

OFFICIAL STATEMENT DATED SEPTEMBER 21, 2021

IN THE OPINION OF BOND COUNSEL (HEREINAFTER DEFINED), 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 EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER SECTION 103 OF THE INTERNAL REVENUE CODE OF 1986. IN THE FURTHER OPINION OF BOND COUNSEL, INTEREST ON THE BONDS IS NOT A SPECIFIC PREFERENCE ITEM FOR PURPOSES OF THE FEDERAL ALTERNATIVE MINIMUM TAX. BOND COUNSEL EXPRESSES NO OPINION REGARDING ANY OTHER TAX CONSEQUENCES RELATED TO THE OWNERSHIP OR DISPOSITION OF, OR THE AMOUNT, ACCRUAL OR RECEIPT OF INTEREST ON, THE BONDS. See "TAX MATTERS" herein.

The Bonds have been designated "qualified tax-exempt obligations" for financial institutions. See "TAX MATTERS – Qualified Tax-Exempt Obligations."

NEW ISSUE – Book-Entry-Only

S&P Global Ratings (BAM Insured)....."AA"

**\$2,420,000**

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 141**

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

**UNLIMITED TAX ROAD BONDS, SERIES 2021**

Dated: October 1, 2021

Due: September 1, as shown on inside cover

The \$2,420,000 Unlimited Tax Road Bonds, Series 2021 (the "Bonds"), are obligations of Montgomery County Municipal Utility District No. 141 (the "District") and are not obligations of the State of Texas; Montgomery County, Texas; the City of Conroe, Texas; or any political subdivision or entity other than the District. Neither the full faith and credit nor the taxing power of the State of Texas; Montgomery County, Texas; the City of Conroe, Texas; nor any entity other than the District is pledged to the payment of the principal of or the interest on the Bonds.

Principal of the Bonds is payable upon presentation at the principal payment office of the paying agent/registrar, initially, Zions Bancorporation, National Association, Amegy Bank Division, Houston, Texas (the "Paying Agent/Registrar"). Interest accrues from October 1, 2021, and is payable March 1, 2022, and on each September 1 and March 1 thereafter (each an "Interest Payment Date") until the earlier of maturity or redemption. Interest on the Bonds will be payable by check dated as of the Interest Payment Date and mailed by the Paying Agent/Registrar to registered owners as shown on the records of the Paying Agent/Registrar at the close of business on the 15th calendar day of the month next preceding each Interest Payment Date. The Bonds are fully registered bonds in principal denominations of \$5,000 or any integral multiple thereof.

The Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. Beneficial owners of the Bonds will not receive physical certificates representing the Bonds, but will receive a credit balance on the books of the nominees of such beneficial owners. So long as Cede & Co. is the registered owner of the Bonds, the principal of and interest on the Bonds will be paid by the Paying Agent/Registrar directly to DTC, which, in turn, will remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds as described herein. See "THE BONDS – Book-Entry-Only System" herein for further information.

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

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



The Bonds are the second series of unlimited tax road bonds issued by the District, and, when issued, will constitute valid and binding obligations of the District payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. See "THE BONDS – Source of Payment." The Bonds are obligations solely of the District and are not obligations of the State of Texas; Montgomery County, Texas; the City of Conroe, Texas; or any entity other than the District.

Investment in the Bonds is subject to special risk factors as described herein. Prospective purchasers should review this entire Official Statement, including particularly the section of this Official Statement entitled "RISK FACTORS," before making an investment decision. See "RISK FACTORS."

The Bonds are offered subject to prior sale, when, as and if issued by the District and accepted by the initial purchaser of the Bonds (the "Initial Purchaser"), subject, among other things, to the approval of the Attorney General of Texas and of Sanford Kuhl Hagan Kugle Parker Kahn LLP, Bond Counsel. Certain legal matters will be passed on for the District by Orrick, Herrington & Sutcliffe LLP, Houston, Texas, as Disclosure Counsel. Delivery of the Bonds through the facilities of DTC is expected on or about October 19, 2021.

**MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL REOFFERING YIELDS, AND CUSIP NOS**

**\$2,420,000 Unlimited Tax Road Bonds, Series 2021**

**\$365,000 Serial Bonds**

Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Number 61372Q (b)	Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Number 61372Q (b)
2022	\$ 75,000	4.500%	0.300%	DB7	2025	\$ 75,000	4.500%	0.650%	DE1
2023	70,000	4.500%	0.350%	DC5	2026	75,000	4.500%	0.800%	DF8
2024	70,000	4.500%	0.500%	DD3					

**\$2,055,000 Term Bonds**

\$160,000 Term Bonds Due September 1, 2028 (c)(d), Interest Rate: 4.500% (Price: \$117.363) (a), CUSIP No. 61372Q DH4 (b)  
 \$170,000 Term Bonds Due September 1, 2030 (c)(d), Interest Rate: 3.000% (Price: \$108.730) (a), CUSIP No. 61372Q DK7 (b)  
 \$175,000 Term Bonds Due September 1, 2032 (c)(d), Interest Rate: 2.000% (Price: \$100.927) (a), CUSIP No. 61372Q DM3 (b)  
 \$185,000 Term Bonds Due September 1, 2034 (c)(d), Interest Rate: 2.000% (Price: \$98.320) (a), CUSIP No. 61372Q DP6 (b)  
 \$195,000 Term Bonds Due September 1, 2036 (c)(d), Interest Rate: 2.125% (Price: \$97.189) (a), CUSIP No. 61372Q DR2 (b)  
 \$320,000 Term Bonds Due September 1, 2039 (c)(d), Interest Rate: 2.375% (Price: \$98.206) (a), CUSIP No. 61372Q DU5 (b)  
 \$850,000 Term Bonds Due September 1, 2046 (c)(d), Interest Rate: 2.500% (Price: \$99.081) (a), CUSIP No. 61372Q EB6 (b)

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- (a) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Initial Purchaser. Initial reoffering yields represent the initial offering price, which may be changed for subsequent purchasers. The initial yield indicated above represents the lower of the yields resulting when priced to maturity or to the first call date. Accrued interest from October 1, 2021 is to be added to the price.
- (b) CUSIP numbers have been assigned to the Bonds by CUSIP Global Services, managed by S&P Global Market Intelligence LLC, on behalf of the American Bankers Association, and are included solely for the convenience of the owners of the Bonds.
- (c) Bonds maturing on September 1, 2027, and thereafter shall be subject to redemption and payment at the option of the District, in whole, or from time to time in part, on September 1, 2026, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. See "THE BONDS – Redemption Provisions – *Optional Redemption*."
- (d) Subject to mandatory redemption by lot or other customary method of random selection on September 1 in the years and in the amounts set forth herein under "THE BONDS – Redemption Provisions – *Mandatory Redemption*."

**USE OF INFORMATION IN OFFICIAL STATEMENT**

No dealer, broker, salesman or other person has been authorized to give any information or to make any representations other than those contained 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 Initial Purchaser.

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

All of the summaries of the statutes, orders, contracts, records, and 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 Sanford Kuhl Hagan Kugle Parker Kahn LLP (“Bond Counsel”) for further information.

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 headings “MUNICIPAL BOND INSURANCE” and “APPENDIX B.”

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 that they will be realized. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein since the date hereof. However, the District has agreed to keep this Official Statement current by amendment or sticker to reflect material changes in the affairs of the District, and to the extent that information actually comes to its attention, other matters described in the Official Statement until delivery of the Bonds to the Initial Purchaser and thereafter only as specified in “CONTINUING DISCLOSURE OF INFORMATION” and “OFFICIAL STATEMENT – Updating of Official Statement.”

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 final official statement for any purpose.

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## **INTRODUCTION**

This Official Statement provides certain information with respect to the issuance by Montgomery County Municipal Utility District No. 141 (the "District") of its \$2,420,000 Unlimited Tax Road Bonds, Series 2021 (the "Bonds").

The Bonds are issued pursuant to Article III, Section 52 of the Texas Constitution and general laws of the State of Texas, including Chapters 49 and 54, Texas Water Code, as amended, and Chapter 7912, Texas Special District Local Laws Code, as amended; an order authorizing issuance of the Bonds (the "Bond Order") adopted by the Board of Directors of the District (the "Board"); and an election held within the boundaries of the District on November 4, 2014.

Included in this Official Statement are descriptions of the Bonds and certain information about the District and its finances. ALL DESCRIPTIONS OF DOCUMENTS CONTAINED HEREIN ARE SUMMARIES ONLY AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO EACH SUCH DOCUMENT. Copies of such documents may be obtained from the District at Sanford Kuhl Hagan Kugle Parker Kahn LLP, 1980 Post Oak Boulevard, Suite 1380, Houston, Texas 77056 or during the offering period from the District's Financial Advisor, Robert W. Baird & Co. Incorporated, Attn: Jan Bartholomew, 1331 Lamar Street, Suite 1360, Houston, Texas 77010 upon payment of reasonable copying, mailing, and handling charges.

## **SALE AND DISTRIBUTION OF THE BONDS**

### **Award of the Bonds**

After requesting competitive bids for the Bonds, the District has accepted the bid of SAMCO Capital Markets, Inc. (the "Initial Purchaser") to purchase the Bonds at the interest rates shown on the inside cover page of this Official Statement at a price of 97.000000% of par plus accrued interest to date of delivery, resulting in a net effective interest rate of 2.741935%, as calculated pursuant to Chapter 1204, Texas Government Code, as amended. No assurance can be given that any trading market will be developed for the Bonds after their sale by the District to the Initial Purchaser. The District has no control over the price at which the Bonds are subsequently sold, and the initial yields at which the Bonds are priced and reoffered are established by, and are the sole responsibility of, the Initial Purchaser.

### **Prices and Marketability**

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

Subject to certain restrictions described in the Official Notice of Sale, the prices and other terms with respect to the offering and sale of the Bonds may be changed from time to time by the Initial Purchaser after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts. IN CONNECTION WITH THE OFFERING OF THE BONDS, THE INITIAL PURCHASER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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

## **Securities Laws**

No registration statement relating to the offer and sale of the Bonds has been filed with the United States Securities and Exchange Commission (the "SEC") 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 of the Bonds under the securities laws of any other jurisdiction in which the Bonds may be offered, sold, or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdiction.

## **MUNICIPAL BOND INSURANCE**

### **Bond Insurance Policy**

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

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

### *Capitalization of BAM*

BAM's total admitted assets, total liabilities, and total capital and surplus, as of June 30, 2021, and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$488.6 million, \$165.5 million, and \$323.1 million, respectively.

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

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at [www.buildamerica.com](http://www.buildamerica.com), is incorporated herein by reference and

may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

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

#### *Additional Information Available from BAM*

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

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

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

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

#### **RATINGS**

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

The District is not aware of any ratings assigned the Bonds other than the rating of S&P.

**OFFICIAL STATEMENT SUMMARY**

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

**THE BONDS**

- The District.....Montgomery County Municipal Utility District No. 141 (the “District”), a political subdivision of the State of Texas, is located in Montgomery County, Texas. See “THE DISTRICT.”
  
- The Bonds.....The District is issuing \$2,420,000 Unlimited Tax Road Bonds, Series 2021 (the “Bonds”). The Bonds are dated October 1, 2021, and mature on September 1 in the years and amounts set forth on the inside cover page hereof. Interest accrues from October 1, 2021, at the rates per annum set forth on the inside cover page hereof and is payable on March 1, 2022, and on each September 1 and March 1 thereafter until maturity or earlier redemption. The Bonds are offered in fully registered form in integral multiples of \$5,000 for any one maturity. See “THE BONDS.”
  
- Redemption.....Bonds maturing on and after September 1, 2027, are subject to redemption, in whole or from time to time in part, at the option of the District on September 1, 2026, and on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date of redemption. See “THE BONDS – Redemption Provisions – *Optional Redemption.*”  

The Bonds that mature on September 1 in the years 2028, 2030, 2032, 2034, 2036, 2039 and 2046 are term bonds that are subject to the mandatory redemption provisions set out herein under “THE BONDS – Redemption Provisions – *Mandatory Redemption.*”
  
- Source of Payment.....Principal of and interest on the Bonds are payable from the proceeds of a continuing direct annual ad valorem tax levied upon all taxable property within the District without legal limitation as to rate or amount. The Bonds are obligations solely of the District and are not obligations of the State of Texas; Montgomery County, Texas; the City of Conroe, Texas; or any other political subdivision or entity other than the District. See “THE BONDS – Source of Payment.”
  
- Payment Record.....The District has never defaulted on the timely payment of debt service due on its prior bonded indebtedness.
  
- Outstanding Bonds .....The District has previously issued two series of unlimited tax bonds for the purpose of acquiring or constructing the Utility System (herein defined): \$3,025,000 Unlimited Tax Bonds, Series 2018 and \$1,540,000 Unlimited Tax Bonds, Series 2019. At the delivery of the Bonds, \$4,315,000 principal amount of such previously issued debt will remain outstanding (the “Outstanding Utility Bonds”). The District has previously issued one series of unlimited tax bonds for the purpose of acquiring or constructing the Road System (herein defined): \$2,655,000 Unlimited Tax Road Bonds, Series 2020. At the delivery of the Bonds, \$2,570,000 principal amount of such previously issued debt will remain outstanding (the “Outstanding Road Bonds”). The Outstanding System Bonds and the Outstanding



Road Bonds are herein referred to collectively as the "Outstanding Bonds." See "THE BONDS – Outstanding Bonds."

Authority for Issuance.....	The Bonds are issued pursuant to the Texas Constitution and general laws of the State of Texas, including Article III, Section 52 of the Texas Constitution and Chapters 49 and 54, Texas Water Code, as amended, and Chapter 7912, Texas Special District Local Laws Code, as amended; an order authorizing issuance of the Bonds (the "Bond Order") adopted by the Board of Directors of the District; and an election held within the boundaries of the District on November 4, 2014.
Use of Proceeds .....	Proceeds of the Bonds will be used to reimburse the Developer (herein defined) for the road improvements and related engineering costs as set out herein under "THE BONDS – Use and Distribution of Bond Proceeds." Proceeds from the Bonds will also be used to pay developer interest and costs of issuance of the Bonds. See "THE BONDS – Use and Distribution of Bond Proceeds."
Municipal Bond Insurance .....	Build America Mutual Assurance Company ("BAM"). See "MUNICIPAL BOND INSURANCE."
Ratings .....	S&P Global Ratings (BAM Insured): "AA." See "RATINGS."
Qualified Tax-Exempt Obligations.....	The Bonds have been designated "qualified tax-exempt obligations" for financial institutions. See "TAX MATTERS – Qualified Tax-Exempt Obligations."
Bond Counsel .....	Sanford Kuhl Hagan Kugle Parker Kahn LLP, Houston, Texas.
Disclosure Counsel .....	Orrick, Herrington & Sutcliffe LLP, Houston, Texas.
Financial Advisor.....	Robert W. Baird & Co. Incorporated, Houston, Texas.

**THE DISTRICT**

Description.....	The District was created by order of the TCEQ dated July 14, 2014. The District comprises 122.74 total acres and is situated entirely within Montgomery County, Texas, the extraterritorial jurisdiction of the City of Conroe, Texas, and the boundaries of Magnolia Independent School District. See "THE DISTRICT."
Location.....	The District is located approximately 35 miles north of the City of Houston, Texas; approximately 10 miles southwest of the City of Conroe, Texas; and approximately 9 miles east of the City of Magnolia, Texas. The District is adjacent to the master-planned community of The Woodlands and lies approximately 8 miles west of the intersection of Interstate Highway 45 and Farm to Market Road 1488. The District is situated south of Farm to Market Road 1488, west of Tamina Road, east of Lake Windcrest, and north of Miller's Crossing.
Cimarron Creek.....	The District is part of the master-planned residential community known as Cimarron Creek. Cimarron Creek is located immediately south of Farm to Market Road 1488 and includes amenities such as a community recreation center, swimming pool, and playgrounds. See "DEVELOPMENT OF THE DISTRICT – Cimarron Creek" herein.
Developer and Principal Landowner.....	The developer and principal owner of land in the District is KB Home Lone Star Inc., a Texas corporation (the "Developer") and publicly traded company on the New York Stock Exchange under the ticker

symbol “KBH.” For more information, visit [www.kbhome.com](http://www.kbhome.com). See “PRINCIPAL LANDOWNER/DEVELOPER.”

Development within the District..... To date, all 319 single-family lots in the District have been developed within the following single-family residential subdivisions: Cimarron Creek, Sections 1, 2, 3, 4, 5, 6, 7, and 8. Said subdivisions encompass approximately 91.14 total acres within the District. As of August 1, 2021, the District included approximately 288 completed homes (approximately 288 occupied, 0 unoccupied, and 0 model homes), approximately 30 homes under construction and approximately 1 vacant, developed lot. The remainder of the lands within the District includes approximately 0 undeveloped but developable acres and approximately 31.60 undevelopable acres for use as a tree park and floodplain (25.26 acres) and detention (6.34 acres). See “DEVELOPMENT OF THE DISTRICT – Status of Development within the District.”

Homebuilder..... KB Home is the only active homebuilder in the District. New homes being marketed in the District range in price from \$194,000 to over \$386,000 and in size from 1,700 to over 3,600 square feet.

Hurricane Harvey..... The Houston area, including Montgomery County, experienced historic levels of rainfall and widespread flooding following landfall of Hurricane Harvey on August 25, 2017. According to the Engineer (herein defined), Hurricane Harvey caused no damage to the District’s water, sanitary sewer and drainage facilities, and there was no interruption to water and sewer service in the District. Further, to the best knowledge of the Developer and the Engineer, no homes in the District experienced structural flooding or other material damage. The District is located near the Texas Gulf Coast and, as it has in the past, could be impacted by high winds and flooding caused by hurricane, tornado, tropical storm, or other adverse weather event. See “RISK FACTORS – Hurricane Harvey” and “– Potential Impact of Natural Disaster.”

### **RISK FACTORS**

THE BONDS ARE SUBJECT TO CERTAIN RISK FACTORS. PROSPECTIVE PURCHASERS SHOULD REVIEW THIS ENTIRE OFFICIAL STATEMENT, INCLUDING PARTICULARLY THE SECTION OF THIS OFFICIAL STATEMENT ENTITLED “RISK FACTORS,” BEFORE MAKING AN INVESTMENT DECISION.

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**SELECTED FINANCIAL INFORMATION  
(UNAUDITED)**

2021 Taxable Assessed Valuation.....	\$ 67,106,074	(a)
Estimate of Value as of June 1, 2021.....	\$ 77,537,734	(b)
Direct Debt		
The Outstanding Bonds (as of October 1, 2021).....	\$ 6,885,000	
The Bonds .....	<u>\$ 2,420,000</u>	
Total.....	\$ 9,305,000	
Estimated Overlapping Debt.....	<u>\$ 1,928,348</u>	(c)
Total Direct and Estimated Overlapping Debt .....	\$ 11,233,348	(c)
Direct Debt Ratio:		
As a Percentage of 2021 Taxable Assessed Valuation.....	13.87	%
As a Percentage of Estimate of Value as of June 1, 2021.....	12.00	%
Direct and Estimated Overlapping Debt Ratio:		
As a Percentage of 2021 Taxable Assessed Valuation.....	16.74	%
As a Percentage of Estimate of Value as of June 1, 2021.....	14.49	%
Utility System Debt Service Fund Balance (as of August 17, 2021).....	\$421,137	(d)
Road System Debt Service Fund Balance (as of August 17, 2021).....	\$194,604	(e)
Operating Fund Balance (as of August 17, 2021) .....	\$596,746	
Capital Projects Fund Balance (as of August 17, 2021) .....	\$ 16,121	
2021 Tax Rate		
Utility System Debt Service .....	\$0.38	
Road System Debt Service .....	\$0.45	
Maintenance and Operations .....	<u>\$0.50</u>	
Total.....	\$1.33	
Average Annual Debt Service Requirement (2022-2046) .....	\$521,481	(f)
Maximum Annual Debt Service Requirement (2042).....	\$591,400	(f)
Combined Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay Average Annual Debt Service Requirement (2022-2046) at 95% Tax Collections		
Based on 2021 Taxable Assessed Valuation.....	\$0.82	
Based on Estimate of Value as of June 1, 2021 .....	\$0.71	
Combined Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay Maximum Annual Debt Service Requirement (2042) at 95% Tax Collections		
Based on 2021 Taxable Assessed Valuation.....	\$0.93	
Based on Estimate of Value as of June 1, 2021 .....	\$0.81	

- (a) Represents the taxable amount of the certified assessed valuation of taxable property in the District as of January 1, 2021, as provided by the Montgomery Central Appraisal District 2021 appraisal rolls. Such value includes \$2,349,937 of uncertified value, which is 80% of the total taxable value associated with properties that remain under protest as of certification. See "TAX DATA" and "TAXING PROCEDURES."
- (b) Provided by the Montgomery Central Appraisal District for information purposes only. This estimate reflects the addition of the taxable value from new construction within the District from January 1, 2021, to June 1, 2021. No taxes will be levied on this estimate. See "TAX DATA" and "TAXING PROCEDURES."
- (c) See "DISTRICT DEBT - Direct and Estimated Overlapping Debt Statement."
- (d) Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Utility System debt service fund. Funds in the Utility System Debt Service Fund (herein defined) are not available to pay debt service on bonds issued for the Road System (herein defined), such as the Bonds.
- (e) Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Road System debt service fund. Funds in the Road System Debt Service Fund (herein defined) are not available to pay debt service on bonds issued by the District for the Utility System (herein defined).
- (f) See "DISTRICT DEBT - Debt Service Requirement Schedule."

