parity with the Bonds, and may dilute the security of the Bonds.

Defeasance

The Bond Resolution provides that the obligation of the District to make money available to pay the principal of and interest on the Bonds may be terminated by the deposit of money and/or non-callable direct or indirect obligations of the United States of America, sufficient for such purpose, in the manner described in the Bond Resolution.

Mutilated, Lost, Stolen or Destroyed Bonds

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

Annexation and Consolidation

The District is located entirely within the extraterritorial jurisdiction of Houston. Under prior Texas law, a municipality could annex and dissolve municipal utility district located within its extraterritorial jurisdiction without consent of the district or its residents. Under House Bill 347 approved during the 86th Regular Legislative Session ("HB 347"), (a) a municipality may annex a district with a population of less than 200 residents only if: (i) the municipality obtains consent to annex the district through a petition signed by more than 50% of the registered voters of the district, and (ii) if the registered voters in the area to be annexed do not own more than 50% of the land in the area, a petition has been signed by more than 50% of the landowners consenting to the annexation; and (b) a municipality may annex a district with a population of 200 residents or more only if: (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed, and (ii) if the registered voters in the area to be annexed do not own more than 50% of the land in the area, a petition has been signed by more than 50% of the landowners consenting to the annexation. Notwithstanding the foregoing, a municipality may annex an area if each owner of land in the area requests annexation. As of the date hereof, the District had an estimated population in excess of 200, thus triggering the voter approval and/or landowner consent requirements discussed in clause (b) above. The described election and petition process does not apply, however, during the term of a strategic partnership agreement between a municipality and a district specifying the procedures for annexation of all or a portion of the District. See "TAX DATA – Strategic Partnership Agreement – Limited Purpose Annexation by City of Houston."

The District has the right to consolidate with other districts and, in connection therewith, to provide for the consolidation of its water and sewer system with the water and sewer systems of the district or districts with which it is consolidating. Should any such consolidation occur, the net revenues from the operation of the consolidated system would be applied to the payment of principal, interest, redemption price and bank charges on the combination unlimited tax and revenue bonds of the District, if any, and of the district or districts with which the District is consolidated without prejudice to any series of bonds, except that bonds with subordinate liens on net revenues shall continue to be subordinate. No representations are made that the District will ever consolidate its utility system with other systems.

Amendments to the Bond Resolution

The District may, without the consent of or notice to any registered owners, amend the Bond Resolution in any manner not detrimental to the interests of the registered owners, including the curing of any ambiguity, inconsistency or formal defect or omission therein. In addition, the District may, with the written consent of the registered owners of a majority in aggregate principal amount of the Bonds then outstanding affected thereby, amend, add to or rescind any of the provisions of the Bond Resolution; provided that, without the consent of the registered owners of all of the Bonds affected, no such amendment, addition or rescission may (a) extend the time or times of payment of the principal of and interest (or accrual of interest) on the Bonds, or reduce the principal amount thereof or the rate of interest thereon or in any other way modify the terms of payment of the principal of or interest on the Bonds, (b) give preference of any Bond over any other Bond, or (c) extend any waiver of default to subsequent defaults. In addition, a state, consistent with federal law, may in the exercise of its police power make such modifications in the terms and conditions of contractual covenants relating to the payment of indebtedness of a political subdivision as are reasonable and necessary for attainment of an important public purpose.

Registered Owners' Remedies and Effects of Bankruptcy

The Bond Resolution provides that, in the event the District defaults in the observance or performance of any covenant in the Bond Resolution, including payment when due of the principal of and interest on the Bonds, any registered owner may apply for a writ of mandamus from a court of competent jurisdiction requiring the Board or other officers of the District to observe or perform any covenants, obligations or conditions prescribed by the Bond Resolution. Such right is in addition to other rights of the registered owners of the Bonds that may be provided by the laws of the State of Texas.

The Bond Resolution does not provide additional remedies to a registered owner. Specifically, the Bond Resolution does not provide for appointment of a trustee to protect and enforce the interests of the registered owners or for the acceleration of maturity of the Bonds upon the occurrence of a default in the District's obligations. Consequently, the remedy of mandamus may have to be relied upon from year to year by the registered owners.

Under Texas law, no judgment obtained against the District may be enforced by execution or a levy against the District's public purpose property. The registered owners cannot themselves foreclose on taxable property within the District or sell property within the District in order to pay principal of and interest on the Bonds. In addition, the enforceability of the rights and remedies of the registered owners may be subject to limitation pursuant to federal bankruptcy laws or other similar laws affecting the rights of creditors of political subdivisions.

Bankruptcy Limitation to Registered Owners' Rights

The enforceability of the rights and remedies of the registered owners may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Subject to the requirements of Texas law, the District may voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Sections 901-946, if the District: (1) is generally authorized to file for federal bankruptcy protection by State law; (2) is insolvent or unable to meet its debts as they mature; (3) desires to effect a plan to adjust such debt; and (4) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiation is impracticable. Under Texas law, a municipal utility district such as the District must obtain approval of the Texas Commission on Environmental Quality ("TCEQ") prior to filing for bankruptcy. The TCEQ must investigate the financial condition of the District and will authorize the District to proceed only if the TCEQ determines that the District has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

If the District decides in the future to proceed voluntarily under the Federal Bankruptcy Code, the District would develop and file a plan for the adjustment of its debts, and the Bankruptcy Court would confirm the District's plan if: (1) the plan complies with the applicable provisions of the Federal Bankruptcy Code; (2) all payments to be made in connection with the plan are fully disclosed and reasonable; (3) the District is not prohibited by law from taking any action necessary to carry out the plan; (4) administrative expenses are paid in full; and (5) the plan is in the best interests of creditors and is feasible. 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 such registered owner's claim against the District.

Legal Investment and Eligibility to Secure Public Funds in Texas

Pursuant to Chapter 1201, Texas Government Code, and Section 49.186 Texas Water Code, the Bonds, whether rated or unrated, are (a) legal investments for banks, trust companies, building and loan associations, savings and loan associations, insurance companies of all kinds and types, fiduciaries, and trustees, and (b) legal investments and lawful security for the public funds of the State, and all agencies, subdivisions, and instrumentalities of the State, including all counties, cities, towns, villages, school districts, and other political subdivisions or public agencies of the State of Texas. The Bonds are also eligible under the Public Funds Collateral Act, Chapter 2257, Texas Government Code, to secure deposits of public funds of the State of Texas or any political subdivision or public agency of the State of Texas and are lawful and sufficient security for those deposits to the extent of their market value.

Most political subdivisions in the State of Texas are required to adopt investment guidelines under the Public Funds Investment Act, Chapter 2256, Texas Government Code, and such political subdivisions may impose a requirement consistent with such act that the Bonds have a rating of not less than "A" or its equivalent to be legal investments for such entity's funds. The District makes no representation that the Bonds will be acceptable to banks, savings and loan associations or public entities for investment purposes or to secure deposits of public funds. The District has made no investigation of other laws, regulations or investment criteria which might apply to or otherwise limit the suitability of the Bonds for investment or collateral purposes. Prospective purchasers are urged to carefully evaluate the investment quality of the Bonds as to the suitability of the Bonds for investment or collateral purposes.

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company ("BAM") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

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

Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM. The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com.

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

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

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of March 31, 2021 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were $477.7 million, $156.4 million and $321.3 million, respectively.

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

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

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

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 buildamerica.com/creditinsights/. (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 buildamerica.com/obligor/. 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.

THE DISTRICT

Authority, Purpose, and Functions

The District was created on June 15, 1964, by the Texas Water Rights Commission, predecessor of the TCEQ to provide water supply and distribution, wastewater collection and treatment and storm drainage facilities for the area within its boundaries. The creation of the District was confirmed at an election held November 14, 1964. By order of the Texas Water Rights Commission on September 11, 1978, the District was converted to a municipal utility district. The rights, powers, privileges, authority and functions of the District are established by the general laws of the State of Texas pertaining to municipal utility districts, particularly Chapters 49 and 54 of the Texas Water Code, as amended. The principal functions of the District are to finance, construct, own and operate waterworks, wastewater and drainage facilities and to provide such facilities and services to the customers of the District. The District is subject to the continuing supervision of the TCEQ.

Description and Location

The District, which contains approximately 1,091.2335 acres, is located in southwestern Montgomery County, Texas, approximately 30 miles from Houston's central business district and 15 miles south of the City of Conroe, Texas. The District is located within the exclusive extraterritorial jurisdiction of Houston. However, it is possible that some or all of Houston's extraterritorial jurisdiction that is located within the District may be ceded to The Woodlands Township, a political subdivision located in southern Montgomery County, Texas. See "THE BONDS–Source of and Security for Payment–Annexation." The principal access to the District is via Interstate Highway 45 to Sawdust Road, which terminates at the District's eastern boundary. The District is bounded on the north and east by The Woodlands Township, on the west by Spring Creek, and on the south by Spring Creek and Harris County, Texas. Elevations range from 95 to 138 feet above mean sea level ("msl"). Approximately 557 acres lie within the 100-year flood plain.

Management of the District

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

Director	***Office***	***Term Expires***
Jim Jacobs	President	May 2022
Wayne Stringer	Vice-President	May 2022
Christine Rife	Secretary	May 2024
Janet Young	Treasurer	May 2022
Jack Curtis	Assistant Secretary/Treasurer	May 2024

The District employs a General Manager, Jackie W. Chance, Sr., an Office Manager, Carol Garrett, and six other full-time employees. In addition, the District has contracted for the following services:

Tax Assessor/Collector - The District's Tax Assessor/Collector is Utility Tax Service, LLC, Houston, Texas.

Bookkeeper - The District's Bookkeeper is Clarity Consulting Company, Spring, Texas.

Auditor - The District's annual financial statements as of September 30, 2020 have been audited by McCall Gibson Swedlund Barfoot PLLC, Houston, Texas, Certified Public Accountants. See "APPENDIX A" for a copy of the District's September 30, 2020 audited financial statements.

Engineer - The consulting engineer for the District is AEI Engineering, a Baxter & Woodman Company, Houston, Texas (the "Engineer").

Financial Advisor - Blitch Associates, Inc. serves as Financial Advisor to the District.

Legal Counsel - The District has employed Michael A. Cole, P.C. as general counsel and as bond counsel in connection with the issuance of the Bonds.

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

Development of the District

Land within the District has been developed as the residential subdivisions of Timber Ridge, Timberlakes, Spring Acres, Timberwood, Grogan's Mill and Woodmill Creek Section 1; the apartment complex of Wyndemere Estates (360 units); the apartment complex of Broadstone Woodmill Creek Apartments (381 units); the Townhomes at Woodmill Creek (171 units); the approximately 35 unit Grogan's Ridge Office Condominiums; the Cedarstone office complex (5 office buildings); and the office development of Stream Realty (two Sierra Pines office buildings). As of July 2021, there were 1,158 active connections to the utility system in the District. The following is a table identifying current residential land usage (exclusive of the apartment, townhome and office projects):

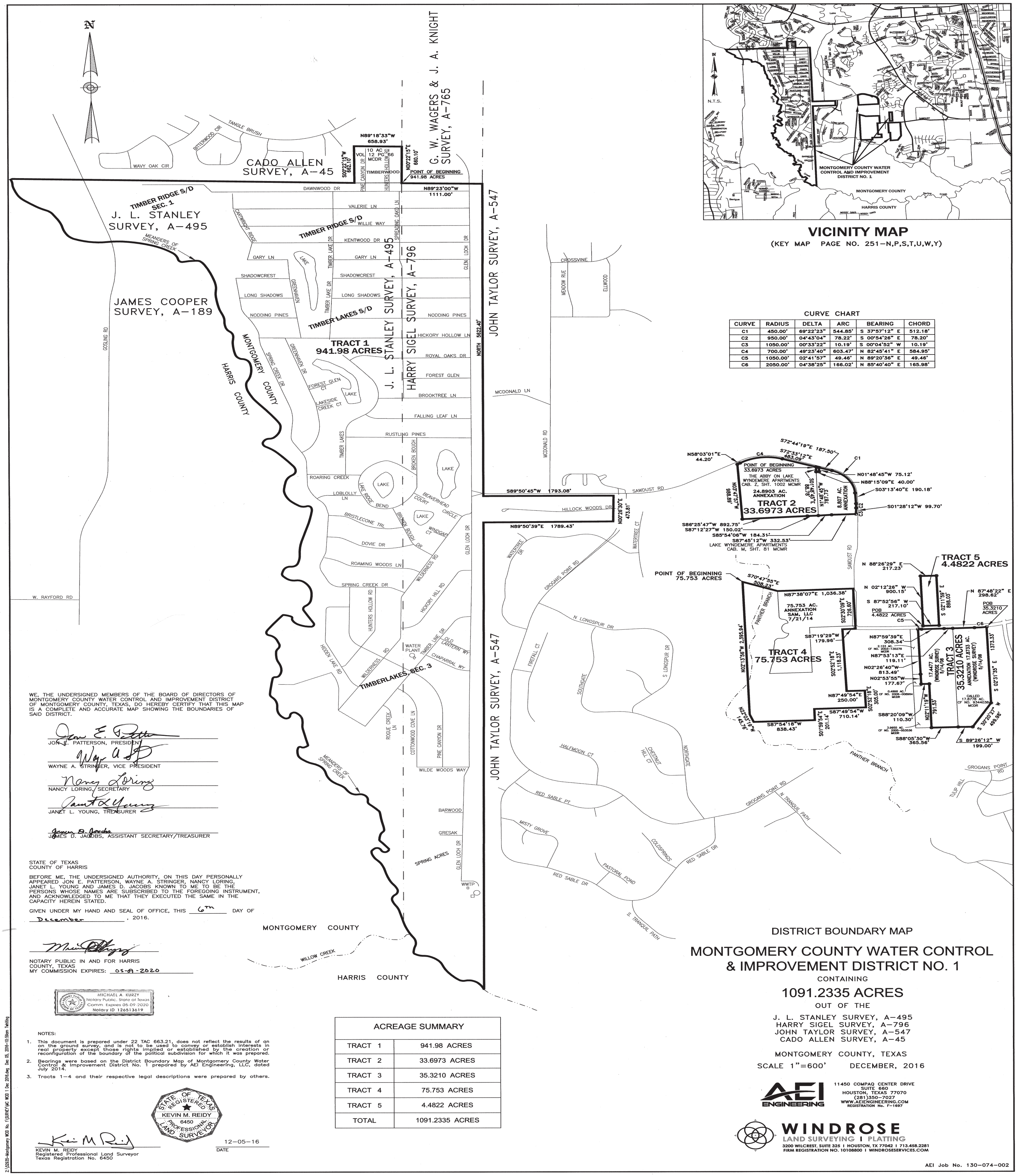
	Platted Lots	Floodplain	Developable
Spring Acres 1 & 2	34	16	18
Timberlake 1	388	96	292
Timberlake 2	315	57	258
Timberlake 3	389	31	358
Timber Ridge 2	240	32	208
Timber Ridge 3	440	143	297
Timberwood	40	0	40
Grogan's Mill	27	0	27
Woodmill Creek 1	64	0	64
Totals	1,937	375	1,562

