

OFFICIAL STATEMENT DATED JANUARY 20, 2022

IN THE OPINION OF BOND COUNSEL, THE BONDS ARE VALID OBLIGATIONS OF CLOVERCREEK MUNICIPAL UTILITY DISTRICT OF MONTGOMERY COUNTY, TEXAS, AND 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 OPINION OF BOND COUNSEL.

THE BONDS WILL BE DESIGNATED "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS. SEE "LEGAL MATTERS - Qualified Tax Exempt Obligations."

NEW ISSUE – Book-Entry-Only

RATINGS: S&P (Insured)....."AA"
See "MUNICIPAL BOND RATINGS" and "MUNICIPAL BOND INSURANCE"

\$4,150,000

CLOVERCREEK MUNICIPAL UTILITY DISTRICT OF MONTGOMERY COUNTY, TEXAS

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

WATERWORKS AND SEWER SYSTEM COMBINATION UNLIMITED TAX AND REVENUE BONDS

SERIES 2022

Interest to Accrue from: February 24, 2022
below

Due: April 1, as shown

The \$4,150,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2022 (the "Bonds"), are obligations solely of Clovercreek Municipal Utility District of Montgomery County, Texas (the "District"), and are not obligations of the State of Texas, Montgomery County, Texas, or any entity other than the District.

Principal of the Bonds is payable at maturity or earlier redemption by the paying agent/registrar, initially The Bank of New York Mellon Trust Company, N.A. (sometimes hereinafter called the "Paying Agent" or the "Registrar"). Interest accrues from the date of delivery of the Bonds to the Initial Purchaser (expected to be on or about February 24, 2022), and is payable beginning April 1, 2022, and each October 1 and April 1 (each an "Interest Payment Date") thereafter until the earlier of maturity or redemption, and will be calculated on the basis a 360-day year consisting of twelve 30-day months. The Bonds are fully registered bonds in the denomination of \$5,000 or any integral multiple thereof.

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 herein defined 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 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.

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL OFFERING YIELDS

See 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, and will also be payable from Net Revenues, as defined herein, all to the extent and subject to the conditions described herein.

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 Coats Rose, P.C., Houston, Texas, Bond Counsel. Certain legal matters will be passed upon for the Initial Purchaser by Orrick, Herrington & Sutcliffe, LLP as Disclosure Counsel. Delivery of the Bonds in book-entry form through the facilities of DTC is expected on or about February 24, 2022.

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL OFFERING YIELDS

\$475,000 Serial Bonds

Due (April 1)	Principal Amount	Interest Rate(a)	Initial Offering Yield(b)	CUSIP(c)	Due (April 1)	Principal Amount	Interest Rate(a)	Initial Offering Yield(b)	CUSIP(c)
2023	\$45,000	4.000%	0.800%	189160 CL6	2026	\$110,000	4.500%	1.320%	189160 CP7
2024	100,000	4.000%	1.000%	189160 CM4	2027	115,000	4.500%	1.450%	189160 CQ5
2025	105,000	4.500%	1.150%	189160 CN2					

\$3,675,000 Term Bonds

\$380,000 Term Bond due April 1, 2030 (d) Interest Rate 4.500% (Yield 1.450 %) (b) CUSIP No. 189160 CT9 (c)

\$285,000 Term Bond due April 1, 2032 (d) Interest Rate 2.000% (Yield 2.200%) (b) CUSIP No. 189160 CV4 (c)

\$315,000 Term Bond due April 1, 2034 (d) Interest Rate 2.250% (Yield 2.420%) (b) CUSIP No. 189160 CX0 (c)

\$730,000 Term Bond due April 1, 2038 (d) Interest Rate 2.375% (Yield 2.550%) (b) CUSIP No. 189160 DB7 (c)

\$420,000 Term Bond due April 1, 2040 (d) Interest Rate 2.500% (Yield 2.600%) (b) CUSIP No. 189160 DD3(c)

\$1,545,000 Term Bond due April 1, 2046 (d) Interest Rate 2.625% (Yield 2.750%) (b) CUSIP No. 189160 DK7 (c)

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-) After requesting competitive bids for purchase of the Bonds, the District has accepted the lowest net effective interest rate bid to purchase the Bonds, bearing interest as shown, at a price of 97.025951% of par to the date of delivery, resulting in a net effective interest rate to the District of 2.843840%.
 -) The initial reoffering yields on the Bonds are established by, and are the sole responsibility of the Initial Purchaser (hereinafter defined), and may subsequently be changed.
 -) CUSIP numbers have been assigned to the Bonds by CUSIP Service Bureau, and are included solely for the convenience of the owners of the Bonds.
 -) The Bonds maturing on and after April 1, 2028 are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on April 1, 2027, or any date thereafter, at a price equal to the par value thereof to the date fixed for redemption. See "THE BONDS – Redemption Provisions." The yield on Bonds maturing on and after April 1, 2028 is calculated to the lower of yield to redemption or maturity. The Bonds due on April 1 in the years 2030, 2032, 2034, 2038, 2040, 2046 (the "Term Bonds") are also subject to mandatory sinking fund redemption. See "THE BONDS – Mandatory Sinking Fund Redemption."

TABLE OF CONTENTS

SALE AND DISTRIBUTION OF THE BONDS.....	3
MUNICIPAL BOND RATING.....	3
MUNICIPAL BOND INSURANCE.....	4
MUNICIPAL BOND INSURANCE RISK FACTORS... ..	5
OFFICIAL STATEMENT SUMMARY	7
SUMMARY OF SELECTED FINANCIAL INFORMATION.....	10
INTRODUCTION.....	11
THE BONDS.....	11
BOOK-ENTRY-ONLY SYSTEM.....	16
RISK FACTORS.....	18
USE AND DISTRIBUTION OF BOND PROCEEDS	25
SELECTED FINANCIAL INFORMATION	27
DEBT SERVICE REQUIREMENTS	29
TAX DATA.....	30
MANAGEMENT OF THE DISTRICT	33
THE DISTRICT	34
THE SYSTEM	35
WATER & SEWER OPERATIONS	37
TAXING PROCEDURES	38
LEGAL MATTERS.....	42
PREPARATION OF OFFICIAL STATEMENT	44
CONTINUING DISCLOSURE OF INFORMATION.....	45
MISCELLANEOUS	47
AERIAL PHOTOGRAPH.....	48
DISTRICT PHOTOGRAPHS	49
INDEPENDENT AUDITOR’S REPORT AND FINANCIAL STATEMENTS.....	APPENDIX A
WATER AND SEWER SYSTEM RATE AND FEE SCHEDULE	APPENDIX B
SPECIMEN MUNICIPAL BOND INSURANCE POLICY.....	APPENDIX C

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 representation 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, 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 Coats Rose, P.C., 9 Greenway Plaza, 10th Floor, Houston, Texas, 77046 upon payment of the costs of duplication therefor.

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 THE 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 C—Specimen Municipal Bond Insurance Policy."

SALE AND DISTRIBUTION OF THE BONDS

Award and Marketing of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the lowest net effective interest rate bid, which was tendered by SAMCO Capital Markets, Inc. (the "Initial Purchaser"), to purchase the Bonds bearing the interest rates shown under "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS" on the cover page hereof at a price of 97.025951% of the principal amount thereof, to the date of delivery, which resulted in a net effective interest rate of 2.843840% as calculated pursuant to Chapter 1204, Texas Government Code.

Prices and Marketability

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

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

No Litigation

As a condition to delivery of the Bonds, the District will furnish a certificate executed by the President and Secretary of the District that no litigation is pending or, to the knowledge of the District's certifying officers, threatened, 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 titles of the present officers and directors of the Board of Directors of the District.

Securities Laws

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

MUNICIPAL BOND RATING

The District has made no application for a municipal bond rating of the Bonds, nor is it expected that the District would have been successful in receiving an investment grade rating had such an application been made.

It is expected that S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, ("S&P") will assign 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. An explanation of the rating may be obtained from S&P. No application has been made to a municipal rating company for an underlying rating on the Bonds, nor is it expected that the District would have received an investment grade rating if application had been made. There is no assurance that such rating will continue for any given period of time or that it will not be revised or withdrawn entirely by S&P, if in its judgment, circumstances so warrant. Any such revisions or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

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 C 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 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.

MUNICIPAL BOND INSURANCE RISK FACTORS

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

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

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

The long-term ratings on the Bonds are dependent in part on the financial strength of the bond insurer and its claim paying ability. The bond insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the bond insurer and of the ratings

on the Bonds insured by the bond insurer will not be subject to downgrade and such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds. See “MUNICIPAL BOND INSURANCE.”

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

Neither the District or Initial Purchaser have made independent investigation into the claims paying ability of the bond insurer and no assurance or representation regarding the financial strength or projected financial strength of the bond insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal and interest on the Bonds and the claims paying ability of the bond insurer, particularly over the life of the investment.

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OFFICIAL STATEMENT SUMMARY

The following summary of certain information contained herein is qualified in its entirety by the more detailed information and financial statements appearing elsewhere in this Official Statement. The reader should refer particularly to sections that are indicated for more complete information.

THE BONDS

The Issuer	Clovercreek Municipal Utility District of Montgomery County, Texas (the “District”), is a political subdivision of the State of Texas located in Montgomery County, Texas. See “THE DISTRICT.” The District is vested with all rights, privileges, authority, and functions conferred by the laws of the State of Texas applicable to a municipal utility district, including without limitation those conferred by Article XVI, Section 59 of the Texas Constitution, and Chapters 49 and 54 of the Texas Water Code, as amended.
Description	\$4,150,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2022, are dated February 24, 2022, and mature on April 1 in each of the years and in the principal amounts indicated on the cover page of this Official Statement (the “Bonds”). Interest accrues from the date of delivery of the Bonds to the Initial Purchaser (expected to be on or about dated February 24, 2022), and is payable beginning April 1, 2022, and each October 1 and April 1 thereafter until maturity or prior redemption. The Bonds are issued in fully registered form and will be issued in denominations of \$5,000 of principal amount or integral multiples thereof. The Bonds maturing on or after April 1, 2028 are subject to redemption, in whole or from time to time in part, prior to their scheduled maturities, on April 1, 2027, or on any date thereafter, at the option of the District. Upon redemption, the Bonds will be payable at a price equal to the principal amount of the Bonds, or portions thereof so called for redemption to the date of redemption. See “THE BONDS.”
Book-Entry Only	The Bonds are initially issuable in book-entry only form and, when issued, will be registered in the name of Cede & Co., as nominee of the Depository Trust Company, which will act as securities depository. Beneficial Owners of the Bonds will not receive physical delivery of bond certificates. See “BOOK-ENTRY-ONLY SYSTEM.”
Source of Payment.....	Principal of and interest on the Bonds are payable from the proceeds of an annual ad valorem tax levied upon all taxable property within the District, which under Texas law is not limited as to rate or amount, and will also be payable from Net Revenues, as defined below, all to the extent and subject to the conditions described below. The Bonds are obligations of the District, and are not obligations of the State of Texas, Montgomery County, Texas, or any entity other than the District. See "THE BONDS - Source of Payment." See “THE BONDS – Source of and Security for Payment,” “TAX DATA – Tax Rate Calculations,” and “RISK FACTORS – Maximum Impact on District Tax Rates.”
Payment Record.....	The District has previously issued \$3,625,000 of unlimited tax bonds, of which \$1,655,000 was issued for refunding purposes. \$195,000 remains outstanding as of the date of this Official Statement (the “Outstanding Bonds”). The District has never defaulted on the timely payment of the principal or interest on its previously issued bonds.
Use of Proceeds	Proceeds of the sale of the Bonds will be used by the District to (i) provide utilities necessary for development, including water lines, sanitary sewer, storm sewer, and detention; (ii) add a second ground storage tank at a water plant to expand capacity; (iii) repair and expand an existing wastewater treatment plant; (iv) create an interconnect between the District and a water supply company; (v) establish a remote water well and well collection line to connect the proposed well to the existing water plant; and (vi) pay the cost of issuance of the Bonds.

See “USE AND DISTRIBUTION OF BOND PROCEEDS.”

Municipal Bond Rating and Insurance	It is expected that S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”), will assign its municipal bond rating of “AA” (stable outlook) to the 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” or the “Insurer”). No application has been made to a municipal rating company for an underlying rating on the Bonds, nor is it expected that the District would have received an investment grade rating if application had been made. See “MUNICIPAL BOND RATING,” “MUNICIPAL BOND INSURANCE” and “MUNICIPAL BOND INSURANCE RISK FACTORS.”
Qualified Tax-Exempt Obligation ..	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 “LEGAL MATTERS - Qualified Tax-Exempt Obligations.”

THE DISTRICT

Description	Clovercreek Municipal Utility District of Montgomery County, Texas, a political subdivision of the State of Texas operating pursuant to Chapters 49 and 54 of the Texas Water Code, was created on April 24, 1985, and is located in southwest Montgomery County, Texas. The District contains approximately 157.879 acres of land and is located approximately 37 miles west northwest of Houston’s central business district and 4 miles southeast of the City of Magnolia. The District is located within the Magnolia Independent School District and is not located within the extraterritorial jurisdiction of any city. See “THE DISTRICT.”
Authority for Issuance	At a bond election held within the District on July 15, 1995, the voters authorized issuance of \$2,800,000 principal amount of unlimited tax and revenue bonds to be issued for the purposes of providing waterworks, sanitary sewer and drainage to land within the District. At a bond election held on May 5, 2001, the voters authorized the issuance of \$3,755,000 principal amount of unlimited tax and revenue bonds to be issued for the purposes of providing waterworks, sanitary sewer and drainage to land within the District and 1½ times the amount of outstanding bonds for refunding purposes. After sale of the Bonds, a total of \$435,000 in principal amount of unlimited tax and revenue bonds remains authorized but unissued. See "THE BONDS – Issuance of Additional Debt" below. The Bonds are issued by the District pursuant to the terms and provisions of the Bond Order (as defined herein); Article XVI, Section 59 of the Texas Constitution; Chapters 49 and 54 of the Texas Water Code, as amended; and an order of the Texas Commission on Environmental Quality (TCEQ) dated December 14, 2021. See “THE DISTRICT – General.”

Infectious Disease Outbreak (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.
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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 in order to mitigate the effects of COVID-19. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at <https://gov.texas.gov/>. Neither the information on, nor accessed through, such website of the Governor is incorporated by reference into this OFFICIAL STATEMENT.

With the easing or removal of associated governmental restrictions, economic activity has increased. However, there are no assurances that such increased economic activity will continue or continue at the same rate, especially if there are future outbreaks of COVID-19. The District has not experienced any decrease in property values, unusual tax delinquencies or interruptions to any 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 reinstatement of restrictions. See “RISK FACTORS – Infectious Disease Outlook (COVID-19).”

Status of Development.....	Development of the District began in June 1994 and as of November 1, 2021, approximately 121.3 acres have been developed as the residential subdivisions of Clovercreek, Section 1 which contains 90 single family lots and a 1-acre tract used as a residence, Clovercreek, Section 2 which contains 54 single family lots and Village of Heritage Point, Section 1 which contains 72 single family lots. Approximately 3.7 acres has been developed for commercial use which contains a Chevron Service Station with a convenient store and two retail spaces. As of January 1, 2021, the District contained 216 completed homes (one home is built on 2 lots), 0 vacant developed lots, 4 ponds, 34.8 acres of developable acreage and 1.8 undevelopable acres. See “THE DISTRICT – Status of Development.”
Legal Opinion.....	Coats Rose, P.C., Bond Counsel, Houston, Texas. See “LEGAL MATTERS.”
Disclosure Counsel.....	Orrick, Herrington & Sutcliffe, LLP, Houston, TX
Engineer.....	Vogler & Spencer Engineering, Inc. Houston, Texas.
Financial Advisor	RBC Capital Markets, LLC, Houston, Texas
Paying Agent	The Bank of New York Mellon Trust Company, N.A. in Dallas, Texas. See “THE BONDS – Method of Payment of Principal and Interest.”

