OFFICIAL STATEMENT DATED DECEMBER 8, 2021

IN THE OPINION OF BOND COUNSEL, THE BONDS ARE VALID OBLIGATIONS OF MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 119. IN THE OPINION OF SPECIAL TAX COUNSEL, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR PURPOSES OF FEDERAL INCOME TAXATION UNDER STATUTES, REGULATIONS, PUBLISHED RULINGS AND COURT DECISIONS EXISTING ON THE DATE OF SUCH OPINION. SEE "LEGAL MATTERS" HEREIN FOR A DISCUSSION OF THE OPINIONS OF BOND COUNSEL AND SPECIAL TAX COUNSEL.

THE BONDS HAVE BEEN DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS. SEE "TAX MATTERS—QUALIFIED TAX-EXEMPT OBLIGATIONS."

NEW ISSUE-Book-Entry Only

Insured Rating (BAM): S&P "AA" (stable)
Underlying Rating: Moody's "A3"
See "MUNICIPAL BOND RATING" and "MUNICIPAL BOND INSURANCE" herein.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 119

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

$4,065,000
UNLIMITED TAX REFUNDING BONDS
SERIES 2022

$2,575,000
UNLIMITED TAX ROAD REFUNDING BONDS
SERIES 2022A

Dated Date: January 1, 2022
Interest Accrual Date: Date of Delivery

Due: April 1, as shown on the inside cover

The $4,065,000 Unlimited Tax Refunding Bonds, Series 2022 (the "Series 2022 Refunding Bonds") and the $2,575,000 Unlimited Tax Road Refunding Bonds, Series 2022A (the "Series 2022A Road Refunding Bonds") are being issued by Montgomery County Municipal Utility District No. 119 (the "District"). The Series 2022 Refunding Bonds and the Series 2022A Road Refunding Bonds are collectively referred to herein as the "Bonds." Principal of the Bonds is payable at maturity or prior redemption. Interest on the Bonds initially accrues from the initial date of delivery (expected to be January 11, 2022) (the "Date of Delivery"), and is payable on April 1, 2022. Thereafter, interest on the Bonds accrues from the most recent interest payment date and is payable on each October 1 and April 1 until maturity or prior redemption. The Bonds will be issued only in fully registered form in denominations of $5,000 each or integral multiples thereof. The Bonds mature and are subject to redemption prior to their maturity as shown on the inside cover hereof.

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, initially The Bank of New York Mellon Trust Company, N.A. in Dallas, Texas (the "Paying Agent/Registrar"), directly to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the Beneficial Owners. See "BOOK-ENTRY-ONLY SYSTEM."

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

See "MATURITY SCHEDULES" on the inside cover

The Bonds, when issued, will constitute valid and legally binding obligations of the District and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District, as further described herein. The Bonds are obligations solely of the District and are not obligations of the State of Texas, Montgomery County, the City of Houston, or any entity other than the District. **INVESTMENT IN THE BONDS IS SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS DESCRIBED HEREIN. See "INVESTMENT CONSIDERATIONS."**

The Bonds are offered when, as and if issued by the District, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Schwartz, Page & Harding, L.L.P., Houston, Texas, Bond Counsel and McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Special Tax Counsel. Certain legal matters will be passed on for the Underwriter by McCall, Parkhurst & Horton L.L.P., Houston, Texas, as Underwriter's Counsel. Delivery of the Bonds in book-entry form through DTC is expected on or about January 11, 2022.

SAMCO CAPITAL

MATURITY SCHEDULES

$4,065,000 SERIES 2022 REFUNDING BONDS

Due (April 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (b)	CUSIP Number (c)	Due (April 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (b)	CUSIP Number (c)
2023	$ 140,000	3.000 %	0.40 %	61371F TE9	2030	$ 200,000 (a)	2.000 %	1.59 %	61371F TM1
2024	150,000	3.000	0.57	61371F TF6	2031	210,000 (a)	2.000	1.73	61371F TN9
2025	155,000	3.000	0.74	61371F TG4	2032	215,000 (a)	2.000	1.86	61371F TP4
2026	160,000	3.000	0.92	61371F TH2	2033	225,000 (a)	2.000	2.00	61371F TQ2
2027	175,000	3.000	1.07	61371F TJ8	***	***	***	***	***
2028	180,000 (a)	2.000	1.27	61371F TK5	2040	530,000 (a)	2.375	2.56	61371F TX7
2029	190,000 (a)	2.000	1.45	61371F TL3					

$475,000 Term Bonds due April 1, 2035 (a), 61371F TS8 (c), 2.000% Interest Rate, 2.22% Yield (b)
$510,000 Term Bonds due April 1, 2037 (a), 61371F TU3 (c), 2.125% Interest Rate, 2.37% Yield (b)
$550,000 Term Bonds due April 1, 2039 (a), 61371F TW9 (c), 2.250% Interest Rate, 2.53% Yield (b)

$2,575,000 SERIES 2022A ROAD REFUNDING BONDS

Due (April 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (b)	CUSIP Number (c)	Due (April 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (b)	CUSIP Number (c)
2023	$ 105,000	3.00 %	0.40 %	61371F TY5	2027	$ 125,000	3.00 %	1.07 %	61371F UC1
2024	115,000	3.00	0.57	61371F TZ2	2028	130,000 (a)	2.00	1.27	61371F UD9
2025	120,000	3.00	0.74	61371F UA5	2029	135,000 (a)	2.00	1.45	61371F UE7
2026	120,000	3.00	0.92	61371F UB3					

$275,000 Term Bonds due April 1, 2031 (a), 61371F UG2 (c), 2.000% Interest Rate, 1.73% Yield (b)
$290,000 Term Bonds due April 1, 2033 (a), 61371F UJ6 (c), 2.000% Interest Rate, 2.00% Yield (b)
$310,000 Term Bonds due April 1, 2035 (a), 61371F UL1 (c), 2.000% Interest Rate, 2.22% Yield (b)
$325,000 Term Bonds due April 1, 2037 (a), 61371F UN7 (c), 2.125% Interest Rate, 2.37% Yield (b)
$525,000 Term Bonds due April 1, 2040 (a), 61371F UR8 (c), 2.375% Interest Rate, 2.56% Yield (b)

(a) Bonds maturing on or after April 1, 2028, are subject to redemption at the option of the District prior to their maturity dates in whole, or from time to time in part, on April 1, 2027, or on any date thereafter at a price of par value plus unpaid accrued interest from the most recent Interest Payment Date (as herein defined) to the date fixed for redemption. The Term Bonds (as defined herein) are also subject to mandatory sinking fund redemption as described herein. See "THE BONDS—Redemption Provisions."

(b) Initial yield represents the initial offering yield to the public, which has been established by the Underwriter (as herein defined) for offers to the public and which subsequently may be changed.

(c) CUSIP Numbers will be assigned to the Bonds by CUSIP Service Bureau and are included solely for the convenience of the purchasers of the Bonds. Neither the District nor the Underwriter shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.

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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.

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

All of the summaries of the statutes, 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 Schwartz, Page & Harding, L.L.P., Bond Counsel, 1300 Post Oak Boulevard, Suite 2400, Houston, Texas, 77056, for further information.

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this OFFICIAL STATEMENT for purposes of, and as that term is defined in, SEC Rule 15c2-12, as amended.

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. However, the District has agreed to keep this OFFICIAL STATEMENT current by amendment or sticker to reflect material changes in the affairs of the District and, to the extent that information actually comes to its attention, the other matters described in this OFFICIAL STATEMENT until delivery of the Bonds to the Underwriter (as herein defined) and thereafter only as specified in "PREPARATION OF OFFICIAL STATEMENT—Updating the Official Statement."

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

SALE AND DISTRIBUTION OF THE BONDS

The Underwriter

The Series 2022 Refunding Bonds are being purchased by SAMCO Capital Markets, Inc. (the "Underwriter") pursuant to a bond purchase agreement with the District (the "Series 2022 Refunding Bond Purchase Agreement") at a price of $4,042,330.77 (representing the par amount of the Series 2022 Refunding Bonds of $4,065,000.00, plus a net premium on the Series 2022 Refunding Bonds of $11,247.05, less an Underwriter's discount of $33,916.28). The Underwriter's obligation is to purchase all of the Series 2022 Refunding Bonds, if any are purchased. See "PLAN OF FINANCING—Sources and Uses of Funds."

The Series 2022A Road Refunding Bonds are also being purchased by the Underwriter pursuant to a bond purchase agreement with the District (the "Series 2022A Road Refunding Bond Purchase Agreement") at a price of $2,571,053.45 (representing the par amount of the Series 2022A Road Refunding Bonds of $2,575,000.00) plus a net premium on the Series 2022A Road Refunding Bonds of $20,817.30, less an Underwriter's discount of $24,763.85). The Underwriter's obligation is to purchase all of the Series 2022ARoad Refunding Bonds, if any are purchased. See "PLAN OF FINANCING—Sources and Uses of Funds."

Prices and Marketability

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 the offering of the Bonds, the Underwriter may over allot or effect transactions which stabilize or maintain the market prices of the Bonds at levels above those which might otherwise prevail in the open market.

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

Securities Laws

No registration statement relating to the offer and sale of the Bonds has been filed with the Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein and the Bonds have not been registered or qualified under the securities laws of any other jurisdiction. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any other jurisdiction in which the Bonds may be offered, sold or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdiction.

OFFICIAL STATEMENT SUMMARY

The following is a brief summary of certain information contained herein which is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this OFFICIAL STATEMENT. The summary should not be detached and should be used in conjunction with more complete information contained herein. A full review should be made of the entire OFFICIAL STATEMENT and of the documents summarized or described therein.

INFECTIOUS DISEASE OUTLOOK (COVID-19)

General… 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 (the "State") because of the effects of COVID-19. Subsequently, in response to a rise in COVID-19 infections in the State 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.

Impact… 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. 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 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. See "INVESTMENT CONSIDERATIONS—Infectious Disease Outlook (COVID-19)."

HURRICANE HARVEY

General... The greater Houston area, including the District, is subject to occasional severe weather events, including tropical storms and hurricanes. If the District were to sustain damage to its facilities requiring substantial repair or replacement, or if substantial damage were to occur to taxable property within the District as a result of such a weather event, the investment security of the Bonds could be adversely affected. The greater Houston area has experienced multiple storms exceeding a 0.2% probability (i.e. "500-year flood" events) since 2015, including Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 26, 2017 and brought historic levels of rainfall during the successive four days.

Hurricane Harvey Impact... According to TNG Utility Corp., the District's previous operator until January 31, 2019, and Elevation Land Solutions (the "Engineer"), the District's waterworks and sewer system did not sustain any material damage and there was no interruption to sewer service as a result of Hurricane Harvey. The District experienced a well pump failure at Water Plant No. 1 during Hurricane Harvey and opened the interconnect with Montgomery County Municipal Utility District No. 94 ("MUD 94"). Thereafter, MUD 94 lost power to its generator and the District issued a boil water notice to its residents on August 29, 2017 due to a loss in water pressure. The notice was lifted on September 1, 2017. Based on information provided by the Operator and Engineer, the District is aware of structural flooding in six homes (3 under construction and 3 homeowner occupied at the time of Hurricane Harvey).

2019 Rain Event... On May 7, 2019, the District experienced approximately 8-inches of rainfall in a 2 hour duration (a 200-year rainfall event according to NOAA Atlas 14 standards). The District's drainage system is designed to withstand a 100-year rainfall event per the local regulatory design criteria. According to the Engineer, the District is aware of two homes and one commercial business that experienced structural flooding in the District as a result of the rainfall event on May 7, 2019. The District has recently completed a drainage channel rehabilitation project and is currently designing further drainage improvements in Harmony Springs and Harmony Forest. See "INVESTMENT CONSIDERATIONS—Severe Weather Events; Hurricane Harvey."

THE DISTRICT

Description... The District is a political subdivision of the State of Texas, created by House Bill No. 4079, Acts of the 80th Texas Legislature, Regular Session 2007, codified as Chapter 8269, Texas Special District Local Laws Code. The District operates under the provisions of Chapters 49 and 54 of the Texas Water Code, as amended. The District consists of approximately 1,137 acres of land. See "THE DISTRICT."

Location... The District is located approximately 25 miles north of the central downtown business district of the City of Houston (the "City") and lies wholly within the exclusive extraterritorial jurisdiction of the City and within the boundaries of the Conroe Independent School District. The District lies approximately three miles east of Interstate Highway 45 and is bounded on the north by the Grand Parkway, on the east by Birnham Woods Drive, on the south by Spring Creek and on the west by Montgomery County Municipal Utility District No. 94. See "THE DISTRICT."

The Developers and Other Major Property Owners... The District has been developed as a predominately single-family residential development. The most recent development has been completed by or is ongoing by Discovery Spring Trails, LLC, a Texas limited liability company ("Discovery Spring Trails"), Taylor Morrison of Texas Inc., a Texas corporation ("Taylor Morrison"), Pulte Homes of Texas, L.P, a Texas limited partnership ("Pulte"), D.R. Horton, Inc., a Texas limited partnership ("DR Horton"), Shea Homes Houston, LLC, a Delaware limited liability company ("Shea Homes"), and Castlerock Communities, L.P. ("Castlerock"), a Texas limited partnership. None of such entities currently own any undeveloped land in the District.

Collectively, Discovery Spring Trails, Taylor Morrison, Pulte, DR Horton, Shea Homes, and Castlerock are herein referred to as the "Developers." See "THE DEVELOPERS AND OTHER MAJOR PROPERTY OWNERS."

Status of Development... Development in the District currently includes 2,426 single-family residential lots on approximately 630 acres. As of October 15, 2021, the District consisted of 2,310 completed homes (2,305 occupied), 91 homes under construction or in a builder's name, and 25 vacant developed single-family residential lots. Homes in the District range in price from approximately $200,000 to $500,000.

In addition to the single-family residential development, SYNC at Harmony, a 310-unit apartment complex, is located on approximately 13 acres in the District. According to the apartment management, SYNC at Harmony is at 96.00% occupancy as of November 2021. Additionally, a 273-unit apartment complex, Harmony Park, has been constructed on approximately 9 acres and according to the apartment management, Harmony Park is at 96.34% occupancy as of November 2021.

Approximately 32 acres of land have been developed as 192 townhome lots and are being marketed as Solstice at Harmony and Harmony Village, Section 5. As of October 15, 2021, the District consisted of 192 completed townhomes.

Approximately 81 acres of commercial reserves have been developed with trunk facilities in the District. Day care facilities, two Mexican restaurants, an HEB grocery store, a 24-Hour Clinic, Mod Pizza, Domino's Pizza, Sports Clips, Smoothie King, TSO, a Chase Bank, a Sonic fast food restaurant, a Panera Bread, an orthodontics office, a free-standing car wash, a gas station, The Goddard School Daycare, Kiddie Academy Daycare, LA Fitness, a storage facility, Ace Hardware, Republic Grill, Panda Express, Lind Institute of Plastic Surgery and other service and retail establishments,, a Texas Children's ER (tax-exempt) and a veterinary clinic have been constructed on approximately 75 acres of such acreage.

The remainder of the District is comprised of approximately 49 acres owned by Conroe Independent School District where a middle school and junior high school have been built (tax-exempt), approximately 5 acres where a church is located (tax-exempt), and approximately 171 acres of park land, open spaces and landscape reserves upon which a recreation center which includes a clubhouse, recreational pool, splash pad and playground equipment is located. A second recreation center has been constructed, which includes a meeting facility, weight room, recreational pool, splash pad and playground equipment. In addition, Montgomery County Emergency Service District No. 8 has constructed a fire station located on approximately 2 acres within the District. There is no additional developable land within the District that has not been provided with water distribution, wastewater collection and storm drainage facilities and approximately 145 acres of major thoroughfares, detention and drainage facilities, street right-of-way and utilities. See "THE DISTRICT."

Homebuilders... Homebuilders currently building in the District include Castlerock, Shea Homes, Pulte and Taylor Morrison. See "THE DISTRICT—Status of Development."

Payment Record... The District has previously issued ten series of unlimited tax bonds for the purpose of construction and acquisition of water, sewer and drainage facilities and two series of unlimited tax bonds for the purpose of refunding such bonds (the "Outstanding WSD Bonds"), four series of unlimited tax road bonds and one series of unlimited tax road refunding bonds (the "Outstanding Road Bonds") and two series of unlimited tax park bonds (the "Outstanding Park Bonds"), (collectively, the "Previously Issued Bonds"), of which a total of $94,650,000 in aggregate principal amount was outstanding as of November 1, 2021 (the "Outstanding Bonds"). The District has not defaulted on any debt service payments related to its previously issued debt. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds."

THE BONDS

Description... $4,065,000 Unlimited Tax Refunding Bonds, Series 2022 (the "Series 2022 Refunding Bonds") and $2,575,000 Unlimited Tax Road Refunding Bonds, Series 2022A (the "Series 2022A Road Refunding Bonds") are being issued pursuant to separate orders authorizing the issuance of each such series of Bonds adopted by the District's Board of Directors (the "Board") as fully registered bonds (the "Bond Orders"). The Series 2022 Refunding Bonds and the Series 2022A Road Refunding Bonds are collectively referred to herein as the "Bonds." The Series 2022 Refunding Bonds are scheduled to mature as serial bonds on April 1 in each of the years 2023 through 2033, both inclusive and 2040, and as term bonds maturing on April 1 in each of the years 2035, 2037 and 2039 (the "Series 2022 Term Bonds"). The Series 2022A Road Refunding Bonds are scheduled to mature as serial bonds on April 1 in each of the years 2023 through 2029, both inclusive, and as term bonds maturing on April 1 in each of the years 2031, 2033, 2035, 2037 and 2040 (the "Series 2022A Road Term Bonds"). The Series 2022 Term Bonds and the Series 2022A Road Term Bonds are collectively referred to herein as the "Term Bonds." The Bonds will be issued in denominations of $5,000 or integral multiples of $5,000. Interest on the Bonds accrues from the Date of Delivery, and is payable April 1, 2022, and each October 1 and April 1 thereafter, until the earlier of maturity or redemption. See "THE BONDS."

Book-Entry-Only System… The Depository Trust Company (defined as "DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of each series of the Bonds and will be deposited with DTC. See "BOOK-ENTRY-ONLY SYSTEM."

Redemption... Bonds maturing on or after April 1, 2028 are subject to redemption in whole, or from time to time in part, at the option of the District prior to their maturity dates on April 1, 2027, or on any date thereafter at a price of par value plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. The Term Bonds (as defined herein) are also subject to mandatory sinking fund redemption as described herein. See "THE BONDS—Redemption Provisions."

Use of Proceeds...	Proceeds from the sale of the Bonds, together with lawfully available debt service funds will be used to pay certain costs incurred in connection with the issuance of the Bonds and to currently refund $6,350,000 of the District's Outstanding Bonds in order to achieve net savings in the District's annual debt service expense. The bonds to be refunded and discharged with Bond proceeds are referred to herein as the "Refunded Bonds." See "PLAN OF FINANCING—Refunded Bonds." After the issuance of the Bonds, $88,300,000 principal amount of the Outstanding Bonds will remain outstanding (the "Remaining Outstanding Bonds"). See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds."
Authority for Issuance...	At elections held within the District on November 6, 2007 and May 9, 2009, voters authorized a total of $208,585,000 principal amount of unlimited tax refunding bonds for the purpose of refunding outstanding bonds. The Bonds are issued by the District pursuant to: the terms and conditions of the respective Bond Orders; bond elections held in the District, Article XVI, Section 59 of the Texas Constitution in the case of the Series 2022 Refunding Bonds; Article III, Section 52 of the Texas Constitution in the case of the Series 2022A Road Refunding Bonds; Chapter 1207 of the Government Code, as amended; Chapters 49 and 54 of the Texas Water Code, as amended; City of Houston Ordinance 97-416; and the general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas. See "THE BONDS—Authority for Issuance" and "—Issuance of Additional Debt" and "INVESTMENT CONSIDERATIONS—Future Debt."
Source of Payment...	Principal of and interest on the Bonds and the Remaining Outstanding Bonds are 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. The Bonds are obligations of the District and are not obligations of the State of Texas, Harris County, the City of Houston, or any entity other than the District. See "THE BONDS—Source and Security for Payment" and "— Funds."
Municipal Bond Rating and Municipal Bond Insurance...	S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, ("S&P") has assigned a municipal bond rating of "AA" (stable outlook) to this issue of Bonds with the understanding that, upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by Build America Mutual Assurance Company. ("BAM"). Moody's Investors Service ("Moody's") has also assigned an underlying credit rating of "A3" on the Bonds. See "INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance," "MUNICIPAL BOND RATING," "MUNICIPAL BOND INSURANCE," and APPENDIX B.
Qualified Tax-Exempt Obligations...	The District has designated the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended. See "TAX MATTERS—Qualified Tax-Exempt Obligations."
Bond Counsel...	Schwartz, Page & Harding, L.L.P., Houston, Texas. See "MANAGEMENT OF THE DISTRICT—District Consultants" and "LEGAL MATTERS."
Special Tax Counsel...	McCall, Parkhurst & Horton L.L.P., Dallas, Texas. See "TAX MATTERS."
Financial Advisor...	Masterson Advisors LLC, Houston, Texas. See "MANAGEMENT OF THE DISTRICT."
Underwriter's Counsel...	McCall, Parkhurst & Horton L.L.P., Houston, Texas.
Paying Agent/Registrar...	The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. See "THE BONDS—Method of Payment of Principal and Interest."
Escrow Agent...	The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. See "PLAN OF FINANCING—Escrow Agreements" and "—Defeasance of Refunded Bonds."
Verification Agent...	Public Finance Partners LLC, Rockford, Minnesota. See "VERIFICATION OF MATHEMATICAL CALCULATIONS."

INVESTMENT CONSIDERATIONS

The purchase and ownership of the Bonds are subject to special investment considerations and all prospective purchasers are urged to examine carefully this entire OFFICIAL STATEMENT with respect to the investment security of the Bonds, including particularly the section captioned "INVESTMENT CONSIDERATIONS."

FINANCIAL INFORMATION (UNAUDITED)

2021 Certified Taxable Assessed Valuation	$946,743,218	(a)
Gross Direct Debt Outstanding (the Bonds and the Remaining Outstanding Bonds)	$94,940,000	(b)
Estimated Overlapping Debt	38,352,958	(c)
Gross Direct Debt and Estimated Overlapping Debt	$133,292,958	(c)
Ratio of Gross Direct Debt to:		
2021 Certified Taxable Assessed Valuation	10.03%	
Ratio of Gross Direct Debt and Estimated Overlapping Debt to:		
2021 Certified Taxable Assessed Valuation	14.08%	
Funds Available for Debt Service:		
Water, Sewer and Drainage Debt Service Fund Balance as of December 6, 2021	$3,951,160	(d)
Road Debt Service Fund Balance as of December 6, 2021	698,905	(d)
Total Funds Available for Debt Service	$4,650,065	(d)
Funds Available for Operations and Maintenance as of December 6, 2021	$11,993,406	
Funds Available for Water, Sewer and Drainage Construction as of December 6, 2021	$840,025	
Funds Available for Road Construction as of December 6, 2021	$51,364	
Funds Available for Park Construction as of December 6, 2021	$289,463	
2021 Debt Service Tax Rate	$0.77	
2021 Maintenance and Operations Tax Rate	0.34	
2021 Total Tax Rate	$1.11	
Average Annual Debt Service Requirement (2022-2044)	$5,337,818	(e)
Maximum Annual Debt Service Requirement (2022)	$7,229,227	(e)
Tax Rates Required to Pay Average Annual Debt Service (2022-2044) at a 95% Collection Rate Based upon 2021 Certified Taxable Assessed Valuation	$0.60	(f)
Tax Rates Required to Pay Maximum Annual Debt Service (2022) at a 95% Collection Rate Based upon 2021 Certified Taxable Assessed Valuation	$0.81	(f)
Status of Development as of October 15, 2021 (g):		
Total Homes Completed (2,305 occupied)	2,310	
Total Townhomes Completed (191 occupied)	192	
Homes Under Construction or in a Builder's Name	91	
Vacant Developed Single-Family Residential Lots Available for Construction	25	
Multi-Family Units	583	
Estimated Population	9,615	(g)

(a) As certified by the Montgomery Central Appraisal District (the "Appraisal District"). See "TAXING PROCEDURES."

(b) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds."

(c) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Estimated Overlapping Debt."

(d) Although all of the District's debt, including the Remaining Outstanding Bonds and the Bonds, is payable from an unlimited tax pledge on parity, a pro rata portion of the District's ad valorem tax revenue will be allocated to the bonds sold for water, sewer, drainage and park facilities (the "WSD&P Bonds") and a portion will be allocated to the bonds sold for road facilities (the "Road Bonds"). The Water, Sewer and Drainage Debt Service Fund is pledged to the Outstanding WSD&P Bonds, including the Series 2022 Refunding Bonds once issued and the Road Debt Service Fund is pledged to the Outstanding Road Bonds, including the Series 2022A Road Refunding Bonds once issued. See "THE BONDS—Funds" and "Debt Service Requirements" herein. The District will contribute $45,000 of available water, sewer, drainage and park debt service funds and $30,000 of available road debt service funds towards the purpose for which the Bonds are being issued, respectively. See "PLAN OF FINANCING—Sources and Uses of Funds." Neither Texas law nor the Bond Orders requires the District to maintain any particular balance in the Debt Service Fund.

(e) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements."

(f) See "TAX DATA—Tax Adequacy for Debt Service."

(g) See "THE DISTRICT—Land Use" and "—Status of Development.

OFFICIAL STATEMENT

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 119

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

$4,065,000 UNLIMITED TAX REFUNDING BONDS SERIES 2022	$2,575,000 UNLIMITED TAX ROAD REFUNDING BONDS SERIES 2022A

This OFFICIAL STATEMENT provides certain information in connection with the issuance by Montgomery County Municipal Utility District No. 119 (the "District") of its $4,065,000 Unlimited Tax Refunding Bonds, Series 2022 (the "Series 2022 Refunding Bonds") and its $2,575,000 Unlimited Tax Road Refunding Bonds Series 2022A (the "Series 2022A Road Refunding Bonds"). The Series 2022 Refunding Bonds and the Series 2022A Road Refunding Bonds are collectively referred herein to as the "Bonds."

The Bonds are issued by the District pursuant to separate orders authorizing the issuance of the Series 2022 Refunding Bonds (the "Series 2022 Refunding Bond Order") and the Series 2022A Road Refunding Bonds (the "Series 2022A Road Refunding Bond Order") (collectively, the "Bond Orders") adopted by the Board of Directors of the District (the "Board"); Article XVI, Section 59 of the Texas Constitution in the case of the Series 2022 Refunding Bonds; Article III, Section 52 of the Texas Constitution in the case of the Series 2022A Road Refunding Bonds; Chapter 1207 of the Government Code, as amended; Chapters 49 and 54 of the Texas Water Code, as amended; an election held within the District; City of Houston Ordinance 97-416; and general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas.