Current Development Within the District

Woodmill Creek, a multi-purpose development encompassing approximately 75.753 acres being developed by Pinpoint Commercial, LP was annexed into the District in 2014. Cedarstone Complex, a multi-purpose development encompassing approximately 4.4822 acres, currently has five office buildings previously constructed and was annexed into the District in 2016. Recently completed development activity within Woodmill Creek is as follows:

> The Townhomes of Woodmill Creek, a 171 unit townhouse rental project and the Broadstone Woodmill Creek Apartments, four-story apartment project with 381 units. Sierra Pines, a multi-use development encompassing approximately 35.3210 acres, currently has two office buildings and the Sierra Pines Apartments, with 341 units.

Location Map



Photographs Taken in the District (November 2020)


24602

DISTRICT DEBT
(Unaudited)

Debt Statement

2021 Taxable Assessed Valuation (100% of Market Value)	$405,293,757	(a)
Direct Debt		
Outstanding Bonds (As of July 1, 2021)	$16,009,997	
The Bonds	3,775,000	
Total Direct Debt	$19,784,997	
Estimated Overlapping Debt	15,807,630	(b)
Direct and Estimated Overlapping Debt	$35,592,628	
Direct Debt Ratios:		
Direct Debt to Value	4.80%	
Direct & Estimated Overlapping Debt to Value	8.78%	
Average Annual Debt Service Requirements (2022/42) (c)	$1,235,457	
Maximum Annual Debt Service Requirements (2022) (c)	$1,240,155	
Fund Balances as of July 20, 2021 (Cash & Investments)		
General Fund	$4,571,999	
Debt Service Fund	$943,813	
Capital Projects Fund	$9,713	

(a) Certified by the Montgomery Central Appraisal District (the "Appraisal District"). Includes uncertified values of $13,845,702 shown at the 2020 certified amounts of $12,559,367. See "TAX PROCEDURES."
(b) See " Estimated Overlapping Debt."
(c) Includes the Bonds and the Outstanding Bonds.

Estimated Overlapping Debt

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

Jurisdiction	***Debt As Of July 1, 2021***	***Overlapping Percent***	***Overlapping Amount***
Conroe Independent School District	$1,351,160,000	0.878%	$11,863,185
Lone Star College District	680,135,000	0.160%	1,088,216
Montgomery County (a)	486,675,000	0.583%	2,837,315
The Woodlands Township	25,910,000	0.073%	18,914
Estimated Overlapping Debt			$15,807,630
The District (Includes the Bonds)			19,784,997
Total Direct & Estimated Overlapping Debt			$35,592,628

Debt Service Schedule

The following sets forth the debt service requirements on the District's Outstanding Bonds and the Bonds. (*Note: Totals may not add due to rounding*)

Year	***Outstanding Debt Service***	***The Bonds Principal***	***The Bonds Interest***	***The Bonds Total D/S***	***Grand Total Debt Service***
2021	$1,101,317				$1,101,317
2022	1,092,300	$70,000	$77,855	$147,855	1,240,155
2023	1,091,400	70,000	76,455	146,455	1,237,855
2024	1,095,025	70,000	75,055	145,055	1,240,080
2025	1,093,225	70,000	73,655	143,655	1,236,880
2026	1,091,200	75,000	72,205	147,205	1,238,405
2027	1,083,794	85,000	70,605	155,605	1,239,399
2028	1,085,475	80,000	68,995	148,955	1,234,430
2029	1,086,263	80,000	67,355	147,355	1,233,618
2030	1,091,044	80,000	65,755	145,755	1,236,799
2031	1,084,469	85,000	64,105	149,105	1,233,574
2032	1,086,913	85,000	62,405	147,405	1,234,318
2033	1,087,684	85,000	60,705	145,705	1,233,389
2034	1,086,756	90,000	58,955	148,955	1,235,711
2035	1,088,328	90,000	57,110	147,110	1,235,438
2036	1,088,650	90,000	55,220	145,220	1,233,870
2037	1,133,469	45,000	53,803	98,803	1,232,271
2038	1,140,625	40,000	52,910	92,910	1,233,535
2039	1,145,850	35,000	52,123	87,123	1,232,973
2040	1,149,069	35,000	51,388	86,388	1,235,456
2041		1,195,000	38,473	1,233,473	1,233,473
2042		1,220,000	12,963	1,232,963	1,232,963
	$22,002,854	$3,775,000	$1,268,053	$5,043,053	$27,045,907

Average Annual Debt Service (2022/2042)	$ 1,235,457
Maximum Annual Debt Service (2022)	$ 1,240,155

Historical Operations of the Debt Service Fund

The following statement sets forth in condensed form the historical operations of the District's Debt Service Fund. Such information has been prepared based upon information obtained from the District's audited financial statements and other information provided by the District. Reference is made to such statements for further and complete information.

	Fiscal Years Ended September 30,				
	2019	***2018***	***2017***	***2016***	***2015***
Revenues					
Tax Revenues	$1,114,059	$1,162,549	$941,386	$938,852	$1,039,195
Penalty & Interest	32,295	35,671	27,264	25,966	27,245
Investment Income	23,787	16,244	6,420	2,285	713
Total Revenues	$1,170,141	$1,214,464	$975,070	$967,103	$1,067,153
Expenditures					
Principal Retirement	$610,000	$595,000	$615,000	$430,000	$415,000
Interest & Fees	534,511	541,906	395,449	409,208	565,902
Costs of Collection	59,308	63,894	59,844	52,965	43,624
Total Expenditures	$1,203,819	$1,200,800	$1,070,293	$892,173	$1,024,526
Net Revenues (Expense)	($33,678)	$13,664	($95,223)	$74,930	$42,627
Beginning Fund Balance (10-1)	733,868	720,204	644,815	550,958	508,331
Net Cost of Refunding Bonds	0	0	0	18,927	0
Escrowed Interest from Bonds	0	0	170,612	0	0
Ending Fund Balance (9-30)	$700,190	$733,868	$720,204	$644,815	$550,958
Cash & Investments (9-30)	$827,761	$851,132	$846,494	$764,998	$657,894

TAX PROCEDURES

Authority to Levy Taxes

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

Property Tax Code and County-Wide Appraisal Districts

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

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions, if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies and personal effects; certain goods, wares, and merchandise in transit; certain farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually-owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years or older and certain disabled persons, to the extent deemed advisable by the Board of the District. The District may be required to offer such exemptions if a majority of voters approve same at an election. The District would be required to call an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. The District currently grants a $20,000 exemption to residential homesteads of persons 65 years or older and a $20,000 exemption to residential homesteads of certain disabled persons.

Furthermore, the District must grant exemptions to disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces, 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 for the full value of the veteran's residence 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. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. This exemption will also apply 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 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 service member's death and said property was the service member's residence homestead at the time of death. Such exemption may 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 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.

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State to exempt up to twenty percent (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 before July 1. See "TAX DATA." The District currently grants a 20% residential homestead exemption.

Freeport Goods and Goods-in-Transit 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, for tax year 2013 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2012 and subsequent years, such Goods-in-Transit Exemption includes tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit 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.

Tax Abatement

Montgomery County, Texas, may designate all or part of the area within the District as a reinvestment zone. Thereafter, the County and the District, at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. As of September 1, 1999, each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions. To date, Montgomery County, Texas, has not designated any part of the area within the District as a reinvestment zone.

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Tax Code. 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 percent annually regardless of the market value of the property. The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its market value. The Property Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price all 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 some political subdivisions while claiming it as to another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three years for agricultural use and taxes for the previous five years for open space land and timberland.

The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraisal values. The plan must provide for appraisal of all real property in the Appraisal District at least once every three (3) years. It is not known what frequency of 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.

The greater Houston area has experienced multiple extreme severe weather events, including tropical storms and hurricanes in the past several years some of which have resulted in a disaster declaration by the Governor of the State of Texas. See "RISK FACTORS – Recent Extreme Weather Events." When requested by a local taxing unit, such as the District, the Appraisal District is required to complete a reappraisal as soon as practicable of all property damaged in an area that the Governor declares a disaster area. For reappraised property, the taxes are prorated for the year the disaster occurred. The taxing units assess taxes prior to the date the disaster occurred based upon market values as of January 1. Beginning on the date of the disaster and for the remainder of the year, the taxing unit applies its tax rate to the reappraised market value of the property.

District and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units, including the District, may appeal orders of the Appraisal Review Board by filing a timely petition for review in 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. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. 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 one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, may be rejected. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties and interest, if the person requests an installment agreement in writing and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in equal monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) sixty-five (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 continues to accrue during the period of deferral.

Operation and Maintenance Tax Rates

Rollback of Operation and Maintenance Tax Rate

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

Special Taxing Units

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

Developed Districts

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

Developing Districts

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

The District

A determination as to a district's status as a Special Taxing Unit, Developed District or Developing District will be made by the Board on an annual basis, beginning with the 2020 tax rate. For the 2021 tax rate, the District determined it was 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 each taxing unit, including the District, having the power to tax the property. The District's tax lien is on 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 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. 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 two years for residential and agricultural property and six months for commercial property and all other types of property after the purchaser's deed at the foreclosure sale is filed in the county records.

TAX DATA

General

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 Resolution 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 unlimited amount, for operation and maintenance purposes. The Board levied a 2020 tax rate of $0.4376 per $100 of assessed valuation for operation and maintenance purposes and a tax rate of $0.3100 per $100 of assessed valuation for debt service purposes.

Tax Rate Limit

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

Debt Service Tax

The Board covenants in the Bond Resolution to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Bonds.

In the Bond Resolution, the debt service fund is confirmed, and the proceeds from all taxes levied, appraised and collected for payment of the Bonds authorized by the Bond Resolution shall be deposited, as collected.

Maintenance 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. The Board is authorized to levy such a maintenance tax unlimited as to rate or amount. The District levied a 2020 maintenance tax rate of $0.4376 per $100 of assessed valuation for operation and maintenance purposes. Such tax is in addition to taxes which the District is authorized to levy for paying principal and interest on the District's bonds.

Tax Exemption

As discussed in the section titled "TAX PROCEDURES" herein, certain property in the District may be exempt from taxation by the District. The District currently grants a 20% homestead exemption of the market value of any residential homesteads from taxation.

Additional Penalties

The District has contracted with a delinquent tax attorney to collect certain delinquent taxes. In connection with that contract, the District can establish an additional penalty of twenty percent (20%) of the tax to defray the costs of collection. This 20% penalty applies to taxes that either: (1) become delinquent on or after February 1 of a year, but not later than June 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.

Tax Collection History

The following table indicates the collection history for taxes assessed by the District:

Tax Year	*Assessed Valuation*	*Debt Rate*	*M&O Rate*	*Total Rate*	*Levy*	*Percent Current*	*Percent Total*	*Yr End Sept 30*	
2005	$83,371,891	$0.4900	$0.3300	$0.8200	$683,805	96.39%	98.08%	2006	
2006	87,632,987	0.4600	0.3600	0.8200	717,951	97.19%	100.97%	2007	
2007	99,417,996	0.4150	0.3600	0.7750	770,489	96.25%	98.13%	2008	
2008	105,952,129	0.3975	0.3775	0.7750	821,129	96.97%	100.95%	2009	
2009	133,080,227	0.4600	0.3150	0.7750	1,035,280	97.96%	99.80%	2010	
2010	116,518,200	0.4350	0.3400	0.7750	938,635	97.90%	98.38%	2011	
2011	128,942,686	0.5000	0.3100	0.8100	1,049,971	98.58%	98.24%	2012	
2012	137,385,136	0.5100	0.3000	0.8100	1,113,288	98.55%	99.53%	2013	
2013	162,049,528	0.5100	0.3000	0.8100	1,289,724	98.34%	100.56%	2014	
2014	202,982,605	0.5100	0.3000	0.8100	1,644,282	98.88%	100.42%	2015	
2015	255,008,569	0.3700	0.3900	0.7600	1,944,087	98.62%	99.06%	2016	
2016	295,588,022	0.3200	0.4400	0.7600	2,248,211	98.71%	99.28%	2017	
2017	316,779,357	0.3650	0.4170	0.7820	2,481,146	98.78%	100.29%	2018	
2018	332,405,729	0.3400	0.4420	0.7820	2,602,540	97.78%	98.40%	2019	
2019	348,687,462	0.3226	0.4276	0.7476	2,620,343	98.30%	99.78%	2020	
2020	360,900,159	0.3100	0.4376	0.7476	2,698,090	97.31%	99.05%	2021	(a)

(a) Collections through June 30, 2021 only.