RISK FACTORS

INVESTMENT IN THE BONDS IS SUBJECT TO SPECIAL RISK FACTORS AS SET FORTH IN THIS OFFICIAL STATEMENT. PROSPECTIVE PURCHASERS SHOULD CAREFULLY EXAMINE THE ENTIRE OFFICIAL STATEMENT BEFORE MAKING THEIR INVESTMENT DECISIONS; ESPECIALLY THE PORTION OF THE OFFICIAL STATEMENT ENTITLED “RISK FACTORS.”

SUMMARY OF SELECTED FINANCIAL INFORMATION

2021 Certified Assessed Valuation	\$53,353,468 (a)
Estimate of Value as of November 1, 2021	\$56,294,595 (b)
Direct Debt (Includes the Bonds)	\$4,345,000
Estimated Overlapping Debt	1,332,527 (c)
Direct and Estimated Overlapping Debt	5,677,527
Operations Fund (as of October 15, 2021)	\$685,846 (d)
Debt Service Fund Balance (as of October 15, 2021)	\$516,662 (e)
Direct Debt Ratios:	
as a percentage of 2021 Certified Assessed Valuation	8.14%
as a percentage of Estimate of Value as of November 1, 2021	7.72%
Direct and Estimated Overlapping Debt Ratios	
as a percentage of 2021 Certified Assessed Valuation	10.64%
as a percentage of Estimate of Value as of November 1, 2021	10.09%
2021 Tax Rate per \$100 of Assessed Valuation	
Debt Service Tax	\$0.620
Maintenance Tax	0.500
Total	\$1.120
Average Annual Debt Service Requirements on the Bonds and the Outstanding Bonds	\$230,937
Maximum Annual Debt Service Requirement of the Bonds and the Outstanding Bonds (calendar year 2046)	\$293,806
Tax Rate per \$100 of Assessed Valuation Required to pay the Average Annual Debt Service Requirements of the Bonds and the Outstanding Bonds at 95% Tax Collection	
Based Upon 2021 Certified Assessed Valuation	\$0.456
Based Upon Estimate of Value as of November 1, 2021	\$0.432
Tax Rate per \$100 of Assessed Valuation Required to pay Maximum Annual Debt Service Requirement of the Bonds and the Outstanding Bonds at 95% Tax Collection	
Based Upon 2021 Certified Assessed Valuation	\$0.580
Based Upon Estimate of Value as of November 1, 2021	\$0.549

(a) As certified by the Montgomery Central Appraisal District (“MCAD”) and provided by the District’s Tax Assessor/Collector. See “TAX DATA” and “TAXING PROCEDURES.”

(b) Provided by MCAD for information purposes only; this amount is an estimate of value of all taxable property located within the District as of November 1, 2021.

(c) Provided by the Texas Municipal Advisory Council. See “SELECTED FINANCIAL INFORMATION – Estimated Overlapping Debt Statement.”

(d) Based on ending balance provided by the District’s bookkeeper for period ended October 15, 2021.

(e) Neither Texas law nor the Bond Order requires the District to maintain any minimum balance in the Debt Service Fund.

**OFFICIAL STATEMENT
relating to**

\$4,150,000

CLOVERCREEK MUNICIPAL UTILITY DISTRICT OF MONTGOMERY COUNTY, TEXAS

**WATERWORKS AND SEWER SYSTEM COMBINATION UNLIMITED TAX AND REVENUE BONDS
SERIES 2022**

INTRODUCTION

This Official Statement provides certain information with respect to the issuance by Clovercreek Municipal Utility District of Montgomery County, Texas (the "District"), of its \$4,150,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2022 (the "Bonds"). There follows in this Official Statement descriptions of the Bonds and certain information about the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the District c/o Coats Rose, P.C., Houston, Texas, upon request and payment of the costs of duplication therefor.

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 Order (defined herein), a copy of which is available from Bond Counsel upon payment of the costs of duplication therefor. The Bond Order authorizes the issuance and sale of the Bonds and prescribes the terms, conditions and provisions for the payment of the principal of and interest on the Bonds by the District.

Description

The Bonds will be dated February 24, 2022, with interest accruing from the date of delivery of the bonds to the Initial Purchaser and 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 prior redemption. Interest on the Bonds initially accrues from February 24, 2022, and thereafter, from the most recent Interest Payment Date. The Bonds mature on April 1 of the years and in the amounts shown under "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS" on the cover page hereof. The Bonds are issued in fully registered form only in denominations of \$5,000 or any integral multiple of \$5,000 for any one maturity. The Bonds will be registered and delivered only to The Depository Trust Company, New York, New York ("DTC"), in its nominee name of Cede & Co., pursuant to the book-entry system described herein ("Registered Owners"). No physical delivery of the Bonds will be made to the purchasers thereof. See "BOOK-ENTRY-ONLY SYSTEM." Interest calculations are based upon a three hundred sixty (360) day year comprised of twelve (12) thirty (30) day months.

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.

Authority for Issuance

At a bond election held within the District on July 15, 1995, the voters authorized the issuance of \$2,800,000 principal amount of unlimited tax and revenue bonds to be issued for the purposes of providing waterworks, sanitary sewer and drainage to land within the District. At a bond election held on May 5, 2001, the voters authorized the issuance of \$3,755,000 principal amount of unlimited tax and revenue bonds to be issued for the purposes of providing waterworks, sanitary sewer and drainage to land within the District and 1½ times the amount of outstanding bonds for refunding purposes. After sale of the Bonds, a total of \$435,000 in principal amount of unlimited tax and revenue bonds remains authorized but unissued. See "THE BONDS – Issuance of Additional Debt" below. The Bonds are issued by the District pursuant to the terms and provisions of the Bond Order (as defined herein); Article XVI, Section 59 of the Texas Constitution; Chapters 49 and 54 of the Texas Water Code, as amended; and an order of the Texas Commission on Environmental Quality (TCEQ) dated December 14, 2021.

Source and Security for Payment

The Bonds are the obligations solely of the District and are not the obligations of the State of Texas, Montgomery County, Texas or any other entity. The Bonds (together with the Outstanding Bonds and such additional tax bonds as may hereafter be issued by the District) will be payable from the proceeds of a continuing, direct, annual ad valorem tax levied against taxable property located within the District and will also be payable from Net Revenues, as defined below, all to the extent and subject to the conditions described below.

Tax Pledge: The Outstanding Bonds and the Bonds (and any additional tax bonds as may hereafter be issued by the District) are payable from the proceeds of a continuing, direct annual ad valorem tax levied without legal limitation as to rate or amount, against taxable property located within the District. In the Bond Order, the District covenants to levy a sufficient tax to pay the principal of and interest on the Outstanding Bonds and the Bonds, with full allowance being made for delinquencies and costs of collection. Collected taxes will be placed in the District's Debt Service Fund used to pay principal of and interest on the Outstanding Bonds and the Bonds, and on additional bonds payable from taxes which may hereafter be issued by the District.

Net Revenue Pledge: The Outstanding Bonds and the Bonds (and any additional bonds issued by the District to which such revenues are pledged) are further payable from, and secured by a pledge of and lien on, certain net revenues, if any, of the District's waterworks and sewer system (the "System"). Net revenues ("Net Revenues") are defined by the Bond Order as all income or increment which may grow out of the ownership and operation of the District's plants, facilities and improvements (as same are purchased, constructed or otherwise acquired), being the gross revenue income, less such portion of such revenue income as reasonably may be required to provide for the administration, efficient operation and adequate maintenance of the District's plants, facilities and improvements, and to establish an operating reserve. It is not expected that the Net Revenues will ever be sufficient to materially contribute to debt service payments on the Bonds. The Net Revenues are entirely dependent upon the sale of water and sewer services to residents of the District and users of the System.

Optional Redemption Provisions

The District reserves the right, at its option, to redeem the 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 to the date fixed for redemption. If fewer than all of the Bonds are to be redeemed, the particular maturity or maturities and the amounts thereof to be redeemed shall be determined by the District. If fewer than all of the Bonds of the same maturity are to be redeemed, the particular Bonds shall be selected by DTC in accordance with its procedures. See "BOOK-ENTRY-ONLY SYSTEM."

Notice of each exercise of the reserved right of optional redemption shall be given by the Paying Agent at least thirty (30) calendar days prior to the redemption date, in the manner specified in the Bond Order.

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

Mandatory Sinking Fund Redemption

The Bonds due on April 1 in the years 2030, 2032, 2034, 2038, 2040, 2046 (the "Term Bonds") also are subject to mandatory sinking fund redemption by the District by lot or other customary random method prior to scheduled maturity on April 1 in the years ("Mandatory Redemption Dates") and in the amounts set forth below, at a redemption price of par plus accrued interest to the date of redemption:

Term Bonds Due April 1, 2030	
Mandatory Sinking Fund Redemption Date	Principal Amount
April 1, 2028	\$120,000
April 1, 2029	\$125,000
April 1, 2030 (maturity)	\$135,000

Term Bonds Due April 1, 2032	
Mandatory Sinking Fund Redemption Date	Principal Amount
April 1, 2031	\$140,000
April 1, 2032 (maturity)	\$145,000
Term Bonds Due April 1, 2034	
Mandatory Sinking Fund Redemption Date	Principal Amount
April 1, 2033	\$155,000
April 1, 2034 (maturity)	\$160,000
Term Bonds Due April 1, 2038	
Mandatory Sinking Fund Redemption Date	Principal Amount
April 1, 2035	\$170,000
April 1, 2036	\$180,000
April 1, 2037	\$185,000
April 1, 2038 (maturity)	\$195,000
Term Bonds Due April 1, 2040	
Mandatory Sinking Fund Redemption Date	Principal Amount
April 1, 2039	\$205,000
April 1, 2040 (maturity)	\$215,000
Term Bonds Due April 1, 2046	
Mandatory Sinking Fund Redemption Date	Principal Amount
April 1, 2041	\$225,000
April 1, 2042	\$240,000
April 1, 2043	\$250,000
April 1, 2044	\$265,000
April 1, 2045	\$275,000
April 1, 2046 (maturity)	\$290,000

On or before 30 days prior to each Mandatory Redemption Date set forth above, the Registrar shall (i) determine the principal amount of such Term Bond that must be mandatorily redeemed on such Mandatory Redemption Date, after taking into account deliveries for cancellation and optional redemptions as more fully provided for below, (ii) select, by lot or other customary random method, the Term Bond or portions of the Term Bond of such maturity to be mandatorily redeemed on such Mandatory Redemption Date, and (iii) give notice of such redemption as provided in the Bond Resolution. The principal amount of any Term Bond to be mandatorily redeemed on such Mandatory Redemption Date shall be reduced by the principal amount of such Term Bond, which, by the 45th day prior to such Mandatory Redemption Date, either has been purchased in the open market and delivered or tendered for cancellation by or on behalf of the District to the Registrar or optionally redeemed and which, in either case, has not previously been made the basis for a reduction under this sentence.

Method of Payment of Principal and Interest

The Board of Directors of the District (“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 (“Paying Agent” or “Registrar”). The principal of and interest on the Bonds shall be paid to DTC, which will make distribution of the amounts so paid. See “BOOK-ENTRY-ONLY SYSTEM.”

Registration

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

Replacement of Paying Agent/Registrar

Provision is made in the Bond Order for replacement of the Paying Agent. If the Paying Agent is replaced by the District, the new paying agent/registrar shall be required to accept the previous Paying Agent’s records and act in the same capacity as the previous Paying Agent. 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 may issue additional bonds, with the approval of the Texas Commission on Environmental Quality (the “TCEQ” or “Commission”) necessary to provide and maintain improvements and facilities consistent with the purposes for which the District was created. See “THE DISTRICT – General.” The District has \$830,000 of unlimited tax and revenue bonds authorized but unissued for improvements and facilities from the July 15, 1995 bond election and \$3,755,000 of unlimited tax and revenue bonds authorized but unissued for improvements and facilities and refunding bonds authorized but unissued from the May 5, 2001 bond election. The District will have \$435,000 of unlimited tax and revenue bonds authorized but unissued after the issuance of the Bonds. The Bond Order imposes no limitation on the amount of additional parity bonds which may be issued by the District. See “RISK FACTORS – Future Debt.”

After the issuance of the Bonds, the District will owe the Developers an estimated \$148,000 for the Utility System (as defined herein). If additional bonds are issued in the future and property values have not increased proportionately, such issuance may increase gross debt/property valuation ratios and thereby adversely affect the investment quality or

security of the Bonds. See “THE BONDS – Issuance of Additional Debt.”

Before issuing any additional bonds for water, sewer, and drainage facilities, the District would have to obtain approval of the Commission for the issuance of such bonds and the projects to be financed thereby. In addition to the above mentioned bonds, the District has the right to issue such additional tax bonds or combination tax and revenue bonds as may be hereafter approved by the voters of the District. The District also has the right to issue revenue notes, bond anticipation notes, and tax anticipation notes without the necessity of voter approval. In the District has the right to enter into contracts and to pledge its taxing power to secure any payments the District is required to make under such contracts, provided the provisions of the contract are approved by the voters of the District. The District further has the right to issue refunding bonds without additional voter approval.

The District is also authorized by statute to engage in fire-fighting activities, including the issuing of bonds payable from taxes for such purposes. Before the District could issue such bonds, the following actions would be required:

(a) authorization of a detailed master plan and bonds for such purposes by the qualified voters in the District; (b) approval of the master plan and bonds by the TCEQ; and (c) approval of bonds by the Attorney General of Texas. The Board has not considered calling an election at this time for such purposes. If additional debt obligations are issued in the future by the District, such issuance may increase gross debt/property ratios and might adversely affect the investment security of the Bonds.

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. Before the District could issue park bonds payable from taxes, the following actions would be required: (a) preparation of a detailed park plan; (b) authorization of park bonds by the qualified voters in the District; (c) approval of the park project and bonds by the Commission; and (d) approval of the bonds by the Attorney General of Texas. If the District does issue park bonds, the outstanding principal amount of such bonds may not exceed an amount equal to one percent of the value of the taxable property in the District.

Dissolution and Consolidation

The District has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its assets (such as cash and the utility system) and liabilities (such as the Bonds), with the assets and liabilities of districts with which it is consolidating. Although no consolidation is presently contemplated by the District, no representation is made concerning the likelihood of consolidation in the future.

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 Order, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Order, 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 Order. Except for mandamus, the Bond Order does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. 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 “RISK FACTORS – Registered Owners’ Remedies and Bankruptcy.”

Defeasance

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

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 Order does not contractually limit such investments, Registered Owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those 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 DTC while the Bonds are registered in its nominee's name. The information in this section concerning DTC and the book-entry-only system has been provided by DTC for use in disclosure documents such as this Official Statement. The District believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

The District cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC 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. Discontinuance of the DTC book-entry-only system by the District may require consent of DTC Participants under DTC Operational Arrangements. 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 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 the Bonds, in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is 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 effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

Payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or 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, Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of District or Agent, disbursement of such payments to the 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 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-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

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

RISK FACTORS

General

The Bonds are obligations of the District and are not obligations of the State of Texas; Montgomery County, Texas; or any other political subdivision. The Bonds are payable from a continuing, direct, annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District, and a pledge of Net Revenues, if any, of the District's water, sanitary sewer, and drainage system, until such pledge is released as described herein. See "THE BONDS – Sources of Payment." The investment quality of the Bonds depends both on the ability of the District to collect from the property owners all taxes levied against their property or, in the event of foreclosure, the value of the taxable property with respect to taxes levied by the District and by other taxing authorities, and on its ability to produce Net Revenues available for debt service.

The District makes no representations that over the life of the Bonds the property within the District will maintain a value sufficient to justify continued payment of taxes by the property owners. The potential increase in taxable valuation of District property is directly related to the economics of the residential housing industry, not only due to general economic conditions, but also due to the particular factors discussed below.

