

**OFFICIAL STATEMENT DATED NOVEMBER 16, 2021**

**IN THE OPINION OF BOND COUNSEL, UNDER EXISTING LAW, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES AND INTEREST ON THE BONDS IS NOT SUBJECT TO THE ALTERNATIVE MINIMUM TAX ON INDIVIDUALS. SEE "TAX MATTERS" FOR A DISCUSSION OF BOND COUNSEL'S OPINION.**

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

NEW ISSUE – Book-Entry-Only

S&P Global Ratings (AGM Insured) ..... "AA"  
Moody's Investors Service, Inc. (AGM Insured) ..... "A2"  
Moody's Investors Service, Inc. (Underlying) ..... "Baa2"

**\$4,015,000**

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 90**

(A Political Subdivision of the State of Texas Located within Montgomery County)

**UNLIMITED TAX REFUNDING BONDS, SERIES 2021**

Interest accrues from: December 1, 2021

Due: March 1, as shown on inside cover

The \$4,015,000 Montgomery County Municipal Utility District No. 90 Unlimited Tax Refunding Bonds, Series 2021 (the "Bonds"), are obligations of Montgomery County Municipal Utility District No. 90 (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. Neither the 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 interest on the Bonds.

Principal of the Bonds is payable at maturity or earlier redemption by the paying agent/registrar, initially, Zions Bancorporation, National Association, Amegy Bank Division, Houston, Texas (the "Paying Agent/Registrar"). Interest accrues from December 1, 2021, and is payable on March 1, 2022, and on each September 1 and March 1 thereafter (each an "Interest Payment Date") until the earlier of maturity or redemption, and will be calculated on the basis a 360-day year consisting of twelve 30-day months. The Bonds are fully registered bonds in denominations of \$5,000 or any integral multiple thereof. See "THE BONDS" herein.

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

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

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by **ASSURED GUARANTY MUNICIPAL CORP ("AGM")**.



The Bonds, when issued, will constitute valid and binding obligations of the District and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District, as further described herein. See "THE BONDS – Source and Security for Payment."

Investment in the Bonds is subject to certain investment considerations as described herein. Prospective purchasers of the Bonds should review this entire Official Statement, including particularly the section of this Official Statement entitled "INVESTMENT CONSIDERATIONS," before making an investment decision. See "INVESTMENT CONSIDERATIONS."

The Bonds are offered by the Underwriter subject to prior sale, when, as and if issued by the District and accepted by the Underwriter, subject, among other things to the approval of the Initial Bonds by the Attorney General of Texas and the approval of certain legal matters by Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel. Certain legal matters will be passed upon for the Underwriter by McCall, Parkhurst & Horton L.L.P., Houston, Texas, Underwriter's Counsel. Delivery of the Bonds is expected on or about December 15, 2021, in Houston, Texas.

**SAMCO CAPITAL**

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

### \$4,015,000 Serial Bonds

Maturity (March 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 61370G (b)	Maturity (March 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 61370G (b)
2022	\$ 35,000	2.500%	0.450%	CN6	2029 (c)	\$ 290,000	3.000%	1.500%	CV8
2023	5,000	2.500%	0.600%	CP1	2030 (c)	305,000	3.000%	1.610%	CW6
2024	415,000	2.500%	0.750%	CQ9	2031 (c)	315,000	3.000%	1.680%	CX4
2025	430,000	2.500%	0.900%	CR7	2032 (c)	325,000	3.000%	1.750%	CY2
2026	450,000	3.000%	1.050%	CS5	2033 (c)	345,000	3.000%	1.820%	CZ9
2027	470,000	3.000%	1.220%	CT3	2034 (c)	355,000	2.125%	2.400%	DA3
2028 (c)	275,000	3.000%	1.410%	CU0					

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- (a) The initial reoffering yields on the Bonds are established by, and are the sole responsibility of, the Underwriter (defined herein) and may subsequently be changed. Accrued interest from December 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) The Bonds maturing on and after March 1, 2028, are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on March 1, 2027, or any date thereafter, at a price equal to the principal thereof plus accrued interest to the date fixed for redemption. The yield on Bonds maturing on and after March 1, 2028, is calculated to the lower of yield to redemption or maturity. See "THE BONDS - Redemption Provisions - *Optional 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 Underwriter.

All of the summaries of the statutes, resolutions, orders, contracts, audited financial statements, engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions and reference is made to such documents, copies of which are available from Bond Counsel, for further information.

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

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

AGM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the 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 as to the likelihood that they will be realized. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein since the date hereof. The District has agreed to keep this Official Statement current by amendment or sticker to reflect material changes in the affairs of the District and to the extent such information actually comes to its attention, the other matters described in this Official Statement, until delivery of the Bonds to the Underwriter and thereafter only as specified in “OFFICIAL STATEMENT – Updating the 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 Official Statement for purposes of, and as that term is defined in, Rule 15c2-12 of the United States Securities and Exchange Commission (“SEC”).

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

### **Underwriting**

SAMCO Capital Markets, Inc. (referred to herein as the "Underwriter") has agreed to purchase the Bonds from the District for \$4,208,966.38 (being the par amount of the Bonds, plus a net original issue premium on the Bonds of \$231,407.80, and less an underwriter's discount of \$37,441.42), plus accrued interest on the Bonds to the date of delivery. The Underwriter's obligation is to purchase all of the Bonds, if any Bonds are purchased.

### **Prices and Marketability**

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

The prices and other terms with respect to the offering and sale of the Bonds may be changed from time-to-time by the Underwriter after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

### **Securities Laws**

No registration statement relating to the Bonds has been filed with the United States Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities acts of any other jurisdictions. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be offered, sold, or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds should not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdictions.

## **MUNICIPAL BOND INSURANCE**

### **Bond Insurance Policy**

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

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

### **Assured Guaranty Municipal Corp.**

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and international public finance (including infrastructure) and structured finance markets and asset management services. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM's financial strength is rated "AA" (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("KBRA") and

“A2” (stable outlook) by Moody’s Investors Service, Inc. (“Moody’s”). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM’s long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

#### *Current Financial Strength Ratings*

On October 20, 2021, KBRA announced it had affirmed AGM’s insurance financial strength rating of “AA+” (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

On July 8, 2021, S&P announced it had affirmed AGM’s financial strength rating of “AA” (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On August 13, 2019, Moody’s announced it had affirmed AGM’s insurance financial strength rating of “A2” (stable outlook). AGM can give no assurance as to any further ratings action that Moody’s may take.

For more information regarding AGM’s financial strength ratings and the risks relating thereto, see AGL’s Annual Report on Form 10-K for the fiscal year ended December 31, 2020.

#### *Capitalization of AGM*

At September 30, 2021:

- The policyholders’ surplus of AGM was approximately \$2,910 million.
- The contingency reserve of AGM was approximately \$963 million.
- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately \$2,124 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, and (ii) the net unearned premium reserves and net deferred ceding commissions of AGM’s wholly owned subsidiaries Assured Guaranty UK Limited (“AGUK”) and Assured Guaranty (Europe) SA (“AGE”).

The policyholders’ surplus of AGM and the contingency reserves, net unearned premium reserves and deferred ceding commission income of AGM were determined in accordance with statutory accounting principles. The net unearned premium reserves and net deferred ceding commissions of AGUK and AGE were determined in accordance with accounting principles generally accepted in the United States of America.

#### *Incorporation of Certain Documents by Reference*

Portions of the following documents filed by AGL with the SEC that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2020 (filed by AGL with the SEC on February 26, 2021);
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2021 (filed by AGL with the SEC on May 7, 2021); and
- (iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2021 (filed by AGL with the SEC on August 6, 2021).
- (iv) the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2021 (filed by AGL with the SEC on November 5, 2021).

All information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof “furnished” under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC’s website at <http://www.sec.gov>, at AGL’s website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL’s website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AGM included under the caption “MUNICIPAL BOND INSURANCE – Assured Guaranty Municipal Corp.” or included in a document incorporated by reference herein (collectively, the “AGM Information”) shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

#### *Miscellaneous Matters*

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

#### **RATINGS**

The Bonds are expected to receive an insured rating of “AA” (stable outlook) 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.

The Bonds are expected to receive an insured rating of “A2” (stable outlook) from Moody’s solely in reliance upon the issuance of the municipal bond insurance policy by AGM at the time of delivery of the Bonds. Moody’s has assigned an underlying credit rating of “Baa2” to the Bonds. An explanation of the rating may be obtained from Moody’s, 7 World Trade Center, 250 Greenwich Street, New York, New York 10007. A security rating is not a recommendation to buy, sell, or hold securities. Furthermore, there is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by Moody’s, if in its judgment, circumstances so warrant. Any such revisions or withdrawal of the rating may have an adverse effect on the market price of the Bonds. The fees charged by Moody’s for the underlying credit rating will be paid by the District.

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

**OFFICIAL STATEMENT SUMMARY**

The following material is a summary of certain information contained herein and is qualified in its entirety by the more detailed information and financial statements appearing elsewhere in this Official Statement.

**THE BONDS**

The Issuer ..... Montgomery County Municipal Utility District No. 90 (the "District"), a political subdivision of the State of Texas, is located in Montgomery County, Texas. See "THE DISTRICT."

Description..... The District's \$4,015,000 Unlimited Tax Refunding Bonds, Series 2021 (the "Bonds"), mature on March 1 in the years and in the amounts set forth on the inside cover hereof. Interest accrues from December 1, 2021, and is payable March 1, 2022, and on each September 1 and March 1 thereafter until maturity or prior redemption. Bonds maturing on or after March 1, 2028, are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on March 1, 2027, or on any date thereafter, at the principal amount thereof plus accrued interest to the date fixed for redemption. See "THE BONDS – General" and "THE BONDS – Redemption Provisions – *Optional Redemption.*"

Book-Entry-Only System..... The Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC, pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the Beneficial Owners thereof. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar (hereinafter defined) to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the Beneficial Owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM."

Authority for Issuance..... At a bond election held within the District on September 14, 2002, the voters authorized the issuance of \$33,000,000 of principal amount of unlimited tax bonds for water, wastewater and drainage facilities and \$21,450,000 of principal amount for the refunding of such bonds. After the sale of the Bonds, \$23,040,000 in principal amount of unlimited tax bonds for water, wastewater and drainage facilities will remain authorized but unissued and \$21,101,033.62 in principal amount for the refunding of such bonds will remain authorized but unissued.

The Bonds are issued by the District pursuant to said election and to the terms and provisions of the Bond Resolution; Article XVI, Section 59 of the Texas Constitution; Chapter 1207, Texas Government Code, as amended; Chapters 49 and 54 of the Texas Water Code, as amended; and the City of Conroe Ordinance (the "Ordinance"). See "THE BONDS – Authority for Issuance."

Source of Payment..... Principal of and interest on the Bonds are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. 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. See "THE BONDS – Source and Security for Payment."



Previously Issued Bonds.....The District has previously issued four (4) series of unlimited tax bonds for the purpose of acquiring, constructing, owning, operating, repairing, improving or extending the water, sanitary sewer and drainage facilities to serve the District, as well as one (1) series of unlimited tax bonds for refunding purposes, of which \$6,570,000 are outstanding as of the date hereof (the “Outstanding Bonds”). Of such five (5) series of bonds previously issued by the District, \$2,565,000 principal amount of unlimited tax bonds will remain outstanding (the “Remaining Outstanding Bonds”) following the refunding of the Refunded Bonds (hereinafter defined). See “PLAN OF FINANCING – Remaining Outstanding Bonds.”

Payment Record.....The District has never defaulted on the timely payment of principal and interest on its bonded indebtedness.

Use of Proceeds .....Proceeds from the sale of the Bonds will be used to currently refund \$2,250,000 principal amount (the “Refunded Bonds”) of the District’s \$2,250,000 Unlimited Tax Bonds, Series 2014 and \$1,755,000 principal amount of the District’s \$4,540,000 Unlimited Tax Refunding Bonds, Series 2014. Proceeds from sale of the Bonds will also be used to pay costs of issuance of the Bonds. The sale of the Bonds and the refunding of the Refunded Bonds will result in an annual and net present value savings in the District’s current annual debt service requirements. See “PLAN OF FINANCING.”

Qualified Tax-Exempt Obligations.....The Bonds have been designated as “qualified tax-exempt obligations” within the meaning of to Section 265(b) of the Internal Revenue Code of 1986, as amended. See “TAX MATTERS – Qualified Tax-Exempt Obligations.”

Municipal Bond Insurance .....Assured Guaranty Municipal Corp (“AGM”). See “MUNICIPAL BOND INSURANCE.”

Ratings .....S&P Global Ratings (AGM Insured): “AA.” Moody’s Investors Service, Inc. (AGM Insured): “A2.” Moody’s Investors Service, Inc. (Underlying): “Baa2.” See “RATINGS.”

General & Bond Counsel..... Allen Boone Humphries Robinson LLP, Houston, Texas.

Underwriter’s Counsel..... McCall, Parkhurst & Horton L.L.P., Houston, Texas.

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

Paying Agent/Registrar..... Zions Bancorporation, National Association, Amegy Bank Division, Houston, Texas.

Escrow Agent ..... Zions Bancorporation, National Association, Amegy Bank Division, Houston, Texas.

Verification Agent ..... Robert Thomas CPA, LLC, Minneapolis, Minnesota. See “THE DISTRICT – Special Consultants Related to Issuance of the Bonds” and “VERIFICATION OF MATHEMATICAL CALCULATIONS.”

**THE DISTRICT**

Description.....The District was created by the Texas Commission on Environmental Quality (the “TCEQ”) on March 14, 2002, for the purpose of providing, operating, and maintaining water distribution, wastewater collection and storm drainage facilities to serve the land within the District. The District operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended, pursuant to Article XVI,

Section 59 of the Texas Constitution. The District contains approximately 933.3 acres and is located entirely within Montgomery County and the corporate boundaries of the City of Conroe. See "THE DISTRICT – General."

Location..... The District is located north of the intersection of Creighton Road and Kidd Road and is bordered to the north by Loop 336 and to the south by Creighton Road, immediately east of I-45. See "THE DISTRICT – Location."

Authority..... The rights, powers, privileges, authority, and functions of the District are established by Article XVI, Section 59 of the Constitution of the State of Texas and the general laws of the State of Texas pertaining to municipal utility districts, including particularly Chapters 49 and 54 of the Texas Water Code, as amended. See "THE DISTRICT – General."

Utility Agreement with the  
City of Conroe ..... The District operates pursuant to a Utility Functions and Services Allocation Agreement between the City and the District dated as of November 20, 2000 as amended by the First Amendment to the Utility Functions and Services Allocation Agreement dated as of October 14, 2004 (collectively, the "Utility Agreement"). Pursuant to the Utility Agreement, the City consented to the creation of the District within the city limits of the City, the District assumed responsibility for acquiring and constructing for the benefit of, and for ultimate conveyance to, the City, the water distribution, wastewater collection and drainage facilities to serve development occurring within the boundaries of the District (the "Facilities") and the City agreed to accept the Facilities for operation and maintenance in consideration for the District's financing, acquisition and construction of the Facilities. The City agrees to charge residents of the District the same water and wastewater rates that the City charges in other parts of the City.

Under the Utility Agreement, the District is authorized to issue bonds to finance the construction and acquisition of the Facilities. Before the District is authorized to issue bonds, the District must provide the City with a copy of the TCEQ order authorizing issuance of the bonds and such order must provide that under the TCEQ's rules governing the issuance of bonds it is feasible to sell the bonds at a District tax rate that does not exceed \$0.60 per \$100 in valuation. The Utility Agreement expressly provides that such condition is not a limitation on the District's authority to levy an unlimited tax and that the District's bonds are secured by a pledge of the proceeds of an ad valorem tax without limit as to rate or amount.

The Utility Agreement provides that the City pays an annual rebate to the District. The annual rebate is equal to the total assessed value in the District for a given year multiplied by the portion of the City's tax rate that is attributable to water, sewer or drainage facilities. The annual rebate payment is to be deposited in the District's debt service fund. For the 2021 tax year, the annual rebate was \$12,516.01.

The Developers ..... Bradbury Development, Ltd. ("Bradbury"), a Texas limited partnership whose general partner is Mountain Beach Corporation,

a British Virgin Islands Corporation ("Mountain Beach"), is the principal developer of Stewart's Forest. Bradbury or related entities were responsible for development of the common infrastructure to serve Stewart's Forest, including the entry boulevard, entry monumentation and landscaping, off-site drainage channels, off-site sanitary, storm lines and recreational amenities. Individual subdivisions in the District have been purchased from Bradbury or related entities and were developed by various developers. See "THE DEVELOPERS" and "DEVELOPMENT WITHIN THE DISTRICT."