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per $100 of assessed valuation which would be required to meet certain debt service requirements if no growth in the District's tax base occurs beyond the 2021 Taxable Value ($405,293,757). The calculations assume collection of 98% of taxes levied and the sale of no additional bonds (other than the Bonds) by the District.

Average Annual Debt Service Requirements (2022/2042)	$1,235,457
Tax Rate of $0.312 on the 2021 Taxable Value produces	$1,239,226
Maximum Annual Debt Service Requirements (2022)	$1,240,155
Tax Rate of $0.313 on the 2021 Taxable Value produces	$1,243,198

Principal Taxpayers

The following table, which sets forth the District's principal taxpayers, was provided by the District's Tax Assessor/Collector based upon the 2020 and 2019 certified tax rolls (which reflect ownership of property as of January 1, 2020 and January 1, 2019, respectively) according to the records of the Tax Assessor/Collector:

Name of Taxpayer	*Type of Property*	*2020 Taxable Value*	*% of '20 A.V.*	*2019 Taxable Value*	*% of '19 A.V.*
Sawdust Road Apartments	Apartments	$37,000,000	10.21%	$37,000,000	10.49%
AR--Wyndemere Ltd	Apartments	34,000,000	9.38%	34,000,000	9.64%
WW Sierra Pines LP	Apartments	30,000,000	8.28%	30,000,000	8.51%
CLF Sierra LLC	Office Bldg	26,417,750	7.29%	26,250,000	7.44%
Panther Bend Townhomes	Townhomes	23,200,000	6.40%	23,200,000	6.58%
SR/CLF Sawdust Venture	Office Bldg	19,993,830	5.52%	19,993,830	5.67%
GROC LLC	Land & Improv	6,021,810	1.66%	6,021,810	1.71%
Woodmill Commons LLC	Acreage	5,337,280	1.47%	5,110,810	1.45%
Broadstone Woodmill Crk Flats	Apartments	2,795,330	0.77%	(a)	
Spectrum Gulf Coast LLC	Cable Utility	2,729,560	0.75%	2,486,450	0.70%
PPE SC Investment LLC	Developer	(a)		2,549,440	0.72%
Total--Top Ten		$187,495,560	51.72%	$186,612,340	52.91%

(a) Not among the top ten in this year.

Estimated Overlapping Taxes

Property within the District is subject to taxation by several taxing authorities in addition to the District. Under Texas law, a tax lien attaches to property to secure the payment of all taxes, penalty, and interest for the year, on January 1 of that year. The tax lien on property in favor of the District is on 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.

Taxing Entities	*2020 Tax Rates*
Conroe Independent School District	$1.2125
Lone Star College District	0.1078
Montgomery County	0.4312
Montgomery Co. Emergency Service District No. 14	0.1000
Montgomery Co. Hospital District	0.0588
Overlapping Taxes (a)	$1.9103
The District	0.7476
Total Direct & Overlapping Taxes (a)	$2.6579

(a) A few houses are also located within The Woodlands Township, which levied a $0.2231 tax rate for 2020.

Analysis of Tax Base

Based on information provided to the District by its Tax Assessor/Collector, the following represents the composition of property comprising the tax roll valuations for each of the years indicated:

	2021 Tax Year		***2020 Tax Year***		***2019 Tax Year***	
	Amount	***Percent***	***Amount***	***Percent***	***Amount***	***Percent***
Land	$44,887,390	10.43%	$48,153,880	12.15%	$47,144,560	12.26%
Improvements	373,221,162	86.73%	335,738,272	84.73%	323,314,312	84.08%
Personal	12,232,930	2.84%	12,374,567	3.12%	14,078,693	3.66%
Total Appraised Value	$430,341,482	100.00%	$396,266,719	100.00%	$385,537,575	100.00%
Less: Exemptions	(37,607,092)		(35,006,513)		(34,153,233)	
Total Taxable Value	$392,734,390		$361,260,206		$351,384,342	

	2018 Tax Year		***2017 Tax Year***		***2016 Tax Year***	
	Amount	***Percent***	***Amount***	***Percent***	***Amount***	***Percent***
Land	$47,316,820	13.01%	$39,469,350	11.33%	$35,139,100	10.79%
Improvements	301,794,040	82.95%	296,265,100	85.04%	276,277,330	84.87%
Personal	14,715,445	4.04%	12,643,767	3.63%	14,123,464	4.34%
Total Appraised Value	$363,826,305	100.00%	$348,378,217	100.00%	$325,539,894	100.00%
Less: Exemptions	(31,374,763)		(31,598,860)		(29,951,872)	
Total Taxable Value	$332,451,542		$316,779,357		$295,588,022	

Note: Values shown above may reflect original certified amounts and may differ from those shown elsewhere herein.

Strategic Partnership Agreement – Limited Purpose Annexation by City of Houston

The District entered into a Strategic Partnership Agreement ("SPA") with the City of Houston ("Houston") effective as of December 9, 2015 whereby the tracts of land containing commercial development were annexed into Houston for the limited purpose of applying certain of Houston's Planning, Zoning, Health and Safety Ordinances to the commercial businesses. Houston imposes a Sales and Use Tax within the annexed tracts on the receipts from the sales and use at retail of taxable items at the rate of one percent or such other rate as may be imposed by Houston from time to time. Under the SPA, one-half or 50% of the sales tax revenue generated by the commercial business will be paid to the District, and the District can use the sales tax for any purpose for which the District is lawfully authorized. Neither the District nor any owners of taxable property in the District is liable for any present or future debts of Houston and current and future ad valorem taxes levied by Houston will not be levied on taxable property in the District.

In consideration of the services provided by Houston, in lieu of full purpose annexation, the District is required to pay Houston an annual fee of $100 on each anniversary of the date the SPA was approved by the City Council of Houston.

Under the SPA Houston agrees that it will not annex all or part of the District for a period of thirty years. See "THE BONDS–Annexation and Consolidation."

The Bonds are not obligations of Houston and the SPA does not obligate Houston, either directly or indirectly to pay the principal of and interest on the Bonds.

The following is an analysis of the collection history of the SPA revenues received from Houston for the years indicated:

Ad Valorem Taxation Comparisons

Fiscal Year Ended 9/30	*SPA Receipts*	*Equivalent Tax Year*	*Tax Rate Equivalent*	*% of Adjusted Tax Levy*
2016	$542	2015	$0.0002	0.03%
2017	2,040	2016	0.0007	0.09%
2018	18,673	2017	0.0059	0.75%
2019	24,645	2018	0.0074	0.95%
2020	31,690	2019	0.0090	1.21%

THE SYSTEM

Regulation

The water, wastewater and drainage facilities (the "System") financed by the District have been designed in accordance with accepted engineering practices and the requirements of certain governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities including, among others, the TCEQ, Montgomery County, Texas, the San Jacinto River Authority, Lone Star Groundwater Conservation District and Houston. During construction, facilities are subject to inspection by the District's Engineer, the foregoing governmental agencies and by the TCEQ.

Operation of the System is subject to regulation by, among others, the Environmental Protection Agency, the TCEQ, Montgomery County, Texas and Houston. Withdrawal of groundwater and the issuance of water well permits is subject to the regulatory authority of the Lone Star Groundwater Conservation District. In many cases, regulations promulgated by these agencies have become effective only recently and are subject to further development and revision.

Description of the System

The water system consists of two water plants and a 2-inch through 12-inch distribution system. The two plant facilities consist of three water wells, one 250,000 gallon elevated storage tank, one 800,000 gallon ground storage tank, booster pump capacity totaling 2,000 gallons per minute, a 290 kw generator and a 325 kw generator and necessary control and electrical facilities.

The wastewater system consists of a 950,000 gallon per day wastewater treatment plant, a wastewater collection system with piping ranging in size from 6-inches up to 24-inches and five lift stations with automatic auxiliary power, including two portable generators. The treatment plant is equipped with influent screening equipment, grit removal, aerated biological treatment, clarifiers and an effluent chorine disinfection chamber. Sludge is treated on site through a bio solids handling facility consisting of an Ashbrook Belt Filter Press.

While all drainage improvements have been provided by developers, the District has not assumed ownership or maintenance of such facilities. Within the Woodmill Creek development, specific drainage improvements have been acquired by the District and maintained.

Rate Order

The District's utility rate order, subject to change from time to time by the Board, is summarized in part below and was adopted July 20, 2021:

-Water Rates (a) (b)-

First 6,000 gallons	$16.83 (minimum)
Next 4,000 gallons	$2.78 per 1,000 gallons
Next 9,000 gallons	$2.88 per 1,000 gallons
Next 10,000 gallons	$2.98 per 1,000 gallons
Next 10,000 gallons	$3.08 per 1,000 gallons
Next 10,000 gallons	$3.58 per 1,000 gallons
Next 10,000 gallons	$4.08 per 1,000 gallons
Next 10,000 gallons	$4.33 per 1,000 gallons
Next 10,000 gallons	$4.58 per 1,000 gallons
Next 10,000 gallons	$4.83 per 1,000 gallons
90,000 gallons and thereafter	$5.08 per 1,000 gallons

-Sewer Rates (b)-

First 10,000 gallons	$45.58 (minimum)
Over 10,000 gallons	$0.50 per 1,000 gallons

(a) All customers are billed an additional charge equal to 110% of the pumpage fee rate charged by the San Jacinto River Authority ("SJRA") for groundwater pumped by the District, which charge by the SJRA is currently $2.73 per 1,000 gallons. In addition, an additional fee of $0.137 is also added to the water bill as a "Regional Fee," intended to offset charges imposed upon the District by the Lone Star Groundwater Conservation District. Either or both of these charges may increase in the future.
(b) Multi-Family buildings shall be charged a minimum bill for each unit, whether occupied or not, at the rates of $16.83 for water and $27.75 for sewer.

Historical Operations of the General Fund

The following statement sets forth in condensed form the historical operations of the District's General Fund. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Such information has been prepared based upon information obtained from the District's audited financial statements (except for the nine-month period ended June 30, 2021, which was taken from District records), to which reference is hereby made for further and complete information.

	10/1/20 to		*Fiscal Years Ended September 30*			
	6/30/21(a)	*2020*	*2019*	*2018*	*2017*	*2016*
Revenues						
Property Taxes	$1,560,816	$1,498,575	$1,446,866	$1,325,860	$1,290,534	$987,042
Water Service	674,781	1,000,721	889,431	922,767	851,118	693,643
Sewer Service	855,353	1,081,029	1,142,616	928,388	891,606	764,760
Tap Fees	6,975	51,237	134,010	6,300	1,825	26,000
Other Revenues	153,351	185,354	247,943	217,589	339,117	142,293
Total Revenues	$3,251,277	$3,816,916	$3,860,866	$3,400,904	$3,374,200	$2,613,738
Expenditures						
Personnel	$620,341	$711,641	$676,360	$622,623	$603,352	$605,516
Professional Fees	270,998	168,928	204,723	117,385	118,739	120,515
Contracted Services	190,199	265,081	227,109	222,815	218,543	228,770
Utilities	146,890	159,717	170,106	170,160	154,095	156,814
Repairs & Maintenance.	381,336	922,453	800,380	612,491	633,162	472,608
Other Expenditures	949,228	960,779	739,702	736,848	749,919	568,101
Total Expenditures	$2,558,991	$3,188,599	$2,818,380	$2,482,322	$2,477,810	$2,152,324
Net Revenues	$692,285	$628,317	$1,042,486	$918,582	$896,390	$461,414
Beginning Fund Balances		4,034,143	3,106,858	2,395,326	1,529,715	1,769,069
Capital Improvements	(19,000)	(864,854)	(115,201)	(207,050)	(139,555)	(700,768)
Transfers		(111,124)	0	0	108,776	0
Year-End Fund Balance		$3,686,482	$4,034,143	$3,106,858	$2,395,326	$1,529,715
Cash/Inv at Year-End (b)		$3,550,978	$3,558,399	$2,588,328	$1,802,221	$1,228,791
Percent of Ann Expenses		111.36%	126.26%	104.27%	72.73%	57.09%
Active Water Connections		1,178	1,156	1,129	1,101	1,099

(a) Unaudited; taken from District records.
(b) Net of security deposits.

RISK FACTORS

General

The Bonds, which are obligations of the District and are not obligations of the State of Texas, Montgomery County, Texas, Houston or any other political subdivision, will be secured primarily by a continuing, direct, annual ad valorem tax, without legal limitation as to rate or amount, levied on all taxable property within the District. The ultimate security for payment of the principal of and interest on the Bonds depends on the ability of the District to collect from the property owners within the District 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. At this point in the development of the District, the potential increase in taxable values of property is directly related to the demand for residential and commercial development, not only because of general economic conditions, but also due to particular factors discussed below.