**\$2,420,000**  
**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 141**  
**UNLIMITED TAX ROAD BONDS**  
**SERIES 2021**

This Official Statement provides certain information with respect to the issuance by Montgomery County Municipal Utility District No. 141 (the "District") of its \$2,420,000 Unlimited Tax Road Bonds, Series 2021 (the "Bonds").

The Bonds are issued pursuant to Article III, Section 52 of the Texas Constitution and general laws of the State of Texas, including Chapters 49 and 54, Texas Water Code, as amended, and Chapter 7912, Texas Special District Local Laws Code, as amended; an order authorizing issuance of the Bonds (the "Bond Order") adopted by the Board of Directors of the District (the "Board"); and an election held within the boundaries of the District on November 4, 2014.

This Official Statement includes descriptions of the Bonds, the Developer (herein defined), the Bond Order, and certain information about the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from Sanford Kuhl Hagan Kugle Parker Kahn LLP, 1980 Post Oak Boulevard, Suite 1380, Houston, Texas 77056, upon payment of the costs of duplication therefor. Certain capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Bond Order, except as otherwise indicated herein.

**RISK FACTORS**

**General**

The Bonds, which are obligations of the District and not of the State of Texas; Montgomery County, Texas; the City of Conroe, Texas; or any political subdivision other than the District, will be secured by a continuing, direct, annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. Therefore, the ultimate security for payment of the principal of and interest on the Bonds depends upon the ability of the District to collect from the property owners within the District taxes levied against all taxable property located within the District, or, in the event taxes are not collected and foreclosure proceedings are instituted by the District, upon the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The District makes no representations that over the life of the Bonds the property within the District will maintain a value sufficient to justify continued payment of taxes by the property owners. The potential increase in taxable valuation of District property is directly related to the economics of the residential housing industry, not only due to general economic conditions, but also due to the particular factors discussed below. See "DEVELOPMENT OF THE DISTRICT," "TAX DATA," and "TAXING PROCEDURES."

**Factors Affecting Taxable Values and Tax Payments**

**Economic Factors:** The District is situated in the Houston, Texas metropolitan area, and the rate of development of the District is directly related to the vitality of the residential housing industry in said metropolitan area. New residential housing construction can be significantly affected by factors such as interest rates, construction costs, and consumer demand. Decreased levels of home construction activity would restrict the growth of property values in the District. The District cannot predict the pace or magnitude of any future development or home construction in the District.

**Principal Landowner/Developer:** There is no commitment by, or legal requirement of, the principal landowners, the Developer, or any other landowner in the District to proceed at any particular rate or according to any specified plan with the development of land in the District, or of any homebuilder to proceed at any particular pace with the construction of homes in the District. Moreover, there is no restriction on any landowner's right to sell its land. Therefore, the District can make no representation about the probability of future development, if any, or the rate of future home construction activity in the District. Failure to construct taxable improvements on developed lots would restrict the rate of growth of taxable values in the District and

result in higher tax rates. See “DEVELOPMENT OF THE DISTRICT,” “PRINCIPAL LANDOWNER/DEVELOPER,” and “TAX DATA – Principal Taxpayers.”

**Dependence on Principal Taxpayers:** The ability of any principal landowner to make full and timely payments of taxes levied against its property by the District and similar taxing authorities will directly affect the District’s ability to meet its debt-service obligations. As illustrated in this Official Statement under the caption “TAX DATA – Principal Taxpayers,” as of January 1, 2021, the District’s principal taxpayers owned property located within the District the aggregate taxable assessed valuation of which comprised approximately 5.99% of the District’s total assessed valuation. KB Home Lone Star Inc., the District’s top taxpayer, owns approximately 1.14% of the District’s 2021 Taxable Assessed Valuation. See “PRINCIPAL LANDOWNER/DEVELOPER.”

In the event that the Developer, any other taxpayer, or any combination of taxpayers, should default in the payment of taxes in an amount which exceeds the District’s debt service fund surplus, the ability of the District to make timely payment of debt service on the Bonds will be dependent on its ability to enforce and liquidate its tax liens, which is a time-consuming process. Failure to recover or borrow funds in a timely fashion could result in an excessive District tax rate. The District is not required by law or the Bond Order to maintain any specified amount of surplus in its interest and sinking fund. See “TAX DATA – Principal Taxpayers” and “TAXING PROCEDURES – Levy and Collection of Taxes.”

**Maximum Impact on District Tax Rates:** Assuming no further development or home construction, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of property owners to pay their taxes. The 2021 Taxable Assessed Valuation, of all taxable property located within the District is \$67,106,074, and the Estimate of Value as of June 1, 2021, is \$77,537,734. See “TAX DATA.”

After issuance of the Bonds, the maximum annual debt service requirement on the Outstanding Bonds (herein defined) and the Bonds (2042) will be \$591,400, and the average annual debt service requirement on the Outstanding Bonds and the Bonds (2022–2046) will be \$521,481. Assuming no decrease to the District’s 2021 Taxable Assessed Valuation, combined tax rates of \$0.93 and \$0.82 per \$100 of taxable assessed valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirement, respectively. Assuming no decrease from the District’s Estimate of Value as of June 1, 2021, combined tax rates of \$0.81 and \$0.71 per \$100 of taxable assessed valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirement, respectively. The District can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the proposed District tax rate or to justify continued payment of taxes by property owners.

### **Competitive Nature of Residential Housing Market**

The housing industry in the Houston, Texas metropolitan area is very competitive, and the District can give no assurance that the building programs which are planned by any homebuilder(s) will be continued or completed. The respective competitive position of the homebuilders listed herein and any other developer or homebuilder(s) which might attempt future home building or development projects in the District, the sale of developed lots or in the construction and sale of single-family residential units, are affected by most of the factors discussed in this section, and such competitive positions are directly related to tax revenues received by the District and the growth and maintenance of taxable values in the District.

### **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) cumbersome, time-consuming and expensive collection procedures, (b) a bankruptcy court’s stay of tax collection procedures against a taxpayer, (c) market conditions limiting the proceeds from a foreclosure sale of taxable property, or (d) the taxpayer’s right to redeem the property within two (2) years of foreclosure for residential homestead and agricultural use property and within six (6) months of foreclosure for other 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. Moreover, the value of property to be sold for delinquent taxes and thereby the potential sales proceeds available to pay debt service on the Bonds, may be limited by among other factors, the existence of other tax liens on the property, by the current aggregate tax rate being levied against the property, or by the taxpayer's right to redeem residential or agricultural use property within two (2) years of foreclosure and all other property within six (6) months of foreclosure. Finally, a bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes assessed against such taxpayer. See "TAXING PROCEDURES."

### **Registered Owners' Remedies and Bankruptcy**

In the event of default in the payment of principal of or interest on the Bonds, the registered owners of the Bonds ("Registered Owners") have a right to seek a writ of mandamus requiring the District to levy sufficient taxes each year to make such payments. Except for mandamus, the Bond Order does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default, and, consequently, the remedy of mandamus may have to be relied upon from year to year. Although the Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by a direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District in order to pay the principal of and interest on the Bonds. Since there is no trust indenture or trustee, the Registered Owners would have to initiate and finance the legal process to enforce their remedies. The enforceability of the rights and remedies of the Registered Owners may be limited further 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. In this regard, should the District file a petition for protection from creditors under federal bankruptcy laws, the remedy of mandamus or the right of the District to seek judicial foreclosure of its tax lien would be automatically stayed and could not be pursued unless authorized by a federal bankruptcy judge.

### **Marketability**

The District has no understanding with the initial purchaser of the Bonds (the "Initial Purchaser") regarding the reoffering yields or prices of the Bonds (other than the hold-the-offering-price rule restrictions described in the Official Notice of Sale) and has no control over trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made in the Bonds. If there is a secondary market, the difference between the bid and asked price for the Bonds may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional issuers as such bonds are more generally bought, sold or traded in the secondary market. See "SALE AND DISTRIBUTION OF THE BONDS."

### **Future Debt**

At an election held within the District on November 4, 2014, voters of the District authorized the District's issuance of: \$55,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing a road system to serve the District (the "Road System"); \$82,500,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Road System; \$90,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sewer, and drainage facilities to serve the District (the "Utility System"); \$135,000,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Utility System; \$30,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities serving the District; and \$45,000,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for parks and recreational facilities.

The Bonds represent the fourth series of bonds issued by the District and the second series of bonds for construction of the Road System. After issuance of the Bonds, the following principal amounts of unlimited tax bonds will remain authorized but unissued: \$49,925,000 for the Road System; \$82,500,000 for the refunding of bonds issued for the Road System; \$85,435,000 for the Utility System; \$135,000,000 for refunding bonds issued for the Utility System; \$30,000,000 for parks and recreational facilities; and \$45,000,000 for refunding

of bonds issued by the District for parks and recreational facilities. The District may also issue any additional bonds as may hereafter be approved by both the Board of Directors and voters of the District as well as certain additional bonds, revenue bonds, special project bonds, and other obligations as described in the Bond Order. See “THE BONDS – Issuance of Additional Debt.”

According to the Engineer (herein defined), following the issuance of the Bonds, the District will owe the Developer approximately \$7,805,000 for its expenditures to construct the Utility System, parks and recreational facilities in the District, and the Road System.

### **Annexation**

Chapter 42, Local Government Code, provides that, within the limits described therein, the unincorporated area contiguous to the corporate limits of any municipality comprises that municipality’s extraterritorial jurisdiction (“ETJ”). The size of an ETJ depends in part on the municipality’s population. With certain exceptions, a municipality may annex territory only within the confines of its ETJ. When a municipality annexes additional territory, the municipality’s ETJ expands in conformity with such annexation.

The District lies within the ETJ of the City of Conroe, Texas (the “City”), a home rule municipality. The District may not be annexed for full purposes by the City except as may be specifically authorized by Chapter 43, Local Government Code, as amended. Any authorized annexation is subject to compliance by the City with various requirements of Chapter 43, Local Government Code. Such requirements include the requirement that the City hold an election in the District whereby the qualified voters of the District approve the proposed annexation. Further, if the voters in the area to be annexed do not own more than 50% of the land in the area, a petition signed by more than 50% of the landowners consenting to the annexation is also required. If the District is annexed, the City must assume the District’s assets and obligations (e.g., the Bonds and the Outstanding Bonds) and abolish the District within ninety (90) days of the date of annexation. Annexation of territory by the City is a policy-making matter within the discretion of the Mayor and City Council of the City, and therefore, the District makes no representation that the City will ever annex the District and assume its debt. Moreover, no representation is made concerning the ability of the City to make debt service payments should the annexation occur.

### **Continuing Compliance with Certain Covenants**

The Bond Order contains covenants by the District intended to preserve the exclusion from gross income of interest on the Bonds. Failure of 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. See “TAX MATTERS.”

### **Environmental Regulations**

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

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

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

*Air Quality Issues.* Air quality control measures required by the United States Environmental Protection Agency (the “EPA”) and the TCEQ may impact new industrial, commercial and residential development in the Houston

area. Under the Clean Air Act (“CAA”) Amendments of 1990, the eight-county Houston Galveston area (“HGB area”)—Harris, Galveston, Brazoria, Chambers, Fort Bend, Waller, Montgomery and Liberty counties—has been designated a nonattainment area under three separate federal ozone standards: the one-hour (124 parts per billion (“ppb”) and eight-hour (84 ppb) standards promulgated by the EPA in 1997 (the “1997 Ozone Standards”); the tighter, eight-hour ozone standard of 75 ppb promulgated by the EPA in 2008 (the “2008 Ozone Standard”), and the EPA’s most-recent promulgation of an even lower, 70 ppb eight-hour ozone standard in 2015 (the “2015 Ozone Standard”). While the State of Texas has been able to demonstrate steady progress and improvements in air quality in the HGB area, the HGB area remains subject to CAA nonattainment requirements.

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

In February 2018, the U.S. Court of Appeals for the District of Columbia Circuit issued an opinion in *South Coast Air Quality Management District v. EPA*, 882 F.3d 1138 (D.C. Cir. 2018) vacating the EPA redesignation substitute rule that provided the basis for EPA’s decision to eliminate the anti-backsliding requirements that had applied in the HGB area under the 1997 Ozone Standard. The court has not responded to EPA’s April 2018 request for rehearing of the case. To address the uncertainty created by the South Coast court’s ruling, the TCEQ has developed a formal request that the HGB area be redesignated to attainment under the 1997 Ozone Standards. The TCEQ Commissioners approved publication of a proposed HGB area redesignation request under the 1997 Ozone Standards on September 5, 2018.

In order to demonstrate progress toward attainment of the EPA’s ozone standards, the TCEQ established a State Implementation Plan (“SIP”) for the HGB Area setting emission control requirements, some of which regulate the inspection and use of automobiles. These types of measures could impact how people travel, what distances people are willing to travel, where people choose to live and work, and what jobs are available in the HGB Area. These SIP requirements can negatively impact business due to the additional permitting/regulatory constraints that accompany this designation and because of the community stigma associated with a nonattainment designation. It is possible that additional controls will be necessary to allow the HGB Area to reach attainment with the ozone standards by the EPA’s attainment deadlines. These additional controls could have a negative impact on the HGB Area’s economic growth and development.

On August 23, 2019, the EPA published final notice reclassifying the HGB Area from “moderate” to “serious” under the 2008 Ozone Standard, effective September 23, 2019. While the HGB Area is now designated as a “serious” nonattainment area, with an attainment deadline of July 20, 2021, implementation requirements of all reasonably available control technologies (“RACT”) have been met and there are no new deadlines for RACT implementation for levels of nitrogen oxides and volatile organic compounds. If the EPA ultimately determines that the HGB Area continues to fail to meet air quality standards 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. For purposes of the 2015 Ozone Standard, the HGB area consists of only six counties: Brazoria, Chambers, Fort Bend, Galveston, Harris, and Montgomery Counties. The attainment deadline is August 3, 2021 for the 2015 Ozone Standard.

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 demonstrate progress in reducing ozone levels.



*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 Environmental Protection Agency’s National Primary Drinking Water Regulations (“NPDWRs”), which are implemented by the TCEQ’s Water Supply Division, a municipal utility district’s provision of water for human consumption is subject to extensive regulation as a public water system.

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

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

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

In 2015, the EPA and the United States Army Corps of Engineers (“USACE”) promulgated a rule known as the Clean Water Rule (“CWR”) aimed at redefining “waters of the United States” over which the EPA and USACE have jurisdiction under the CWA. The CWR significantly expands the scope of the federal government’s CWA jurisdiction over intrastate water bodies and wetlands. The CWR could have an adverse impact on municipal utility districts, including the District, particularly with respect to jurisdictional wetland determinations, and could increase the size and scope of activities requiring USACE permits. The CWR has been challenged in various jurisdictions, including the Southern District of Texas, and the litigation challenging the CWR is still pending.

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

On January 23, 2020, the EPA and USACE released the Navigable Waters Protection Rule (“NWPR”), which contains a new definition of “waters of the United States.” The stated purpose of the NWPR is to restore and maintain the integrity of the nation’s waters by maintaining federal authority over the waters Congress has determined should be regulated by the federal government, while preserving the states’ primary authority over land and water resources. The new definition outlines four 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; (k) waste treatment systems; and (l) all other waters not defined as waters of us. The NWPR became effective June 22, 2020, and is currently the subject of ongoing litigation.

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

### **Hurricane Harvey**

The Houston area, including Montgomery County, Texas (the “County”), sustained widespread rain damage and flooding as a result of Hurricane Harvey’s landfall along the Texas Gulf Coast on August 25, 2017, and historic levels of rainfall during the succeeding four days.

According to the Engineer, the District’s water, sanitary sewer, and drainage facilities sustained no damage as a result of Hurricane Harvey, and there was no interruption of water and sewer service. Furthermore, according to the Developer and the Engineer, there were no homes in the District that experienced flooding or structural damage. The District cannot predict the effect that additional extreme weather events may have upon the District and the Gulf Coast. Additional extreme weather events have the potential to cause damage within the District and along the Gulf Coast generally that could have a negative effect on taxable assessed valuations in the District and the economy of the District and the region. See “TAXING PROCEDURES – Valuation of Property for Taxation.”

### **Specific Flood Type Risks**

The District may be subject to the following 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.

### **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 declared the Pandemic a national emergency and the Governor declared COVID-19 an imminent threat of disaster for all counties in Texas (collectively, the “disaster

declarations”). Such disaster declaration has been successively renewed and remains in effect. On March 25, 2020, in response to a request from the Governor, the President issued a Major Disaster Declaration for Texas.

Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting Texas business or any order or rule of a Texas agency that would in any way prevent, hinder, or delay necessary action in coping with the disaster, and issuing executive orders that have the force and effect of law. The Governor has issued a number of executive orders relating to COVID-19 preparedness and mitigation and reopening of Texas. These include, for example, the issuance on March 2, 2021, of Executive Order GA-34, which, among other things, removed any COVID-19-related operating limits for any business or other establishment and ended the Texas-wide mask mandate, effective March 10, 2021. The Governor’s order also maintains, in providing or obtaining services every person (including individuals, businesses, and other legal entities) should use good-faith efforts and available resources to follow the minimum standard health protocols. Executive Order GA-34 remains in place until amended, rescinded, or superseded by the Governor. On May 18, 2021, Governor Abbott issued Executive Order GA-36, which supersedes Executive Order GA-34 in part. Executive GA-36 prohibits governmental entities in Texas, including counties, cities, school districts, public health authorities, and government officials from requiring or mandating any person to wear a face covering and subjects a governmental entity or official to a fine up to \$1,000 for noncompliance, subject to certain exceptions. Executive orders remain in place until they are amended, rescinded, or superseded by the Governor. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at <https://gov.texas.gov/>. Neither the information on (nor accessed through) such website of the Governor is incorporated by reference, either expressly or by implication, into this Official Statement.

Since the disaster declarations were made, the Pandemic has negatively affected travel, commerce, and caused volatility in 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 volatility 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 maintenance and operations expenses payable from ad valorem taxes.

While the potential impact of the Pandemic on the District cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the District’s operations and financial condition. The financial and operating data contained herein are the latest available but are as of dates and for periods partially prior to the economic impact of the Pandemic and measures instituted to slow it. Accordingly, they are not indicative of the economic impact of the Pandemic on the District’s financial condition.