Bradbury and the other developers of Stewart's Forest have contracted with Aurous Development Services, Ltd., a Texas limited partnership ("Aurous") to provide development management services pertaining to their respective sections.

Meritage Homes ("Meritage"), a subsidiary of Meritage Homes Corporation which is publicly traded on the New York Stock Exchange, purchased approximately 72 acres in the District in 2021 and the District as enter into a development financing agreement with Meritage to reimbursement the design and construction of water, sewer and drainage facilities to serve the 72 acres on the District's standard terms and conditions (including approval of a bond sale by the TCEQ). The District can make no representation as to the timing of the development of the 72 acres, the total reimbursable cost to develop the 72 acres or the amount of bonds that may be necessary to finance the water, sewer and drainage facilities to serve the 72 acres.

Bradbury and Meritage are herein collectively referred to as the "Developers."

Development within the District..... At creation, the District consisted of approximately 653 acres. In August 2006, the District annexed an additional 280.3 acres, for a total acreage of 933.3 currently in the District. Currently, development has occurred on approximately 226 acres (646 lots) within the subdivisions of Stewart's Forest, Sections 1 through 10. There remain approximately 587.07 undeveloped but developable acres and approximately 120.4 undevelopable acres within the District. See "DEVELOPMENT WITHIN THE DISTRICT."

Homebuilders ..... Currently, there is no active home construction in the District. Eighteen (18) vacant lots are under contract and are scheduled to close in the fourth quarter of 2021. SEE "DEVELOPMENT WITHIN THE DISTRICT - Homebuilders/Lot Sales Contracts."

## **INFECTIOUS DISEASE OUTLOOK (COVID-19)**

Infectious Disease Outlook (COVID-19)..... In March 2020, the World Health Organization and the President of the United States separately declared the outbreak of a respiratory disease caused by a novel coronavirus ("COVID-19") to be a public health emergency. On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in the State of Texas because of the effects of COVID-19. Subsequently, in response to a rise in COVID-19 infections in the State of Texas and pursuant to the Chapter 418 of the Texas Government Code, the Governor issued a number of executive orders intended to help limit the spread of COVID-19 and mitigate injury and the loss of life, including limitations imposed on business operations, social gatherings, and other activities.

Over the ensuing year, COVID-19 negatively affected commerce, travel and businesses locally and globally, and negatively affected economic growth worldwide and within the State of Texas. Following the widespread release and distribution of various COVID-19 vaccines in 2021 and a decrease in active COVID-19 cases generally in the United States, state governments (including Texas) have started to lift business and social limitations associated with COVID-19. Beginning in March 2021, the Governor issued various executive orders, which, among other things, rescinded and superseded prior executive orders and provide that there are currently no COVID-19 related operating limits for any business or other establishment. The Governor retains the right to impose additional restrictions on activities if needed to mitigate the effects of COVID-19. 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 into this Official Statement.

With the easing or removal of associated governmental restrictions, economic activity has increased. However, there are no assurances that such increased economic activity will continue or continue at the same rate, especially if there are future outbreaks of COVID-19. The District has not experienced any decrease in property values, unusual tax delinquencies, or interruptions to service as a result of COVID-19; however the District cannot predict the long-term economic effect of COVID-19 or a similar virus should there be a reversal of economic activity and re-imposition of restrictions.

## **INVESTMENT CONSIDERATIONS**

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

**SELECTED FINANCIAL INFORMATION**  
**(UNAUDITED)**

2021 Taxable Assessed Valuation.....	\$ 167,950,551	(a)
<b>Direct Debt</b>		
The Remaining Outstanding Bonds.....	\$ 2,565,000	
The Bonds.....	<u>\$ 4,015,000</u>	
Total.....	\$ 6,580,000	
Estimated Overlapping Debt .....	<u>\$ 12,111,352</u>	(b)
Total Direct and Estimated Overlapping Debt .....	\$ 18,691,352	(b)
<b>Direct Debt Ratio:</b>		
As a Percentage of 2021 Taxable Assessed Valuation .....	3.92	%
<b>Direct and Estimated Overlapping Debt Ratio:</b>		
As a Percentage of 2021 Taxable Assessed Valuation .....	11.13	%
Debt Service Fund Balance (as of October 14, 2021).....	\$ 465,063	(c)
Capital Projects Fund Balance (as of October 14, 2021) .....	\$ 5,361	
Operating Fund Balance (as of October 14, 2021) .....	\$ 771,699	
<b>2021 Tax Rate</b>		
Debt Service.....	\$0.37	
Maintenance and Operations.....	<u>\$0.23</u>	
Total .....	\$0.60	
Average Annual Debt Service Requirement (2022-2036).....	\$ 541,650	(d)
Maximum Annual Debt Service Requirement (2027) .....	\$ 648,619	(d)
<b>Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay</b>		
<b>Average Annual Debt Service Requirement (2022-2036):</b>		
Based on 2021 Taxable Assessed Valuation at 95% Tax Collections .....	\$0.34	
<b>Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay</b>		
<b>Maximum Annual Debt Service Requirement (2027):</b>		
Based on 2021 Taxable Assessed Valuation at 95% Tax Collections .....	\$0.41	

- 
- (a) Represents the assessed valuation of all taxable property in the District as of January 1, 2021, provided by the Montgomery Central Appraisal District (the "Appraisal District"). Includes \$3,730,074, which represents 80% of the amount of taxable value under arbitration by the Appraisal District. See "TAX DATA" and "TAXING PROCEDURES."
- (b) See "DISTRICT DEBT - Direct and Estimated Overlapping Debt Statement."
- (c) Neither Texas law nor the Bond Resolution requires that the District maintain any particular sum in the debt service fund.
- (d) Requirement of debt service on the Remaining Outstanding Bonds and the Bonds. See "DISTRICT DEBT - Debt Service Requirements."

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 90**

(A Political Subdivision of the State of Texas, located within Montgomery County, Texas)

**\$4,015,000  
Unlimited Tax Refunding Bonds  
Series 2021**

**INTRODUCTION**

This Official Statement provides certain information in connection with the issuance by Montgomery County Municipal Utility District No. 90 (the "District") of its \$4,015,000 Unlimited Tax Refunding Bonds, Series 2021 (the "Bonds").

Certain capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Bond Resolution, except as otherwise indicated herein.

This Official Statement also includes information about the District and certain reports and other statistical data. The summaries and references to all documents, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive or definitive and each summary and reference is qualified in its entirety by reference to each such document, statute, report, or instrument.

**PLAN OF FINANCING**

**Use of Proceeds**

Proceeds from the sale of the Bonds will be used to currently refund \$2,250,000 principal amount of the District's \$2,250,000 Unlimited Tax Bonds, Series 2014 ("Series 2014 Bonds") and \$1,755,000 principal amount (the "Refunded Bonds") of the District's \$4,540,000 Unlimited Tax Refunding Bonds, Series 2014 ("Series 2014 Refunding Bonds"). Proceeds from sale of the Bonds will also be used to pay costs of issuance of the Bonds. The sale of the Bonds and the refunding of the Refunded Bonds will result in an annual and net present value savings in the District's current annual debt service requirements.

**The Refunded Bonds**

The principal amounts and maturity dates of the Refunded Bonds are set forth as follows:

Series 2014 Bonds		Series 2014 Refunding Bonds	
Principal Amount	Maturity Date	Principal Amount	Maturity Date
\$ 275,000	03/01/2028	\$ 410,000	03/01/2024
290,000	03/01/2029	430,000	03/01/2025
305,000	03/01/2030	450,000	03/01/2026
320,000	03/01/2031	465,000	03/01/2027
335,000	03/01/2032		
355,000	03/01/2033		
370,000	03/01/2034		
<u>\$2,250,000</u>		<u>\$ 1,755,000</u>	

Total Principal Amount of the Refunded Bonds: \$4,005,000

Redemption Date: March 1, 2022

**Remaining Outstanding Bonds**

The District has previously issued four (4) series of unlimited tax bonds for the purpose of acquiring, constructing, owning, operating, repairing, improving or extending the water, sanitary sewer and drainage facilities to serve the District as well as one (1) series of unlimited tax bonds for refunding purposes. Of such five (5) series of unlimited tax bonds previously issued by the District, \$2,565,000 principal amount of unlimited tax bonds will remain outstanding (the "Remaining Outstanding Bonds") following the refunding of the Refunded Bonds (hereinafter defined).

The following table lists the principal amounts of the Remaining Outstanding Bonds.

Series	Original Principal Amount	Principal Currently Outstanding	Less: Refunded Bonds	Remaining Outstanding Bonds
2014 Ref	\$ 4,540,000	\$ 2,540,000	\$ 1,755,000	\$ 785,000
2014	2,250,000	2,250,000	2,250,000	-
2016	1,880,000	1,780,000	-	1,780,000
Total	\$ 8,670,000	\$ 6,570,000	\$ 4,005,000	\$ 2,565,000

### Escrow Agreement

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

The Bond Resolution provides that the District and the Escrow Agent will enter into an escrow agreement (the "Escrow Agreement") to be dated as of the date of the sale of the Bonds but effective on the date of delivery of the Bonds (expected to be December 15, 2021). The Bond Resolution further provides that from the proceeds of the sale of the Bonds the District will deposit with the Escrow Agent the amount necessary to accomplish the discharge and final payment of the Refunded Bonds. Such funds will be held by the Escrow Agent in a segregated escrow account (the "Escrow Fund") and a portion of such funds will be used to purchase United States Treasury Obligations (the "Escrowed Securities") maturing at such times and amounts as will be sufficient to pay scheduled payments on the Refunded Bonds on their redemption date. Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of principal of and interest on the Refunded Bonds and will not be available to pay principal of and interest on the Bonds or the Remaining Outstanding Bonds.

### Defeasance of the Refunded Bonds

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

### Sources and Uses of Funds

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

#### SOURCES OF FUNDS:

Principal Amount of the Bonds .....	\$ 4,015,000.00
Net Premium/Discount .....	231,407.80
Accrued Interest on the Bonds.....	\$ 4,391.28
Total Sources of Funds.....	\$ 4,250,799.08

#### USES OF FUNDS:

Deposit to Escrow Fund .....	\$ 4,076,289.55
Deposit of Accrued Interest to Debt Service Fund.....	4,391.28
Issuance Expenses, Underwriter's Discount and Insurance .....	168,332.11
Additional Proceeds .....	\$ 1,786.14
Total Uses of Funds .....	\$ 4,250,799.08

## THE BONDS

### General

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

### Description

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

### Authority for Issuance

At a bond election held within the District on September 14, 2002, the voters authorized the issuance of \$33,000,000 of principal amount of unlimited tax bonds for water, wastewater and drainage facilities and \$21,450,000 of principal amount for the refunding of such bonds. After the sale of the Bonds, \$23,040,000 in principal amount of unlimited tax bonds for water, wastewater and drainage facilities will remain authorized but unissued and \$21,101,033.62 in principal amount for the refunding of such bonds will remain authorized but unissued.

The Bonds are issued by the District pursuant to said election and to the terms and provisions of the Bond Resolution; Article XVI, Section 59 of the Texas Constitution; Chapter 1207, Texas Government Code, as amended; Chapters 49 and 54 of the Texas Water Code, as amended; and the City of Conroe Ordinance (the "Ordinance"). See "THE BONDS – Authority for Issuance."

### Source and Security for Payment

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

### Funds

The Bond Resolution confirms the establishment of the District's Construction Fund and the District's Debt Service Fund (the "Bond Fund") created and established pursuant to the orders of the District authorizing the issuance of the Remaining Outstanding Bonds. Accrued interest on the Bonds will be deposited from the proceeds from sale of the Bonds into the Bond Fund. All remaining proceeds of the Bonds will be deposited in the Construction Fund. The Bond Fund, which constitutes a trust fund for the benefit of the owners of the Remaining Outstanding Bonds, the Bonds, and any additional tax bonds issued by the District, is to be kept separate from all other funds of the District, and is to be used for payment of debt service on the Remaining Outstanding Bonds, the Bonds, and any of the District's duly authorized additional bonds payable in whole or part from taxes. Amounts on deposit in the Bond Fund may also be used to pay the fees and expenses of the



Paying Agent/Registrar, to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Remaining Outstanding Bonds, the Bonds, and any additional bonds payable in whole or in part from taxes, and to pay any tax anticipation notes issued, together with interest thereon, as such tax anticipation notes become due.

### **Record Date**

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

### **Redemption Provisions**

#### *Optional Redemption*

The District reserves the right, at its option, to redeem the Bonds maturing on and after March 1, 2028, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of \$5,000, on March 1, 2027, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. If fewer than all of the Bonds are to be redeemed, the particular maturity or maturities and the amounts thereof to be redeemed shall be determined by the District. If fewer than all of the Bonds of the same maturity are to be redeemed, the particular Bonds shall be selected by DTC in accordance with its procedures. See "BOOK-ENTRY-ONLY SYSTEM." Notice of each exercise of the reserved right of optional redemption shall be given by the Paying Agent/Registrar at least thirty (30) calendar days prior to the redemption date, in the manner specified in the Bond Resolution.

By the redemption date, due provision shall be made with the Paying Agent/Registrar for payment of the principal of the Bonds or portions thereof to be redeemed, plus accrued interest to the redemption date. When Bonds have been called for redemption in whole or in part and due provision has been made to redeem the same as herein provided, the Bonds or portions thereof so redeemed shall no longer be regarded as outstanding except for the purpose of receiving payment solely from the funds so provided for redemption, and the rights of the Registered Owners to collect interest which would otherwise accrue after the redemption date on any Bond or portion thereof called for redemption shall terminate on the date fixed for redemption.

### **Method of Payment of Principal and Interest**

The Board has appointed Zions Bancorporation, National Association, Amegy Bank Division, Houston, Texas, having its principal corporate trust office and its principal payment office in Dallas, Texas, as the initial Paying Agent/Registrar for the Bonds (the "Paying Agent/Registrar"). The principal of and interest on the Bonds shall be paid to DTC, which will make distribution of the amounts so paid. See "BOOK-ENTRY-ONLY SYSTEM."

### **Registration**

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

### **Replacement of Paying Agent/Registrar**

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

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

The following is 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.

### **Issuance of Additional Debt**

The District's voters have authorized the issuance of a total of \$21,450,000 principal amount of unlimited tax refunding bonds for the purpose of refunding outstanding bonds of the District and could authorize additional amounts. After issuance of the Bonds, the District will have \$21,101,033.62 principal amount of unlimited tax refunding bonds authorized but unissued.

The District's voters have also authorized the issuance of a total of \$33,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer, and drainage facilities and could authorize additional amounts. The District currently has \$23,040,000 principal amount of unlimited tax bonds authorized but unissued for said improvements and facilities.

The Bond Resolution imposes no limitation on the amount of additional parity bonds which may be authorized for issuance by the District's voters or the amount ultimately issued by the District. See "INVESTMENT CONSIDERATIONS – Future Debt."

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

### **Dissolution by the City**

Under existing Texas law, because the District lies wholly within the corporate limits of the City, the District may be dissolved by the City without the District's consent, subject to the terms and conditions of the Utility Functions and Services Allocation Agreement between the District and the City. If the District is dissolved, the City will assume the District's assets and obligations (including the Bonds) and dissolve the District within ninety (90) days. Dissolution of the District 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 dissolution will or will not

occur or that the City will be able to make debt service payments on the Bonds if the District were dissolved. See "THE DISTRICT - Utility Agreement with the City" herein.

### **Consolidation**

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

### **Remedies in Event of Default**

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

### **Defeasance**

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

Upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment or redemption of the Bonds

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

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

#### **BOOK-ENTRY-ONLY SYSTEM**

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

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

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be required by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity 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"). DTC has a rating of AA+ from S&P Global Ratings. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](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. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If 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).

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, District or Paying Agent/Registrar, 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 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 District or 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 system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

#### **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 system, and (ii) except as described above, notices that are to be given to registered owners under the Bond Resolution will be given only to DTC.

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**DISTRICT DEBT**

**General**

The following tables and calculations relate to the Bonds and the Remaining Outstanding Bonds. The District and various other political subdivisions of government which overlap all or a portion of the District are empowered to incur debt to be paid from revenues raised or to be raised by taxation against all or a portion of the property.