This OFFICIAL STATEMENT includes descriptions, among others, of the Bonds and the Bond Orders, and certain other information about the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of certain of the documents may be obtained from Schwartz, Page & Harding, L.L.P., Bond Counsel, 1300 Post Oak Boulevard, Suite 2400, Houston, Texas 77056, upon payment of duplication costs therefor.

PLAN OF FINANCING

Purpose

At elections held November 6, 2007 and May 9, 2009, voters of the District authorized the issuance of a total of $173,665,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer, and drainage facilities, the issuance of a total of $15,570,000 in principal amount of unlimited tax bonds for the purpose of constructing road facilities, the issuance of a total of $19,350,000 in principal amount of unlimited tax bonds for the purpose of acquiring or constructing recreational facilities, and the issuance of $208,585,000 principal amount of unlimited tax refunding bonds for the purpose of refunding District bonds. The District currently has $94,650,000 principal amount of bonds outstanding (the "Outstanding Bonds"). See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds."

The proceeds of the Bonds, together with lawfully available debt service funds will be used to currently refund portions of the District's Unlimited Tax Bonds, Series, 2014 and Unlimited Tax Road Bonds, Series 2015 totaling $6,350,000 in principal amount (the "Refunded Bonds") in order to achieve a net savings in the District's debt service expense. See "Refunded Bonds" herein. The proceeds will also be used to pay the costs of issuing the Bonds. See "Sources and Uses of Funds" in this section. A total of $88,300,000 in principal amount of the Outstanding Bonds will remain outstanding after the issuance of the Bonds (the "Remaining Outstanding Bonds"). See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds."

Refunded Bonds

Proceeds of the Bonds, together with lawfully available debt service funds, will be applied to currently refund the Refunded Bonds in the principal amounts and with maturity dates set forth below and to pay certain costs of issuing the Bonds.

Maturity Date	Series 2014	Series 2015 Road
2023	$ 120,000	$ 95,000
2024	130,000	100,000
2025	135,000	105,000
2026	140,000	105,000
2027	150,000	110,000
2028	160,000	115,000
2029	170,000	120,000
2030	180,000	125,000
2031	190,000	130,000
2032	200,000	135,000
2033	210,000	140,000
2034	225,000	150,000
2035	235,000	155,000
2036	250,000	160,000
2037	265,000	170,000
2038	280,000	175,000
2039	295,000	185,000
2040	550,000	190,000
	$ 3,885,000	$ 2,465,000
Redemption Date	April 1, 2022	April 1, 2022

The Refunded Bonds will be redeemed on the date shown above, the earliest redemption date allowable under the orders authorizing issuance of the Refunded Bonds.

Sources and Uses of Funds

The proceeds derived from the sale of the Series 2022 Refunding Bonds, together with lawfully available debt service funds, will be applied as follows:

Sources of Funds:	
Principal Amount of the Bonds	$4,065,000.00
Plus: Net Premium on the Bonds	11,247.05
Plus: Transfer from WSD&P Debt Service Fund	45,000.00
Total Sources of Funds	$4,121,247.05
Uses of Funds:	
Deposit to Escrow Fund	$3,963,532.01
Issuance Expenses and Underwriters' Discount (a)	157,715.04
Total Uses of Funds	$4,121,247.05

The proceeds derived from the sale of the Series 2022A Road Refunding Bonds, together with lawfully available debt service funds will be applied as follows:

Sources of Funds:	
Principal Amount of the Bonds	$2,575,000.00
Plus: Net Premium on the Bonds	20,817.30
Plus: Transfer from Road Debt Service Fund	30,000.00
Total Sources of Funds	$2,625,817.30
Uses of Funds:	
Deposit to Escrow Fund	$2,513,279.89
Issuance Expenses and Underwriters' Discount (a)	112,537.41
Total Uses of Funds	$2,625,817.30

(a) Includes municipal bond insurance premium.

Escrow Agreements

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 The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, as escrow agent (the "Escrow Agent").

The Bond Orders provide that the District and the Escrow Agent will enter into a separate escrow agreement for each series of Bonds (the "Escrow Agreements") 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 January 11, 2022). The Bond Orders further provide that from the proceeds of the sale of the Bonds, along with lawfully available debt service funds of the District, the District will deposit with the Escrow Agent the amount necessary to accomplish the discharge and final payment of the Refunded Bonds. See "VERIFICATION OF MATHEMATICAL CALCULATIONS." Such funds will be held by the Escrow Agent in segregated escrow accounts (the "Escrow Funds"). Under the Escrow Agreements, the Escrow Funds are 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 proceeds of the Bonds and cash with the Escrow Agent pursuant to the Escrow Agreements, the District will have effected the defeasance of the Refunded Bonds pursuant to the terms of the orders authorizing the issuance of the Refunded Bonds. In the opinion of Bond Counsel, as a result of such deposits, firm banking and financial arrangements will have been made for the discharge and final payment of the Refunded Bonds pursuant to the Escrow Agreements, 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 Funds.

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 Orders, copies of which are available from Bond Counsel upon payment of the costs of duplication therefor. Each of the Bond Orders authorize the issuance and sale of the related series of Bonds and prescribes the terms, conditions and provisions for the payment of the principal of and interest on such series of Bonds by the District.

Description

The Bonds will be dated January 1, 2022, with interest payable on April 1, 2022 and on each October 1 and April 1 thereafter (each an "Interest Payment Date") until the earlier of maturity or redemption. Interest on the Bonds initially accrues from the Date of Delivery, and thereafter, from the most recent Interest Payment Date. Interest calculations are based upon a three hundred sixty (360) day year comprised of twelve (12) thirty (30) day months. The Bonds mature, and principal in respect of the Bonds is payable, on April 1 of the years and in the amounts, and accrue interest at the rates, shown under "MATURITY SCHEDULES" 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 initially 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-only system described herein. No physical delivery of the Bonds will be made to the purchasers thereof. See "BOOK-ENTRY-ONLY SYSTEM."

Authority for Issuance

At elections held within the District on November 6, 2007 and May 9, 2009, voters of the District authorized a total of $208,585,000 in principal amount of unlimited tax bonds for the purpose of refunding outstanding bonds of the District. The Bonds are being issued pursuant to such authorizations. See "Issuance of Additional Debt" herein and 'INVESTMENT CONSIDERATIONS—Future Debt."

The Bonds are issued by the District pursuant to: elections held within the District; the terms and conditions of the Bond Orders; Article XVI, Section 59 of the Texas Constitution in the case of the Series 2022 Refunding Bonds; Article III, Section 52 of the Texas Constitution in the case of the Series 2022A Road Refunding Bonds; Chapter 1207 of the Texas Government Code, as amended; Chapters 49 and 54 of the Texas Water Code, as amended; City of Houston Ordinance 97-416 and the general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas.

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 City of Houston, Montgomery County, the State of Texas, or any political subdivision or entity other than the District.

Funds

The Bond Orders confirm the prior creation of the District's Debt Service Fund, including the sub-accounts which are used to separate funds received to pay debt service on bonds issued to finance water, wastewater and storm drainage, and park facilities or to refund such bonds ("WSD&P Bonds") from funds received to pay debt service on bonds issued to finance road facilities or to refund such bonds ("Road Bonds"). The Bond Orders also confirm the District's Construction Fund including the sub-accounts which are used to separate proceeds from WSD&P Bonds and Road Bonds.

The proceeds from all taxes levied, assessed and collected for and on account of the Series 2022 Refunding Bonds authorized by the Series 2022 Refunding Bond Order shall be deposited, as collected, into the sub-account of the Debt Service Fund created in respect of WSD&P Bonds. The Debt Service 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 funds in the sub-account created in respect of WSD&P Bonds are to be used for payment of debt service on the Bonds and any of the District's duly authorized WSD&P Bonds, whether heretofore, hereunder, or hereafter issued, payable in whole or part from taxes. Amounts on deposit in the sub-account of the Debt Service Fund created in respect of WSD&P Bonds may also be used to pay the fees and expenses of the Paying Agent/Registrar, to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Bonds and any of the District's duly authorized WSD&P Bonds, whether heretofore, hereunder, or hereafter issued, payable in whole or in part from taxes, and to pay any tax anticipation notes issued in respect of debt service due or to become due on WSD&P Bonds, together with interest thereon, as such tax anticipation notes become due. Funds otherwise on deposit in the Debt Service Fund, including funds in the sub-account created in respect of Road Bonds, will not be allocated to the payment of the Series 2022 Refunding Bonds.

The proceeds from all taxes levied, assessed and collected for and on account of the Series 2022A Road Refunding Bonds authorized by the Series 2022A Road Refunding Bond Order shall be deposited, as collected, into the sub-account of the Debt Service Fund created in respect of Road Bonds. The Debt Service 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 funds in the sub-account created in respect of Road Bonds are to be used for payment of debt service on the Bonds and any of the District's duly authorized Road Bonds, whether heretofore, hereunder, or hereafter issued, payable in whole or part from taxes. Amounts on deposit in the sub-account of the Debt Service Fund created in respect of Road Bonds may also be used to pay the fees and expenses of the Paying Agent/Registrar, to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Bonds and any of the District's duly authorized Road Bonds, whether heretofore, hereunder, or hereafter issued, payable in whole or in part from taxes, and to pay any tax anticipation notes issued in respect of debt service due or to become due on Road Bonds, together with interest thereon, as such tax anticipation notes become due. Funds otherwise on deposit in the Debt Service Fund, including funds in the sub-account created in respect of WSD&P Bonds, will not be allocated to the payment of the Series 2022A Road Refunding Bonds.

Record Date

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

Redemption Provisions

Mandatory Redemption of the Series 2022 Term Bonds: The Bonds maturing on April 1 in each of the years 2035, 2037 and 2039 (the "Series 2022 Term Bonds") shall be redeemed, at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption (the "Redemption Date"), on April 1 in each of the years and in the principal amount set forth in the following schedule (with each such scheduled principal amount reduced by the principal amount as may have been previously redeemed through the exercise of the District's reserved right of optional redemption, as provided under "Optional Redemption" below):

$475,000 Term Bonds Due April 1, 2035		$510,000 Term Bonds Due April 1, 2037		$550,000 Term Bonds Due April 1, 2039	
Mandatory Redemption Date	**Principal Amount**	**Mandatory Redemption Date**	**Principal Amount**	**Mandatory Redemption Date**	**Principal Amount**
2034	$ 235,000	2036	$ 250,000	2038	$ 270,000
2035 (maturity)	240,000	2037 (maturity)	260,000	2039 (maturity)	280,000

Mandatory Redemption of the Series 2022A Road Term Bonds: The Bonds maturing on April 1 in each of the years 2031, 2033, 2035, 2037 and 2040 (the "Series 2022A Road Term Bonds") shall be redeemed, at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption (the "Redemption Date"), on April 1 in each of the years and in the principal amount set forth in the following schedule (with each such scheduled principal amount reduced by the principal amount as may have been previously redeemed through the exercise of the District's reserved right of optional redemption, as provided under "Optional Redemption" below):

$275,000 Term Bonds Due April 1, 2031		$290,000 Term Bonds Due April 1, 2033		$310,000 Term Bonds Due April 1, 2035	
Mandatory Redemption Date	**Principal Amount**	**Mandatory Redemption Date**	**Principal Amount**	**Mandatory Redemption Date**	**Principal Amount**
2030	$ 135,000	2032	$ 145,000	2034	$ 155,000
2031 (maturity)	140,000	2033 (maturity)	145,000	2035 (maturity)	155,000

$325,000 Term Bonds Due April 1, 2037		$525,000 Term Bonds Due April 1, 2040	
Mandatory Redemption Date	**Principal Amount**	**Mandatory Redemption Date**	**Principal Amount**
2036	$ 160,000	2038	$ 170,000
2037 (maturity)	165,000	2039	175,000
		2040 (maturity)	180,000

Notice of the mandatory redemption of Term Bonds will be provided at least thirty (30) calendar days prior to the date fixed for redemption, with the particular portions of the Term Bonds to be redeemed to be selected by lot or other customary method in accordance with the procedures of DTC so long as the Bonds are registered in accordance with the Book-Entry-Only System. See “BOOK-ENTRY-ONLY SYSTEM.”

Optional Redemption: The District reserves the right, at its option, to redeem the Bonds (including any Term Bonds) maturing on or after April 1, 2028, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of $5,000, on April 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 Serial Bonds of the same maturity are to be redeemed, the particular Bonds shall be selected by DTC in accordance with its procedures, so long as the Bonds are registered in accordance with the Book-Entry-Only System. See “BOOK-ENTRY-ONLY SYSTEM.” If less than all of the entire outstanding principal amount of a Term Bond is to be redeemed, the District will notify the Paying Agent/Registrar of the reductions in the remaining mandatory redemption amounts to result from the optional redemption. Notice of each exercise of the reserved right of optional redemption shall be given at least thirty (30) calendar days prior to the date fixed for redemption, in the manner specified in the Bond Order.

Effects of Redemption: By the date fixed for redemption, due provision shall be made with the Paying Agent/Registrar for payment of the principal of the Bonds (including any Term Bonds) or portions thereof to be redeemed, plus accrued interest to the date fixed for redemption. 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 The Bank of New York Mellon Trust Company, N.A., having its principal corporate trust office and its principal payment office in Dallas, Texas, as the initial Paying Agent/Registrar for the Bonds. 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 series and 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, on behalf of the District, the registry books reflecting the names and addresses of the holders of the Bonds (the “Registered Owners”) and the maturities, principal amounts, and such other information as necessary to identify the Bonds registered in the name of such Registered Owners. All references herein to the Registered Owners of the Bonds shall mean Cede & Co. and not the Beneficial Owners of the Bonds, so long as the Bonds are registered in the name of Cede & Co. See “BOOK-ENTRY-ONLY SYSTEM.”

Replacement of Paying Agent/Registrar

Provision is made in the Bond Orders 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 quoted from Section 49.186 of the Texas Water Code, and is applicable to the District:

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

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

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

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 $208,585,000 principal amount of unlimited tax refunding bonds for the purpose of refunding outstanding bonds of the District, of which $207,965,000 principal amount will remain authorize but unissued after the issuance of the Bonds. In addition, the District's voters have authorized the issuance of a total of $173,665,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities and $19,350,000 principal amount of unlimited tax bonds for the purpose of parks and recreational facilities and could authorize additional amounts. The District has $93,225,000 of unlimited tax bonds authorized but unissued for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities and $9,695,000 principal amount of unlimited tax bonds for the purpose of parks and recreational facilities. The District's voters also authorized the issuance of a total of $15,570,000 in principal amount of unlimited tax bonds for the purpose of constructing road facilities, but no authorization remains unissued. See "Financing Road Facilities" below. See "INVESTMENT CONSIDERATIONS—Future Debt."

The Bond Orders impose 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.

The District also is authorized by statute to engage in fire-fighting activities, including the issuing 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.

Financing Recreational Facilities

Conservation and reclamation districts in certain counties are authorized to develop and finance with property taxes certain recreational facilities after a district election has been successfully held to approve the issuance of bonds payable from taxes and/or a maintenance tax to support recreational facilities.

The District is authorized to issue bonds payable from an ad valorem tax to pay for the development and maintenance of recreational facilities if (i) the District duly adopts a plan for the facilities; (ii) the bonds are authorized at an election; (iii) the bonds payable from any source do not exceed 1% of the value of the taxable property in the District at the time of issuance of the bonds, or, in the event the District meets certain conditions, 3% of the taxable property in the District at the time of issuance of the bonds, but in no event in an amount greater than the estimated cost in the plan; (iv) the District obtains any necessary governmental consents allowing the issuance of such bonds; (v) the issuance of the bonds is approved by the TCEQ in accordance with its rules with respect to same; and (vi) the bonds are approved by the Attorney General of Texas. The District may issue bonds for such purposes payable solely from net operating revenues without an election. In addition, the District is authorized to levy an operation and maintenance tax to support recreational facilities at a rate not to exceed 10 cents per $100 of assessed valuation of taxable property in the District, after such tax is approved at an election. Said maintenance tax is in addition to any other maintenance tax authorized to be levied by the District.

At elections held within the District on November 6, 2007 and May 9, 2009, voters of the District authorized a total of $19,350,000 in principal amount of unlimited tax bonds for the purpose of acquiring or constructing recreational facilities and could authorize additional amounts. Currently, the District has $9,695,000 principal amount of unlimited tax bonds for the purpose of parks and recreational facilities remaining authorized but unissued. Voters also authorized a maintenance tax not to exceed $0.10 per $100 assessed valuation for maintenance of recreational facilities.

Issuance of bonds for recreational facilities could dilute the investment security for the Bonds.

Financing Road Facilities

Pursuant to the provisions of the Texas Constitution, as amended, conservation and reclamation districts are authorized to develop and finance with property taxes certain road facilities, subject to the acquiring of road powers to do so and a successful District election to approve the issuance of road bonds payable from taxes. The legislation which created the District included the grant of road powers to the District and at elections held within the District on November 6, 2007 and May 9, 2009, voters of the District authorized a total of $15,570,000 in principal amount of unlimited tax bonds for financing and constructing road facilities. The District currently has no authorization unissued for road facilities. See "Issuance of Additional Debt" and "INVESTMENT CONSIDERATIONS—Future Debt." Issuance of additional bonds for road facilities may dilute the security for the Bonds.

Annexation

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston, the District may be annexed for full purposes by the City of Houston, subject to compliance by the City of Houston with various requirements of Chapter 43 of the Texas Local Government Code, as amended. Such requirements may include the requirement that the City of Houston hold an election in the District whereby the qualified voters of the District approve the proposed annexation. If the District is annexed, the City of Houston must assume the District's assets and obligations (including the Bonds and the Outstanding Bonds) and abolish the District within ninety (90) days of the date of annexation. Annexation of territory by the City of Houston is a policy-making matter within the discretion of the Mayor and City Council of the City of Houston, and, therefore, the District makes no representation that the City of Houston will ever attempt to annex the District for full purposes and assume its debt. Moreover, no representation is made concerning the ability of the City of Houston to make debt service payments should annexation occur. Under the terms of the SPA (as hereinafter defined) between the District and the City of Houston, however, the City has agreed not to annex the District for full purposes (a traditional municipal annexation) for at least thirty (30) years from the effective date of the SPA. See "THE DISTRICT—Strategic Partnership Agreement." The District could consent to a full purpose annexation prior to that time by agreeing to amend the SPA to such effect, however, the District currently has no intention to do so.

Consolidation

The District has the legal authority to consolidate with other municipal utility 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 Orders, or defaults in the observance or performance of any other covenants, conditions, or obligations set forth in the Bond Orders, 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 Orders. Except for mandamus, the Bond Orders do not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. 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."

Defeasance

The Bond Orders provide that the District may discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal, interest and redemption price thereon in any manner permitted by law. Under current Texas law, such discharge may be accomplished either (i) by depositing with the Comptroller of Public Accounts of the State of Texas a sum of money equal to the principal of, premium, if any, and all interest to accrue on the Bonds to maturity or redemption or (ii) by depositing with any place of payment (paying agent) 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 Orders.

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 Orders do 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, premium, if any, and interest on the Bonds are to be paid to and credited by The Depository Trust Company, New York, New York, ("DTC") while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District and the Financial Advisor believe the source of such information to be reliable, but neither of the District or the Financial Advisor take any 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 Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

The District cannot and does not give any assurances that DTC, DTC Direct Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) Bonds representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) prepayment or other notices sent to DTC or Cede & Co., its nominee, as the Registered Owner of the Bonds, or that they will do so on a timely basis or that DTC, DTC Direct Participants or DTC Indirect Participants will 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 "Procedure" of DTC to be followed in dealing with DTC Direct Participants is on file with DTC.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds of each series, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest 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 3.6 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.

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 purchaser 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 affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District (or the Trustee on behalf thereof) 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).

Principal, premium, if any, interest payments and redemption proceeds 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, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, interest payments and redemption proceeds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or the Paying Agent. 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 transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

THE DISTRICT

General

The District is a municipal utility district, created by House Bill No. 4079, Acts of the 80th Texas Legislature, Regular Session 2007, codified as Chapter 8269, Texas Special District Local Laws Code, and operates under the provisions of Chapter 49 and Chapter 54 of the Texas Water Code, as amended, and other general statutes of Texas applicable to municipal utility districts. The District, which lies wholly within the extraterritorial jurisdiction of the City of Houston (except as described below under "Strategic Partnership Agreement"), is subject to the continuing supervisory jurisdiction of the TCEQ.

The District is empowered, among other things, to finance, purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation and treatment of wastewater; and the control and diversion of storm water. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District may also provide solid waste disposal and collection services. The District is also empowered to establish, operate and maintain fire-fighting facilities, separately or jointly with one or more conservation and reclamation districts, municipalities or other political subdivisions, after approval by the TCEQ and the voters of the District. Additionally, the District may, subject to certain limitations, develop and finance recreational facilities and may also, subject to certain limitations, develop and finance roads. See "THE BONDS— Authority for Issuance—Issuance of Additional Debt," "—Financing Recreational Facilities" and "—Financing Road Facilities."

The District is required to observe certain requirements of the City of Houston which limit the purposes for which the District may sell bonds to finance the acquisition, construction, and improvement of waterworks, wastewater, drainage, recreational, road and fire-fighting facilities and the refunding of outstanding debt obligations; limit the net effective interest rate on such bonds and other terms of such bonds; require approval by the City of Houston of District construction plans; and permit connections only to lots and reserves described in a plat that has been approved by the City of Houston and filed in the real property records of Montgomery County. The District is also required to obtain certain TCEQ approvals prior to acquiring, constructing and financing water, sanitary sewer and drainage facilities, recreational facilities and fire-fighting facilities, as well as voter approval of the issuance of bonds for said purposes. Construction and operation of the District's system is subject to the regulatory jurisdiction of additional State of Texas and local agencies. See "THE WATER, WASTEWATER AND DRAINAGE SYSTEM—Regulation."

Strategic Partnership Agreement

The District and the City of Houston (the "City") have entered into a Strategic Partnership Agreement dated effective November 16, 2012 (the "Original SPA"), as amended and restated by that certain First Amended and Restated Strategic Partnership Agreement dated effective December 19, 2016 (the "SPA") pursuant to Chapter 43 of the Texas Local Government Code. The SPA provides for a "limited purpose annexation" for that portion of the District which is developed for retail and commercial purposes in order to apply certain City health, safety, planning and zoning ordinances within the District. Areas of residential development within the District are not subject to the limited purpose annexation. The SPA also provides that the City will not annex the District for "full purposes" for at least thirty (30) years from the effective date of the Original SPA. Also, as a condition to full purpose annexation, any unpaid reimbursement obligations due to a developer by the District for water, sanitary sewer and drainage facilities must be assumed by the City to the maximum extent permitted by TCEQ rules. The procedures for full purpose annexation under the SPA may differ from those otherwise applicable under Chapter 43, Texas Local Government Code, including any requirements for an election. See "THE BONDS—Annexation."

As of the effective date of the SPA, the City was authorized to impose the one percent (1%) City sales and use tax within the portion of the District included in the limited purpose annexation. Such portion includes primarily the retail and commercial development within the District. The City pays to the District an amount equal to one half (1/2) of all sales and use tax revenue generated within such area of the District and received by the City from the Comptroller of Public Accounts of the State of Texas (the "Sales Tax Revenue"). Pursuant to State law, the District is authorized to use Sales Tax Revenue generated under the SPA for any lawful purpose. None of the anticipated Sales Tax Revenue is pledged toward the payment of principal and interest on the Bonds or the Remaining Outstanding Bonds.

Description and Location

The District currently consists of approximately 1,137 acres of land in south Montgomery County. The District is located approximately 25 miles north of the central downtown business district of the City and lies wholly within the extraterritorial jurisdiction of the City and within the boundaries of the Conroe Independent School District. The District lies approximately three miles east of Interstate Highway 45 and is bounded on the north by the Grand Parkway, on the east by Birnham Woods Drive, on the south by Spring Creek and on the west by Montgomery County Municipal Utility District No. 94.

Land Use

The following table represents a detailed breakdown of the current acreage and development in the District.

	Approximate Acres	Lots
Single-Family Residential		
Discovery at Spring Trails:		
Section 1	7	32
Section 2	8	28
Canyon Lakes at Spring Trails:		
Section 1	22	61
Section 1 Partial Replat No. 1 and Expansion	28	88
Section 1 Partial Replat No. 2 and Expansion	13	27
Section 2	12	45
Section 4	25	96
Section 5	9	36
Harmony Creek:		
Section 1	13	43
Section 4	1	1
Harmony Landing	12	53
Harmony Springs	33	139
Harmony Central Sector:		
Section 1	61	268
Section 2	26	89
Harmony Village:		
Section 1	21	73
Section 2	12	39
Section 3	17	47
Section 4	18	61
Section 6	17	74
Section 7	14	70
Section 8	15	60
Section 9	27	117
Section 10	15	72
Allegro at Harmony:		
Section 1A	21	80
Section 1B	17	53
Section 2A	26	116
Section 2B	8	39
Section 2B, Phase 2	13	45
Section 3	33	124
Section 4	16	74
Vivace:		
Section 1	34	117
Section 2	19	79
Section 3	17	80
Subtotal	630	2,426
Multi-Family (583 units)(a)	22	---
Townhomes(b)	32	192
School Site(c)	49	---
Church Site	5	---
Park Site/Open Spaces/Landscape Reserves	171	---
Commercial Reserves(d)	81	---
Fire Station	2	---
Non-Developable (e)	145	---
	1,137	2,618

(a) Consists of two apartment complexes of 310 units and 273 units, respectively.
(b) Marketed as Solstice at Harmony (approximately 16 acres, 112 units) and Harmony Village, Section 5 (approximately 16 acres and 80 units).
(c) See "Status of Development—School Site" below
(d) Approximately 81 acres of commercial reserves are served with trunk facilities. Such acreage includes approximately 75 acres with improvements.
(e) Includes major thoroughfares, drainage facilities, street right-of-way, water plant, wastewater treatment plant and lift station sites, and undevelopable reserves.

Status of Development

Single-Family Residential: As of October 15, 2021, the District consisted of 2,310 completed homes (2,305 occupied), 91 homes under construction, and 25 vacant developed lots. Homes in the District range in price from approximately $200,000 to $500,000.

Homebuilders actively conducting building programs within the District are: Castlerock, Shea Homes, Pulte and Taylor Morrison.