### **Potential Impact of Natural Disaster**

The District is located near the Texas Gulf Coast and, as it has in the past, could be impacted by high winds and flooding caused by a hurricane, tornado, tropical storm, or other adverse weather event. In the event that a natural disaster should damage or destroy improvements and personal property in the District, the assessed value of such taxable properties could be substantially reduced, resulting in a decrease in the taxable assessed value of the District or an increase in the District’s tax rate.

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

## **The 2021 Legislative Session**

The 87<sup>th</sup> Texas Legislature convened on January 12, 2021, and adjourned on May 31, 2021. The Governor called a special session on June 8, 2021, a second special session on August 7, 2021, and a third special session on September 20, 2021. The Governor may call one or more additional special sessions, which may last no more than 30 days, and for which the Governor sets the agenda. If the Governor were to call 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.

## **Reappraisal of Property**

On November 5, 2019, a Texas Constitutional amendment, effective January 1, 2020, passed and the prior process that gave local taxing jurisdictions the option to request a reappraisal following a disaster was repealed and replaced with an exemption for qualified property that is in a Governor-declared disaster area and at least 15% damaged. Qualified property includes tangible personal property, improvements to real property, and manufactured homes. Eligible individuals must apply within a specified time frame and, if the disaster occurs after taxes are levied, the taxing unit must take action to authorize the exemption. The amount of the exemption is determined by the percentage level of damage and is prorated based on the date of the disaster. The applicable appraisal district must perform a damage assessment and assign a percentage rating to determine the amount of the exemption. Any exemption granted under the new provisions expires the first year the property is reappraised.

## **Bond Insurance Risk Factors**

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

Under most circumstances, default of payment of principal and interest does not obligate acceleration of the obligations of the bond insurer without appropriate consent. The Bond Insurer may direct and must consent to any remedies and the bond insurer's consent may be required in connection with amendments to any applicable bond documents.

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

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

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

Neither the District or Initial Purchaser has made independent investigation into the claims paying ability of the bond insurer and no assurance or representation regarding the financial strength or projected financial strength of the bond insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal and interest on the Bonds and the claims paying ability of the bond insurer, particularly over the life of the investment. See “MUNICIPAL BOND INSURANCE” herein for further information provided by the bond insurer and the Policy, which includes further instructions for obtaining current financial information concerning the bond insurer.

## THE BONDS

### General

The following is a description of some of the terms and conditions of the Bonds, which is qualified in its entirety by reference to the Bond Order. A copy of the Bond Order may be obtained from the District upon written request made to Sanford Kuhl Hagan Kugle Parker Kahn LLP, 1980 Post Oak Boulevard, Suite 1380, Houston, Texas 77056.

The Bonds are dated October 1, 2021, with interest payable on March 1, 2022, and each September 1 and March 1 thereafter (each an “Interest Payment Date”) until the earlier of maturity or redemption. The Bonds are fully registered bonds maturing on September 1 of the years shown on the inside cover page of this Official Statement. Principal of the Bonds will be payable to the Registered Owners at maturity or redemption upon presentation at the principal payment office of the paying agent/registrars, initially, Zions Bancorporation, National Association, Amegy Bank Division, Houston, Texas (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 Registered Owners as shown on the records of the Paying Agent/Registrar at the close of business on the 15th calendar day of the month next preceding the Interest Payment Date (the “Record Date”) or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and a Registered Owner at the risk and expense of such Registered Owner.

### Book-Entry-Only System

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

*The District and the Financial Advisor cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants (herein defined), (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 (herein defined), 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 required by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each of the Bonds, each in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC.

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

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

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

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

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

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

Redemption proceeds, principal, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or 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, Paying Agent/Registrar or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and

disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

### ***Use of Certain Terms in Other Sections of this Official Statement***

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

### **Successor Paying Agent/Registrar**

Provision is made in the Bond Order for replacing the Paying Agent/Registrar. If the District replaces the Paying Agent/Registrar, such Paying Agent/Registrar shall, promptly upon the appointment of a successor, deliver the Paying Agent/Registrar's records to the successor Paying Agent/Registrar, and the successor Paying Agent/Registrar shall act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar selected by the District shall be a commercial bank; a trust company organized under the laws of the State of Texas; or other entity duly qualified and legally authorized to serve and perform the duties of the Paying Agent/Registrar for the Bonds.

### **Registration, Transfer and Exchange**

In the event the Book-Entry-Only System is discontinued, the Bonds are transferable only on the bond register kept by the Paying Agent/Registrar upon surrender at the corporate trust office of the Paying Agent/Registrar in Houston, Texas. A Bond may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. At any time after the date of initial delivery, any Bond may be transferred upon its presentation and surrender at the designated offices of the Paying Agent/Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the Registered Owner. The Bonds are exchangeable upon presentation at the designated office(s) of the Paying Agent/Registrar, for an equal principal amount of Bonds of the same maturity in authorized denominations. To the extent possible, new Bonds issued in exchange or transfer of Bonds will be delivered to the Registered Owner or assignee of the Registered Owner within not more than three (3) business days after the receipt by the Paying Agent/Registrar of the request in proper form to transfer or exchange the Bonds. New Bonds registered and delivered in an exchange or transfer shall be in the denomination of \$5,000 in principal amount for a Bond, or any integral multiple thereof for any one maturity and shall bear interest at the same rate and be for a like aggregate principal or maturity amount as the Bond or Bonds surrendered for exchange or transfer. Neither the Paying Agent/Registrar nor the District is required to issue, transfer, or exchange any Bond during a 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 fifteen (15) calendar days prior to, and ending on the date of the mailing of notice of redemption, or where such redemption is scheduled to occur within thirty (30) calendar days. No service charge will be made for any transfer or exchange, but the District or the Paying Agent/Registrar may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith.

### **Funds**

The Bond Order confirms the District's fund for payment of debt service on the Bonds, the Outstanding Bonds issued for the Road System, and any additional unlimited tax bonds that the District may hereafter issue for the Road System (the "Road System Debt Service Fund"). Accrued interest on the Bonds will be deposited from the

proceeds from sale of the Bonds into the Road System Debt Service Fund. The Road System Debt Service Fund, which constitutes a trust fund for the benefit of the owners of the Bonds, the Outstanding Bonds issued for the Road System, and any additional unlimited tax bonds issued by the District for the Road System, is to be kept separate from all other funds of the District and is to be used for payment of debt service on the Bonds, the Outstanding Bonds issued for the Road System, and any of the District's other duly authorized bonds issued for the Road System that are payable in whole or in part from taxes. Amounts on deposit in the Road System Debt Service Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar, to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Bonds, the Outstanding Bonds issued for the Road System, and any additional bonds for the Road System payable in whole or in part from taxes, and to pay any tax anticipation notes issued, together with interest thereon, as such tax anticipation notes become due. Amounts on deposit in the Road System Debt Service Fund may not be used to pay debt service on the Outstanding Bonds issued for the Utility System or any other bonds that the District may hereafter issue for the Utility System. Similarly, amounts on deposit in the Utility System Debt Service Fund (defined below) may not be used to pay debt service on the District's bonds issued for the Road System, including the Bonds.

In connection with the Outstanding Bonds issued for the Utility System, the District has established a fund for payment of debt service on the Outstanding Bonds issued for the Utility System and any additional unlimited tax bonds that the District may hereafter issue for the Utility System (the "Utility System Debt Service Fund"). The Utility System Debt Service Fund, which constitutes a trust fund for the benefit of the owners of the Outstanding Bonds issued for the Utility System and any additional unlimited tax bonds issued by the District for the Utility System, is to be kept separate from all other funds of the District and is to be used for payment of debt service on the Outstanding Bonds issued for the Utility System and any of the District's other duly authorized bonds issued for the Utility System that are payable in whole or in part from taxes. Amounts on deposit in the Utility System Debt Service Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar, to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Outstanding Bonds issued for the Utility System and any additional bonds for the Utility System payable in whole or in part from taxes, and to pay any tax anticipation notes issued, together with interest thereon, as such tax anticipation notes become due. Amounts on deposit in the Utility System Debt Service Fund may not be used to pay debt service on the Bonds, the Outstanding Bonds issued for the Road System, or any other bonds that the District may hereafter issue for the Road System. Similarly, amounts on deposit in the Road System Debt Service Fund may not be used to pay debt service on bonds issued for the Utility System.

## **Redemption Provisions**

### *Optional Redemption*

Bonds maturing on September 1, 2027, and thereafter shall be subject to redemption and payment at the option of the District, in whole or from time to time in part, on September 1, 2026, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. Notice of the exercise of the reserved right of redemption will be given at least thirty (30) days prior to the redemption date by sending such notice by first class mail to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the bond register. If less than all of the Bonds are redeemed at any time, the maturities of the Bonds to be redeemed shall be selected by the District. If less than all of the Bonds of a certain maturity are to be redeemed, the particular Bonds or portions thereof to be redeemed will be selected by the Paying Agent/Registrar prior to the redemption date by such random method as the Paying Agent/Registrar deems fair and appropriate in integral multiples of \$5,000 within any one maturity. The Registered Owner of any Bond, all or a portion of which has been called for redemption, shall be required to present such Bond to the Paying Agent/Registrar for payment of the redemption price on the portion of the Bonds so called for redemption and issuance of a new Bond in the principal amount equal to the portion of such Bond not redeemed.

### *Mandatory Redemption*

The Bonds that mature on September 1 in the years 2028, 2030, 2032, 2034, 2036, 2039 and 2046 are term bonds (the "Term Bonds") that shall be redeemed by lot or other customary method of random selection (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form) prior to maturity, at a price equal to the principal amount thereof, plus accrued interest to the Mandatory Redemption Date, on September 1 in each of the years and in the principal amounts set forth in the following schedule:



\$160,000 Term Bonds Maturing on September 1, 2028

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2027	\$ 80,000
September 1, 2028 (Maturity)	\$ 80,000

\$170,000 Term Bonds Maturing on September 1, 2030

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2029	\$ 85,000
September 1, 2030 (Maturity)	\$ 85,000

\$175,000 Term Bonds Maturing on September 1, 2032

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2031	\$ 85,000
September 1, 2032 (Maturity)	\$ 90,000

\$185,000 Term Bonds Maturing on September 1, 2034

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2033	\$ 90,000
September 1, 2034 (Maturity)	\$ 95,000

\$195,000 Term Bonds Maturing on September 1, 2036

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2035	\$ 95,000
September 1, 2036 (Maturity)	\$ 100,000

\$320,000 Term Bonds Maturing on September 1, 2039

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2037	\$ 105,000
September 1, 2038	\$ 105,000
September 1, 2039 (Maturity)	\$ 110,000

\$850,000 Term Bonds Maturing on September 1, 2046

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2040	\$ 110,000
September 1, 2041	\$ 115,000
September 1, 2042	\$ 120,000
September 1, 2043	\$ 120,000
September 1, 2044	\$ 125,000
September 1, 2045	\$ 130,000
September 1, 2046 (Maturity)	\$ 130,000

The principal amount of the Term Bonds of a maturity required to be redeemed pursuant to the operation of the mandatory sinking fund redemption provisions shall be reduced, at the direction of the District, by the principal amount of any Term Bonds of such maturity which, at least thirty (30) days prior to a Mandatory Redemption Date, (1) shall have been acquired by the District at a price not exceeding the principal amount of such Term Bonds plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and cancelled by the Paying Agent/Registrar at the request of the District with monies in the applicable debt service fund for the the Road System (herein defined) at a price not exceeding the principal amount of the Term Bonds plus accrued interest to the date of purchase thereof, or (3) shall have been redeemed pursuant to the optional redemption provision and not theretofore credited against a mandatory sinking fund redemption requirement.

### **Mutilated, Lost, Stolen or Destroyed Bonds**

In the event the Book-Entry-Only System is discontinued, 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.

### **Authority for Issuance**

The Bonds are issued pursuant to Article III, Section 52 of the Texas Constitution and general laws of the State of Texas, including Chapters 49 and 54, Texas Water Code, as amended, and Chapter 7219, Texas Special District Local Laws Code, as amended; the Bond Order adopted by the Board; and an election held within the boundaries of the District on November 4, 2014.

At an election held within the District on November 4, 2014, voters of the District authorized the District's issuance of: \$55,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System; \$82,500,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Road System; \$90,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System; \$135,000,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Utility System; \$30,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities serving the District; and \$45,000,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for parks and recreational facilities. The District may issue additional bonds, with the approval of the TCEQ (with respect to the Utility System and parks), as necessary to provide improvements and facilities consistent with the purposes for which the District was created, and the Board and voters could authorize additional amounts.

### **Source of Payment**

The Bonds are payable from the proceeds of a continuing, direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. In the Bond Order, the District covenants to levy a sufficient tax to pay principal of and interest on the Bonds, with full allowance being made for delinquencies, costs of collections, and certain fees Tax proceeds, after deduction for collection costs, will be placed in the Road System Debt Service Fund and used solely to pay principal of and interest on the Bonds, the Outstanding Bonds issued for the Road System, any additional bonds payable from taxes that may be issued for the Road System, and fees of the Paying Agent/Registrar.

Bonds issued for the Road System and for the Utility System are each supported by the proceeds of a separate unlimited tax levied annually by the District. Amounts on deposit in the Road System Debt Service Fund may not be used to pay debt service on other bonds issued by the District for the Utility System. Amounts on deposit in the Utility System Debt Service Fund may not be used to pay debt service on the Bonds or any bonds issued by the District for the Road System.

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

### **Outstanding Bonds**

The District has previously issued two series of unlimited tax bonds for the purpose of acquiring or constructing the Utility System: \$3,025,000 Unlimited Tax Bonds, Series 2018 and \$1,540,000 Unlimited Tax Bonds, Series 2019. At the delivery of the Bonds, \$4,315,000 principal amount of such previously issued debt will remain outstanding (the "Outstanding Utility Bonds"). The District has previously issued one series of unlimited tax bonds for the purpose of acquiring or constructing the Road System: \$2,655,000 Unlimited Tax Road Bonds, Series 2020. At the delivery of the Bonds, \$2,570,000 principal amount of such previously issued debt will remain outstanding (the "Outstanding Road Bonds"). The Outstanding System Bonds and the Outstanding Road Bonds are herein referred to collectively as the "Outstanding Bonds." See "THE BONDS – Outstanding Bonds."

## **Issuance of Additional Debt**

The Bonds represent the fourth series of bonds issued by the District and the second issuance of bonds for construction of the Road System. After issuance of the Bonds, the following principal amounts of unlimited tax bonds will remain authorized but unissued: \$49,925,000 for the Road System; \$82,500,000 for the refunding of bonds issued for the Road System; \$85,435,000 for the Utility System; \$135,000,000 for refunding bonds issued for the Utility System; \$30,000,000 for parks and recreational facilities; and \$45,000,000 for refunding of bonds issued by the District for parks and recreational facilities. The District may also issue any additional bonds as may hereafter be approved by both the Board of Directors and voters of the District as well as certain additional bonds, revenue bonds, special project bonds, and other obligations as described in the Bond Order. The Bond Order imposes no limitation on the amount of additional parity bonds which may be issued by the District (if authorized by the District's voters and, in the case of bonds for the Utility System or for parks and recreation, approved by the TCEQ).

According to the Engineer, following the issuance of the Bonds, the District will owe the Developer approximately \$7,805,000 for its expenditures to construct the Utility System, parks and recreational facilities in the District, and the Road System.

The District is also authorized by statute to engage in fire-fighting activities, including the issuing of bonds payable from taxes for such purposes. Before the District could issue such bonds, the following actions would be required: (a) authorization of a detailed fire protection plan; (b) approval of the fire plan by the TCEQ; (c) approval of the fire plan by the voters of the District; and (d) approval of bonds, if any, by the Attorney General of Texas. If additional debt obligations are issued in the future by the District, such issuance may increase gross debt/property ratios and might adversely affect the investment security of the Bonds.

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. Before the District could issue park bonds payable from taxes, the following actions would be required: (a) approval of the park bond application for the issuance of bonds by the TCEQ; and (b) approval of the bonds by the Attorney General of Texas. The District has not considered the preparation of a parks bond application at this time. If the District does issue park bonds, the outstanding principal amount of such bonds may not exceed an amount equal to one percent (1%) of the value of the taxable property in the District at the time of issuance.

## **No Arbitrage**

The District will certify, on the date of delivery of the Bonds, that based upon all facts and estimates now known or reasonably expected to be in existence on the date the Bonds are delivered and paid for, the District reasonably expects that the proceeds of the Bonds will not be used in a manner that would cause the Bonds, or any portion of the Bonds, to be "arbitrage bonds" under the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations prescribed thereunder. Furthermore, all officers, employees, and agents of the District have been authorized and directed to provide certifications of facts and estimates that are material to the reasonable expectations of the District as of the date the Bonds are delivered and paid for. In particular, all or any officers of the District are authorized to certify to the facts and circumstances and reasonable expectations of the District on the date the Bonds are delivered and paid for regarding the amount and use of the proceeds of the Bonds. Moreover, the District covenants that it shall make such use of the proceeds of the Bonds, regulate investment of proceeds of the Bonds and take such other and further actions and follow such procedures, including, without limitation, calculating the yield on the Bonds, as may be required so that the Bonds shall not become "arbitrage bonds" under the Code and the regulations prescribed from time to time thereunder.

## **Defeasance**

The Bond Order provides that the District may discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal, interest and redemption price thereon in any manner permitted by law. Under current Texas law, such discharge may be accomplished either (i) by depositing with the Comptroller of Public Accounts of the State of Texas a sum of money equal to the principal of, premium, if any, and all interest to accrue on the Bonds to maturity or redemption or (ii) by depositing with any place of payment (paying agent) of the Bonds or other obligations of the District payable from revenues or from ad valorem taxes or both, amounts sufficient to provide for the payment and/or redemption of the Bonds; provided that such deposits

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

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

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

#### **Legal Investment and Eligibility to Secure Public Funds in Texas**

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

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

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

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

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

#### **Registered Owners' Remedies**

Pursuant to Texas law, the Bond Order provides that, in the event the District defaults in the payment of the principal of or interest on any of the Bonds when due, fails to make payments required by the Bond Order into the Road System Debt Service Fund and the Utility System Debt Service Fund, or defaults in the observance or performance of any of the other covenants, conditions or obligations set forth in the Bond Order, any Registered Owner shall be entitled to seek a writ of mandamus from a court of competent jurisdiction compelling and

requiring the District to make such payments or to observe and perform such covenants, obligations or conditions. Such right is in addition to other rights the Registered Owners may be provided by the laws of the State of Texas.

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners may seek a writ of mandamus requiring the District to levy adequate taxes to make such payments. Except for the remedy of mandamus, the Bond Order does not specifically provide for remedies to a Registered Owner in the event of a District default, nor does it provide for the appointment of a trustee 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. Although the Registered Owners could obtain a judgment against the District, such a judgment 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 in order to pay the principal of or interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may be further 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. For example, a Chapter 9 bankruptcy proceeding by the District could delay or eliminate payment of principal or interest to the Registered Owners.

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## Use and Distribution of Bond Proceeds

Proceeds of the Bonds will be used to reimburse the Developer for the construction costs set out below. Proceeds from the Bonds will also be used to pay the non-construction costs below. 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. Totals may not sum due to rounding.