2021 Taxable Assessed Valuation.....	\$ 167,950,551	(a)
<b>Direct Debt</b>		
The Remaining Outstanding Bonds.....	\$ 2,565,000	
The Bonds.....	<u>\$ 4,015,000</u>	
Total.....	\$ 6,580,000	
Estimated Overlapping Debt .....	<u>\$ 12,111,352</u>	(b)
Total Direct and Estimated Overlapping Debt .....	\$ 18,691,352	(b)
<b>Direct Debt Ratio:</b>		
As a Percentage of 2021 Taxable Assessed Valuation .....	3.92	%
<b>Direct and Estimated Overlapping Debt Ratio:</b>		
As a Percentage of 2021 Taxable Assessed Valuation .....	11.13	%
Debt Service Fund Balance (as of October 14, 2021).....	\$ 465,063	(c)
Capital Projects Fund Balance (as of October 14, 2021).....	\$ 5,361	
Operating Fund Balance (as of October 14, 2021).....	\$ 771,699	
<b>2021 Tax Rate</b>		
Debt Service.....	\$0.37	
Maintenance and Operations.....	<u>\$0.23</u>	
Total.....	\$0.60	
Average Annual Debt Service Requirement (2022-2036).....	\$ 541,650	(d)
Maximum Annual Debt Service Requirement (2027) .....	\$ 648,619	(d)
<b>Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay</b>		
<b>Average Annual Debt Service Requirement (2022-2036):</b>		
Based on 2021 Taxable Assessed Valuation at 95% Tax Collections .....	\$0.34	
<b>Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay</b>		
<b>Maximum Annual Debt Service Requirement (2027):</b>		
Based on 2021 Taxable Assessed Valuation at 95% Tax Collections .....	\$0.41	

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- (a) Represents the assessed valuation of all taxable property in the District as of January 1, 2021, provided by the Montgomery Central Appraisal District (the "Appraisal District"). Includes \$3,730,074, which represents 80% of the amount of taxable value under arbitration by the Appraisal District. See "TAX DATA" and "TAXING PROCEDURES."
  - (b) See "DISTRICT DEBT - Direct and Estimated Overlapping Debt Statement."
  - (c) Neither Texas law nor the Bond Resolution requires that the District maintain any particular sum in the debt service fund.
  - (d) Requirement of debt service on the Remaining Outstanding Bonds and the Bonds. See "DISTRICT DEBT - Debt Service Requirements."

**Direct and Estimated Overlapping Debt Statement**

The following table indicates the indebtedness, defined as outstanding bonds payable from ad valorem taxes, of governmental entities overlapping the District and the estimated percentages and amounts of such indebtedness attributable to property within the District. This information is based upon data secured from the individual jurisdictions and/or *Texas Municipal Reports* prepared by the Municipal Advisory Council of Texas. Such figures do not indicate the tax burden levied by the applicable taxing jurisdictions for operation and maintenance or for other purposes.

Taxing Jurisdiction	Outstanding Debt September 30, 2021	Overlapping	
		Percent	Amount
Montgomery County	\$ 486,675,000	0.24%	\$ 1,185,307
Conroe Independent School District	1,351,160,000	0.37%	5,035,576
Lone Star College System	610,225,000	0.07%	446,907
City of Conroe	365,025,000	1.49%	<u>5,443,562</u>
Total Estimated Overlapping Debt			\$ 12,111,352
The District (a)			<u>\$ 6,580,000</u>
Total Direct & Estimated Overlapping			<u>\$ 18,691,352</u>

(a) Includes the Remaining Outstanding Bonds and the Bonds.

**Debt Ratios**

Direct Debt Ratio:		
As a Percentage of 2021 Taxable Assessed Valuation.....		3.92 %
Direct and Estimated Overlapping Debt Ratio:		
As a Percentage of 2021 Taxable Assessed Valuation.....		11.13 %

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**Debt Service Requirements**

The following schedules set forth the debt service requirements of the Outstanding Bonds, less the debt service requirements of the Refunded Bonds, plus the principal and interest requirements on the Bonds. Totals may not sum due to rounding.

Year	Outstanding	Less: Debt Service	Plus: The Bonds		Total
	Debt Service	Refunded Bonds	Principal	Interest	Debt Service
2022	\$ 631,898	\$ 136,687	\$ 35,000	\$ 84,252	\$ 614,463
2023	634,411	136,687	5,000	111,981	614,705
2024	656,073	540,948	415,000	106,731	636,856
2025	661,816	549,191	430,000	96,169	638,794
2026	667,248	556,873	450,000	84,044	644,419
2027	667,441	559,066	470,000	70,244	648,619
2028	493,414	357,539	275,000	59,069	469,944
2029	495,030	362,155	290,000	50,594	473,469
2030	495,870	365,995	305,000	41,669	476,544
2031	495,675	368,800	315,000	32,369	474,244
2032	499,481	370,700	325,000	22,769	476,550
2033	497,588	376,900	345,000	12,719	478,406
2034	499,994	377,400	355,000	3,772	481,366
2035	497,188	-	-	-	497,188
2036	499,188	-	-	-	499,188
<b>Total</b>	<b>\$ 8,392,314</b>	<b>\$ 5,058,941</b>	<b>\$ 4,015,000</b>	<b>\$ 776,380</b>	<b>\$ 8,124,752</b>

Average Annual Debt Service Requirement (2022–2036) .....	\$ 541,650
Maximum Annual Debt Service Requirement (2027) .....	\$ 648,619

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## **TAXING PROCEDURES**

### **Authority to Levy Taxes**

The Board is authorized to levy a direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District in sufficient amount to pay principal of and interest on the Bonds, the Remaining Outstanding Bonds, and any additional bonds payable from taxes which the District may hereafter issue, and to pay the expenses of assessing and collecting such taxes. See "INVESTMENT CONSIDERATIONS – Future Debt." The District agrees in the Bond Resolution to levy such a tax from year to year as discussed under "THE BONDS – Source and Security for Payment." Under Texas law, the Board may also levy and collect annual ad valorem taxes for the operation and maintenance of the District and a debt service tax sufficient to pay principal of and interest on the Bonds and the Remaining Outstanding Bonds, and for the payment of certain contractual obligations. See "TAX DATA – General."

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

Title I of the Texas Tax Code (the "Property Tax Code") specifies the taxing procedures of all political subdivisions of Texas. Provisions of the Property Tax Code are complex and are not fully summarized herein. The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district. The Appraisal District has the responsibility of appraising property for all taxing units within the County. 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. See "TAXING PROCEDURES – Valuation of Property for Taxation."

### **Property Subject to Taxation by the District**

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by 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. The District may be required to offer such exemptions if a majority of voters approve same at an election. The District would be required to call an election upon petition by 20% of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or 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 appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. This exemption will also apply to a residence homestead that was donated by a charitable organization at some cost to such veterans. Also, the surviving spouse of a member of the armed forces who was killed in action is entitled to an exemption of the appraised value of the surviving spouse's residence

homestead if the surviving spouse has not remarried since the service member's death and said property was the service member's residence homestead at the time of death. Such exemption may be transferred to a subsequent residence homestead of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

The surviving spouse of a first responder who is killed or fatally injured in the line of duty is entitled to an exemption of the appraised value of the surviving spouse's residence homestead if the surviving spouse has not remarried since the first responder's death, and said property was the first responder's residence homestead at the time of death. Such exemption would be transferred to a subsequent residence homestead of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received. For the 2020 tax year, the District granted a \$10,000 exemption for persons over 65 years of age and for disabled persons.

***Residential Homestead Exemptions:*** The Property Tax Code authorizes the governing body of each political subdivision in Texas to exempt up to 20% of the appraised market value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted by before July 1. The District has never adopted a homestead exemption. See "TAX DATA - Exemptions."

***Freeport Goods and Goods-in-Transit Exemption:*** A "Freeport Exemption" applies to goods, wares, ores, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing, or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit" Exemption is applicable to the same categories of tangible personal property which are covered by the Freeport Exemption, if, for tax year 2013 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2012 and subsequent years, such Goods-in-Transit Exemption includes tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one (1) or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. The District has taken official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years.

### **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 10 years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. As of September

1, 1999, each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions. To date, the County has not designated any part of the area within the District as a reinvestment zone.

### **Valuation of Property for Taxation**

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are to be based on 100% of market value, as such is defined in the Property Tax Code. Nevertheless, certain land may be appraised at less than market value, as such is defined in the Property Tax Code. The Texas Constitution limits increases in the appraised value of residence homesteads to 10% annually regardless of the market value of the property.

The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its fair market value. The Property Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price all of such property would bring if sold as a unit to a purchaser who would continue the business. Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by one (1) political subdivision while claiming it for another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three (3) years, for agricultural use, open space land and timberland.

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

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

### **District and Taxpayer Remedies**

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

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

### **Levy and Collection of Taxes**

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes, and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of 6% of the amount of the tax for the first calendar month it is delinquent, plus 1% for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of 12% regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. The delinquent tax accrues interest at a rate of 1% for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, which may be rejected by taxing units. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of taxes, penalties, and interest, if the person requests an installment agreement and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) 65 years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continue to accrue during the period of deferral.

### **Tax Payment Installments After Disaster**

Certain qualified taxpayers, including owners of residential homesteads, located within a designated disaster area or emergency area and whose property has been damaged as a direct result of the disaster or emergency, are entitled to enter into a tax payment installment agreement with a taxing jurisdiction, such as the District, if the taxpayer pays at least 1/4<sup>th</sup> of the tax bill imposed on the property by the delinquency date. The remaining taxes may be paid without penalty or interest in three (3) equal installments within six (6) months of the delinquency date.

Additionally, the Property Tax Code authorizes a taxing jurisdiction, such as the District, solely at the jurisdiction's discretion to adopt a similar installment payment option for taxes imposed on property that is located within a designated disaster area or emergency area and is owned or leased by certain qualified business entities, regardless of whether the property has been damaged as a direct result of the disaster or emergency.

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

Chapter 49 of the Texas Water Code classifies districts differently based on the current maintenance and operations tax rate or on the percentage of 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 as "Special Taxing Units." Districts that have financed, completed, and issued bonds to pay for all improvements and facilities necessary to serve at least 95% of the projected build-out of the district are classified as "Developed Districts." Districts that do not meet either of the classifications previously discussed can be classified herein as "Developing Districts." The impact each classification has on the ability of a district

to increase its maintenance and operations tax rate is described for each classification below. Debt service and contract tax rates cannot be reduced by a rollback election held within any of the districts described below.

#### *Special Taxing Units*

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

#### *Developed Districts*

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

#### *The District*

For the 2021 tax year, the District has designated itself as a Developing District. For future years, a determination as to a district's status as a Special Taxing Unit, Developed District or Developing District will be made by the Board on an annual basis. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

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

Taxes levied by the District are a personal obligation of the owner of the property as of January 1 of the year in which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of Texas 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 six (6) months for commercial property and two (2) years for residential and other types of property after the purchaser's deed at the foreclosure sale is filed in the county records.

**TAX DATA**

**General**

Taxable property within the District is subject to the assessment, levy, and collection by the District of a continuing direct, annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Remaining Outstanding Bonds, the Bonds, and any future tax-supported bonds which may be issued from time to time as authorized. Taxes are levied by the District each year against the District's assessed valuation as of January 1 of that year. Taxes become due September 1 of such year, or when billed, and generally become delinquent after January 31 of the following year. The Board covenants in the Bond Resolution to assess and levy for each year that all or any part of the Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds. The actual rate of such tax will be determined from year to year as a function of the District's tax base, its debt service requirements, and available funds. In addition, the District has the power and authority to assess, levy, and collect ad valorem taxes, not to exceed \$1.00 per \$100 of assessed valuation, for operation and maintenance purposes. In 2021, the Board levied a tax of \$0.23 per \$100 of assessed valuation for operation and maintenance purposes and a tax of \$0.37 per \$100 of assessed valuation for debt service purposes.

**Tax Rate Limitation**

Debt Service: Unlimited (no legal limit as to rate or amount)  
 Maintenance: \$1.00 per \$100 Assessed Valuation

**Historical Tax Collections**

The following table illustrates the collection history of the District from the 2017–2021 tax years:

Tax Year	Assessed Valuation	Tax Rate	Adjusted Levy	Collections Current Year	Current Year Ended 9/30	Collections as of 09/30/21
2017	\$ 140,076,728	\$ 0.600	\$ 840,460	99.87 %	2018	99.87 %
2018	149,030,347	0.600	894,182	99.68 %	2019	99.73 %
2019	163,648,905	0.600	981,893	99.74 %	2020	99.74 %
2020	167,293,137	0.600	1,003,759	99.73 %	2021	99.73 % (a)
2021	164,220,477	0.600	985,323	(b)	2022	(b)

(a) For the 2021 tax year, represents collections through September 30, 2021.  
 (b) In the process of collection; 2021 taxes are due by January 31, 2022.

**Tax Rate Distribution**

	2021	2020	2019	2018	2017	2016
Debt Service	\$0.370	\$0.370	\$0.380	\$0.420	\$0.440	\$0.460
Maintenance & Operations	<u>0.230</u>	<u>0.230</u>	<u>0.220</u>	<u>0.180</u>	<u>0.160</u>	<u>0.140</u>
Total	\$0.600	\$0.600	\$0.600	\$0.600	\$0.600	\$0.600

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**Analysis of Tax Base**

The following table illustrates the District’s total taxable assessed value in the 2017–2021 tax years by type of property.

Type of Property	2021 (a) Assessed Value	2020 Assessed Value	2019 Assessed Value	2018 Assessed Value	2017 Assessed Value
Land	\$ 32,946,460	\$ 34,014,640	\$ 26,353,590	\$ 25,153,080	\$ 23,473,330
Improvements	153,925,550	156,067,210	159,710,340	145,218,860	139,320,110
Personal Property	3,712,177	1,255,676	1,820,554	1,497,447	1,557,321
Exemptions	(26,363,710)	(24,044,389)	(24,235,579)	(22,839,040)	(24,274,033)
Total	\$164,220,477	\$167,293,137	\$163,648,905	\$149,030,347	\$140,076,728

(a) Does not include \$3,730,074, which represents 80% of the amount of taxable value under arbitration by the Appraisal District. See “TAX DATA” and “TAXING PROCEDURES.”

**Principal Taxpayers**

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

Taxpayer	Type of Property	Assessed Valuation 2021 Tax Roll	Percent of 2021 Roll
ABE Limited	Land & Improvements	\$ 961,540	0.59%
Homeowner	Land & Improvements	656,870	0.40
CBT Limited	Land & Improvements	625,710	0.38
Homeowner	Land & Improvements	608,550	0.37
Homeowner	Land & Improvements	602,280	0.37
Homeowner	Land & Improvements	585,890	0.36
Entergy Texas Inc.	Land & Improvements	574,020	0.35
Homeowner	Land & Improvements	546,580	0.33
SWAY 2014-1 Borrower, LLC	Land & Improvements	485,128	0.30
Crighton Park Limited	Land & Improvements	478,060	0.29
Totals		\$ 6,124,628	3.73%

(a) See “HOMEBUILDERS ACTIVE WITHIN THE DISTRICT.”

(b) See “THE DEVELOPERS.”

**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 Remaining Outstanding Bonds and the Bonds if no growth in the District occurs beyond the District’s taxable assessed valuation as of January 1, 2021 (\$167,950,551). The following further assumes collection of 95% of taxes levied and the sale of no additional bonds:

Average Annual Debt Service Requirement (2022–2036) .....	\$ 541,650
Tax Rate of \$0.34 on the 2021 Taxable Assessed Valuation produces.....	\$ 542,480
Maximum Annual Debt Service Requirement (2027).....	\$ 648,619
Tax Rate of \$0.41 on the 2021 Taxable Assessed Valuation produces.....	\$ 654,167



## 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 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 a compilation of all 2021 taxes levied by such jurisdictions per \$100 of assessed valuation. Such levies do not include local assessments for community associations, fire department contributions, charges for solid waste disposal, or any other dues or charges made by entities other than political subdivisions.

<u>Taxing Jurisdiction</u>	<u>2021 Tax Rate</u>
The District	\$0.600000
Montgomery County	0.408300
Montgomery County Hospital	0.056700
Conroe Independent School District	1.176000
Lone Star College System	0.107800
City of Conroe	<u>0.437500</u>
Estimated Total Tax Rate	\$2.786300

## THE DISTRICT

### General

The District is a limited-purpose political subdivision of the State of Texas operating as a municipal utility district pursuant to Article XVI, Section 59 of the Texas Constitution. The District is vested with all the rights, privileges, authority and functions conferred by the laws of the State of Texas applicable to municipal utility districts, including without limitation those conferred by Chapters 49 and 54, Texas Water Code, as amended. The District is empowered to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply of water; the collection, transportation and treatment of wastewater; and the control and diversion of storm water, among other things. The District may also provide solid waste collection and disposal service and operate and maintain recreational facilities. Currently the District's water and wastewater services are provided by contract with the City of Conroe, Texas (the "City") as described under "Utility Agreement with the City" below. The District may operate and maintain a fire department, independently or with one or more other conservation and reclamation districts, if approved by the voters and the TCEQ. The District does not operate and/or maintain a fire department, and fire protection is provided by the City of Conroe. The District, which lies wholly within the City of Conroe, is subject to the continuing supervision of the TCEQ and is located exclusively within the corporate limits of the City.