Multi-Family Residential: SYNC at Harmony, a 310-unit apartment complex, is located on approximately 13 acres in the District. According to the apartment management, SYNC at Harmony is at 96.00% occupancy as of November 2021. Additionally, a 273-unit apartment complex, Harmony Park, has been constructed on approximately 9 acres and, according to the apartment management, Harmony Park is at 96.34% occupancy as of November 2021.

Townhomes: Approximately 32 acres of land have developed as 192 townhome lots and are being marketed as Solstice at Harmony (112 units) and Harmony Village, Section 5 (80 units). As of October 15, 2021, 192 townhomes have been constructed and occupied.

Commercial: Approximately 81 acres of commercial reserves have been developed with trunk facilities in the District. Day care facilities, two Mexican restaurants, an HEB grocery store, a 24-Hour Clinic, a Mod Pizza, a Domino's Pizza, a Sports Clips, a Smoothie King, TSO, a Chase Bank, a Sonic fast food restaurant, a Panera Bread, an orthodontics office, a free-standing car wash, a gas station, The Goddard School Daycare, Kiddie Academy Daycare, LA Fitness, a storage facility, Ace Hardware, Republic Grill, Panda Express, Lind Institute of Plastic Surgery and other service and retail establishments, a Texas Children's ER (tax-exempt) and a veterinary clinic have been constructed on approximately 75 acres of such acreage.

School Site: Conroe Independent School District has constructed a middle school and junior high school on approximately 49 acres in the District (tax-exempt).

Fire Station: Montgomery County Emergency Service District No. 8 has constructed a fire station located on approximately 2 acres within the District.

Future Development

The District has been developed as a primarily residential development. There is no additional developable land within the District that has not been served with water distribution and supply, wastewater collection and treatment or storm drainage facilities. In addition to the residential development, approximately 81 acres of commercial reserves have been provided with trunk facilities, of which approximately 6 acres have no vertical improvements constructed or have vertical improvements under construction. While the District anticipates future development of improvements on this acreage, there can be no assurances given as to whether or when such improvements will ultimately be developed. The District anticipates issuing additional bonds to accomplish full development of the District. See "THE BONDS—Issuance of Additional Debt" and "INVESTMENT CONSIDERATIONS—Future Debt." The Engineer has stated that under current development plans, the currently remaining authorized but unissued bonds should be sufficient to complete development of the District.

THE DEVELOPERS AND MAJOR PROPERTY OWNERS

Role of a Developer

In general, the activities of a landowner or developer in a municipal utility district such as the District include designing the project, defining a marketing program and setting building schedules; securing necessary governmental approvals and permits for development; arranging for the construction of streets and the installation of utilities; and selling or leasing improved tracts or commercial reserves to other developers or third parties. A developer is under no obligation to a district to undertake development activities according to any particular plan or schedule. Furthermore, there is no restriction on a developer's right to sell any or all of the land which the developer owns within a district. In addition, the developer is ordinarily the major taxpayer within the district during the early stages of development. The relative success or failure of a developer to perform in the above-described capacities may affect the ability of a district to collect sufficient taxes to pay debt service and retire bonds.

Investors in the Bonds should note that the prior real estate experience of the Developers should not be construed as an indication that further development within the District will occur, or that construction of taxable improvements upon property within the District will occur, or that marketing or leasing of taxable improvements constructed upon property within the District will be successful. The District cautions that the development experience of the Developers was gained in different markets and under different circumstances than those that exist in the District and the prior success, if any, is no indication or guarantee that the Developers will be successful in the development of land within the District.

The Developers are not responsible for, liable for, and have not made any commitment for payment of the Bonds or other obligations of the District. The Developers have no legal commitment to the District or owners of the Bonds to continue development of land within the District and may sell or otherwise dispose of its property within the District, or any other assets, at any time.

The District has been developed as a predominately single-family residential development. The most recent development has been completed by or is ongoing by Discovery Spring Trails, Taylor Morrison, Pulte, D.R. Horton, Shea Homes, and Castlerock. None of such entities currently own any undeveloped land in the District.

MANAGEMENT OF THE DISTRICT

Board of Directors

The District is governed by the Board, consisting of five (5) directors, which has control over and management supervision of all affairs of the District. Directors are elected to four-year staggered terms and elections are held in May in even numbered years. Three of the Board members reside within the District and one does not reside in the District; however, each of the Board members owns land within the District. The current members and officers of the Board, along with their titles and terms, are listed as follows:

Name	Title	Term Expires
James H. Ragan	President	May 2022
Todd E. Applegate	Vice President	May 2024
Steve Scarborough	Secretary	May 2022
Bilal M. Zuberi	Asst. Secretary	May 2022
Kelly Hurst	Asst. Secretary	May 2024

District Consultants

The District does not have a general manager or other full-time employees, but contracts for certain necessary services as described below.

Bond Counsel and General Counsel: Schwartz, Page & Harding, L.L.P. ("Bond Counsel") serves as Bond Counsel to the District. The fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds. In addition, Schwartz, Page & Harding, L.L.P. serves as general counsel to the District on matters other than the issuance of bonds.

Financial Advisor: Masterson Advisors LLC serves as the District's Financial Advisor. The fee for services rendered in connection with the issuance of the Bonds is based on a percentage of the Bonds actually issued, sold and delivered and, therefore, such fee is contingent upon the sale and delivery of the Bonds.

Tax Appraisal: The Montgomery Central Appraisal District has the responsibility of appraising all property within the District. See "TAXING PROCEDURES."

Tax Assessor/Collector: The District has appointed an independent tax assessor/collector to perform the tax collection function. Assessments of the Southwest, Inc. (the "Tax Assessor/Collector") has been engaged by the District to serve in this capacity.

Engineer: The District's consulting engineer is Elevation Land Solutions (the "Engineer").

Bookkeeper: The District has contracted with Municipal Accounts & Consulting, L.P. (the "Bookkeeper") for bookkeeping services.

Auditor: The financial statements of the District as of June 30, 2021, and for the year then ended, included in this offering document, have been audited by BKD, LLP, independent auditors, as stated in their report appearing herein.

Utility System Operator: The operator of the District's water and wastewater systems and plants is Environmental Development Partners, LLC (the "Operator").

THE WATER, SEWER AND DRAINAGE SYSTEM

Regulation

Construction and operation of the District's water, sewer and storm drainage system as it now exists or as it may be expanded from time to time is subject to regulatory jurisdiction of federal, state and local authorities. The TCEQ exercises continuing, supervisory authority over the District. Discharge of treated sewage into Texas waters, if any, is also subject to the regulatory authority of the TCEQ and the United States Environmental Protection Agency ("EPA"). The provision of potable water in the District is subject to the regulatory authority of the TCEQ and EPA. Withdrawal of ground water and the issuance of water well permits is subject to the regulatory authority of the Lone Star Groundwater Conservation District. Montgomery County, the City of Houston, and the Texas Department of Health also exercise regulatory jurisdiction over the District's System. Changes in regulatory criteria could require the District to make additional capital expenditures for System improvements in the future.

Water Supply

Water supply for the District is provided by a two water plants located within the District. Water Plant No. 1 consists of a 1,200 gallon per minute ("gpm") water well, 30,000 gallons of pressure tank capacity, 712,000 gallons of ground storage tank capacity and four booster pumps with a total capacity of 4,100 gpm. Water Plant No. 2 consists of a 1,200 gallon per minute ("gpm") water well, 30,000 gallons of pressure tank capacity, 360,000 gallons of ground storage tank capacity and two booster pumps with a total capacity of 2,400 gpm. According to the District Engineer, the water supply facilities will adequately serve 3,500 equivalent single-family connections ("ESFC"). As of October 2021, the District was serving approximately 2,743 active connections (including 91 homes/townhomes under construction or in a builder's name and 583 multi-family units). The District has an emergency water interconnect with Montgomery County Municipal Utility District No. 94 ("MUD 94").

Surface Water Conversion

The District is located within the boundaries of the Lone Star Groundwater Conservation District ("Conservation District"), a county-wide regulatory agency that was created by the Texas legislature. The Conservation District was created to provide a regional entity to acquire surface water and build the necessary facilities to convert from groundwater to surface water in order to meet the future needs of Montgomery County. The Conservation District has adopted a regulatory plan which requires ground water users within Montgomery County to reduce ground water usage by 30% by January 1, 2016. In order to comply with said requirement, the San Jacinto River Authority ("SJRA") entered into a contract with the Conservation District to develop an overall groundwater reduction plan ("GRP"). In turn, the District entered into a contract with SJRA pursuant to which the District is included in the SJRA's GRP. Based on the SJRA's "Joint Water Reduction Plan" dated March 2011, the District is not part of the 2016 conversion area but it is anticipated that surface water will be brought to the District as part of a future conversion. The SJRA instituted a groundwater pumpage fee commencing August 1, 2010. Said fee is currently $2.88 per 1,000 gallons of water pumped by the District from its well. The amount billed per 1,000 gallons by the SJRA is subject to further increase in future years.

Wastewater Treatment

The District entered into a Waste Disposal Agreement with MUD 94 dated November 6, 2007 and amended September 23, 2008, November 7, 2011, March 4, 2014, May 10, 2016 and April 6, 2021. The original plant, in which the District owns approximately 109,000 gallons per day ("gpd") of capacity, is currently located on land wholly within MUD 94; however, an adjacent site was deeded to the District for future expansions of the wastewater treatment plant. The first expansion was completed and operational in October 2013 and provided an additional 200,000 gpd of capacity. Effective January 1, 2014, the District became the operating district for the plant. The second expansion of the plant was completed and operational in April 2016 and provided an additional 300,000 gpd of capacity. The third expansion of the plant was completed in November 2020 and provided an additional 225,000 gpd of capacity. The cumulative wastewater treatment plant capacity owned or leased by the District is 834,000 gpd, and the expanded wastewater treatment plant capacity allocated to the District is capable of serving approximately 3,474 ESFCs. As of October 2021, the District was serving approximately 2,743 active connections (including 91 homes/townhomes under construction or in a builder's name and 583 multi-family units). No further expansion will be required for full development of the District.

Water Distribution, Wastewater Collection and Storm Drainage Facilities

Water distribution, wastewater collection and storm drainage facilities have been constructed to serve 2,426 single-family residential lots in the District. Additionally, there are facilities to serve approximately 81 acres of commercial reserves, approximately 22 acres for multi-family residential development (583 units), and approximately 32 acres constructed for two townhome projects (192 units). See "THE DISTRICT—Land Use."

Before development, the land within the District's boundaries naturally drains southwest to a tributary of Spring Creek. Street with curb and gutter and underground storm sewer have been constructed for each section as it was developed. The storm water is conveyed through the storm sewers and then to the Harmony Creek drainage channel. The channel outfalls by gravity to Spring Creek at the southern limit of the District boundary.

100-Year Flood Plain

"Flood Insurance Rate Map" or "FIRM" means an official map of a community on which the Federal Emergency Management Agency (FEMA) has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100-year flood plain, is depicted on these maps. The "100-year flood plain" (or 1% chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rain storm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes must be built above the 100-year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. An engineering or regulatory determination that an area is above the 100-year flood plain is not an assurance that homes built in such area will not be flooded, and a number of neighborhoods in the greater Houston area that are above the 100-year flood plain have flooded multiple times in the last several years. Approximately 2 acres located within the District (Harmony Village Sections 8, 9 and 10) are officially within the 100-year flood plain according to the Federal Emergency Management ("FEMA") Flood Insurance Rate Maps and the Engineer (Firm Panel No. 48339C0725G). These areas were filled above the 100-year elevation during construction of the mass grading for Harmony Village, Sections 6 through 10 projects. FEMA approved a Letter of Map Revision based on Fill ("LOMR-F") for these areas on November 8, 2017. Approximately 121 acres are within the floodplain and will remain undeveloped.

The District drains to Spring Creek, which reached 500-year flood elevations on August 28, 2017. The 500-year elevation is approximately 6 feet higher than 100-year flood elevations. During the flood event resulting from Hurricane Harvey, the District is aware of structural flooding in six homes (3 under construction and 3 homeowner occupied). The sections in which these homes were located were designed for the 100-year event.

On May 7, 2019, the District experienced approximately 8-inches of rainfall in a 2-hour duration, which is described as a 200-year rainfall event according to NOAA Atlas 14 standards. The District's drainage system is designed to withstand a 100-year rainfall event per the local regulatory design criteria. According to the Engineer, the District is aware of two homes and one commercial business that experienced structural flooding in the District as a result of the rainfall event on May 7, 2019. The District is proceeding with drainage improvement projects to enhance the drainage system in the District to increase capacity above the regulatory criteria. See "INVESTMENT CONSIDERATIONS—Severe Weather Events; Hurricane Harvey."

District Operations

The Bonds and the Remaining Outstanding Bonds are payable solely from the levy of an ad valorem tax, without legal limitation as to rate or amount, upon all taxable property in the District. Net revenue from operations of the District's system, if any, are available for any legal purpose, including, upon Board action, the payment of debt service on the Bonds and the Remaining Outstanding Bonds. It is anticipated that no significant operation revenues will be used for debt service on the Bonds or the Remaining Outstanding Bonds in the foreseeable future.

The following statement sets forth in condensed form the General Operating Fund for the District as shown in the District's audited financial statements for the fiscal years ended June 30, 2017 through June 30, 2021. Such figures are included for informational purposes only. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Reference is made to "APPENDIX A" for further and complete information.

	Fiscal Year Ended June 30				
	2021	2020	2019	2018	2017
Revenues:					
Property Taxes	$ 3,075,713	$ 2,564,015	$ 2,077,047	$ 1,855,319	$ 1,475,481
Sales Tax Rebate	302,090	221,984	200,157	179,866	130,455
Water Service	1,364,316	1,181,354	925,774	825,766	705,998
Sewer Service	1,748,850	1,437,519	1,158,102	862,339	730,532
Regional Water Fee	1,161,315	1,011,381	736,736	642,010	553,280
Penalty and Interest	44,794	38,792	37,890	27,314	32,506
Tap Connection & Inspection Fees	369,440	725,770	770,908	418,612	356,873
Interest and Other Income	22,347	122,441	153,089	70,240	19,521
Total Revenue	$ 8,088,865	$ 7,303,256	$ 6,059,703	$ 4,881,466	$ 4,004,646
Expenditures:					
Purchased Services	$ 814,016	$ 268,956	$ 411,689	$ 450,173	$ 390,891
Groundwater Fees	1,119,074	868,011	725,352	544,251	534,690
Professional Fees	283,787	287,225	391,585	299,468	340,428
Contracted Services	808,520	1,117,965	757,837	605,968	641,009
Utilities	227,293	214,173	187,952	138,287	126,244
Repairs & Maintenance	601,151	454,923	404,331	260,948	327,933
Other Expenditures	197,462	163,670	149,052	105,990	128,966
Tap Connections	190,775	501,377	346,043	191,691	187,930
Debt Issuance Costs	53,994	57,658	39,035	45,291	58,826
Capital Outlay	964,774 (a)	1,594,931 (b)	470,925 (c)	1,188,868 (d)	1,976,898 (e)
Total Expenditures	$ 5,260,846	$ 5,528,889	$ 3,883,801	$ 3,830,935	$ 4,713,815
NET REVENUES	$ 2,828,019	$ 1,774,367	$ 2,175,902	$ 1,050,531	$ (709,169)
OTHER FINANCING SOURCES					
Developer Advances (f)	$ -	$ -	$ -	$ 529,200 (d)	$ 3,558,489 (e)
Repayment of Developer Advances	-	(529,200)	(678,375)	-	-
Interfund Transfers	(18,326)	-	-	53,227	-
General Operating Fund Balance (Beginning of Year)	$ 8,912,574	$ 7,667,407	$ 6,169,880	$ 4,536,922	$ 1,687,602
General Operating Fund Balance (End of Year)	$ 11,722,267	$ 8,912,574	$ 7,667,407	$ 6,169,880	$ 4,536,922

(a) In 2021, the Developers advanced funds to the District to finance construction and improvements to sidewalks/pathways, amenity channel, Meandering Bridge and waterline extensions.
(b) In 2020, the Developers advanced funds to the District to finance the construction of improvements to Harmony Forest/Spring drainage improvements and channel rehabilitation, in addition to improvements made to landscape, waterline, extensions and Meandering Bend Drive Bridge.
(c) In 2019, the Developers advanced funds to the District to finance the construction of improvements to Harmony Pathway and to complete improvements to Lift Station No. 2 and related force main.
(d) In 2018, the Developers advanced funds to the District to finance the construction of facilities to Birnham Woods Segment A and improvements to Lift Station No. 2 and related force main.
(e) In 2017, the Developers advanced funds to the District to finance the construction of facilities to serve the Discovery Spring Trails projects.
(f) Funds were advanced by various developers to finance projects directly through the District's operating account. Some of the projects have been included in previous bond issues and other projects will be included in future bond issues to reimburse the developers for their portions of such projects.

THE PARK SYSTEM

Park and recreational improvements that have been constructed on approximately 171 acres in the District and include recreation centers with tennis courts, basketball courts, splash pads, and playgrounds with benches, lighting and landscaping throughout the District.

THE ROADS

There are two major thoroughfares that lie within the District's boundaries that have been financed with proceeds of the Outstanding Road Bonds. This includes a portion of Rayford Road from just north of Harmony Creek to the intersection of Birnham Woods Drive, and Birnham Woods Drive from the intersection of Rayford Road to the intersection of Browning Pine Drive. The roads are constructed of reinforced concrete with a curb and gutter on stabilized subgrade. The roads were constructed a minimum 7-inches thick and consist of a single 25-foot wide concrete driving surface for one lane of traffic in each direction. The District may choose to construct the second 25-foot wide lane for this portion of Rayford Road and for Birnham Woods Drive in the future.

In addition to the thoroughfares, there are five collector streets that lie within the District's boundaries that have been financed with proceeds of the Outstanding Road Bonds. This includes Spring Trails Park Drive, Lexington Boulevard, Harmony Park Crossing, Harmony Commons and Allegro Bend Drive. Paving widths vary from a boulevard section to dual 25-foot wide pavement surfaces for two lanes of traffic in each direction with a raised median. Spring Trails Park Drive, Harmony Park Crossing, Harmony Commons and Allegro Bend Drive are constructed of 6-inch thick reinforced concrete with a curb and gutter on stabilized subgrade. Lexington Boulevard is constructed of 7-inch thick reinforced concrete with a curb and gutter on stabilized subgrade.

All roadways are designed and constructed in accordance with Montgomery County (the "County") and City of Houston standards, rules and regulations. Upon acceptance by the County of roadways or roadway facilities, the County is responsible for operation and maintenance thereof.

FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)

2021 Certified Taxable Assessed Valuation	$946,743,218	(a)
Gross Direct Debt Outstanding (the Bonds and the Remaining Outstanding Bonds)	$94,940,000	(b)
Estimated Overlapping Debt	38,352,958	(c)
Gross Direct Debt and Estimated Overlapping Debt	$133,292,958	(c)
Ratio of Gross Direct Debt to:		
2021 Certified Taxable Assessed Valuation	10.03%	
Ratio of Gross Direct Debt and Estimated Overlapping Debt to:		
2021 Certified Taxable Assessed Valuation	14.08%	
Funds Available for Debt Service:		
Water, Sewer and Drainage Debt Service Fund Balance as of December 6, 2021	$3,951,160	(d)
Road Debt Service Fund Balance as of December 6, 2021	698,905	(d)
Total Funds Available for Debt Service	$4,650,065	(d)
Funds Available for Operations and Maintenance as of December 6, 2021	$11,993,406	
Funds Available for Water, Sewer and Drainage Construction as of December 6, 2021	$840,025	
Funds Available for Road Construction as of December 6, 2021	$51,364	
Funds Available for Park Construction as of December 6, 2021	$289,463	

(a) As certified by the Montgomery Central Appraisal District (the "Appraisal District"). See "TAXING PROCEDURES."
(b) See "Outstanding Bonds" herein.
(c) See "Estimated Overlapping Debt" herein.
(d) Although all of the District's debt, including the Remaining Outstanding Bonds and the Bonds, is payable from an unlimited tax pledge on parity, a pro rata portion of the District's ad valorem tax revenue will be allocated to the bonds sold for water, sewer, drainage and park facilities (the "WSD&P Bonds") and a portion will be allocated to the bonds sold for road facilities (the "Road Bonds"). The Water, Sewer and Drainage Debt Service Fund is pledged to the Outstanding WSD&P Bonds, including the Series 2022 Refunding Bonds once issued and the Road Debt Service Fund is pledged to the Outstanding Road Bonds, including the Series 2022A Road Refunding Bonds once issued. See "THE BONDS—Funds" and "Debt Service Requirements" herein. The District will contribute $45,000 of available water, sewer, drainage and park debt service funds and $30,000 of available road debt service funds towards the purpose for which the Bonds are being issued, respectively. See "PLAN OF FINANCING—Sources and Uses of Funds." Neither Texas law nor the Bond Orders requires the District to maintain any particular balance in the Debt Service Fund.

Investments of the District

The District has adopted an Investment Policy as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended. The District's goal is to preserve principal and maintain liquidity while securing a competitive yield on its portfolio. Funds of the District will be invested in short term U.S. Treasuries, certificates of deposit insured by the Federal Deposit Insurance Corporation ("FDIC") or secured by collateral evidenced by perfected safekeeping receipts held by a third party bank, and public funds investment pools rated in the highest rating category by a nationally recognized rating service. The District does not currently own, nor does it anticipate owning long term securities or derivative products in the District's investment portfolio.

Outstanding Bonds

The following table lists the original principal amount of Outstanding Bonds, and the current principal balance of the Outstanding Bonds, the Refunded Bonds and the Remaining Outstanding Bonds.

Series	Original Principal Amount	Outstanding Bonds	Less: Refunded Bonds	Remaining Outstanding Bonds
2012	$ 2,875,000	$ -	$ -	$ -
2012 (a)	2,695,000	-	-	-
2013	4,245,000	-	-	-
2014	4,560,000	4,000,000	3,885,000	115,000
2015 (a)	3,025,000	2,555,000	2,465,000	90,000
2015A	12,575,000	10,925,000	-	10,925,000
2016	11,110,000	9,310,000	-	9,310,000
2017 (a)	4,650,000	4,125,000	-	4,125,000
2017	13,650,000	11,925,000	-	11,925,000
2018 (a)	5,200,000	4,750,000	-	4,750,000
2019	10,180,000	9,280,000	-	9,280,000
2019A (b)	2,635,000	2,585,000	-	2,585,000
2019B	13,600,000	13,000,000	-	13,000,000
2020	6,240,000	6,240,000	-	6,240,000
2020A (c)	7,360,000	6,610,000	-	6,610,000
2020B (d)	2,070,000	1,940,000	-	1,940,000
2021 (b)	3,705,000	3,705,000	-	3,705,000
2021A	1,405,000	1,405,000	-	1,405,000
2021B (c)	2,295,000	2,295,000	-	2,295,000
Total	$ 114,075,000	$ 94,650,000	$ 6,350,000	$ 88,300,000
The Series 2022 Refunding Bonds				4,065,000
The Series 2022A Road Refunding Bonds				2,575,000
The Bonds and Remaining Outstanding Bonds				$ 94,940,000

(a) Unlimited Tax Road Bonds.
(b) Unlimited Tax Refunding Bonds.
(c) Unlimited Tax Park Bonds.
(d) Unlimited Tax Road Refunding Bonds.

Debt Service Requirements

The following sets forth the debt service requirements for the Outstanding Bonds, less the debt service on the Refunded Bonds ($6,350,000 principal amount), plus the Bonds.

Year	Outstanding Bonds Debt Service Requirements	Less: Debt Service on Refunded Bonds	Plus: The Series 2022 Bonds Principal	Plus: The Series 2022 Bonds Interest	Plus: The Series 2022A Road Bonds Principal	Plus: The Series 2022A Road Bonds Interest	Total Debt Service Requirements
2022	$ 7,343,561.70	$ 224,708.76		$ 67,238.89		$ 43,134.72	$ 7,229,226.55
2023	7,256,365.00	436,721.26	$ 140,000	91,000.00	$ 105,000	58,150.00	7,213,793.74
2024	6,872,308.75	445,533.76	150,000	86,650.00	115,000	54,850.00	6,833,274.99
2025	6,750,636.88	448,780.63	155,000	82,075.00	120,000	51,325.00	6,710,256.25
2026	6,674,668.13	446,465.00	160,000	77,350.00	120,000	47,725.00	6,633,278.13
2027	6,222,633.75	453,640.00	175,000	72,325.00	125,000	44,050.00	6,185,368.75
2028	6,146,805.63	460,280.63	180,000	67,900.00	130,000	40,875.00	6,105,300.00
2029	6,108,265.01	466,452.51	190,000	64,200.00	135,000	38,225.00	6,069,237.50
2030	6,049,471.26	471,921.26	200,000	60,300.00	135,000	35,525.00	6,008,375.00
2031	5,976,000.01	476,606.26	210,000	56,200.00	140,000	32,775.00	5,938,368.75
2032	5,798,741.26	480,628.76	215,000	51,950.00	145,000	29,925.00	5,759,987.50
2033	5,735,735.01	483,885.01	225,000	47,550.00	145,000	27,025.00	5,696,425.00
2034	5,666,516.26	495,585.01	235,000	42,950.00	155,000	24,025.00	5,627,906.25
2035	5,587,694.38	495,856.88	240,000	38,200.00	155,000	20,925.00	5,545,962.50
2036	5,495,753.13	500,387.50	250,000	33,143.75	160,000	17,675.00	5,456,184.38
2037	5,380,979.38	508,982.50	260,000	27,725.00	165,000	14,221.88	5,338,943.76
2038	5,307,684.38	511,700.00	270,000	21,925.00	170,000	10,450.01	5,268,359.39
2039	5,215,446.88	518,493.75	280,000	15,737.50	175,000	6,353.13	5,174,043.76
2040	5,166,190.63	754,562.50	530,000	6,293.75	180,000	2,137.50	5,130,059.38
2041	4,087,884.38	-	-	-	-	-	4,087,884.38
2042	2,960,156.25	-	-	-	-	-	2,960,156.25
2043	1,196,475.00	-	-	-	-	-	1,196,475.00
2044	600,950.00	-	-	-	-	-	600,950.00
Total	$ 123,600,923.06	$ 9,081,191.98	$ 4,065,000	$ 1,010,713.89	$ 2,575,000	$ 599,372.24	$ 122,769,817.21

Average Annual Debt Service (2022-2044)..........$5,337,818
Maximum Annual Debt Service (2022)..........$7,229,227

Estimated Overlapping Debt

The following table indicates the outstanding debt payable from ad valorem taxes, of governmental entities within which the District is located and the estimated percentages and amounts of such indebtedness attributable to property within the District. Debt figures equated herein to outstanding obligations payable from ad valorem taxes are based upon data obtained from individual jurisdictions or Texas Municipal Reports compiled and published by the Municipal Advisory Council of Texas. Furthermore, certain entities listed below may have issued additional obligations since the date listed and may have plans to incur significant amounts of additional debt. Political subdivisions overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for the purposes of operation, maintenance and/or general revenue purposes in addition to taxes for the payment of debt service and the tax burden for operation, maintenance and/or general revenue purposes is not included in these figures. The District has no control over the issuance of debt or tax levies of any such entities.