Hurricane Harvey

The Houston area, including Montgomery County, Texas, sustained widespread wind and rain damage and flooding as a result of Hurricane Harvey's landfall along the Texas gulf coast on August 25, 2017 and historic levels of rainfall during the succeeding four days. According to the District, approximately 204 homes within the District were flooded, two of which were bought out by Montgomery County, Texas and one of which is still vacant. Additionally, two lift stations were off-line for approximately 24 hours and some electrical components were replaced due to high water, but with no interruption of water or wastewater service during Hurricane Harvey.

Recent Extreme Weather Events

The greater Houston area, including the District, is subject to occasional severe weather events, including tropical storms and hurricanes. If the District were to sustain damage to its facilities requiring substantial repair or replacement, or if substantial damage were to occur to taxable property within the District as a result of such a weather event, the investment security of the Bonds could be adversely affected.

The greater Houston area, including the District, has experienced four storms exceeding a 0.2% probability (i.e."500-year flood" events) since 2015.

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

Specific Flood Type Risks

The District is subject to the following types of flood risks:

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

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

Coastal (or Storm Surge) Flood: Coastal, or storm surge, flooding occurs when sea levels or water levels in estuarial rivers, bayous and channels rise to abnormal levels in coastal areas, over and above the regular astronomical tide, caused by forces generated from a severe storm's wind, waves and low atmospheric pressure. Storm surge is extremely dangerous because it is capable of flooding large swaths of coastal property and causing catastrophic destruction. This type of flooding may be exacerbated when storm surge coincides with a normal high tide.

Economic Factors and Interest Rates

A substantial percentage of the taxable value of the District results from the current market value of single-family residences and of developed lots which are currently being marketed by the Developer for sale to homebuilders for the construction of primary residences. The market value of such homes and lots is related to general economic conditions in Houston, the State of Texas and the nations and those conditions can affect the demand for residences. Demand for lots of this type and the construction of residential dwellings thereon can be significantly affected by factors such as interest rates, credit availability (see "Credit Market and Liquidity in the Financial Markets," below), construction costs and the prosperity and demographic characteristics of the urban center toward which the marketing of lots is directed. Decreased levels of construction activity would tend to restrict the growth of property values in the District or could adversely impact such values.

Credit Markets and Liquidity in the Financial Markets

Interest rates and the availability of mortgage and development funding have a direct impact on the construction activity, particularly short-term interest rates at which developers are able to obtain financing for development costs. Interest rate levels may affect the ability of a landowner with undeveloped property to undertake and complete construction activities within the District. Because of the numerous and changing factors affecting the availability of funds, particularly liquidity in the national credit markets, the District is unable to assess the future availability of such funds for continued construction within the District. In addition, since the District is located approximately 30 miles from the central downtown business district of Houston, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the Houston metropolitan and regional economies and national credit and financial markets. A downturn in the economic conditions of Houston and decline in the nation's real estate and financial markets could adversely affect development plans in the District and restrain the growth of the District's property tax base.

National Economy

The Houston area, which includes the District, has experienced reduced levels of home construction. The District cannot predict what impact, if any, a continued or renewed downturn in the local and national housing and financial markets may have on the Houston area market and specifically, the District.

Factors Affecting Taxable Values and Tax Payments

Economic Factors*:* The growth of taxable values in the District is directly related to the vitality of the housing development and commercial building industry in the Houston metropolitan area. The housing and building industry has historically been a cyclical industry, affected by both short and long-term interest rates, availability of mortgage and development funds, labor conditions and general economic conditions. During the late 1980's, an oversupply of single-family residential housing in the Houston metropolitan market and the general downturn in the Houston economy adversely affected the local residential development and construction industries. In addition to a decline in housing demand, mortgage foreclosure by private banks and government and financial institutions depressed housing prices and the value of residential real estate in the Houston metropolitan area. The Houston economy is still somewhat dependent on energy prices and a precipitous decline in such prices could result in additional adverse effects on the Houston economy.

Maximum Impact on District Rates: Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of District property owners to pay their taxes. The 2021 taxable value is $405,293,757. See "TAX DATA." After issuance of the Bonds, the maximum annual debt service requirement on the Bonds and the Outstanding Bonds (2042) is $1,240,155 and the average annual debt service requirements on the Bonds and the Outstanding Bonds (2022/2042) is $1,235,457. Assuming no increase or decrease from the above valuation and no use of funds other than tax collections, tax rates of $0.313 and $0.312 per $100 assessed valuation at a 98% collection rate against the 2021 taxable value, respectively, would be necessary to pay such debt service requirements on the maximum annual and average annual debt service requirements. The Board has levied a tax rate of $0.310 for debt service purposes for tax year 2020. See "DISTRICT DEBT--Debt Service Schedule" and the note following "TAX DATA--Tax Rate Calculations."

Overlapping Tax Rates

Consideration should be given to the total tax burden of all overlapping jurisdictions imposed upon property located within the District as contrasted with property located in comparable real estate developments to gauge the relative tax burden on property within the District. The combination of the District's and the overlapping taxing entities' tax rates is higher than the combined tax rates levied upon certain other comparable developments in the market area.

Consequently, an increase in the District's tax rate above those anticipated above may have an adverse impact on future development or the construction of additional taxable improvements in the District. See "DISTRICT DEBT--Estimated Overlapping Debt" and "TAX DATA--Estimated Overlapping Taxes."

Tax Collection Limitations

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) collection procedures, (b) a bankruptcy court's stay of tax collection procedures against a taxpayer, or (c) market conditions limiting the proceeds from a foreclosure sale of taxable property. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. Because ownership of the land within the District may become highly fragmented among a number of taxpayers, attorney's fees and other costs of collecting any such taxpayer's delinquencies could substantially reduce the net proceeds to the District from a tax foreclosure sale. Finally, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes against such taxpayer.

Registered Owners' Remedies

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Resolution, or defaults in the observation or performance of any other covenants, conditions or obligations set forth in the Bond Resolution, the registered owners have the statutory right of a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations or conditions prescribed in the Bond Resolution. Except for mandamus, the Bond Resolution does not specifically provide for remedies to protect and enforce the interests of the registered owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages, so that in the absence of other waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the Bond Resolution may not be reduced to a judgment for money damages. If such judgment against the District were obtained, it could not be enforced by direct levy and execution against the District's property. Further, the registered owners cannot themselves foreclose on the property of the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the registered owners may further be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District.

Bankruptcy Limitation to Registered Owners' Rights

The enforceability of the rights and remedies of Registered Owners may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Subject to the requirements of Texas law discussed below, a political subdivision such as the District may voluntarily file a petition for relief from creditors under Chapter 9 of the Federal Bankruptcy Code, 11 USC sections 901-946. The filing of such petition would automatically stay the enforcement of Registered Owner's 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 subdivisions.

If a petitioning district were allowed to proceed voluntarily under Chapter 9 of the Federal Bankruptcy Code, it could file a plan for an adjustment of its debts. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect 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.

Environmental Regulation and Air Quality

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

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

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

Air Quality Issues. Air quality control measures required by the United States Environmental Protection Agency (the "EPA") and the Texas Commission on Environmental Quality (the "TCEQ") may impact new industrial, commercial and residential development in the Houston area. Under the Clean Air Act ("CAA") Amendments of 1990, the eightcounty Houston Galveston area ("HGB area") – Harris, Galveston, Brazoria, Chambers, Fort Bend, Waller, Montgomery and Liberty counties – has been designated a nonattainment area under three separate federal ozone standards: the one-hour (124 parts per billion ("ppb") and eight-hour (84 ppb) standards promulgated by the EPA in 1997 (the "1997 Ozone Standards"); the tighter, eight-hour ozone standard of 75 ppb promulgated by the EPA in 2008 (the "2008 Ozone Standard"), and the EPA's most-recent promulgation of an even lower, 70 ppb eight-hour ozone standard in 2015 (the "2015 Ozone Standard"). While the State of Texas has been able to demonstrate steady progress and improvements in air quality in the HGB area, the HGB area remains subject to CAA nonattainment requirements.

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

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

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

The HGB Area is currently designated as a "marginal" nonattainment area under the 2015 Ozone Standard, with an attainment deadline of August 3, 2021. For purposes of the 2015 Ozone Standard, the HGB Area consists of only six (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 has established a state implementation plan ("SIP") for the HGB Area setting emission control requirements, some of which regulate the inspection and use of automobiles. These types of measures could impact how people travel, what distances people are willing to travel, where people choose to live and work, and what jobs are available in the HGB Area. These SIP requirements can negatively impact business due to the additional permitting/regulatory constraints that accompany this designation and because of the community stigma associated with a nonattainment designation. It is possible that additional controls will be necessary to allow the HGB Area to reach attainment with the ozone standards by the EPA's attainment deadlines. These additional controls could have a negative impact on the HGB Area's economic growth and development.

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

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

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

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

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

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

On January 23, 2020, the EPA and USACE released the Navigable Waters Protection Rule ("NWPR"), which contains a new definition of "waters of the United States." The stated purpose of the NWPR is to restore and maintain the integrity of the nation's waters by maintaining federal authority over the waters Congress has determined should be regulated by the federal government, while preserving the states' primary authority over land and water resources. The new definition outlines four (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 existing and possible future litigation, there remains uncertainty regarding the ultimate scope of "waters of the United States" and the extent of EPA and USACE jurisdiction. Depending on the final outcome of such proceedings, operations of municipal utility districts, including the District, could potentially be subject to additional restrictions and requirements, including additional permitting requirements.

Future Debt

Following sale of the Bonds, the District will have no authorized but unissued combination unlimited tax bonds remaining. The District has called a $33,550,000 bond election for November 2, 2021, which includes $2,000,000 in refunding bonds.. The District has the right to issue such bonds and such additional bonds as may hereafter be approved by both the Board and voters of the District.

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

Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting State business or any order or rule of a State agency that would in any way prevent, hinder, or delay necessary action in coping with 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 the State. 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 State-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, Governor Abbott issued Executive Order GA-36, which supersedes Executive Order GA-34 in part. Executive GA-36 prohibits governmental entities in the State, 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 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.

The 2021 Legislative Session

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

Future and Proposed Legislation

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under Federal or state law and could affect the market price or marketability of the Bonds. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters. See "TAX PROCEDURES" for a description of recent Texas legislation that limits the District's ability to set its operations and maintenance tax rates.

Continuing Compliance with Certain Covenants

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

Marketability

The District has no understanding (other than the initial reoffering yields) with the Underwriter regarding the reoffering yields or prices of the Bonds and has no control over 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 other bonds which are more generally bought, sold or traded in the secondary market. See "SALE AND DISTRIBUTION OF THE BONDS–Prices and Marketability."

Approval of the Bonds

The Attorney General of Texas must approve the legality of the Bonds prior to their delivery. The Attorney General, however, does not pass upon or guarantee the security of the Bonds as an investment, nor has the Attorney General passed upon the adequacy or accuracy of the information contained in this Official Statement.

LEGAL MATTERS

The District will furnish the Underwriter a transcript of certain certified proceedings held incident to the authorization and issuance of the Bonds, including a certified copy of the approving opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Bonds are valid and legally binding obligations of the District. The District will also furnish the legal opinion of Michael A. Cole, P.C, Bond Counsel, to the effect that, based upon an examination of such transcript, the Bonds are legal, valid and binding obligations of the District. Issuance of the Bonds is also subject to the legal opinion of Bond Counsel to the effect that interest on the Bonds is excludable from gross income for federal income tax purposes under existing statutes, regulations, published rulings and court decisions as described below under "TAX MATTERS." Such opinions will express no opinions with respect to the sufficiency of the security for or the marketability of the Bonds.

Legal Review

Bond Counsel has reviewed the information appearing in this Official Statement under the sections captioned: "THE BONDS" (except the subsection "--Book-Entry-Only System"), "THE DISTRICT–Description," "TAX PROCEDURES--Authority to Levy Taxes," "LEGAL MATTERS - Legal Opinions," "LEGAL MATTERS–Legal Review," "TAX MATTERS–Tax Exemption" and "CONTINUING DISCLOSURE OF INFORMATION" (except the subsection "--Compliance with Prior Undertakings") solely to determine whether such information fairly summarizes matters of law with respect to the provisions of the documents referred to therein. Bond Counsel has not, however, independently verified any of the factual information contained in this Official Statement, nor has it conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon Bond Counsel's limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of any of the information contained herein, other than the matters discussed immediately above.

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

No-Litigation Certificate

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

No Material Adverse Change

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

Legal Opinions

Issuance of the Bonds is subject to the approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and binding obligations of the District secured by the proceeds of an ad valorem tax levied, without limit as to rate or amount, upon all taxable property in the District and, based upon examination of the transcript of the proceedings incident to authorization and issuance of the Bonds, the legal opinion of Bond Counsel to the effect that (1) the Bonds are valid and legally binding obligations of the District payable from the sources and enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity, and (2) are payable from annual ad valorem taxes, which are not limited by applicable law in rate or amount, levied against all property within the District which is not exempt from taxation by or under applicable law. The Attorney General of Texas does not guarantee or pass upon the safety of the Bonds as an investment or upon the adequacy of the information contained in this Official Statement. Bond Counsel's opinion will address the matters described below under "TAX MATTERS."

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, as amended (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 Beneficial 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 legislative 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.

Qualified Tax-Exempt Obligations for Financial Institutions

The District will designate the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3)(B) of the Internal Revenue Code of 1986, as amended. Pursuant to that section of the Code, a qualifying financial institution will be allowed a deduction from its own federal corporate income tax for the portion of interest expense the financial institution is able to allocate to designated "bank-qualified" investments.