### Utility Agreement with the City

The District operates pursuant to a Utility Functions and Services Allocation Agreement between the City and the District, dated as of November 20, 2000, as amended by the First Amendment to the Utility Functions and Services Allocation Agreement, dated as of October 14, 2004 (collectively, the "Utility Agreement"). Pursuant to the Utility Agreement, the City consented to the creation of the District within the city limits of the City, the District assumed responsibility for acquiring and constructing for the benefit of, and for ultimate conveyance to, the City, the water distribution, wastewater collection and drainage facilities to serve development occurring within the boundaries of the District (the "Facilities") and the City agreed to accept the Facilities for operation and maintenance in consideration for the District's financing, acquisition and construction of the Facilities. The City agrees to charge residents of the District the same water and wastewater rates that the City charges in other parts of the City.

The Utility Agreement provides that the Facilities shall be designed and constructed in accordance with the City's requirements and criteria. The City agrees to provide the District with its ultimate requirements for water supply capacity and wastewater treatment capacity without capital charges of any kind.

Under the Utility Agreement, the District is authorized to issue bonds to finance the construction and acquisition of the Facilities. Before the District is authorized to issue bonds, the District must provide the City with a copy of the TCEQ order authorizing issuance of the bonds and such order must provide that under the TCEQ's rules governing the issuance of bonds it is feasible to sell the bonds at a District tax rate that does not exceed \$0.60 per \$100 in assessed valuation. The Utility Agreement expressly provides that such condition is not a limitation on the District's authority to levy an unlimited tax and that the District's bonds are secured by a pledge of the proceeds of an ad valorem tax without limit as to rate or amount.

The Utility Agreement provides that the City pays an annual rebate to the District. The annual rebate is equal to the total assessed value in the District for a given year multiplied by the portion of the City's tax rate that is attributable to water, sewer or drainage facilities. The annual rebate payment is to be deposited in the District's debt service fund. For the 2021 tax year, the annual rebate was \$12,516.01.

The City's right to dissolve the District is restricted under the Utility Agreement. Under the terms of the Utility Agreement, the City agrees that it will not dissolve the District until ninety percent of the District's Facilities have been developed and the developers advancing funds to construct the Facilities have been reimbursed.

**Location**

The District is located within the corporate limits of the City. The District is located north of the intersection of Creighton Road and Kidd Road and is bordered to the north by Loop 336 and to the south by Creighton Road, immediately east of I-45.

**Management of the District**

The District is governed by a board of five directors which has control and management supervision over all affairs of the District. All of the directors currently reside in or own property in the District. Directors are elected in even-numbered years for four-year staggered terms. The present members and officers of the Board and their positions are listed below:

<u>Name</u>	<u>Position</u>	<u>Term Expires May</u>
Wayne McLane	President	2024
Perri D'Armond	Secretary	2024
Tim Kurtin	Vice President	2022
Danny Golden	Assistant Secretary	2022
Richard Fisher	Assistant Vice President	2022

The District has contracted with the following companies and individuals to operate its utilities and recreational facilities and perform certain other services:

**Tax Assessor/Collector:** Land and improvements in the District are being appraised by the Montgomery Central Appraisal District. The Tax Assessor/Collector for the district is Bob Leared Interests. The Tax Assessor/Collector is appointed by the Board of Directors of the District.

**Bookkeeper:** The District contracts with Myrtle Cruz Inc. as Bookkeeper for the District.

**Engineer:** The District's consulting engineer is Costello, Inc. (the "Engineer").

**Auditor:** The District is required by the TCEQ to prepare and file annual audited financial statements. The District's financial statements as of September 30, 2020, and for the year then ended, have been audited by McCall Gibson Swedlund Barfoot PLLC; independent auditors, as stated in their report appearing herein. See "APPENDIX A" for a copy of the District's September 30, 2020, audited financial statements. The District has engaged McCall Gibson Swedlund Barfoot PLLC to audit its financial statements for the year ending September 30, 2021.

**Financial Advisor:** Robert W. Baird & Co. Incorporated serves as the District’s financial advisor (the “Financial Advisor”). The fee for services rendered in connection with the issuance of bonds (such as the Bonds) is based on the percentage of bonds actually issued, sold, and delivered, and, therefore, such fee is contingent upon the sale and delivery of 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.

**Bond & General Counsel:** The District has engaged Allen Boone Humphries Robinson LLP, Houston, Texas, as Bond Counsel in connection with the issuance of the District’s Bonds. The fees of Bond Counsel are contingent upon the sale of and delivery of the Bonds. Allen Boone Humphries Robinson LLP, Houston, Texas, also serves as the District’s general counsel.

**Special Consultants Related to Issuance of the Bonds**

**Verification Agent:** At the time of delivery of the Bonds, Robert Thomas CPA, LLC, will verify to the District, Bond Counsel, Escrow Agent, and the Underwriter certain matters related to the issuance of the bonds and the refunding of the Refunded Bonds. See “VERIFICATION OF MATHEMATICAL CALCULATIONS.”

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## STATUS OF DEVELOPMENT

### Current Status of Development

At creation, the District consisted of approximately 653 acres. In August 2006, the District annexed an additional 280.3 acres, for a total acreage of 933.3 currently in the District. Currently, development within the District has occurred on approximately 226 acres (646 lots) within the subdivisions of Stewart’s Forest, Sections 1 through 10. There remain approximately 587.07 undeveloped but developable acres and approximately 120.4 undevelopable acres within the District.

The following chart more completely describes the status of residential development within the District as of October 1, 2021:

<u>Section</u>	<u>Acreage</u>	<u>No. of Lots</u>	<u>Homes</u>		<u>Vacant Lots</u>
			<u>Complete</u>	<u>Under Construction</u>	
Stewarts Forest					
Section 1	28.30	28	13	0	15
Section 2	25.30	75	75	0	0
Section 3	29.80	139	139	0	0
Section 4	20.30	76	76	0	0
Section 5	15.74	65	65	0	0
Section 6	16.70	55	55	0	0
Section 7	15.57	56	56	0	0
Section 8	20.84	64	64	0	0
Section 9	30.07	80	80	0	0
Section 10	2.38	8	5	0	3
Elementary School Site	15.00				
Church	5.63				
Subtotal	<u>225.63</u>	<u>646</u>	<u>628</u>	<u>0</u>	<u>18</u>
Developable Acreage	587.27				
Remaining Undevelopable Acreage (Roads, Parks, Row)	<u>120.4</u>				
Total District Acreage	<u>933.30</u>				

### Homebuilder/Lot Sales Contracts

Currently, there is no active home construction in the District. Eighteen (18) vacant lots are under contract and are scheduled to close in the fourth quarter of 2021.

## **Future Development**

Approximately 587 additional acres of developable land remain to be developed with water, sanitary sewer and drainage facilities. Drainage improvements have been constructed on approximately 200 acres. It is anticipated that this property will be developed for mixed uses. The District can make no representation that any future development will occur within the District. In the event that future development does occur within the District, it is anticipated that the development costs will be financed through the sale of future bond issues.

## **THE DEVELOPERS**

### **The Role of a Developer**

In general, the activities of a developer in a municipal utility district such as the District include purchasing the land within the District, designing the utilities and streets to be constructed in the community, 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 commercial reserves to builders, developers, or other third parties. In certain instances, the developer will be required to pay up to thirty percent 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 its 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.

### **The Developers**

Bradbury Development, Ltd. ("Bradbury") a Texas limited partnership whose general partner is Mountain Beach Corporation, a British Virgin Islands Corporation, ("Mountain Beach"), is the principal developer of Stewart's Forest. Bradbury or related entities were responsible for development of the common infrastructure to serve Stewart's Forest, including the entry boulevard, entry monumentation and landscaping, off-site drainage channels, off-site sanitary, storm lines and recreational amenities. Individual subdivisions in the District have been purchased from Bradbury or related entities and were developed by various developers. Bradbury and the other developers of Stewart's Forest have contracted with Aurous Development Services, Ltd., a Texas limited partnership, ("Aurous") to provide development management services pertaining to their respective sections.

Additionally, the developer of approximately 72 acres of land in the District is Meritage Homes ("Meritage"), a subsidiary of Meritage Homes Corporation, which is publicly traded company on the New York Stock Exchange. Audited financial statements for Meritage can be found online at <https://investors.meritagehomes.com/financial-information/annual-reports>. Meritage is subject to the information requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith files reports and other information with the SEC. Reports, proxy statements and other information filed by Meritage can be inspected at the office of the SEC at Judiciary Plaza, Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such material can be obtained from the Public Reference Section of the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. Copies of the above reports, proxy statements and other information may also be inspected at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005. The SEC maintains a website at <http://www.sec.gov> that contains reports, proxy information statements and other information regarding registrants that file electronically with the SEC.

Meritage, purchased approximately 72 acres in the District in 2021 and the District as enter into a development financing agreement with Meritage to reimbursement the design and construction of water, sewer and drainage facilities to serve the 72 acres on the District's standard terms and conditions (including approval of a bond sale by the TCEQ). The District can make no representation as to the timing of the development of the 72 acres, the total reimbursable cost to develop the 72 acres or the amount of bonds that may be necessary to finance the water, sewer and drainage facilities to serve the 72 acres.

Bradbury and Meritage are herein collectively referred to as the "Developers."

### **Utility Construction Agreements**

The District is a party to agreements for the construction and purchase of facilities and reimbursement for costs and amendment thereto with each of the Developers, which define the conditions under which the District will issue additional bonds to reimburse such entity for the water, wastewater and drainage facilities within and outside the District. Under the terms of the agreements, the District has agreed to repay the cost of facilities through a series of bond sales over time. The District's obligation to issue bonds and reimburse the entity for funds advanced for facilities is subject to various conditions including approval of such facilities and bonds by the TCEQ and the Texas Attorney General the recommendation of the District's financial advisor that the sale of the bonds is feasible and prudent.

## **THE SYSTEM**

### **General**

The water and wastewater facilities, the purchase, acquisition and construction of which have been financed by the District have been designed in accordance with accepted engineering practices and the recommendation of certain governmental agencies having regulatory or supervisory jurisdiction over construction and operation of such facilities, including, among others, the TCEQ. According to Costello, Inc. (the "Engineer"), the design of all such facilities has been approved by all governmental agencies, which have jurisdiction over the District.

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

### **Water System**

Water supply for district customers is provided pursuant to contracts with the City of Conroe (the "City"). See "THE DISTRICT – Utility Agreement with the City" herein. The District's source of water is groundwater from wells owned and operated by the City of Conroe. The City's existing water supply is adequate for its existing customers outside of the District and for the ultimate capacity committed to the District, which is sufficient to serve 646 ESFCs.

### **Wastewater System**

Pursuant to a Utility Agreement between the City, the Developers and the District, the City has agreed to provide capacity for the ultimate wastewater discharge of the District. See "THE DISTRICT – Utility Agreement with the City." Wastewater treatment for District customers is currently provided by the City's 6,000,000 gallon per day wastewater treatment plant. The City's existing wastewater treatment plant capacity is adequate for its existing customers outside of the District, for the existing amenity center within the District, and for the ultimate wastewater discharge committed to the District, which is sufficient to serve 646 ESFCs.

### **Drainage System**

Stormwater from within the District currently drains through underground lines leading to natural tributaries, to Stewart's Creek and the San Jacinto River.

### **100-year Flood Plain**

All portions of the District that were within the FEMA 100-year flood plain have been removed. None of the current sections of development lie within the 100-year flood plain. National Weather Service Rainfall Study and Floodplain Regulations.

The National Weather Service recently completed a rainfall study known as NOAA Atlas 14, Volume 11 Precipitation-Frequency Atlas of the United States ("Atlas 14"). Floodplain boundaries within the District may be redrawn based on the Atlas 14 study based on a higher statistical rainfall amount, resulting in interim floodplain regulations applying to a larger number of properties and consequently leaving less developable property within the District. Such regulations could additionally result in higher insurance rates, increased development fees, and stricter building codes for any property located within the expanded boundaries of the floodplain. Montgomery County has adopted the Atlas 14 rainfall amounts effective January 1, 2019.

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## Operating History

The following sets forth in condensed form the results of the District's general operating fund prepared by the Financial Advisor for inclusion herein based on information obtained from the District's audited financial statements for the fiscal years ending September 30, 2017 through September 30, 2020 and from the District's bookkeeper for the fiscal year ending September 30, 2021, reference to which is made for further and more complete information. See "APPENDIX A."

	Fiscal Year Ended				
	09/30/21 (a)	09/30/20	09/30/19	09/30/18	09/30/17
<b>Revenues</b>					
Property Taxes	\$ 383,272	\$ 359,150	\$ 266,770	\$ 225,916	\$ 184,017
Miscellaneous Revenues	369	3,680	6,125	2,608	462
Total Revenues	\$ 383,641	\$ 362,830	\$ 272,895	\$ 228,524	\$ 184,479
<b>Expenditures</b>					
Service Operations					
Professional Fees	\$ 51,076	\$ 66,747	\$ 40,891	\$ 83,954	\$ 59,798
Contracted Services	15,938	11,100	11,138	10,908	10,800
Repairs and Maintenance	0	64,856	65,150	99,977	0
Other Expenditures	219,522	7,887	6,982	8,208	8,514
Capital Outlay	0	115,351	0	0	0
Total Expenditures	\$ 286,566	\$ 265,941	\$ 124,161	\$ 203,047	\$ 79,112
Excess (Deficiency) of Revenues	\$ 97,075	\$ 96,889	\$ 148,734	\$ 25,477	\$ 105,367
Other Financing Sources					
Transfer In	\$ 0	\$ 0	\$ 0	\$ 0	\$ 43,616
Fund Balance Beginning of Period	\$ 540,185	\$ 443,296	\$ 294,562	\$ 269,085	\$ 120,102
Fund Balance End of Period	\$ <u>637,260</u>	\$ <u>540,185</u>	\$ <u>443,296</u>	\$ <u>294,562</u>	\$ <u>269,085</u>

(a) Unaudited

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## INVESTMENT CONSIDERATIONS

### General

The Bonds, which are obligations solely of the District and not of the State of Texas; Montgomery County, Texas; the City of Conroe, Texas; or any political subdivision or agency other than the District, are secured by the levy of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. See "THE BONDS – Source and Security for Payment." The ultimate security for payment of the principal of and interest on the Bonds depends upon the District's ability 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, or that there will be a market for any property if the District forecloses on property to enforce its tax lien. 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. Further, the collection of delinquent taxes owed the District, and the enforcement by a Registered Owner of the District's obligation to collect sufficient taxes may be costly and lengthy processes. See "Tax Collection Limitations" and "Registered Owners' Remedies and Bankruptcy" below and "THE BONDS – Source and Security for Payment" and "– Remedies in Event of Default."

### Infectious Disease Outlook (COVID-19)

In March 2020, the World Health Organization and the President of the United States separately declared the outbreak of a respiratory disease caused by a novel coronavirus ("COVID-19") to be a public health emergency. On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in the State of Texas because of the effects of COVID-19. Subsequently, in response to a rise in COVID-19 infections in the State of Texas and pursuant to the Chapter 418 of the Texas Government Code, the Governor issued a number of executive orders intended to help limit the spread of COVID-19 and mitigate injury and the loss of life, including limitations imposed on business operations, social gatherings, and other activities.

Over the ensuing year, COVID-19 negatively affected commerce, travel and businesses locally and globally, and negatively affected economic growth worldwide and within the State of Texas. Following the widespread release and distribution of various COVID-19 vaccines in 2021 and a decrease in active COVID-19 cases generally in the United States, state governments (including Texas) have started to lift business and social limitations associated with COVID-19. Beginning in March 2021, the Governor issued various executive orders, which, among other things, rescinded and superseded prior executive orders and provide that there are currently no COVID-19 related operating limits for any business or other establishment. The Governor retains the right to impose additional restrictions on activities if needed to mitigate the effects of COVID-19. 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 into this Official Statement.