Taxing Jurisdiction	Outstanding Bonds	As of	Overlapping Percent	Overlapping Amount
Montgomery County……………………………….	$ 486,675,000	10/31/2021	1.41%	$ 6,862,118
Conroe Independent School District………………..	1,351,160,000	10/31/2021	2.15%	29,049,940
Lone Star College System.………………………….	610,225,000	10/31/2021	0.40%	2,440,900
Total Estimated Overlapping Debt…………………				$ 38,352,958
The District…………………………………………	94,940,000 (a)	Current	100.00%	94,940,000
Total Direct and Estimated Overlapping Debt…….				$ 133,292,958

Ratio of Estimated Direct and Overlapping Debt to the 2021 Taxable Assessed Valuation………………………………… 14.08%

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

Overlapping Taxes

Property within the District is subject to taxation by several taxing authorities in addition to the District. On January 1 of each year a tax lien attaches to property to secure the payment of all taxes, penalties and interest imposed on such property. The lien exists in favor of each taxing unit, including the District, having the power to tax the property. The District's tax lien is on a parity with tax liens of taxing authorities shown below. In addition to ad valorem taxes required to pay debt service on bonded debt of the District and other taxing authorities, certain taxing jurisdictions, including the District, are also authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

Set forth below are all of the taxes levied for the 2021 tax year by all overlapping taxing jurisdictions and the 2021 tax rate of the District. No recognition is given to local assessments for civic association dues, fire department contributions, solid waste disposal charges or any other levy of entities other than political subdivisions.

	2021 Tax Rate per $100 of Taxable Assessed Valuation
Montgomery County……………………………….	$ 0.40830
Montgomery Co. Hospital District………………….	0.05670
Conroe Independent School District………………..	1.17600
Lone Star College System.………………………….	0.10780
Montgomery County ESD No. 8…………………….	0.09990
Total Overlapping Tax Rate………………………	$ 1.84870
The District (a) …………………………………….	1.11000
Total Tax Rate……………………………………	$ 2.95870

(a) See "TAX DATA—Historical Tax Rate Distribution."

TAX DATA

Debt Service Tax

The Board covenants in the Bond Orders to levy and assess, for each year that all or any part of the Bonds and the Remaining Outstanding Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Bonds and the Remaining Outstanding Bonds. See "Tax Rate Distribution" and "Tax Roll Information" below, and "TAXING PROCEDURES" and "INVESTMENT CONSIDERATIONS—Economic Factors and Interest Rates."

Maintenance Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for the operation and maintenance of the District, if such a maintenance tax is authorized by the District's voters. A maintenance tax election was held on November 6, 2007, and voters of the District authorized, among other things, the Board to levy a maintenance tax at a rate not to exceed $1.50 per $100 assessed valuation for general operations and maintenance costs. At the same election, voters authorized the Board to levy a maintenance tax for operations and maintenance costs of recreational facilities at a rate not to exceed $0.10 per $100 assessed valuation. The District levied a $0.34 general operations and maintenance tax rate for 2021. It has not levied a maintenance and operations tax for recreational facilities to date. A maintenance tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds. See "Debt Service Tax" above.

Tax Exemptions

For the 2021 tax year, the District granted an exemption of $25,000 for persons 65 years of age or older or disabled. See "TAXING PROCEDURES—Property Subject to Taxation by the District."

Historical Tax Rate Distribution

	2021	2020	2019	2018	2017
Debt Service	$ 0.77	$ 0.83	$ 0.85	$ 0.89	$ 0.89
Maintenance and Operations	0.34	0.38	0.39	0.40	0.43
Total	$ 1.11	$ 1.21	$ 1.24	$ 1.29	$ 1.32

Historical Tax Collections

The following statement of tax collections sets forth in condensed form a portion of the historical tax experience of the District. Such table has been prepared for inclusion herein, based upon information obtained from the Tax Assessor/Collector. Reference is made to such statements and records for further and complete information. See "Tax Roll Information" below.

Tax Year	Certified Taxable Assessed Valuation (a)	Tax Rate	Total Tax Levy (b)	Total Collections as of November 30, 2021 (c) Amount	Percent
2016	$ 350,865,297	$ 1.37	$ 4,810,903	$4,810,903	100.00%
2017	434,076,793	1.32	5,729,814	5,729,111	99.99%
2018	515,515,310	1.29	6,650,148	6,649,354	99.99%
2019	663,032,551	1.24	8,221,604	8,219,577	99.98%
2020	809,836,228	1.21	9,799,018	9,779,398	99.80%
2021	946,743,218	1.11	10,508,850	(d)	(d)

(a) As certified by the Appraisal District. See "Tax Roll Information" herein.
(b) Represents actual tax levy, including any adjustments by the Appraisal District, as of the date hereof.
(c) Reflects unaudited collections.
(d) In the process of collections. 2021 tax bills are due by January 31, 2022.

Tax Roll Information

The District's assessed value as of January 1 of each year is used by the District in establishing its tax rate (see "TAXING PROCEDURES—Valuation of Property for Taxation"). The following represents the composition of property comprising the 2017 through 2021 Certified Taxable Assessed Valuations.

	2021	2020	2019	2018	2017
Land	$136,616,330	$133,224,380	$123,175,690	$108,266,920	$ 82,979,840
Improvements	850,117,350	715,623,690	577,208,280	436,742,420	374,199,250
Personal Property	17,725,665	19,239,683	18,629,609	16,152,847	14,032,385
Exemptions (a)	(57,716,127)	(58,251,525)	(55,981,028)	(45,646,877)	(37,134,682)
Certified Value	$946,743,218	$809,836,228	$663,032,551	$515,515,310	$434,076,793

(a) Represents primarily the Conroe Independent School District property (non-taxable).

Principal Taxpayers

The following table represents the ten major taxpayers, the taxable assessed valuation of such property, and such property's taxable assessed valuation as a percentage of the 2021 Certified Taxable Assessed Valuation of $946,743,218. This represents ownership as of January 1, 2021.

Taxpayer	2021 Certified Taxable Assessed Valuation	% of 2021 Certified Taxable Assessed Valuation
Elysian at Harmony LP (a)	$ 30,522,000	3.22%
WA Harmony LLC	28,603,900	3.02%
HEB LP	21,760,638	2.30%
CH Retail Fund II/Houston Rayford Harmony LP	8,630,160	0.91%
Storage Box Harmony Ltd.	7,432,750	0.79%
Shea Homes Houston LLC (b)	5,263,099	0.56%
Houston Fitness Spring LP	4,807,150	0.51%
RKMV2M Ventures LP	4,525,000	0.48%
Evergreen Rayford Realty LLC	2,870,930	0.30%
Discovery Spring Trails II LLC (b)	2,787,860	0.29%
Total	$ 117,203,487	12.38%

(a) Marketed as SYNC at Harmony.
(b) See "THE DEVELOPERS AND OTHER MAJOR PROPERTY OWNERS."

Tax Adequacy for Debt Service

The tax rate calculations set forth below are presented to indicate the tax rates per $100 taxable assessed valuation which would be required to meet average annual and maximum annual debt service requirements if no growth in the District's tax base occurred beyond the 2021 Certified Taxable Assessed Valuation of $946,743,218. The calculations contained in the following table merely represent the tax rates required to pay principal of and interest on the Bonds and the Remaining Outstanding Bonds when due, assuming no further increase or any decrease in taxable values in the District, Collection of ninety-five percent (95%) of taxes levied, the sale of no additional bonds, and no other funds available for the payment of debt service. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements.

Average Annual Debt Service Requirement (2022-2044)	$5,337,818
$0.60 Tax Rate on the 2021 Certified Taxable Assessed Valuation	$5,396,436
Maximum Annual Debt Service Requirement (2022)	$7,229,227
$0.81 Tax Rate on the 2021 Certified Taxable Assessed Valuation	$7,285,189

TAXING PROCEDURES

Property Tax Code and County-Wide Appraisal District

The Texas Tax Code (the "Property Tax Code") requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas a single appraisal district with the responsibility for recording and appraising property for all taxing units within a county and a single appraisal review board with the responsibility for reviewing and equalizing the values established by the appraisal district. The Montgomery Central Appraisal District (the "Appraisal District") has the responsibility for appraising property for all taxing units wholly within Montgomery County, including the District. Such appraisal values are subject to review and change by the Montgomery County Appraisal Review Board (the "Appraisal Review Board"). Under certain circumstances, taxpayers and taxing units (such as the District) may appeal the orders of the Appraisal Review Board by filing a petition for review in State district court. In such event, the value of the property in question will be determined by the court or by a jury if requested by any party. Absent any such appeal, the appraisal roll, as prepared by the Appraisal District and approved by the Appraisal Review Board, must be used by each taxing jurisdiction in establishing its tax roll and tax rate. The District is eligible, along with all other conservation and reclamation districts within Montgomery County, to participate in the nomination of and vote for a member of the Board of Directors of the Appraisal District.

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property and tangible personal property in the District is subject to taxation by the District; however, it is expected that no effort will be made by the District to collect taxes on personal property other than on personal property rendered for taxation, business inventories and the property of privately-owned utilities. Principal categories of exempt property include: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; farm products owned by the producer; all oil, gas and mineral interests owned by an institution of higher education; certain property owned by exclusively charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; solar and wind-powered energy devices; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years or older or under a disability for purposes of payment of disability insurance benefits under the Federal Old-Age Survivors and Disability Insurance Act to the extent deemed advisable by the Board. The District would be required to call an election on such residential homestead exemption upon petition by at least twenty percent (20%) of the number of qualified voters who voted in the District's preceding election and would be required to offer such an exemption if a majority of voters approve it at such election. For the 2021 tax year, the District has granted an exemption of $25,000 of assessed valuation for persons 65 years of age and older and to individuals who are under a disability for purposes of payment of disability insurance benefits under the Federal Old-Age Survivors and Disability Insurance Act. The District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between $5,000 and $12,000 of assessed valuation depending upon the disability rating of the veteran, if such rating is less than 100%. A veteran who receives a disability rating of 100% is entitled to an exemption for the full value of the veteran's residence homestead.

Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if (i) the residence homestead was donated by a charitable organization at no cost to the disabled veteran or (ii) the residence was donated by a charitable organization at some cost to the disabled veteran if such cost is less than or equal to fifty percent (50%) of the total good faith estimate of the market value of the residence as of the date the donation is made. Also, the surviving spouse of a member of the armed forces or a first responder (as defined under Texas law), who was (i) killed in action, or (ii) fatally injured in the line of duty, is subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

A "Freeport Exemption" applies to goods, wares, merchandise, other tangible personal property and ores, other than oil, natural gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining oil 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 certain tangible personal property, as defined by the Property Tax Code, acquired in or imported into Texas for storage purposes and which is stored under a contract of bailment by a public warehouse operator at one or more 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. The exemption excludes oil, natural gas, petroleum products, aircraft and certain special inventory including dealer's motor vehicles, dealer's vessel and outboard motor vehicle, dealer's heavy equipment and retail manufactured housing inventory. The exemption applies to covered property if it 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. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit personal property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. However, taxing units who took official action as allowed by prior law before October 1, 2011, to tax goods-in-transit property, and who pledged such taxes for the payment of debt, may continue to impose taxes against the goods-in-transit property until the debt is discharged without further action, if cessation of the imposition would impair the obligations of the contract by which the debt was created. The District has taken official action to allow taxation of all such goods-in-transit personal property but may choose to exempt same in the future by further official action.

General Residential Homestead Exemption

Texas law authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the appraised value of residential homesteads, but not less than $5,000 if any exemption is granted, from ad valorem taxation. The law provides, however, that 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. For the 2021 tax year, the District has not granted a general residential homestead exemption.

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. Assessments under the Property Tax Code are to be based upon one hundred percent (100%) of market value. The appraised value of residential homestead property may be limited to the lesser of the market value of the property, or the sum of the appraised value of the property for the last year in which it was appraised, plus ten percent (10%) of such appraised value multiplied by the number of years since the last appraisal, plus the market value of all new improvements to the property. Once an appraisal roll is prepared and approved by the Appraisal Review Board, it is used by the District in establishing its tax rate. The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraised values. The plan must provide for appraisal of all real property by the Appraisal District at least once every three (3) years. It is not known what frequency of reappraisal will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county-wide basis.

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

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 petition for review in district court within forty-five (45) days after notice is received that a final order has been entered. 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 comply with the Property Tax Code. The District may challenge the exclusion of property from the appraisal rolls or the grant, in whole or in part, of an exemption.

Texas law provides for notice and hearing procedures prior to the adoption of an ad valorem tax rate by the District. Additionally, under certain circumstances, an election would be required to determine whether to approve the adopted total tax rate. See “Rollback of Operation and Maintenance Tax Rate.” 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.

Agricultural, Open Space, Timberland, and Inventory Deferment

The Property Tax Code permits land designated for agricultural use (including wildlife management), open space, or timberland to be appraised at its value based on the land’s capacity to produce agriculture 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 such property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of any of such designations must apply for the designation, and the Appraisal District is required by the Property Tax Code to act on each claimant’s right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions and not as to others. If a claimant receives the 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 for the three (3) years prior to the loss of the designation for agricultural, timberland or open space land. According to the District’s Tax Assessor/Collector, as of January 1, 2021, no land within the District was designated for agricultural use, open space, inventory deferment, or timberland.

Tax Abatement

The City of Houston and Montgomery County may designate all or part of the District as a reinvestment zone, and the District, Montgomery County, and (if it were to annex the area) the City of Houston, under certain circumstances, may thereafter enter into tax abatement agreements with the owners of property within the zone. The tax abatement agreements may exempt from ad valorem tax, by the applicable taxing jurisdictions, and by the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with a comprehensive plan. According to the District's Tax Assessor/Collector, to date, none of the area within the District has been designated as a reinvestment zone.

Levy and Collection of Taxes

The District is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. The District adopts its tax rate each year after it receives a tax roll certified by the Appraisal District. Taxes are due upon receipt of a bill therefor and become delinquent after January 31 of the following year or 30 days after the date billed, whichever is later, or, if billed after January 10, they are delinquent on the first day of the month next following the 21st day after such taxes are billed. A delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month the tax remains unpaid beginning the first calendar month it is delinquent. A delinquent tax also incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent plus a one percent (1%) penalty 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. However, a tax delinquent on July 1 incurs a total penalty of twelve percent (12%) of the amount of the delinquent tax without regard to the number of months the tax has been delinquent, which penalty remains at such rate without further increase. If the tax is not paid by July 1, an additional penalty of up to the amount of the compensation specified in the District's contract with its delinquent tax collection attorney, but not to exceed twenty percent (20%) of the total tax, penalty and interest, may, under certain circumstances, be imposed by the District. With respect to personal property taxes that become delinquent on or after February 1 of a year and that remain delinquent sixty (60) days after the date on which they become delinquent, as an alternative to the penalty described in the foregoing sentence, an additional penalty on personal property of up to the amount specified in the District's contract with its delinquent tax attorney, but not to exceed twenty percent (20%) of the total tax, penalty and interest, may, under certain circumstances, be imposed by the District prior to July 1. The District's contract with its delinquent tax collection attorney currently specifies a twenty percent (20%) additional penalty. The District may waive penalties and interest on delinquent taxes only for the items specified in the Texas Property Tax Code. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency of taxes under certain circumstances. The owner of a residential homestead property who is (i) a person sixty-five (65) years of age or older, (ii) under a disability for purpose of payment of disability insurance benefits under the Federal Old Age Survivors and Disability Insurance Act, or (iii) qualifies as a disabled veteran under Texas law, is also entitled by law to pay current taxes on a residential homestead in installments or to defer the payment of taxes without penalty during the time of ownership. Additionally, a person who is delinquent on taxes for a residential homestead is entitled to an agreement with the District to pay such taxes in installments over a period of between 12 and 36 months (as determined by the District) when such person has not entered into another installment agreement with respect to delinquent taxes with the District in the preceding 24 months.

Rollback of Operation and Maintenance Tax Rate

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

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

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

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

The District: A determination as to a district's status as a Low Tax Rate District, Developed District or Developing District will be made by the Board of Directors 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 against which the tax is levied. In addition, on January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of other such taxing units. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Overlapping Taxes." A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien. Further, personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalties, and interest.

Except with respect to (i) owners of residential homestead property who are sixty-five (65) years of age or older or under a disability as described above and who have filed an affidavit as required by law and (ii) owners of residential homesteads who have entered into an installment agreement with the District for payment of delinquent taxes as described above and who are not in default under said agreement, at any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, or by taxpayer redemption rights (a taxpayer may redeem property that is a residence homestead or was designated for agricultural use within two (2) years after the deed issued at foreclosure is filed of record and may redeem all other property within six (6) months after the deed issued at foreclosure is filed of record) or by bankruptcy proceedings which restrict the collection of taxpayer debt. The District's ability to foreclose its tax lien or collect penalties and interest may be limited on property owned by a financial institution which is under receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act, 12 U.S.C. 1825, as amended. Generally, the District's tax lien and a federal tax lien are on par with the ultimate priority being determined by applicable federal law. See "INVESTMENT CONSIDERATIONS—Tax Collection Limitations."

INVESTMENT CONSIDERATIONS

General

The Bonds are obligations solely of the District and are not obligations of the State of Texas, Montgomery County, the City of Houston, or any entity other than the District. Payment of the principal of and interest on the Bonds depends upon the ability of the District to collect taxes levied on taxable property within the District in an amount sufficient to service the District's bonded debt or, in the event of foreclosure, on the value of the taxable property in the District and the taxes levied by the District and other taxing authorities upon the property within the District. See "THE BONDS—Source and Security of Payment." The collection by the District of delinquent taxes owed to it and the enforcement by Registered Owners of the District's obligation to collect sufficient taxes may be a costly and lengthy process. Furthermore, the District cannot and does not make any representations that continued development of taxable property within the District will accumulate or maintain taxable values sufficient to justify continued payment of taxes by property owners or that there will be a market for the property or that owners of the property will have the ability to pay taxes. See "Registered Owners' Remedies" below.

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 (the "State") because of the effects of COVID-19. Subsequently, in response to a rise in COVID-19 infections in the State 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. 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 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.

Potential Effects of Oil Price Volatility on the Houston Area

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

Severe Weather Events; Hurricane Harvey

The greater Houston area, including the District, is subject to occasional severe weather events, including tropical storms and hurricanes. If the District were to sustain damage to its facilities requiring substantial repair or replacement, or if substantial damage were to occur to taxable property within the District as a result of such a weather event, the investment security of the Bonds could be adversely affected. The greater Houston area has experienced multiple storms exceeding a 0.2% probability (i.e. "500-year flood" events), including Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 26, 2017, and brought historic levels of rainfall during the successive four days.

According to TNG Utility Corp., the District's previous operator until January 31, 2019, and Elevation Land Solutions (the "Engineer"), the District's waterworks and sewer system did not sustain any material damage and there was no interruption to sewer service as a result of Hurricane Harvey. The District experienced a well pump failure at Water Plant No. 1 during Hurricane Harvey and opened the interconnect with Montgomery County Municipal Utility District No. 94 ("MUD 94"). Thereafter, MUD 94 lost power to its generator and the District issued a boil water notice to its residents on August 29, 2017 due to a loss in water pressure. The notice was lifted on September 1, 2017. Based on information provided by TNG Utility Corp., the previous District Operator, and the Engineer, the District is aware of structural flooding in six homes (3 under construction and 3 homeowner occupied at the time of Hurricane Harvey).

On May 7, 2019, the District experienced approximately 8-inches of rainfall in a 2 hour duration (a 200-year rainfall event according to NOAA Atlas 14 standards). The District's drainage system is designed to withstand a 100-year rainfall event per the local regulatory design criteria. According to the Engineer, the District is aware of two homes and one commercial business that experienced structural flooding in the District as a result of the rainfall event on May 7, 2019. The District is proceeding with drainage improvement projects to enhance the drainage system in the District to increase capacity above the regulatory criteria.

Specific Flood Type 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.

Credit Markets and Liquidity in the Financial Markets

Interest rates and the availability of mortgage and development funding have a direct impact on the construction activity, particularly short-term interest rates at which developers are able to obtain financing for development costs. Interest rate levels may affect the ability of a landowner with undeveloped property to undertake and complete construction activities within the District. Because of the numerous and changing factors affecting the availability of funds, the District is unable to assess the future availability of such funds for continued construction within the District. In addition, since the District is located approximately 25 miles from the central downtown business district of the City of Houston, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the Houston metropolitan and regional economies and the national financial and credit markets. A downturn in the economic conditions of Houston and the nation could adversely affect development and home-building plans in the District and restrain the growth of the District's property tax base or reduce it from current levels.

Competition

The demand for and construction of single-family homes in the District, which is approximately 25 miles from downtown Houston, could be affected by competition from other residential developments, including other residential developments located in the northern portion of the Houston area market. In addition to competition for new home sales from other developments, there are numerous previously-owned homes in the area of the District. Such homes could represent additional competition for new homes proposed to be sold within the District.

The competitive position of the builders in the sale of single-family residential houses within the District is affected by most of the factors discussed in this section. Such a competitive position directly affects the growth and maintenance of taxable values in the District and tax revenues to be received by the District. The District can give no assurance that building and marketing programs in the District by the Developers will be implemented or, if implemented, will be successful.

Possible Impact on District Tax Rates

Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of owners of property within the District to pay their taxes. The 2021 Certified Taxable Assessed Valuation is $946,743,218. After issuance of the Bonds, the maximum annual debt service requirement will be $7,229,227 (2022), and the average annual debt service requirement will be $5,337,818 (2022-2044 inclusive). Assuming no increase or decrease from the 2021 Certified Taxable Assessed Valuation, the issuance of no additional debt, and no other funds available for the payment of debt service, tax rates of $0.81 and $0.60, respectively, based on the 2021 Certified Taxable Assessed Valuation, per $100 of appraised valuation at a ninety-five percent (95%) collection rate would be necessary to pay both the maximum annual debt service requirement and the average annual debt service requirements. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements."

Tax Collections Limitations and Foreclosure Remedies

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 procedure against a taxpayer, or (c) market conditions limiting the proceeds from a foreclosure sale of taxable property. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. Attorney's fees and other costs of collecting any such taxpayer's delinquencies could substantially reduce the net proceeds to the District from a tax foreclosure sale. Finally, a bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two other ways: first, a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid. See "TAXING PROCEDURES—District's Rights in the Event of Tax Delinquencies."

Registered Owners' Remedies

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Orders, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Orders, 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 Orders. Except for mandamus, the Bond Orders do not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners.

Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages so that in the absence of other waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the Bond Orders may not be reduced to a judgment for money damages. Even if a judgment against the District for money damages could be obtained, it could not be enforced by direct levy and execution against the District's property. Further, the Beneficial Owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Beneficial Owners may further be limited by a State of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District.

Bankruptcy Limitation to Registered Owners' Rights

The enforceability of the rights and remedies of Registered Owners may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Texas law requires a district, such as the District, to obtain the approval of the TCEQ as a condition to seeking relief under the Federal Bankruptcy Code.

Notwithstanding noncompliance by a district with Texas law requirements, the District could file a voluntary bankruptcy petition under Chapter 9, thereby invoking the protection of the automatic stay until the bankruptcy court, after a hearing, dismisses the petition. A federal bankruptcy court is a court of equity and federal bankruptcy judges have considerable discretion in the conduct of bankruptcy proceedings and in making the decision of whether to grant the petitioning District relief from its creditors. While such a decision might be appealable, the concomitant delay and loss of remedies to the Registered Owner could potentially and adversely impair the value of the Registered Owner's claim.

If a petitioning district were allowed to proceed voluntarily under Chapter 9 of the Federal Bankruptcy Code, it could file a plan for an adjustment of its debts. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect Registered Owners by reducing or eliminating the amount of indebtedness, deferring or rearranging the debt service schedule, reducing or eliminating the interest rate, modifying or abrogating collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of the Registered Owners' claims against a district.

A district may not be forced into bankruptcy involuntarily.

Future Debt

The District has the right to issue obligations other than the Bonds, including tax anticipation notes and bond anticipation notes, and to borrow for any valid corporate purpose. A total of $173,665,000 in principal amount of unlimited tax bonds has been authorized by the District's voters for the purpose of acquiring or constructing water, sewer and drainage facilities, of which $93,225,000 in principal amount of said unlimited tax bonds remain authorized but unissued. The District's voters have also authorized the issuance of a total of $19,350,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing recreational facilities, of which $9,695,000 in principal amount of said unlimited tax bonds remains authorized but unissued. A total of $15,570,000 in principal amount of unlimited tax bonds has been authorized by the District's voters for constructing road facilities, but no authorization remains unissued. In addition, voters have authorized $208,585,000 principal amount in unlimited tax refunding bonds, and, after the issuance of the Bonds, $207,965,000 principal amount of will remain authorized but unissued. Voters may authorize the issuance of additional bonds secured by ad valorem taxes for any or all of the above purposes. The issuance of additional obligations may increase the District's tax rate and adversely affect the security for, and the investment quality and value of the Bonds.

The District owes the Developers and other property owners approximately $1,000,000 (as of November 30, 2021) plus interest for advances made for the engineering and construction of recreational facilities. In addition, future changes in health or environmental regulations could require the construction and financing of additional improvements without any corresponding increases in taxable value in the District. The District does not employ any formula with respect to appraised valuations, tax collections or otherwise to limit the amount of parity bonds which it may issue. Except with respect to additional bonds for roads, the issuance of additional bonds is subject to approval by the TCEQ pursuant to its rules regarding issuance and feasibility of bonds. Further, the principal amount of bonds issued to finance recreational facilities may not exceed 1%, or in the event the District meets certain conditions, 3%, of either the District's certified value or an estimate of value as provided by a certificate of the Appraisal District. See "THE BONDS—Issuance of Additional Debt," "—Financing of Recreational Facilities" and "— Financing of Road Facilities."

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 nonstormwater discharges into surface water in the state. It has a 5-year permit term, and is then subject to renewal. Moreover, the Clean Water Act ("CWA") and Texas Water Code require municipal wastewater treatment plants to meet secondary treatment effluent limitations and more stringent water quality-based limitations and requirements to comply with the Texas water quality standards. Any water quality-based limitations and requirements with which a municipal utility district must comply may have an impact on the municipal utility district's ability to obtain and maintain compliance with TPDES permits.