Infectious Disease Outbreak (COVID-19)

The World Health Organization has declared a pandemic following the outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus (the "Pandemic"), which is currently affecting many parts of the world, including the United States and the State. On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States in connection with COVID-19. On March 13, 2020, the President of the United States (the "President") declared the Pandemic a national emergency and the State Governor (the "Governor") declared COVID-19 an imminent threat of disaster for all counties in the State (collectively, the "disaster declarations"). On March 25, 2020, in response to a request from the Governor, the President issued a Major Disaster Declaration for the State.

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

Since the disaster declarations were made, the Pandemic has negatively affected travel, commerce, and caused volatility in financial markets locally and globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide and within the State. Stock values and crude oil prices, in the U.S. and globally, have seen significant volatility attributed to COVID-19 concerns. The State may be particularly at risk from any global slowdown, given the prevalence of international trade in the state and the risk of contraction in the oil and gas industry and spillover effects into other industries.

Such adverse economic conditions and volatility, if continued, could result in declines in the demand for residential and commercial property in the Houston area and could reduce or negatively affect property values or homebuilding activity within the District. The Bonds are secured by an unlimited ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds as well as the District's share of operations and maintenance expenses payable from ad valorem taxes.

The District continues to monitor the spread of COVID-19 and the potential impact of COVID-19 on the District. While the potential impact of COVID-19 on the District cannot be quantified at this time, the continued outbreak of COVID-

19 could have an adverse effect on the District's operations and financial condition. The financial and operating data contained herein are the latest available but may not reflect the full economic impact of the Pandemic and measures instituted to slow it. Accordingly, they are not indicative of the full economic impact of the Pandemic on the District's financial condition.

Potential Effects of Oil Price Fluctuations on the Houston Area

The recent fluctuations 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.

Maximum Impact on District Tax Rates

The value of the land and improvements currently located within the District will be a major determinant of the ability of the District to collect, and the willingness of District property owners to pay, ad valorem taxes levied by the District. The 2021 Certified Assessed Valuation of property located within the District (see "TAX DATA") is \$53,353,468. After issuance of the Bonds, the Maximum Annual Debt Service Requirement will be \$293,806 (2046) and the Average Annual Debt Service Requirements will be \$230,937 (2022 through 2046, inclusive). Assuming no increase to or decrease from the 2021 Certified Assessed Valuation, and no use of other District funds, tax rates of \$0.580 and \$0.456 per \$100 of Assessed Valuation at a 95% tax collection rate would be necessary to pay the Maximum Annual Debt Service Requirement and the Average Annual Debt Service Requirements, respectively. The Estimate of Value as of November 1, 2021 of property located within the District, supplied by the Montgomery Central Appraisal District, is \$56,294,595. Assuming no increase to nor decrease from the Estimate of Value as of November 1, 2021, tax rates of \$0.549 and \$0.432 per \$100 of Assessed Valuation at a 95% tax collection rate would be necessary to pay the Maximum Annual Debt Service Requirement and the Average Annual Debt Service Requirements, respectively. See "TAX DATA – Tax Rate Calculations."

Tax Collection Limitations

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other local taxing authorities on the property against which taxes are levied, and such lien may be enforced by judicial foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedures against a taxpayer, or (c) market conditions affecting the marketability of taxable property within the District and limiting the proceeds from a foreclosure sale of such property. Moreover, the proceeds of any sale of property within the District available to pay debt service on the Bonds may be limited by the existence of other tax liens on the property (see "SELECTED FINANCIAL INFORMATION – Overlapping Taxes") by the current aggregate tax rate being levied against the property, and by other factors (including the taxpayers' right to redeem property within two years of foreclosure for residential and agricultural use property and six months for other property). Finally, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes assessed 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.

Specific Flood Type Risks

The District is subject to the following flood risks:

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

dam, levee or reservoir.

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

Severe Weather

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.

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

Atlas 14

The National Weather Service recently completed a rainfall study known as NOAA Atlas 14, Volume 11 Precipitation-Frequency Atlas of the United States ("Atlas 14"). Floodplain boundaries within the District may be redrawn based upon the Atlas 14 study, which is based upon a higher statistical rainfall amount, resulting in interim floodplain regulations applying to a larger number of properties. Such regulations could additionally result in higher insurance rates, increased development fees and stricter building codes for any property located within the expanded boundaries of the floodplain. See "THE SYSTEM."

Environmental Regulation and Air Quality

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

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

The District’s stormwater discharges currently maintain permit coverage through the Municipal Separate Storm System Permit (the “Current Permit”) issued to the Storm Water Management Joint Task Force consisting of Harris County, Harris County Flood Control District, the City of Houston, and the Texas Department of Transportation. In the event that at any time in the future the District is not included in the Current Permit, it may be required to seek independent coverage under the TCEQ’s General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the “MS4 Permit”), which authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. If the District’s inclusion in the MS4 Permit were required at a future date, the District could incur substantial costs to develop and implement the necessary plans as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff in order to comply with the MS4 Permit

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

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

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

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

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

including the District, could potentially be subject to additional restrictions and requirements, including additional permitting requirements.

100-Year Flood Plain: According to the Engineer, the Flood Insurance Rate Map ("FIRM") currently in effect published by the Federal Emergency Management Agency ("FEMA") which covers the land located in the District, indicates that approximately 8 acres within the District are located within the 100-year flood plain. The FIRM establishes a base flood elevation in the District of 205.5 feet. The rear portions of seven (7) lots in The Village of Heritage Point, Section 1 are within the 100-year flood plain. No homes are being, or are planned to be, constructed in the area within the 100-year flood plain. The other acreage within the 100-year flood plain is an Unrestricted Reserve "I", Clovercreek, Section 1 (2.84 acres), and the wastewater treatment plant site. Reserve "I" is undeveloped and the District's wastewater treatment plant has been constructed above the 100-year flood plain. Expansion of the wastewater treatment plant is expected to require mitigation for construction in the 100-year flood plain. The Regulatory Floodway covers a portion of the wastewater plant site.

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 Order, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Order, 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 Order. Except for mandamus, the Bond Order does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. 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 Order may not be reduced to a judgment for money damages. If such a judgment against the District were obtained, it could not be enforced by direct levy and execution against the District's property.

Further, the Registered Owners cannot themselves foreclose on 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 Registered 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 municipal utility districts such as the District, to obtain the approval of the TCEQ as a condition to seeking relief under the Federal Bankruptcy Code.

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

Following the issuance of the Bonds, the District will have \$435,000 in principal amount of unlimited tax bonds for the purpose of acquiring or constructing a waterworks, wastewater and storm drainage system authorized but unissued and \$3,755,000 in principal amount of bonds for refunding purposes. The District reserves in the Bond Order the right to issue the remaining authorized but unissued bonds plus such additional bonds as may hereafter be authorized by voters in the District. All of the remaining bonds described above which have heretofore been authorized by the voters of the District may be issued by the District from time to time as needed. If additional bonds are issued in the future and property values have not increased proportionately, such issuance may increase gross debt/property valuation ratios and thereby adversely affect the investment quality or security of the Bonds. See "THE BONDS – Legal Ability to Issue Additional Debt."

Marketability

The District has no understanding (other than the initial reoffering yields) with the Initial Purchaser regarding the reoffering yields or prices of the Bonds and has no control over the trading of the Bonds in the secondary market. There is no assurance that a secondary market will be made for the Bonds. If there is a secondary market, the difference between the bid and asked price of the Bonds may be greater than the bid and asked spread of other bonds generally bought, sold or traded in the secondary market. See “SALE AND DISTRIBUTION OF THE BONDS.”

Approval of the Bonds

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

Continuing Compliance with Certain Covenants

Failure of the District to comply with certain covenants contained in the Bond Order 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 “LEGAL MATTERS – Tax Exemption.”

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 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 in the form introduced or in some other form cannot be predicted. Prospective purchasers of the Bonds should consult their own tax advisor regarding the foregoing matter.

The 2021 Legislative Session

The 87th Texas Legislature convened on January 12, 2021 and adjourned on May 31, 2021. Additionally, the Governor called special sessions on July 8, 2021, on August 7, 2021 and September 20, 2021. The Governor may call one or more additional special sessions, which may last no more than 30 days, and for which the Governor sets the agenda. During a special session, the Texas Legislature may enact laws that materially change current law as it relates to the District and its finances. The District makes no representation regarding any actions the Texas Legislature may take.

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USE AND DISTRIBUTION OF BOND PROCEEDS

The use and distribution of the proceeds from the sale of the Bonds, as approved by the TCEQ, is set forth below. Non-construction costs are based upon either contract amounts, or estimates of various costs by the Engineer and the Financial Advisor (hereinafter defined). The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Bonds and completion of agreed-upon procedures by the District's auditor.

CONSTRUCTION COSTS

	Amount
A. Developer Contribution Items	
1 The Villages of Heritage Point Section 1 - W, WW, D	\$ 181,720 ¹
2 The Lakes at Clovercreek - W, WW, D	465,915
3 Clearing for Detention for lakes of Clover Creek	12,500
4 Contingencies (10% of Item No. 2)	46,592
5 Engineering - (Item No. 2)	102,463
6 Geotechnical Engineering - (Item No. 2)	12,000
7 Drainage Study - (Item No. 2)	23,031
8 Stormwater Pollution Prevention Plan (Item No. 2)	27,000
Total Developer Contribution Items	\$ 871,221
B. District Items	
1 Water Well No. 2	\$ 1,214,000
2 Ground Storage Tank	83,372
3 Water line interconnect	96,000
4 Water plant upgrades	92,000
5 Wastewater treatment plant expansion	168,900
6 Wastewater treatment plant rehabilitation	231,000
7 Contingencies (10% of Item Nos. 1, 4, and 6)	153,700
8 Engineering (Item Nos. 1, 4, and 6)	270,600
9 Engineering (Item No. 3)	20,100
10 Land Acquisition - Detention Pond	106,793
Total District Contribution Items	\$ 2,436,465
TOTAL CONSTRUCTION COSTS	\$ 3,307,686

¹ Approximately \$181,720 of Bond proceeds will be used to pay the District's final payment obligation required pursuant to that certain Development and Financing of Utilities Letter Agreement dated May 5, 2000, between the District and Heritage Point Development & Construction, Inc. ("Heritage") (the "Letter Agreement"). Currently both Nuevo Renaissance Corporation (a claimed successor in interest to Heritage) and Bank of OZK are asserting the right to receive such Bond proceeds. Upon the issuance of the Bonds, the District intends to interplead the court of competent jurisdiction with respect to this dispute and deposit such Bond proceeds with the court. Upon the payment of these funds to the Court, all payment obligations of the District under the Letter Agreement will be satisfied.

NON CONSTRUCTION COSTS

A. Legal Fees	\$ 80,125
B. Fiscal Agent Fees	83,000
C. Developer Interest	167,561 ²
D. Bond Discount (3%)	124,500
E. Bond Issuance Expenses	45,201
F. Miscellaneous	341,927 ³
TOTAL NON CONSTRUCTION COST	\$ 842,314
TOTAL BOND ISSUE REQUIREMENT	\$ 4,150,000

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

² Approximately \$38,022 of Bond proceeds for developer interest will be used to pay the District's final payment obligation of developer interest required pursuant to that certain Development Financing of Utilities Letter Agreement dated May 25, 1995, and that certain Operating Financing and Reimbursement Agreement dated May 25, 1995, between the District and Prussia Enterprises, Inc. ("Prussia") (the "Letter Agreements"). Currently Nuevo Renaissance Corporation (a claimed successor in interest to Prussia) and Executive Mortgage & Financial Services, Inc. d/b/a Executive Mortgage and Insurance, are asserting the right to receive such Bond proceeds. Upon the issuance of the Bonds, the District intends to interplead the court of competent jurisdiction with respect to this dispute and deposit such Bond proceeds with the court. Upon the payment of these funds to the Court, all payment obligations of the District under the Letter Agreements will be satisfied.

³ Approximately \$267,402 of Bond proceeds for operating advances will be used to pay the District's final payment obligation of developer interest required pursuant to the Letter Agreements between the District and Prussia. Currently Nuevo Renaissance Corporation (a claimed successor in interest to Prussia) and Executive Mortgage & Financial Services, Inc. d/b/a Executive Mortgage and Insurance, are asserting the right to receive such Bond proceeds. Upon the issuance of the Bonds, the District intends to interplead the court of competent jurisdiction with respect to this dispute and deposit such Bond proceeds with the court. Upon the payment of these funds to the Court, all payment obligations of the District under the Letter Agreements will be satisfied.

SELECTED FINANCIAL INFORMATION

(Unaudited)

General

2021 Certified Assessed Valuation.....	\$53,353,468	(a)
Estimate of Value as of November 1, 2021.....	\$56,294,595	(b)
Direct Debt (Includes the Bonds).....	\$4,345,000	
Estimated Overlapping Debt.....	1,332,527	
Direct and Estimated Overlapping Debt.....	<u>\$5,677,527</u>	
Debt Service Fund Balance (as of October 15, 2021).....	\$516,662	(c)
Direct Debt Ratios:		
as a percentage of 2021 Certified Assessed Valuation.....	8.14%	
as a percentage of Estimate of Value as of November 1, 2021.....	7.72%	
Direct and Estimated Overlapping Debt Ratios		
as a percentage of 2021 Certified Assessed Valuation.....	10.64%	
as a percentage of Estimate of Value as of November 1, 2021.....	10.09%	

(a) As certified by the Montgomery Central Appraisal District (“MCAD”), see “TAX DATA” and “TAXING PROCEDURES.”

(b) Provided by MCAD for information purposes only; this amount is an estimate of value of all taxable property located within the District as of November 1, 2021.

(c) Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Debt Service Fund.

District Bonds Authorized but Unissued

Date of Authorization	Purpose	Authorized	Issued to Date	Unissued
July 15, 1995	Water, Sewer & Drainage	\$2,800,000	\$2,800,000 ^(a)	\$0 ^(a)
May 5, 2001	Water, Sewer, Drainage & Refunding	3,755,000	3,320,000	435,000

(a) Assumes issuance of the Bonds.

Cash and Investment Balances (Unaudited as of October 15, 2021)

General Fund	Cash and Temporary Investments	\$685,846
Debt Service Fund	Cash and Temporary Investments	\$516,662 ^(a)

(a) Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Debt Service Fund.

The policy of the District is to invest District funds only in instruments which further the following investment objectives of the District stated in order of importance: (1) preservation and safety of principal; (2) liquidity; and (3) yield. The District does not currently own, nor does it anticipate the inclusion of, long term securities or derivative products in the District's portfolio.

Investment in U.S. Government Obligations, bank Certificates of Deposit and money market funds are generally representative of the District's investment practices. State law requires the District to report its investments each calendar quarter and upon the conclusion of each fiscal year. The District is required by state law to mark its investments to market price in these reports for the purpose of compliance with applicable accounting principles concerning the contents of the District's audited financial statements.

Estimated Overlapping Debt Statement

The following table indicates the direct and estimated overlapping debt of the District. The table includes the estimated amount of indebtedness of governmental entities overlapping the District, defined as outstanding bonds payable from ad valorem taxes, and the estimated percentages and amounts of such indebtedness attributable to property located within the District. This information is based upon data secured from the individual jurisdictions and/or the Texas Municipal Reports published by the Municipal Advisory Council of Texas. The calculations by which the statement was derived were made in part by comparing the reported assessed valuation of the property in the overlapping taxing jurisdictions with the assessed valuation of property within the District. No effect has been given to the tax burden levied by any applicable taxing jurisdiction for maintenance and operational or other purposes. Except for the amount relating to the District, the District has not independently verified the accuracy or completeness of such information and no person is entitled to rely upon such information as being accurate or complete. Further, certain of the entities listed below may have issued additional bonds since the date cited.