With the easing or removal of associated governmental restrictions, economic activity has increased. However, there are no assurances that such increased economic activity will continue or continue at the same rate, especially if there are future outbreaks of COVID-19. The District has not experienced any decrease in property values, unusual tax delinquencies, or interruptions to service as a result of COVID-19; however the District cannot predict the long-term economic effect of COVID-19 or a similar virus should there be a reversal of economic activity and re-imposition of restrictions.

### Factors Affecting Taxable Values and Tax Payments

**Economic Factors:** The rate of development within the District is directly related to the vitality of the commercial and industrial development industry in the Houston metropolitan area. New construction can be significantly affected by factors such as interest rates, construction costs, and consumer demand. New construction can also be affected by energy availability and costs, including the price of oil and gasoline prices. Decreased levels of such construction activity would restrict the growth of

property values in the District. The District cannot predict the pace or magnitude of any future development in the District. See "STATUS OF DEVELOPMENT."

**Principal Landowners' Obligations to the District:** The District's tax base is concentrated in a small number of taxpayers. As reflected in this Official Statement under the caption "TAX DATA – Principal Taxpayers," the District's ten principal taxpayers in 2021 owned approximately 3.73% of the assessed value of property, including personal property, located in the District. The District cannot represent that its tax base will in the future be (i) distributed among a significantly larger number of taxpayers, or (ii) less concentrated in property owned by a relatively small number of property owners, than it is currently. Failure by one or more of the District's principal property owners to make full and timely payments of taxes due may have an adverse effect on the investment quality or security of the Bonds. If any one or more of the principal District taxpayers did not pay taxes due, the District might need to levy additional taxes or use other debt service funds available to meet its debt service requirements.

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. In 2021, the District levied a tax of \$0.23 per \$100 of assessed valuation for operation and maintenance purposes and a tax of \$0.37 per \$100 of assessed valuation for debt service purposes.

**Dependence on Construction of Future Improvements:** The District is substantially undeveloped. Unless the District's tax base grows as a result of construction of housing and other taxable improvements, the District will be required to levy taxes at a substantially higher rate than customarily levied by other similar utility districts. The District's 2021 total tax rate is \$0.60 per \$100 of assessed valuation. At the present time, tax rates of such amount are uncommon among the majority of utility districts in the Houston and Conroe metropolitan areas, although many newly activated districts project combined tax rates in the range of \$1.30 to \$1.50 per \$100 of assessed valuation. Consequently, an increase in the tax rate of the District to a higher level may have an adverse impact on future development in the District and on the District's ability to collect such tax. See "TAX DATA – Tax Rate Calculations."

**Developer's Obligations to the District:** There is no commitment by or legal requirement of the Developers, or any other landowner to 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 home builder 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 "STATUS OF DEVELOPMENT," "THE DEVELOPERS," and "HOMEBUILDERS ACTIVE WITHIN THE DISTRICT."

**Maximum Impact on District Tax Rate:** Assuming no further development or construction of taxable improvements, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of property owners within the District to pay their taxes. The taxable assessed valuation of the District as of January 1, 2021, is \$167,950,551. See "TAX DATA."

After issuance of the Bonds, the maximum annual debt service requirement of the Bonds and the Remaining Outstanding Bonds is \$648,619 (2027), and the average annual debt service requirement of the Bonds and the Remaining Outstanding Bonds is \$541,650 (2022–2036). Based on the District's taxable assessed valuation as of January 1, 2021, and no use of funds on hand, a tax rate of \$0.41 **Error! Bookmark not defined.** per \$100 assessed valuation at a 95% collection rate would be necessary to pay the maximum annual debt service requirement of the Bonds and the Remaining Outstanding Bonds and a tax rate of \$0.34 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the average annual debt service requirement of the Bonds and the Remaining Outstanding Bonds. See "DISTRICT DEBT – Debt Service Requirements" and "TAX DATA – Tax Rate Calculations."

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.

Increases in the District's tax rate to rates substantially higher than the levels discussed above may have an adverse impact upon future development of the District, the sale and construction of property within the District, and the ability of the District to collect, and the willingness of owners of property located within the District to pay ad valorem taxes levied by the District.

### **Hurricane Harvey and Extreme Weather Events**

The Houston area, including Montgomery 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, with the exception of minor erosion damage to one of the District's drainage channels, 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 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."

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

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

The District is located approximately 70 miles from the Texas Gulf Coast and has been and could again be impacted by high winds, heavy rains, and flooding caused by a hurricane, tornado, tropical storm, or other adverse weather event. See "TAXING PROCEDURES – Property Tax Code and County-Wide Appraisal District" and "– 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.

### **National Weather Service Atlas Rainfall Study**

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

property within the District. Such regulations could additionally result in higher insurance rates, increased development fees, and stricter building codes for any property located within the expanded boundaries of the floodplain.

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

The housing industry in the Houston area is very competitive, and the District can give no assurance that the building programs which are planned by any home builder(s) will be continued or completed. The respective competitive position of the homebuilders listed herein and any other developer or home builder(s) which might attempt future home building or development projects in the District, the sale of developed lots or 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 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 taxpayers' 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 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 Resolution does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. 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 (other than the initial reoffering yields) with the Underwriter regarding the reoffering yields or prices of the Bonds and has no control over the trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made for the Bonds. If there is a secondary market, the difference between the bid and asked price of the Bonds may be greater than the bid

and asked spread of other bonds generally bought, sold or traded in the secondary market. See “SALE AND DISTRIBUTION OF THE BONDS.”

### **Environmental Regulations**

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

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

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

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

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

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

The HGB Area is currently designated as a “serious” nonattainment area under the 2008 Ozone Standard, with an attainment deadline of July 20, 2021. If the EPA ultimately determines that the HGB Area has failed to meet the attainment deadline based on the relevant data, the area is subject to reclassification to a nonattainment

classification that provides for more stringent controls on emissions from the industrial sector. In addition, the EPA may impose a moratorium on the awarding of federal highway construction grants and other federal grants for certain public works construction projects if it finds that an area fails to demonstrate progress in reducing ozone levels.

The HGB Area is currently designated as a “marginal” nonattainment area under the 2015 Ozone Standard, with an attainment deadline of August 3, 2021. For purposes of the 2015 Ozone Standard, the HGB Area consists of only six counties: Brazoria, Chambers, Fort Bend, Galveston, Harris, and Montgomery Counties.

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

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

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

Pursuant to the federal Safe Drinking Water Act (“SDWA”) and the EPA’s National Primary Drinking Water Regulations (“NPDWRs”), which are implemented by the TCEQ’s Water Supply Division, a municipal utility district’s provision of water for human consumption is subject to extensive regulation as a public water system. Municipal utility districts must generally provide treated water that meets the primary and secondary drinking water quality standards adopted by the TCEQ, the applicable disinfectant residual and inactivation standards, and the other regulatory action levels established under the agency’s rules. The EPA has established NPDWRs for more than ninety (90) contaminants and has identified and listed other contaminants which may require national drinking water regulation in the future.

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

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

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

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

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

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

On July 30, 2021, the EPA and USACE announced plans to further revise the definition of “waters of the United States.” On August 30, 2021, the United States District Court for the District of Arizona issued an order vacating the NWPR while the EPA and USACE make plans to replace it. Due to existing and possible future litigation and regulatory action, there remains uncertainty regarding the ultimate scope of “waters of the United States” and the extent of EPA and USACE jurisdiction. Depending on the final outcome of such proceedings, operations of municipal utility districts, including the District, could potentially be subject to additional restrictions and requirements, including additional permitting requirements.

### **Future Debt**

The District reserves in the Bond Resolution the right to issue the remaining \$21,101,033.62 unlimited tax bonds authorized but unissued for refunding purposes and \$23,040,000 unlimited tax bonds authorized but unissued for waterworks, sanitary sewer, and drainage facilities (see “THE BONDS – Issuance of Additional Debt”); and such additional bonds as may hereafter be approved by the voters of the District. The District has also reserved the right to issue certain other additional bonds, special project bonds, and other obligations described in the Bond Resolution. All of the remaining bonds described above for waterworks, sanitary sewer and drainage facilities, which have heretofore been authorized by the voters of the District, may be issued by the District from time to time as needed.

The Engineer currently estimates that the aforementioned \$23,040,000 in principal amount of authorized unlimited tax bonds which remain unissued will be adequate to finance the construction of all water, wastewater, and drainage facilities to provide service to all of the currently undeveloped portions of the District. If additional bonds are issued in the future and property values have not increased proportionately, such issuance might increase gross debt/property valuation ratios and thereby adversely affect the investment quality or security of the Bonds.

Currently, the District owes the Developers approximately \$3,000,000 for the expenditures to construct water, sanitary sewer, and drainage facilities to serve the developed land within the District.

### **Marketability of the Bonds**

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

### **Bankruptcy Limitation to Registered Owners' Rights**

Subject to the requirements of Texas law, the District may voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Sections 901–946. Under Texas law, the District must obtain the approval of the TCEQ prior to filing bankruptcy. The rights and remedies of the Registered Owners could be adjusted in accordance with the confirmed plan of adjustment of the District's debt.

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

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

### **Changes in Tax Legislation**

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

### **2021 Legislative Session**

The 87th Texas Legislature convened on January 12, 2021, and adjourned on May 31, 2021. The Governor called a special session 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.

### **Approval of the Bonds**

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

### **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 absent such prepayment by the District unless the Bond Insurer chooses to pay such amounts at an earlier date.



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

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

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

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

Neither the District nor the Underwriter have made independent investigation into the claims paying ability of the Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Bond Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the 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.

## **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, under existing law, interest on the Bonds is excludable from gross income for federal tax purposes and interest on the Bonds is not subject to the alternative minimum tax on individuals.

Bond Counsel has reviewed the information appearing in this Official Statement under "THE BONDS (except for information under the subheading "- Book-Entry-Only System") "PLAN OF FINANCING - Defeasance of the Refunded Bonds," "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.

Allen Boone Humphries Robinson LLP, also serves as general counsel to the District on matters other than the issuance of bonds. The legal fees paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the bonds actually issued, sold and delivered and, therefore, such fees are contingent upon the sale and delivery of the Bonds.

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

### **No-Litigation Certificate**

The District will furnish the Underwriter a certificate, executed by the President and Secretary of the Board, and dated as of the date of delivery of the Bonds, that to their knowledge, no litigation is pending or threatened affecting the validity of the Bonds, or the levy and/or 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 Underwriter to take and pay for the Bonds, and of the District to deliver the Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the condition (financial or otherwise) of the District subsequent to the date of sale from that set forth or contemplated in the Preliminary Official Statement, as it may have been supplemented or amended through the date of sale.

## **TAX MATTERS**

In the opinion of Allen Boone Humphries Robinson LLP, Bond Counsel, under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes and interest on the Bonds is not subject to the alternative minimum tax on individuals.

The Internal Revenue Code of 1986, as amended (the "Code") imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of proceeds and the source of repayment, limitations on the investment of proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of proceeds be paid periodically to the United States and a requirement that the issuer file an information report with the Internal Revenue Service (the "Service"). The District has covenanted in the Bond Resolution that will comply with these requirements.

Bond Counsel's opinion will assume continuing compliance with the covenants of the Bond Resolution pertaining to those sections of the Code which affect the exclusion from gross income of interest on the Bonds for federal income tax purpose, and in addition, will rely on representations by the District and the Underwriter with respect to matters solely within the knowledge of the District and the Underwriter, respectively, which Bond Counsel has not independently verified. If the District should fail to comply with the covenants in the Bond Resolution or if the foregoing representations or report should be determined to be inaccurate or incomplete, interest on the Bonds could become taxable from the date of delivery of the Bonds, regardless of the date on which the event causing such taxability occurs.

Under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on the Bonds, received or accrued during the year. Payments of interest on tax-exempt obligations such as the Bonds are in many cases required to be reported to the Service. Additionally, backup withholding may apply to any such payments to any owner who is not an "exempt recipient" and who fails to provide certain identifying information. Individuals generally are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients.

Except as stated above, Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the ownership of, receipt of interest on, or disposition of, the Bonds.

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, taxpayers owning an interest in a FASIT that holds

tax-exempt obligations, and individuals otherwise qualifying for the earned income credit. In addition, certain foreign corporations doing business in the United States may be subject to the “branch profits tax” on their effectively-connected earnings and profits, including tax-exempt interest such as interest on the Bonds. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences.

Bond Counsel’s opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel’s knowledge of facts as of the date hereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel’s attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel’s opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent Bond Counsel’s legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the District as the taxpayer and the owners of the Bonds may not have a right to participate in such audit. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit regardless of the ultimate outcome of the audit.

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

The issue price of certain of the Bonds (the “Original Issue Discount Bonds”) is less than the stated redemption price at maturity. In such case, under existing law, and based upon the assumptions hereinafter stated (a) the difference between (i) the stated amount payable at the maturity of each Original Issue Discount Bond and (ii) the issue price of such Original Issue Discount Bond constitutes original issue discount with respect to such Original Issue Discount Bond in the hands of any owner who has purchased such Original Issue Discount Bond at the initial public offering price in the initial public offering of the Bonds; and (b) such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Bond continues to be owned by such owner.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Bond was held by such initial owner) is includable in gross income. (Because original issue discount is treated as interest for federal income tax purposes, the discussion regarding interest on the Bonds under the caption “TAX MATTERS” generally applies, except as otherwise provided below, to original issue discount on an Original Issue Discount Bond held by an owner who purchased such Bond at the initial offering price in the initial public offering of the Bonds, and should be considered in connection with the discussion in this portion of the Official Statement.)

The foregoing is based on the assumptions that (a) the Underwriter has purchased the Bonds for contemporaneous sale to the general public and not for investment purposes, and (b) all of the Original Issue Discount Bonds have been offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm’s-length transactions for a cash price (and with no other consideration being included) equal to the initial offering prices thereof stated on the cover page of this Official Statement, and (c) the respective initial offering prices of the Original Issue Discount Bonds to the general public are equal to the fair market value thereof. Neither the District nor Bond Counsel warrants that the Original Issue Discount Bonds will be offered and sold in accordance with such assumptions.

Under existing law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner’s basis for such Bond for purposes of determining the amount of gain or loss recognized by such owner upon redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price plus the amount of original issue

discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Bond.

The federal income tax consequences of the purchase, ownership, and redemption, sale or other disposition of Original Issue Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Bonds should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of interest accrued upon redemption, sale or other disposition of such Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership and redemption, sale or other disposition of such Bonds.

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

The Code requires a pro rata reduction in the interest expense deduction of a financial institution to reflect such financial institution's investment in tax-exempt obligations acquired after August 7, 1986. An exception to the foregoing provision is provided in the Code for "qualified tax-exempt obligations," which include tax-exempt obligations, such as the Bonds, (a) designated by the issuer as "qualified tax-exempt obligations" and (b) issued by or on behalf of a political subdivision for which the aggregate amount of tax-exempt obligations (not including private activity bonds other than qualified 501(c)(3) bonds) to be issued during the calendar year is not expected to exceed \$10,000,000.

The District has designated the Bonds as "qualified tax-exempt obligations" and has represented that the aggregate amount of tax-exempt bonds (including the Bonds) issued by the District and entities aggregated with the District under the Code during calendar year 2021 is not expected to exceed \$10,000,000 and that the District and entities aggregated with the District under the Code have not designated more than \$10,000,000 in "qualified tax-exempt obligations" (including the Bonds) during calendar year 2021.

Notwithstanding these exceptions, financial institutions acquiring the Bonds will be subject to a 20% disallowance of allocable interest expense.

### **VERIFICATION OF MATHEMATICAL CALCULATIONS**

The arithmetical accuracy of certain computations included in the schedules provided by the Financial Advisor on behalf of the District relating to (a) computation of the adequacy of the cash and the maturing principal of and interest on the Escrowed Securities to pay, when due, the principal or redemption price of and interest on the Refunded Bonds, (b) the computation of the yields on the Bonds, and (c) compliance with the Ordinance. The computations were independently verified by Robert Thomas CPA, LLC, based upon certain assumptions and information supplied by the Financial Advisor on behalf of the District, and the District. Robert Thomas CPA, LLC has restricted its procedures to verifying the arithmetical accuracy of certain computations and has not made any study or evaluation of the assumptions and information upon which the computations are based and accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions or the achievability of future events.

### **NO MATERIAL ADVERSE CHANGE**

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

### **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 (the "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 Resolution, the District has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement

for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to the Municipal Securities Rulemaking Board (the "MSRB"). The MSRB has established the Electronic Municipal Market Access ("EMMA") System.