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

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 was effective on June 22, 2020, and is currently the subject of ongoing litigation.

In June and July of 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. In light of this order, the EPA and the USACE announced that they have halted implementation of the NWPR and are interpreting "waters of the United States" consistent with the pre-2015 regulatory regime until further notice while continuing to move forward with the rulemakings announced in June of 2021. 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.

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 of the Bonds may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional issuers as such bonds are more generally bought, sold or traded in the secondary market.

Future and Proposed Legislation

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under Federal or state law and could affect the market price or marketability of the Bonds. Any such legislation, administrative action, or court decision could limit for certain individual taxpayers the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

Continuing Compliance with Certain Covenants

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

Risk Factors Related to the Purchase of Municipal Bond Insurance

The long-term ratings on the Bonds are dependent in part on the financial strength of the bond insurer (the "Insurer") and its claim paying ability. The 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 Insurer and of the ratings on the Bonds insured by the Insurer will not be subject to downgrade and such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds. See description of "MUNICIPAL BOND RATING" and "MUNICIPAL BOND INSURANCE."

The obligations of the Insurer are contractual obligations and in an event of default by the 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 has made independent investigation into the claims paying ability of the Insurer and no assurance or representation regarding the financial strength or projected financial strength of the 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 Insurer, particularly over the life of the investment. See "MUNICIPAL BOND RATING" and "MUNICIPAL BOND INSURANCE" for further information provided by the Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Insurer.

MUNICIPAL BOND RATING

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, ("S&P") has assigned a municipal bond rating of "AA" (stable outlook) to this issue of Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by Build America Mutual Assurance Company. Moody's Investors Service, Inc. ("Moody's") has assigned an underlying rating of "A3" to the Bonds. An explanation of the ratings may be obtained from the company furnishing each rating.

The rating reflects only the view of such organizations and the District makes no representation as to the appropriateness of the rating. There is no assurance that such ratings will continue for any given period of time or that it will not be revised or withdrawn entirely by S&P or Moody's, if in their judgment, circumstances so warrant. Any such revisions or withdrawal of the ratings may have an adverse effect on the market price of the Bonds. See "INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance" and "MUNICIPAL BOND INSURANCE."

MUNICIPAL BOND INSURANCE

Municipal Bond Insurance Policy

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

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

Build America Mutual Assurance Company

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

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

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

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

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of September 30, 2021 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were $504.3 million, $181.5 million and $322.8 million, respectively.

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

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

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

Additional Information Available from BAM

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

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

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

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

VERIFICATION OF MATHEMATICAL CALCULATIONS

Public Finance Partners LLC, will deliver to the District, on or before the settlement date of the Bonds, its verification report indicating that it has verified the mathematical accuracy of (a) computation of the adequacy of the maturing principal amounts of and interest on the Escrowed Obligations to be held by the Escrow Agent and certain available funds (if any) to pay, when due, the principal or redemption price of and interest on the Refunded Bonds; (b) the mathematical computations of yield used by Special Tax Counsel to support its opinion that interest on the Bonds will be excluded from gross income for federal income tax purposes and (c) compliance with the City of Houston Ordinance No. 97-416.

Public Finance Partners LLC relied on the accuracy, completeness and reliability of all information provided to it by, and on all decisions and approvals of, the District. In addition, Public Finance Partners LLC has relied on any information provided to it by the District's retained advisors, consultants or legal counsel.

LEGAL MATTERS

Legal Opinions

The District will furnish to the Underwriter a transcript of certain certified proceedings incident to the issuance and authorization of the Bonds, including a certified copy of the approving legal opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Attorney General has examined a transcript of proceedings authorizing the issuance of the Bonds, and that based upon such examination, the Bonds are valid and binding obligations of the District payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. The District will also furnish the approving legal opinion of Schwartz, Page & Harding, L.L.P., Houston, Texas, Bond Counsel, to the effect that, based upon an examination of such transcript, the Bonds are valid and binding obligations of the District under the Constitution and laws of the State of Texas, except to the extent that enforcement of the rights and remedies of the Registered Owners of the Bonds may be limited by laws relating to bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. The legal opinion of Bond Counsel will further state that the Bonds are payable, both as to principal and interest, from the levy of ad valorem taxes, without legal limitation as to rate or amount, upon all taxable property within the District. The District will also furnish the legal opinion of McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Special Tax Counsel to the District, to the effect that interest on the Bonds is excludable from gross income of the owner for federal income tax purposes under existing laws and not subject to the alternative minimum tax on individuals.

In addition to serving as Bond Counsel, Schwartz, Page & Harding, L.L.P., also serves as counsel to the District on matters not related to the issuance of bonds. The legal fees to be paid to Bond Counsel and Special Tax Counsel for services rendered in connection with the issuance of the Bonds are based upon a percentage of bonds actually issued, sold and delivered, and therefore such fees are contingent upon the sale and delivery of the Bonds. Certain legal matters will be passed upon by McCall, Parkhurst & Horton, L.L.P., Houston, Texas, as Underwriter's Counsel.

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.

Legal Review

In its capacity as Bond Counsel, Schwartz, Page & Harding, L.L.P., has reviewed the information appearing in this OFFICIAL STATEMENT under the captioned sections "PLAN OF FINANCING—Escrow Agreements," and "— Defeasance of Refunded Bonds" (but only insofar as such section relates to the legal opinion of Bond Counsel), "THE BONDS," "THE DISTRICT—General," "MANAGEMENT OF THE DISTRICT—District Consultants—Bond Counsel and General Counsel," "TAXING PROCEDURES," and "LEGAL MATTERS—Legal Opinions" (but only insofar as such section relates to the legal opinion of Bond Counsel) solely to determine whether such information fairly summarizes the law and documents referred to therein. In its capacity as Special Tax Counsel, McCall, Parkhurst & Horton, L.L.P., Dallas, Texas, has reviewed the information appearing in this OFFICIAL STATEMENT under the caption "LEGAL MATTERS— Legal Opinions" (insofar as such section relates to the legal opinion of Special Tax Counsel) and "TAX MATTERS" solely to determine whether such information fairly summarizes the law referred to therein. Such firms have not independently verified factual information contained in this OFFICIAL STATEMENT, nor have such firms 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 such firms' limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of any of the other information contained herein.

TAX MATTERS

Tax Exemption

On the date of initial delivery of the Bonds, McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Special Tax Counsel to the District, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law") (i) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (ii) the Bonds will not be treated as "specified private activity bonds" the interest of which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, Special Tax Counsel to the District will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds.

In rendering its opinion, Special Tax Counsel will rely upon (a) the opinion of Bond Counsel, that the Bonds are valid and binding obligations of the District payable from the proceeds of a generally-applicable ad valorem tax, (b) the District's federal tax certificate and the verification report prepared by Public Finance Partners LLC and (c) covenants of the District with respect to arbitrage compliance, the application of the proceeds to be received from the issuance and sale of the Bonds and the Refunded Bonds. Failure by the District to observe the aforementioned representations or covenants, could cause the interest on the Bonds to become taxable retroactively to the date of issuance.

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

Special Tax Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Special Tax Counsel's opinion is not a guarantee of a result. Existing Law is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Bonds.

A ruling was not sought from the Internal Revenue Service by the District with respect to the Bonds or the property financed or refinanced with proceeds of the Bonds or the Refunded Bonds. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Special Tax Counsel. If an Internal Revenue Service audit is commenced, under current procedures the Internal Revenue Service is likely to treat the District as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

Federal Income Tax Accounting Treatment of Original Issue Discount

The initial public offering price to be paid for one or more maturities of the Bonds is less than the principal amount thereof or one or more periods for the payment of interest on the Bonds may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Bonds") . In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the Bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, any owner who has purchased such Original Issue Discount Bond in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income.

Under Existing Law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Original Issue Discount Bond.

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

Collateral Federal Income Tax Consequences

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on existing statutes, regulations, published rulings and court decisions, all of which are subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with accumulated earnings and profits and excess passive investment income, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health insurance premium assistance credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TOPURCHASE THE BONDS.

Under Section 6012 of the Code, holders of tax-exempt obligations, such as the Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Bonds, if such obligation was acquired at a “market discount” and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to “market discount bonds” to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A “market discount bond” is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the “revised issue price” (i.e., the issue price plus accrued original issue discount). The “accrued market discount” is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

State, Local and Foreign Taxes

Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the Bonds under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

Information Reporting and Backup Withholding

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

Future and Proposed Legislation

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under Federal or state law and could affect the market price or marketability of the Bonds. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

Qualified Tax-Exempt Obligations

Section 265(a) of the Code provides, in pertinent part, that interest paid or incurred by a taxpayer, including a "financial institution," on indebtedness incurred or continued to purchase or carry tax-exempt obligations is not deductible in determining the taxpayer's taxable income. Section 265(b) of the Code provides an exception to the disallowance of such deduction for any interest expense paid or incurred on indebtedness of a taxpayer that is a "financial institution" allocable to tax-exempt obligations, other than "private activity bonds," that are designated by a "qualified small issuer" as "qualified tax-exempt obligations." A "qualified small issuer" is any governmental issuer (together with any "on-behalf of" and "subordinate" issuers) who issues no more than $10,000,000 of tax-exempt obligations during the calendar year. Section 265(b)(5) of the Code defines the term "financial institution" as any "bank" described in Section 585(a)(2) of the Code, or any person accepting deposits from the public in the ordinary course of such person's trade or business that is subject to federal or state supervision as a financial institution. Notwithstanding the exception to the disallowance of the deduction of interest on indebtedness related to "qualified tax-exempt obligations" provided by Section 265(b) of the Code, Section 291 of the Code provides that the allowable deduction to a "bank," as defined in Section 585(1)(2) of the Code, for interest on indebtedness incurred or continued to purchase "qualified tax-exempt obligations" shall be reduced by twenty-percent (20%) as a "financial institution preference item."

The District has designated the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b) of the Code. In furtherance of that designation, the District will covenant to take such action that would assure, or to refrain from such action that would adversely affect, the treatment of the Bonds as "qualified tax-exempt obligations." Potential purchasers should be aware that if the issue price to the public exceeds $10,000,000, there is a reasonable basis to conclude that the payment of a de minimis amount of premium in excess of $10,000,000 is disregarded; however, the Internal Revenue Service could take a contrary view. If the Internal Revenue Service takes the position that the amount of such premium is not disregarded, then such obligations might fail to satisfy the aforementioned dollar limitation and the Bonds would not be "qualified tax-exempt obligations."

NO MATERIAL ADVERSE CHANGE

The obligations of the Underwriter to take and pay for the Bonds, and 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 the sale.

NO-LITIGATION CERTIFICATE

With the delivery of the Bonds, the President or Vice President and Secretary or Assistant Secretary of the Board will, on behalf of the District, execute and deliver to the Underwriter a certificate dated as of the date of delivery, to the effect that no litigation of any nature of which the District has notice is pending against or, to the knowledge of the District's certifying officers, threatened against the District, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the authorization, execution or delivery of the Bonds; affecting the provision made for the payment of or security for the Bonds; in any manner questioning the authority or proceedings for the authorization, execution or delivery of the Bonds; or affecting the validity of the Bonds, the corporate existence or boundaries of the District or the title of the then present officers and directors of the Board.

PREPARATION OF OFFICIAL STATEMENT

Sources and Compilation of Information

The financial data and other information contained in this OFFICIAL STATEMENT has been obtained primarily from the District's records, the Developers, the Engineer, the Tax Assessor/Collector, the Appraisal District and information from other sources. All of these sources are believed to be reliable, but no guarantee is made by the District as to the accuracy or completeness of the information derived from sources other than the District, and its inclusion herein is not to be construed as a representation on the part of the District to such effect. Furthermore, there is no guarantee that any of the assumptions or estimates contained herein will be realized. The summaries of the agreements, reports, statutes, resolutions, engineering and other related information set forth in this OFFICIAL STATEMENT are included herein subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents for further information.

Financial Advisor

Masterson Advisors LLC is employed as the Financial Advisor to the District to render certain professional services, including advising the District on a plan of financing and preparing the OFFICIAL STATEMENT. In its capacity as Financial Advisor, Masterson Advisors LLC has compiled and edited this OFFICIAL STATEMENT. The Financial Advisor has reviewed the information in this OFFICIAL STATEMENT in accordance with, and as a part of, its responsibilities 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.

Consultants

In approving this OFFICIAL STATEMENT the District has relied upon the following consultants.

Tax Assessor/Collector: The information contained in this OFFICIAL STATEMENT relating to the historical breakdown of the District's assessed valuations and certain other historical data concerning tax rates and tax collections has been provided by Assessments of the Southwest, Inc. and is included herein in reliance upon the authority as an expert in assessing property values and collecting taxes.

Engineer: The information contained in this OFFICIAL STATEMENT relating to engineering 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 Elevation Land Solutions, and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

Appraisal District: The information contained in this OFFICIAL STATEMENT relating to the historical certified taxable appraised valuations has been provided by the Montgomery Central Appraisal District and has been included herein in reliance upon the authority of such entity as experts in assessing the values of property in Montgomery County, including the District.

Auditor: The financial statements of the District as of June 30, 2021, and for the year then ended, included in this offering document, have been audited by BKD, LLP, independent auditors, as stated in their report appearing herein.

Updating the Official Statement

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

Certification of Official Statement

The District, acting through its Board in its official capacity, hereby certifies, as of the date hereof, that the information, statements, and descriptions or any addenda, supplement and amendment thereto pertaining to the District and its affairs contained herein, to the best of its knowledge and belief, contain no untrue statement of a material fact and do not omit to state any material fact necessary to make the statements herein, in the light of the circumstances under which they are made, not misleading. With respect to information included in this OFFICIAL STATEMENT other than that relating to the District, the District has no reason to believe that such information contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements herein, in the light of the circumstances under which they are made, not misleading; however, the Board has made no independent investigation as to the accuracy or completeness of the information derived from sources other than the District. In rendering such certificate, the official executing this certificate may state that he has relied in part on his examination of records of the District relating to matters within his own area of responsibility, and his discussions with, or certificates or correspondence signed by, certain other officials, employees, consultants and representatives of the District.

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Orders, the District has made the following agreement for the benefit of the registered 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 events, to the Municipal Securities Rulemaking Board (the "MSRB").

Annual Reports

The District will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this OFFICIAL STATEMENT under the headings "THE WATER, SEWER AND DRAINAGE SYSTEM—District Operations," "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements," "TAX DATA" and "APPENDIX A" (Independent Auditor's Report and Financial Statements and supplemental schedules). The District will update and provide this information within six (6) months after the end of each fiscal year ending in or after 2022.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12. The updated information will include audited financial statements, if the District commissions an audit and the audit is completed by the required time. If the audit of such financial statements is not complete within such period, then the District will provide unaudited financial statements by the required time, and audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in the Bond Orders or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

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

Event Notices

The District will provide timely notices of certain events to the MRSB, 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 events affecting the tax-exempt status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of CFR § 240.15c2-12 (the "Rule"); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material to a decision to purchase or sell Bonds; (15) incurrence of a financial obligation of the District or other obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person, any of which reflect financial difficulties. The terms "financial obligation" and "material" when used in this paragraph shall have the meanings ascribed to them under federal securities laws. Neither the Bonds nor the Bond Orders make any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information from the MSRB

The District has agreed to provide the foregoing updated information only to the MSRB. The MSRB makes the information available to the public without charge through an internet portal at www.emma.msrb.org.

Limitations and Amendments

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

The District may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or operations of the District, but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule, taking into account any amendments and interpretations of the Rule to the date of such amendment, as well as changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent or any person unaffiliated with the District (such as a 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 reason 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 in all material respects with its continuing disclosure agreements made in accordance with SEC Rule 15c2-12, except as follows: National Public Finance Guarantee Corporation ("NPFGC") is the insurance provider for the District's Series 2017 Unlimited Tax Road Bonds. On December 1, 2017 Standard & Poor's withdrew the insured credit rating on NPFGC and on January 17, 2018, Moody's Investor Service downgraded the insured credit rating of NPFGC to "Baa2" from "A3". The District failed to timely file notice of such actions. On August 16, 2018, the District filed notice of non-compliance and has taken appropriate action to ensure timely filing of all future submissions

MISCELLANEOUS

All estimates, statements and assumptions in this OFFICIAL STATEMENT and the APPENDICES hereto have been made on the basis of the best information available and are believed to be reliable and accurate. Any statements in this OFFICIAL STATEMENT involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact, and no representation is made that any such statements will be realized.

/s/ James H. Ragan
President, Board of Directors

ATTEST:

/s/ Steve Scarborough
Secretary, Board of Directors

APPENDIX A

Independent Auditor's Report and Financial Statements of the District for the fiscal year ended June 30, 2021

Montgomery County Municipal Utility District No. 119

Montgomery County, Texas

Independent Auditor's Report and Financial Statements

June 30, 2021

BKD
CPAs & Advisors

Montgomery County Municipal Utility District No. 119
June 30, 2021

Contents

BKD
CPAs & Advisors

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Independent Auditor's Report

Board of Directors
Montgomery County Municipal Utility District No. 119
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. 119 (the District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of June 30, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison schedules listed in the table of contents be presented to supplement the basic financial statements. Such information, although not 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 other information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

BKD, LLP

Houston, Texas
November 11, 2021

Montgomery County Municipal Utility District No. 119
Management's Discussion and Analysis
June 30, 2021

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to financial statements. This report also contains supplementary information required by the Governmental Accounting Standards Board and other information required by the District's state oversight agency, the Texas Commission on Environmental Quality (the Commission).

In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities which engage in a single governmental program, such as the provision of water, sanitary sewer and drainage services. Other activities, such as the provision of recreation facilities and solid waste collection, are minor activities and are not budgeted or accounted for as separate programs. The financial statements of special-purpose governments combine two types of financial statements into one statement. These two types of financial statements are the government-wide financial statements and the fund financial statements. The fund financial statements are presented on the left side of the statements, a column for adjustments is to the right of the fund financial statements and the government-wide financial statements are presented to the right side of the adjustments column. The following sections describe the measurement focus of the two types of statements and the significant differences in the information they provide.

Government-wide Financial Statements

The focus of government-wide financial statements is on the overall financial position and activities of the District. The District's government-wide financial statements include the statement of net position and statement of activities, which are prepared using accounting principles that are similar to commercial enterprises. The purpose of the statement of net position is to attempt to report all of the assets, liabilities, and deferred inflows and outflows of resources of the District. The District reports all of its assets when it acquires or begins to maintain the assets and reports all of its liabilities when they are incurred.

The difference between the District's assets, liabilities, and deferred inflows and outflows of resources is labeled as net position and this difference is similar to the total stockholders' equity presented by a commercial enterprise.

The purpose of the statement of activities is to present the revenues and expenses of the District. Again, the items presented on the statement of activities are measured in a manner similar to the approach used by a commercial enterprise in that revenues are recognized when earned or established criteria are satisfied and expenses are reported when incurred by the District. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues are reported even when they may not be collected for several months or years after the end of the accounting period and expenses are recorded even though they may not have used cash during the current year.

Although the statement of activities looks different from a commercial enterprise's statement of income, the financial statement is different only in format, not substance. Whereas the bottom line in a commercial enterprise is its net income, the District reports an amount described as change in net position, essentially the same thing.

Fund Financial Statements

Unlike government-wide financial statements, the focus of fund financial statements is directed to specific activities of the District rather than the District as a whole. Except for the general fund, a specific fund is established to satisfy managerial control over resources or to satisfy finance-related legal requirements established by external parties or governmental statutes or regulations.

Governmental Funds

Governmental-fund financial statements consist of a balance sheet and a statement of revenues, expenditures and changes in fund balances and are prepared on an accounting basis that is significantly different from that used to prepare the government-wide financial statements.

In general, these financial statements have a short-term emphasis and, for the most part, measure and account for cash and other assets that can easily be converted into cash. For example, amounts reported on the balance sheet include items such as cash and receivables collectible within a very short period of time, but do not include capital assets such as land and water, sewer and drainage systems. Fund liabilities include amounts that are to be paid within a very short period after the end of the fiscal year. The difference between a fund's assets, liabilities, and deferred inflows and outflows of resources is labeled the fund balance and generally indicates the amount that can be used to finance the next fiscal year's activities. Likewise, the operating statement for governmental funds reports only those revenues and expenditures that were collected in cash or paid with cash, respectively, during the current period or very shortly after the end of the fiscal year.

Because the focus of the government-wide and fund financial statements is different, there are significant differences between the totals presented in these financial statements. For this reason, there is an analysis in the notes to financial statements that describes the adjustments to fund balances to arrive at net position presented in the governmental activities column on the statement of net position. Also, there is an analysis in the notes to financial statements that reconciles the total change in fund balances for all governmental funds to the change in net position, as reported in the governmental activities column in the statement of activities.

Notes to Financial Statements

The notes to financial statements provide additional information that is essential to a full understanding of the data found in the government-wide and fund financial statements.

Montgomery County Municipal Utility District No. 119
Management's Discussion and Analysis (Continued)
June 30, 2021

Financial Analysis of the District as a Whole

The District's overall financial position and activities for the past two years are summarized as follows, based on the information included in the government-wide financial statements.

Summary of Net Position

	2021	2020
Current and other assets	$ 20,519,486	$ 18,559,092
Capital assets	82,200,179	81,610,008
Total assets	102,719,665	100,169,100
Deferred outflows of resources	249,879	70,436
Total assets and deferred outflows of resources	$ 102,969,544	$ 100,239,536
Long-term liabilities	$ 93,302,678	$ 93,947,327
Other liabilities	1,702,167	2,583,981
Total liabilities	95,004,845	96,531,308
Net position:		
Net investment in capital assets	(9,372,149)	(11,039,007)
Restricted	5,535,990	5,643,028
Unrestricted	11,800,858	9,104,207
Total net position	$ 7,964,699	$ 3,708,228

The total net position of the District increased by $4,256,471, or about 115 percent. This increase in net position is primarily due to tax revenues intended to pay principal on the District's bonded indebtedness, which is shown as long-term liabilities in the government-wide financial statements. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Summary of Changes in Net Position

	2021	2020
Revenues:		
Property taxes	$ 9,781,880	$ 8,197,506
City of Houston rebates	314,618	223,264
Charges for services	4,371,804	3,743,547
Other revenues	503,051	1,046,721
Total revenues	14,971,353	13,211,038

Summary of Changes in Net Position (Continued)

	2021	2020
Expenses:		
Services	$ 4,516,253	$ 4,250,550
Depreciation	2,405,499	2,236,086
Debt service	3,793,130	3,456,276
Total expenses	10,714,882	9,942,912
Change in net position	4,256,471	3,268,126
Net position, beginning of year	3,708,228	440,102
Net position, end of year	$ 7,964,699	$ 3,708,228

Financial Analysis of the District's Funds

The District's combined fund balances as of the end of the fiscal year ended June 30, 2021, were $19,344,602, an increase of $2,853,872 from the prior year.

The general fund's fund balance increased by $2,809,693, due to property taxes and service revenues exceeding service operations and capital outlay expenditures in the current year. In addition, tap connection revenues exceeded the related tap connection expenditures.

The special revenue fund's fund balance increased by $18,326, due to a transfer from the general fund.

The debt service fund's fund balance decreased by $106,651, due to bond principal and interest requirements and other debt service expenditures exceeding property tax revenues.

The capital projects fund's fund balance increased by $132,504, due to net proceeds from the sales of bonds exceeding capital outlay expenditures, debt issuance costs, and repayment of developer advances.

General Fund Budgetary Highlights

There were several differences between the final budgetary amounts and actual amounts. The major differences between budget and actual were due to property tax, service and regional water fee revenues and groundwater fee, contracted services, and repairs and maintenance expenditures being greater than anticipated. In addition, debt issuance costs incurred were not included in the budget. The fund balance as of June 30, 2021, was expected to be $10,825,909 and the actual end-of-year fund balance was $11,722,267.

Capital Assets and Related Debt

Capital Assets

Capital assets held by the District at the end of the current and previous fiscal years are summarized below:

Capital Assets (Net of Accumulated Depreciation)

	2021	2020
Land and improvements	$ 12,710,602	$ 12,706,234
Construction in progress	518,959	3,519,333
Water facilities	12,758,316	12,827,250
Wastewater facilities	18,266,558	15,599,543
Drainage facilities	22,675,541	22,378,067
Roads and paving	8,581,704	8,014,057
Recreational facilities	6,688,499	6,565,524
Total capital assets	$ 82,200,179	$ 81,610,008

During the current year, additions to capital assets were as follows:

Construction in progress related to construction of water plant No. 2, hydro tank No. 2 and waterline extension	$ 417,837
Wastewater treatment plant expansion to 1.08 MGD	882,026
Wastewater treatment plant access road	49,400
Meandering Bend Drive bridge	14,368
Harmony Forest Springs drainage improvements	253,218
Water, sewer and drainage improvements at Vivace at Harmony, Section 3, and Harmony Village, Sections 1, 2, 3 and 4	1,054,506
Water, sewer and drainage improvements at Birnham Woods Drive from Amber Ridge Drive to Browning Pine Drive	301,490
Harmony pathway improvements	18,457
Clearing and grubbing contract No. 9	4,368
Total additions to capital assets	$ 2,995,670

Developers within the District have constructed water, sewer, drainage, road and recreational facilities on behalf of the District under the terms of contracts with the District. The District has agreed to purchase these facilities from the proceeds of future bond issues subject to the approval of the Commission, if required. At June 30, 2021, a liability for developer-constructed capital assets of $3,697,743 was recorded in the government-wide financial statements.

Debt

The changes in the debt position of the District during the fiscal year ended June 30, 2021, are summarized as follows:

Long-term debt payable, beginning of year	$ 93,947,327
Increases in long-term debt	20,244,131
Decreases in long-term debt	(20,888,780)
Long-term debt payable, end of year	$ 93,302,678

On September 2, 2020, the District issued its $6,240,000 Unlimited Tax Bonds, Series 2020, at a net effective interest rate of approximately 2.05 percent. The proceeds of the bonds were used to reimburse the District's developers for construction of water, sewer and drainage facilities.

Also, on September 2, 2020, the District issued its $7,360,000 Unlimited Tax Park Bonds, Series 2020A, at a net effective interest rate of approximately 1.94 percent. The proceeds of the bonds were used to reimburse the District's developers for construction of recreational facilities.

On September 9, 2020, the District issued its $2,070,000 Unlimited Tax Road Refunding Bonds, Series 2020B, to refund $1,995,000 of outstanding Series 2012 Road Bonds. The District refunded the bonds to reduce total debt service payments over future years by $298,217 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of $241,691.