Taxing Body	Outstanding Gross Debt	As of	% of Overlapping Gross Debt	Overlapping Gross Debt
Lone Star College	\$ 610,225,000	11/30/2021	0.02%	\$122,045
Magnolia ISD	138,065,000	11/30/2021	0.63	869,810
Montgomery Co.	486,675,000	11/30/2021	0.70	340,673
TOTAL ESTIMATED OVERLAPPING NET DEBT				\$1,332,527
Clovercreek MUD (including the Bonds)				\$4,345,000
TOTAL ESTIMATED DIRECT AND OVERLAPPING DEBT				\$5,677,527
Ratio of Estimated Direct and Overlapping Debt to 2021 Certified AV				10.64%
Ratio of Estimated Direct and Overlapping Debt to November 1, 2021 Estimated AV				10.09%
Total Direct and Overlapping Debt per Capita: (a)				\$11,566

(a) Based on the estimated population of 756.

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DEBT SERVICE REQUIREMENTS

The following schedule sets forth the principal and estimated interest requirements on the Bonds and the Outstanding Bonds.

Year Ended	Outstanding	Series 2022 - The Bonds				New	
		Interest			Total		Debt Service
		Principal					
<u>31-Dec</u>	<u>Debt Service</u>	<u>Due 9/1</u>	<u>Due 4/1</u>	<u>Due 10/1</u>	<u>& Interest</u>	<u>Debt Service</u>	
2022	\$ 151,089	\$ -	\$ 12,223	\$ 59,466	\$ 71,689	\$ 222,778	
2023	51,250	45,000	59,466	58,566	163,031	214,281	
2024	-	100,000	58,566	56,566	215,131	215,131	
2025	-	105,000	56,566	54,203	215,769	215,769	
2026	-	110,000	54,203	51,728	215,931	215,931	
2027	-	115,000	51,728	49,141	215,869	215,869	
2028	-	120,000	49,141	46,441	215,581	215,581	
2029	-	125,000	46,441	43,628	215,069	215,069	
2030	-	135,000	43,628	40,591	219,219	219,219	
2031	-	140,000	40,591	39,191	219,781	219,781	
2032	-	145,000	39,191	37,741	221,931	221,931	
2033	-	155,000	37,741	35,997	228,738	228,738	
2034	-	160,000	35,997	34,197	230,194	230,194	
2035	-	170,000	34,197	32,178	236,375	236,375	
2036	-	180,000	32,178	30,041	242,219	242,219	
2037	-	185,000	30,041	27,844	242,884	242,884	
2038	-	195,000	27,844	25,528	248,372	248,372	
2039	-	205,000	25,528	22,966	253,494	253,494	
2040	-	215,000	22,966	20,278	258,244	258,244	
2041	-	225,000	20,278	17,325	262,603	262,603	
2042	-	240,000	17,325	14,175	271,500	271,500	
2043	-	250,000	14,175	10,894	275,069	275,069	
2044	-	265,000	10,894	7,416	283,309	283,309	
2045	-	275,000	7,416	3,806	286,222	286,222	
2046	-	290,000	3,806	-	293,806	293,806	
	\$ 202,339	\$ 4,150,000	\$ 832,127	\$ 819,903	\$ 5,802,030	\$ 6,004,369	

TAX DATA

Classification of Assessed Valuation

The following table illustrates the composition of property located within the District during the past five years.

	2021 Assessed Valuation	2020 Assessed Valuation	2019 Assessed Valuation	2018 Assessed Valuation	2017 Assessed Valuation
Land	\$ 11,001,630	\$ 10,932,930	\$ 11,252,030	\$ 11,152,790	\$ 11,087,740
Improvements	43,720,510	42,359,960	35,268,050	32,761,860	33,108,860
Personal Property	685,742	640,618	746,247	580,143	574,985
Appraised Value	55,407,882	53,933,508	47,266,327	44,494,793	44,771,585
Less Exemptions	2,054,414	3,060,767	1,818,377	1,651,610	1,667,683
Total	\$ 53,353,468	\$ 50,872,741	\$ 45,447,950	\$ 42,843,183	\$ 43,103,902

Tax Collections

The following statement of tax collections set forth is the 2017-2021 tax collections of the District. Such summary has been prepared by the Financial Advisor for inclusion herein based upon information obtained from records of the District's tax assessor/collector. Reference is made to such records for further and more complete information.

Tax Year	Assessed Valuation	Tax Rate	Adjusted Tax Levy	Current Collections		Total Collections (a)	
				Amount	Percent	Amount	Percent
2017	43,103,902	1.210	521,556	515,089	98.76	521,520	99.99
2018	42,943,183	1.210	518,401	512,284	98.82	518,365	99.99
2019	45,447,950	1.210	549,919	545,795	99.25	549,895	100.00
2020	51,064,161	1.140	582,131	575,553	98.87	575,605	98.88
2021	53,353,468	1.120	597,559	*	*	*	*

*Collections in progress.

(a) Reflects collections made through September 30, 2021.

District Tax Rates

	2021	2020	2019	2018	2017
Debt Service Fund	\$0.620	\$0.640	\$0.730	\$0.650	\$0.330
Maintenance & Operation	0.500	0.500	0.480	0.560	0.880
Total	\$1.120	\$1.140	\$1.210	\$1.210	\$1.210

Tax Rate Limitation

Debt Service: Unlimited (no legal limit as to rate or amount).
 Maintenance: \$0.50 per \$100 of assessed valuation.

Maintenance Tax

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for operation and maintenance of the District and its improvements, if such maintenance tax is authorized by a vote of the District’s electorate. The District’s electors have authorized the levy of such a maintenance tax in the maximum amount of \$0.50 per \$100 of assessed valuation, and the District levied a maintenance tax of \$0.50 per \$100 of Assessed Valuation in 2021. Such tax is levied in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds and any parity bonds which may be issued in the future.

Principal Taxpayers

The following list of top ten principal taxpayers was provided by the District's Tax Assessor/Collector based on the 2021 certified tax rolls of the District, which reflect ownership as of January 1 of each year. Ownership changes since January 1, 2021 are not known to the District.

<u>Taxpayer</u>	<u>2021</u>
7 Seas International INC (Gas Station)	628,090
Property Owner	495,700
Property Owner	458,820
Property Owner	430,110
Property Owner	392,690
Property Owner	390,270
Property Owner	422,250
Property Owner	380,150
Property Owner	369,930
Property Owner	<u>371,650</u>
Total	\$ 4,339,660
 Percent of 2021 Certified Value	 8.13%

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of Assessed Valuation which would be required to meet certain debt service requirements on the Outstanding Bonds and the Bonds if no growth in the District occurs beyond the 2021 Certified Assessed Valuation or the Estimate Assessed Valuation as of November 1, 2021. The calculations also assume collection of 95% of taxes levied, no use of District funds on hand, and the sale of no additional bonds by the District except the Bonds.

Average Annual Debt Service Requirements (2022-2046).....	\$ 230,937
Tax Rate of \$0.456 on the 2021 Certified Assessed Valuation of \$53,353,468 at 95% collection produces.....	\$ 230,975
Tax Rate of \$0.432 on the Estimate of Value as of November 1, 2021 of \$56,294,595 at 95% collection produces.....	\$ 230,980
 Maximum Annual Debt Service Requirement (2046).....	 \$ 293,806
Tax Rate of \$0.580 on the 2021 Certified Assessed Valuation of \$53,353,468 at 95% collection produces.....	\$ 293,826
Tax Rate of \$0.549 on the Estimate of Value as of November 1, 2021 of \$56,294,595 at 95% collection produces.....	\$ 293,818

Overlapping Taxes for 2021

Property located within the District is subject to taxation by several taxing authorities in addition to the District. Set forth below is a compilation of all taxes levied upon property located within the District. Under Texas law, ad valorem taxes levied by each taxing authority other than the District entitled to levy taxes against property located within the District create a lien which is on a parity with the tax lien of the District. In addition to the ad valorem taxes required to make the debt service payments on bonded indebtedness of the District and of such other jurisdictions (see “SELECTED FINANCIAL INFORMATION – Estimated Overlapping Debt Statement”), certain taxing jurisdictions are authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

<u>Taxing Jurisdiction</u>	<u>2021 Tax Rate Per \$100 of Assessed Valuation</u>
Lone Star College System	\$0.1078
Magnolia ISD	1.1872
Montgomery County	0.4083
The District	1.1200
<u>Total</u>	<u>\$2.8233</u>

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MANAGEMENT OF THE DISTRICT

The District is governed by a Board of Directors, consisting of five directors. The Board of Directors has control over and management supervision of all affairs of the District. Directors serve four-year staggered terms. Elections are held in May of odd numbered years. The current members and officers of the Board, along with their respective terms of office, are listed below.

<u>Name</u>	<u>Position</u>	<u>Term Expires May</u>
Anthony Roubik	President	2023
Tony Torkelson Jr.	Vice President	2025
Barbara Woods	Secretary	2023
Lisa Blonquist	Assistant Secretary	2025
Andy Knight	Assistant Secretary	2025

The District does not have a general manager but has contracted for services, as follows:

Bookkeeper - The District has engaged VLB Bookkeeping Services as the District's Bookkeeper.

Tax Assessor/Collector - The tax assessor/collector for the District is Wheeler and Associates, Inc..

Consulting Engineer - The District has engaged the firm Vogler & Spencer Engineering, Houston, Texas, as Consulting Engineer in connection with the overall planning activities and the design of the System.

Bond Counsel and General Counsel - The District has engaged Coats Rose, P.C., Houston, Texas, as general counsel and as Bond Counsel in connection with the issuance of the Bonds. The fees paid to Bond Counsel by the District for services rendered in connection with the issuance of the Bonds are contingent on the issuance, sale and delivery of the Bonds. See "LEGAL MATTERS."

Disclosure Counsel - The District has engaged Orrick, Herrington & Sutcliffe, LLP ("Disclosure Counsel"), Houston, Texas, as Disclosure Counsel in connection with the issuance of the Bonds. The fees paid to Disclosure Counsel by the District for services rendered in connection with the issuance of the Bonds are contingent on the issuance, sale and delivery of the Bonds. See "LEGAL MATTERS."

District Operator of Water and Sewer Facilities - The District's water and sewer system is operated by TNG Utility Corp. See "THE SYSTEM" and "WATER AND SEWER OPERATIONS."

Auditor - The financial statements of the District as of August 31, 2021, and for the year then ended, included in this offering document, have been audited by Roth & Eyring, PLLC, independent auditors, as stated in their report appearing herein. See "Appendix A."

Financial Advisor - The District has engaged RBC Capital Markets, LLC as Financial Advisor to the District in connection with the issuance of the Bonds.

THE DISTRICT

General

Clovercreek Municipal Utility District of Montgomery County, Texas (the "District"), a political subdivision created by the Texas Water Commission, now the Texas Commission on Environmental Quality (the "Commission" or "TCEQ"), pursuant to Article XVI, Section 59 of the Texas Constitution, on April 24, 1985, operates under the provisions of Chapters 49 and 54 of the Texas Water Code and other general statutes of Texas applicable to municipal utility districts. The District is subject to the continuing supervision of the TCEQ. The District is located within the boundaries of the Magnolia Independent School District. The District is not located within the extraterritorial jurisdiction of any city.

The District contains approximately 157.87 acres and is located in southwest Montgomery County approximately 37 miles northwest of Houston's central business district, 20 miles west southwest of the City of Conroe, and 3 miles south southwest of the City of Magnolia. The District is located 15 miles west of The Woodlands, a master planned community. Access to the District is provided by Interstate Highway 45 and FM 1488, or Texas State Highway 249 and FM 1774, to the City of Magnolia, then south along Nichols Sawmill Road.

History of Development

The current 157.87 acres out of the original 552 acres of land in the District were acquired in 1984 from Champion Realty Corp. by CUW Associates, Ltd. ("CUW"), a Texas limited partnership. Subsequently, two tracts of land (a total of 394 acres) were sold to other purchasers who planned to develop such land as 5-acre homesteads using private water wells and septic systems. Upon the petition of such landowners and a hearing conducted by the District, 394 acres were excluded from the district on May 25, 1995. This left 157.87 acres for development within Clovercreek Municipal Utility District of Montgomery County, Texas. CUW commenced the infrastructure development in 1985 on this acreage with financing provided by United Savings Association of Texas FSB ("United Savings").

CUW developed Clovercreek, Section 1 (90 lots) and constructed a 4,200 square foot clubhouse. Four detention ponds were completed. Additionally, a water plant and interim sewage treatment plant were constructed with utility lines serving the common areas and the 90 lots comprising Clovercreek, Section 1.

In 1987, before any housing construction commenced, CUW defaulted on its loan obligations to United Savings and the property was taken over by United Savings and subsequently became a part of a portfolio of nonperforming assets of the Federal Depository Insurance Corporation ("FDIC"). In 1994, after remaining dormant for the intervening years, the property was acquired by Prussia Enterprises, Inc ("Prussia").

Prussia developed Clovercreek, Section 2 (54 lots) in 1997. Prussia then conveyed its remaining property to Heritage Point Development Company ("Heritage"), and Heritage developed The Villages of Heritage Point, Section 1 (72 lots). During the process, Heritage went into default on their loan from OmniBank, N.A. ("Omni"), Heritage merged with Nuevo Renaissance Corporation, and Omni foreclosed on the property. During the foreclosure, Omni sold most of the remaining vacant lots to Windfern Construction Co. Ltd. ("Windfern"). From 2003 to 2015, there was insufficient water and sanitary sewer capacity to serve the 39 Windfern lots. Windfern sold most of their lots to Maritia, L.P. ("Maritia"), and Maritia financed expansion of the water and wastewater facilities. Maritia also purchased other vacant tracts for the development of The Lakes at Clover Creek (20 lots). The Lakes of Clover Creek is currently under construction. There is little to no additional water and sanitary sewer capacity to develop the remaining property in the District. See "THE SYSTEM - Water, Sanitary Sewer and Drainage System."

Status of Development

Development of the District began in June, 1994 and as of November 1, 2021 approximately 121.3 acres have been developed as the residential subdivisions of Clovercreek, Section 1 which contains 90 single family lots, Clovercreek, Section 2 which contains 54 single family lots and The Villages of Heritage Point, Section 1 which contains 72 single family lots. Approximately 3.7 acres has been developed for commercial use which contains a Chevron Service Station with a convenience store and two retail spaces, a Dollar General Store, and a light industrial building (approximately 7,800 SF) that is currently vacant. As of November 1, 2021, the District contained 216 completed homes (one home is built on 2 lots, one home is a 4,200 square foot clubhouse on 1 acre converted to private residential use), 0 homes under construction, 0 vacant developed lots, 10.5 acres of detention ponds and surrounding open space, a Chevron Service Station with a convenient store and two retail spaces, 34.8 acres of developable acreage and 1.8 undevelopable acres.

The Developer

The following information provides a more detailed description of the development within the District as of November 1, 2021:

Description	Acreage	Developed Lots	Completed Homes	Under Construction	Vacant Developed Lots
Clovercreek					
Section 1	43.1	90	89	0	0
Section 2	21.8	54	54	0	0
Village of Heritage Point					
Section 1	37.3	72	72	0	0
Residence (park of Reserve in Clovercreek Section 1)	1.0		1.0		
Commercial	3.7				
Plant Sites & Detention Ponds	14.4				
Developed Acreage	121.3				
Developable Acreage	34.8				
Undevelopable Acreage (b)	1.8				
Totals	157.9	216	216	0	0

THE SYSTEM

Water, Sanitary Sewer, and Drainage System

The water, wastewater and storm drainage facilities have been designed in accordance with accepted engineering practices and the rules and regulations of certain governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities including, among others, the TCEQ and Montgomery County. According to the Engineer, the design of all such facilities has been approved by all required governmental agencies.