### **Annual Reports**

The District will provide certain financial information and operating data which is customarily prepared by the District and is publicly available, annually to the MSRB through its EMMA system.

The financial information and operating data which will be provided with respect to the District is found under the headings "APPENDIX A." The District will update and provide this information to EMMA within six months after the end of each of its fiscal years ending in or after 2021. 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 EMMA within such six month period, and audited financial statements when the audit report becomes available.

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

### **Specified Event Notices**

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other material events affecting the tax-exempt status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District; (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 security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the District or obligated person, any of which reflect financial difficulties. The term "material" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Resolution makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports."

### **Availability of Information from MSRB**

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 material events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement, or from any statement made pursuant to its agreement, although registered 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 or the Developers, but only if the agreement, as amended, would have permitted an Underwriter to purchase or sell Bonds in the offering described herein in compliance with SEC Rule 15c2-12, taking into account any amendments and interpretations of such 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 Underwriter from lawfully purchasing the Bonds in the offering described herein. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

## **Compliance with Prior Undertakings**

During the last five years, the District has complied with all continuing disclosure requirements in accordance with SEC Rule 15c2-12.

## **GENERAL CONSIDERATIONS**

### **General**

The information contained in this Official Statement has been obtained primarily from the District's records, the Engineer, the Tax Assessor/Collector, the Appraisal District and 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, orders 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.

The financial statements of the District as of September 30, 2020, and for the year then ended, included in the offering document, have been audited by McCall Gibson Swedlund Barfoot PLLC, independent auditors, as stated in their report appearing herein. See "APPENDIX A" to this Official Statement.

### **Experts**

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

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

*Tax Assessor/Collector and Appraisal District:* The information contained in the Official Statement relating to principal taxpayers and tax collection rates and the certified assessed valuation of property in the District and, in particular such information contained in the sections captioned "TAX DATA" has been provided by Bob

Leared Interests and the Montgomery County Appraisal District, in reliance upon their authority as experts in appraising and tax assessing.

### **Updating of Official Statement**

For the period beginning on the date of the award of the sale of the Bonds to the Underwriter and ending on the ninety-first (91st) day after the “end of the underwriting period,” (as defined in Rule 15c(2)-12(f)(2) of the United States Securities and Exchange Commission (the “SEC”)), if any event shall occur of which the District has knowledge and as a result of which it is necessary to amend or supplement this Official Statement in order to make the statements herein, in light of the circumstances when this Official Statement is delivered to a prospective purchaser, not materially misleading, the District will promptly notify the Underwriter of the occurrence of such event and will cooperate in the preparation of a revised Official Statement, or amendments or supplements hereto, so that the statements in this Official Statement, as revised, amended or supplemented, will not, in light of the circumstances when this Official Statement is delivered to a prospective purchaser, be materially misleading. The District assumes no responsibility for supplementing this Official Statement thereafter.

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

The District, acting by and through its Board of Directors in its official capacity in reliance upon the experts listed above, hereby certifies, as of the date hereof, that to the best of its knowledge, 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.

### **Concluding Statement**

The information set forth herein has been obtained from the District’s records, audited financial statements and other sources which are considered to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will ever be realized. All of the summaries of the statutes, documents, and resolutions contained 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. 90 as of the date shown on the first page hereof.

/s/ Wayne McLane  
President, Board of Directors  
Montgomery County Municipal Utility District No. 90

ATTEST:  
/s/ Perri D’Armond  
Secretary, Board of Directors  
Montgomery County Municipal Utility District No. 90

**APPENDIX A**  
**INDEPENDENT AUDITOR'S REPORT AND**  
**FINANCIAL STATEMENTS OF THE DISTRICT**



**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 90**  
**MONTGOMERY COUNTY, TEXAS**  
**ANNUAL FINANCIAL REPORT**  
**SEPTEMBER 30, 2020**

**McCALL GIBSON SWEDLUND BARFOOT PLLC**  
Certified Public Accountants

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 90**

**MONTGOMERY COUNTY, TEXAS**

**ANNUAL FINANCIAL REPORT**

**SEPTEMBER 30, 2020**

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**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Montgomery County Municipal Utility District No. 90  
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. 90 (the "District"), as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

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

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of September 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

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

### *Other Information*

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



McCall Gibson Swedlund Barfoot PLLC  
Certified Public Accountants  
Houston, Texas

February 11, 2021

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 90  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

Management's discussion and analysis of Montgomery County Municipal Utility District No. 90's (the "District") financial performance provides an overview of the District's financial activities for the year ended September 30, 2020. Please read it in conjunction with the District's financial statements.

**USING THIS ANNUAL REPORT**

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

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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

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

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

**FUND FINANCIAL STATEMENTS**

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

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 90  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**FUND FINANCIAL STATEMENTS (Continued)**

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

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

**OTHER INFORMATION**

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, liabilities exceeded assets by \$1,705,102 as of September 30, 2020. A portion of the District's net position reflects its net investment in capital and intangible assets (drainage improvements, water, wastewater and drainage infrastructure, less any debt used to acquire those assets that is still outstanding).

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 90  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

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

	Summary of Changes in the Statement of Net Position		
	2020	2019	Change Positive (Negative)
Current and Other Assets	\$ 1,053,715	\$ 970,493	\$ 83,222
Capital Assets (Net of Accumulated Depreciation)	2,713,595	2,669,972	43,623
Intangible Assets (Net of Accumulated Amortization)	5,224,201	5,489,169	(264,968)
<b>Total Assets</b>	<b>\$ 8,991,511</b>	<b>\$ 9,129,634</b>	<b>\$ (138,123)</b>
Due to Developer	\$ 3,782,044	\$ 3,782,044	\$
Long-Term Liabilities	6,882,449	7,261,578	379,129
Other Liabilities	32,120	35,209	3,089
<b>Total Liabilities</b>	<b>\$ 10,696,613</b>	<b>\$ 11,078,831</b>	<b>\$ 382,218</b>
Net Position:			
Net Investment in Capital Assets	\$ (2,723,219)	\$ (2,881,003)	\$ 157,784
Restricted	475,118	486,401	(11,283)
Unrestricted	542,999	445,405	97,594
<b>Total Net Position</b>	<b>\$ (1,705,102)</b>	<b>\$ (1,949,197)</b>	<b>\$ 244,095</b>

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

	Summary of Changes in the Statement of Activities		
	2020	2019	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 981,201	\$ 889,701	\$ 91,500
Contract Revenue	12,629	12,299	330
Other Revenues	9,535	20,576	(11,041)
<b>Total Revenues</b>	<b>\$ 1,003,365</b>	<b>\$ 922,576</b>	<b>\$ 80,789</b>
Expenses for Services	759,270	749,226	(10,044)
Change in Net Position	\$ 244,095	\$ 173,350	\$ 70,745
Net Position, Beginning of Year	(1,949,197)	(2,122,547)	173,350
<b>Net Position, End of Year</b>	<b>\$ (1,705,102)</b>	<b>\$ (1,949,197)</b>	<b>\$ 244,095</b>



**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 90  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS**

The District's combined fund balances as of September 30, 2020, were \$1,027,663, an increase of \$83,716 from the prior year.

The General Fund fund balance increased by \$96,889 primarily due to property tax revenues exceeding current year operating costs.

The Debt Service Fund fund balance decreased by \$13,173 primarily due to the structure of the District's outstanding debt service requirements.

The Capital Projects Fund fund balance did not change from prior year.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The Board of Directors did not amend the budget during the current fiscal year. Actual revenues were \$7,638 more than budgeted revenues. Actual expenditures were \$7,832 more than budgeted.

**CAPITAL AND INTANGIBLE ASSETS**

Capital assets (Net of Accumulated Depreciation) as of September 30, 2020, total \$2,713,595 and include drainage improvements to serve a 278 acre mixed use tract.

Additionally, the District operates in contractual conjunction with the City of Conroe, Texas (the "City"). In this arrangement, the facilities constructed by the District are conveyed to the City for operation and maintenance. The City maintains the facilities and operates the facilities for the benefit of the residents of the District. Therefore, the District records these assets as intangible assets on its balance sheet. Intangible assets as of September 30, 2020, are as follows:

Stewart's Forest Sections 1,2,3,4,6	\$ 4,191,040
Stewart's Forest Drainage/Outfall Ditches	57,742
Stewart's Forest Section 5	473,268
Stewart's Forest Sections 7,8,10	1,290,222
Stewart's Forest School Site	492,543
Stewart's Forest Sections 9 and 1A	1,079,144
Silverdale Creek and Park Dale Drive	977,815
Less: Accumulated Amortization	<u>(3,337,573)</u>
 Total Intangible Assets, Net of Accumulated Amortization	 <u>\$ 5,224,201</u>

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 90  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**LONG-TERM DEBT ACTIVITY**

At the end of the fiscal year, the District had total bond debt payable of \$6,965,000.

The changes in the debt position of the District during the fiscal year ended September 30, 2020, are summarized as follows:

Bond Debt Payable, October 1, 2019	\$ 7,350,000
Less: Bond Principal Paid	<u>385,000</u>
Bond Debt Payable, September 30, 2020	<u>\$ 6,965,000</u>

The District’s Series 2014 and Series 2014 Refunding bonds do not carry an underlying or insured rating. The District’s Series 2016 bonds carry an underlying rating of “Baa2” by Standard & Poor’s and an insured rating of “AA” by virtue of bond insurance issued by Assured Guaranty Municipal Corp. These ratings reflect all changes, if any, through September 30, 2020.

**CONTACTING THE DISTRICT’S MANAGEMENT**

This financial report is designed to provide a general overview of the District’s finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Montgomery County Municipal Utility District No. 90, c/o Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027.

**MONTGOMERY COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 90  
STATEMENT OF NET POSITION AND  
GOVERNMENTAL FUNDS BALANCE SHEET  
SEPTEMBER 30, 2020**

	General Fund	Debt Service Fund
<b>ASSETS</b>		
Cash	\$ 148,577	\$ 21,412
Investments	391,766	472,676
Receivables:		
Property Taxes	2,814	8,218
Penalty and Interest on Delinquent Taxes		
Due from Other Funds	9,532	
Capital Assets (Net of Accumulated Depreciation)		
Intangible Assets (Net of Accumulated Amortization)		
<b>TOTAL ASSETS</b>	<b>\$ 552,689</b>	<b>\$ 502,306</b>
<b>LIABILITIES</b>		
Accounts Payable	\$ 9,690	\$
Accrued Interest Payable		
Due to Developers		
Due to Other Funds		7,649
Due to Taxpayers		2,439
Long-Term Liabilities:		
Bonds Payable Within One Year		
Bonds Payable After One Year		
<b>TOTAL LIABILITIES</b>	<b>\$ 9,690</b>	<b>\$ 10,088</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Property Taxes	\$ 2,814	\$ 8,218
<b>FUND BALANCES</b>		
Restricted for Authorized Construction	\$	\$
Restricted for Debt Service		484,000
Unassigned	540,185	
<b>TOTAL FUND BALANCES</b>	<b>\$ 540,185</b>	<b>\$ 484,000</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 552,689</b>	<b>\$ 502,306</b>
<b>NET POSITION</b>		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
<b>TOTAL NET POSITION</b>		

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$ 5,361	\$ 175,350 864,442	\$	\$ 175,350 864,442
	11,032		11,032
	9,532	2,891	2,891
		(9,532)	
		2,713,595	2,713,595
		5,224,201	5,224,201
<u>\$ 5,361</u>	<u>\$ 1,060,356</u>	<u>\$ 7,931,155</u>	<u>\$ 8,991,511</u>
\$	\$ 9,690	\$	\$ 9,690
		19,991	19,991
1,883	9,532	3,782,044	3,782,044
	2,439	(9,532)	2,439
		395,000	395,000
		6,487,449	6,487,449
<u>\$ 1,883</u>	<u>\$ 21,661</u>	<u>\$ 10,674,952</u>	<u>\$ 10,696,613</u>
<u>\$ - 0 -</u>	<u>\$ 11,032</u>	<u>\$ (11,032)</u>	<u>\$ - 0 -</u>
\$ 3,478	\$ 3,478	\$ (3,478)	\$
	484,000	(484,000)	
	540,185	(540,185)	
<u>\$ 3,478</u>	<u>\$ 1,027,663</u>	<u>\$ (1,027,663)</u>	<u>\$ - 0 -</u>
<u>\$ 5,361</u>	<u>\$ 1,060,356</u>		
		\$ (2,723,219)	\$ (2,723,219)
		475,118	475,118
		542,999	542,999
		<u>\$ (1,705,102)</u>	<u>\$ (1,705,102)</u>

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

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 90**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2020**

Total Fund Balances - Governmental Funds \$ 1,027,663

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. 2,713,595

Intangible assets are not current financial resources and, therefore, are not reported as assets in the governmental funds. 5,224,201

Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2019 and prior tax levies became part of recognized revenue in the governmental activities of the District. 13,923

Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:

Due to Developer	\$ (3,782,044)	
Accrued Interest Payable	(19,991)	
Bonds Payable	<u>(6,882,449)</u>	<u>(10,684,484)</u>
Total Net Position - Governmental Activities		<u>\$ (1,705,102)</u>

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

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**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 90**  
**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF**  
**REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	General Fund	Debt Service Fund
<b>REVENUES</b>		
Property Taxes	\$ 359,150	\$ 620,376
Contract Revenues		12,629
Penalty and Interest		1,474
Miscellaneous Revenues	3,680	4,419
<b>TOTAL REVENUES</b>	<b>\$ 362,830</b>	<b>\$ 638,898</b>
<b>EXPENDITURES/EXPENSES</b>		
Service Operations:		
Professional Fees	\$ 66,747	\$ 108
Contracted Services	11,100	18,488
Repairs and Maintenance	64,856	
Amortization		
Depreciation		
Other	7,887	2,791
Capital Outlay	115,351	
Debt Service:		
Bond Principal		385,000
Bond Interest		245,684
<b>TOTAL EXPENDITURES/EXPENSES</b>	<b>\$ 265,941</b>	<b>\$ 652,071</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>\$ 96,889</b>	<b>\$ (13,173)</b>
<b>CHANGE IN NET POSITION</b>		
<b>FUND BALANCES/NET POSITION -</b> <b>OCTOBER 1, 2019</b>	<b>443,296</b>	<b>497,173</b>
<b>FUND BALANCES/NET POSITION -</b> <b>SEPTEMBER 30, 2020</b>	<b>\$ 540,185</b>	<b>\$ 484,000</b>

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

<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
\$	\$ 979,526	\$ 1,675	\$ 981,201
	12,629		12,629
	1,474	(45)	1,429
<u>7</u>	<u>8,106</u>		<u>8,106</u>
\$ <u>7</u>	\$ <u>1,001,735</u>	\$ <u>1,630</u>	\$ <u>1,003,365</u>
\$	\$ 66,855	\$	\$ 66,855
	29,588		29,588
	64,856		64,856
		264,968	264,968
		71,728	71,728
7	10,685		10,685
	115,351	(115,351)	
	385,000	(385,000)	
	<u>245,684</u>	<u>4,906</u>	<u>250,590</u>
\$ <u>7</u>	\$ <u>918,019</u>	\$ <u>(158,749)</u>	\$ <u>759,270</u>
\$ - 0 -	\$ 83,716	\$ (83,716)	\$
		244,095	244,095
<u>3,478</u>	<u>943,947</u>	<u>(2,893,144)</u>	<u>(1,949,197)</u>
\$ <u>3,478</u>	\$ <u>1,027,663</u>	\$ <u>(2,732,765)</u>	\$ <u>(1,705,102)</u>

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



**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 90  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF  
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

Net Change in Fund Balances - Governmental Funds	\$	83,716
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.		1,675
Governmental funds report penalty and interest revenue on property taxes when collected. However, in the Statement of Activities, revenue is recorded when penalties and interest are assessed.		(45)
Governmental funds do not account for amortization. However, in the Statement of Net Position, intangible assets are amortized and amortization expense is recorded in the Statement of Activities.		(264,968)
Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, intangible assets, net any amounts conveyed to other entities, are increased by new purchases and the Statement of Activities is not affected.		115,351
Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Position, bond principal payments are reported as decreases in long-term liabilities.		385,000
Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.		(4,906)
Governmental funds do not account for depreciation. However, depreciation expense is recorded in the Statement of Activities.		<u>(71,728)</u>
Change in Net Position - Governmental Activities	\$	<u>244,095</u>

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

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 90**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

**NOTE 1. CREATION OF DISTRICT**

Montgomery County Municipal Utility District No. 90 of Montgomery County, Texas (the “District”) was created on March 14, 2002, by an Order of the Texas Natural Resource Conservation Commission, predecessor agency to the Texas Commission on Environmental Quality (the “Commission”) and subsequently confirmed on September 14, 2002. Pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code, the District is empowered to purchase, operate and maintain all facilities, plants, and improvements necessary to provide water, sanitary sewer service, storm sewer drainage, irrigation, solid waste collection and disposal, including recycling, and to construct parks and recreational facilities for the residents of the District. The District is also empowered to contract for or employ its own peace officers with powers to make arrests and to establish, operate and maintain a fire department to perform all fire-fighting activities within the District. The Board of Directors held its organizational meeting on March 19, 2002, and sold its first bonds on May 25, 2006.