<u>Construction Costs</u>	<u>District's Share</u>
A. Developer Contribution Items	
1. Construction of Paving Facilities in Cimarron Creek, Sec. 2	\$ 456,527
2. Construction of Paving Facilities in Cimarron Creek, Sec. 3	494,850
3. Land Acquisition Costs	849,776
4. Engineering for Paving Facilities in Cimarron Creek Sections 1, 2, and 3	<u>242,949</u>
Total Developer Contribution Items	\$ 2,044,101
B. District Items	
1. None	
Total District Items	\$ -
Total Construction Costs	<u>\$ 2,044,101</u>
<u>Non-Construction Costs</u>	
A. Legal Fees	\$ 72,600
B. Fiscal Agent Fees	48,400
C. Interest Costs	
1. Developer Interest	132,954
D. Bond Discount	72,600
E. Bond Issuance Expenses	31,925
F. Attorney General Fee (0.10% or \$9,500 max.)	2,420
G. Bond Application Report	<u>15,000</u>
Total Non-Construction Costs	\$ 375,899

## **TOTAL BOND ISSUE REQUIREMENT** **\$ 2,420,000**

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

*[Remainder of this page intentionally left blank.]*

## THE DISTRICT

### Authority

The District was created by order of the TCEQ, dated July 14, 2014, and by a confirmation election held within the District on November 4, 2014. The District operates under Chapters 49 and 54 of the Texas Water Code and other general laws of the State of Texas applicable to municipal utility districts and is empowered, among other things, to purchase, construct, operate, and maintain all works, improvements, facilities, and plants necessary for the supply of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water. The District also is authorized to construct, develop and maintain park and recreational facilities using operating revenues or by issuing bonds payable from taxes.

Furthermore, in 2015, legislation was enacted granting the District the power to construct and finance roads under Article III, Section 52 of the Texas Constitution. In addition, the District is authorized, upon TCEQ and voter approval, to establish, operate, and maintain a fire department, independently or with one or more other conservation and reclamation districts, and to provide such facilities and services to the customers of the District.

### Description

The District comprises 122.74 total acres and is situated entirely within the County, the extraterritorial jurisdiction of the City, and the boundaries of Magnolia Independent School District. The District is located approximately 35 miles north of the City of Houston, Texas; approximately 10 miles southwest of the City; and approximately 9 miles east of the City of Magnolia, Texas. The District is adjacent to the master-planned community of The Woodlands and lies approximately eight miles west of the intersection of Interstate Highway 45 and Farm to Market Road 1488. The District is situated south of Farm to Market Road 1488, west of Tamina Road, east of Lake Windcrest, and north of Miller's Crossing.

### Management of the District

The District is governed by the Board of Directors (the "Board"), consisting of five directors, which has control over and management supervision of all affairs of the District. All of the Directors own property in the District. The directors serve four-year staggered terms. Elections are held in May of even-numbered years. The current members and officers of the Board are listed below:

<u>Name</u>	<u>Position</u>	<u>Term Expires May</u>
Scott Day	President	2022
Daniel Reid	Vice President	2024
Todd David	Secretary	2022
John McCullar Jr.	Assistant Secretary	2024
Scott Wright	Assistant Secretary	2022

### Investment Policy

The District has adopted an Investment Policy (the "Investment Policy") as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code (the "Act"). The District's goal is to preserve principal and maintain liquidity in a diversified portfolio while securing a competitive yield on its portfolio. Funds of the District are to be invested only in accordance with the Investment Policy. The Investment Policy states that the funds of the District may be invested in short term obligations of the U.S. or its agencies or instrumentalities, in certificates of deposits insured by the Federal Deposit Insurance Corporation and secured by collateral authorized by the Act, and in TexPool and TexStar, which are public funds investment pools rated in the highest rating category by a nationally recognized rating service. The District does not currently own, nor does it anticipate, the inclusion of long term securities or derivative products in the portfolio.

## **Consultants**

Although the District does not have a general manager or any other full-time employees, it has contracted for bookkeeping, tax assessing and collecting, auditing, engineering, and legal services as follows:

*Tax Assessor/Collector:* The tax assessor/collector for the District is Utility Tax Service, LLC (the "Tax Assessor/Collector").

*Bookkeeper:* The District's bookkeeper is L&S District Services, LLC.

*Auditor:* The District engaged McGrath & Co., PLLC, to audit its financial statements for the fiscal year ended August 31, 2020. Said financial statements are attached hereto as "APPENDIX A."

*Engineer:* The District's engineer is Jones & Carter, Inc. (the "Engineer").

*Bond Counsel:* The District has engaged Sanford Kuhl Hagan Kugle Parker Kahn LLP, Houston, Texas, as general counsel to the District and as bond counsel ("Bond Counsel") in connection with the issuance of the Bonds. The fees to be paid Bond Counsel in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds. See "LEGAL MATTERS."

*Disclosure Counsel:* Orrick, Herrington & Sutcliffe LLP, Houston, Texas, serves as Disclosure Counsel to the District. The fee to be paid Disclosure Counsel for services rendered in connection with the issuance of the Bonds is contingent on the issuance, sale and delivery of the Bonds.

*Financial Advisor:* Robert W. Baird & Co. Incorporated is engaged as financial advisor to the District in connection with the issuance of the Bonds (the "Financial Advisor"). The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement.

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## DEVELOPMENT OF THE DISTRICT

### Cimarron Creek

The District is part of the master-planned residential community known as Cimarron Creek. Cimarron Creek is located immediately south of Farm to Market Road 1488 and includes amenities such as a community recreation center, swimming pool, and playgrounds.

### Status of Development within the District

To date, all 319 single-family lots in the District have been developed within the following single-family residential subdivisions: Cimarron Creek, Sections 1, 2, 3, 4, 5, 6, 7, and 8. Said subdivisions encompass approximately 91.14 total acres within the District. As of August 1, 2021, the District included approximately 288 completed homes (approximately 288 occupied, 0 unoccupied, and 0 model homes), approximately 30 homes under construction and approximately 1 vacant, developed lot. The remainder of the lands within the District includes approximately 0 undeveloped but developable acres and approximately 31.60 undevelopable acres for use as a tree park and floodplain (25.26 acres) and detention (6.34 acres).

The table below summarizes the status of development and land use within the District as of August 1, 2021.

Cimarron Creek	Acreage	Section Lots	Homes Completed	Homes Under Construction	Vacant Lots
Section 1	18.83	8	7	1	0
Section 2	11.32	42	42	0	0
Section 3	12.04	50	50	0	0
Section 4	6.85	32	32	0	0
Section 5	11.08	52	49	3	0
Section 6	8.85	44	44	0	0
Section 7	12.58	50	50	0	0
Section 8	<u>9.59</u>	<u>41</u>	<u>14</u>	<u>26</u>	<u>1</u>
Totals	91.14	319	288	30	1
Developed	91.14				
Undevelopable	31.60				
Remaining Developable	0.00				
District Total	122.74				

### Homebuilder within the District

KB Home is the only active homebuilder in the District. New homes being marketed in the District range in price from \$194,000 to over \$386,000 and in size from 1,700 to over 3,600 square feet. See "PRINCIPAL LANDOWNER/DEVELOPER."

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**PHOTOGRAPHS TAKEN IN THE DISTRICT  
(August 2021)**



**PHOTOGRAPHS TAKEN IN THE DISTRICT  
(August 2021)**



## **PRINCIPAL LANDOWNER/DEVELOPER**

### **Role of the Developer**

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

Prospective purchasers of the Bonds should note that the prior real estate experience of a developer should not be construed as an indication that further development within the District will occur, or construction of taxable improvements upon property within the District will occur, or that marketing or leasing of taxable improvements constructed upon property within the District will be successful. Circumstances surrounding development within the District may differ from circumstances surrounding development of other land in several respects, including the existence of different economic conditions, financial arrangements, homebuilders, geographic location, market conditions, and regulatory climate.

Neither the Developer, nor any affiliate entities, are obligated to pay principal of or interest on the Bonds. Furthermore, neither the Developer, nor any affiliate entities, have a binding commitment to the District to carry out any plan of development, and the furnishing of information relating to the proposed development by the Developer or affiliate entities should not be interpreted as such a commitment. Prospective purchasers are encouraged to inspect the District in order to acquaint themselves with the nature of development that has occurred or is occurring within the District's boundaries.

### **The Developer**

The developer and principal owner of land in the District is KB Home Lone Star Inc., a Texas corporation (the "Developer") and publicly traded company on the New York Stock Exchange under the ticker symbol "KBH." For more information, visit [www.kbhome.com](http://www.kbhome.com).

## **THE ROAD SYSTEM**

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

## **THE UTILITY SYSTEM**

### **Regulation**

Construction and operation of the water, sanitary sewer, and storm drainage system serving the District, as it now exists or as it may be expanded from time to time, is subject to regulatory jurisdiction of federal, state, and local authorities. The TCEQ exercises continuing, supervisory authority over the water and sanitary service serving the District. Construction of water, sanitary sewer, and storm drainage facilities is subject to the regulatory authority of the District and the County. The TCEQ also exercises regulatory jurisdiction over portions of the water and sanitary sewer facilities.

### **Water Supply**

The District obtains its current and ultimate water supply capacity through contractual agreement. Effective March 17, 2014, the Developer entered into that certain Wholesale Agreement for Water Service with Quadvest,

L.P., holder of a certificate of convenience and necessity for water and owner of a water supply system in the County. On July 24, 2014, the Developer assigned its rights under the agreement to the District.

Under the agreement, Quadvest, L.P. agrees to provide wholesale water service to the District, and District agrees to purchase 325 equivalent single-family connections (“esfc”) of capacity in the water supply system owned by Quadvest, L.P. The District’s water supply is currently capable of serving 325 esfc, which is sufficient to serve full build out of the District.

### **Wastewater Treatment**

The District obtains its current and ultimate wastewater capacity through that Wholesale Agreement for Wastewater Service with Woodland Oaks Utility, L.P., dated effective April 28, 2014. The wastewater agreement was originally executed by and between the Developer and Woodland Oaks Utility, L.P. On July 24, 2014, the Developer assigned its rights under the agreement to the District. Under the agreement, the District purchases wastewater capacity capable of serving 325 esfc, which is sufficient to serve full build out of the District.

### **Storm Water Drainage**

Natural drainage patterns generally slope from the District to Bear Branch. Storm-water runoff is collected by curb and gutter streets that tie into a system of underground storm sewer lines that flow into detention and outfall to Bear Branch.

### **100-Year Flood Plain**

According to the District’s Engineer, portions of the District are located within the 100-year flood plain, as identified by the Federal Flood Insurance Administration Rate Map No. 48339C0505G dated August 18, 2014. No lots are developed nor are any expected to be developed on the acreage that is located within the boundary of the 100-year flood plain.

*[Remainder of this page intentionally left blank.]*

## General Fund Operating Statement

The following is a summary of the District's general fund activity for the last five fiscal years. For the District's fiscal years which ended on and before August 31, 2020, the below summary has been prepared by the Financial Advisor based upon information obtained from the District's audited financial statements. Reference is made to such statements for further and more complete information. See "APPENDIX A." For the District's fiscal year ending August 31, 2021, the figures below are unaudited and have been prepared by the Financial Advisor for inclusion herein based on information obtained from reports of the District's bookkeeper.

	Fiscal Year Ended August 31					
	2021*	2020	2019	2018	2017	2016
<b>Revenues</b>						
Water Service	\$ 154,028	\$ 144,693	\$ 89,716	\$ 66,824	\$ 44,719	\$ 11,464
Sewer Service	215,452	216,053	160,020	116,303	89,968	49,039
Garbage Service	-	-	-	-	5,776	9,799
Property Taxes	194,776	266,066	248,536	254,922	134,509	4,453
Penalties and Interest	2,926	5,530	9,377	10,428	6,044	2,242
Groundwater Pumpage Fees	48,427	69,097	39,073	33,602	23,553	18,515
Tap connection and Inspection	58,305	48,650	71,740	32,000	46,895	22,150
Miscellaneous	11,253	4,122	3,801	3,789	2,558	1,275
Investment Earnings	347	3,411	2,856	670	-	-
Total Revenues	\$ 685,514	\$ 757,622	\$ 625,119	\$ 518,538	\$ 354,022	\$ 118,937
<b>Expenditures</b>						
Current Service Operations						
Purchased Services	\$ 207,268	\$ 224,950	\$ 157,172	\$ 157,970	\$ 113,718	\$ 85,246
Professional Fees	75,033	61,266	66,004	62,068	58,123	48,982
Contracted Services	118,604	137,813	115,983	86,842	73,912	56,355
Repairs and Maintenance	69,300	79,756	64,044	56,596	41,283	39,727
Utilities	2,789	1,269	862	1,002	1,303	1,919
Groundwater Pumpage Fees	54,352	55,507	42,453	51,032	-	-
Administrative	10,254	15,565	11,388	12,671	11,382	9,220
Other	3,418	3,774	3,732	3,608	2,902	698
Total Expenditures	\$ 541,018	\$ 579,900	\$ 461,638	\$ 431,789	\$ 302,623	\$ 242,147
Revenues Over (Under) Exp.	\$ 144,495	\$ 177,722	\$ 163,481	\$ 86,749	\$ 51,399	\$(123,210)
Developer Advances	\$ -	\$ -	\$ -	\$ -	\$ 44,500	\$ 110,000
Beginning of Year Fund Balance	\$ 509,270	\$ 331,548	\$ 168,067	\$ 81,318	\$ (14,581)	\$ (1,371)
End of the Year Fund Balance	\$ 653,765	\$ 509,270	\$ 331,548	\$ 168,067	\$ 81,318	\$ (14,581)

\* Unaudited figures. As of August 17, 2021.

**DISTRICT DEBT**

**General**

2021 Taxable Assessed Valuation.....	\$ 67,106,074	(a)
Estimate of Value as of June 1, 2021.....	\$ 77,537,734	(b)
<b>Direct Debt</b>		
The Outstanding Bonds (as of October 1, 2021).....	\$ 6,885,000	
The Bonds .....	<u>\$ 2,420,000</u>	
Total.....	\$ 9,305,000	
Estimated Overlapping Debt.....	<u>\$ 1,928,348</u>	(c)
Total Direct and Estimated Overlapping Debt .....	\$ 11,233,348	(c)
<b>Direct Debt Ratio:</b>		
As a Percentage of 2021 Taxable Assessed Valuation.....	13.87	%
As a Percentage of Estimate of Value as of June 1, 2021.....	12.00	%
<b>Direct and Estimated Overlapping Debt Ratio:</b>		
As a Percentage of 2021 Taxable Assessed Valuation.....	16.74	%
As a Percentage of Estimate of Value as of June 1, 2021.....	14.49	%
Utility System Debt Service Fund Balance (as of August 17, 2021).....	\$421,137	(d)
Road System Debt Service Fund Balance (as of August 17, 2021).....	\$194,604	(e)
Operating Fund Balance (as of August 17, 2021) .....	\$596,746	
Capital Projects Fund Balance (as of August 17, 2021) .....	\$ 16,121	
<b>2021 Tax Rate</b>		
Utility System Debt Service .....	\$0.38	
Road System Debt Service .....	\$0.45	
Maintenance and Operations .....	<u>\$0.50</u>	
Total.....	\$1.33	
Average Annual Debt Service Requirement (2022-2046) .....	\$521,481	(f)
Maximum Annual Debt Service Requirement (2042).....	\$591,400	(f)
<b>Combined Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay</b>		
<b>Average Annual Debt Service Requirement (2022-2046) at 95% Tax Collections</b>		
Based on 2021 Taxable Assessed Valuation.....	\$0.82	
Based on Estimate of Value as of June 1, 2021 .....	\$0.71	
<b>Combined Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay</b>		
<b>Maximum Annual Debt Service Requirement (2042) at 95% Tax Collections</b>		
Based on 2021 Taxable Assessed Valuation.....	\$0.93	
Based on Estimate of Value as of June 1, 2021 .....	\$0.81	

- (a) Represents the taxable amount of the certified assessed valuation of taxable property in the District as of January 1, 2021, as provided by the Montgomery Central Appraisal District 2021 appraisal rolls. Such value includes \$2,349,937 of uncertified value, which is 80% of the total taxable value associated with properties that remain under protest as of certification. See "TAX DATA" and "TAXING PROCEDURES."
- (b) Provided by the Montgomery Central Appraisal District for information purposes only. This estimate reflects the addition of the taxable value from new construction within the District from January 1, 2021, to June 1, 2021. No taxes will be levied on this estimate. See "TAX DATA" and "TAXING PROCEDURES."
- (c) See "DISTRICT DEBT - Direct and Estimated Overlapping Debt Statement."
- (d) Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Utility System Debt Service Fund. Funds in the Utility System Debt Service Fund are not available to pay debt service on bonds issued for the Road System, such as the Bonds.
- (e) Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Road System Debt Service Fund. Funds in the Road System Debt Service Fund are not available to pay debt service on bonds issued by the District for the Utility System.
- (f) See "DISTRICT DEBT - Debt Service Requirement Schedule."

### Debt Service Requirement Schedule

The following schedule sets forth the annual debt service requirements of the Outstanding Bonds, the principal, interest, and annual debt service requirements of the Bonds, and the combined annual debt service requirements of the Outstanding Bonds and the Bonds.

Calendar Year	Outstanding Bonds Debt Service	Plus: The Bonds		Combined Total Debt Service	
		Principal	Interest		Debt Service
2022	\$ 415,979	\$ 75,000	\$ 63,176	\$ 138,176	\$ 554,154
2023	419,466	70,000	65,544	135,544	555,010
2024	422,491	70,000	62,394	132,394	554,885
2025	415,085	75,000	59,244	134,244	549,329
2026	422,623	75,000	55,869	130,869	553,491
2027	419,523	80,000	52,494	132,494	552,016
2028	421,113	80,000	48,894	128,894	550,006
2029	424,408	85,000	45,294	130,294	554,701
2030	427,240	85,000	42,744	127,744	554,984
2031	429,628	85,000	40,194	125,194	554,821
2032	431,478	90,000	38,494	128,494	559,971
2033	437,868	90,000	36,694	126,694	564,561
2034	438,788	95,000	34,894	129,894	568,681
2035	438,938	95,000	32,994	127,994	566,931
2036	443,788	100,000	30,975	130,975	574,763
2037	442,956	105,000	28,850	133,850	576,806
2038	446,725	105,000	26,356	131,356	578,081
2039	449,881	110,000	23,863	133,863	583,744
2040	452,431	110,000	21,250	131,250	583,681
2041	449,263	115,000	18,500	133,500	582,763
2042	455,775	120,000	15,625	135,625	591,400
2043	241,438	120,000	12,625	132,625	374,063
2044	245,175	125,000	9,625	134,625	379,800
2045	148,625	130,000	6,500	136,500	285,125
2046	-	130,000	3,250	133,250	133,250
Total	\$9,740,680	\$2,420,000	\$876,338	\$3,296,338	\$13,037,018

Average Annual Debt Service Requirement (2022–2046) ..... \$521,481  
 Maximum Annual Debt Service Requirement (2042)..... \$591,400

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**Direct and Estimated Overlapping Debt Statement**

Other governmental entities whose boundaries overlap the District have outstanding bonds payable from ad valorem taxes. The following statement of direct and estimated overlapping ad valorem tax debt was developed from information contained in *Texas Municipal Reports*, published by the Municipal Advisory Council of Texas, or other available information. Except for the amount relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person is entitled to rely upon such information as being accurate or complete. Furthermore, certain of the entities listed below may have issued additional bonds since the dates stated in this table, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot presently be determined. Political subdivisions overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for operation, maintenance and/or general revenue purposes in addition to taxes for payment of their debt, and some are presently levying and collecting such taxes.

Taxing Jurisdiction	Outstanding Debt July 31, 2021	Overlapping Debt	
		Percent	Amount
Montgomery County	\$ 486,675,000	0.10%	\$ 508,761
Magnolia Independent School District	149,660,000	0.83%	1,243,204
Lone Star College System District	614,815,000	0.03%	176,383
Total Estimated Overlapping Debt			\$ 1,928,348
Direct Debt (a)			\$ 9,305,000
Total Direct and Estimated Overlapping Debt (a)			\$ 11,233,348

(a) Includes the Outstanding Bonds and the Bonds.

**Debt Ratios**

Ratio of Direct Debt (a):	
As a Percentage of 2021 Taxable Assessed Valuation.....	13.87 %
As a Percentage of Estimate of Value as of June 1, 2021.....	12.00 %
Ratio of Direct and Estimated Overlapping Debt (a):	
As a Percentage of 2021 Taxable Assessed Valuation.....	16.74 %
As a Percentage of Estimate of Value as of June 1, 2021.....	14.49 %

(a) Includes the Outstanding Bonds and the Bonds.