Operation of the District's waterworks and wastewater facilities is subject to regulation by, among others, the United States Environmental Protection Agency, Montgomery County, Texas, the TCEQ and the Texas Department of Health. In many cases, regulations promulgated by these agencies have become effective only recently and are subject to further development and revision. The District currently does not have sufficient capacity to construct homes on the remaining lots and a moratorium has been put on any future home building until which time the District's system is expanded.

Source of Water Supply: Water supply for the District is currently provided by a water plant which consists of a 150 gallon per minute ("gpm") well and appurtenant pump, two - 300 gpm booster pumps and equipment, a 7,500-gallon hydropneumatic tank, and a two ground storage tank totaling 68,000 gallons. According to the District's Engineer, the District's water supply facilities are capable of serving approximately 250 equivalent single family connections ("esfc"). An expansion to the current facilities would be necessary to serve the remaining developable land.

Source of Wastewater Treatment: The District's wastewater is currently treated by a 80,000 gallons per day ("gpd") wastewater treatment plant, which according to the Engineer, will adequately serve approximately 266 equivalent single family connections. In order to serve the remaining developable land, the current wastewater treatment plant will need to be expanded. The District has a wastewater discharge permit allowing it to expand the plant to 120,000 gpd. Currently, flows at the wastewater treatment plant are averaging approximately 58,000 gpd.

Drainage System: The District has a topography that generally slopes from west to east. The elevations range from 250 feet mean sea level ("msl") at the most western boundary and 205 feet msl at the eastern boundary. The drainage of the lots and streets is served by a storm sewer system consisting of 24-inch to 42-inch piping with curb inlets in Clovercreek, Section 1 and 2. Lots and streets in The Villages of Heritage Point, Section 1 are served by an open-ditch system. The drainage system for the District also includes 10.5 acres of detention facilities owned by the District and is maintained by the District for detention only.

100-Year Flood Plain

According to the Engineer, the Flood Insurance Rate Map ("FIRM") currently in effect published by the Federal Emergency Management Agency ("FEMA") which covers the land located in the District, indicates that approximately 8 acres within the District are located within the 100-year flood plain. The FIRM establishes a base flood elevation in the District of 205.5 feet. The rear portions of seven (7) lots in The Village of Heritage Point, Section 1 are within the 100-year flood plain. No homes are being, or are planned to be, constructed in the area within the 100-year flood plain. The other acreage within the 100-year flood plain is an Unrestricted Reserve "I", Clovercreek, Section 1 (2.84 acres), and the wastewater treatment plant site. Reserve "I" is undeveloped and the District's wastewater treatment plant has been constructed above the 100-year flood plain. Expansion of the wastewater treatment plant is expected to require mitigation for construction in the 100-year flood plain. The Regulatory Floodway covers a portion of the wastewater plant site.

Subsidence and Conversion to Surface Water Supply

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 is subject to an annual permit issued by the Conservation District. The Conservation District has adopted regulations requiring reduction of groundwater withdrawals through conversion to alternate source water (e.g., surface water) in areas within the Conservation District's jurisdiction. The San Jacinto River Authority (the "Authority") has developed a groundwater reduction plan ("GRP") and obtained Conservation District approval of its GRP. The Authority's GRP sets forth the Authority's plan to comply with Conservation District regulations, construct surface water facilities, and convert users from groundwater to alternate source water (e.g., surface water). The District, by contract, is included within the Authority's GRP. The District operates a groundwater well while other participants in the Authority's GRP receive surface water to meet the Conservation District's surface water conversion requirements in the aggregate.

The Authority has the power to issue debt supported by the revenues pledged for the payment of its obligations and may establish fees, user fees, rates, charges, and special assessments as necessary to accomplish its purposes. The Authority currently charges the District, and other major groundwater users, a fee of \$2.88 per 1,000 gallons of groundwater pumped. It is anticipated that said fee will increase in the future.

The Conservation District's regulations require the District, individually or collectively with other water users, to: (i) have prepared a groundwater reduction plan ("GRP") and obtain certification of the GRP from the Conservation District; and (ii) limit groundwater withdrawals to no more than 64,000 acre-feet countywide. A new Conservation District management plan defining the limit on groundwater withdrawals is anticipated in 2022. If the Authority fails to comply with the above Conservation District regulations or its GRP, the Authority is subject to a disincentive fee penalty ("Disincentive Fees") imposed by the Conservation District for any groundwater withdrawn in excess of permitted amounts within the Authority's GRP. In the event of such Authority failure to comply, the Conservation District may also seek to collect Disincentive Fees from the District. If the District failed to comply with future surface water conversion requirements mandated by the Authority, the Authority would likely seek monetary or other penalties against the District.

The District cannot predict the amount or level of fees and charges, which may be due the Authority in the future, but anticipates the need to pass such fees through to its customers: (i) through higher water rates and/or (ii) with portions of maintenance tax proceeds, if any. In addition, conversion to surface water could necessitate improvements to the System which could require the issuance of additional bonds by the District. No representation is made that the Authority: (i) will build the necessary facilities to meet the requirements of the Conservation District for conversion to surface water, (ii) will comply with the Conservation District's surface water conversion requirements, or (iii) will comply with its GRP.

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WATER AND SEWER OPERATIONS

General

The Bonds are payable from the levy of an ad valorem tax, without legal limitation as to rate or amount, upon all taxable property in the District and are additionally payable from, and are secured by a pledge of and lien on the Net Revenues described under "THE BONDS - Sources of Payment - Net Revenues Pledged," if any, derived from operation of the System. No prediction is made, nor can any assurance be given, that the System will produce Net Revenues available to pay principal of or interest on the Bonds.

Rate and Fee Schedule

The Board of Directors of the District establishes rates and fees for water and sewer service. The rates are subject to change from time to time. See "APPENDIX B" for the District's rates and fees as of August 20, 2021.

Waterworks and Sanitary Sewer Operating Statement

The following statement sets forth in condensed form the historical results of operation of the District's water and sanitary sewer system. Such summary has been prepared by the Financial Advisor for inclusion herein, based upon information obtained from the District's audited financial statements. Reference is made to such statements for further and complete information. See "APPENDIX A."

	<u>Fiscal Year Ended August 31 (a)</u>				
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
REVENUES					
Property taxes	\$ 257,411	\$ 217,187	\$ 239,968	\$ 377,043	\$ 310,814
Water service	83,210	83,565	76,478	77,767	74,637
Sewer service	93,884	88,328	86,727	81,040	79,551
Surface water fees	55,237	61,318	50,744	51,945	50,342
Penalty, interest and other	9,758	10,660	12,443	11,411	15,849
Tap connection and inspection fees	5,720	-	6,880	5,160	-
Interest on Deposits	428	4,107	6,246	3,490	852
Total revenues	\$ 505,648	\$ 465,165	\$ 479,486	\$ 607,856	\$ 532,045
EXPENDITURES					
Service Operations:					
Professional fees	\$ 71,372	\$ 64,287	\$ 73,373	\$ 69,322	\$ 70,283
Contracted services	67,386	67,861	54,230	44,363	52,690
Utilities	17,506	19,642	20,564	18,597	20,797
Surface water fees	61,236	57,055	56,777	62,112	56,169
Repairs and maintenance	113,623	113,804	99,581	77,092	55,140
Other operating expenditures	42,031	25,960	27,561	39,887	31,140
Garbage disposal	29,968	29,743	29,743	29,316	31,340
Administrative expenditures	31,640	28,464	24,457	27,501	41,443
Depreciation					
Capital outlay / non-capital outlay	76,134	76,134	9,273	26,979	53,798
Total expenditures	\$ 510,896	\$ 482,950	\$ 395,559	\$ 395,169	\$ 412,800
Excess (deficiency) of revenues over expenditures	(5,248)	(17,785)	83,927	212,687	119,245
Beginning of the year	631,112	648,897	564,970	352,283	233,038
End of the year	\$ 625,864	\$ 631,112	\$ 648,897	\$ 564,970	\$ 352,283

(a) Audited.

TAXING PROCEDURES

Authority to Levy Taxes

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

Property Tax Code and County-Wide Appraisal District

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

The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district. The Montgomery Central Appraisal District (the “Appraisal District”) has the responsibility for appraising property for all taxing units within Montgomery County, including the District. Such appraisal values are subject to review and change by the Montgomery County Central Appraisal Review Board (the “Appraisal Review Board”).

Property Subject to Taxation by the District

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

Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between \$5,000 and \$12,000 depending on the disability rating of the veteran. A veteran who receives a disability rating of 100% is entitled to an exemption for the full amount of the veteran’s residence homestead. Furthermore, qualifying surviving spouses of persons 65 years of age and older are entitled to receive a residence homestead exemption equal to exemption received by the deceased spouse until such surviving spouse remarries. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran’s disability rating if the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse’s residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. The surviving spouse of a first responder who was killed or fatally injured in the line of duty is, subject to certain conditions, also 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. See “TAX DATA.”

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) (not less than \$5,000) of the appraised value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year but must be adopted by August 1. The District currently does not grant a homestead exemption. See “TAX DATA.”

Freeport Goods and Goods-in-Transit Exemptions: A “Freeport Exemption” applies to goods, wares, ores, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A “Goods-in-Transit” Exemption is applicable to the same categories of tangible personal property which are covered by the Freeport Exemption, if, for tax year 2011 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2012 and subsequent years, such Goods-in-Transit Exemption includes tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit 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. The District has taken official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years.

Tax Abatement

Montgomery County, Texas or the City of Conroe may designate all or part of the area within the District as a reinvestment zone. Thereafter, Montgomery County, Texas, the District, and the City of Conroe (if it were to annex the District), under certain circumstances, discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement, which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions.

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Generally, assessments under the Property Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Tax Code. In determining market value, either the replacement cost or the income or the market data method of valuation may be used, whichever is appropriate. Nevertheless, certain land may be appraised at less than market value under the Property Tax Code. Increases in the appraised value of residence homesteads are limited by the Texas Constitution to a cumulative 10 percent annual increase regardless of the market value of the property.

The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land’s capacity to produce agricultural or timber products rather than at its market value. The Property Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing

to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it as to another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three (3) years for agricultural use, open space land, and timberland.

The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraisal values. The plan must provide for appraisal of all real property in 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 District, however, at its expense has the right to obtain from the Appraisal District a current estimate of appraised values within the District or an estimate of any new property or improvements within the District. While such current estimate of appraised values may serve to indicate the rate and extent of growth of taxable values within the District, it cannot be used for establishing a tax rate within the District until such time as the Appraisal District chooses formally to include such values on its appraisal roll.

Disaster Exemption

The Property Tax Code provides for a temporary exemption from ad valorem taxation of a portion of the appraised value of certain property that is at least 15% physically damaged by a disaster and located within an area declared to be a disaster area by the governor 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. Texas Attorney General Opinion KP-0299, issued on April 13, 2020, concluded a court would likely find the Texas Legislature intended to limit the temporary tax exemption to apply to property physically harmed as a result of a declared disaster.

District and Taxpayer Remedies

Under certain circumstances taxpayers and taxing units (such as the District) may appeal the orders of the Appraisal Review Board by filing a timely petition for review in 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. Additionally, taxing units may bring suit against the Appraisal District to compel compliance with the Property Tax Code. The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. However, a person who is (i) 65 years of age or older, (ii) disabled or (iii) a disabled veteran, entitled by law to pay current taxes on his residential homestead in installments or to receive a deferral or abatement of delinquent taxes without penalty during the time he owns or occupies his property as his residential homestead. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to August 1 of the year in which it becomes delinquent. If the tax is not paid by August 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. For those taxes billed at a later date and that become delinquent on or after June 1, they will also incur an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The District's tax collector is required to enter into an installment payment agreement

with any person who is delinquent on the payment of tax on a residence homestead, if the person requests an installment agreement and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in equal monthly installments and must extend for a period of at least 12 months and no more than 36 months. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, may be rejected. Certain qualified taxpayers, including owners of residential homesteads, located within a natural disaster area and whose property has been damaged as a direct result of the disaster, are entitled to enter into a tax payment installment agreement with a taxing jurisdiction such as the District if the taxpayer pays at least one-fourth of the tax bill imposed on the property by the delinquency date. The remaining taxes may be paid without penalty or interest in three equal installments within six months of the delinquency date.

Rollback of Operation and Maintenance Tax Rate

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

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

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

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

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

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State of Texas and each local taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of such other taxing units. See "TAX DATA – Overlapping Taxes for 2021." 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; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. Personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both subject to the restrictions on residential homesteads described above under "Levy and Collection of Taxes". 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 cost of suit and sale, by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within six (6) months for commercial property and two (2) years for residential and all other types of property after the purchaser's deed issued at the foreclosure sale is filed in the county records) or by bankruptcy proceedings which restrict the collection of taxpayer debts. The District's ability to foreclose its tax lien or collect penalties or interest on delinquent taxes 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. See "RISK FACTORS – Tax Collection Limitations and Foreclosure Remedies."

LEGAL MATTERS

Legal Opinions

Issuance of the Bonds is subject to (i) the approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and binding obligations of the District payable from a continuing, direct annual ad valorem tax levied without limit as to rate or amount upon all taxable property within the District, and (ii) the legal opinion of Bond Counsel, based upon examination of the transcript of the proceedings incident to authorization and issuance of the Bonds, to the effect that the Bonds are valid and legally binding obligations of the District payable from the sources and enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity, and are payable from annual ad valorem taxes, which are not limited by applicable law in rate or amount, levied against all property within the District which is not exempt from taxation by or under applicable law. Bond Counsel's opinion also will address the matters described below under "Tax Exemption." The legal opinion of Bond Counsel will be printed on the Bonds. Such opinion will express no opinion with respect to the sufficiency of the security for or the marketability of the Bonds.

In addition to serving as Bond Counsel, Coats Rose, P.C. also acts as counsel to the District on matters not related to the issuance of bonds. The legal fees to be paid Bond 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.

No-Litigation Certificate

The District will furnish the Underwriter a certificate, dated as of the date of delivery of the Bonds, executed by both the President and Secretary of the Board, to the effect that no litigation of any nature is then pending against or, to the best knowledge of the certifying officers, threatened against the District contesting or attacking the Bonds or the Bond Order; restraining or enjoining the authorization, execution or delivery of the Bonds; affecting the provisions made for the payment of or security for the Bonds; in any manner questioning the authority of proceedings for the authorization, execution or delivery of the Bonds; or affecting the validity of the Bonds, the Bond Order, the corporate existence or boundaries of the District or the titles of the then present officers of the Board.

No Material Adverse Change

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

Qualified Tax-Exempt Obligations

The Code requires a pro rata reduction in the interest expense deduction of a financial institution to reflect such financial institution's investment in tax-exempt obligations acquired after August 7, 1986. An exception to the foregoing

provision is provided in the Code for “qualified tax-exempt obligations,” which include tax-exempt obligations, such as the Bonds, (a) designated by the issuer as “qualified tax-exempt obligations” and (b) issued by or on behalf of a political subdivision for which the aggregate amount of tax-exempt obligations (not including private activity bonds other than qualified 501(c)(3) bonds) to be issued during the calendar year is not expected to exceed \$10,000,000.

The District will designate the Bonds as “qualified tax-exempt obligations” and will represent that the aggregate amount of tax-exempt bonds (including the Bonds) issued by the District and entities aggregated with the District under the Code during calendar year 2022 is not expected to exceed \$10,000,000 and that the District and entities aggregated with the District under the Code have not designated more than \$10,000,000 in “qualified tax-exempt obligations” (including the Bonds) during calendar year 2022.

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

Tax Exemption

On the date of initial delivery of the Bonds, Coats Rose, P.C., Bond Counsel 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 is excludable from gross income for federal income tax purposes under existing law, and (ii) the Bonds will not be treated as “specified private activity bonds” the interest on which would be included as an alternative minimum tax preference term under section 57(a)(5) of the Internal Revenue Code of 1986 (the “Code”). The statutes, regulations, rulings, and court decisions on which the opinion is based are subject to change.