On January 8, 2021, the District issued its $3,705,000 Unlimited Tax Refunding Bonds, Series 2021, to refund $3,610,000 of outstanding Series 2013 Bonds. The District refunded the bonds to reduce total debt service payments over future years by $1,129,595 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of $910,602.

At June 30, 2021, the District had $94,630,000 of unlimited tax bonds authorized, but unissued, for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District. The District also had $11,990,000 of unlimited tax bonds authorized, but unissued, for the purposes of acquiring, constructing and improving recreational facilities within the District.

The District's bonds carry an underlying rating of "A3" from Moody's Investors Service (Moody's). The Series 2014, Series 2017, Series 2018 Road, Series 2019A Refunding, Series 2019B and Series 2021 Refunding bonds carry a "AA" rating from Standard & Poor's by virtue of bond insurance issued by Build America Mutual Assurance Company. The Series 2015 Road bonds, Series 2015A, Series 2016, Series 2019, Series 2020, Series 2020A and Series 2020B Road Refunding bonds carry a "AA" rating from Standard & Poor's and an "A2" rating from Moody's by virtue of bond insurance issued by Assured Guaranty Municipal Corp. The Series 2017 Road bonds carry a "Baa2" rating from Moody's by virtue of bond insurance issued by National Public Finance Guarantee Corporation.

Since inception, the developers have advanced $271,932 (net of repayments) for operations and construction projects. These advances have been recorded as liabilities in the government-wide financial statements.

Other Relevant Factors

Relationship to the City of Houston

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston (the City), the District must conform to the City ordinance consenting to the creation of the District. In addition, the District may be annexed by the City for full purposes without the District's consent, except as set forth below.

Strategic Partnership Agreement

Effective November 16, 2012, and as amended December 19, 2016, the District entered into a Strategic Partnership Agreement (the Agreement) with the City, which annexed certain portions of the District into the City for "limited purposes," as described therein. Under the terms of the Agreement, the City has agreed it will not annex the District as a whole for full purposes for 30 years from the effective date of the Agreement, at which time the City has the option to annex the District if it chooses to do so.

Subsequent Events

On October 6, 2021, the District issued its $1,405,000 Unlimited Tax Bonds, Series 2021A, at a net effective interest rate of approximately 1.43 percent and its $2,295,000 Unlimited Tax Park Bonds, Series 2021B, at a net effective interest rate of approximately 0.97 percent. The proceeds of the bonds were used to purchase facilities from the District's developers.

Montgomery County Municipal Utility District No. 119

Statement of Net Position and Governmental Funds Balance Sheet

June 30, 2021

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets							
Cash	$ 527,685	$ -	$ 121,962	$ 100	$ 649,747	$ -	$ 649,747
Certificates of deposit	1,680,000	-	-	-	1,680,000	-	1,680,000
Short-term investments	10,099,572	-	5,852,834	1,662,848	17,615,254	-	17,615,254
Receivables:							
Property taxes	25,436	-	55,539	-	80,975	-	80,975
Service accounts	303,754	-	-	-	303,754	-	303,754
Sales tax rebates	64,316	-	-	-	64,316	33,202	97,518
Accrued interest	1,973	-	-	-	1,973	-	1,973
Interfund receivable	16,313	62,743	6,246	-	85,302	(85,302)	-
Due from others	103	43,787	-	-	43,890	-	43,890
Prepaid expenditures	-	46,375	-	-	46,375	-	46,375
Capital assets (net of accumulated depreciation):							
Land and improvements	-	-	-	-	-	12,710,602	12,710,602
Construction in progress	-	-	-	-	-	518,959	518,959
Infrastructure	-	-	-	-	-	53,700,415	53,700,415
Roads and paving	-	-	-	-	-	8,581,704	8,581,704
Recreational facilities	-	-	-	-	-	6,688,499	6,688,499
Total assets	12,719,152	152,905	6,036,581	1,662,948	20,571,586	82,148,079	102,719,665
Deferred Outflows of Resources							
Deferred amount on debt refundings	0	0	0	0	0	249,879	249,879
Total assets and deferred outflows of resources	$ 12,719,152	$ 152,905	$ 6,036,581	$ 1,662,948	$ 20,571,586	$ 82,397,958	$ 102,969,544

Montgomery County Municipal Utility District No. 119

Statement of Net Position and Governmental Funds Balance Sheet (Continued)

June 30, 2021

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Liabilities							
Accounts payable	$ 362,611	$ 49,200	$ 8,443	$ 6,742	$ 426,996	$ -	$ 426,996
Accrued interest payable	-	-	-	-	-	641,460	641,460
Retainage payable	19,953	-	-	13,490	33,443	-	33,443
Customer deposits	513,076	-	-	-	513,076	-	513,076
Operating deposits	-	38,606	-	-	38,606	-	38,606
Due to participants	-	41,120	-	-	41,120	-	41,120
Due to others	6,820	646	-	-	7,466	-	7,466
Interfund payable	68,989	-	16,313	-	85,302	(85,302)	-
Long-term liabilities:							
Due within one year	-	-	-	-	-	4,145,000	4,145,000
Due after one year	-	-	-	-	-	89,157,678	89,157,678
Total liabilities	971,449	129,572	24,756	20,232	1,146,009	93,858,836	95,004,845
Deferred Inflows of Resources							
Deferred property tax revenues	25,436	0	55,539	0	80,975	(80,975)	0
Fund Balances/Net Position							
Fund balances:							
Restricted:							
Debt service on bonds	-	-	5,055,766	-	5,055,766	(5,055,766)	-
Water, sewer and drainage	-	-	-	830,004	830,004	(830,004)	-
Roads	-	-	900,520	-	900,520	(900,520)	-
Recreational facilities	-	-	-	812,712	812,712	(812,712)	-
Committed, wastewater collection and distribution	-	23,333	-	-	23,333	(23,333)	-
Unassigned	11,722,267	-	-	-	11,722,267	(11,722,267)	-
Total fund balances	11,722,267	23,333	5,956,286	1,642,716	19,344,602	(19,344,602)	0
Total liabilities, deferred inflows of resources and fund balances	$ 12,719,152	$ 152,905	$ 6,036,581	$ 1,662,948	$ 20,571,586		
Net position:							
Net investment in capital assets						(9,372,149)	(9,372,149)
Restricted for plant operations						23,333	23,333
Restricted for debt service						5,370,365	5,370,365
Restricted for capital projects						142,292	142,292
Unrestricted						11,800,858	11,800,858
Total net position						$ 7,964,699	$ 7,964,699

Montgomery County Municipal Utility District No. 119

Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances

Year Ended June 30, 2021

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues							
Property taxes	$ 3,075,713	$ -	$ 6,717,864	$ -	$ 9,793,577	$ (11,697)	$ 9,781,880
Sales tax rebates	302,090	-	-	-	302,090	12,528	314,618
Water service	1,364,316	-	-	-	1,364,316	-	1,364,316
Sewer service	1,748,850	911,339	-	-	2,660,189	(814,016)	1,846,173
Regional water fee	1,161,315	-	-	-	1,161,315	-	1,161,315
Penalty and interest	44,794	-	57,883	-	102,677	-	102,677
Tap connection and inspection fees	369,440	-	-	-	369,440	-	369,440
Investment income	13,669	63	6,682	1,802	22,216	-	22,216
Other income	8,678	-	40	-	8,718	-	8,718
Total revenues	8,088,865	911,402	6,782,469	1,802	15,784,538	(813,185)	14,971,353
Expenditures/Expenses							
Service operations:							
Purchased services	814,016	-	-	-	814,016	(814,016)	-
Groundwater fees	1,119,074	-	-	-	1,119,074	-	1,119,074
Professional fees	283,787	22,707	19,570	-	326,064	13,530	339,594
Contracted services	808,520	28,540	126,767	-	963,827	-	963,827
Utilities	227,293	46,198	-	-	273,491	-	273,491
Repairs and maintenance	601,151	293,437	-	-	894,588	16,795	911,383
Other expenditures	197,462	25,494	13,641	-	236,597	3,281	239,878
Tap connections	190,775	-	-	-	190,775	-	190,775
Lease payments	-	478,231	-	-	478,231	-	478,231
Capital outlay	964,774	16,795	-	12,027,949	13,009,518	(13,009,518)	-
Depreciation	-	-	-	-	-	2,405,499	2,405,499
Debt service:							
Principal retirement	-	-	4,105,000	-	4,105,000	(4,105,000)	-
Interest and fees	-	-	2,576,489	-	2,576,489	149,561	2,726,050
Debt issuance costs	53,994	-	272,820	740,266	1,067,080	-	1,067,080
Debt defeasance	-	-	54,000	-	54,000	(54,000)	-
Total expenditures/expenses	5,260,846	911,402	7,168,287	12,768,215	26,108,750	(15,393,868)	10,714,882
Excess (Deficiency) of Revenues Over Expenditures	2,828,019	0	(385,818)	(12,766,413)	(10,324,212)	14,580,683	

Montgomery County Municipal Utility District No. 119

Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances (Continued)

Year Ended June 30, 2021

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Other Financing Sources (Uses)							
Interfund transfers in (out)	$ (18,326)	$ 18,326	$ -	$ -	$ -	$ -	
Repayment of developer advances	-	-	-	(537,821)	(537,821)	537,821	
General obligation bonds issued	-	-	5,775,000	13,600,000	19,375,000	(19,375,000)	
Premium on debt issued	-	-	170,869	-	170,869	(170,869)	
Discount on debt issued	-	-	-	(163,262)	(163,262)	163,262	
Deposit with escrow agent	-	-	(5,666,702)	-	(5,666,702)	5,666,702	
Total other financing sources	(18,326)	18,326	279,167	12,898,917	13,178,084	(13,178,084)	
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and and Other Financing Uses	2,809,693	18,326	(106,651)	132,504	2,853,872	(2,853,872)	
Change in Net Position						4,256,471	$ 4,256,471
Fund Balances/Net Position							
Beginning of year	8,912,574	5,007	6,062,937	1,510,212	16,490,730	-	3,708,228
End of year	$ 11,722,267	$ 23,333	$ 5,956,286	$ 1,642,716	$ 19,344,602	$ 0	$ 7,964,699

Montgomery County Municipal Utility District No. 119
Notes to Financial Statements
June 30, 2021

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Montgomery County Municipal Utility District No. 119 (the District) was created by passage of House Bill 4079 passed by the 80th Legislature of the State of Texas on June 15, 2007. The District operates in accordance with Chapters 49 and 54 of the Texas Water Code and is subject to the continuing supervision of the Texas Commission on Environmental Quality (the Commission). The principal functions of the District are to finance, construct, own and operate waterworks, wastewater, drainage, recreational and road facilities and to provide such facilities and services to the customers of the District.

The District is governed by a Board of Directors (the Board) consisting of five individuals who are residents or owners of property within the District and are elected by voters within the District. The Board sets the policies of the District. The accounting and reporting policies of the District conform to accounting principles generally accepted in the United States of America for state and local governments, as defined by the Governmental Accounting Standards Board. The following is a summary of the significant accounting and reporting policies of the District:

Reporting Entity

The accompanying government-wide financial statements present the financial statements of the District. There are no component units that are legally separate entities for which the District is considered to be financially accountable. Accountability is defined as the District's substantive appointment of the voting majority of the component unit's governing board. Furthermore, to be financially accountable, the District must be able to impose its will upon the component unit or there must be a possibility that the component unit may provide specific financial benefits to, or impose specific financial burdens on, the District.

Government-wide and Fund Financial Statements

In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities which engage in a single governmental program, such as the provision of water, wastewater, drainage and other related services. The financial statements of special-purpose governments combine two types of financial statements into one statement. These two types of financial statements are the government-wide financial statements and the fund financial statements. The fund financial statements are presented with a column for adjustments to convert to the government-wide financial statements.

The government-wide financial statements report information on all of the activities of the District. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Governmental activities generally are financed through taxes, charges for services and intergovernmental revenues. The statement of activities reflects the revenues and expenses of the District.

The fund financial statements provide information about the District's governmental funds. Separate statements for each governmental fund are presented. The emphasis of fund financial statements is directed to specific activities of the District.

The District presents the following major governmental funds:

General Fund – The general fund is the primary operating fund of the District which accounts for all financial resources not accounted for in another fund. Revenues are derived primarily from property taxes, charges for services and interest income.

Special Revenue Fund – The special revenue fund accounts for revenues and expenditures involving specific revenue sources that are legally restricted to expenditures for specified purposes. The primary source of revenue is participant sewer service fees.

Debt Service Fund – The debt service fund is used to account for financial resources that are restricted, committed or assigned to expenditures for principal and interest related costs, as well as the financial resources being accumulated for future debt service.

Capital Projects Fund – The capital projects fund is used to account for financial resources that are restricted, committed or assigned to expenditures for capital outlays.

Fund Balances – Governmental Funds

The fund balances for the District's governmental funds can be displayed in up to five components:

Nonspendable – Amounts that are not in a spendable form or are required to be maintained intact.

Restricted – Amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers.

Committed – Amounts that can be used only for the specific purposes determined by resolution of the Board. Commitments may be changed or lifted only by issuance of a resolution by the District's Board.

Assigned – Amounts intended to be used by the District for specific purposes as determined by management. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

Unassigned – The residual classification for the general fund and includes all amounts not contained in the other classifications.

The District considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. The District applies committed amounts first, followed by assigned amounts, and then unassigned amounts when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Measurement Focus and Basis of Accounting

Government-wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows.

Nonexchange transactions, in which the District receives (or gives) value without directly giving (or receiving) equal value in exchange, include property taxes and donations. Recognition standards are based on the characteristics and classes of nonexchange transactions. Revenues from property taxes are recognized in the period for which the taxes are levied. Intergovernmental revenues are recognized as revenues, net of estimated refunds and uncollectible amounts, in the accounting period when an enforceable legal claim to the assets arises and the use of resources is required or is first permitted. Donations are recognized as revenues, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met. Amounts received before all eligibility requirements have been met are reported as liabilities.

Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and liabilities are generally included on the balance sheet. The statement of governmental funds revenues, expenditures and changes in fund balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in spendable resources. General capital asset acquisitions are reported as expenditures and proceeds of long-term debt are reported as other financing sources. Under the modified accrual basis of accounting, revenues are recognized when both measurable and available. The District considers revenues reported in the governmental funds to be available if they are collectible within 60 days after year-end. Principal revenue sources considered susceptible to accrual include taxes, charges for services and investment income. Other revenues are considered to be measurable and available only when cash is received by the District. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized as expenditures when payment is due.

Deferred Outflows and Inflows of Resources

A deferred outflow of resources is a consumption of net position that is applicable to a future reporting period and a deferred inflow of resources is an acquisition of net position that is applicable to a future reporting period.

Interfund Transactions

Transfers from one fund to another fund are reported as interfund receivables and payables if there is intent to repay the amount and if there is the ability to repay the advance on a timely basis. Operating transfers represent legally authorized transfers from the fund receiving resources to the fund through which the resources are to be expended.

Pension Costs

The District does not participate in a pension plan and, therefore, has no pension costs.

Use of 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 amounts of assets, liabilities, and deferred inflows and outflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

Investments and Investment Income

Investments in certificates of deposit, mutual funds, U.S. Government and agency securities, and certain pooled funds, which have a remaining maturity of one year or less at the date of purchase, are recorded at amortized cost. All other investments are carried at fair value. Fair value is determined using quoted market values.

Investment income includes dividends and interest income and the net change for the year in the fair value of investments carried at fair value. Investment income is credited to the fund in which the investment is recorded.

Property Taxes

An appraisal district annually prepares appraisal records listing all property within the District and the appraised value of each parcel or item as of January 1. Additionally, on January 1, a tax lien attaches to property to secure the payment of all taxes, penalty and interest ultimately imposed for the year on the property. After the District receives its certified appraisal roll from the appraisal district, the rate of taxation is set by the Board of the District based upon the aggregate appraisal value. Taxes are due and payable October 1 or when billed, whichever is later, and become delinquent after January 31 of the following year.

In the governmental funds, property taxes are initially recorded as receivables and deferred inflows of resources at the time the tax levy is billed. Revenues recognized during the fiscal year ended June 30, 2021, include collections during the current period or within 60 days of year-end related to the 2020 and prior years' tax levies.

In the government-wide statement of net position, property taxes are considered earned in the budget year for which they are levied. For the District's fiscal year ended June 30, 2021, the 2020 tax levy is considered earned during the current fiscal year. In addition to property taxes levied, any delinquent taxes are recorded net of amounts considered uncollectible.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an individual cost of $5,000 or more and an estimated useful life of two years or more. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset lives are not capitalized.

Capital assets are depreciated using the straight-line method over their estimated useful lives as follows:

	Years
Water production and distribution facilities	10-45
Wastewater collection and treatment facilities	10-45
Drainage facilities	10-45
Roads and paving	10-25
Recreational facilities	10-25

Deferred Amount on Debt Refundings

In the government-wide financial statements, the difference between the reacquisition price and the net carrying amount of the old debt in a debt refunding is deferred and amortized to interest expense using the effective interest rate method over the remaining life of the old debt or the life of the new debt, whichever is shorter. Such amounts are classified as deferred outflows or inflows of resources.

Debt Issuance Costs

Debt issuance costs, other than prepaid insurance, do not meet the definition of an asset or deferred outflows of resources since the costs are not applicable to a future period and, therefore, are recognized as an expense/expenditure in the period incurred.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Premiums and discounts on bonds are recognized as a component of long-term liabilities and amortized over the life of the related debt using the effective interest rate method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize premiums and discounts on bonds during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Net Position/Fund Balances

Fund balances and net position are reported as restricted when constraints placed on them are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or are imposed by law through constitutional provisions or enabling legislation.

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

Reconciliation of Government-wide and Fund Financial Statements

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

Capital assets used in governmental activities are not financial resources and are not reported in the funds.	$ 82,200,179
Property tax revenue recognition and the related reduction of deferred inflows of resources are subject to availability of funds in the fund financial statements.	80,975
Deferred amount on debt refundings for governmental activities are not financial resources and are not reported in the funds.	249,879
Sales tax rebates are not receivable in the current period and are not reported in the funds.	33,202

Accrued interest on long-term liabilities is not payable with current financial resources and is not reported in the funds.	$	(641,460)
Long-term debt obligations are not due and payable in the current period and are not reported in the funds.		(93,302,678)
Adjustment to fund balances to arrive at net position.	$	(11,379,903)

Amounts reported for change in net position of governmental activities in the statement of activities are different from change in fund balances in the governmental funds statement of revenues, expenditures and changes in fund balances because:

Change in fund balances.	$	2,853,872
Governmental funds report capital outlays as expenditures. However, for government-wide financial statements, the cost of capitalized assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay expenditures exceeded depreciation and noncapitalized costs in the current year.		10,570,413
Governmental funds report developer advances as other financing sources or uses as amounts are received or paid. However, for government-wide financial statements, these amounts are recorded as an increase or decrease in due to developer.		537,821
Governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		(7,607)
Governmental funds report proceeds from the sales of bonds because they provide current financial resources to governmental funds. Principal payments on debt are recorded as expenditures. None of these transactions, however, have any effect on net position.		(9,549,298)
Revenues that do not provide current financial resources are not reported as revenues for the funds, but are reported as revenues in the statement of activities.		831
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		(149,561)
Change in net position of governmental activities.	$	4,256,471

Note 2: Deposits, Investments and Investment Income

Deposits

Custodial credit risk is the risk that, in the event of a bank failure, a government's deposits may not be returned to it. The District's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance; a surety bond; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities of the State of Texas; or certain collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States.

As of June 30, 2021, none of the District's bank balances were exposed to custodial credit risk.

Investments

The District may legally invest in obligations of the United States or its agencies and instrumentalities, direct obligations of Texas or its agencies or instrumentalities, collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States, other obligations guaranteed as to principal and interest by the State of Texas or the United States or their agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, obligations of states, agencies and counties and other political subdivisions with an investment rating not less than "A," insured or collateralized certificates of deposit, and certain bankers' acceptances, repurchase agreements, mutual funds, commercial paper, guaranteed investment contracts and investment pools.

The District's investment policy may be more restrictive than the Public Funds Investment Act.

The District invests in Texas CLASS, an external investment pool that is not registered with the Securities and Exchange Commission. A Board of Trustees, elected by the participants, has oversight of Texas CLASS. The District's investments may be redeemed at any time. Texas CLASS attempts to minimize its exposure to market and credit risk through the use of various strategies and credit monitoring techniques and limits its investments in any issuer to the top two ratings issued by nationally recognized statistical rating organizations.

At June 30, 2021, the District had the following investments and maturities.

		Maturities in Years			
Type	**Fair Value**	**Less Than 1**	**1-5**	**6-10**	**More Than 10**
Texas CLASS	$ 17,615,254	$ 17,615,254	$ 0	$ 0	$ 0

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy does not allow investments in certain mortgage-backed securities, collateralized mortgage obligations with a final maturity date in excess of 10 years and interest rate indexed collateralized mortgage obligations. The external investment pool is presented as an investment with a maturity of less than one year because it is redeemable in full immediately.

Credit Risk. Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2021, the District's investments in Texas CLASS were rated "AAAm" by Standard & Poor's.

Summary of Carrying Values

The carrying values of deposits and investments shown above are included in the balance sheet at June 30, 2021, as follows:

Carrying value:	
Deposits	$ 2,329,747
Investments	17,615,254
Total	$ 19,945,001

Included in the following statement of net position captions:

Cash	$ 649,747
Certificates of deposit	1,680,000
Short-term investments	17,615,254
Total	$ 19,945,001

Investment Income

Investment income of $22,216 for the year ended June 30, 2021, consisted of interest income.

Fair Value Measurements

The District has the following recurring fair value measurements as of June 30, 2021:

- Pooled investments of $17,615,254 are valued at fair value per share of the pool's underlying portfolio

Note 3: Capital Assets

A summary of changes in capital assets for the year ended June 30, 2021, is presented below:

Governmental Activities	Balances, Beginning of Year	Additions	Reclassi-fications	Balances, End of Year
Capital assets, non-depreciable:				
Land and improvements	$ 12,706,234	$ 4,368	$ -	$ 12,710,602
Construction in progress	3,519,333	417,837	(3,418,211)	518,959
Total capital assets, non-depreciable	16,225,567	422,205	(3,418,211)	13,229,561
Capital assets, depreciable:				
Water production and distribution facilities	14,790,006	269,134	-	15,059,140
Wastewater collection and treatment facilities	17,914,279	1,352,901	1,801,688	21,068,868
Drainage facilities	25,285,918	936,617	-	26,222,535
Roads and paving	10,791,826	14,368	1,152,450	11,958,644
Recreational facilities	7,637,781	445	464,073	8,102,299
Total capital assets, depreciable	76,419,810	2,573,465	3,418,211	82,411,486
Less accumulated depreciation:				
Water production and distribution facilities	(1,962,756)	(338,068)	-	(2,300,824)
Wastewater collection and treatment facilities	(2,314,736)	(487,574)	-	(2,802,310)
Drainage facilities	(2,907,851)	(639,143)	-	(3,546,994)
Roads and paving	(2,777,769)	(599,171)	-	(3,376,940)
Recreational facilities	(1,072,257)	(341,543)	-	(1,413,800)
Total accumulated depreciation	(11,035,369)	(2,405,499)	0	(13,440,868)
Total governmental activities, net	$ 81,610,008	$ 590,171	$ 0	$ 82,200,179

Note 4: Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2021, were as follows.

Governmental Activities	Balances, Beginning of Year	Increases	Decreases	Balances, End of Year	Amounts Due in One Year
Bonds payable:					
General obligation bonds	$ 81,285,000	$ 19,375,000	$ 9,710,000	$ 90,950,000	$ 4,145,000
Add premiums on bonds	5,241	170,869	4,229	171,881	-
Less discounts on bonds	1,830,652	163,262	205,036	1,788,878	-
	79,459,589	19,382,607	9,509,193	89,333,003	4,145,000
Due to developers	13,677,985	861,524	10,841,766	3,697,743	-
Developer advances	809,753	-	537,821	271,932	-
Total governmental activities long-term liabilities	$ 93,947,327	$ 20,244,131	$ 20,888,780	$ 93,302,678	$ 4,145,000

General Obligation Bonds

	Series 2014	Road Series 2015
Amounts outstanding, June 30, 2021	$4,000,000	$2,555,000
Interest rates	2.75% to 4.00%	2.25% to 3.75%
Maturity dates, serially beginning/ending	April 1, 2022/2040	April 1, 2022/2040
Interest payment dates	October 1/April 1	October 1/April 1
Callable dates*	April 1, 2022	April 1, 2022

	Series 2015A	Series 2016
Amounts outstanding, June 30, 2021	$10,925,000	$9,310,000
Interest rates	2.00% to 4.00%	2.00% to 3.00%
Maturity dates, serially beginning/ending	April 1, 2022/2041	April 1, 2022/2042
Interest payment dates	October 1/April 1	October 1/April 1
Callable dates*	April 1, 2023	April 1, 2023

*Or any date thereafter; callable at par plus accrued interest to the date of redemption.

	Road Series 2017	Series 2017
Amounts outstanding, June 30, 2021	$4,125,000	$11,925,000
Interest rates	2.00% to 3.75%	3.00% to 4.00%
Maturity dates, serially beginning/ending	April 1, 2022/2042	April 1, 2022/2042
Interest payment dates	October 1/April 1	October 1/April 1
Callable dates*	April 1, 2024	April 1, 2024

	Road Series 2018	Series 2019
Amounts outstanding, June 30, 2021	$4,750,000	$9,280,000
Interest rates	3.000% to 3.625%	2.00% to 3.75%
Maturity dates, serially beginning/ending	April 1, 2022/2042	April 1, 2022/2042
Interest payment dates	October 1/April 1	October 1/April 1
Callable dates*	April 1, 2024	April 1, 2024

	Refunding Series 2019A	Series 2019B
Amounts outstanding, June 30, 2021	$2,585,000	$13,000,000
Interest rates	3.00%	2.00% to 3.00%
Maturity dates, serially beginning/ending	April 1, 2022/2039	April 1, 2022/2043
Interest payment dates	October 1/April 1	October 1/April 1
Callable dates*	April 1, 2024	April 1, 2024

*Or any date thereafter; callable at par plus accrued interest to the date of redemption.