## TAXING PROCEDURES

### Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in sufficient amount to pay the principal of and interest on the Bonds and any additional bonds payable from taxes that the District may hereafter issue for the Road System (and to pay the expenses of assessing and collecting such taxes). See "RISK FACTORS – Future Debt." The Board is also authorized to levy an annual ad valorem tax rate, without legal limit as to rate or amount, on all taxable property in the District in sufficient amount to pay the principal of and interest on any bonds payable from taxes that the District may hereafter issue for the Utility System and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Order to levy such a tax from year to year as described more fully above under "THE BONDS – Source of Payment." Under Texas law, the Board may also levy and collect annual ad valorem taxes for the operation and maintenance of the District. See "TAX DATA – Maintenance and Operations Taxes."

### Property Tax Code and County-Wide Appraisal District

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

The Property 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 Montgomery Central Appraisal District (the "Appraisal District"). The Appraisal District has the responsibility of appraising property for all taxing units within the County, including the District. Such appraisal values will be subject to review and change by the Montgomery County Appraisal Review Board (the "Appraisal Review Board"). The appraisal roll, as approved by the Appraisal Review Board, will be used by the District in establishing its tax rolls and tax rate.

### Property Subject to Taxation by the District

**General:** Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes, and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by 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, which the District would be required to call upon petition by twenty percent (20%) of the qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or 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 at no cost to the veteran. This exemption also applies to a residence homestead that was donated by a charitable organization at some cost to such veterans. The surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

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

***Residential Homestead Exemptions:*** The Property Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the appraised value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The District has never adopted a general homestead exemption.

***Freeport Goods and Goods-in-Transit Exemption:*** Freeport goods are goods, wares, merchandise, other tangible personal property and ores, other than oil, natural gas and other petroleum products, which have been acquired or brought into the state for assembling, storing, manufacturing, repair, maintenance, processing or fabricating purposes, or used to repair or maintain aircraft of a certified air carrier, and shipped out of the state within one hundred seventy-five (175) days. Freeport goods are exempt from taxation by the District. Article VIII, Section 1-n of the Texas Constitution provides for the exemption from taxation of "goods-in-transit." "Goods-in-transit" is defined by a provision of the Tax Code, which is effective for tax year 2011 and prior applicable years, as personal property acquired or imported into Texas and transported to another location in the State or outside the State within 175 days of the date the property was acquired or imported into Texas. The exemption excludes oil, natural gas, petroleum products, aircraft, and special inventory. For tax year 2012 and subsequent years, such Goods-in-Transit Exemption is limited to tangible personal property acquired in or imported into Texas for storage purposes and which is stored under a contract of bailment by a public warehouse operator at one or more warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. The Tax Code provision permits local governmental entities, on a local option basis, to take official action by January 1 of the year preceding a tax year, after holding a public hearing, to tax goods-in-transit during the following tax year. The District has not taken action to tax Goods-in-Transit. A taxpayer may receive only one of the Freeport exemptions or the goods-in-transit exemptions for items of personal property.

### **Tax Abatement**

The County 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. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions. At this time, the County has not designated any 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 Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Code. Nevertheless, certain land may be appraised at less than market value, as such is defined in the Property Code. The Texas Constitution limits increases in the appraised value of residence homesteads to ten percent (10%) annually regardless of the market value of the property.

The Property Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its fair market value. The Property 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 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 Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by one political subdivision while claiming it for another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three years for agricultural use, open space land, and timberland.

The Property Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraisal values. The plan must provide for appraisal of all property in the Appraisal District at least once every three 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.

## **Reappraisal of Property**

On November 5, 2019, a Texas Constitutional amendment, effective January 1, 2020, passed and the prior process that gave local taxing jurisdictions the option to request a reappraisal following a disaster was repealed and replaced with an exemption for qualified property that is in a Governor-declared disaster area and at least 15% damaged. Qualified property includes tangible personal property, improvements to real property, and manufactured homes. Eligible individuals must apply within a specified time frame and, if the disaster occurs after taxes are levied, the taxing unit must take action to authorize the exemption. The amount of the exemption is determined by the percentage level of damage and is prorated based on the date of the disaster. The applicable appraisal district must perform a damage assessment and assign a percentage rating to determine the amount of the exemption. Any exemption granted under the new provisions expires the first year the property is reappraised.

## **District and Taxpayer Remedies**

Under certain circumstances, taxpayers and taxing units, including the District, may appeal orders of the Appraisal Review Board by filing a 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 Code.

The Property Code sets forth notice and hearing procedures for certain tax rate increases by the District and provides for taxpayer referenda that could result in the repeal of certain tax increases. The Property 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.

## **Rollback of Operation and Maintenance Tax Rate**

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

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

### *Developed Districts*

Developed Districts that adopt a total tax rate that would impose more than 1.035 times the amount of the total tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead in the district, subject to certain homestead exemptions, plus any unused increment rates, as calculated and described in Section 26.013 of the Property Tax Code, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Developed District is the current year’s debt service and contract tax rate plus the maintenance and operations tax rate that would impose 1.035 times the amount of maintenance and operations tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the district in that year, subject to certain homestead exemptions, plus any unused increment rates. In addition, if any part of a Developed District lies within an area declared for disaster by the Governor or the President of the United States (the “President”), 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 maintenance and operations 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 imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead in the district, subject to certain homestead exemptions, are authorized to petition for an election to reduce the maintenance and operations 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 the maintenance and operations tax rate that would impose 1.08 times the amount of maintenance and operations tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a resident homestead in the district in that year, subject to certain homestead exemptions.

### *The District*

For the 2021 tax year, the District made the determination of its status as a Developing District. The District cannot give any assurances as to what its classification will be at any point in time or whether the District’s

future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

### **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 and operations 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 twenty percent (20%) penalty for collection costs. A delinquent tax on personal property incurs an additional twenty percent (20%) penalty, 60 days after the date the taxes become delinquent (April 1). 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 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.

Property owners affected by a disaster may pay property taxes in four equal installments following the disaster. In addition, certain classes of disabled veterans may receive a deferral or abatement of delinquent taxes without penalty during the time they own or occupy the property as their residential homestead.

### **District's Rights in the Event of Tax Delinquencies**

Taxes levied by the District are a personal obligation of the owner of the property as of January 1 of the year in which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State and each taxing unit, including the District, having the power to tax the property. The District's tax lien is on a parity with the tax liens of other such taxing units. A tax lien on real property takes priority over the claims of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. 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**

All taxable property within the District is subject to the assessment, levy, and collection by the District of a continuing, direct annual ad valorem tax without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds. See "TAXING PROCEDURES." In the Bond Order, the Board covenants 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. See “THE BONDS” and “RISK FACTORS.”

**Tax Rate Limitation**

Debt Service: ..... Unlimited (no legal limit as to rate or amount).  
 Maintenance and Operation - General: ..... \$1.50 per \$100 taxable assessed valuation.  
 Maintenance and Operation – Parks & Recreation: ..... \$0.10 per \$100 taxable assessed valuation.

**Debt Service Taxes**

The Board covenants in the Bond Order to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Bonds. For the 2021 tax year, the District levied a tax in the amount of \$0.38 for payment of utility system debt service on the Outstanding Utility System Bonds and a tax in the amount of \$0.45 for payment of road system debt service on the Outstanding Road System Bonds. Such tax is in addition to taxes that the District is authorized to levy for maintenance and operation purposes.

**Maintenance and Operations Taxes**

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 and operations tax is authorized by vote of the District’s electors. The Board is authorized by the District’s voters to levy such maintenance and operations tax in an amount not to exceed \$1.50 per \$100 of assessed valuation. For the 2021 tax year, the District levied a tax in the amount of \$0.50 for maintenance and operations purposes. Such tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Outstanding Bonds, the Bonds, and any parity bonds which may be issued in the future. See “Tax Rate Distribution” below.

**Tax Exemption**

As discussed in the section entitled “TAXING PROCEDURES” herein, certain property in the District may be exempt from taxation by the District. The District does not exempt any percentage 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 twenty percent (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.

**Historical Tax Collections**

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

Tax Year	Certified Taxable Value	Tax Rate	Adjusted Tax Levy	Collections Current Year	Current Year Ending 9/30	Collections 6/30/21
2016	\$10,254,980	\$ 1.350	\$138,442	96.00%	2017	100.00%
2017	18,607,425	1.350	251,200	98.62%	2018	100.00%
2018	28,710,723	1.350	387,595	99.11%	2019	100.00%
2019	38,389,180	1.350	518,254	99.50%	2020	100.00%
2020	50,800,964	1.350	685,813	98.40%(a)	2021	98.40%(a)

(a) In process of collections. Collections as of June 30, 2021.

## Tax Rate Distribution

The following table sets out the components of the District's tax levy for each of the 2017–2021 tax years.

	2021	2020	2019	2018	2017
Utility System Debt Service	\$0.380	\$0.500	\$0.670	\$0.470	\$0.000
Road System Debt Service	0.450	0.300	0.000	0.000	0.000
Maintenance & Operation	0.500	0.550	0.680	0.880	1.350
Total	\$1.330	\$1.350	\$1.350	\$1.350	\$1.350

## Analysis of Tax Base

The following represents the types of property comprising the District taxable assessed value for each of the 2017–2021 tax years.

Type of Property	2021 Taxable Assessed Valuation (a)	2020 Taxable Assessed Valuation	2019 Taxable Assessed Valuation	2018 Taxable Assessed Valuation	2017 Taxable Assessed Valuation
Land	\$14,783,590	\$11,929,220	\$9,702,690	\$5,671,820	\$5,345,320
Improvements	51,589,620	39,641,120	29,269,370	23,330,470	13,390,380
Personal Property	90,626	137,334	361,975	326,602	112,949
Exemptions	(1,707,699)	(906,710)	(944,855)	(618,169)	(241,224)
Total	\$64,756,137	\$50,800,964	\$38,389,180	\$28,710,723	\$18,607,425

(a) Does not include approximately \$2,349,937 of uncertified value, which is 80% of the total taxable value associated with properties that remain under protest as of certification for the 2021 tax year.

## Principal Taxpayers

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

Taxpayer	Type of Property	Assessed Valuation 2021 Tax Roll	Percent of District 2021 Value
KB Home Lone Star Inc. (a)	Land, Improvements & Personal	\$ 740,130	1.143%
Homeowner	Land & Improvements	368,140	0.569%
Homeowner	Land & Improvements	355,990	0.550%
Homeowner	Land & Improvements	353,480	0.546%
Homeowner	Land & Improvements	350,000	0.540%
Homeowner	Land & Improvements	343,860	0.531%
Homeowner	Land & Improvements	343,860	0.531%
Homeowner	Land & Improvements	343,790	0.531%
Homeowner	Land & Improvements	341,000	0.527%
Homeowner	Land & Improvements	337,010	0.520%
		\$3,877,260	5.987%

(a) See "PRINCIPAL LANDOWNER/DEVELOPER."



**Tax Rate Calculations**

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of taxable assessed valuation that would be required to meet certain debt service requirements on the Outstanding Bonds and the Bonds if no growth in the District’s tax base occurs beyond the District’s 2021 Taxable Assessed Valuation (\$67,106,074) or the Estimate of Value as of June 1, 2021 (\$77,537,734). The calculations assume collection of 95% of taxes levied, the sale of the Bonds but not the sale of any additional bonds by the District.

Average Annual Debt Service Requirement (2022–2046) .....	\$521,481
Debt Service Tax Rate of \$0.82 on the 2021 Taxable Assessed Valuation produces .....	\$522,756
Debt Service Tax Rate of \$0.71 on the Estimate of Value as of June 1, 2021, produces.....	\$522,992
Maximum Annual Debt Service Requirement (2042).....	\$591,400
Debt Service Tax Rate of \$0.93 on the 2021 Taxable Assessed Valuation produces .....	\$592,882
Debt Service Tax Rate of \$0.81 on the Estimate of Value as of June 1, 2021, produces.....	\$596,653

**Estimated Overlapping Taxes**

Property within the District is subject to taxation by several taxing authorities in addition to the District. Under Texas law, if ad valorem taxes levied by a taxing authority become delinquent, a lien is created upon the property which has been taxed. A tax lien on property in favor of the District is on a parity with tax liens of other taxing jurisdictions. In addition to ad valorem taxes required to make debt service payments on bonded debt of the District and of such other jurisdictions (see “DISTRICT DEBT – Direct and Estimated Overlapping Debt Statement”), certain taxing jurisdictions are authorized by Texas law to assess, levy, and collect ad valorem taxes for operation, maintenance, administrative, and/or general revenue purposes.

Set forth below is an estimation of all 2021 tax rates per \$100 of assessed valuation levied by such jurisdictions. No recognition is given to local assessments for civic association dues, emergency medical service contributions, fire department contributions or any other charges made by entities other than political subdivisions. No prediction can be made of the tax rates that will be levied in future years by the respective taxing jurisdictions.

<u>Taxing Jurisdiction</u>	<u>2021 Tax Rate</u>
Montgomery County	\$0.408300
Montgomery County Hospital District	0.058700
Montgomery County Emergency Services District No. 10	0.098700
Magnolia Independent School District	1.187200
Lone Star College System District	0.107800
The District	<u>1.330000</u>
Total	\$3.190700

**LEGAL MATTERS**

**Legal Opinions**

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

Bond Counsel has reviewed the information appearing in this Official Statement under “THE BONDS” (except for information under the subheadings “– Book-Entry-Only System” and “– Use and Distribution of Bond Proceeds”), “THE DISTRICT – Authority,” “TAXING PROCEDURES,” “LEGAL MATTERS,” “TAX MATTERS,” and “CONTINUING DISCLOSURE OF INFORMATION” solely to determine whether such information, insofar as it relates to matters of law, is true and correct and whether such information fairly summarizes matters of law

and the provisions of the documents referred to therein. Bond Counsel has not, however, independently verified any of the factual information contained in this Official Statement nor has it conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon Bond Counsel's limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any information contained herein.

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

#### **No-Litigation Certificate**

The District will furnish the Initial Purchaser a certificate, executed by the President or Vice President and Secretary or any Assistant Secretary of the Board, concurrently with delivery of the Bonds, that to their knowledge, no litigation is pending or threatened affecting the validity of the Bonds, or the levy and collection of taxes for the payment thereof, or the organization or boundaries of the District, or the title of the officers thereof to their respective offices.

#### **No Material Adverse Change**

The obligations of the Initial Purchaser 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.

### **TAX MATTERS**

In the opinion of Sanford Kuhl Hagan Kugle Parker Kahn LLP, Bond Counsel ("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 excludable 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. The statutes, regulations published rulings, and court decisions on which such opinion, is based are subject to change.

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

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest.

The introduction or enactment of any such legislature proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

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

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

#### **Possible Tax Legislation**

If enacted, potential tax legislation, administrative actions taken by tax authorities, and court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or state income taxation, or otherwise prevent the Beneficial Owners from realizing the full current benefit of the tax status of such interest. For example, future legislation to resolve certain federal budgetary issues may significantly reduce the benefit of, or otherwise affect, the exclusion from gross income for federal income tax purposes of interest on all state and local obligations, including the Bonds. In addition, such legislation or actions (whether currently proposed, proposed in the future or enacted) could affect the market price or marketability of the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, and its impact on their individual situations, as to which Bond Counsel expresses no opinion.

#### **Tax Accounting Treatment of Original Issue Discount and Premium Bonds**

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 entitled to be 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 Certificate, 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.

### **Qualified Tax-Exempt Obligations**

The District has designated the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3)(B) of the Code, as amended. The District will represent that the aggregate amount of tax-exempt bonds (including the Bonds) issued by the District, and entities subordinate to the District under the Code, during calendar year 2021 is not expected to exceed \$10,000,000 and that the District and entities subordinate to the District have not designated more than \$10,000,000 in "qualified tax-exempt obligations" (including the Bonds) during calendar year 2021. 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.

Notwithstanding this exception, financial institutions acquiring the bonds will be subject to a 20% disallowance of allocable interest expense.

### **CONTINUING DISCLOSURE OF INFORMATION**

The offering of the Bonds qualifies for the Rule 15c2-12(d)(2) exemption from Rule 15c2-12(b)(5) of the United States Securities and Exchange Commission ("SEC") regarding the District's continuing disclosure obligations because the District has not issued more than \$10,000,000 in aggregate amount of outstanding bonds and no person is committed by contract or other arrangement with respect to payment of the Bonds. As required by the exemption, in the Bond Order, the District has made the following agreement for the benefit of the holders and Registered Owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (the "MSRB") through its Electronic Municipal Market Access ("EMMA") system.

#### **Annual Reports**

The District will provide certain updated financial information and operating data to the MSRB annually. The information to be updated with respect to the District includes all quantitative financial information and operating data of the general type under the heading "APPENDIX A." The District will update and provide this information within six months after the end of each of its fiscal years.

Any information so provided shall be prepared in accordance with generally accepted accounting principles or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to the MSRB within such six month period, and audited financial statements when and if the audit report becomes available. The District's current fiscal year end is August 31. Accordingly, it must provide updated information by the last day in February in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

#### **Event Notices**

The District will provide timely notices of certain specified events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the

Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District; (13) consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District, any of which affect bondholders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District, any of which reflect financial difficulties. The term “financial obligation” when used in this paragraph shall have the meaning ascribed to it under federal securities laws including meaning a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). The term “financial obligation” does not include municipal securities for which a final official statement has been provided to the MSRB consistent with the Rule. The term “material” when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Order makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under “Annual Reports.”

#### **Availability of Information from EMMA**

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

#### **Limitations and Amendments**

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

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

### **Compliance with Prior Undertaking**

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

## **OFFICIAL STATEMENT**

### **General**

The information contained in this Official Statement has been obtained primarily from the Developer, the District's records, the Engineer, the Tax Assessor/Collector, the Appraisal District, and other sources believed to be reliable; however, no representation is made as to the accuracy or completeness of the information contained herein, except as described below. The summaries of the statutes, resolutions and engineering and other related reports set forth herein are included 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.

### **Experts**

The information contained in this Official Statement relating to engineering and to the description of the Road System and the Utility System, and, in particular, that engineering information included in the sections entitled "THE BONDS – Use and Distribution of Bond Proceeds," "THE DISTRICT – Description," "DEVELOPMENT OF THE DISTRICT – Status of Development within the District," "THE ROAD SYSTEM" and "THE UTILITY SYSTEM," has been provided by the Engineer and has been included herein in reliance upon the authority of said firm as an expert 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 collection rates and valuations contained in the sections captioned "TAX DATA" and "DISTRICT DEBT" was provided by the Tax Assessor/Collector and the Appraisal District. Such information has been included herein in reliance upon the Tax Assessor/Collector's authority as an expert in the field of tax collection and the Appraisal District's authority as an expert in the field of property appraisal.

### **Certification as to Official Statement**

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

### **Updating of Official Statement**

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

## **CONCLUDING STATEMENT**

The information set forth herein has been obtained from the District's records, audited financial statements, and other sources that are considered to be reliable. There is no guarantee that any of the assumptions or

estimates contained herein will ever be realized. All of the summaries of the statutes, documents, and resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents, and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such summarized documents for further information. Reference is made to official documents in all respects.

This Official Statement was approved by the Board of Directors of Montgomery County Municipal Utility District No. 141 as of the date shown on the cover page hereof.

/s/ Scott Ray  
President, Board of Directors  
Montgomery County Municipal Utility District No. 141

ATTEST:

/s/ Todd David  
Secretary, Board of Directors  
Montgomery County Municipal Utility District No. 141

**APPENDIX A**  
**Financial Statements of the District**



**MONTGOMERY COUNTY MUNICIPAL  
UTILITY DISTRICT NO. 141**

**MONTGOMERY COUNTY, TEXAS**

**FINANCIAL REPORT**

*August 31, 2020*



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# McGRATH & CO., PLLC

*Certified Public Accountants*  
2500 Tanglewilde, Suite 340  
Houston, Texas 77063

## Independent Auditors' Report

Board of Directors  
Montgomery County Municipal Utility District No. 141  
Montgomery County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Montgomery County Municipal Utility District No. 141, as of and for the year ended August 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements 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 basic 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 basic financial statements are free of material misstatement.