In rendering such opinion, Bond Counsel will rely upon representations and certifications of the District made in a certificate pertaining to the use, expenditure, and investment of the proceeds of the Bonds and certain other funds and will assume continuing compliance by the District with the representations and warranties in and covenants of the Bond Order subsequent to the issuance of the Bonds. Failure to comply with any of these covenants would cause interest on the Bonds to be includable in the gross income of the owners thereof from the date of issuance of the Bonds.

Except as described above, Bond Counsel will express no other opinion with respect to any other federal, state or local tax consequences under present law or proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, “S” corporations with “subchapter C” earnings and profits, owners of interests in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry (or who have paid or incurred certain expenses allocable to) tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

Tax Accounting Treatment of Discount and Premium on Certain Bonds

The initial public offering price of certain Bonds (the “Discount Bonds”) may be less than the amount payable on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Discount Bond (assuming that a substantial amount of the Discount Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Bond. A portion of such original issue discount allocable to the holding period of such Discount Bond by the initial purchaser will, upon the disposition of such Discount Bond (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, for federal income tax purposes, on the same terms and conditions as those for other interest on the Bonds described above under “Tax Exemption.” Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Bond, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Bond and generally will be allocated to an initial purchaser in a different amount from the amount of the payment denominated as interest actually received by the initial purchaser during his taxable year.

However, such interest may be required to be taken into account in determining the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, “S” corporations with “subchapter C” earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of interests in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or

carry, or who have paid or incurred certain expenses allocable to, tax- exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Bond by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such 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 Discount Bond was held) is includable in gross income.

Owners of Discount Bonds should consult with their own tax advisors with respect to the determination for federal income tax purposes of accrued interest upon disposition of Discount Bonds and with respect to the state and local tax consequences of owning Discount Bonds. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on Discount Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

The initial public offering price of certain Bonds (the “Premium Bonds”) may be greater than the amount payable on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such initial purchaser must be reduced each year by the amortizable bond premium. Such reduction in basis will increase the amount of any gain or decrease the amount of any loss to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser’s yield to maturity. Purchasers of the Premium Bonds should consult with their own tax advisors with respect to the determination of amortizable bond premium with respect to the state and local tax consequences of owning Premium Bonds.

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 Developer, 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 such sources, and its inclusion herein is not to be construed as a representation on the part of the District to such effect except as described below under “Certification of Official Statement.” Furthermore, there is no guarantee that any of the assumptions or estimates contained herein will be realized. The summaries of the agreements, reports, statutes, orders, 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

RBC Capital Markets, LLC (the “Financial Advisor”) is employed as the Financial Advisor to the District. The fees paid the Financial Advisor for services rendered in connection with the issuance and sale of the Bonds are based on the amount of Bonds actually issued, sold and delivered, and therefore such fees are contingent on the sale and delivery of the Bonds. The Financial Advisor has participated in the preparation of the Official Statement, however the Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement that has been supplied or provided by third parties.

Bond Counsel

Coats Rose, P.C. is employed as Bond Counsel for the District and has reviewed the information appearing in this OFFICIAL STATEMENT under the captions “THE BONDS,” “THE DISTRICT-General,” “TAXING PROCEDURES,” “LEGAL MATTERS,” AND “CONTINUING DISCLOSURE OF INFORMATION.” Bond Counsel has reviewed the information under the aforementioned sections solely to determine whether such information fairly summarizes the law or documents referred to in such sections. Bond Counsel has not independently verified other factual information contained in this OFFICIAL STATEMENT nor 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 the limited participation of such firm 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.

Consultants

In approving this OFFICIAL STATEMENT, the District has relied upon the following consultants that have provided information used herein.

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 Vogler & Spencer Engineering and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

Auditor: The financial statements of the District as of August 31, 2021, and for the year then ended, included in this offering document, have been audited by Roth & Eyring, PLLC, independent auditors, as stated in their report appearing herein. See “APPENDIX A.”

Tax Appraisal and Collections: The Montgomery Central Appraisal District has the responsibility of appraising all property within the District. See “TAXING PROCEDURES.”

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 Wheeler & Associates and is included herein in reliance upon the authority of such individual as an expert in assessing property values and collecting taxes.

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 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 ultimate customers.

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 certification, the official executing this OFFICIAL STATEMENT 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 Order, 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”). The MSRB has established the Electronic Municipal Market Access (“EMMA”) System.

Annual Reports

The District will provide certain financial information and operating data annually to the MSRB through EMMA. The financial information and operating data which will be provided with respect to the District includes all quantitative financial information and operating data of the general type included in this OFFICIAL STATEMENT under the headings "SELECTED FINANCIAL INFORMATION," except for "Estimated Overlapping Debt" and "Overlapping Taxes," "TAX DATA," and in APPENDIX A (Independent Auditor's Report and Financial Statements of the District). The District will update and provide this information within six months after the end of each fiscal year ending in or after 2022. Any financial statements so provided shall be prepared in accordance with generally accepted accounting principles or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable period to the MSRB within such six month period, and audited financial statements when the audit report becomes available.

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

Specified Event Notices

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

Availability of Information from MSRB

The District has agreed to provide the foregoing information only to the MSRB. The MSRB makes the information available to the public without charge through its Electronic Municipal Market Access 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 registered or beneficial owners of Bonds may seek a writ of mandamus to compel the District to comply with its agreement. The District may amend its continuing disclosure agreement from time to time to adapt the changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The District may amend or repeal the agreement in the Bond Order if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction determines that such provisions are invalid or unenforceable, but only to the extent that its right to do so would not prevent the Underwriters from lawfully purchasing the Bonds in the initial offering. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance with Prior Undertakings

The District has complied in all material respects with its continuing disclosure agreements made in accordance with SEC Rule 15c2-12.

MISCELLANEOUS

All estimates, statements and assumptions in this OFFICIAL STATEMENT and the APPENDIX 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.

This OFFICIAL STATEMENT was approved by the Board of Directors of Clovercreek Municipal Utility District of Montgomery County, Texas, as of the date shown on the cover page.

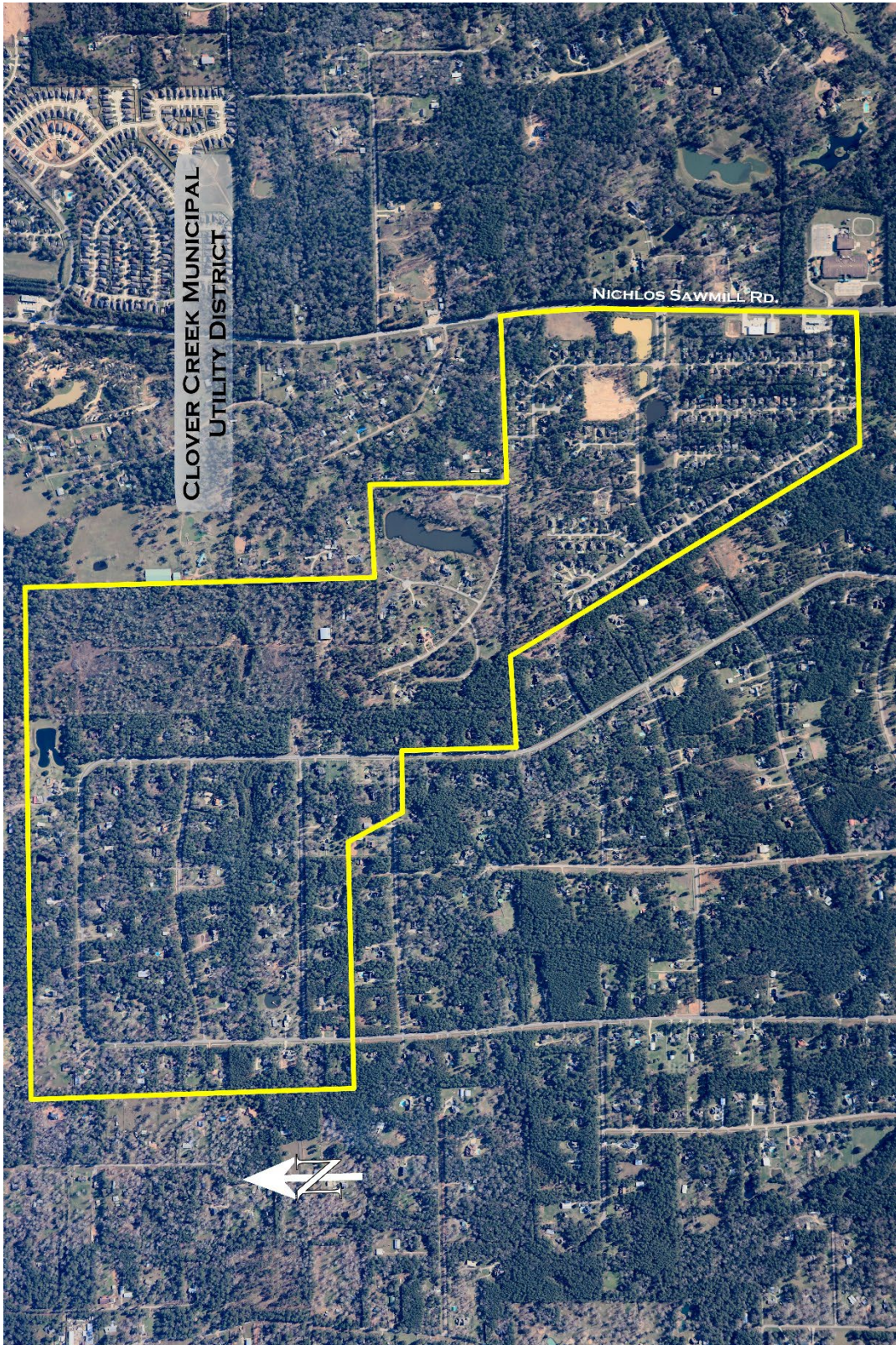
/s/ Anthony Roubik
President, Board of Directors
Clovercreek Municipal Utility District of Montgomery

County, Texas

ATTEST:

/s/ Barbara Woods
Secretary, Board of Directors
Clovercreek Municipal Utility District of Montgomery County, Texas

AERIAL PHOTOGRAPH



DISTRICT PHOTOS



APPENDIX A

Independent Auditor's Report and Financial Statements for the Year Ended August 31, 2021

CLOVERCREEK
MUNICIPAL UTILITY DISTRICT
MONTGOMERY COUNTY, TEXAS
ANNUAL AUDIT REPORT
AUGUST 31, 2021

C O N T E N T S

INDEPENDENT AUDITOR'S REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-8
BASIC FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET	9
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES	10
NOTES TO THE FINANCIAL STATEMENTS	11-20
SUPPLEMENTARY INFORMATION	
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE, BUDGET AND ACTUAL, GENERAL FUND	21
SCHEDULE OF TEXAS SUPPLEMENTARY INFORMATION REQUIRED BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY	22
SCHEDULE OF SERVICES AND RATES	23-24
EXPENDITURES FOR THE YEAR ENDED AUGUST 31, 2021	25-26
ANALYSIS OF CHANGES IN DEPOSITS, ALL GOVERNMENTAL FUND TYPES	27
SCHEDULE OF CERTIFICATES OF DEPOSIT	28
TAXES LEVIED AND RECEIVABLE	29-30
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS	31
ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT	32
COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES, GENERAL FUND	33
COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES, DEBT SERVICE FUND	34
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS	35-36

Mark C. Eyring, CPA, PLLC

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December 17, 2021

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Clovercreek Municipal
Utility District
Montgomery County, Texas

I have audited the accompanying financial statements of the governmental activities and each fund of Clovercreek Municipal Utility District, as of and for the year ended August 31, 2021, which collectively comprise the District's basic financial statements, as listed in the table of contents, and the related notes to the financial statements.

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 of material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including assessment of the risk 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 I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each fund of Clovercreek Municipal Utility District as of August 31, 2021, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT (Continued)**Other Matters**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on Pages 3 to 8 and Schedule of Revenues, Expenditures and Changes in Fund Balance, Budget and Actual, General Fund, on Page 21 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on Pages 22 to 36 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Except for the portion marked "unaudited," the information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The supplementary information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it. The accompanying supplementary information includes financial data excerpted from prior year financial statements which were audited by my firm.

A handwritten signature in black ink, appearing to read "M. A. J.", is located at the bottom right of the page.

Management's Discussion and Analysis

Using this Annual Report

Within this section of the Clovercreek Municipal Utility District (the "District") annual report, the District's Board of Directors provides narrative discussion and analysis of the financial activities of the District for the fiscal year ended August 31, 2021.

The annual report consists of a series of financial statements plus additional supplemental information to the financial statements as required by its state oversight agency, the Texas Commission on Environmental Quality. 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. In the District's case, the single governmental program is provision of water and sewer services. Other activities, such as garbage 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 and liabilities owned by 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 total assets and total liabilities is labeled as *net position* and this difference is similar to the total owners' 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. 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 period.

Although the statement of activities looks different from a commercial enterprise's income statement, 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 fund financial statements consist of a balance sheet and statement of revenues, expenditures and change 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 and sewer 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 total assets and total liabilities 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 are different, there are significant differences between the totals presented in these financial statements. For this reason, there is an analysis in Note 3 of the notes to the financial statements that reconciles the total fund balances to the amount of net position presented in the governmental activities column on the statement of net position. Also, there is an analysis in Note 3 of the notes to the 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.

Financial Analysis of the District as a Whole

Financial Analysis of the District as a Whole begins with an understanding of how financial resources flow through the District's funds. Resources in the Capital Projects Fund are derived principally from proceeds of the sale of bonds and expenditures from this fund are subject to the Rules of the Texas Commission on Environmental Quality. Resources in the Debt Service Fund are derived principally from the collection of property taxes and are used for the payment of tax collection costs and bond principal and interest. Resources in the General Fund are derived principally from property taxes and billings for water and sewer services and are used to operate and maintain the system and to pay costs of administration of the District.

Management has financial objectives for each of the District's funds. The financial objective for the Capital Projects Fund is to spend the funds as necessary in accordance with the Rules of the Texas Commission on Environmental Quality. The financial objective for the Debt Service Fund is to levy the taxes necessary to pay the fiscal year debt service requirements plus the cost of levying and collecting taxes, leaving the appropriate fund balance as recommended by the District's financial advisor. The financial objective for the General Fund is to keep the fund's expenditures as low as possible while ensuring that revenues are adequate to cover expenditures and maintaining the fund balance that Management believes is prudent. Management believes that these financial objectives were met during the fiscal year.

Management believes that the required method of accounting for certain elements of the government-wide financial statements makes the government-wide financial statements as a whole not useful for financial analysis. In the government-wide financial statements, capital assets and depreciation expense have been required to be recorded at historical cost. Management's policy is to maintain the District's capital assets in a condition greater than or equal to the condition required by regulatory authorities and does not believe that depreciation expense is relevant to the management of the District. In the government-wide financial statements, certain non-cash costs of long-term debt are capitalized and amortized over the life of the related debt. Management believes that this required method of accounting is not useful for financial analysis of the District and prefers to consider the required cash flows of the debt as reported in the fund statements and the notes to the financial statements. In the government-wide financial statements, property tax revenues are required to be recorded in the fiscal year for which the taxes are levied, regardless of the year of collection. Management believes that the cash basis method of accounting for property taxes in the funds provides more useful financial information.

The following required summaries of the District's overall financial position and operations for the past two years are based on the information included in the government-wide financial statements. For the reasons described in the preceding paragraph, a separate analysis of the summaries is not presented.