CONTINUING DISCLOSURE OF INFORMATION

The District, in the Bond Resolution, has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to certain information vendors. This information will be available free of charge from the Municipal Securities Rule Making Board ("MSRB") via the Electronic Municipal Market Access ("EMMA") system at www.emma.msrb.org.

Annual Reports

The District will provide certain updated financial information and operating data to certain information vendors annually. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under the headings "SUMMARY–Financial

Highlights;" "THE DISTRICT–Development of the District;" "DISTRICT DEBT–Estimated Overlapping Debt" and "–Historical Operations of the Debt Service Fund;" "TAX DATA–Tax Collection History," "–Principal Taxpayers," "–Estimated Overlapping Taxes," "–Analysis of Tax Base,"and "–Tax Rate Calculations;" "THE SYSTEM–Historical Operations of the General Fund; and "APPENDIX A–Financial Statements of the District."

The District will update and provide this information within six months after the end of each of its fiscal years ending in or after 2021. The District will provide the updated information to the MSRB or any successor to its functions as a repository through its EMMA system. Any information concerning the District so provided shall be prepared in accordance with generally accepted auditing standards 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 of the District is not complete within such period, then the District shall provide unaudited financial statements for the applicable entity and fiscal year to the MSRB within such six month period, and audited financial statements when the audit report becomes available.

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

Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of CFR §240.15c2-12 (the "Rule"); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person within the meaning of the Rule, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person within the meaning of the Rule, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person within the meaning of the Rule, any of which reflect financial difficulties. The term "material" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Resolution makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports."

For these purposes, any event described in (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District; and the District intends the words used in the immediately preceding paragraphs (15) and (16) and the definition of Financial Obligation in this subcaption to have the same meanings as when they are used in the Rule, as evidenced by United States Securities and Exchange Commission Release No. 34-83885, dated August 20, 2018 (the "2018 Release") and any further written guidance provided by the United States Securities and Exchange Commission or its staff with respect to the amendment to the Rule effected by the 2018 Release.

Availability of Information From EMMA

Investors will be able to access continuing disclosure information filed with the MSRB at www.emma.msrb.org. The District has agreed in the Bond Resolution to provide the foregoing information only to the MSRB through EMMA. The information will be available to holders of Bonds only if the holders comply with the procedures of the MSRB or obtain the information through securities brokers who do so.

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 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 of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

The District may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status or type of operations of the District, if but only if (1) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as any changed circumstances, and (2) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any qualified professional 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. 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 under "Annual Reports," an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating so provided. The District may also amend or repeal the agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgement that such provisions of the Rule are invalid, and the District also may amend its continuing disclosure agreement in its discretion in any other manner or circumstance, but in either case only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds.

Compliance with Prior Undertakings

During the last five years, the District has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule.

PREPARATION OF OFFICIAL STATEMENT

General

The information contained in this Official Statement has been obtained primarily from the District's records, the District's Engineer, the Appraisal District, the District's Tax Assessor/Collector and other sources believed to be reliable. The District, however, makes no representation as to the accuracy or completeness of the information derived from such sources. The summaries of the statutes, resolutions, orders, agreements and engineering and other related reports set forth in this Official Statement are included herein subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents for further information.

Consultants

The information contained in this Official Statement relating to the physical characteristics of the District and engineering matters and, in particular, that engineering information included in the sections captioned "THE DISTRICT" and "THE SYSTEM" has been provided by the District's Engineer and has been included herein in reliance upon the authority of such firm as experts in the field of civil engineering.

The information contained in this Official Statement relating to assessed valuations of property generally and, in particular, that information concerning historical breakdown of District valuations, principal taxpayers and collection rates contained in the sections captioned "TAX DATA" and "DISTRICT DEBT" has been provided by the Appraisal District and the District's Tax Assessor/Collector and has been included herein in reliance upon their authority as experts in the field of tax assessing and collecting.

The financial statements contained in "APPENDIX A–Financial Statements of the District" have been included in reliance upon the accompanying report of the District's Auditor.

Updating the Official Statement

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

Certification of Official Statement

The District, acting through the Board in its official capacity, hereby certifies, as of the date hereof, that the information, statements and descriptions pertaining to the District and its affairs contained herein, to the best of its knowledge and belief, 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 are made, not misleading. With respect to information included in this Official Statement other than that relating to the District, the Board has no reason to believe that such information contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements herein, in light of the circumstances under which they are made, not misleading; however, the Board can give no assurance as to the accuracy or completeness of the information derived from sources other than the District. This Official Statement is duly certified and approved by the Board of Directors of Montgomery County Water Control & Improvement District No. 1 as of the date specified on the first page hereof.

/s/ Jim Jacobs
President, Board of Directors
Montgomery County Water Control & Improvement District No. 1

ATTEST:

/s/ Christine Rife
Secretary, Board of Directors
Montgomery County Water Control & Improvement District No. 1

MONTGOMERY COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

MONTGOMERY COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2020

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

MONTGOMERY COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

MONTGOMERY COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2020

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McCALL GIBSON SWEDLUND BARFOOT PLLC
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Montgomery County Water Control
and Improvement District No. 1
Montgomery County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Montgomery County Water Control and Improvement District No. 1 (the "District"), as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Board of Directors
Montgomery County Water Control
and Improvement District No. 1

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 September 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and 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

January 19, 2021

MONTGOMERY COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Management's discussion and analysis of Montgomery County Water Control and Improvement District No. 1's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended September 30, 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 outflows and inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

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

FUND FINANCIAL STATEMENTS

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

FUND FINANCIAL STATEMENTS (Continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities by $5,460,163 as of September 30, 2020.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2020	2019	Change Positive (Negative)
Current and Other Assets	$ 4,881,590	$ 5,493,683	$ (612,093)
Capital Assets (Net of Accumulated Depreciation)	24,025,771	23,635,790	389,981
Total Assets	$ 28,907,361	$ 29,129,473	$ (222,112)
Deferred Outflows of Resources	$ 646,861	$ 707,224	$ (60,363)
Due to Developer	$ 7,229,419	$ 7,229,419	$
Long-Term Liabilities	16,478,705	17,092,077	613,372
Other Liabilities	385,935	332,631	(53,304)
Total Liabilities	$ 24,094,059	$ 24,654,127	$ 560,068
Net Position:			
Net Investment in Capital Assets	$ 964,582	$ 346,133	$ 618,449
Restricted	734,116	722,680	11,436
Unrestricted	3,761,465	4,113,757	(352,292)
Total Net Position	$ 5,460,163	$ 5,182,570	$ 277,593

The following table provides a summary of the District's operations for the years ended September 30, 2020, and September 30, 2019.

	Summary of Changes in the Statement of Activities		
	2020	2019	Change Positive (Negative)
Revenues:			
Property Taxes	$ 2,615,955	$ 2,592,480	$ 23,475
Charges for Services	2,178,934	2,051,957	126,977
Other Revenues	239,512	401,644	(162,132)
Total Revenues	$ 5,034,401	$ 5,046,081	$ (11,680)
Expenses for Services	4,756,808	4,359,304	(397,504)
Change in Net Position	$ 277,593	$ 686,777	$ (409,184)
Net Position, Beginning of Year	5,182,570	4,495,793	686,777
Net Position, End of Year	$ 5,460,163	$ 5,182,570	$ 277,593

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Property tax revenues in the current fiscal year totaled $2,615,955. Property tax revenue is derived from taxes being levied based upon the assessed value of real and personal property within the District. Property taxes levied for the 2019 tax year (September 30, 2020 fiscal year) were based upon a current assessed value of $350,384,342 and a tax rate of $0.7476 per $100 of assessed valuation. Property taxes levied for the 2018 tax year (September 30, 2019 fiscal year) were based upon an adjusted assessed value of $332,805,764 and a tax rate of $0.782 per $100 of assessed valuation.

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUND

The District's combined fund balances as of the fiscal year ended September 30, 2020, were $4,371,104, a decrease of $687,844 from the prior year.

The General Fund fund balance decreased by $347,661, primarily due to service expenses, capital outlay and a transfer to the Capital Projects Fund exceeding service and property tax revenue.

The Debt Service Fund fund balance decreased by $15,642, due to the structure of the District's outstanding debt service requirements.

The Capital Projects Fund fund balance decreased by $324,541, primarily due to the use of bond proceeds received in a prior fiscal year.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors did not amend the budget during the current fiscal year. Actual revenues were $442,116 more than budgeted; primarily due to higher than anticipated water and wastewater service operations and property tax revenues. Actual expenditures were $678,653 more than budgeted, primarily due higher than anticipated maintenance and repair and personnel costs.

CAPITAL ASSETS

Capital assets as of September 30, 2020, total $24,025,771 (net of accumulated depreciation) and include land, buildings and equipment as well as the water, wastewater and drainage systems. Significant capital asset activity during the current fiscal year includes the purchase of a Kubota Excavator, garage improvements, park bathrooms, sanitary sewer rehabilitation, phase I, influent lift station and headworks improvements and elevated storage tank rehabilitation.

CAPITAL ASSETS (Continued)

Capital Assets At Year-End, Net of Accumulated Depreciation

	2020	2019	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	$ 1,206,953	$ 1,206,953	$
Construction in Progress	487,667	911,776	(424,109)
Capital Assets, Net of Accumulated Depreciation:			
Water System	3,469,153	3,309,676	159,477
Wastewater System	14,193,079	13,699,844	493,235
Drainage	4,366,747	4,475,655	(108,908)
Buildings, Equipment and Improvements	302,172	31,886	270,286
Total Net Capital Assets	$ 24,025,771	$ 23,635,790	$ 389,981

LONG-TERM DEBT ACTIVITY

At the end of the current fiscal year, the District had total bond debt payable of $16,695,000. The changes in the debt position of the District during the fiscal year ended September 30, 2020, are summarized as follows:

Bond Debt Payable, October 1, 2019	$ 17,320,000
Less: Bond Principal Paid	625,000
Bond Debt Payable, September 30, 2020	$ 16,695,000

The District's bonds carry an underlying rating of "A3" from Moody's. The District's Series 2013 bonds and the Series 2016 Refunding bonds carry an insured rating of "AA" by virtue of bond insurance issued by Assured Guaranty Municipal Corp. and the Series 2017 bonds carry an insured rating of "AA" by virtue of bond insurance issued by Build America Mutual Assurance Company.

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Montgomery County Water Control and Improvement District No. 1, Michael A. Cole, P.C., 5120 Bayard Lane, Houston, Texas 77006.

MONTGOMERY COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2020

	General Fund	Debt Service Fund
ASSETS		
Cash	$ 160,592	$ 66,004
Investments	3,545,407	741,114
Receivables:		
Property Taxes	50,687	46,225
Penalty and Interest on Delinquent Taxes		
Service Accounts	190,261	
Other	11,116	
Due from Other Funds	122,570	
Prepaid Costs		
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	$ 4,080,633	$ 853,343
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charges on Refunding Bonds	$ -0-	$ -0-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 4,080,633	$ 853,343

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
$ 74	$ 226,670	$	$ 226,670
	4,286,521		4,286,521
	96,912		96,912
		45,814	45,814
	190,261		190,261
	11,116		11,116
	122,570	(122,570)	
		24,296	24,296
		1,206,953	1,206,953
		487,667	487,667
		22,331,151	22,331,151
$ 74	$ 4,934,050	$ 23,973,311	$ 28,907,361
$ -0-	$ -0-	$ 646,861	$ 646,861
$ 74	$ 4,934,050	$ 24,620,172	$ 29,554,222

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

MONTGOMERY COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2020

	General Fund	Debt Service Fund
LIABILITIES		
Accounts Payable	$ 185,396	$
Accrued Interest Payable		
Due to Developer		
Due to Other Funds		122,570
Due to Voluntary Services	3,047	
Security Deposits	155,021	
Long-Term Liabilities:		
Due Within One Year		
Due After One Year		
TOTAL LIABILITIES	$ 343,464	$ 122,570
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	$ 50,687	$ 46,225
FUND BALANCES		
Restricted for Authorized Construction	$	$
Restricted for Debt Service		684,548
Unassigned	3,686,482	
TOTAL FUND BALANCES	$ 3,686,482	$ 684,548
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 4,080,633	$ 853,343
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
$	$ 185,396	$	$ 185,396
		42,471	42,471
		7,229,419	7,229,419
	122,570	(122,570)	
	3,047		3,047
	155,021		155,021
		640,000	640,000
		15,838,705	15,838,705
$ -0-	$ 466,034	$ 23,628,025	$ 24,094,059
$ -0-	$ 96,912	$ (96,912)	$ -0-
$ 74	$ 74	$ (74)	$
	684,548	(684,548)	
	3,686,482	(3,686,482)	
$ 74	$ 4,371,104	$ (4,371,104)	$ -0-
$ 74	$ 4,934,050		
		$ 964,582	$ 964,582
		734,116	734,116
		3,761,465	3,761,465
		$ 5,460,163	$ 5,460,163

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

MONTGOMERY COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2020

Total Fund Balances - Governmental Funds		$ 4,371,104
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Prepaid bond insurance in governmental activities is not a current financial resource and, therefore, is not reported as an asset in the governmental funds.		24,296
Interest paid in advance as part of a refunding bond sale is recorded as a deferred outflow in the governmental activities and systematically charged to interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter.		646,861
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		24,025,771
Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2019 and prior tax levies became part of recognized revenue in the governmental activities of the District.		142,726
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	$ (7,229,419)	
Accrued Interest Payable	(42,471)	
Bonds Payable	(16,478,705)	(23,750,595)
Total Net Position - Governmental Activities		$ 5,460,163