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES**

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

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

Financial Statement Presentation

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

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

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 90**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Financial Statement Presentation (Continued)

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

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

Government-Wide Financial Statements

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

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

The Statement of Activities is reported by adjusting the governmental fund types to report only items related to current year revenues and expenditures. Items such as capital outlay are allocated over their estimated useful lives as depreciation expense.

Fund Financial Statements

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

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 90**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Governmental Funds

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

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

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

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

Basis of Accounting

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

Property taxes considered available by the District and included in revenue include the taxes collected during the year and taxes collected after year-end, which were considered available to defray the expenditures of the current year. Deferred inflows of resources related to property tax revenues are those taxes which the District does not reasonable expect to be collected soon enough in the subsequent period to finance current expenditures.

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. As of September 30, 2020, the Debt Service Fund owes the General Fund \$7,649 for maintenance tax collections and the Capital Projects Fund owes the General Fund \$1,883 for bond issuance costs paid by the General Fund.

Capital Assets

Capital assets, which include drainage infrastructure assets, are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 90**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Capital Assets (Continued)

Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Interest costs will no longer be capitalized as part of the asset but will be shown as an expenditure in the fund financial statements and as an expense in the government-wide financial statements. Engineering fees and certain other costs are capitalized as part of the asset.

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

	<u>Years</u>
Drainage Improvements	10-45

Budgeting

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

Pensions

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

Measurement Focus

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

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 90**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Measurement Focus (Continued)

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

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

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

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

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

*Unassigned*: all other spendable amounts in the General Fund.

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

Accounting Estimates

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

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 90**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

**NOTE 3. LONG-TERM DEBT**

	Series 2014	Refunding Series 2014
Amount Outstanding – September 30, 2020	\$2,250,000	\$2,910,000
Interest Rates	3.65%-4.00%	2.7994%
Maturity Dates – Beginning/Ending	March 1, 2028/2034	March 1, 2021/2027
Interest Payment Dates	March 1/September 1	March 1/September 1
Callable Dates	March 1, 2022*	March 1, 2022*
		Series 2016
Amount Outstanding – September 30, 2020		\$1,805,000
Interest Rates		3.75%-6.00%
Maturity Dates – Beginning/Ending		March 1, 2021/2036
Interest Payment Dates		March 1/September 1
Callable Dates		March 1, 2023*

\* Or any date thereafter at a price of par plus unpaid accrued interest in whole or in part, at the option of the District. Series 2014 term bonds maturing on March 1, 2032, and March 1, 2034, are subject to mandatory redemption by random selection beginning March 1, 2031, and March 1, 2033, respectively. Series 2016 term bonds maturing on March 1, 2034, and March 1, 2036, are subject to mandatory redemption by random selection beginning March 1, 2028, and March 1, 2035, respectively. The Series 2014 Refunding bonds are private placement bonds.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 90**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

**NOTE 3. LONG-TERM DEBT (Continued)**

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

	October 1, 2019	Additions	Retirements	September 30, 2020
Bonds Payable	\$ 7,350,000	\$	\$ 385,000	\$ 6,965,000
Unamortized Discount	(88,422)		(5,871)	(82,551)
Bonds Payable, Net	\$ 7,261,578	\$ -0-	\$ 379,129	\$ 6,882,449
		Amount Due Within One Year		\$ 395,000
		Amount Due After One Year		6,487,449
		Bonds Payable, Net		\$ 6,882,449

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

Fiscal Year	Principal	Interest	Total
2021	\$ 395,000	\$ 233,967	\$ 628,967
2022	410,000	221,898	631,898
2023	425,000	209,411	634,411
2024	460,000	196,073	656,073
2025	480,000	181,816	661,816
2026-2030	2,125,000	694,003	2,819,003
2031-2035	2,180,000	309,925	2,489,925
2036	490,000	9,188	499,188
	\$ 6,965,000	\$ 2,056,281	\$ 9,021,281

The bonds are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount. As of September 30, 2020, the District had authorized but unissued bonds in the amount of \$23,040,000 for utility facilities and \$21,305,000 for refunding bonds.

During the year ended September 30, 2020, the District levied an ad valorem debt service tax at the rate of \$0.38 per \$100 of assessed valuation, which resulted in a tax levy of \$621,866 on the adjusted taxable valuation of \$163,648,905 for the 2019 tax year. The bond resolution requires the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 7 for the maintenance tax levy.



**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 90**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

**NOTE 3. LONG-TERM DEBT (Continued)**

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

**NOTE 4. SIGNIFICANT BOND RESOLUTION AND LEGAL REQUIREMENTS**

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

**NOTE 5. DEPOSITS AND INVESTMENTS**

Deposits

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

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year-end, the carrying amount of the District's deposits was \$175,350 and the bank balance was \$180,037. The entire bank balance was covered by federal depository insurance. The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at September 30, 2020, as listed below:

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 90**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

**NOTE 5. DEPOSITS AND INVESTMENTS (Continued)**

Deposits (Continued)

	Cash
GENERAL FUND	\$ 148,577
DEBT SERVICE FUND	21,412
CAPITAL PROJECTS FUND	5,361
TOTAL DEPOSITS	\$ 175,350

Investments

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

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

The District invests in the Texas Short Term Asset Reserve Program (“TexSTAR”), an external public funds investment pool that is not SEC-registered. J. P. Morgan Investment Management Inc. provides investment management and FirstSouthwest, a division of Hilltop Securities Inc., provides participant services and marketing under an agreement with the TexSTAR Board of Directors. Custodial, fund accounting and depository services are provided by JPMorgan Chase Bank, N.A. and/or its subsidiary J.P. Morgan Investors Services Co. Investments held by TexSTAR are marked to market daily. The investments are considered Level I investments because their fair value is measured by quoted prices in active markets. The fair value of the District’s position in the pool is the same as the value of the pool shares. There are no limitations or restrictions on withdrawals from TexSTAR.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 90**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

**NOTE 5. DEPOSITS AND INVESTMENTS (Continued)**

Investments (Continued)

As of September 30, 2020, the District had the following investments:

Fund and Investment Type	Fair Value	Maturities Less Than 1 Year
<u>GENERAL FUND</u>		
TexSTAR	\$ 391,766	\$ 391,766
<u>DEBT SERVICE FUND</u>		
TexSTAR	<u>472,676</u>	<u>472,676</u>
TOTAL INVESTMENTS	<u>\$ 864,442</u>	<u>\$ 864,442</u>

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At September 30, 2020, the District's investment in TexSTAR was rated "AAAm" by Standard and Poor's. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investment in TexSTAR to have a maturity of less than one year due to the fact the share position can be redeemed each day at the discretion of the District.

Restrictions

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

**NOTE 6. CAPITAL AND INTANGIBLE ASSETS**

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

	October 1, 2019	Increases	Deductions	September 30, 2020
<b>Capital Assets Subject to Depreciation</b>				
Drainage Improvements	\$ 2,804,230	\$ 115,351	\$ - 0 -	\$ 2,919,581
<b>Total Capital Assets</b>				
<b>Subject to Depreciation</b>	<u>\$ 2,804,230</u>	<u>\$ 115,351</u>	<u>\$ - 0 -</u>	<u>\$ 2,919,581</u>
<b>Less Accumulated Depreciation</b>				
Drainage Improvements	<u>\$ 134,258</u>	<u>\$ 71,728</u>	<u>\$ - 0 -</u>	<u>\$ 205,986</u>
<b>Total Capital Assets, Net of Accumulated Depreciation</b>	<u><u>\$ 2,669,972</u></u>	<u><u>\$ 43,623</u></u>	<u><u>\$ - 0 -</u></u>	<u><u>\$ 2,713,595</u></u>

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 90**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

**NOTE 6. CAPITAL AND INTANGIBLE ASSETS (Continued)**

The District operates in contractual conjunction with the City of Conroe, Texas (the “City”). In this arrangement, the facilities constructed by the District are conveyed to the City for operation and maintenance. The City maintains the facilities and operates the facilities for the benefit of the residents of the District. Therefore, the District records these assets as an intangible asset and is being amortized over the term of the agreement. Intangible asset activity for the fiscal year ended September 30, 2020 is as follows:

	October 1, 2019	Increases	Deductions	September 30, 2020
<b>Intangible Assets at Historical Cost Subject to Depreciation</b>				
Water, Wastewater and Drainage Infrastructure	\$ 8,561,774	\$ - 0 -	\$ - 0 -	\$ 8,561,774
<b>Less Accumulated Amortization</b>				
Water, Wastewater and Drainage Infrastructure	\$ 3,072,605	\$ 264,968	\$ - 0 -	\$ 3,337,573
<b>Total Amortizable Intangible Assets, Net of Accumulated Amortization</b>	<u>\$ 5,489,169</u>	<u>\$ (264,968)</u>	<u>\$ - 0 -</u>	<u>\$ 5,224,201</u>

**NOTE 7. MAINTENANCE TAX**

On September 14, 2002, the voters of the District approved the levy and collection of a maintenance tax not to exceed \$1.00 per \$100 of assessed valuation of taxable property within the District. This maintenance tax is to be used by the General Fund to pay expenditures of operating the District’s waterworks and wastewater system. During the year ended September 30, 2020, the District levied an ad valorem maintenance tax rate of \$0.22 per \$100 of assessed valuation, which resulted in a tax levy of \$360,028 on the adjusted taxable valuation of \$163,648,905 for the 2019 tax year.

**NOTE 8. UTILITY FUNCTIONS AND SERVICES ALLOCATION AGREEMENT**

On November 20, 2000, and as amended on October 14, 2004 and February 22, 2018, the District entered into the Utility Functions and Services Allocation Agreement with the City of Conroe (the “City”). Pursuant to this agreement, the City consented to the creation of the District within its city limits. The District is responsible for acquiring and constructing for the benefit of, and for ultimate conveyance to, the City, the water distribution, wastewater collection and drainage facilities (the “facilities”) to serve development within the District. The City has agreed to accept the facilities for operation and maintenance in consideration for the District’s financing, acquisition and construction of the facilities. The City agrees to charge residents of the District the same water and wastewater rates that the City charges in other parts of the City.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 90**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

**NOTE 8. UTILITY FUNCTIONS AND SERVICES ALLOCATION AGREEMENT**  
(Continued)

The agreement provides that the facilities shall be designed and constructed in accordance with the City's requirements. The City agrees to provide the District with its ultimate requirements for water supply capacity and wastewater treatment capacity without charging the District any type of capital charge.

In accordance with the agreement, the District is authorized to issue bonds for the purpose of financing the construction and acquisition of the facilities. Prior to issuing any bonds, the District must provide the City with a copy of the Commission order authorizing the issuance of the bonds and such order must provide that under the Commission rules governing the issuance of bonds it is feasible to sell the bonds at a District tax rate that does not exceed \$0.60 per \$100 of assessed valuation. The agreement provides that such condition is not a limitation on the District's authority to levy an unlimited tax and that the District's bonds are secured by a pledge of the proceeds of an ad valorem tax without limit as to rate or amount.

The agreement provides that the City will pay an annual rebate to the District. The annual rebate is equal to the total assessed value in the District for the given year multiplied by the portion of the City's tax rate that is attributable to water, sewer and drainage facilities. This annual rebate is to be deposited into the District's Debt Service Fund. During the current fiscal year, the District recorded \$12,629 from the City in relation to this agreement in the Debt Service Fund.

The term of the agreement is the earlier of the dissolution of the District by the City or 40 years. The City's right to dissolve the District is restricted per the agreement. Under the terms of the agreement, the City agrees that it will not dissolve the District until 90% of the District's facilities have been developed and the developers advancing funds to construct the facilities have been reimbursed.

**NOTE 9. UNREIMBURSED COSTS**

The District executed development financing agreements with Developers within the District. The agreements call for the Developers to fund costs associated with water, sewer and drainage facilities until such time as the District can sell bonds. As reflected in the Statement of Net Position, \$3,782,044 has been recorded as a liability for facilities financed by the Developer. Reimbursement to the Developer will come from future bond sales.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 90**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

**NOTE 10. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; error and omission; and natural disasters. The District carries commercial insurance for its fidelity bonds and participates in the Texas Municipal League Intergovernmental Risk Pool (TML) to provide general liability, auto liability, and director's liability coverage. The District, along with other participating entities, contributes annual amounts determined by TML's management. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

**NOTE 11. ECONOMIC UNCERTAINTIES**

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

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**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 90**

**REQUIRED SUPPLEMENTARY INFORMATION**

**SEPTEMBER 30, 2020**



**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 90**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>REVENUES</b>			
Property Taxes	\$ 350,692	\$ 359,150	\$ 8,458
Miscellaneous Revenues	<u>4,500</u>	<u>3,680</u>	<u>(820)</u>
<b>TOTAL REVENUES</b>	<u>\$ 355,192</u>	<u>\$ 362,830</u>	<u>\$ 7,638</u>
<b>EXPENDITURES</b>			
Service Operations:			
Professional Fees	\$ 57,500	\$ 66,747	\$ (9,247)
Contracted Services	10,800	11,100	(300)
Repairs and Maintenance	70,000	64,856	5,144
Other	15,300	7,887	7,413
Capital Outlay	<u>104,509</u>	<u>115,351</u>	<u>(10,842)</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 258,109</u>	<u>\$ 265,941</u>	<u>\$ (7,832)</u>
<b>NET CHANGE IN FUND BALANCE</b>	\$ 97,083	\$ 96,889	\$ (194)
<b>FUND BALANCE - OCTOBER 1, 2019</b>	<u>443,296</u>	<u>443,296</u>	<u>_____</u>
<b>FUND BALANCE - SEPTEMBER 30, 2020</b>	<u>\$ 540,379</u>	<u>\$ 540,185</u>	<u>\$ (194)</u>

See accompanying independent auditor's report.

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**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 90**

**SUPPLEMENTARY INFORMATION REQUIRED BY THE  
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE**

**SEPTEMBER 30, 2020**

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 90  
SERVICES AND RATES  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

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

<u>N/A</u>	Retail Water	<u>N/A</u>	Wholesale Water	<u>X</u>	Drainage
<u>N/A</u>	Retail Wastewater	<u>N/A</u>	Wholesale Wastewater	<u>N/A</u>	Irrigation
<u>N/A</u>	Parks/Recreation	<u>N/A</u>	Fire Protection	<u>N/A</u>	Security
<u>N/A</u>	Solid Waste/Garbage	<u>N/A</u>	Flood Control	<u>N/A</u>	Roads
<u>N/A</u>	Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)				
<u>X</u>	Other: The District operates in contractual conjunction with the City of Conroe, Texas				

**2. RETAIL SERVICE PROVIDERS (NOT APPLICABLE)**

**3. TOTAL WATER CONSUMPTION DURING THE FISCAL YEAR ROUNDED TO THE NEAREST THOUSAND: (NOT APPLICABLE)**

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

Does the District have Debt Service standby fees? Yes  No

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

**5. LOCATION OF DISTRICT:**

Is the District located entirely within one county?

Yes  No

County in which District is located:

Montgomery County, Texas

See accompanying independent auditor's report.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 90**  
**SERVICES AND RATES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**5. LOCATION OF DISTRICT:** (Continued)

Is the District located within a city?

Entirely   X        Partly             Not at all       

City in which the District is located:

City of Conroe, Texas

Are Board Members appointed by an office outside the District?