Summary of Net Position

	<u>2021</u>	<u>2020</u>	<u>Change</u>
Current and other assets	\$ 1,305,877	\$ 1,115,019	\$ 190,858
Capital assets	1,503,791	1,451,320	52,471
Total assets	<u>2,809,668</u>	<u>2,566,339</u>	<u>243,329</u>
Long-term liabilities	1,238,521	1,300,753	(62,232)
Other liabilities	193,431	193,038	393
Total liabilities	<u>1,431,952</u>	<u>1,493,791</u>	<u>(61,839)</u>
Net position:			
Invested in capital assets, net of related debt	384,528	270,637	113,891
Restricted	579,055	428,348	150,707
Unrestricted	414,133	373,563	40,570
Total net position	<u>\$ 1,377,716</u>	<u>\$ 1,072,548</u>	<u>\$ 305,168</u>

Summary of Changes in Net Position

	<u>2021</u>	<u>2020</u>	<u>Change</u>
Revenues:			
Property taxes	\$ 590,460	\$ 557,760	\$ 32,700
Charges for services	247,809	243,871	3,938
Other revenues	1,473	6,262	(4,789)
Total revenues	<u>839,742</u>	<u>807,893</u>	<u>31,849</u>
Expenses:			
Service operations	518,084	486,394	31,690
Debt service	16,490	24,526	(8,036)
Total expenses	<u>534,574</u>	<u>510,920</u>	<u>23,654</u>
Change in net position	305,168	296,973	8,195
Net position, beginning of year	<u>1,072,548</u>	<u>775,575</u>	<u>296,973</u>
Net position, end of year	<u>\$ 1,377,716</u>	<u>\$ 1,072,548</u>	<u>\$ 305,168</u>

Financial Analysis of the District's Funds

The District's combined fund balances as of the end of the fiscal year ended August 31, 2021 were \$1,250,812, an increase of \$191,730 from the prior year.

The General Fund balance increased by \$42,646, in accordance with the District's financial plan.

The Debt Service Fund balance increased by \$149,084, in accordance with the District's financial plan.

General Fund Budgetary Highlights

The Board of Directors did not amend the budget during the fiscal year. The District's budget is primarily a planning tool. Accordingly, actual results varied from the budgeted amounts. A comparison of actual to budgeted amounts is presented on Page 21 of this report. The budgetary fund balance as of August 31, 2021, was expected to be \$619,441 and the actual end of year fund balance was \$673,758.

Capital Asset and Debt Administration

Capital Assets

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

	Capital Assets (Net of Accumulated Depreciation)		
	2021	2020	Change
Land	\$ 112,116	\$ 112,116	\$ 0
Detention ponds	340,880	340,880	0
Construction in progress	203,749	122,087	81,662
Water facilities	417,291	414,258	3,033
Sewer facilities	303,856	324,941	(21,085)
Drainage facilities	125,899	137,038	(11,139)
Totals	<u>\$ 1,503,791</u>	<u>\$ 1,451,320</u>	<u>\$ 52,471</u>

Changes to capital assets during the fiscal year ended August 31, 2021, are summarized as follows:

Additions:

Water system improvements	\$ 26,940
Increase in estimated cost of developer construction	81,662
Total additions to capital assets	<u>108,602</u>

Decreases:

Depreciation	<u>(56,131)</u>
Net change to capital assets	<u>\$ 52,471</u>

Debt

Changes in the bonded debt position of the District during the fiscal year ended August 31, 2021, are summarized as follows:

Bonded debt payable, beginning of year	\$ 340,000
Bonds paid	<u>(145,000)</u>
Bonded debt payable, end of year	<u>\$ 195,000</u>

At August 31, 2021, the District had \$4,585,000 of bonds authorized but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage system within the District.

None of the District's bonds has an underlying rating. There was no change in the bond ratings during the fiscal year ended August 31, 2021.

A prior developer of the District had advanced funds for operations. The District has agreed to reimburse the developer for these advances plus interest not to exceed the interest rate of the District's applicable bond issue. This amount is to be reimbursed from the proceeds of a future District bond issue to the extent approved by the Texas Commission on Environmental Quality. The prior developer's records reflect that the amount due to the prior developer at August 31, 2021, was \$218,750.

A second prior developer within the District had also advanced funds for operations and had constructed certain facilities within the District's boundaries. The District agreed to reimburse this landowner for these advances, construction and related engineering costs plus interest not to exceed the interest rate of the District's applicable bond issue. As of August 31, 2021, such developer has never signed the Reimbursement Agreement. Any amount to be reimbursed from the proceeds of a future District bond issue will be to the extent approved by the Texas Commission on Environmental Quality. The amount of the advances for operating purposes was \$44,402. The improvements constructed were never publically bid. An appraisal dated September 18, 2020, appraised the construction and related engineering costs at \$302,292 prior to depreciation.

Current developers within the District have constructed certain facilities within the District's boundaries. The District has agreed to reimburse the developers for these construction and related engineering costs plus interest not to exceed the interest rate of the applicable District bond issue. These amounts are to be reimbursed from proceeds of a future bond upon the approval by the Texas Commission on Environmental Quality. The District's engineer stated that cost of the construction due to the current developers at August 31, 2021, was \$623,362.

RELEVANT FACTORS AND WATER SUPPLY ISSUES

Property Tax Base

The District's tax base increased approximately \$5,620,000 for the 2020 tax year (approximately 12%), primarily due to the increased assessed valuations on existing property.

Annexation

The District is not within the extraterritorial jurisdiction of any city.

Water Supply Issues

The District is within the boundaries of the Lone Star Groundwater Conservation District ("LSGCD"). The LSGCD was created by the Legislature of the State of Texas in Acts 2001, 77th Legislature, Regular Session. The LSGCD is a political subdivision of the State of Texas, governed by an elected seven member board of directors. The purpose of the LSGCD is to provide for the conservation, preservation, protection, recharging, and prevention of waste of groundwater, and of groundwater reservoirs or their subdivisions, and the control of subsidence caused by the withdrawal of water from those groundwater reservoirs or their subdivisions, consistent with the objectives of Section 59, Article XVI, Texas Constitution. Rule 8.1 of the rules of the LSGCD authorizes the board of directors of the LSGCD to establish by resolution a regulatory water use fee to accomplish the purposes of the LSGCD. In accordance with this rule, as of August 31, 2021, the LSGCD had established a regulatory water use fee of \$0.085 per 1,000 gallons of water pumped from each regulated well.

The San Jacinto River Authority (SJRA) is a conservation and reclamation district, body politic and corporate and a governmental agency of the State of Texas created and operating under the provisions of a series of acts compiled as Vernon's Annotated Texas Civil Statutes, Article 8280-121, enacted pursuant to the provisions of Section 59 of Article XVI of the Texas Constitution, whose area comprises all of the territory within the watershed of the San Jacinto River and its tributaries, except that portion of the watershed lying within the boundaries of Harris County. Such area consists of all of Montgomery County and parts of Waller, Grimes, Walker, San Jacinto, Liberty, and Fort Bend counties.

The LSGCD established a regulatory target in its District Regulatory Plan (DRP) Phase I to reduce groundwater withdrawals from the aquifer in Montgomery County to 64,000 acre-feet per year by January 2015. The LSGCD District Regulatory Plan (DRP) Phase II (A) required large volume groundwater users (LVGU) to submit a Water Resource Assessment Plan (WRAP), which included identification of new water supply sources to meet projected water demands by March of 2009. SJRA prepared and submitted a joint plan on behalf of large volume groundwater users to reduce groundwater withdrawal and encourage the conjunctive use of surface water with ground water supplies to meet the LSGCD regulations. In November 2009, the LSGCD adopted final regulations that required certain groundwater users to prepare and submit a Groundwater Reduction Plan by April 1, 2010, outlining how the user intends to meet a 2015 deadline for conversion to surface water supplies. The SJRA responded to this regulatory requirement with the development of a long-term countywide approach that will provide a compliance solution for all users in the county who choose to join. Any large volume groundwater user in the county may join the SJRA's Joint Groundwater Reduction Plan (GRP) by executing a GRP Contract and paying the required monthly GRP Pumpage Fee. The District has executed a GRP Contract with the SJRA. As of August 31, 2021, the GRP Pumpage Fee was set at \$2.73 per thousand gallons of groundwater pumped by the participating entity and is billed monthly. It is anticipated that this fee will increase each year as costs are incurred for design and construction of the necessary infrastructure to deliver surface water.

The District cannot predict the amount or level of fees and charges which may be due the Authorities for future years, but anticipates that it will pass such fees through to its customers. In addition, conversion to surface water will necessitate improvements to the District's water supply system, which could require issuance of additional bonds.

CLOVERCREEK MUNICIPAL UTILITY DISTRICT
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
AUGUST 31, 2021

ASSETS	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>	<u>Adjustments (Note 3)</u>	<u>Statement of Net Position</u>
Cash, including interest-bearing accounts, Note 7	\$ 696,147	\$ 180,685	\$	\$ 876,832	\$	\$ 876,832
Certificates of deposit, at cost, Note 7		399,995		399,995		399,995
Receivables:						
Property taxes	3,527	4,471		7,998		7,998
Accrued penalty and interest on property taxes				0	1,562	1,562
Service accounts	15,066			15,066		15,066
Accrued interest		346		346		346
Other	4,078			4,078		4,078
Maintenance taxes collected not yet transferred from other fund	1,276			1,276	(1,276)	0
Capital assets, net of accumulated depreciation, Note 4:						
Capital assets not being depreciated				0	656,745	656,745
Depreciable capital assets				0	847,046	847,046
Total assets	<u>\$ 720,094</u>	<u>\$ 585,497</u>	<u>\$ 0</u>	<u>\$ 1,305,591</u>	<u>1,504,077</u>	<u>2,809,668</u>
LIABILITIES						
Accounts payable	\$ 25,244	\$ 2,696	\$	\$ 27,940		27,940
Accrued interest payable				0	4,032	4,032
Customer deposits	17,565			17,565		17,565
Maintenance taxes collected not yet transferred to other fund		1,276		1,276	(1,276)	0
Long-term liabilities, Note 5:						
Due within one year				0	143,894	143,894
Due in more than one year				0	1,238,521	1,238,521
Total liabilities	<u>42,809</u>	<u>3,972</u>	<u>0</u>	<u>46,781</u>	<u>1,385,171</u>	<u>1,431,952</u>
DEFERRED INFLOWS OF RESOURCES						
Property tax revenues	<u>3,527</u>	<u>4,471</u>	<u>0</u>	<u>7,998</u>	<u>(7,998)</u>	<u>0</u>
FUND BALANCES / NET POSITION						
Fund balances:						
Assigned to debt service		577,054		577,054	(577,054)	0
Unassigned	<u>673,758</u>			<u>673,758</u>	<u>(673,758)</u>	<u>0</u>
Total fund balances	<u>673,758</u>	<u>577,054</u>	<u>0</u>	<u>1,250,812</u>	<u>(1,250,812)</u>	<u>0</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 720,094</u>	<u>\$ 585,497</u>	<u>\$ 0</u>	<u>\$ 1,305,591</u>		
Net position:						
Invested in capital assets, net of related debt, Note 4					384,528	384,528
Restricted for debt service					579,055	579,055
Unrestricted, Note 5					<u>414,133</u>	<u>414,133</u>
Total net position					<u>\$ 1,377,716</u>	<u>\$ 1,377,716</u>

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

CLOVERCREEK MUNICIPAL UTILITY DISTRICT

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES

FOR THE YEAR ENDED AUGUST 31, 2021

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments (Note 3)	Statement of Activities
REVENUES						
Property taxes	\$ 257,411	\$ 328,366	\$	\$ 585,777	\$ (3,613)	\$ 582,164
Water service	83,210			83,210		83,210
Sewer service	93,884			93,884		93,884
Surface water fees, Note 9	55,237			55,237		55,237
Penalty, interest and other	9,758	8,097		17,855	199	18,054
Tap connection and inspection fees	5,720			5,720		5,720
Interest on deposits	428	1,045		1,473		1,473
Total revenues	<u>505,648</u>	<u>337,508</u>	<u>0</u>	<u>843,156</u>	<u>(3,414)</u>	<u>839,742</u>
EXPENDITURES / EXPENSES						
Service operations:						
Professional fees	71,372	2,460		73,832		73,832
Contracted services	67,386	21,153		88,539		88,539
Utilities	17,506			17,506		17,506
Surface water fees, Note 9	61,236			61,236		61,236
Repairs and maintenance	113,623			113,623		113,623
Other operating expenditures	42,031			42,031		42,031
Garbage disposal	29,968			29,968		29,968
Administrative expenditures	31,640	2,278		33,918		33,918
Depreciation				0	56,131	56,131
Capital outlay / non-capital outlay	28,240			28,240	(26,940)	1,300
Debt service:						
Principal retirement		145,000		145,000	(145,000)	0
Interest and fees		17,533		17,533	(1,043)	16,490
Total expenditures / expenses	<u>463,002</u>	<u>188,424</u>	<u>0</u>	<u>651,426</u>	<u>(116,852)</u>	<u>534,574</u>
Excess (deficiency) of revenues over expenditures	<u>42,646</u>	<u>149,084</u>	<u>0</u>	<u>191,730</u>	<u>113,438</u>	<u>305,168</u>
Net change in fund balances / net position	42,646	149,084	0	191,730	113,438	305,168
Beginning of year	<u>631,112</u>	<u>427,970</u>	<u>0</u>	<u>1,059,082</u>	<u>13,466</u>	<u>1,072,548</u>
End of year	<u>\$ 673,758</u>	<u>\$ 577,054</u>	<u>\$ 0</u>	<u>\$ 1,250,812</u>	<u>\$ 126,904</u>	<u>\$ 1,377,716</u>

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

CLOVERCREEK MUNICIPAL UTILITY DISTRICTNOTES TO THE FINANCIAL STATEMENTSAUGUST 31, 2021

NOTE 1: REPORTING ENTITY

Clovercreek Municipal Utility District (the "District") was created by an order of the Texas Water Commission (now the Texas Commission on Environmental Quality) effective April 24, 1984, and operates in accordance with Texas Water Code Chapters 49 and 54. The District is a political subdivision of the State of Texas, governed by an elected five member Board of Directors. The Board of Directors held its first meeting on May 2, 1985, and the first bonds were sold on April 21, 1997. The District is subject to the continuing supervision of the Texas Commission on Environmental Quality.

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply of water; the collection, transportation and treatment of wastewater; and the control and diversion of storm water. The District may provide garbage disposal and collection services. In addition, the District is empowered, if approved by the electorate, the Texas Commission on Environmental Quality and other governmental entities having jurisdiction, to establish, operate and maintain a fire department, either independently or jointly with certain other districts.

In evaluating how to define the District for financial reporting purposes, the Board of Directors of the District has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, there were no other entities which were included as a component unit in the District's financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

The District's financial statements are prepared in accordance with generally accepted accounting principles ("GAAP"). The Governmental Accounting Standards Board (the "GASB") is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board issued through November 30, 1989 (when applicable), that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the District are discussed below.

Basic Financial Statements

The District's basic financial statements include both government-wide (reporting the District as a whole) and governmental fund financial statements (reporting the District's funds). Because the District is a single-program government as defined by the GASB, the District has combined the government-wide statements and the fund financial statements using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column on the face of the financial statements. An additional reconciliation between the fund and the government-wide financial data is presented in Note 3.

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. The effect of interfund activity has been removed from these statements. The District's net position is reported in three parts – invested in capital assets, net of related debt; restricted net position; and unrestricted net position. The government-wide statement of activities reports the components of the changes in net position during the reporting period.

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for in a separate set of self-balancing accounts that comprises its assets, liabilities, fund balances, revenues and expenditures and changes in fund balances. The District's fund balances are either nonspendable, restricted, committed, assigned or unassigned. Nonspendable fund balances are reported as nonspendable, restricted, committed, assigned or unassigned. Nonspendable fund balances are either not in spendable form or are contractually required to remain intact. Restricted fund balances include amounts that can only be used for the specific purposes stipulated by constitutional provisions, external resource providers or enabling legislation. Committed fund balances include amounts that can only be used for the specific purposes determined by formal action of the District's Board of Directors. Assigned fund balances are intended for a specific purpose but do not meet the criteria to be classified as restricted or committed. Unassigned fund balance is the residual classification for the District's General Fund and includes all spendable amounts not contained in the other classifications. The transactions of the District are accounted for in the following funds:

General Fund -- To account for all revenues and expenditures not required to be accounted for in other funds.