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

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MONTGOMERY COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	$ 1,498,575	$ 1,122,530
Water Service	619,171	
Wastewater Service	1,027,779	
Surface Water Revenue	381,550	
Penalty and Interest	12,762	54,940
Sales Tax Revenue	31,690	
Reconnection Fees	2,900	
Septic Service	53,250	
Tap Connection and Inspection Fees	51,237	
Investment and Miscellaneous Revenues	138,002	13,619
TOTAL REVENUES	$ 3,816,916	$ 1,191,089
EXPENDITURES/EXPENSES		
Service Operations:		
Personnel	$ 711,641	$
Professional Fees	168,928	14,974
Contracted Services	265,081	39,409
Utilities	159,717	
Surface Water Fees	408,831	
Repairs and Maintenance	922,453	
Depreciation		
Other	551,948	9,452
Capital Outlay	864,854	
Debt Service:		
Bond Principal		625,000
Bond Interest		517,896
TOTAL EXPENDITURES/EXPENSES	$ 4,053,453	$ 1,206,731
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES	$ (236,537)	$ (15,642)
OTHER FINANCING SOURCES (USES)		
Transfers In(Out)	$ (111,124)	$ -0-
NET CHANGE IN FUND BALANCES	$ (347,661)	$ (15,642)
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - OCTOBER 1, 2019	4,034,143	700,190
FUND BALANCES/NET POSITION - SEPTEMBER 30, 2020	$ 3,686,482	$ 684,548

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
$	$ 2,621,105	$ (5,150)	$ 2,615,955
	619,171		619,171
	1,027,779		1,027,779
	381,550		381,550
	67,702	28,595	96,297
	31,690		31,690
	2,900		2,900
	53,250		53,250
	51,237		51,237
2,951	154,572		154,572
$ 2,951	$ 5,010,956	$ 23,445	$ 5,034,401
$	$ 711,641	$	$ 711,641
	183,902		183,902
	304,490		304,490
	159,717		159,717
	408,831		408,831
	922,453		922,453
		913,293	913,293
196	561,596		561,596
438,420	1,303,274	(1,303,274)	
	625,000	(625,000)	
	517,896	72,989	590,885
$ 438,616	$ 5,698,800	$ (941,992)	$ 4,756,808
$ (435,665)	$ (687,844)	$ 965,437	$ 277,593
$ 111,124	$ -0-	$ -0-	$ -0-
$ (324,541)	$ (687,844)	$ 687,844	$
		277,593	277,593
324,615	5,058,948	123,622	5,182,570
$ 74	$ 4,371,104	$ 1,089,059	$ 5,460,163

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

MONTGOMERY COUNTY WATER CONTROL
AND IMPROVEMENT 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 SEPTEMBER 30, 2020

Net Change in Fund Balances - Governmental Funds	$	(687,844)
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.		(5,150)
Governmental funds report penalty and interest revenue on property taxes when collected. However, in the Statement of Activities, revenue is recorded when penalties and interest are assessed.		28,595
Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.		(913,293)
Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected.		1,303,274
Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Position, bond principal payments are reported as decreases in long-term liabilities.		625,000
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.		(72,989)
Change in Net Position - Governmental Activities	$	277,593

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

MONTGOMERY COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 1. CREATION OF DISTRICT

Montgomery County Water Control and Improvement District No. 1 (the "District") was created by Texas Water Rights Commission, now known as the Texas Commission on Environmental Quality (the "Commission"), effective June 15, 1964, in accordance with the Texas Water Code, Chapter 51. On September 11, 1978, the District converted into a municipal utility district by order of the Texas Water Commission in accordance with the Texas Water Code, Chapter 54. The District operates in accordance with Chapters 49 and 54 of the Texas Water Code and is subject to the continuing supervision of the Commission.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

<u>Financial Statement Presentation</u>

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 financial statements. The fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds

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

General Fund - To account for resources for customer service revenues, costs and general expenditures. The General Fund also includes the revenue for maintenance and operations ad valorem taxes and the cost of assessing and collecting taxes.

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

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

Basis of Accounting

The District uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both “measurable and available.” Measurable means the amount can be determined. Available means collectible 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 collectible 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. As of September 30, 2020, the Debt Service Fund owed the General Fund $122,570 for maintenance tax collections and the General Fund recorded a transfer to the Capital Projects Fund $111,124 for construction costs.

Capital Assets

Capital assets, which 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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

fair market value on the date donated. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Engineering fees and certain other costs are capitalized as part of the asset.

Assets are capitalized, including infrastructure assets, if they have an original cost of $5,000 or more and a useful life of at least two years. Depreciation is calculated on each class of depreciable property using no salvage value and the straight-line method of depreciation. Estimated useful lives are as follows:

	Years
Water System	10-45
Wastewater System	10-45
Drainage System	10-45
Furniture and Equipment	3-20

Budgeting

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

Pensions

The Internal Revenue Service has determined that directors are considered to be "employees" for federal payroll tax purposes only. A pension plan has not been established for the directors. The District does have employees for which a retirement plan was established (see Note 8).

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.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

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

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

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

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

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

Unassigned: all other spendable amounts in the General Fund.

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

Accounting Estimates

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

NOTE 3. LONG-TERM DEBT

	Series 2013
Amount Outstanding – September 30, 2020	$ 2,705,000
Interest Rates	4.00% - 4.75%
Maturity Dates – Serially Beginning/Ending	March 1, 2021/2036
Interest Payment Dates	March 1/ September 1
Callable Dates	March 1, 2021*

	Refunding Series 2016	Series 2017
Amount Outstanding – September 30, 2020	$ 9,080,000	$ 4,910,000
Interest Rates	2.00% - 3.00%	3.00% - 5.00%
Maturity Dates – Serially Beginning/Ending	March 1, 2021/2035	March 1, 2021/2040
Interest Payment Dates	March 1/ September 1	March 1/ September 1
Callable Dates	March 1, 2024*	September 1, 2024*

* Or any date thereafter in such order as the District may determine, callable at par plus unpaid accrued interest in whole or in part at the option of the District. Series 2013 term bonds maturing in March 1, 2026, March 1, 2029, March 1, 2033, and March 1, 2036 are subject to mandatory redemption beginning March 1, 2023, March 1, 2027, March 1, 2030, and March 1, 2034, respectively. Series 2017 term bonds maturing in March 1, 2032 and March 1, 2037 are subject to mandatory redemption beginning March 1, 2028 and March 1, 2033, respectively.

NOTE 3. LONG-TERM DEBT (Continued)

The following is a summary of transactions regarding bonds payable for the year ended September 30, 2020:

	October 1, 2019	Additions	Retirements	September 30, 2020
Bonds Payable	$ 17,320,000	$	$ 625,000	$ 16,695,000
Unamortized Discount	(228,827)		(12,532)	(216,295)
Unamortized Premium	904		904	
Bonds Payable, Net	$ 17,092,077	$ -0-	$ 613,372	$ 16,478,705

Amount Due Within One Year	$ 640,000
Amount Due After One Year	15,838,705
Bonds Payable, Net	$ 16,478,705

As of September 30, 2020, the District had authorized but unissued bonds in the amount of $3,775,000 for utility facilities.

As of September 30, 2020, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2021	$ 640,000	$ 501,731	$ 1,141,731
2022	650,000	485,881	1,135,881
2023	665,000	469,856	1,134,856
2024	685,000	453,381	1,138,381
2025	700,000	436,481	1,136,481
2026-2030	3,760,000	1,901,501	5,661,501
2031-2035	4,345,000	1,314,271	5,659,271
2036-2040	5,250,000	451,301	5,701,301
	$ 16,695,000	$ 6,014,403	$ 22,709,403

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.

For the year ended September 30, 2020, the District levied an ad valorem debt service tax at the rate of $0.320 per $100 of assessed valuation, which resulted in a tax levy of $1,121,602 on the adjusted taxable valuation of $350,384,342 for the 2019 tax year. The bond resolutions require that the District levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 7 for maintenance tax levy.

NOTE 3. LONG-TERM DEBT (Continued)

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 levied around October/November, are due upon receipt and are delinquent the following February 1. Penalty and interest attach thereafter.

NOTE 4. SIGNIFICANT BOND RESOLUTIONS AND LEGAL REQUIREMENTS

The bond resolutions state that all investments and any profits realized from or interest accruing on such investments shall belong to the fund from which the monies for such investments were taken; provided, however, at the discretion of the Board of Directors, the profits realized from and interest accruing on investments made from any fund may be transferred to the Debt Service Fund. In accordance with this provision, the earnings in each fund have been retained by the fund making the investment.

The bond resolutions state that the District is required by the Securities and Exchange Commission to provide continuing disclosure of certain general financial information and operating data with respect to the District to the state information depository. This information, along with the audited annual financial statements, is to be provided within six months after the end of each fiscal year and shall continue to be provided through the life of the bonds.

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

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 $226,670 and the bank balance was $264,584. 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 September 30, 2020, as listed below:

	Cash
GENERAL FUND	$ 160,592
DEBT SERVICE FUND	66,004
CAPITAL PROJECTS FUND	74
TOTAL DEPOSITS	$ 226,670

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.

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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

The District invests in 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 measures all of its portfolio assets at amortized cost. As a result, the District also measures its investments in TexPool at amortized cost for financial reporting purposes. There are no limitations or restrictions on withdrawals from TexPool. As of September 30, 2020, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities of Less Than 1 Year
GENERAL FUND		
TexPool	$3,545,407	$ 3,545,407
DEBT SERVICE FUND		
TexPool	741,114	741,114
TOTAL INVESTMENTS	$4,286,521	$ 4,286,521

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At September 30, 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 positions 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 investments of the Debt Service Fund are restricted for the payment of debt service and the cost of assessing and collecting taxes. All cash and investments of the Capital Projects Fund are restricted for the purchase of capital assets.

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2020:

	October 1, 2019	Increases	Decreases	September 30, 2020
Capital Assets Not Being Depreciated				
Land and Land Improvements	$ 1,206,953	$	$	$ 1,206,953
Construction in Progress	911,776	1,303,274	1,727,383	487,667
Total Capital Assets Not Being Depreciated	$ 2,118,729	$ 1,303,274	$ 1,727,383	$ 1,694,620
Capital Assets Subject to Depreciation				
Water System	$ 9,555,767	$ 343,264	$	$ 9,899,031
Wastewater System	18,491,160	1,083,332		19,574,492
Drainage	4,887,483			4,887,483
Buildings, Equipment and Improvements	313,923	300,787		614,710
Total Capital Assets Subject to Depreciation	$ 33,248,333	$ 1,727,383	$ - 0 -	$ 34,975,716
Less Accumulated Depreciation				
Water System	$ 6,246,091	$ 183,787	$	$ 6,429,878
Wastewater System	4,791,316	590,097		5,381,413
Drainage	411,828	108,908		520,736
Buildings, Equipment and Improvements	282,037	30,501		312,538
Total Accumulated Depreciation	$ 11,731,272	$ 913,293	$ - 0 -	$ 12,644,565
Total Depreciable Capital Assets, Net of Accumulated Depreciation	$ 21,517,061	$ 814,090	$ - 0 -	$ 22,331,151
Total Capital Assets, Net of Accumulated Depreciation	$ 23,635,790	$ 2,117,364	$ 1,727,383	$ 24,025,771

NOTE 7. MAINTENANCE TAX

On August 8, 1992, the voters of the District approved the levy and collection of an unlimited maintenance tax assessed valuation of taxable property within the District. For the year ended September 30, 2020, the District levied an ad valorem maintenance tax rate of $0.4276 per $100 of assessed valuation, which resulted in a tax levy of $1,498,741 on the adjusted taxable valuation of $350,384,342 for the 2019 tax year. This maintenance tax is to be used by the General Fund to pay expenditures of operating and maintaining the District's waterworks and sanitary sewer system.

NOTE 8. PENSION PLAN

Effective June 1, 1997, the District adopted a simplified employee pension plan, which benefits all of the District's employees. During the current fiscal year, the District contributed $44,288 to the plan, which was based on 10 percent of employee's salaries.

NOTE 9. RECREATIONAL FACILITIES

On March 30, 1981, the District entered into a recreational facilities lease contract with Timber Lakes/Timber Ridge Association, Inc. (the "Association"). Under the terms of the contract, the District has the right to use the Association's facilities for the benefit and enjoyment of the residents of Timber Lakes and Timber Ridge and, in turn, is required to pay all expenses associated with the operations of the facilities, including premiums on liability insurance. On March 18, 1991, the Association transferred the property and any improvements to the District. During the current fiscal year, the District incurred operating expenditures of $229,071 related to the recreational facilities.

NOTE 10. LONE STAR GROUNDWATER CONSERVATION DISTRICT

The District is located within the boundaries of the Lone Star Groundwater Conservation District (the "Conservation District"). The Conservation District was created under Article 16, Section 59 of the Texas Constitution by House Bill 2362 (the "Act"), as passed by the 77th Texas Legislature, in 2001. The Conservation District was created to conserve, protect, and enhance the groundwater resources of Montgomery County, Texas.

A nine-member board of directors governs the Conservation District. The directors serve staggered four-year terms. Each director must qualify to serve as director in the manner provided by Section 36.055 of the Water Code.

The Conservation District charges a fee, currently $0.085 per 1,000 gallons, based on the amount of water pumped from a well, to the owner of wells located within the boundaries of the Conservation District, unless exempted. This fee enables the Conservation District to fulfill its purpose and regulatory functions.