Yes             No   X  

See accompanying independent auditor's report.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 90**  
**GENERAL FUND EXPENDITURES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

PROFESSIONAL FEES:	
Auditing	\$ 10,750
Engineering	14,050
Legal	<u>41,947</u>
TOTAL PROFESSIONAL FEES	<u>\$ 66,747</u>
CONTRACTED SERVICES:	
Bookkeeping	<u>\$ 11,100</u>
REPAIRS AND MAINTENANCE	<u>\$ 64,856</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 4,050
Insurance	2,352
Office Supplies and Postage	959
Payroll Taxes	333
Travel and Meetings	<u>193</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 7,887</u>
CAPITAL OUTLAY	<u>\$ 115,351</u>
TOTAL EXPENDITURES	<u>\$ 265,941</u>

See accompanying independent auditor's report.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 90**  
**INVESTMENTS**  
**SEPTEMBER 30, 2020**

<u>Fund</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Accrued Interest Receivable at End of Year</u>
<u>GENERAL FUND</u>					
TexSTAR	XXXX2220	Varies	Daily	\$ 391,766	\$ -0-
<u>DEBT SERVICE FUND</u>					
TexSTAR	XXXX3330	Varies	Daily	\$ 472,676	\$ -0-
TOTAL - ALL FUNDS				<u>\$ 864,442</u>	<u>\$ -0-</u>

See accompanying independent auditor's report.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 90**  
**TAXES LEVIED AND RECEIVABLE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE -				
OCTOBER 1, 2019	\$	2,109	\$	7,248
Adjustments to Beginning				
Balance		<u>(173)</u>	\$	<u>6,728</u>
		\$	1,936	
Original 2019 Tax Levy	\$	345,818	\$	597,322
Adjustment to 2019 Tax Levy		<u>14,210</u>	<u>360,028</u>	<u>621,866</u>
TOTAL TO BE				
ACCOUNTED FOR		\$	361,964	\$
				628,594
TAX COLLECTIONS:				
Prior Years	\$	67	\$	143
Current Year		<u>359,083</u>	<u>359,150</u>	<u>620,233</u>
				<u>620,376</u>
TAXES RECEIVABLE -				
SEPTEMBER 30, 2020		<u>\$</u>	<u>2,814</u>	<u>\$</u>
				<u>8,218</u>
TAXES RECEIVABLE BY				
YEAR:				
2019	\$	945	\$	1,633
2018		738		1,723
2017		300		824
2016		262		861
2015		265		796
2014 and prior		<u>304</u>		<u>2,381</u>
TOTAL		<u>\$</u>	<u>2,814</u>	<u>\$</u>
				<u>8,218</u>

See accompanying independent auditor's report.



**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 90**  
**TAXES LEVIED AND RECEIVABLE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
PROPERTY VALUATIONS:				
Land	\$ 26,353,590	\$ 25,153,080	\$ 23,473,330	\$ 23,334,010
Improvements	159,710,340	145,218,860	139,320,110	129,484,360
Personal Property	1,820,554	3,997,447	1,557,321	3,988,295
Exemptions	<u>(24,235,579)</u>	<u>(25,319,830)</u>	<u>(23,787,067)</u>	<u>(24,531,030)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 163,648,905</u>	<u>\$ 149,049,557</u>	<u>\$ 140,563,694</u>	<u>\$ 132,275,635</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.38	\$ 0.42	\$ 0.44	\$ 0.46
Maintenance	<u>0.22</u>	<u>0.18</u>	<u>0.16</u>	<u>0.14</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.60</u>	<u>\$ 0.60</u>	<u>\$ 0.60</u>	<u>\$ 0.60</u>
ADJUSTED TAX LEVY*	<u>\$ 981,894</u>	<u>\$ 894,297</u>	<u>\$ 843,383</u>	<u>\$ 795,528</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>99.74 %</u>	<u>99.72 %</u>	<u>99.87 %</u>	<u>99.86 %</u>

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

Maintenance Tax – Maximum tax rate of \$1.00 per \$100 of assessed valuation approved by voters on September 14, 2002.

See accompanying independent auditor's report.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 90**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**SEPTEMBER 30, 2020**

Due During Fiscal Years Ending September 30	S E R I E S - 2 0 1 4		
	Principal Due March 1	Interest Due March 1/ September 1	Total
2021	\$	\$ 87,558	\$ 87,558
2022		87,557	87,557
2023		87,558	87,558
2024		87,557	87,557
2025		87,558	87,558
2026		87,557	87,557
2027		87,558	87,558
2028	275,000	82,538	357,538
2029	290,000	72,155	362,155
2030	305,000	60,995	365,995
2031	320,000	48,800	368,800
2032	335,000	35,700	370,700
2033	355,000	21,900	376,900
2034	370,000	7,400	377,400
2035			
2036			
	\$ 2,250,000	\$ 942,391	\$ 3,192,391

See accompanying independent auditor's report.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 90**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**SEPTEMBER 30, 2020**

Due During Fiscal Years Ending September 30	S E R I E S - 2 0 1 4 R E F U N D I N G		
	Principal Due March 1	Interest Due March 1/ September 1	Total
2021	\$ 370,000	\$ 76,284	\$ 446,284
2022	385,000	65,716	450,716
2023	400,000	54,728	454,728
2024	410,000	43,391	453,391
2025	430,000	31,633	461,633
2026	450,000	19,316	469,316
2027	465,000	6,509	471,509
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
	\$ 2,910,000	\$ 297,577	\$ 3,207,577

See accompanying independent auditor's report.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 90**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**SEPTEMBER 30, 2020**

Due During Fiscal Years Ending September 30	S E R I E S - 2 0 1 6		
	Principal Due March 1	Interest Due March 1/ September 1	Total
2021	\$ 25,000	\$ 70,125	\$ 95,125
2022	25,000	68,625	93,625
2023	25,000	67,125	92,125
2024	50,000	65,125	115,125
2025	50,000	62,625	112,625
2026	50,000	60,375	110,375
2027	50,000	58,375	108,375
2028	80,000	55,875	135,875
2029	80,000	52,875	132,875
2030	80,000	49,875	129,875
2031	80,000	46,875	126,875
2032	85,000	43,781	128,781
2033	80,000	40,688	120,688
2034	85,000	37,594	122,594
2035	470,000	27,187	497,187
2036	490,000	9,188	499,188
	\$ 1,805,000	\$ 816,313	\$ 2,621,313

See accompanying independent auditor's report.

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**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 90**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**SEPTEMBER 30, 2020**

Due During Fiscal Years Ending September 30	ANNUAL REQUIREMENTS FOR ALL SERIES		
	Total Principal Due	Total Interest Due	Total Principal Interest Due
2021	\$ 395,000	\$ 233,967	\$ 628,967
2022	410,000	221,898	631,898
2023	425,000	209,411	634,411
2024	460,000	196,073	656,073
2025	480,000	181,816	661,816
2026	500,000	167,248	667,248
2027	515,000	152,442	667,442
2028	355,000	138,413	493,413
2029	370,000	125,030	495,030
2030	385,000	110,870	495,870
2031	400,000	95,675	495,675
2032	420,000	79,481	499,481
2033	435,000	62,588	497,588
2034	455,000	44,994	499,994
2035	470,000	27,187	497,187
2036	490,000	9,188	499,188
	\$ 6,965,000	\$ 2,056,281	\$ 9,021,281

See accompanying independent auditor's report.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 90**  
**CHANGES IN LONG-TERM BOND DEBT**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

Description	Original Bonds Issued	Bonds Outstanding October 1, 2019
Montgomery County Municipal Utility District No. 90 Unlimited Tax Bonds - Series 2014	\$ 2,250,000	\$ 2,250,000
Montgomery County Municipal Utility District No. 90 Unlimited Tax Refunding Bonds - Series 2014	4,540,000	3,270,000
Montgomery County Municipal Utility District No. 90 Unlimited Tax Bonds - Series 2016	<u>1,880,000</u>	<u>1,830,000</u>
<b>TOTAL</b>	<u><u>\$ 8,670,000</u></u>	<u><u>\$ 7,350,000</u></u>
<b>Bond Authority:</b>	<u>Tax Bonds*</u>	<u>Refunding Bonds</u>
Amount Authorized by Voters	\$ 33,000,000	\$ 21,450,000
Amount Issued	<u>9,960,000</u>	<u>145,000</u>
Remaining to be Issued	<u><u>\$ 23,040,000</u></u>	<u><u>\$ 21,305,000</u></u>

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

Debt Service Fund cash and investment balance as of September 30, 2020: \$ 494,088

Average annual debt service payment (principal and interest) for remaining term  
of all debt: \$ 563,830

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

See accompanying independent auditor's report.

<u>Current Year Transactions</u>				
<u>Bonds Sold</u>	<u>Retirements</u>		<u>Bonds Outstanding September 30, 2020</u>	
	<u>Principal</u>	<u>Interest</u>		
\$	\$	\$ 87,558	\$ 2,250,000	Amegy Bank, N.A. Houston, TX
	360,000	86,501	2,910,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
<u>                    </u>	<u>25,000</u>	<u>71,625</u>	<u>1,805,000</u>	Amegy Bank, a Division of ZB, N.A. Houston, TX
<u>\$ - 0 -</u>	<u>\$ 385,000</u>	<u>\$ 245,684</u>	<u>\$ 6,965,000</u>	

See accompanying independent auditor's report.



**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 90**  
**COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES**  
**GENERAL FUND - FIVE YEARS**

	Amounts		
	2020	2019	2018
<b>REVENUES</b>			
Property Taxes	\$ 359,150	\$ 266,770	\$ 225,916
Miscellaneous Revenues	<u>3,680</u>	<u>6,125</u>	<u>2,608</u>
<b>TOTAL REVENUES</b>	<u>\$ 362,830</u>	<u>\$ 272,895</u>	<u>\$ 228,524</u>
<b>EXPENDITURES</b>			
Service Operations:			
Professional Fees	\$ 66,747	\$ 40,891	\$ 83,954
Contracted Services	11,100	11,138	10,908
Repairs and Maintenance	64,856	65,150	99,977
Other	7,887	6,982	8,208
Capital Outlay	<u>115,351</u>		
<b>TOTAL EXPENDITURES</b>	<u>\$ 265,941</u>	<u>\$ 124,161</u>	<u>\$ 203,047</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>\$ 96,889</u>	<u>\$ 148,734</u>	<u>\$ 25,477</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>
<b>NET CHANGE IN FUND BALANCE</b>	\$ 96,889	\$ 148,734	\$ 25,477
<b>BEGINNING FUND BALANCE</b>	<u>443,296</u>	<u>294,562</u>	<u>269,085</u>
<b>ENDING FUND BALANCE</b>	<u>\$ 540,185</u>	<u>\$ 443,296</u>	<u>\$ 294,562</u>

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2017	2016	2020	2019	2018	2017	2016
\$ 184,017	\$ 172,301	99.0 %	97.8 %	98.9 %	99.7 %	99.9 %
462	121	1.0	2.2	1.1	0.3	0.1
<u>\$ 184,479</u>	<u>\$ 172,422</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 59,798	\$ 54,412	18.4 %	15.0 %	36.7 %	32.4 %	31.6 %
10,800	10,800	3.1	4.1	4.8	5.9	6.3
8,514	40,751	17.9	23.9	43.7	4.6	23.6
		2.2	2.6	3.6		
		31.8				
<u>\$ 79,112</u>	<u>\$ 105,963</u>	<u>73.4 %</u>	<u>45.6 %</u>	<u>88.8 %</u>	<u>42.9 %</u>	<u>61.5 %</u>
<u>\$ 105,367</u>	<u>\$ 66,459</u>	<u>26.6 %</u>	<u>54.4 %</u>	<u>11.2 %</u>	<u>57.1 %</u>	<u>38.5 %</u>
<u>\$ 43,616</u>	<u>\$ - 0 -</u>					
\$ 148,983	\$ 66,459					
120,102	53,643					
<u>\$ 269,085</u>	<u>\$ 120,102</u>					

See accompanying independent auditor's report.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 90**  
**COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES**  
**DEBT SERVICE FUND - FIVE YEARS**

	Amounts		
	2020	2019	2018
<b>REVENUES</b>			
Property Taxes	\$ 620,376	\$ 622,247	\$ 621,940
Contract Revenue	12,629	12,299	10,263
Penalty and Interest	1,474	3,275	4,024
Miscellaneous Revenues	4,419	11,186	7,942
<b>TOTAL REVENUES</b>	<b>\$ 638,898</b>	<b>\$ 649,007</b>	<b>\$ 644,169</b>
<b>EXPENDITURES</b>			
Tax Collection Expenditures	\$ 20,587	\$ 27,898	\$ 21,429
Debt Service Principal	385,000	370,000	365,000
Debt Service Interest and Fees	246,484	257,852	268,954
<b>TOTAL EXPENDITURES</b>	<b>\$ 652,071</b>	<b>\$ 655,750</b>	<b>\$ 655,383</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ (13,173)</b>	<b>\$ (6,743)</b>	<b>\$ (11,214)</b>
<b>BEGINNING FUND BALANCE</b>	<b>497,173</b>	<b>503,916</b>	<b>515,130</b>
<b>ENDING FUND BALANCE</b>	<b>\$ 484,000</b>	<b>\$ 497,173</b>	<b>\$ 503,916</b>
<b>TOTAL ACTIVE RETAIL WATER CONNECTIONS</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<b>TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2017	2016	2020	2019	2018	2017	2016
\$ 604,949	\$ 517,617	97.1 %	95.9 %	96.6 %	97.2 %	92.4 %
11,219	38,945	2.0	1.9	1.6	1.8	6.9
3,438	1,861	0.2	0.5	0.6	0.6	0.3
2,312	2,377	0.7	1.7	1.2	0.4	0.4
<u>\$ 621,918</u>	<u>\$ 560,800</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 18,251	\$ 19,191	3.2 %	4.3 %	3.3 %	2.9 %	3.4 %
325,000	315,000	60.3	57.0	56.7	52.3	56.2
255,357	212,951	38.6	39.7	41.8	41.1	38.0
<u>\$ 598,608</u>	<u>\$ 547,142</u>	<u>102.1 %</u>	<u>101.0 %</u>	<u>101.8 %</u>	<u>96.3 %</u>	<u>97.6 %</u>
\$ 23,310	\$ 13,658	(2.1) %	(1.0) %	(1.8) %	3.7 %	2.4 %
491,820	478,162					
<u>\$ 515,130</u>	<u>\$ 491,820</u>					
<u>N/A</u>	<u>N/A</u>					
<u>N/A</u>	<u>N/A</u>					

See accompanying independent auditor's report.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 90  
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS  
SEPTEMBER 30, 2020**

District Mailing Address - Montgomery County Municipal Utility District No. 90  
c/o Allen Boone Humphries Robinson LLP  
3200 Southwest Freeway, Suite 2600  
Houston, TX 77027

District Telephone Number - (713) 860-6400

<b>Board Members:</b>	Term of Office (Elected or Appointed)	Fees of Office for the year ended <u>September 30, 2020</u>	Expense Reimbursements for the year ended <u>September 30, 2020</u>	<u>Title</u>
Wayne McLane	05/2020 05/2024 (Elected)	\$ 900	\$ 46	President
Timothy P. Kurtin	05/2018 05/2022 (Elected)	\$ 1,050	\$ 64	Vice President
Richard Glen Fisher	05/2018 05/2022 (Elected)	\$ 750	\$ 14	Assistant Vice President
Perri D'Armond	05/2020 05/2024 (Elected)	\$ 900	\$ 46	Secretary
Danny Golden	05/2018 05/2022 (Elected)	\$ 450	\$ 23	Assistant Secretary

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

Submission date of most recent District Registration Form: June 11, 2020

The limit on Fees of Office that a Director may receive during a fiscal year is the maximum amount allowed by law as set by Board Resolution on March 19, 2002. Fees of Office are the amounts actually paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 90**  
**BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS**  
**SEPTEMBER 30, 2020**

<b>Consultants:</b>	<u>Date Hired</u>	<u>Fees / Compensation for the year ended September 30, 2020</u>	<u>Title</u>
Allen Boone Humphries Robinson LLP	07/28/03	\$ 41,947	General Counsel
McCall Gibson Swedlund Barfoot PLLC	04/19/06	\$ 10,750	Auditor
Myrtle Cruz, Inc.	09/01/02	\$ 11,891	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	08/12/04	\$ 108	Delinquent Tax Attorney
Costello, Inc.	07/23/02	\$ 14,050	Engineer
Robert W. Baird & Co. Incorporated	02/12/15	\$ -0-	Financial Advisor
Mary Jarmon	09/09/10	\$ -0-	Investment Officer
Bob Leared Interests	09/17/02	\$ 12,306	Tax Assessor/ Collector

See accompanying independent auditor's report.

**APPENDIX B**  
**SPECIMEN MUNICIPAL BOND INSURANCE POLICY**



## MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

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

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the



United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

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

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

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

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

A subsidiary of Assured Guaranty Municipal Holdings Inc.  
1633 Broadway, New York, N.Y. 10019  
(212) 974-0100