	Series 2020	Series 2020A
Amounts outstanding, June 30, 2021	$6,240,000	$6,610,000
Interest rates	1.00% to 3.00%	1.00% to 3.00%
Maturity dates, serially beginning/ending	April 1, 2024/2044	April 1, 2022/2044
Interest payment dates	October 1/April 1	October 1/April 1
Callable dates*	April 1, 2025	April 1, 2025

	Road Refunding Series 2020B	Refunding Series 2021
Amounts outstanding, June 30, 2021	$1,940,000	$3,705,000
Interest rates	2.00% to 3.00%	2.00% to 3.00%
Maturity dates, serially beginning/ending	April 1, 2022/2039	April 1, 2022/2040
Interest payment dates	October 1/April 1	October 1/April 1
Callable dates*	April 1, 2026	April 1, 2026

*Or any date thereafter; callable at par plus accrued interest to the date of redemption.

Annual Debt Service Requirements

The following schedule shows the annual debt service requirements to pay principal and interest on general obligation bonds outstanding at June 30, 2021:

Year	Principal	Interest	Total
2022	$ 4,145,000	$ 2,565,840	$ 6,710,840
2023	4,180,000	2,450,952	6,630,952
2024	3,915,000	2,335,452	6,250,452
2025	4,005,000	2,226,589	6,231,589
2026	4,040,000	2,124,109	6,164,109
2027-2031	20,955,000	9,131,961	30,086,961
2032-2036	22,350,000	6,260,417	28,610,417
2037-2041	22,720,000	2,799,361	25,519,361
2042-2044	4,640,000	182,212	4,822,212
Total	$ 90,950,000	$ 30,076,893	$ 121,026,893

The bonds are payable from the proceeds of an ad valorem tax levied upon all property within the District subject to taxation, without limitation as to rate or amount.

Bonds voted:	
Water, sanitary sewer and drainage facilities	$ 173,665,000
Road facilities	15,570,000
Recreational facilities	19,350,000
Refunding bonds	208,585,000
Bonds sold:	
Water, sanitary sewer and drainage facilities	79,035,000
Recreational facilities	7,360,000
Road facilities	15,570,000
Refunding bonds authorization used	330,000

Due to Developers

Developers of the District have constructed utilities and roads and recreational facilities on behalf of the District. The District's engineer estimates reimbursable costs for completed projects are $3,697,743. The District has agreed to reimburse these amounts, plus interest, to the extent approved by the Commission, if required, from the proceeds of future bond sales. These amounts have been recorded in the financial statements as long-term liabilities.

Since inception, developers have advanced $271,932 to the District for operations and construction projects (net of repayments). These advances have been recorded as liabilities in the government-wide financial statements.

Note 5: Significant Bond Order and Commission Requirements

The Bond Orders require that the District levy and collect an ad valorem debt service tax rate sufficient to pay interest and principal on bonds when due. During the year ended June 30, 2021, the District levied an ad valorem debt service tax at the rate of $0.8300 per $100 of assessed valuation, which resulted in a tax levy of $6,717,483 on the taxable valuation of $809,335,274 for the 2020 tax year. The principal and interest requirements to be paid from the tax revenues and available resources are $6,734,169 of which $5,451,249 has been paid and $1,282,920 is due October 1, 2021.

Note 6: Maintenance Taxes

At an election held November 6, 2007, voters authorized a general maintenance tax not to exceed $1.50 per $100 of assessed valuation on all property within the District subject to taxation. During the year ended June 30, 2021, the District levied an ad valorem maintenance tax for general maintenance at the rate of $0.3800 per $100 of assessed valuation, which resulted in a tax levy of $3,075,474 on the taxable valuation of $809,335,274 for the 2020 tax year. The maintenance tax is being used by the general fund to pay expenditures of operating the District.

At an election held November 6, 2007, voters authorized a recreational facility maintenance tax not to exceed $0.10 per $100 of assessed valuation on all property within the District subject to taxation. During the year ended June 30, 2021, the District did not levy an ad valorem recreational facility maintenance tax.

Note 7: Groundwater Reduction Plan Agreement

The District is within the boundaries of the Lone Star Groundwater Conservation District (the Conservation District), which regulates groundwater withdrawal. The District's authority to pump groundwater from its well is subject to an annual permit issued by the Conservation District. In 2006, the Conservation District adopted a district regulatory plan to reduce groundwater withdrawal through the conversion to surface water, which plan has been amended from time to time.

Note 8: Water Resources Assessment Agreement

The District has entered into a Contract for Groundwater Reduction Planning, Alternative Water Supply and Related Goods and Services (GRP Contract) with the San Jacinto River Authority (the Authority) in order to meet the Conservation District's requirements. As a participant in the Authority's Groundwater Reduction Plan, the District has complied with all current Conservation District requirements for surface water conversion and, effective August 1, 2010, is obligated to pay to the Authority a groundwater withdrawal fee for all groundwater produced and used by the District, and will be required to pay a water purchase fee for any water actually purchased from the Authority in the future. During the year ended June 30, 2021, the District incurred $1,119,074 in fees for groundwater withdrawal.

Note 9: Waste Disposal Agreement

The District and Montgomery County Municipal Utility District No. 94 (District No. 94) entered into an agreement (the Waste Agreement) in December 2007 to construct and operate Phase I of the Permanent Wastewater Treatment Plant (the Permanent Plant). The Waste Agreement was amended (the amendment) on September 23, 2008, to provide that an interim wastewater treatment plant, constructed pursuant to the terms of a waste disposal lease agreement, would be converted into Phase I of the Permanent Plant to be owned equally (50 percent each) by the District and District No. 94. The amendment also provided that District No. 94 constructed an expansion as Phase II of the Permanent Plant. Said expansion was completed in a prior year.

During prior years, the Waste Agreement was amended (the second amendment), due to the District's desire to purchase 9,000 gallons per day (gpd) capacity in the Permanent Plant, effective the date of the second amendment, and amended again (the third amendment), which provided that the District was to construct a 200,000 gpd expansion as Phase III of the Permanent Plant and become the operating district of the Permanent Plant, effective January 1, 2014. Phase III was completed during 2015.

Also, during prior years, the Waste Agreement was amended again (the fourth amendment), which provides for the District to construct a 300,000 gpd expansion as Phase IV of the Permanent Plant.

During the current year, the Waste Agreement was further amended (the fifth amendment), which reallocated capacity in the Permanent Plant after the construction of an additional 225,000 gpd expansion (Phase V) and a permanent headworks structure. After the completion of these facilities, the District owns 77.20 percent of the Permanent Plant and District No. 94 owns 22.80 percent.

Under the terms of the amended agreement, each district is also responsible for constructing a sanitary sewer collection system at its own expense, and each district is responsible for maintaining its own system. The construction costs for the Phase I Permanent Plant were based on a pro rata share of capacity in said Phase I, or 50 percent for each district.

For any future expansion, once the engineer has provided a preliminary report of construction and design costs to both parties and the parties have agreed to participate in the financing and construction of such expansions, each district will deposit funds or other acceptable financing arrangements into a special Plant Expansion Account that will be maintained by the operating district. Once the design phase is complete, the operating district will initiate construction of the expansion of the plant. Upon completion of each expansion of the plant, each district's pro rata share will be recalculated to reflect any changes to capacity.

The District has established a Special Revenue Fund (SRF) that will be maintained and held in the name of the District. All funds received for operation and maintenance expenditures are placed in the SRF. Fixed costs include legal, renewal of permits, licenses, bookkeeping, etc. and are billed to each district according to their pro rata share of the plant. Variable costs are a fraction of all other operation and maintenance costs determined by the number of active connections of each district. In order for the District to have funds available to make timely payments of all expenses related to the operation and maintenance of the plant, each district has provided funds for an operating reserve based on the number of actual or projected number of active connections. If the District determines that the reserve is not sufficient to pay for the operation and maintenance expenditures on a timely basis, the operating reserve may be increased up to a maximum number of four months calculated and paid in the same manner as above.

In conjunction with the construction of the Phase III expansion, the District entered into a lease of a 200,000-gpd wastewater treatment plant. The lease required monthly payments of $12,225, for a term of 48 months, expiring February 28, 2018. After expiration of the initial term, the lease was extended on a month-to-month basis, with monthly payments of $9,200. The District recorded expenditures of $110,400 under the terms of this lease.

During a prior year, the District entered into a lease of a 300,000-gpd wastewater treatment plant. The lease required monthly payments of $26,620, for a term of 48 months, expiring February 29, 2020. After expiration of the initial term, the lease was extended on a month-to-month basis, with monthly payments of $15,775. The District recorded expenditures of $189,300 under the terms of this lease.

During the prior year, the District entered into a lease for an additional 225,000-gpd wastewater treatment plant. The lease requires monthly payments of $21,400, for a term of 60 months, expiring in November 2025. After expiration of the initial term, the lease may be extended on a month-to-month basis, with the monthly payments of $20,980. During the prior year, the District paid the first and last month's lease payments as a deposit for $149,800. The District recorded expenditures of $276,060 under the terms of this lease.

During a prior year, the District leased a backup generator for its facilities. The terms of the lease require monthly payments of principal and interest imputed at approximately 9.50 percent as follows. Monthly payments of $2,850 through March 2017; 60 monthly payments of $2,500 through March 2022; 60 monthly payments of $1,500 through March 2027; and 60 monthly payments of $1,000 through March 2032. The District recorded expenditures of $30,000 under the terms of this lease.

Future minimum lease payments under all leases are as follows:

2022	$	283,800
2023		274,800
2024		274,800
2025		274,800
2026		125,000
Thereafter		73,500
	$	1,306,700

Note 10: Strategic Partnership Agreement

Effective November 16, 2012, and as amended on December 19, 2016, the District and the City of Houston (the City) entered into a Strategic Partnership Agreement (the Agreement) under which the City annexed certain tracts of land (the tracts) within the boundaries of the District for limited purposes. The District continues to exercise all power and functions of a municipal utility district as provided by law. As consideration for the District providing services as detailed in the Agreement, the City agrees to remit one-half of all City sales and use tax revenues generated within the boundaries of the tracts. As consideration for the sales tax payments by the City, the District agrees to continue to develop water, sewer and drainage services within the District in lieu of full-purpose annexation. The City agrees it will not annex the District for full purposes or commence any action to annex the District during the term of the Agreement, which is 30 years from the effective date of the Agreement. During the current year, the District recorded $314,618 in revenues related to the Agreement.

Note 11: Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. The District has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts in the past three fiscal years.

Note 12: Refunding Bonds

On September 9, 2020, the District issued its $2,070,000 Unlimited Tax Road Refunding Bonds, Series 2020B, to refund $1,995,000 of outstanding Series 2012 Road Bonds. The District refunded the bonds to reduce total debt service payments over future years by $298,217 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of $241,691.

On January 8, 2021, the District issued its $3,705,000 Unlimited Tax Refunding Bonds, Series 2021, to refund $3,610,000 of outstanding Series 2013 Bonds. The District refunded the bonds to reduce total debt service payments over future years by $1,129,595 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of $910,602.

Note 13: Subsequent Events

On October 6, 2021, the District issued its $1,405,000 Unlimited Tax Bonds, Series 2021A, at a net effective interest rate of approximately 1.43 percent and its $2,295,000 Unlimited Tax Park Bonds, Series 2021B, at a net effective interest rate of approximately 0.97 percent. The proceeds of the bonds were used to purchase facilities from the District's developers.

Note 14: Uncertainties

As a result of the spread of the SARS-CoV-2 virus and the incidence of COVID-19, economic uncertainties have arisen which may negatively affect the financial position and results of operations of the District. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

Required Supplementary Information

Montgomery County Municipal Utility District No. 119
Budgetary Comparison Schedule – General Fund
Year Ended June 30, 2021

	Original Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property taxes	$ 2,500,000	$ 3,075,713	$ 575,713
Sales tax rebates	160,000	302,090	142,090
Water service	1,100,000	1,364,316	264,316
Sewer service	1,250,000	1,748,850	498,850
Regional water fee	948,000	1,161,315	213,315
Penalty and interest	38,000	44,794	6,794
Tap connection and inspection fees	438,000	369,440	(68,560)
Investment income	60,000	13,669	(46,331)
Other income	-	8,678	8,678
Total revenues	6,494,000	8,088,865	1,594,865
Expenditures			
Service operations:			
Purchased services	885,310	814,016	71,294
Groundwater fee	823,500	1,119,074	(295,574)
Professional fees	341,000	283,787	57,213
Contracted services	585,400	808,520	(223,120)
Utilities	200,000	227,293	(27,293)
Repairs and maintenance	471,000	601,151	(130,151)
Other expenditures	181,355	197,462	(16,107)
Tap connections	205,000	190,775	14,225
Capital outlay	888,100	964,774	(76,674)
Debt service, debt issuance costs	-	53,994	(53,994)
Total expenditures	4,580,665	5,260,846	(680,181)
Excess of Revenues Over Expenditures	1,913,335	2,828,019	914,684
Other Financing Uses			
Interfund transfers out	-	(18,326)	(18,326)
Excess of Revenues and Transfers In Over Expenditures and Transfers Out	1,913,335	2,809,693	896,358
Fund Balance, Beginning of Year	8,912,574	8,912,574	-
Fund Balance, End of Year	$ 10,825,909	$ 11,722,267	$ 896,358

Montgomery County Municipal Utility District No. 119

Budgetary Comparison Schedule – Special Revenue Fund

Year Ended June 30, 2021

	Original Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Sewer service	$ 1,100,340	$ 911,339	$ (189,001)
Investment income	-	63	63
Total revenues	1,100,340	911,402	(188,938)
Expenditures			
Service operations:			
Professional fees	60,800	22,707	38,093
Contracted services	67,900	28,540	39,360
Utilities	45,500	46,198	(698)
Repairs and maintenance	336,500	293,437	43,063
Other expenditures	22,800	25,494	(2,694)
Lease payments	566,840	478,231	88,609
Capital outlay	-	16,795	(16,795)
Total expenditures	1,100,340	911,402	188,938
Excess of Revenues Over Expenditures	-	-	-
Other Financing Sources			
Interfund transfers in	-	18,326	18,326
Excess of Revenues and Transfers In Over Expenditures and Transfers Out	-	18,326	18,326
Fund Balance, Beginning of Year	5,007	5,007	-
Fund Balance, End of Year	$ 5,007	$ 23,333	$ 18,326

Montgomery County Municipal Utility District No. 119
Notes to Required Supplementary Information
June 30, 2021

Budgets and Budgetary Accounting

Annual operating budgets are prepared for the general and special revenue funds by the District's consultants. The budgets reflect resources expected to be received during the year and expenditures expected to be incurred. The Board of Directors is required to adopt the budgets prior to the start of its fiscal year. The budgets are not a spending limitation (a legally restricted appropriation). The original budgets of the general fund and the special revenue fund were not amended during fiscal 2021.

The District prepares its annual operating budgets on a basis consistent with accounting principles generally accepted in the United States of America. The Budgetary Comparison Schedules - General Fund and Special Revenue Fund present the original and revised budget amounts, if revised, compared to the actual amounts of revenues and expenditures for the current year.

Other Information

Montgomery County Municipal Utility District No. 119

Other Schedules Included Within This Report

June 30, 2021

(Schedules included are checked or explanatory notes provided for omitted schedules.)

[X] Notes Required by the Water District Accounting Manual
See "Notes to Financial Statements," Pages 14-31

[X] Schedule of Services and Rates

[X] Schedule of General Fund Expenditures

[X] Schedule of Temporary Investments

[X] Analysis of Taxes Levied and Receivable

[X] Schedule of Long-term Debt Service Requirements by Years

[X] Changes in Long-term Bonded Debt

[X] Comparative Schedule of Revenues and Expenditures – General Fund and Debt Service Fund – Five Years

[X] Board Members, Key Personnel and Consultants

Montgomery County Municipal Utility District No. 119
Schedule of Services and Rates
Year Ended June 30, 2021

1. Services provided by the District:

X Retail Water	___ Wholesale Water	X Drainage
X Retail Wastewater	___ Wholesale Wastewater	___ Irrigation
X Parks/Recreation	___ Fire Protection	___ Security
X Solid Waste/Garbage	___ Flood Control	X Roads

X Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)

___ Other ___

2. Retail service providers

a. Retail rates for a 5/8" meter (or equivalent):

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate Per 1,000 Gallons Over Minimum	Usage Levels		
Water:	$ 22.50	10,000	N	$ 1.00	10,001	to	15,000
				$ 1.25	15,001	to	20,000
				$ 1.50	20,001	to	No Limit
Wastewater:	$ 51.30	0	Y				
Groundwater fees:	$ 3.055	1	N	$ 3.055	1	to	No Limit

Does the District employ winter averaging for wastewater usage? Yes ___ No X

Total charges per 10,000 gallons usage (including fees): Water $ 53.05 Wastewater $ 51.30

b. Water and wastewater retail connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC*
Unmetered	-	-	x1.0	-
≤ 3/4"	2,291	2,286	x1.0	2,286
1"	335	335	x2.5	838
1 1/2"	24	24	x5.0	120
2"	50	50	x8.0	400
3"	1	1	x15.0	15
4"	2	2	x25.0	50
6"	6	6	x50.0	300
8"	1	1	x80.0	80
10"	-	-	x115.0	-
Total water	2,710	2,705		4,089
Total wastewater	2,617	2,612	x1.0	2,612

3. Total water consumption (in thousands) during the fiscal year:

Gallons pumped into the system:	379,122
Gallons billed to customers:	372,301
Water accountability ratio (gallons billed/gallons pumped):	98.20%

*"ESFC" means equivalent single-family connections

Montgomery County Municipal Utility District No. 119

Schedule of General Fund Expenditures

Year Ended June 30, 2021

Personnel (including benefits)		$ -
Professional Fees		
Auditing	$ 18,900	
Legal	98,273	
Engineering	166,614	
Financial advisor	-	283,787
Purchased Services for Resale		
Bulk water and wastewater service purchases		814,016
Groundwater Fee		1,119,074
Contracted Services		
Bookkeeping	29,817	
General manager	-	
Appraisal district	-	
Tax collector	-	
Security	-	
Other contracted services	189,618	219,435
Utilities		227,293
Repairs and Maintenance		601,151
Administrative Expenditures		
Directors' fees	15,300	
Office supplies	28,368	
Insurance	25,114	
Other administrative expenditures	128,680	197,462
Capital Outlay		
Capitalized assets	598,774	
Expenditures not capitalized	366,000	964,774
Tap Connection Expenditures		190,775
Solid Waste Disposal		589,085
Fire Fighting		-
Parks and Recreation		-
Other Expenditures		53,994
Total expenditures		$ 5,260,846

Montgomery County Municipal Utility District No. 119

Schedule of Temporary Investments

June 30, 2021

	Interest Rate	Maturity Date	Face Amount	Accrued Interest Receivable
General Fund				
Certificates of Deposit				
No. 91300011956358	0.28%	01/20/22	$ 240,000	$ 11
No. 12940	0.50%	06/24/22	240,000	20
No. 80001946	0.34%	02/22/22	240,000	1,904
No. 4191524	0.20%	05/20/22	240,000	8
No. 36001976	0.20%	12/21/21	240,000	8
No. 6000050382	0.30%	04/20/22	240,000	12
No. 1001000437	0.25%	03/21/22	240,000	10
Texas CLASS	0.06%	Demand	10,099,572	-
			11,779,572	1,973
Debt Service Fund				
Texas CLASS	0.06%	Demand	4,952,314	-
Texas CLASS	0.06%	Demand	900,520	-
			5,852,834	0
Capital Projects Fund				
Texas CLASS	0.06%	Demand	850,136	-
Texas CLASS	0.06%	Demand	812,712	-
			1,662,848	0
Totals			$ 19,295,254	$ 1,973

Montgomery County Municipal Utility District No. 119
Analysis of Taxes Levied and Receivable
Year Ended June 30, 2021

	Maintenance Taxes	Debt Service Taxes
Receivable, Beginning of Year	$ 29,113	$ 63,559
Additions and corrections to prior years' taxes	(3,438)	(7,639)
Adjusted receivable, beginning of year	25,675	55,920
2020 Original Tax Levy	2,951,039	6,445,691
Additions and corrections	124,435	271,792
Adjusted tax levy	3,075,474	6,717,483
Total to be accounted for	3,101,149	6,773,403
Tax collections: Current year	(3,051,526)	(6,665,176)
Prior years	(24,187)	(52,688)
Receivable, end of year	$ 25,436	$ 55,539
Receivable, by Years		
2020	$ 23,948	$ 52,307
2019	977	2,131
2018	282	627
2017	229	474
Receivable, end of year	$ 25,436	$ 55,539

Montgomery County Municipal Utility District No. 119
Analysis of Taxes Levied and Receivable (Continued)
Year Ended June 30, 2021

	2020	2019	2018	2017
Property Valuations				
Land	$ 133,213,460	$ 123,175,680	$ 108,266,910	$ 82,979,830
Improvements	714,509,080	577,524,590	439,135,910	374,199,240
Personal property	19,445,679	18,762,170	16,465,755	14,232,385
Exemptions	(57,832,945)	(55,677,091)	(45,595,819)	(36,840,442)
Total property valuations	$ 809,335,274	$ 663,785,349	$ 518,272,756	$ 434,571,013
Tax Rates per $100 Valuation				
Debt service tax rates	$ 0.8300	$ 0.8500	$ 0.8900	$ 0.8900
Maintenance tax rates*	0.3800	0.3900	0.4000	0.4300
Total tax rates per $100 valuation	$ 1.2100	$ 1.2400	$ 1.2900	$ 1.3200
Tax Levy	$ 9,792,957	$ 8,230,937	$ 6,685,717	$ 5,736,338
Percent of Taxes Collected to Taxes Levied**	99%	99%	99%	99%

*Maximum tax rate approved by voters: $1.50 on November 6, 2007

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

Montgomery County Municipal Utility District No. 119

Schedule of Long-term Debt Service Requirements by Years

June 30, 2021

	Series 2014		
Due During Fiscal Years Ending June 30	Principal Due April 1	Interest Due October 1, April 1	Total
2022	$ 115,000	$ 143,649	$ 258,649
2023	120,000	140,486	260,486
2024	130,000	136,886	266,886
2025	135,000	132,986	267,986
2026	140,000	128,768	268,768
2027	150,000	124,393	274,393
2028	160,000	119,705	279,705
2029	170,000	114,705	284,705
2030	180,000	109,392	289,392
2031	190,000	103,768	293,768
2032	200,000	97,687	297,687
2033	210,000	91,088	301,088
2034	225,000	84,000	309,000
2035	235,000	75,000	310,000
2036	250,000	65,600	315,600
2037	265,000	55,600	320,600
2038	280,000	45,000	325,000
2039	295,000	33,800	328,800
2040	550,000	22,000	572,000
Totals	$ 4,000,000	$ 1,824,513	$ 5,824,513

Montgomery County Municipal Utility District No. 119

Schedule of Long-term Debt Service Requirements by Years (Continued)

June 30, 2021

	Road Series 2015		
Due During Fiscal Years Ending June 30	Principal Due April 1	Interest Due October 1, April 1	Total
2022	$ 90,000	$ 86,247	$ 176,247
2023	95,000	84,223	179,223
2024	100,000	81,847	181,847
2025	105,000	79,348	184,348
2026	105,000	76,460	181,460
2027	110,000	73,310	183,310
2028	115,000	69,872	184,872
2029	120,000	66,279	186,279
2030	125,000	62,529	187,529
2031	130,000	58,153	188,153
2032	135,000	53,604	188,604
2033	140,000	48,879	188,879
2034	150,000	43,804	193,804
2035	155,000	38,366	193,366
2036	160,000	32,747	192,747
2037	170,000	26,828	196,828
2038	175,000	20,537	195,537
2039	185,000	14,063	199,063
2040	190,000	7,125	197,125
Totals	$ 2,555,000	$ 1,024,221	$ 3,579,221

Montgomery County Municipal Utility District No. 119

Schedule of Long-term Debt Service Requirements by Years (Continued)

June 30, 2021

	Series 2015A		
Due During Fiscal Years Ending June 30	Principal Due April 1	Interest Due October 1, April 1	Total
2022	$ 375,000	$ 361,906	$ 736,906
2023	390,000	354,406	744,406
2024	405,000	345,631	750,631
2025	420,000	335,506	755,506
2026	435,000	324,481	759,481
2027	450,000	312,519	762,519
2028	465,000	299,019	764,019
2029	480,000	285,069	765,069
2030	495,000	270,669	765,669
2031	510,000	254,581	764,581
2032	525,000	238,006	763,006
2033	550,000	220,288	770,288
2034	550,000	201,725	751,725
2035	585,000	182,475	767,475
2036	615,000	162,000	777,000
2037	630,000	140,475	770,475
2038	650,000	117,638	767,638
2039	690,000	94,075	784,075
2040	830,000	68,200	898,200
2041	875,000	35,000	910,000
Totals	$ 10,925,000	$ 4,603,669	$ 15,528,669

Montgomery County Municipal Utility District No. 119
Schedule of Long-term Debt Service Requirements by Years (Continued)
June 30, 2021

	Series 2016		
Due During Fiscal Years Ending June 30	**Principal Due April 1**	**Interest Due October 1, April 1**	**Total**
2022	$ 450,000	$ 237,675	$ 687,675
2023	450,000	228,675	678,675
2024	450,000	219,675	669,675
2025	450,000	210,675	660,675
2026	450,000	201,675	651,675
2027	450,000	192,675	642,675
2028	450,000	183,675	633,675
2029	450,000	173,550	623,550
2030	450,000	163,425	613,425
2031	450,000	152,175	602,175
2032	450,000	140,925	590,925
2033	450,000	128,550	578,550
2034	450,000	116,175	566,175
2035	450,000	103,800	553,800
2036	450,000	90,300	540,300
2037	435,000	76,800	511,800
2038	425,000	63,750	488,750
2039	425,000	51,000	476,000
2040	425,000	38,250	463,250
2041	425,000	25,500	450,500
2042	425,000	12,750	437,750
Totals	$ 9,310,000	$ 2,811,675	$ 12,121,675

Montgomery County Municipal Utility District No. 119

Schedule of Long-term Debt Service Requirements by Years (Continued)

June 30, 2021

	Road Series 2017		
Due During Fiscal Years Ending June 30	Principal Due April 1	Interest Due October 1, April 1	Total
2022	$ 175,000	$ 133,938	$ 308,938
2023	175,000	128,688	303,688
2024	175,000	125,188	300,188
2025	200,000	121,250	321,250
2026	200,000	116,250	316,250
2027	200,000	110,750	310,750
2028	200,000	104,750	304,750
2029	200,000	98,750	298,750
2030	200,000	92,750	292,750
2031	200,000	86,500	286,500
2032	200,000	80,000	280,000
2033	200,000	73,000	273,000
2034	200,000	66,000	266,000
2035	200,000	59,000	259,000
2036	200,000	52,000	252,000
2037	200,000	44,750	244,750
2038	200,000	37,500	237,500
2039	200,000	30,000	230,000
2040	200,000	22,500	222,500
2041	200,000	15,000	215,000
2042	200,000	7,500	207,500
Totals	$ 4,125,000	$ 1,606,064	$ 5,731,064