NOTE 11. SAN JACINTO RIVER AUTHORITY

On June 28, 2010, the District entered into the Contract for Groundwater Reduction Planning, Alternative Water Supply, and Related Goods and Services with the San Jacinto River Authority (the "Authority"). The District and the Authority operate within the boundaries of Lone Star Groundwater Conservation District (the "Conservation District"). See Note 10. The Authority has developed supplies of surface water that, when taken together with groundwater withdrawals to be permitted by the Conservation District, are reasonably believed to be adequate to satisfy the total

NOTE 11. SAN JACINTO RIVER AUTHORITY (Continued)

water demands of Montgomery County. A surface water treatment and transmission system (the "Project") is proposed to be designed, constructed, operated, and maintained by the Authority in order to provide phased treatment, transmission, and delivery of the Authority's surface water to regulated users for blending with groundwater supplies, so that regulated users may continue to pump groundwater.

The Authority will develop a Groundwater Reduction Plan (the "GRP") for all participants. The Authority charges a fee, currently $2.73 and $3.15 per 1,000 gallons, based on the amount of groundwater and surface water used, respectively. This fee enables the Authority to achieve, maintain and implement the GRP. The term of this contract expires on December 31, 2045. During the current fiscal year, the District recorded an expenditure of $408,831 in relation to this contract.

NOTE 12. 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. The District carries commercial insurance for its fidelity bonds and participates in the Texas Municipal League Intergovernmental Risk Pool (TML) to provide property, boiler and machinery, general liability, auto liability, errors and omission and workers compensation coverage. The District, along with other participating entities, contributes annual amounts determined by TML's management. As claims arise, they are submitted and paid by TML. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

NOTE 13. STRATEGIC PARTNERSHIP AGREEMENT

Effective November 2, 2015, the District entered into a Strategic Partnership Agreement with the City of Houston, Texas (the "City"). The agreement provides that in accordance with Subchapter F of Chapter 43 of the Local Government Code and Act, the City shall annex a tract of land defined as the "Subject Tract" for the limited purposes of applying the City's Planning, Zoning, Health, and Safety Ordinances within the Subject Tract within the boundaries of the District.

Upon annexation, the City began imposing a Sales and Use Tax within the boundaries of the Subject Tract on the receipts from the sale and use at retail of taxable items at the rate of one percent or the rate specified under the future amendments to Chapter 321 of the Tax Code. The City pays the District an amount equal to one-half of all Sales and Use Tax revenues generated within the boundaries of the Subject Tract within 30 days of the City receiving the funds from the State Comptroller's office. During the current fiscal year, the District recorded $31,690 of sales tax revenue from the City of Houston with $6,953 being recorded as a receivable at year-end.

NOTE 13. STRATEGIC PARTNERSHIP AGREEMENT (Continued)

The City agrees that it will not annex the District for full purposes or commence any action to annex the District for full purposes during the term of this Agreement. The term of this Agreement is 30 years from the effective date of the agreement.

NOTE 14. UNREIMBURSED COSTS

The District has entered into certain financing and reimbursement agreements with Developers within the District which for the Developers to make payments on behalf of the District for various projects and operating advances. As of September 30, 2020, $7,229,419 has been recorded as a liability in the Statement of Net Position. Of that amount, $4,887,483 in drainage expenses will not be paid from bonds but under the formula agreed to in the agreement for the maintenance tax revenue stream and only the $2,341,936 in actual costs for non-drainage related matters will be subject to the issuance of bonds.

NOTE 15. SUBSEQUENT REFUNDING BOND SALE AND PENDING BOND APPLICATION

Subsequent to year end, on January 21, 2021, the District anticipates closing on the sale of its $2,619,997 Unlimited Tax Refunding Bonds, Series 2021. Proceeds will be used to refund: $2,620,000 of Series 2013 bonds with interest rates of 4.00% - 4.75% and maturity dates of 2022 – 2036 and a redemption date of March 1, 2021. The refunding resulted in a gross debt service savings of $709,455 and net present value savings of $595,242.

Subsequent to year end, in December 2020, the District submitted an application to the Commission for approval to sell bonds in the amount of $3,775,000. The District anticipates using proceeds to reimburse the Developer for water and sewer piping on-site, lift station, water and sewer piping off-site serving Woodmill Creek. Additional proceeds will be used by the District to pay for water distribution system rehabilitation costs and pay issuance costs of the bonds. As of the date of this report, the application has not been approved.

NOTE 16. ECONOMIC UNCERTAINTIES

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

MONTGOMERY COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2020

MONTGOMERY COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL – GENERAL FUND FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	$ 1,450,000	$ 1,498,575	$ 48,575
Water Service	550,000	619,171	69,171
Wastewater Service	900,000	1,027,779	127,779
Surface Water Revenue	300,000	381,550	81,550
Penalty and Interest	24,000	12,762	(11,238)
Sales Tax Revenue	20,000	31,690	11,690
Reconnection Fees	5,000	2,900	(2,100)
Septic Service	40,000	53,250	13,250
Tap Connection and Inspection Fees	1,800	51,237	49,437
Investment and Miscellaneous Revenues	84,000	138,002	54,002
TOTAL REVENUES	$ 3,374,800	$ 3,816,916	$ 442,116
EXPENDITURES			
Service Operations:			
Personnel	$ 634,500	$ 711,641	$ (77,141)
Professional Fees	168,000	168,928	(928)
Contracted Services	297,500	265,081	32,419
Utilities	179,500	159,717	19,783
Surface Water Fees	360,000	408,831	(48,831)
Repairs and Maintenance	475,000	922,453	(447,453)
Other	375,450	551,948	(176,498)
Capital Outlay	884,850	864,854	19,996
TOTAL EXPENDITURES	$ 3,374,800	$ 4,053,453	$ (678,653)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ -0-	$ (236,537)	$ (236,537)
OTHER FINANCING SOURCES(USES)			
Transfers In(Out)	$ -0-	$ (111,124)	$ (111,124)
NET CHANGE IN FUND BALANCE	$ -0-	$ (347,661)	$ (347,661)
FUND BALANCE - OCTOBER 1, 2019	4,034,143	4,034,143	
FUND BALANCE - SEPTEMBER 30, 2020	$ 4,034,143	$ 3,686,482	$ (347,661)

See accompanying independent auditor's report.

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MONTGOMERY COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

SUPPLEMENTARY INFORMATION REQUIRED BY THE

WATER DISTRICT FINANCIAL MANAGEMENT GUIDE

SEPTEMBER 30, 2020

MONTGOMERY COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1
SERVICES AND RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2020

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

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

2. RETAIL SERVICE PROVIDERS

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

Based on the rate order effective May 5, 2020.

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1,000 Gallons over Minimum Use	Usage Levels
WATER:	$ 16.75	6,000	N	$ 2.70	6,001 to 10,000
				$ 2.80	10,001 to 19,000
				$ 2.90	19,001 to 29,000
				$ 3.00	29,001 to 39,000
				$ 3.50	39,001 to 49,000
				$ 4.00	49,001 to 59,000
				$ 4.25	59,001 to 69,000
				$ 4.50	69,001 to 79,000
				$ 4.75	79,001 to 89,000
				$ 5.00	89,001 and up
WASTEWATER:	$ 45.08	10,000	N	$ 0.50	10,001 and over
SURCHARGE:					
Commission Regulatory Assessments			N	0.5% of water and wastewater charges	
Water Conservation District Fees			N	$ 0.111	0,001 and up
Groundwater Reduction			N	$ 3.003	0,001 and up

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

Total monthly charges per 10,000 gallons usage: Water: $27.55 Wastewater: $45.08 Surcharge: $31.47 Total: $104.10

See accompanying independent auditor's report.

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFCs
Unmetered	7	7	x 1.0	7
≤¾"	1,167	1,147	x 1.0	1,147
1"	5	5	x 2.5	13
1½"	1	1	x 5.0	5
2"	13	13	x 8.0	104
3"	1	1	x 15.0	15
4"	1	1	x 25.0	25
6"	2	2	x 50.0	100
8"	6	6	x 80.0	480
10"	2	2	x 115.0	230
Total Water Connections	1,198	1,178		2,119
Total Wastewater Connections	1,169	1,150	x 1.0	1,150

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

Gallons pumped into system: 144,240,000 — Water Accountability Ratio: 86% (Gallons billed/Gallons pumped)

Gallons billed to customers: 124,497,000

See accompanying independent auditor's report.

MONTGOMERY COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1
SERVICES AND RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2020

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 _____ Partly ______ Not at all _X_

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

Entirely _X_ Partly ______ Not at all ____

ETJ in which District is located:

City of Houston, Texas

Are Board Members appointed by an office outside the District?

Yes _____ No _X_

MONTGOMERY COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED SEPTEMBER 30, 2020

PERSONNEL EXPENDITURES (Including Benefits)	$	711,641
PROFESSIONAL FEES:		
Auditing	$	15,000
Engineering		124,048
Legal		29,880
TOTAL PROFESSIONAL FEES	$	168,928
CONTRACTED SERVICES:		
Bookkeeping	$	28,403
Solid Waste Disposal		236,678
TOTAL CONTRACTED SERVICES	$	265,081
UTILITIES:		
Electricity	$	139,595
Telephone		20,122
TOTAL UTILITIES	$	159,717
REPAIRS AND MAINTENANCE	$	922,453
ADMINISTRATIVE EXPENDITURES:		
Director Fees	$	14,100
Dues		3,086
Insurance		52,144
Office Supplies and Postage		19,400
Surface Water Fees		408,831
Travel and Meetings		11,893
Other		86,075
TOTAL ADMINISTRATIVE EXPENDITURES	$	595,529

See accompanying independent auditor's report.

MONTGOMERY COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED SEPTEMBER 30, 2020

CAPITAL OUTLAY	$	864,854
TAP CONNECTIONS	$	89,967
OTHER EXPENDITURES:		
Chemicals	$	39,968
Computer Expense		31,133
Fuel		18,748
Laboratory Fees		35,256
Permit Fees		8,494
Regulatory Assessment		7,854
Sludge Hauling		46,550
Uniforms		3,140
Other		84,140
TOTAL OTHER EXPENDITURES	$	275,283
TOTAL EXPENDITURES	$	4,053,453

Number of persons employed by the District 7 Full-Time 1 Part-Time

See accompanying independent auditor's report.

MONTGOMERY COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1
INVESTMENTS
SEPTEMBER 30, 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	XXXX0003	Varies	Daily	$ 164,272	$
TexPool	XXXX0004	Varies	Daily	487,833	
TexPool	XXXX0011	Varies	Daily	387,564	
TexPool	XXXX0012	Varies	Daily	2,505,738	
TOTAL GENERAL FUND				$ 3,545,407	$ -0-
DEBT SERVICE FUND					
TexPool	XXXX0001	Varies	Daily	$ 741,114	$ -0-
TOTAL - ALL FUNDS				$ 4,286,521	$ -0-

See accompanying independent auditor's report.

MONTGOMERY COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE -				
OCTOBER 1, 2019	$ 52,946		$ 49,116	
Adjustments to Beginning Balance	(2,425)	$ 50,521	(1,963)	$ 47,153
Original 2019 Tax Levy	$ 1,450,068		$ 1,085,177	
Adjustment to 2019 Tax Levy	48,673	1,498,741	36,425	1,121,602
TOTAL TO BE ACCOUNTED FOR		$ 1,549,262		$ 1,168,755
TAX COLLECTIONS:				
Prior Years	$ 25,382		$ 20,047	
Current Year	1,473,193	1,498,575	1,102,483	1,122,530
TAXES RECEIVABLE - SEPTEMBER 30, 2020		$ 50,687		$ 46,225
TAXES RECEIVABLE BY YEAR:				
2019		$ 25,548		$ 19,119
2018		8,934		6,873
2017		5,231		4,579
2016		2,701		1,965
2015		1,998		1,895
2014 and prior		6,275		11,794
TOTAL		$ 50,687		$ 46,225

See accompanying independent auditor's report.

MONTGOMERY COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

TAXES LEVIED AND RECEIVABLE FOR THE YEAR ENDED SEPTEMBER 30, 2020

	2019	2018	2017	2016
PROPERTY VALUATIONS:				
Land	$ 47,144,570	$ 47,316,810	$ 39,469,350	$ 35,139,100
Improvements	326,986,972	302,690,110	296,265,100	280,786,080
Personal Property	14,078,693	14,715,445	12,643,767	14,124,464
Exemptions	(37,825,893)	(31,916,601)	(31,373,674)	(34,272,426)
TOTAL PROPERTY VALUATIONS	$ 350,384,342	$ 332,805,764	$ 317,004,543	$ 295,777,218
TAX RATES PER $100 VALUATION:				
Debt Service Tax	$ 0.3200	$ 0.340	$ 0.365	$ 0.32
Maintenance Tax	0.4276	0.442	0.417	0.44
TOTAL TAX RATES PER $100 VALUATION	$ 0.7476	$ 0.782	$ 0.782	$ 0.76
ADJUSTED TAX LEVY*	$ 2,620,343	$ 2,602,540	$ 2,481,146	$ 2,248,211
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	98.30 %	99.39 %	99.60 %	99.79 %

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

Maintenance Tax – Maximum tax rate in an unlimited amount per $100 of assessed valuation approved by voters on August 8, 1992.

See accompanying independent auditor's report.