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

***Board of Directors  
Montgomery County Municipal Utility District No. 141  
Montgomery County, Texas***

**Opinion**

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 Montgomery County Municipal Utility District No. 141, as of August 31, 2020, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information 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 Texas Supplementary Information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Texas Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied to the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements taken as a whole.

*W.C. Galt & Co, P.C.C.*

Houston, Texas  
December 1, 2020

## **Management's Discussion and Analysis**

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**Montgomery County Municipal Utility District No. 141**  
**Management's Discussion and Analysis**  
**August 31, 2020**

**Using this Annual Report**

Within this section of the financial report of Montgomery County Municipal Utility District No. 141 (the "District"), the District's Board of Directors provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended August 31, 2020. This analysis should be read in conjunction with the independent auditors' report and the basic financial statements that follow this section.

In addition to this discussion and analysis, this annual report consists of:

- The District's basic financial statements;
- Notes to the basic financial statements, which provide additional information essential to a full understanding of the data provided in the financial statements;
- Supplementary information required by the Governmental Accounting Standards Board (GASB) concerning the District's budget; and
- Other Texas supplementary information required by the District's state oversight agency, the Texas Commission on Environmental Quality (TCEQ).

**Overview of the Financial Statements**

The District prepares its basic financial statements using a format that combines fund financial statements and government-wide statements onto one financial statement. The combined statements are the *Statement of Net Position and Governmental Funds Balance Sheet* and the *Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances*. Each statement contains an adjustments column which quantifies the differences between the government-wide and fund level statements. Additional details of the adjustments are provided in Note 2 to the basic financial statements.

**Government-Wide Financial Statements**

The focus of government-wide financial statements is on the overall financial position and activities of the District, both long-term and short-term. The District's government-wide financial statements consist of the *Statement of Net Position* and the *Statement of Activities*, which are prepared using the accrual basis of accounting. The *Statement of Net Position* includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the residual reported as net position. Over time, changes in net position may provide a useful indicator of whether the financial position of the District as a whole is improving or deteriorating.

Accounting standards establish three components of net position. The net investment in capital assets component represents the District's investments in capital assets, less any outstanding debt or other borrowings used to acquire those assets. Resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The restricted component of net position consists of financial resources that are restricted for a specific purpose by enabling legislation or external parties. The unrestricted component of net position represents resources not included in the other components.

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The *Statement of Activities* reports how the District's net position has changed during the fiscal year. All revenues and expenses are included on this statement, regardless of whether cash has been received or paid.

**Fund Financial Statements**

The fund financial statements include the *Governmental Funds Balance Sheet* and the *Governmental Funds Revenues, Expenditures and Changes in Fund Balances*. The focus of fund financial statements is on specific activities of the District rather than the District as a whole, reported using modified accrual accounting. These statements report on the District's use of available financial resources and the balances of available financial resources at the end of the year. Except for the General Fund, a specific fund is established to satisfy managerial control over resources or to satisfy finance-related legal requirements established by external parties, governmental statutes or regulations.

For further discussion on the government-wide and fund financial statements, please refer to Note 1 in the financial statements.

**Financial Analysis of the District as a Whole**

The District's net position at August 31, 2020, was negative \$5,882,172. This amount is negative because the District incurs debt to construct road facilities which it conveys to Montgomery County. A comparative summary of the District's overall financial position, as of August 31, 2020 and 2019, is as follows:

	<u>2020</u>	<u>2019</u>
Current and other assets	\$ 825,951	\$ 639,326
Capital assets	7,748,647	7,231,490
Total assets	<u>8,574,598</u>	<u>7,870,816</u>
Current liabilities	249,602	205,124
Long-term liabilities	14,207,168	12,404,452
Total liabilities	<u>14,456,770</u>	<u>12,609,576</u>
Net position		
Net investment in capital assets	(1,794,423)	(1,600,514)
Restricted	184,146	206,657
Unrestricted	(4,271,895)	(3,344,903)
Total net position	<u>\$ (5,882,172)</u>	<u>\$ (4,738,760)</u>

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The total net position of the District decreased during the current fiscal year by \$1,143,412. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	<u>2020</u>	<u>2019</u>
Revenues		
Water and sewer service	\$ 360,746	\$ 249,736
Property taxes, penalties and interest	531,582	396,720
Other	129,442	122,411
Total revenues	<u>1,021,770</u>	<u>768,867</u>
Expenses		
Current service operations	616,414	516,458
Debt interest and fees	145,164	109,923
Developer interest	108,601	15,531
Debt issuance costs	137,186	
Depreciation and amortization	166,087	150,904
Total expenses	<u>1,173,452</u>	<u>792,816</u>
Change in net position before other item	(151,682)	(23,949)
Other item		
Transfers to other governments	<u>(991,730)</u>	<u>(472,710)</u>
Change in net position	(1,143,412)	(496,659)
Net position, beginning of year	<u>(4,738,760)</u>	<u>(4,242,101)</u>
Net position, end of year	<u>\$ (5,882,172)</u>	<u>\$ (4,738,760)</u>

**Financial Analysis of the District's Funds**

The District's combined fund balances, as of August 31, 2020, were \$694,737, which consists of \$509,270 in the General Fund, \$183,346 in the Debt Service Fund, and \$2,121 in the Capital Projects Fund.

*General Fund*

A comparative summary of the General Fund's financial position as of August 31, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Total assets	<u>\$ 639,684</u>	<u>\$ 462,504</u>
Total liabilities	\$ 129,602	\$ 125,124
Total deferred inflows	812	5,832
Total fund balance	<u>509,270</u>	<u>331,548</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 639,684</u>	<u>\$ 462,504</u>

**Montgomery County Municipal Utility District No. 141**  
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A comparative summary of the General Fund's activities for the current and prior fiscal year is as follows:

	<u>2020</u>	<u>2019</u>
Total revenues	\$ 757,622	\$ 625,119
Total expenditures	(579,900)	(461,638)
Revenues over expenditures	<u>\$ 177,722</u>	<u>\$ 163,481</u>

The District manages its activities with the objectives of ensuring that expenditures will be adequately covered by revenues each year and that an adequate fund balance is maintained. The District's primary financial resources in the General Fund are from a property tax levy, the provision of water and sewer services to customers within the District and tap connection fees charged to the homebuilder in the District. Financial resources are influenced by a variety of factors each year:

- Property tax revenues are dependent upon assessed values in the District and the maintenance tax rate set by the District. While the District decreased its maintenance tax levy, property tax revenues increased because assessed values in the District increased from the prior year.
- Water, sewer and surface water revenues are dependent upon customer usage, which fluctuates from year to year as a result of factors beyond the District's control.
- Tap connection fees fluctuate with homebuilding activity within the District.

*Debt Service Fund*

A comparative summary of the Debt Service Fund's financial position as of August 31, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Total assets	<u>\$ 184,146</u>	<u>\$ 206,657</u>
Total deferred inflows	\$ 800	\$ 3,040
Total fund balance	<u>183,346</u>	<u>203,617</u>
Total deferred inflows and fund balance	<u>\$ 184,146</u>	<u>\$ 206,657</u>

A comparative summary of the Debt Service Fund's activities for the current and prior fiscal year is as follows:

	<u>2020</u>	<u>2019</u>
Total revenues	\$ 271,407	\$ 138,675
Total expenditures	(291,678)	(123,477)
Revenues over/(under) expenditures	<u>\$ (20,271)</u>	<u>\$ 15,198</u>

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The District's financial resources in the Debt Service Fund in both the current year and prior year are from property tax revenues. The difference between these financial resources and debt service requirements resulted in changes in fund balance each year. It is important to note that the District sets its annual debt service tax rate as recommended by its financial advisor, who monitors projected cash flows in the Debt Service Fund to ensure that the District will be able to meet its future debt service requirements.

*Capital Projects Fund*

A comparative summary of the Capital Projects Fund's financial position as of August 31, 2020 and 2019 is as follows:

	2020	2019
Total assets	\$ 2,121	\$ 11,215
Total liabilities	\$ -	\$ 41,050
Total fund balance	2,121	(29,835)
Total liabilities and fund balance	\$ 2,121	\$ 11,215

A comparative summary of activities in the Capital Projects Fund for the current and prior fiscal year is as follows:

	2020	2019
Total revenues	\$ -	\$ 340
Total expenditures	(1,508,044)	(132,681)
Revenues under expenditures	(1,508,044)	(132,341)
Other changes in fund balance	1,540,000	(89,500)
Net change in fund balance	\$ 31,956	\$ (221,841)

The District has had considerable capital asset activity in the last two years, which was financed with proceeds from the issuance of its Series 2019 Unlimited Tax Bonds in the current year and proceeds from the issuance of its Series 2018 Unlimited Tax Bonds in the prior year.

**General Fund Budgetary Highlights**

The Board of Directors adopts an annual unappropriated budget for the General Fund prior to the beginning of each fiscal year. The Board amended the budget during the year to reflect changes in anticipated revenues.

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$53,647 greater than budgeted. The *Budgetary Comparison Schedule* on page 32 of this report provides variance information per financial statement line item.

**Montgomery County Municipal Utility District No. 141**  
**Management's Discussion and Analysis**  
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**Capital Assets**

The District has entered into financing agreements with its developer for the financing of the construction of capital assets within the District. The developer will be reimbursed from proceeds of future bond issues or other lawfully available funds. These developer funded capital assets are recorded on the District's financial statements upon completion of construction.

Capital assets held by the District at August 31, 2020 and 2019 are summarized as follows:

	<u>2020</u>	<u>2019</u>
Capital assets not being depreciated		
Land and improvements	<u>\$ 1,280,566</u>	<u>\$ 1,280,566</u>
Capital assets being depreciated/amortized		
Infrastructure	5,958,695	5,275,451
Interest in joint facilities	1,302,138	1,302,138
	<u>7,260,833</u>	<u>6,577,589</u>
Less accumulated depreciation/amortization		
Infrastructure	(613,084)	(480,668)
Interest in joint facilities	(179,668)	(145,997)
	<u>(792,752)</u>	<u>(626,665)</u>
Depreciable/amortizable capital assets, net	<u>6,468,081</u>	<u>5,950,924</u>
Capital assets, net	<u>\$ 7,748,647</u>	<u>\$ 7,231,490</u>

Capital asset additions during the current year include utilities to serve Cimarron Creek Sections 5 and 7.

Additionally, Montgomery County assumes responsibility (after a one-year maintenance period) for road facilities constructed within the boundaries of the County. Accordingly, these facilities are not considered assets of the District. The estimated value of these assets is recorded as transfers to other governments upon completion of construction. This estimated cost is trued-up when the developer is reimbursed. For the year ended August 31, 2020, capital assets in the amount of \$991,730 have been recorded as transfers to other governments in the government-wide statements. Additional information is presented in Note 9.

**Long-Term Debt and Related Liabilities**

As of August 31, 2020, the District owes approximately \$9,892,168 to its developer for completed projects. The initial cost of the completed project and related liability is estimated based on actual construction costs plus 10-15% for engineering and other fees and is recorded on the District's financial statements upon completion of construction. As discussed in Note 6, the District has an additional commitment in the amount of \$780,000 for projects under construction by the developer. As noted, the District will owe its developer for these projects upon completion of construction. The District intends to reimburse the developer from proceeds of future bond issues or other lawfully

**Montgomery County Municipal Utility District No. 141**  
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available funds. The estimated cost of amounts owed to the developer is trued up when the developer is reimbursed.

At August 31, 2020 and 2019, the District had total bonded debt outstanding as shown below:

Series	2020	2019
2018	\$ 2,945,000	\$ 3,025,000
2019	1,490,000	
	<u>\$ 4,435,000</u>	<u>\$ 3,025,000</u>

During the current year, the District issued \$1,540,000 in unlimited tax bonds. At August 31, 2020, the District had \$85,435,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District; \$30,000,000 for parks and recreational facilities; \$55,000,000 for road improvements and \$262,500,000 for refunding purposes.

**Next Year's Budget**

In establishing the budget for the next fiscal year, the Board considered various economic factors that may affect the District, most notably projected revenues from property taxes and water/sewer services and the projected cost of operating the District and providing services to customers. A comparison of next year's budget to current year actual amounts for the General Fund is as follows:

	2020 Actual	2021 Budget
Total revenues	\$ 757,622	\$ 623,970
Total expenditures	(579,900)	(557,910)
Revenues over expenditures	177,722	66,060
Beginning fund balance	331,548	509,270
Ending fund balance	<u>\$ 509,270</u>	<u>\$ 575,330</u>

**Property Taxes**

The District's property tax base increased approximately \$11,584,000 for the 2020 tax year from \$38,389,180 to \$49,972,768. This increase was primarily due to new construction in the District and increased property values. For the 2020 tax year, the District has levied a maintenance tax rate of \$0.38 per \$100 of assessed value, a road debt service tax rate of \$0.30 per \$100 of assessed value, and a water, sewer, and drainage debt service tax rate of \$0.67 per \$100 of assessed value, for a total combined tax rate of \$1.35 per \$100. Tax rates for the 2019 tax year were \$0.68 per \$100 for maintenance and operations and \$0.67 per \$100 for debt service for a combined total of \$1.35 per \$100 of assessed value.

**Infectious Disease Outlook (COVID-19)**

As further discussed in Note 13, the World Health Organization has declared a pandemic following the outbreak of COVID-19, a respiratory virus currently affecting many parts of the world, including the United States and Texas. The pandemic has negatively affected the economic growth and financial markets worldwide and within Texas. While the potential impact of COVID-19 on the District cannot be quantified at this time, the continued outbreak could have an adverse effect on the District's operations and financial condition by negatively affecting property taxes and ad valorem tax revenues within the District.



## **Basic Financial Statements**

**Montgomery County Municipal Utility District No. 141**  
**Statement of Net Position and Governmental Fund Balance Sheet**  
**August 31, 2020**

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
<b>Assets</b>						
Cash	\$ 422,204	\$ 59,443	\$ 16,121	\$ 497,768	\$ -	\$ 497,768
Investments	100,000	125,000		225,000		225,000
Taxes receivable	812	800		1,612		1,612
Customer service receivables	101,547			101,547		101,547
Internal balances	15,110	(1,110)	(14,000)			
Other receivables	11	13		24		24
Capital assets not being depreciated					1,280,566	1,280,566
Capital assets, net					6,468,081	6,468,081
<b>Total Assets</b>	<b>\$ 639,684</b>	<b>\$ 184,146</b>	<b>\$ 2,121</b>	<b>\$ 825,951</b>	<b>7,748,647</b>	<b>8,574,598</b>
<b>Liabilities</b>						
Accounts payable	\$ 81,543	\$ -	\$ -	\$ 81,543		81,543
Customer deposits	23,909			23,909		23,909
Unearned revenue	24,150			24,150		24,150
Due to developer					9,892,168	9,892,168
Long-term debt						
Due within one year					120,000	120,000
Due after one year					4,315,000	4,315,000
<b>Total Liabilities</b>	<b>129,602</b>			<b>129,602</b>	<b>14,327,168</b>	<b>14,456,770</b>
<b>Deferred Inflows of Resources</b>						
Deferred property taxes	812	800		1,612	(1,612)	
<b>Fund Balance/Net Position</b>						
<b>Fund Balances</b>						
Restricted		183,346	2,121	185,467	(185,467)	
Unassigned	509,270			509,270	(509,270)	
<b>Total Fund Balances</b>	<b>509,270</b>	<b>183,346</b>	<b>2,121</b>	<b>694,737</b>	<b>(694,737)</b>	
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 639,684</b>	<b>\$ 184,146</b>	<b>\$ 2,121</b>	<b>\$ 825,951</b>		
<b>Net Position</b>						
Net investment in capital assets					(1,794,423)	(1,794,423)
Restricted for debt service					184,146	184,146
Unrestricted					(4,271,895)	(4,271,895)
<b>Total Net Position</b>					<b>\$ (5,882,172)</b>	<b>\$ (5,882,172)</b>

See notes to basic financial statements.

**Montgomery County Municipal Utility District No. 141**  
**Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended August 31, 2020**

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
<b>Revenues</b>						
Water service	\$ 144,693	\$ -	\$ -	\$ 144,693	\$ -	\$ 144,693
Sewer service	216,053			216,053		216,053
Property taxes	266,066	260,873		526,939	(5,495)	521,444
Penalties and interest	5,530	6,372		11,902	(1,764)	10,138
Groundwater pumpage fees	69,097			69,097		69,097
Tap connection and inspection	48,650			48,650		48,650
Miscellaneous	4,122			4,122		4,122
Investment earnings	3,411	4,162		7,573		7,573
<b>Total Revenues</b>	<b>757,622</b>	<b>271,407</b>		<b>1,029,029</b>	<b>(7,259)</b>	<b>1,021,770</b>
<b>Expenditures/Expenses</b>						
Current service operations						
Purchased services	224,950			224,950		224,950
Professional fees	61,266		20,000	81,266		81,266
Contracted services	137,813	12,545		150,358		150,358
Repairs and maintenance	79,756			79,756		79,756
Utilities	1,269			1,269		1,269
Groundwater pumpage fees	55,507			55,507		55,507
Administrative	15,565	3,969		19,534		19,534
Other	3,774			3,774		3,774
Capital outlay			1,242,257	1,242,257	(1,242,257)	
Debt service						
Principal		130,000		130,000	(130,000)	
Interest and fees		145,164		145,164		145,164
Developer interest			108,601	108,601		108,601
Debt issuance costs			137,186	137,186		137,186
Depreciation/amortization					166,087	166,087
<b>Total Expenditures/Expenses</b>	<b>579,900</b>	<b>291,678</b>	<b>1,508,044</b>	<b>2,379,622</b>	<b>(1,206,170)</b>	<b>1,173,452</b>
<b>Revenues Over (Under)</b>						
<b>Expenditures/Expenses</b>	<b>177,722</b>	<b>(20,271)</b>	<b>(1,508,044)</b>	<b>(1,350,593)</b>	<b>1,198,911</b>	<b>(151,682)</b>
<b>Other Financing Sources</b>						
Proceeds from sale of bonds			1,540,000	1,540,000	(1,540,000)	
<b>Other Item</b>						
Transfers to other governments					(991,730)	(991,730)
<b>Net Change in Fund Balances</b>	<b>177,722</b>	<b>(20,271)</b>	<b>31,956</b>	<b>189,407</b>	<b>(189,407)</b>	
<b>Change in Net Position</b>					<b>(1,143,412)</b>	<b>(1,143,412)</b>
Fund Balance/Net Position						
Beginning of the year	331,548	203,617	(29,835)	505,330	(5,244,090)	(4,738,760)
<b>End of the year</b>	<b>\$ 509,270</b>	<b>\$ 183,346</b>	<b>\$ 2,121</b>	<b>\$ 694,737</b>	<b>\$ (6,576,909)</b>	<b>\$ (5,882,172)</b>

See notes to basic financial statements.

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**Montgomery County Municipal Utility District No. 141**  
**Notes to Basic Financial Statements**  
**August 31, 2020**

**Note 1 – Summary of Significant Accounting Policies**

The accounting policies of Montgomery County Municipal Utility District No. 141 (the “District”) conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”). The following is a summary of the most significant policies:

**Creation**

The District was organized, created and established pursuant to an order of the Texas Commission on Environmental Quality, dated July 14, 2014, and operates in accordance with the Texas Water Code, Chapters 49 and 54. The Board of Directors held its first meeting on July 24, 2014 and the first bonds were issued on May 17, 2018.

The District’s primary activities include construction, maintenance and operation of water, sewer and drainage facilities. The District has contracted with various consultants to provide services to operate and administer the affairs of the District. The District has no employees, related payroll or pension costs.