Montgomery County Municipal Utility District No. 119

Schedule of Long-term Debt Service Requirements by Years (Continued)

June 30, 2021

	Series 2017		
Due During Fiscal Years Ending June 30	Principal Due April 1	Interest Due October 1, April 1	Total
2022	$ 575,000	$ 395,156	$ 970,156
2023	575,000	372,156	947,156
2024	575,000	349,156	924,156
2025	575,000	326,156	901,156
2026	575,000	308,906	883,906
2027	575,000	291,656	866,656
2028	575,000	274,406	849,406
2029	575,000	257,156	832,156
2030	575,000	239,906	814,906
2031	575,000	222,656	797,656
2032	575,000	205,407	780,407
2033	575,000	188,157	763,157
2034	575,000	170,188	745,188
2035	575,000	151,500	726,500
2036	575,000	132,813	707,813
2037	550,000	114,125	664,125
2038	550,000	95,563	645,563
2039	550,000	77,000	627,000
2040	550,000	57,750	607,750
2041	550,000	38,500	588,500
2042	550,000	19,250	569,250
Totals	$ 11,925,000	$ 4,287,563	$ 16,212,563

Montgomery County Municipal Utility District No. 119

Schedule of Long-term Debt Service Requirements by Years (Continued)

June 30, 2021

	Road Series 2018		
Due During Fiscal Years Ending June 30	Principal Due April 1	Interest Due October 1, April 1	Total
2022	$ 225,000	$ 157,281	$ 382,281
2023	225,000	150,531	375,531
2024	225,000	143,781	368,781
2025	225,000	137,031	362,031
2026	225,000	130,281	355,281
2027	225,000	123,531	348,531
2028	225,000	116,781	341,781
2029	225,000	110,031	335,031
2030	225,000	103,000	328,000
2031	225,000	95,688	320,688
2032	225,000	88,375	313,375
2033	225,000	80,781	305,781
2034	225,000	73,188	298,188
2035	225,000	65,313	290,313
2036	225,000	57,438	282,438
2037	225,000	49,563	274,563
2038	225,000	41,688	266,688
2039	225,000	33,531	258,531
2040	225,000	25,375	250,375
2041	225,000	17,219	242,219
2042	250,000	9,062	259,062
Totals	$ 4,750,000	$ 1,809,469	$ 6,559,469

Montgomery County Municipal Utility District No. 119

Schedule of Long-term Debt Service Requirements by Years (Continued)

June 30, 2021

	Series 2019		
Due During Fiscal Years Ending June 30	**Principal Due April 1**	**Interest Due October 1, April 1**	**Total**
2022	$ 450,000	$ 287,250	$ 737,250
2023	450,000	273,750	723,750
2024	450,000	260,250	710,250
2025	450,000	246,750	696,750
2026	450,000	237,750	687,750
2027	450,000	227,625	677,625
2028	450,000	216,938	666,938
2029	450,000	205,688	655,688
2030	450,000	193,312	643,312
2031	450,000	179,812	629,812
2032	450,000	166,312	616,312
2033	450,000	152,250	602,250
2034	450,000	137,625	587,625
2035	450,000	123,000	573,000
2036	450,000	107,813	557,813
2037	450,000	92,625	542,625
2038	450,000	76,875	526,875
2039	450,000	60,563	510,563
2040	450,000	44,250	494,250
2041	450,000	27,375	477,375
2042	280,000	10,500	290,500
Totals	$ 9,280,000	$ 3,328,313	$ 12,608,313

Montgomery County Municipal Utility District No. 119

Schedule of Long-term Debt Service Requirements by Years (Continued)

June 30, 2021

	Refunding Series 2019A		
Due During Fiscal Years Ending June 30	Principal Due April 1	Interest Due October 1, April 1	Total
2022	$ 90,000	$ 77,550	$ 167,550
2023	90,000	74,850	164,850
2024	90,000	72,150	162,150
2025	115,000	69,450	184,450
2026	110,000	66,000	176,000
2027	110,000	62,700	172,700
2028	110,000	59,400	169,400
2029	135,000	56,100	191,100
2030	135,000	52,050	187,050
2031	130,000	48,000	178,000
2032	155,000	44,100	199,100
2033	155,000	39,450	194,450
2034	180,000	34,800	214,800
2035	175,000	29,400	204,400
2036	175,000	24,150	199,150
2037	195,000	18,900	213,900
2038	220,000	13,050	233,050
2039	215,000	6,450	221,450
Totals	$ 2,585,000	$ 848,550	$ 3,433,550

Montgomery County Municipal Utility District No. 119

Schedule of Long-term Debt Service Requirements by Years (Continued)

June 30, 2021

	Series 2019B		
Due During Fiscal Years Ending June 30	Principal Due April 1	Interest Due October 1, April 1	Total
2022	$ 600,000	$ 306,438	$ 906,438
2023	600,000	294,437	894,437
2024	600,000	282,438	882,438
2025	600,000	270,437	870,437
2026	600,000	258,438	858,438
2027	600,000	246,437	846,437
2028	600,000	234,438	834,438
2029	600,000	222,437	822,437
2030	600,000	210,438	810,438
2031	600,000	198,437	798,437
2032	600,000	185,688	785,688
2033	600,000	172,187	772,187
2034	600,000	157,938	757,938
2035	600,000	142,937	742,937
2036	575,000	127,938	702,938
2037	575,000	112,843	687,843
2038	575,000	97,750	672,750
2039	575,000	81,938	656,938
2040	575,000	66,124	641,124
2041	575,000	50,313	625,313
2042	575,000	34,500	609,500
2043	575,000	17,250	592,250
Totals	$ 13,000,000	$ 3,771,781	$ 16,771,781

Montgomery County Municipal Utility District No. 119

Schedule of Long-term Debt Service Requirements by Years (Continued)

June 30, 2021

	Series 2020		
Due During Fiscal Years Ending June 30	**Principal Due April 1**	**Interest Due October 1, April 1**	**Total**
2022	$ -	$ 114,775	$ 114,775
2023	-	114,775	114,775
2024	200,000	114,775	314,775
2025	210,000	108,775	318,775
2026	220,000	102,475	322,475
2027	230,000	100,275	330,275
2028	240,000	97,975	337,975
2029	250,000	95,575	345,575
2030	260,000	92,763	352,763
2031	270,000	89,512	359,512
2032	280,000	85,800	365,800
2033	290,000	81,600	371,600
2034	300,000	75,800	375,800
2035	310,000	69,800	379,800
2036	320,000	63,600	383,600
2037	330,000	57,200	387,200
2038	340,000	50,600	390,600
2039	350,000	43,800	393,800
2040	360,000	36,800	396,800
2041	370,000	29,600	399,600
2042	370,000	22,200	392,200
2043	370,000	14,800	384,800
2044	370,000	7,400	377,400
Totals	$ 6,240,000	$ 1,670,675	$ 7,910,675

Montgomery County Municipal Utility District No. 119

Schedule of Long-term Debt Service Requirements by Years (Continued)

June 30, 2021

	Series 2020A		
Due During Fiscal Years Ending June 30	Principal Due April 1	Interest Due October 1, April 1	Total
2022	$ 750,000	$ 137,825	$ 887,825
2023	750,000	115,325	865,325
2024	250,000	92,825	342,825
2025	250,000	85,325	335,325
2026	250,000	77,825	327,825
2027	250,000	75,325	325,325
2028	250,000	72,825	322,825
2029	250,000	70,325	320,325
2030	250,000	67,513	317,513
2031	250,000	64,387	314,387
2032	250,000	60,950	310,950
2033	250,000	57,200	307,200
2034	250,000	52,200	302,200
2035	250,000	47,200	297,200
2036	250,000	42,200	292,200
2037	250,000	37,200	287,200
2038	250,000	32,200	282,200
2039	230,000	27,200	257,200
2040	230,000	22,600	252,600
2041	225,000	18,000	243,000
2042	225,000	13,500	238,500
2043	225,000	9,000	234,000
2044	225,000	4,500	229,500
Totals	$ 6,610,000	$ 1,283,450	$ 7,893,450

Montgomery County Municipal Utility District No. 119

Schedule of Long-term Debt Service Requirements by Years (Continued)

June 30, 2021

	Road Refunding Series 2020B		
Due During Fiscal Years Ending June 30	Principal Due April 1	Interest Due October 1, April 1	Total
2022	$ 110,000	$ 44,300	$ 154,300
2023	110,000	41,000	151,000
2024	110,000	37,700	147,700
2025	110,000	34,400	144,400
2026	110,000	31,100	141,100
2027	110,000	27,800	137,800
2028	110,000	25,600	135,600
2029	110,000	23,400	133,400
2030	110,000	21,200	131,200
2031	115,000	19,000	134,000
2032	110,000	16,700	126,700
2033	110,000	14,500	124,500
2034	110,000	12,300	122,300
2035	105,000	10,100	115,100
2036	105,000	8,000	113,000
2037	100,000	5,900	105,900
2038	100,000	3,900	103,900
2039	95,000	1,900	96,900
Totals	$ 1,940,000	$ 378,800	$ 2,318,800

Montgomery County Municipal Utility District No. 119

Schedule of Long-term Debt Service Requirements by Years (Continued)

June 30, 2021

	Refunding Series 2021		
Due During Fiscal Years Ending June 30	Principal Due April 1	Interest Due October 1, April 1	Total
2022	$ 140,000	$ 81,850	$ 221,850
2023	150,000	77,650	227,650
2024	155,000	73,150	228,150
2025	160,000	68,500	228,500
2026	170,000	63,700	233,700
2027	175,000	58,600	233,600
2028	180,000	55,100	235,100
2029	185,000	51,500	236,500
2030	195,000	47,800	242,800
2031	195,000	43,900	238,900
2032	200,000	40,000	240,000
2033	210,000	36,000	246,000
2034	210,000	31,800	241,800
2035	215,000	27,600	242,600
2036	225,000	23,300	248,300
2037	225,000	18,800	243,800
2038	230,000	14,300	244,300
2039	240,000	9,700	249,700
2040	245,000	4,900	249,900
Totals	$ 3,705,000	$ 828,150	$ 4,533,150

Montgomery County Municipal Utility District No. 119
Schedule of Long-term Debt Service Requirements by Years (Continued)
June 30, 2021

Due During Fiscal Years Ending June 30	Annual Requirements For All Series: Total Principal Due	Total Interest Due	Total Principal and Interest Due
2022	$ 4,145,000	$ 2,565,840	$ 6,710,840
2023	4,180,000	2,450,952	6,630,952
2024	3,915,000	2,335,452	6,250,452
2025	4,005,000	2,226,589	6,231,589
2026	4,040,000	2,124,109	6,164,109
2027	4,085,000	2,027,596	6,112,596
2028	4,130,000	1,930,484	6,060,484
2029	4,200,000	1,830,565	6,030,565
2030	4,250,000	1,726,747	5,976,747
2031	4,290,000	1,616,569	5,906,569
2032	4,355,000	1,503,554	5,858,554
2033	4,415,000	1,383,930	5,798,930
2034	4,475,000	1,257,543	5,732,543
2035	4,530,000	1,125,491	5,655,491
2036	4,575,000	989,899	5,564,899
2037	4,600,000	851,609	5,451,609
2038	4,670,000	710,351	5,380,351
2039	4,725,000	565,020	5,290,020
2040	4,830,000	415,874	5,245,874
2041	3,895,000	256,507	4,151,507
2042	2,875,000	129,262	3,004,262
2043	1,170,000	41,050	1,211,050
2044	595,000	11,900	606,900
Totals	$ 90,950,000	$ 30,076,893	$ 121,026,893

Montgomery County Municipal Utility District No. 119

Changes in Long-term Bonded Debt

Year Ended June 30, 2021

	Bond			
	Series 2012	Road Series 2012	Series 2013	Series 2014
Interest rates	3.40%	2.00% to 4.00%	3.00% to 5.00%	2.75% to 4.00%
Dates interest payable	October 1/ April 1	October 1/ April 1	October 1/ April 1	October 1/ April 1
Maturity dates				April 1, 2022/2040
Bonds outstanding, beginning of current year	$ 75,000	$ 1,995,000	$ 3,715,000	$ 4,110,000
Bonds sold during current year	-	-	-	-
Principal refunded	-	1,995,000	3,610,000	-
Retirements, principal	75,000	-	105,000	110,000
Bonds outstanding, end of current year	$ 0	$ 0	$ 0	$ 4,000,000
Interest paid during current year	$ 2,550	$ 0	$ 87,522	$ 146,399

Paying agent's name and address:

Series 2012 - Amegy Bank National Association, Houston, Texas
Road Series 2012 - The Bank of New York Mellon Trust Company, N.A., Dallas, Texas
Series 2013 - The Bank of New York Mellon Trust Company, N.A., Dallas, Texas
Series 2014 - The Bank of New York Mellon Trust Company, N.A., Dallas, Texas
Road Series 2015 - The Bank of New York Mellon Trust Company, N.A., Dallas, Texas
Series 2015A - The Bank of New York Mellon Trust Company, N.A., Dallas, Texas
Series 2016 - The Bank of New York Mellon Trust Company, N.A., Dallas, Texas
Road Series 2017 - The Bank of New York Mellon Trust Company, N.A., Dallas, Texas
Series 2017 - The Bank of New York Mellon Trust Company, N.A., Dallas, Texas

Bond authority:

	Tax Bonds	Park Bonds	Road Bonds	Refunding Bonds
Amount authorized by voters	$ 173,665,000	$ 19,350,000	$ 15,570,000	$ 208,585,000
Amount issued	$ 79,035,000	$ 7,360,000	$ 15,570,000	$ 330,000
Remaining to be issued	$ 94,630,000	$ 11,990,000	$ -	$ 208,255,000

Debt service fund cash and temporary investment balances as of June 30, 2021:	$ 5,974,796
Average annual debt service payment (principal and interest) for remaining term of all debt:	$ 5,262,039

Issues

Road Series 2015	Series 2015A	Series 2016	Road Series 2017	Series 2017
2.25% to 3.75%	2.00% to 4.00%	2.00% to 3.00%	2.00% to 3.75%	3.00% to 4.00%
October 1/ April 1	October 1/ April 1	October 1/ April 1	October 1/ April 1	October 1/ April 1
April 1, 2022/2040	April 1, 2022/2041	April 1, 2022/2042	April 1, 2022/2042	April 1, 2022/2042
$ 2,640,000	$ 11,285,000	$ 9,760,000	$ 4,300,000	$ 12,500,000
-	-	-	-	-
-	-	-	-	-
85,000	360,000	450,000	175,000	575,000
$ 2,555,000	$ 10,925,000	$ 9,310,000	$ 4,125,000	$ 11,925,000
$ 87,948	$ 369,106	$ 246,675	$ 139,187	$ 418,156

Montgomery County Municipal Utility District No. 119

Changes in Long-term Bonded Debt (Continued)

Year Ended June 30, 2021

	Bond			
	Road Series 2018	Series 2019	Refunding Series 2019A	Series 2019B
Interest rates	3.000% to 3.625%	2.00% to 3.75%	3.00%	2.00% to 3.00%
Dates interest payable	October 1/ April 1	October 1/ April 1	October 1/ April 1	October 1/ April 1
Maturity dates	April 1, 2022/2042	April 1, 2022/2042	April 1, 2022/2039	April 1, 2022/2043
Bonds outstanding, beginning of	$ 4,975,000	$ 9,730,000	$ 2,600,000	$ 13,600,000
Bonds sold during current year	-	-	-	-
Principal refunded	-	-	-	-
Retirements, principal	225,000	450,000	15,000	600,000
Bonds outstanding, end of current year	$ 4,750,000	$ 9,280,000	$ 2,585,000	$ 13,000,000
Interest paid during current year	$ 164,031	$ 300,750	$ 78,000	$ 318,438

Road Series 2018	-	The Bank of New York Mellon Trust Company, N.A., Dallas, Texas
Series 2019	-	The Bank of New York Mellon Trust Company, N.A., Dallas, Texas
Series 2019A	-	The Bank of New York Mellon Trust Company, N.A., Dallas, Texas
Series 2019B	-	The Bank of New York Mellon Trust Company, N.A., Dallas, Texas
Series 2020	-	The Bank of New York Mellon Trust Company, N.A., Dallas, Texas
Series 2020A	-	The Bank of New York Mellon Trust Company, N.A., Dallas, Texas
Series 2020B	-	The Bank of New York Mellon Trust Company, N.A., Dallas, Texas
Series 2021	-	The Bank of New York Mellon Trust Company, N.A., Dallas, Texas

Issues

Series 2020	Series 2020A	Road Refunding Series 2020B	Refunding Series 2021	Totals
1.00% to 3.00%	1.00% to 3.00%	2.00% to 3.00%	2.00% to 3.00%	
October 1/ April 1	October 1/ April 1	October 1/ April 1	October 1/ April 1	
April 1, 2024/2044	April 1, 2022/2044	April 1, 2022/2039	April 1, 2022/2040	
$ -	$ -	$ -	$ -	$ 81,285,000
6,240,000	7,360,000	2,070,000	3,705,000	19,375,000
-	-	-	-	5,605,000
-	750,000	130,000	-	4,105,000
$ 6,240,000	$ 6,610,000	$ 1,940,000	$ 3,705,000	$ 90,950,000
$ 66,952	$ 93,523	$ 28,117	$ 20,463	$ 2,567,817

Montgomery County Municipal Utility District No. 119

Comparative Schedule of Revenues and Expenditures – General Fund

Five Years Ended June 30,

	Amounts				
	2021	2020	2019	2018	2017
General Fund					
Revenues					
Property taxes	$ 3,075,713	$ 2,564,015	$ 2,077,047	$ 1,855,319	$ 1,475,481
Sales tax rebates	302,090	221,984	200,157	179,866	130,455
Water service	1,364,316	1,181,354	925,774	825,766	705,998
Sewer service	1,748,850	1,437,519	1,158,102	862,339	730,532
Regional water fee	1,161,315	1,011,381	736,736	642,010	553,280
Penalty and interest	44,794	38,792	37,890	27,314	32,506
Tap connection and inspection fees	369,440	725,770	770,908	418,612	356,873
Investment income	13,669	122,441	153,089	70,240	19,521
Other income	8,678	-	-	-	-
Total revenues	8,088,865	7,303,256	6,059,703	4,881,466	4,004,646
Expenditures					
Service operations:					
Purchased services	814,016	268,956	411,689	450,173	390,891
Groundwater fees	1,119,074	868,011	725,352	544,251	534,690
Professional fees	283,787	287,225	391,585	299,468	340,428
Contracted services	808,520	1,117,965	757,837	605,968	641,009
Utilities	227,293	214,173	187,952	138,287	126,244
Repairs and maintenance	601,151	454,923	404,331	260,948	327,933
Other expenditures	197,462	163,670	149,052	105,990	128,966
Tap connections	190,775	501,377	346,043	191,691	187,930
Capital outlay	964,774	1,594,931	470,925	1,188,868	1,976,898
Debt service, debt issuance costs	53,994	57,658	39,035	45,291	58,826
Total expenditures	5,260,846	5,528,889	3,883,801	3,830,935	4,713,815
Excess (Deficiency) of Revenues Over Expenditures	2,828,019	1,774,367	2,175,902	1,050,531	(709,169)
Other Financing Sources (Uses)					
Interfund transfers in (out)	(18,326)	-	-	53,227	-
Developer advances received	-	-	-	529,200	3,558,489
Repayment of developer advances	-	(529,200)	(678,375)	-	-
Total other financing sources (uses)	(18,326)	(529,200)	(678,375)	582,427	3,558,489
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	2,809,693	1,245,167	1,497,527	1,632,958	2,849,320
Fund Balance, Beginning of Year	8,912,574	7,667,407	6,169,880	4,536,922	1,687,602
Fund Balance, End of Year	$ 11,722,267	$ 8,912,574	$ 7,667,407	$ 6,169,880	$ 4,536,922
Total Active Retail Water Connections	2,705	2,480	1,951	1,446	1,040
Total Active Retail Wastewater Connections	2,612	2,391	1,881	1,376	988

Percent of Fund Total Revenues				
2021	2020	2019	2018	2017
38.0 %	35.1 %	34.3 %	38.0 %	36.9 %
3.7	3.0	3.3	3.7	3.3
16.9	16.2	15.3	16.9	17.6
21.6	19.7	19.1	17.7	18.2
14.4	13.9	12.2	13.1	13.8
0.5	0.5	0.6	0.6	0.8
4.6	9.9	12.7	8.6	8.9
0.2	1.7	2.5	1.4	0.5
0.1	-	-	-	-
100.0	100.0	100.0	100.0	100.0
10.1	9.9	11.7	14.3	16.7
13.8	11.9	12.0	11.1	13.3
3.5	3.9	6.5	6.1	8.5
10.0	9.1	7.6	7.4	9.1
2.8	2.9	3.1	2.8	3.1
7.4	6.2	6.7	5.4	8.2
2.4	2.3	2.7	2.2	3.2
2.4	6.9	5.7	3.9	4.7
11.9	21.8	7.5	24.4	49.4
0.7	0.8	0.6	0.9	1.5
65.0	75.7	64.1	78.5	117.7
35.0 %	24.3 %	35.9 %	21.5 %	(17.7) %

Montgomery County Municipal Utility District No. 119

Comparative Schedule of Revenues and Expenditures – Debt Service Fund

Five Years Ended June 30,

	Amounts				
	2021	**2020**	**2019**	**2018**	**2017**
Debt Service Fund					
Revenues					
Property taxes	$ 6,717,864	$ 5,588,278	$ 4,618,705	$ 3,841,341	$ 3,334,780
Penalty and interest	57,883	27,820	43,410	21,290	22,000
Investment income	6,682	81,443	117,953	55,419	15,491
Other income	40	20	40	60	140
Total revenues	6,782,469	5,697,561	4,780,108	3,918,110	3,372,411
Expenditures					
Current:					
Professional fees	19,570	8,214	9,579	9,836	6,485
Contracted services	126,767	95,149	72,731	72,168	63,368
Other expenditures	13,641	4,090	3,228	4,111	3,083
Debt service:					
Principal retirement	4,105,000	2,715,000	1,950,000	1,170,000	695,000
Interest and fees	2,576,489	2,371,329	1,973,650	1,603,623	1,163,689
Debt issuance costs	272,820	128,721	2,635	-	-
Debt defeasance	54,000	-	-	-	-
Total expenditures	7,168,287	5,322,503	4,011,823	2,859,738	1,931,625
Excess (Deficiency) of Revenues Over Expenditures	(385,818)	375,058	768,285	1,058,372	1,440,786
Other Financing Sources (Uses)					
General obligation bonds issued	5,775,000	2,635,000	-	750	292,050
Premium on debt issued	170,869	5,475	-	-	-
Deposit with escrow agent	(5,666,702)	(2,505,619)	-	-	-
Total other financing sources	279,167	134,856	0	750	292,050
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(106,651)	509,914	768,285	1,059,122	1,732,836
Fund Balance, Beginning of Year	6,062,937	5,553,023	4,784,738	3,725,616	1,992,780
Fund Balance, End of Year	$ 5,956,286	$ 6,062,937	$ 5,553,023	$ 4,784,738	$ 3,725,616

Percent of Fund Total Revenues				
2021	2020	2019	2018	2017
99.0 %	98.1 %	96.6 %	98.0 %	98.8 %
0.9	0.5	0.9	0.6	0.7
0.1	1.4	2.5	1.4	0.5
0.0	0.0	0.0	0.0	0.0
100.0	100.0	100.0	100.0	100.0
0.3	0.1	0.2	0.3	0.2
1.9	1.7	1.5	1.8	1.9
0.2	0.1	0.1	0.1	0.1
60.5	47.6	40.8	29.9	20.6
38.0	41.6	41.3	40.9	34.5
4.0	2.3	0.0	-	-
0.8	-	-	-	-
105.7	93.4	83.9	73.0	57.3
(5.7) %	6.6 %	16.1 %	27.0 %	42.7 %

Montgomery County Municipal Utility District No. 119

Board Members, Key Personnel and Consultants

Year Ended June 30, 2021

Complete District mailing address:	Montgomery County Municipal Utility District No. 119 c/o Schwartz, Page & Harding, L.L.P. 1300 Post Oak Boulevard, Suite 1400 Houston, Texas 77056	
District business telephone number:	713.623.4531	
Submission date of the most recent District Registration Form (TWC Sections 36.054 and 49.054):		February 1, 2021
Limit on fees of office that a director may receive during a fiscal year:		$ 7,200

Board Members	Term of Office Elected & Expires	Fees*	Expense Reimbursements	Title at Year-end
James H. Ragan	Elected 05/18-05/22	$ 5,850	$ 0	President
Todd E. Applegate	Elected 05/20-05/24	2,550	0	Vice President
Steve Scarborough	Elected 05/18-05/22	2,100	0	Secretary
Kelly Hurst	Elected 05/20-05/24	1,800	0	Assistant Secretary
Brian Lasaine	Appointed 06/18-05/22	3,000	0	Assistant Secretary

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

Montgomery County Municipal Utility District No. 119
Board Members, Key Personnel and Consultants (Continued)
Year Ended June 30, 2021

Consultants	Date Hired	Fees and Expense Reimbursements	Title
Assessments of the Southwest, Inc.	08/01/07	$ 33,207	Tax Assessor/ Collector
BKD, LLP	05/27/08	59,900	Auditor
Elevation Land Solutions	11/07/16	324,526	Engineer
Environmental Development Partners, LLC	12/03/18	975,816	Operator
F. Matuska, Inc.	08/14/07	16,526	Former Bookkeeper
Jones & Carter, Inc.	02/24/09	154,220	Engineer
Masterson Advisors LLC	06/04/18	324,404	Financial Advisor
Montgomery Central Appraisal District	Legislative Action	93,560	Appraiser
Municipal Accounts & Consulting, L.P.	01/04/21	24,572	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	02/24/09	19,570	Delinquent Tax Attorney
Schwartz, Page & Harding, L.L.P.	08/14/07	120,271 435,388	General Counsel Bond Counsel
Investment Officers			
Mark M. Burton and Ghia Lewis	01/04/21	N/A	Bookkeepers

APPENDIX B

Specimen Municipal Bond Insurance Policy

BAM

MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

MEMBER: [NAME OF MEMBER]

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

Policy No: _____

Effective Date: _________

Risk Premium: $__________
Member Surplus Contribution: $ _________
Total Insurance Payment: $_________

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: ____
Authorized Officer

Notices (Unless Otherwise Specified by BAM)

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