MONTGOMERY COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2020

	SERIES - 2013		
Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2021	$ 85,000	$ 121,306	$ 206,306
2022	90,000	117,806	207,806
2023	85,000	114,306	199,306
2024	85,000	110,906	195,906
2025	85,000	107,506	192,506
2026	85,000	104,106	189,106
2027	85,000	100,600	185,600
2028	85,000	96,988	181,988
2029	75,000	93,588	168,588
2030	80,000	90,144	170,144
2031	80,000	86,444	166,444
2032	80,000	82,744	162,744
2033	75,000	79,159	154,159
2034	80,000	75,525	155,525
2035	580,000	59,850	639,850
2036	970,000	23,038	993,038
2037			
2038			
2039			
2040			
	$ 2,705,000	$ 1,464,016	$ 4,169,016

See accompanying independent auditor's report.

MONTGOMERY COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2020

	SERIES-2016 REFUNDING		
Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2021	$ 510,000	$ 217,438	$ 727,438
2022	525,000	207,087	732,087
2023	540,000	196,438	736,438
2024	555,000	185,487	740,487
2025	570,000	174,238	744,238
2026	590,000	162,637	752,637
2027	605,000	149,931	754,931
2028	625,000	135,313	760,313
2029	650,000	119,375	769,375
2030	670,000	102,456	772,456
2031	695,000	84,106	779,106
2032	720,000	64,650	784,650
2033	745,000	43,575	788,575
2034	775,000	20,775	795,775
2035	305,000	4,575	309,575
2036			
2037			
2038			
2039			
2040			
	$ 9,080,000	$ 1,868,081	$ 10,948,081

See accompanying independent auditor's report.

MONTGOMERY COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2020

	SERIES - 2017		
Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2021	$ 45,000	$ 162,987	$ 207,987
2022	35,000	160,988	195,988
2023	40,000	159,112	199,112
2024	45,000	156,988	201,988
2025	45,000	154,737	199,737
2026	40,000	152,613	192,613
2027	40,000	150,612	190,612
2028	40,000	149,013	189,013
2029	45,000	147,737	192,737
2030	45,000	146,388	191,388
2031	40,000	145,112	185,112
2032	40,000	143,913	183,913
2033	45,000	142,609	187,609
2034	40,000	141,281	181,281
2035	45,000	139,953	184,953
2036		139,250	139,250
2037	1,010,000	123,469	1,133,469
2038	1,050,000	90,625	1,140,625
2039	1,090,000	55,850	1,145,850
2040	1,130,000	19,069	1,149,069
	$ 4,910,000	$ 2,682,306	$ 7,592,306

See accompanying independent auditor's report.

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MONTGOMERY COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2020

	ANNUAL REQUIREMENTS FOR ALL SERIES		
Due During Fiscal Years Ending September 30	Total Principal Due	Total Interest Due	Total Principal Interest Due
2021	$ 640,000	$ 501,731	$ 1,141,731
2022	650,000	485,881	1,135,881
2023	665,000	469,856	1,134,856
2024	685,000	453,381	1,138,381
2025	700,000	436,481	1,136,481
2026	715,000	419,356	1,134,356
2027	730,000	401,143	1,131,143
2028	750,000	381,314	1,131,314
2029	770,000	360,700	1,130,700
2030	795,000	338,988	1,133,988
2031	815,000	315,662	1,130,662
2032	840,000	291,307	1,131,307
2033	865,000	265,343	1,130,343
2034	895,000	237,581	1,132,581
2035	930,000	204,378	1,134,378
2036	970,000	162,288	1,132,288
2037	1,010,000	123,469	1,133,469
2038	1,050,000	90,625	1,140,625
2039	1,090,000	55,850	1,145,850
2040	1,130,000	19,069	1,149,069
	$ 16,695,000	$ 6,014,403	$ 22,709,403

See accompanying independent auditor’s report.

MONTGOMERY COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Description	Original Bonds Issued	Bonds Outstanding October 1, 2019
Montgomery County Water Control and Improvement District No. 1 Unlimited Tax Refunding Bonds - Series 2013	$ 2,090,000	$ 365,000
Montgomery County Water Control and Improvement District No. 1 Unlimited Tax Bonds - Series 2013	3,250,000	2,800,000
Montgomery County Water Control and Improvement District No. 1 Unlimited Tax Refunding Bonds - Series 2016	9,595,000	9,200,000
Montgomery County Water Control and Improvement District No. 1 Unlimited Tax Bonds - Series 2017	5,040,000	4,955,000
TOTAL	$ 19,975,000	$ 17,320,000

Bond Authority:	Tax Bonds*
Amount Authorized by Voters	$ 31,380,000
Amount Issued	27,605,000
Remaining to be Issued	$ 3,775,000

Debt Service Fund cash and investment balances as of September 30, 2020:	$ 807,118
Average annual debt service payment (principal and interest) for remaining term of all debt:	$ 1,135,470

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

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

See accompanying independent auditor’s report.

Current Year Transactions				
	Retirements		Bonds	
Bonds Sold	Principal	Interest	Outstanding September 30, 2020	
$	$ 365,000	$ 4,015	$ - 0 -	Bank of Texas Austin, TX
	95,000	124,906	2,705,000	Bank of Texas Austin, TX
	120,000	223,737	9,080,000	BOKF, N.A. Austin, TX
	45,000	165,238	4,910,000	BOKF, N.A. Austin, TX
$ - 0 -	$ 625,000	$ 517,896	$ 16,695,000	

See accompanying independent auditor's report.

MONTGOMERY COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES GENERAL FUND - FIVE YEARS

	Amounts		
	2020	2019	2018
REVENUES			
Property Taxes	$ 1,498,575	$ 1,446,866	$ 1,325,860
Water Service	619,171	547,472	571,839
Wastewater Service	1,027,779	1,017,719	928,388
Surface Water Revenue	381,550	341,959	350,928
Penalty and Interest	12,762	23,682	23,700
Sales Tax Revenue	31,690	24,645	18,673
Reconnection Fees	2,900	5,400	5,479
Cell Tower Lease			
Septic Service	53,250	124,897	25,212
Tap Connection and Inspection Fees	51,237	134,010	6,300
Investment and Miscellaneous Revenues	138,002	194,216	144,525
TOTAL REVENUES	$ 3,816,916	$ 3,860,866	$ 3,400,904
EXPENDITURES			
Service Operations:			
Personnel	$ 711,641	$ 676,360	$ 622,623
Professional Fees	168,928	204,723	117,385
Contracted Services	265,081	227,109	222,815
Utilities	159,717	170,106	170,160
Surface Water Fees	408,831	361,103	372,604
Repairs and Maintenance	922,453	800,380	612,491
Other	551,948	378,599	364,244
Capital Outlay	864,854	115,201	207,050
TOTAL EXPENDITURES	$ 4,053,453	$ 2,933,581	$ 2,689,372
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ (236,537)	$ 927,285	$ 711,532
OTHER FINANCING SOURCES (USES)			
Transfers In(Out)	$ (111,124)	$ - 0 -	$ - 0 -
NET CHANGE IN FUND BALANCE	$ (347,661)	$ 927,285	$ 711,532
BEGINNING FUND BALANCE	4,034,143	3,106,858	2,395,326
ENDING FUND BALANCE	$ 3,686,482	$ 4,034,143	$ 3,106,858

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2017	2016	2020	2019	2018	2017	2016
$ 1,290,534	$ 987,042	39.4 %	37.5 %	39.1 %	38.3 %	37.7 %
532,646	417,497	16.2	14.2	16.8	15.8	16.0
891,606	764,760	26.9	26.4	27.3	26.4	29.3
318,472	276,146	10.0	8.9	10.3	9.4	10.6
23,802	24,163	0.3	0.6	0.7	0.7	0.9
2,040	542	0.8	0.6	0.5	0.1	
6,459	7,425	0.1	0.1	0.2	0.2	0.3
10,291	17,059				0.3	0.7
28,473	71,135	1.4	3.2	0.7	0.8	2.7
1,825	26,000	1.3	3.5	0.2	0.1	1.0
268,052	21,969	3.6	5.0	4.2	7.9	0.8
$ 3,374,200	$ 2,613,738	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
$ 603,352	$ 605,516	18.6 %	17.5 %	18.3 %	17.9 %	23.2 %
118,739	120,515	4.4	5.3	3.5	3.5	4.6
218,543	228,770	6.9	5.9	6.6	6.5	8.8
154,095	156,814	4.2	4.4	5.0	4.6	6.0
341,542	296,452	10.7	9.4	11.0	10.1	11.3
633,162	472,608	24.2	20.7	18.0	18.8	18.1
408,377	271,649	14.5	9.8	10.7	12.1	10.4
139,555	700,768	22.7	3.0	6.1	4.1	26.8
$ 2,617,365	$ 2,853,092	106.2 %	76.0 %	79.2 %	77.6 %	109.2 %
$ 756,835	$ (239,354)	(6.2) %	24.0 %	20.8 %	22.4 %	(9.2) %
$ 108,776	$ - 0 -					
$ 865,611	$ (239,354)					
1,529,715	1,769,069					
$ 2,395,326	$ 1,529,715					

See accompanying independent auditor’s report.

MONTGOMERY COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES DEBT SERVICE FUND - FIVE YEARS

	Amounts		
	2020	2019	2018
REVENUES			
Property Taxes	$ 1,122,530	$ 1,114,059	$ 1,162,549
Penalty and Interest	54,940	32,295	35,671
Investment and Miscellaneous Revenues	13,619	23,787	16,244
TOTAL REVENUES	$ 1,191,089	$ 1,170,141	$ 1,214,464
EXPENDITURES			
Tax Collection Expenditures	$ 62,335	$ 57,558	$ 61,645
Debt Service Principal	625,000	610,000	595,000
Debt Service Interest and Fees	519,396	536,261	544,155
Bond Issuance Costs			
TOTAL EXPENDITURES	$ 1,206,731	$ 1,203,819	$ 1,200,800
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ (15,642)	$ (33,678)	$ 13,664
OTHER FINANCING SOURCES (USES)			
Bond Proceeds	$	$	$
Refunding Bond Proceeds			
Transfer to Refund Bond Escrow Agent			
Bond Discount			
TOTAL OTHER FINANCING SOURCES (USES)	$ - 0 -	$ - 0 -	$ - 0 -
NET CHANGE IN FUND BALANCE	$ (15,642)	$ (33,678)	$ 13,664
BEGINNING FUND BALANCE	700,190	733,868	720,204
ENDING FUND BALANCE	$ 684,548	$ 700,190	$ 733,868
TOTAL ACTIVE RETAIL WATER CONNECTIONS	1,178	1,156	1,129
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	1,150	1,133	1,149

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2017	2016	2020	2019	2018	2017	2016
$ 941,386	$ 938,852	94.3 %	95.2 %	95.8 %	96.5 %	97.1 %
27,264	25,966	4.6	2.8	2.9	2.8	2.7
6,420	2,285	1.1	2.0	1.3	0.7	0.2
$ 975,070	$ 967,103	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
$ 57,594	$ 51,715	5.2 %	4.9 %	5.1 %	5.9 %	5.3 %
615,000	430,000	52.5	52.1	49.0	63.1	44.5
397,699	410,458	43.6	45.8	44.8	40.8	42.4
	334,634					34.6
$ 1,070,293	$ 1,226,807	101.3 %	102.8 %	98.9 %	109.8 %	126.8 %
$ (95,223)	$ (259,704)	(1.3) %	(2.8) %	1.1 %	(9.8) %	(26.8) %
$ 170,612	$					
	9,595,000					
	(9,177,019)					
	(64,420)					
$ 170,612	$ 353,561					
$ 75,389	$ 93,857					
644,815	550,958					
$ 720,204	$ 644,815					
1,101	1,099					
1,114	1,108					

See accompanying independent auditor's report.

MONTGOMERY COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2020

District Mailing Address - Montgomery County Water Control and Improvement District No. 1
c/o Michael A. Cole, P.C.
5120 Bayard Lane
Houston, TX 77006

District Telephone Number - (713) 880-3800

Board Members	Term of Office (Elected or Appointed)	Fees of Office for the year ended September 30, 2020	Expense Reimbursements for the year ended September 30, 2020	Title
Wayne Stringer	05/18 05/22 (Elected)	$ 3,150	$ -0-	President
James Jacobs	05/18 05/22 (Elected)	$ 2,700	$ -0-	Vice President
Nancy Loring	05/16 05/20* (Elected)	$ 2,700	$ -0-	Secretary
Janet Young	05/18 05/22 (Elected)	$ 2,700	$ -0-	Treasurer/ Investment Officer
Christine Rife	01/18 05/20* (Appointed)	$ 2,850	$ -0-	Assistant Secretary/ Assistant Treasurer

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: May 15, 2018

The limit on Fees of Office that a Director may receive during a fiscal year is $7,200. Fees of Office are the amounts actually paid to a Director during the District's current fiscal year.

* Election was postponed until November 2020 due to COVID-19 pandemic.

See accompanying independent auditor's report.

MONTGOMERY COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2020

Consultants:	Date Hired	Fees for the year ended September 30, 2020	Title
Michael A. Cole, P.C.	03/30/83	$ 29,880	General Counsel
McCall Gibson Swedlund Barfoot PLLC	09/14/10	$ 15,000	Audit Related
Precision Utility	08/19/14	$ 31,328	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	1986	$ 14,974	Delinquent Tax Attorney
AEI Engineering, LLC	11/20/90	$ 260,832	Engineer
Blitch Associates, Inc.	11/10/09	$ -0-	Financial Advisor
Utility Tax Services	05/13/14	$ 24,588	Tax Assessor/ Collector

See accompanying independent auditor's report.

APPENDIX B–Specimen Municipal Bond Insurance Policy

BAM
BUILD AMERICA MUTUAL

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)