**Reporting Entity**

The District is a political subdivision of the State of Texas governed by an elected five-member board. The GASB has established the criteria for determining the reporting entity for financial statement reporting purposes. To qualify as a primary government, a government must have a separately elected governing body, be legally separate, and be fiscally independent of other state and local governments, while a component unit is a legally separate government for which the elected officials of a primary government are financially accountable. Fiscal independence implies that the government has the authority to adopt a budget, levy taxes, set rates, and/or issue bonds without approval from other 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 statements as component units.

**Government-Wide and Fund Financial Statements**

Government-wide financial statements display information about the District as a whole. These statements focus on the sustainability of the District as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. Interfund activity, if any, has been removed from these statements. These aggregated statements consist of the *Statement of Net Position* and the *Statement of Activities*.

Fund financial statements display information at the individual fund level. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for a specific purpose. Each fund is considered to be a separate accounting entity. Most governments typically have many funds; however, governmental financial statements focus on the most important or “major” funds with non-major funds aggregated in a single column. The District has three governmental funds, which are all considered major funds.

**Note 1 – Summary of Significant Accounting Policies (continued)**

The following is a description of the various funds used by the District:

- The General Fund is used to account for the operations of the District’s water and sewer system and all other financial transactions not reported in other funds. The principal sources of revenue are property taxes and water and sewer service fees. Expenditures include costs associated with the daily operations of the District.
- The Debt Service Fund is used to account for the payment of interest and principal on the District’s general long-term debt. The primary source of revenue for debt service is property taxes. Expenditures include costs incurred in assessing and collecting these taxes.
- The Capital Projects Fund is used to account for the expenditures of bond proceeds for the construction of the District’s water, sewer and drainage facilities.

As a special-purpose government engaged in a single governmental program, the District has opted to combine its government-wide and fund financial statements in a columnar format showing an adjustments column for reconciling items between the two.

**Measurement Focus and Basis of Accounting**

The government-wide financial statements use the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied.

The fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized in the accounting period in which it becomes both available and measurable to finance expenditures of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Revenues susceptible to accrual include property taxes, interest earned on investments and income from District operations. Property taxes receivable at the end of the fiscal year are treated as deferred inflows because they are not considered available to pay liabilities of the current period. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for unmatured interest on long-term debt, which is recognized when due.

Note 2 further details the adjustments from the governmental fund presentation to the government-wide presentation.

**Use of Restricted Resources**

When both restricted and unrestricted resources are available for use, the District uses restricted resources first, then unrestricted resources as they are needed.

*Montgomery County Municipal Utility District No. 141*  
*Notes to Basic Financial Statements*  
*August 31, 2020*

**Note 1 – Summary of Significant Accounting Policies (continued)**

**Receivables**

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset, unless a legal right of offset exists. At August 31, 2020, an allowance for uncollectible accounts was not considered necessary.

**Unbilled Service Revenues**

Utility revenue is recorded when earned. Customers are billed monthly. The estimated value of services provided but unbilled at year-end has been included in the accompanying financial statements.

**Interfund Activity**

During the course of operations, transactions occur between individual funds. This can include internal transfers, payables and receivables. This activity is combined as internal balances and is eliminated in both the government-wide and fund financial statement presentation.

**Capital Assets**

Capital assets do not provide financial resources at the fund level, and, therefore, are reported only in the government-wide statements. The District defines capital assets as assets with an initial cost of \$5,000 or more and an estimated useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at acquisition value, which is the price that would be paid to acquire the asset on the acquisition date. The District has not capitalized interest incurred during the construction of its capital assets. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Depreciable capital assets, which primarily consist of interest in joint facilities and District water, wastewater and drainage facilities, are depreciated (or amortized in the case of intangible assets) using the straight-line method as follows:

Assets	Useful Life
Infrastructure	45 years
Joint facilities	Remaining life of contract

The District's detention facilities are considered improvements to land and are non-depreciable.

**Note 1 – Summary of Significant Accounting Policies (continued)**

**Deferred Inflows and Outflows of Financial Resources**

A deferred inflow of financial resources is the acquisition of resources in one period that is applicable to a future period, while a deferred outflow of financial resources is the consumption of financial resources in one period that is applicable to a future period. A deferred inflow results from the acquisition of an asset without a corresponding revenue or assumption of a liability. A deferred outflow results from the use of an asset without a corresponding expenditure or reduction of a liability.

At the fund level, property taxes receivable not collected within 60 days of fiscal year end do not meet the availability criteria required for revenue recognition and are recorded as deferred inflows of financial resources.

**Net Position – Governmental Activities**

Governmental accounting standards establish the following three components of net position:

Net investment in capital assets – represents the District’s investments in capital assets, less any outstanding debt or other borrowings used to acquire those assets.

Restricted – consists of financial resources that are restricted for a specific purpose by enabling legislation or external parties.

Unrestricted – resources not included in the other components.

**Fund Balances – Governmental Funds**

Governmental accounting standards establish the following fund balance classifications:

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 externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. The District’s restricted fund balances consist of unspent bond proceeds in the Capital Projects Fund and property taxes levied for debt service in the Debt Service Fund.

Committed - amounts that can be used only for specific purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. The District does not have any committed fund balances.



*Montgomery County Municipal Utility District No. 141*  
*Notes to Basic Financial Statements*  
*August 31, 2020*

**Note 1 – Summary of Significant Accounting Policies (continued)**

**Fund Balances – Governmental Funds (continued)**

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

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses/expenditures during the period reported. These estimates include, among others, the collectability of receivables; the value of unbilled utility revenues and receivables; the useful lives and impairment of capital assets; the value of amounts due to developer; the value of capital assets transferred to Montgomery County, and the value of capital assets for which the developer has not been fully reimbursed. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from the estimates.

**Montgomery County Municipal Utility District No. 141**  
**Notes to Basic Financial Statements**  
**August 31, 2020**

**Note 2 – Adjustment from Governmental to Government-wide Basis**

**Reconciliation of the *Governmental Funds Balance Sheet* to the *Statement of Net Position***

Total fund balance, governmental funds	\$ 694,737
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.	
Historical cost	\$ 8,541,399
Less accumulated depreciation/amortization	<u>(792,752)</u>
Change due to capital assets	7,748,647
Amounts due to the District's developer for prefunded construction are recorded as a liability in the <i>Statement of Net Position</i> .	(9,892,168)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. The difference consists of bonds payable.	(4,435,000)
Property taxes receivable and related penalties and interest have been levied and are due, but are not available soon enough to pay current period expenditures and, therefore, are deferred in the funds.	1,612
Total net position - governmental activities	<u><u>\$ (5,882,172)</u></u>

**Montgomery County Municipal Utility District No. 141**  
**Notes to Basic Financial Statements**  
**August 31, 2020**

**Note 2 – Adjustment from Governmental to Government-wide Basis (continued)**

**Reconciliation of the *Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances* to the *Statement of Activities***

Net change in fund balances - total governmental funds	\$	189,407
--------------------------------------------------------	----	---------

Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the *Statement of Activities* when earned. The difference is for property taxes and related penalties and interest.

	(7,259)
--	---------

Governmental funds report capital outlays for developer reimbursements and construction costs as expenditures in the funds; however, in the *Statement of Activities*, the cost of capital assets is charged to expense over the estimated useful life of the asset.

Capital outlays	\$ 1,242,257	
Depreciation/amortization expense	<u>(166,087)</u>	
		1,076,170

The issuance of long-term debt provides current financial resources to governmental funds. However, this transaction has no effect on net assets. Other elements of debt financing are reported differently between the funds and government wide statements.

Issuance of long term debt	(1,540,000)	
Principal payments	<u>130,000</u>	
		(1,410,000)

Montgomery County assumes responsibility for roads upon completion of construction. Since these improvements are funded by the developer, financial resources are not expended in the fund financial statements; however, in the *Statement of Activities*, these amounts are reported as transfers to other governments.

	(991,730)
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Change in net position of governmental activities	\$	<u><u>(1,143,412)</u></u>
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**Note 3 – Deposits and Investments**

**Deposit Custodial Credit Risk**

Custodial credit risk as it applies to deposits (i.e. cash and certificates of deposit) is the risk that, in the event of the failure of the depository institution, a government will not be able to recover its deposits or will not be able to recover collateral securities. The *Public Funds Collateral Act* (Chapter 2257, Texas Government Code) requires that all of the District’s deposits with financial institutions be covered by federal depository insurance and, if necessary, pledged collateral held by a third-party custodian. The act further specifies the types of securities that can be used as collateral. The District’s written investment policy establishes additional requirements for collateralization of deposits.

**Investments**

The District is authorized by the *Public Funds Investment Act* (Chapter 2256, Texas Government Code) to invest in the following: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including Federal Home Loan Banks, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) certain collateralized mortgage obligations, (4) other obligations, which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies or instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, (5) certain A rated or higher obligations of states and political subdivisions of any state, (6) bonds issued, assumed or guaranteed by the State of Israel, (7) certain insured or collateralized certificates of deposit and share certificates, (8) certain fully collateralized repurchase agreements, (9) bankers’ acceptances with limitations, (10) commercial paper rated A-1 or P-1 or higher and a maturity of 270 days or less, (11) no-load money market mutual funds and no-load mutual funds, with limitations, (12) certain guaranteed investment contracts, (13) certain qualified governmental investment pools and (14) a qualified securities lending program.

The District has adopted a written investment policy to establish the principles by which the District’s investment program should be managed. This policy further restricts the types of investments in which the District may invest.

As of August 31, 2020, the District’s investments consist of the following:

Type	Fund	Carrying Value	Percentage of Total
Certificates of deposit	General	\$ 100,000	
	Debt Service	125,000	
Total		\$ 225,000	100%

The District’s investments in certificates of deposit are reported at cost.

**Montgomery County Municipal Utility District No. 141**  
**Notes to Basic Financial Statements**  
**August 31, 2020**

**Note 4 – Interfund Balances and Transactions**

Amounts due to/from other funds at August 31, 2020, consist of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amounts</u>	<u>Purpose</u>
General Fund	Debt Service Fund	\$ 1,110	Maintenance tax collections not remitted as of year end
General Fund	Capital Projects Fund	14,000	Bond application fees paid by the General Fund

Amounts reported as internal balances between funds are considered temporary balances and will be paid during the following fiscal year.

**Note 5 – Capital Assets**

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

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Ending Balances</u>
Capital assets not being depreciated			
Land and improvements	\$ 1,280,566	\$ -	\$ 1,280,566
Capital assets being depreciated/amortized			
Infrastructure	5,275,451	683,244	5,958,695
Interest in joint facilities	1,302,138		1,302,138
	<u>6,577,589</u>	<u>683,244</u>	<u>7,260,833</u>
Less accumulated depreciation/amortization			
Infrastructure	(480,668)	(132,416)	(613,084)
Interest in joint facilities	(145,997)	(33,671)	(179,668)
	<u>(626,665)</u>	<u>(166,087)</u>	<u>(792,752)</u>
Subtotal depreciable capital assets, net	<u>5,950,924</u>	<u>517,157</u>	<u>6,468,081</u>
Capital assets, net	<u>\$ 7,231,490</u>	<u>\$ 517,157</u>	<u>\$ 7,748,647</u>

Depreciation/amortization expense for the current year was \$166,087.

**Montgomery County Municipal Utility District No. 141**  
**Notes to Basic Financial Statements**  
**August 31, 2020**

**Note 6 – Due to Developer**

The District has entered into financing agreements with its developer for the financing of the construction of water, sewer, drainage facilities and road improvements. Under the agreements, the developer will advance funds for the construction of facilities to serve the District. The developer will be reimbursed from proceeds of future bond issues or other lawfully available funds, subject to approval by TCEQ, as applicable. The District does not record the capital asset and related liability on the government-wide statements until construction of the facilities is complete. The initial cost is estimated based on construction costs plus 10-15% for engineering and other fees. Estimates are trued up when the developer is reimbursed.

Changes in the estimated amounts due to developer during the year are as follows:

Due to developer, beginning of year	\$ 9,459,452
Developer funded construction	1,674,973
Developer reimbursements	<u>(1,242,257)</u>
Due to developer, end of year	<u>\$ 9,892,168</u>

In addition, the District will owe the developer approximately \$780,000, which is included in the following schedule of contractual commitments. The exact amount is not known until approved by the TCEQ and verified by the District’s auditor. As previously noted, these projects will be reported in the government-wide financial statements upon completion of construction.

	Contract Amount	Amounts Paid	Remaining Commitment
Cimarron Creek Section 8 - utilities and paving	\$ 780,000	\$ -	\$ 780,000

**Note 7 – Long-Term Debt**

Long-term debt is comprised of the following:

Bonds payable	<u>\$ 4,435,000</u>
Due within one year	<u>\$ 120,000</u>

*Montgomery County Municipal Utility District No. 141*  
*Notes to Basic Financial Statements*  
*August 31, 2020*

**Note 7 – Long-Term Debt (continued)**

The District’s bonds payable at August 31, 2020, consists of unlimited tax bonds as follows:

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2018	\$ 2,945,000	\$ 3,025,000	2.35% - 4.00%	September 1, 2020/2042	September 1 March 1	September 1, 2023
2019	1,490,000	1,540,000	2.00% - 3.25%	September 1, 2020/2044	September 1 March 1	September 1, 2024
	<u>\$ 4,435,000</u>					

Payments of principal and interest on all series of bonds are to be provided from taxes levied on all properties within the District. Investment income realized by the Debt Service Fund from investment of idle funds will be used to pay outstanding bond principal and interest. The District is in compliance with the terms of its bond resolutions.

At August 31, 2020, the District had authorized but unissued bonds in the amount of \$85,435,000 for water, sewer and drainage facilities; \$30,000,000 for park and recreational facilities; \$55,000,000 for road improvements and \$262,500,000 for refunding purposes.

On November 13, 2019, the District issued its \$1,540,000 Series 2019 Unlimited Tax Bonds at a net effective interest rate of 3.231876%. Proceeds of the bonds were used to reimburse the developer for the cost of capital assets constructed within the District plus interest expense at the net effective interest rate of the bonds.

The change in the District’s long-term debt during the year is as follows:

Bonds payable, beginning of year	\$ 3,025,000
Bonds issued	1,540,000
Bonds retired	(130,000)
Bonds payable, end of year	<u>\$ 4,435,000</u>

*Montgomery County Municipal Utility District No. 141*  
*Notes to Basic Financial Statements*  
*August 31, 2020*

**Note 7 – Long-Term Debt (continued)**

The debt service payment due September 1 was made during the current fiscal year. The following schedule was prepared presuming this practice will continue. As of August 31, 2020, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2021	\$ 120,000	\$ 150,697	\$ 270,697
2022	125,000	147,897	272,897
2023	135,000	144,760	279,760
2024	140,000	141,160	281,160
2025	140,000	137,354	277,354
2026	150,000	133,492	283,492
2027	155,000	129,216	284,216
2028	160,000	124,632	284,632
2029	170,000	119,726	289,726
2030	175,000	114,358	289,358
2031	180,000	108,646	288,646
2032	190,000	102,496	292,496
2033	200,000	95,886	295,886
2034	210,000	88,906	298,906
2035	215,000	81,156	296,156
2036	225,000	73,206	298,206
2037	235,000	64,818	299,818
2038	245,000	56,032	301,032
2039	255,000	46,888	301,888
2040	270,000	37,250	307,250
2041	275,000	27,050	302,050
2042	290,000	16,650	306,650
2043	85,000	5,688	90,688
2044	90,000	2,925	92,925
	\$ 4,435,000	\$ 2,150,889	\$ 6,585,889

**Note 8 – Property Taxes**

On November 14, 2014, the voters of the District authorized the District’s Board of Directors to levy taxes annually for use in financing general operations limited to \$1.50 per \$100 of assessed value. In addition, the voters of the District authorized the District’s Board of Directors to levy taxes annually for the maintenance of parks and recreational facilities limited to \$0.10 per \$100 of assessed value. The District’s bond resolutions require that property taxes be levied for use in paying interest and principal on long-term debt and for use in paying the cost of assessing and collecting taxes. Taxes levied to finance debt service requirements on long-term debt are without limitation as to rate or amount.



**Montgomery County Municipal Utility District No. 141**  
**Notes to Basic Financial Statements**  
**August 31, 2020**

**Note 8 – Property Taxes (continued)**

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

Property taxes are collected based on rates adopted in the year of the levy. The District's 2020 fiscal year was financed through the 2019 tax levy, pursuant to which the District levied property taxes of \$1.35 per \$100 of assessed value, of which \$0.68 was allocated to maintenance and operations and \$0.67 was allocated to debt service. The resulting tax levy was \$518,254 on the adjusted taxable value of \$38,389,180.

**Note 9 – Transfers to Other Governments**

Montgomery County assumes responsibility for the maintenance of public roads constructed within the county limits. Accordingly, road facilities are considered to be capital assets of Montgomery County, not the District. The estimated cost of each road project is recorded as a transfer to other government upon completion of construction. This cost is trued-up when the developer is subsequently reimbursed. For the year ended August 31, 2020, the District recorded transfers to other governments in the amount of \$991,730 for road facilities constructed by a developer within the District.

**Note 10 – Wholesale Agreement for Wastewater Service**

On March 17, 2014, KB Home Lone Star, Inc. ("KB Home") and Quadvest, L.P. ("Quadvest") entered into a Wholesale Agreement for Water Services (the "Agreement") for the purchase of wholesale water supply service necessary to serve 325 equivalent single family connections within the District. The District has assumed all rights and obligations of KB Home pursuant to this Agreement.

KB Homes was responsible for the design and construction of the interconnect facilities necessary to connect the District to Quadvest's water system and the internal water distribution system. The District has paid Quadvest \$487,500 for capacity in the system.

As of August 31, 2020, the wholesale water service charge was \$4.50 per 1,000 gallons of metered water flow. During the current year, the District paid Quadvest \$97,469 for wholesale water service.

**Note 11 – Wholesale Agreement for Wastewater Service**

On April 28, 2014, KB Homes and Woodland Oaks Utility, L.P. ("Woodland") entered into a Wholesale Agreement for Wastewater Services (the "Agreement") for the purchase of wholesale wastewater service necessary to serve 325 equivalent single-family connections within the District. The District has assumed all rights and obligations of KB Home pursuant to the Agreement.

**Note 11 – Wholesale Agreement for Wastewater Service (continued)**

KB Homes was responsible for the design and construction of the interconnect facilities necessary to connect the District to Woodland’s wastewater treatment and collection system. Additionally, the District is responsible for a pro-rata share of construction costs incurred for any necessary expansion of the sewer plant. As of August 31, 2020, the District has paid initial capital recovery charges of \$145,750 and \$685,322 for expansion of the plant.

As of August 31, 2020, the wholesale wastewater service charge was \$51.39 per connection plus a 1% TCEQ pass-through charge. During the current year, the District recorded expenses in the amount of \$127,481 for wholesale wastewater service.

**Note 12 – Risk Management**

The District is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; and personal injuries. The risk of loss is covered by commercial insurance. There have been no significant reductions in insurance coverage from the prior year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

**Note 13 – Infectious Disease Outlook (COVID-19)**

The World Health Organization has declared a pandemic following the outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus (the “Pandemic”), which is currently affecting many parts of the world, including the United States and Texas. Federal, state and local governments have all taken actions to respond to the Pandemic, including disaster declarations by both the President of the United States and the Governor of Texas. On March 31, 2020, the Governor issued an executive order closing all non-essential businesses in the State. This order expired on April 30, 2020. Additionally, all the counties in the greater Houston area adopted various “Work Safe – Stay Home” orders. Such actions are focused on limiting instances where the public can congregate or interact with each other. These precautions resulted in the temporary closure of all non-essential businesses in the State.

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 the economic growth and financial markets worldwide and within Texas. These negative impacts may reduce or negatively affect property taxes and ad valorem tax revenues within the District.

While the potential impact of the Pandemic on the District cannot be quantified at this time, the continued outbreak of the Pandemic could have an adverse effect on the District’s operations and financial condition.

**Note 14 – Subsequent Event**

On October 20, 2020, the District issued its \$2,655,000 Series 2020 Unlimited Tax Road Bonds at a net effective rate of 2.621669%. Proceeds from the bonds were used to reimburse the District’s developer for road improvements within the District.

## **Required Supplementary Information**

*Montgomery County Municipal Utility District No. 141  
 Required Supplementary Information - Budgetary Comparison Schedule - General Fund  
 For the Year Ended August 31, 2020*

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>				
Water service	\$ 122,000	\$ 122,000	\$ 144,693	\$ 22,693
Sewer service	154,000	154,000	216,053	62,053
Property taxes	328,500	245,050	266,066	21,016
Penalties and interest	8,500	8,500	5,530	(2,970)
Groundwater pumpage fees	66,000	66,000	69,097	3,097
Tap connection and inspection	61,770	61,770	48,650	(13,120)
Miscellaneous	3,300	3,300	4,122	822
Investment earnings	600	600	3,411	2,811
<b>Total Revenues</b>	<u>744,670</u>	<u>661,220</u>	<u>757,622</u>	<u>96,402</u>
<b>Expenditures</b>				
Current service operations				
Purchased services	193,200	193,200	224,950	(31,750)
Professional fees	69,000	69,000	61,266	7,734
Contracted services	117,380	117,380	137,813	(20,433)
Repairs and maintenance	72,600	72,600	79,756	(7,156)
Utilities	1,200	1,200	1,269	(69)
Groundwater pumpage fees	68,100	68,100	55,507	12,593
Administrative	11,795	11,795	15,565	(3,770)
Other	3,870	3,870	3,774	96
<b>Total Expenditures</b>	<u>537,145</u>	<u>537,145</u>	<u>579,900</u>	<u>(42,755)</u>
<b>Revenues Over Expenditures</b>	207,525	124,075	177,722	53,647
<b>Fund Balance</b>				
Beginning of the year	331,548	331,548	331,548	
<b>End of the year</b>	<u>\$ 539,073</u>	<u>\$ 455,623</u>	<u>\$ 509,270</u>	<u>\$ 53,647</u>

*Montgomery County Municipal Utility District No. 141*  
*Notes to Required Supplementary Information*  
*August 31, 2020*

**Budgets and Budgetary Accounting**

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 budget was amended during the year to reflect changes in anticipated revenues.

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## **Texas Supplementary Information**

**Montgomery County Municipal Utility District No. 141**  
**TSI-1. Services and Rates**  
**August 31, 2020**

1. Services provided by the District During the Fiscal Year:

- Retail Water       Wholesale Water       Solid Waste/Garbage       Drainage  
 Retail Wastewater       Wholesale Wastewater       Flood Control       Irrigation  
 Parks/Recreation       Fire Protection       Roads       Security  
 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):

	Minimum Charge	Minimum Usage	Flat Rate (Y / N)	Rate per 1,000 Gallons Over Minimum Usage	Usage Levels
Water:	\$ 26.00	5,000	Y	\$ 5.00	5,000 to no limit
Wastewater:	\$ 80.85	N/A	Y	\$ -	- to no limit
SJRA fee:	\$ -	N/A	N	\$ 2.94	1,000 to no limit

A 1% TCEQ fee is assessed on the total amount of the customer bill.

District employs winter averaging for wastewater usage?     Yes       No

Total charges per 10,000 gallons usage:      Water \$ 186.24      Wastewater \$ 80.85

b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC'S
Unmetered			x 1.0	
less than 3/4"	<u>247</u>	<u>245</u>	x 1.0	<u>245</u>
1"			x 2.5	
1.5"			x 5.0	
2"	<u>3</u>	<u>3</u>	x 8.0	<u>24</u>
3"			x 15.0	
4"			x 25.0	
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water	<u>250</u>	<u>248</u>		<u>269</u>
Total Wastewater	<u>242</u>	<u>240</u>	x 1.0	<u>240</u>

See accompanying auditor's report.



**Montgomery County Municipal Utility District No. 141**  
**TSI-1. Services and Rates**  
**August 31, 2020**

3. Total Water Consumption during the fiscal year (rounded to the nearest thousand):  
 (You may omit this information if your district does not provide water)

Gallons pumped into system:	<u>27,936,000</u>	Water Accountability Ratio:
		(Gallons billed / Gallons pumped)
Gallons billed to customers:	<u>25,910,300</u>	<u>92.75%</u>

4. Standby Fees (authorized only under TWC Section 49.231):  
 (You may omit this information if your district does not levy standby fees)

Does the District have Debt Service standby fees? Yes  No

If yes, Date of the most recent commission Order: \_\_\_\_\_

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

If yes, Date of the most recent commission Order: \_\_\_\_\_

5. Location of District (required for first audit year or when information changes,  
 otherwise this information may be omitted):

Is the District located entirely within one county? Yes  No

County(ies) in which the District is located: Montgomery County

Is the District located within a city? Entirely  Partly  Not at all

City(ies) in which the District is located: \_\_\_\_\_

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

Entirely  Partly  Not at all

ETJs in which the District is located: City of Conroe

Are Board members appointed by an office outside the district? Yes  No

If Yes, by whom? \_\_\_\_\_

See accompanying auditors' report.

*Montgomery County Municipal Utility District No. 141  
 TSI-2 General Fund Expenditures  
 For the Year Ended August 31, 2020*

Purchased services	<u>\$ 224,950</u>
Professional fees	
Legal	43,485
Audit	9,000
Engineering	8,781
	<u>61,266</u>
Contracted services	
Bookkeeping	11,257
Operator	35,827
Garbage collection	47,074
Tap connection and inspection	43,655
	<u>137,813</u>
Repairs and maintenance	<u>79,756</u>
Utilities	<u>1,269</u>
Surface water fees	<u>55,507</u>
Administrative	
Directors fees	6,300
Insurance	5,658
Other	3,607
	<u>15,565</u>
Other	<u>3,774</u>
Total expenditures	<u>\$ 579,900</u>

See accompanying auditors' report.

*Montgomery County Municipal Utility District No. 141*

*TSI-3. Investments*

*August 31, 2020*

<u>Fund</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Interest Receivable</u>
General				
Certificate of deposit	0.35%	02/20/21	\$ 100,000	\$ 11
Debt Service				
Certificate of deposit	0.35%	02/20/21	<u>125,000</u>	<u>13</u>
Total - All Funds			<u>\$ 225,000</u>	<u>\$ 24</u>

See accompanying auditors' report.

**Montgomery County Municipal Utility District No. 141**  
**TSI-4. Taxes Levied and Receivable**  
**August 31, 2020**

	Maintenance Taxes	Debt Service Taxes	Totals	
Taxes Receivable, Beginning of Year	\$ 5,832	\$ 1,276	\$ 7,108	
2019 Original Tax Levy	250,052	246,375	496,427	
Adjustments	10,995	10,832	21,827	
Adjusted Tax Levy	261,047	257,207	518,254	
Rollback Taxes	2,079	1,111	3,190	
Total to be accounted for	268,958	259,594	528,552	
Tax collections:				
Current year	260,235	256,407	516,642	
Prior years	7,911	2,387	10,298	
Total Collections	268,146	258,794	526,940	
Taxes Receivable, End of Year	\$ 812	\$ 800	\$ 1,612	
Taxes Receivable, By Years				
2019	\$ 812	\$ 800	\$ 1,612	
	2019	2018	2017	2016
Property Valuations:				
Land	\$ 9,702,690	\$ 6,089,330	\$ 5,762,720	\$ 4,590,410
Improvements	29,372,710	23,330,470	13,498,630	6,141,460
Personal Property	361,975	326,602	112,949	35,000
Exemptions	(1,048,195)	(1,035,679)	(766,874)	(511,890)
Total Property Valuations	\$ 38,389,180	\$ 28,710,723	\$ 18,607,425	\$ 10,254,980
Tax Rates per \$100 Valuation:				
Maintenance tax rates	\$ 0.68	\$ 0.88	\$ 1.35	\$ 1.35
Debt service tax rates	0.67	0.47		
Total Tax Rates per \$100 Valuation	\$ 1.35	\$ 1.35	\$ 1.35	\$ 1.35
Adjusted Tax Levy:	\$ 518,254	\$ 387,595	\$ 251,200	\$ 138,442
Percentage of Taxes Collected to Taxes Levied ***	99.69%	100.00%	100.00%	100.00%

\* Maximum Maintenance Tax Rate Approved by Voters: \$1.50 on November 14, 2014

\* Maximum Parks and Recreational Maintenance Tax Rate Approved by Voters: \$0.10  
on November 14, 2014

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

See accompanying auditors' report.

*Montgomery County Municipal Utility District No. 141*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2018--by Years*  
*August 31, 2020*

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2021	\$ 80,000	\$ 107,627	\$ 187,627
2022	85,000	105,627	190,627
2023	90,000	103,290	193,290
2024	95,000	100,590	195,590
2025	95,000	97,740	192,740
2026	100,000	94,890	194,890
2027	105,000	91,790	196,790
2028	110,000	88,430	198,430
2029	115,000	84,800	199,800
2030	120,000	80,890	200,890
2031	125,000	76,690	201,690
2032	130,000	72,190	202,190
2033	140,000	67,380	207,380
2034	145,000	62,200	207,200
2035	150,000	56,400	206,400
2036	155,000	50,400	205,400
2037	165,000	44,200	209,200
2038	170,000	37,600	207,600
2039	180,000	30,800	210,800
2040	190,000	23,600	213,600
2041	195,000	16,000	211,000
2042	205,000	8,200	213,200
	<u>\$ 2,945,000</u>	<u>\$ 1,501,334</u>	<u>\$ 4,446,334</u>

See accompanying auditors' report.

*Montgomery County Municipal Utility District No. 141*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2019--by Years*  
*August 31, 2020*

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2021	\$ 40,000	\$ 43,070	\$ 83,070
2022	40,000	42,270	82,270
2023	45,000	41,470	86,470
2024	45,000	40,570	85,570
2025	45,000	39,614	84,614
2026	50,000	38,602	88,602
2027	50,000	37,426	87,426
2028	50,000	36,202	86,202
2029	55,000	34,926	89,926
2030	55,000	33,468	88,468
2031	55,000	31,956	86,956
2032	60,000	30,306	90,306
2033	60,000	28,506	88,506
2034	65,000	26,706	91,706
2035	65,000	24,756	89,756
2036	70,000	22,806	92,806
2037	70,000	20,618	90,618
2038	75,000	18,432	93,432
2039	75,000	16,088	91,088
2040	80,000	13,650	93,650
2041	80,000	11,050	91,050
2042	85,000	8,450	93,450
2043	85,000	5,688	90,688
2044	90,000	2,925	92,925
	<u>\$ 1,490,000</u>	<u>\$ 649,555</u>	<u>\$ 2,139,555</u>

See accompanying auditors' report.

*Montgomery County Municipal Utility District No. 141*  
*TSI-5. Long-Term Debt Service Requirements*  
*All Bonded Debt Series--by Years*  
*August 31, 2020*

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2021	\$ 120,000	\$ 150,697	\$ 270,697
2022	125,000	147,897	272,897
2023	135,000	144,760	279,760
2024	140,000	141,160	281,160
2025	140,000	137,354	277,354
2026	150,000	133,492	283,492
2027	155,000	129,216	284,216
2028	160,000	124,632	284,632
2029	170,000	119,726	289,726
2030	175,000	114,358	289,358
2031	180,000	108,646	288,646
2032	190,000	102,496	292,496
2033	200,000	95,886	295,886
2034	210,000	88,906	298,906
2035	215,000	81,156	296,156
2036	225,000	73,206	298,206
2037	235,000	64,818	299,818
2038	245,000	56,032	301,032
2039	255,000	46,888	301,888
2040	270,000	37,250	307,250
2041	275,000	27,050	302,050
2042	290,000	16,650	306,650
2043	85,000	5,688	90,688
2044	90,000	2,925	92,925
	<u>\$ 4,435,000</u>	<u>\$ 2,150,889</u>	<u>\$ 6,585,889</u>

See accompanying auditors' report.

**Montgomery County Municipal Utility District No. 141**  
**TSI-6. Change in Long-Term Bonded Debt**  
**August 31, 2020**

	Bond Issue		Totals	
	Series 2018	Series 2019		
Interest rate	2.35% - 4.00%	2.00% - 3.25%		
Dates interest payable	3/1; 9/1	3/1; 9/1		
Maturity dates	9/1/20 - 9/1/42	9/1/20 - 9/1/44		
Beginning bonds outstanding	\$ 3,025,000	\$ -	\$ 3,025,000	
Bonds issued		1,540,000	1,540,000	
Bonds retired	(80,000)	(50,000)	(130,000)	
Ending bonds outstanding	\$ 2,945,000	\$ 1,490,000	\$ 4,435,000	
Interest paid during fiscal year	\$ 109,508	\$ 36,725	\$ 146,233	
Paying agent's name and city				
Series 2018	Amegy Bank, a division of ZB, N.A., Houston, Texas			
Series 2019	Zions Bancorporation, National Association, Houston, Texas			
Bond Authority:	Water, Sewer and Drainage Bonds	Road Bonds	Parks and Recreation Bonds	Refunding Bonds
Amount Authorized by Voters	\$ 90,000,000	\$ 55,000,000	\$ 30,000,000	\$ 262,500,000
Amount Issued	(4,565,000)			
Remaining To Be Issued	\$ 85,435,000	\$ 55,000,000	\$ 30,000,000	\$ 262,500,000

All bonds are secured with tax revenues. Bonds may also be secured with other revenues in combination with taxes.

Debt Service Fund cash and investment balances as of August 31, 2020: \$ 184,443

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 274,412

See accompanying auditors' report.



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**Montgomery County Municipal Utility District No. 141**  
**TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund**  
**For the Last Five Fiscal Years**

	Amounts				
	2020	2019	2018	2017	2016
Revenues					
Water service	\$ 144,693	\$ 89,716	\$ 66,824	\$ 44,719	\$ 11,464
Sewer service	216,053	160,020	116,303	89,968	49,039
Garbage service				5,776	9,799
Property taxes	266,066	248,536	254,922	134,509	4,453
Penalties and interest	5,530	9,377	10,428	6,044	2,242
Groundwater pumpage fees	69,097	39,073	33,602	23,553	18,515
Tap connection and inspection	48,650	71,740	32,000	46,895	22,150
Miscellaneous	4,122	3,801	3,789	2,558	1,275
Investment earnings	3,411	2,856	670		
<b>Total Revenues</b>	<b>757,622</b>	<b>625,119</b>	<b>518,538</b>	<b>354,022</b>	<b>118,937</b>
Expenditures					
Current service operations					
Purchased services	224,950	157,172	157,970	113,718	85,246
Professional fees	61,266	66,004	62,068	58,123	48,982
Contracted services	137,813	115,983	86,842	73,912	56,355
Repairs and maintenance	79,756	64,044	56,596	41,283	39,727
Utilities	1,269	862	1,002	1,303	1,919
Groundwater pumpage fees	55,507	42,453	51,032		
Administrative	15,565	11,388	12,671	11,382	9,220
Other	3,774	3,732	3,608	2,902	698
<b>Total Expenditures</b>	<b>579,900</b>	<b>461,638</b>	<b>431,789</b>	<b>302,623</b>	<b>242,147</b>
Revenues Over/(Under) Expenditures	\$ 177,722	\$ 163,481	\$ 86,749	\$ 51,399	\$ (123,210)
Total Active Retail Water Connections	248	213	140	107	68
Total Active Retail Wastewater Connections	240	204	134	101	63

\*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues

2020	2019	2018	2017	2016
19%	14%	14%	13%	10%
29%	26%	22%	25%	41%
			2%	8%
35%	40%	49%	38%	4%
1%	2%	2%	1%	1%
9%	6%	6%	7%	16%
6%	11%	6%	13%	19%
1%	1%	1%	1%	1%
*	*	*		
100%	100%	100%	100%	100%
30%	25%	30%	32%	72%
8%	11%	12%	16%	41%
18%	19%	17%	21%	47%
11%	10%	11%	12%	33%
*	*	*	*	2%
7%	7%	10%		
2%	2%	2%	3%	8%
*	1%	1%	1%	1%
76%	75%	83%	85%	204%
24%	25%	17%	15%	(104%)

*Montgomery County Municipal Utility District No. 141*  
*TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fund*  
*For the Last Three Fiscal Years*

	Amounts		
	2020	2019	2018
Revenues			
Property taxes	\$ 260,873	\$ 133,772	\$ -
Penalties and interest	6,372	302	
Investment earnings	4,162	4,601	1,040
Total Revenues	<u>271,407</u>	<u>138,675</u>	<u>1,040</u>
Expenditures			
Tax collection services	16,514	13,554	
Debt service			
Principal	130,000		
Interest and fees	145,164	109,923	31,636
Total Expenditures	<u>291,678</u>	<u>123,477</u>	<u>31,636</u>
Revenues Over/(Under) Expenditures	<u>\$ (20,271)</u>	<u>\$ 15,198</u>	<u>\$ (30,596)</u>

\*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues		
2020	2019	2018
97%	97%	
2%	*	
1%	3%	100%
100%	100%	100%
6%	10%	
48%		
53%	79%	3042%
107%	89%	3042%
(7%)	11%	(2,942%)

**Montgomery County Municipal Utility District No. 141**  
**TSI-8. Board Members, Key Personnel and Consultants**  
**For the Year Ended August 31, 2020**

Complete District Mailing Address: 1980 Post Oak Blvd., Suite 1380, Houston, Texas 77056-3970  
District Business Telephone Number: (713) 850-9000  
Submission Date of the most recent District Registration Form  
(TWC Sections 36.054 and 49.054): May 16, 2018  
Limit on Fees of Office that a Director may receive during a fiscal year: \$ 7,200  
(Set by Board Resolution -- TWC Section 49.0600)

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimburse- ments	Title at Year End
<b>Board Members</b>				
Scott Day	05/18 to 05/22	\$ 900	\$ 23	President
Daniel Reid	05/20 to 05/24	1,350	74	Vice President
Todd David	05/18 to 05/22	1,350	69	Secretary
John McCullar	05/20 to 05/24	750		Assistant Secretary
Scott Wright	05/18 to 05/22	1,350	23	Assistant Secretary
Toby Ware	05/16 to 05/20	600	52	Former Director
<b>Consultants</b>				
Sanford Kuhl Hagan Kugle Parker Kahn LLP	2014			Attorney
<i>General legal fees</i>		\$ 46,039		
<i>Bond counsel</i>		48,823		
Gulf Utility Service, Inc.	2015	135,461		Operator
L & S District Services, LLC	2014	12,131		Bookkeeper
Utility Tax Service, LLC	2014	6,525		Tax Collector
Montgomery Central Appraisal District	Legislation	4,920		Property Valuation
Sanford Kuhl Hagan Kugle Parker Kahn LLP	2014	1,871		Delinquent Tax Attorney
Jones & Carter, Inc.	2014	23,899		Engineer
McGrath & Co., PLLC	Annual	15,000		Auditor
Robert W. Baird & Co., Inc.	2015	33,528		Financial Advisor

\* *Fees of Office* are the amounts actually paid to a director during the District's fiscal year.  
See accompanying auditors' report.

**APPENDIX B**

**Specimen Municipal Bond Insurance Policy**



**BAM**

**MUNICIPAL BOND  
INSURANCE POLICY**

ISSUER: [NAME OF ISSUER]

Policy No: \_\_\_\_\_

MEMBER: [NAME OF MEMBER]

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

Effective Date: \_\_\_\_\_

Risk Premium: \$ \_\_\_\_\_

Member Surplus Contribution: \$ \_\_\_\_\_

Total Insurance Payment: \$ \_\_\_\_\_

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

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner’s right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner’s rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner’s right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. “Business Day” means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer’s Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. “Due for Payment” means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. “Nonpayment” means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. “Nonpayment” shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. “Notice” means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. “Owner” means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that “Owner” shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.



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

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

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: \_\_\_\_\_  
Authorized Officer

SPECIAL MEMBER