Debt Service Fund -- To account for the accumulation of financial resources for, and the payment of, bond principal and interest, paid principally from property taxes levied by the District.

Capital Projects Fund -- To account for financial resources designated to construct or acquire capital assets. Such resources are derived principally from proceeds of the sale of bonds.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Basis of Accounting

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting which recognizes all long-term assets and receivables as well as long-term debt and obligations. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Ad valorem property taxes are recognized as revenues in the fiscal year for which they have been levied and related penalties and interest are recognized in the fiscal year in which they are imposed. An allowance for uncollectibles is estimated for delinquent property taxes and reported separately in the financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred except for principal and interest on bonds payable which are recorded only when payment is due.

Interfund Activity

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is reported as interfund receivables or payables, as appropriate, as are all other outstanding balances between funds. Operating transfers between funds represent legally authorized transfers from the fund receiving resources to the fund through which the resources are to be expended.

Receivables

Service accounts receivable as reported are considered collectible. The District uses the direct write off method for uncollectible service accounts. Unbilled water and sewer revenues are not material and are not recorded at year end. The District considers service accounts revenues to be available if they are to be collected within 60 days after the end of the fiscal year.

In the fund financial statements, ad valorem taxes and penalties and interest are reported as revenues in the fiscal year in which they become available to finance expenditures of the fiscal year for which they have been levied. Property taxes which have been levied and are not yet collected (or have been collected in advance of the fiscal year for which they have been levied) are recorded as deferred inflow of resources. Property taxes collected after the end of the fiscal year are not included in revenues.

Capital Assets

Capital assets, which include property, plant, equipment, and immovable public domain or "infrastructure" assets are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000 (including installation costs, if any, and associated professional fees) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed by the District. Donated capital assets are recorded at historical cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset or increase the value of an asset are capitalized. Costs incurred for repairs and maintenance are expensed as incurred.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Depreciation on capital assets is computed using the straight-line method over the following estimated useful lives:

Plant and equipment	10-45 years
Underground lines	45 years

Long-term Liabilities

Long-term debt and other long-term obligations are reported in the government-wide financial statements. Bond premiums and discounts, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable premium or discount. If bonds are refunded and the carrying amount of the new debt is different than the net carrying amount of the old debt, the difference is netted against the new debt and amortized using the effective interest method over the shorter of the remaining life of the refunded debt or the life of the new debt issued.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, 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 expenditures of the fund from which they are paid.

NOTE 3: RECONCILIATION OF FUND TO GOVERNMENT-WIDE FINANCIAL STATEMENTS

Reconciliation of year end fund balances to net position:

Total fund balances, end of year		\$ 1,250,812
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Total capital assets, net		1,503,791
Some long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:		
Bonds payable	\$ (195,000)	
Deferred charge on refunding (to be amortized as interest expense)	738	
Issuance discount (to be amortized as interest expense)	653	
Due to developers	<u>(1,188,806)</u>	(1,382,415)
Some receivables that do not provide current financial resources are not reported as receivables in the funds:		
Accrued penalty and interest on property taxes receivable	1,562	
Uncollected property taxes	<u>7,998</u>	9,560
Some liabilities that do not require the use of current financial resources are not reported as liabilities in the funds:		
Accrued interest		<u>(4,032)</u>
Net position, end of year		<u>\$ 1,377,716</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Reconciliation of net change in fund balances to change in net position:

Total net change in fund balances		\$ 191,730
<p>The funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:</p>		
Capital outlay	\$ 26,940	
Depreciation	<u>(56,131)</u>	(29,191)
<p>The issuance of long-term debt (bonds payable) provides current financial resources to the funds, while the repayment of the principal of long-term debt consumes the current financial resources of the funds. Neither transaction, however, has any effect on net position. The effect of these differences in the treatment of long-term debt:</p>		
Principal reduction		145,000
<p>The funds report the effect of bond premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of these items:</p>		
Refunding charges	(1,018)	
Issuance discount	<u>(900)</u>	(1,918)
<p>Some revenues reported in the statement of activities do not provide current financial resources and therefore are not reported as revenues in the funds:</p>		
Accrued penalty and interest on property taxes receivable	199	
Uncollected property taxes	<u>(3,613)</u>	(3,414)
<p>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 the funds:</p>		
Accrued interest		<u>2,961</u>
Change in net position		<u>\$ 305,168</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 4: CAPITAL ASSETS

Capital asset activity for the fiscal year ended August 31, 2021, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 112,116	\$	\$	\$ 112,116
Detention ponds	340,880			340,880
Construction in progress	<u>122,087</u>	<u>81,662</u>		<u>203,749</u>
Total capital assets not being depreciated	<u>575,083</u>	<u>81,662</u>	<u>0</u>	<u>656,745</u>
Depreciable capital assets:				
Water system	807,376	26,940		834,316
Sewer system	793,781			793,781
Drainage system	<u>501,293</u>			<u>501,293</u>
Total depreciable capital assets	<u>2,102,450</u>	<u>26,940</u>	<u>0</u>	<u>2,129,390</u>
Less accumulated depreciation for:				
Water system	(393,118)	(23,907)		(417,025)
Sewer system	(468,840)	(21,085)		(489,925)
Drainage system	<u>(364,255)</u>	<u>(11,139)</u>		<u>(375,394)</u>
Total accumulated depreciation	<u>(1,226,213)</u>	<u>(56,131)</u>	<u>0</u>	<u>(1,282,344)</u>
Total depreciable capital assets, net	<u>876,237</u>	<u>(29,191)</u>	<u>0</u>	<u>847,046</u>
Total capital assets, net	<u>\$ 1,451,320</u>	<u>\$ 52,471</u>	<u>\$ 0</u>	<u>\$ 1,503,791</u>
Changes to capital assets:				
Capital outlay		\$ 26,940	\$	
Increase in developer construction		81,662		
Less depreciation expense for the fiscal year		<u>(56,131)</u>		
Net increases / decreases to capital assets		<u>\$ 52,471</u>	<u>\$ 0</u>	

NOTE 5: LONG-TERM LIABILITIES AND CONTINGENT LIABILITIES

Long-term liability activity for the fiscal year ended August 31, 2021, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Bonds payable	\$ 340,000	\$	\$ 145,000	\$ 195,000	\$ 145,000
Less deferred amounts:					
For issuance discounts	(1,553)		(900)	(653)	(519)
For refunding	<u>(1,756)</u>		<u>(1,018)</u>	<u>(738)</u>	<u>(587)</u>
Total bonds payable	<u>336,691</u>	<u>0</u>	<u>143,082</u>	<u>193,609</u>	<u>143,894</u>
Due to developers (see below)	<u>1,107,144</u>	<u>81,662</u>	<u>0</u>	<u>1,188,806</u>	-----
Total long-term liabilities	<u>\$ 1,443,835</u>	<u>\$ 81,662</u>	<u>\$ 143,082</u>	<u>\$ 1,382,415</u>	<u>\$ 143,894</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Developer Construction Commitments and Liabilities

A prior developer of the District had advanced funds for operations. The District has agreed to reimburse the developer for these advances plus interest not to exceed the interest rate of the District's applicable bond issue. This amount is to be reimbursed from the proceeds of a future District bond issue to the extent approved by the Texas Commission on Environmental Quality. The prior developer's records reflect that the amount due to the prior developer at August 31, 2021, was \$218,750. This amount has been recorded in the government-wide financial statements and in the schedule in Notes 4 and 5.

A second prior developer within the District has also advanced \$44,402 for operations and had constructed certain facilities within the District's boundaries. The District agreed to reimburse this landowner for these advances, construction and related engineering costs plus interest not to exceed the interest rate of the District's applicable bond issue. As of August 31, 2021, such developer has never signed the Reimbursement Agreement. Any amount to be reimbursed from the proceeds of a future District bond issue will be to the extent approved by the Texas Commission on Environmental Quality. The improvements constructed were never publically bid. An appraisal dated September 18, 2020, appraised the construction and related engineering costs at \$302,292, prior to depreciation. This amount has been recorded in the government-wide financial statements and in the schedules in Notes 4 and 5.

The amount of the advances for operations have been recorded as a decrease in "Unrestricted net position" in the government-wide financial statements. Without this decrease, "Unrestricted net position" would have a balance of \$677,285.

Current developers within the District have constructed certain facilities within the District's boundaries. The District has agreed to reimburse the developers for these construction and related engineering costs plus interest not to exceed the interest rate of the applicable District bond issue. These amounts are to be reimbursed from proceeds of a future bond upon the approval by the Texas Commission on Environmental Quality. The District's engineer stated that cost of the construction due to the current developers at August 31, 2021, was \$623,362.

As of August 31, 2021, the debt service requirements on the bonds payable were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 145,000	\$ 9,677	\$ 154,677
2023	<u>50,000</u>	<u>2,500</u>	<u>52,500</u>
	<u>\$ 195,000</u>	<u>\$ 12,177</u>	<u>\$ 207,177</u>
Bonds voted			\$ 6,555,000
Bonds approved for sale and sold			1,970,000
Bonds voted and not issued			4,585,000

The bonds are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount, and are further payable from and secured by a lien on and pledge of the net revenues to be received from the operation of the District's waterworks and sanitary sewer system.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The bond issues payable at August 31, 2021, were as follows:

	<u>Refunding Series 2006</u>
Amounts outstanding, August 31, 2021	\$195,000
Interest rates	4.95% to 5.00%
Maturity dates, serially beginning/ending	April 1, 2022/2023
Interest payment dates	October 1/April 1
Callable dates	April 1, 2016*

*Or any interest payment date thereafter, callable at par plus unpaid accrued interest in whole or in part at the option of the District.

NOTE 6: PROPERTY TAXES

The Montgomery Central Appraisal District has the responsibility for appraising property for all taxing units within the county as of January 1 of each year, subject to review and change by the county Appraisal Review Board. The appraisal roll, as approved by the Appraisal Review Board, must be used by the District in establishing its tax roll and tax rate. The District's taxes are usually levied in the fall, are due when billed and become after January 31 of the following year or 30 days after the date billed, whichever is later. On January 1 of each year, a statutory tax lien attaches to property to secure the payment of all taxes, penalties and interest ultimately imposed for the year on the property.

The Bond Orders require that the District levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes.

At an election held August 10, 1985, the voters within the District authorized a maintenance tax not to exceed \$1.00 per \$100 valuation on all property subject to taxation within the District. This maintenance tax is being used by the General Fund to pay expenditures of operating the District.

On October 16, 2020, the District levied the following ad valorem taxes for the 2020 tax year on the adjusted taxable valuation of \$51,067,161:

	<u>Rate</u>	<u>Amount</u>
Debt service	\$ 0.6400	\$ 326,829
Maintenance	<u>0.5000</u>	<u>255,335</u>
	<u>\$ 1.1400</u>	<u>\$ 582,164</u>

NOTE 7: DEPOSITS

The District complied with the requirements of the Public Funds Investment Act during the current fiscal year including the preparation of quarterly investment reports required by the Act.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

State statutes authorize the District to invest and reinvest in direct or indirect obligations of the United States, the State of Texas, any county, city, school district, or other political subdivision of the state, or in local government investment pools authorized under the Public Funds Investment Act. Funds of the District may be placed in certificates of deposit of state or national banks or savings and loan associations within the state provided that they are secured in the manner provided for the security of the funds under the laws of the State of Texas. In accordance with the District's investment policies, during the current year the District's funds were invested in interest bearing accounts at authorized financial institutions.

In accordance with state statutes and the District's investment policies, the District requires that insurance or security be provided by depositories for all funds held by them. At the balance sheet date, the carrying amount of the District's deposits was \$1,276,827 and the bank balance was \$1,299,701. Of the bank balance, \$747,999 was covered by federal insurance and \$551,702 was covered by the market value of collateral held by the District's custodial bank in the District's name. The market value of collateral was reported to the District by the depository.

Deposits restricted by state statutes and the Bond Order:

Debt Service Fund

For payment of debt principal and interest,
paying agent fees and costs of assessing and
collecting taxes:

Cash	\$ 180,685
Certificates of deposit	<u>399,995</u>
	<u>\$ 580,680</u>

NOTE 8: 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; personal injuries and natural disasters. Significant losses are covered by insurance as described below. There were no significant reductions in insurance coverage from the prior fiscal year. There have been no settlements which have exceeded the insurance coverage for each of the past three fiscal years.

At August 31, 2021, the District had physical damage and boiler and machinery coverage of \$2,150,000, comprehensive general liability coverage with a per occurrence limit of \$2,000,000 and \$4,000,000 general aggregate, pollution coverage of \$2,000,000, automobile liability coverage of \$2,000,000, consultant's crime coverage of \$500,000 and a tax assessor-collector bond of \$10,000.

NOTE 9: GROUNDWATER CONSERVATION DISTRICT AND SAN JACINTO RIVER AUTHORITY

The District is within the boundaries of the Lone Star Groundwater Conservation District ("LSGCD"). The LSGCD was created by the Legislature of the State of Texas in Acts 2001, 77th Legislature, Regular Session. The LSGCD is a political subdivision of the State of Texas, governed by an elected seven member board of directors.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The purpose of the LSGCD is to provide for the conservation, preservation, protection, recharging, and prevention of waste of groundwater, and of groundwater reservoirs or their subdivisions, and the control of subsidence caused by the withdrawal of water from those groundwater reservoirs or their subdivisions, consistent with the objectives of Section 59, Article XVI, Texas Constitution. Rule 8.1 of the rules of the LSGCD authorizes the board of directors of the LSGCD to establish by resolution a regulatory water use fee to accomplish the purposes of the LSGCD. In accordance with this rule, as of August 31, 2021, the LSGCD had established a regulatory water use fee of \$0.085. per 1,000 gallons of water pumped from each regulated well.

The San Jacinto River Authority (SJRA) is a conservation and reclamation district, body politic and corporate and a governmental agency of the State of Texas created and operating under the provisions of a series of acts compiled as Vernon's Annotated Texas Civil Statutes, Article 8280-121, enacted pursuant to the provisions of Section 59 of Article XVI of the Texas Constitution, whose area comprises all of the territory within the watershed of the San Jacinto River and its tributaries, except that portion of the watershed lying within the boundaries of Harris County. Such area consists of all of Montgomery County and parts of Waller, Grimes, Walker, San Jacinto, Liberty, and Fort Bend counties.

The LSGCD established a regulatory target in its District Regulatory Plan (DRP) Phase I to reduce groundwater withdrawals from the aquifer in Montgomery County to 64,000 acre-feet per year by January 2015. The LSGCD District Regulatory Plan (DRP) Phase II (A) required large volume groundwater users (LVGU) to submit a Water Resource Assessment Plan (WRAP), which included identification of new water supply sources to meet projected water demands by March of 2009. SJRA prepared and submitted a joint plan on behalf of large volume groundwater users to reduce groundwater withdrawal and encourage the conjunctive use of surface water with ground water supplies to meet the LSGCD regulations. In November 2009, the LSGCD adopted final regulations that required certain groundwater users to prepare and submit a Groundwater Reduction Plan by April 1, 2010, outlining how the user intends to meet a 2015 deadline for conversion to surface water supplies. The SJRA responded to this regulatory requirement with the development of a long-term countywide approach that will provide a compliance solution for all users in the county who choose to join. Any large volume groundwater user in the county may join the SJRA's Joint Groundwater Reduction Plan (GRP) by executing a GRP Contract and paying the required monthly GRP Pumpage Fee. The District has executed a GRP Contract with the SJRA. At August 31, 2021, the GRP Pumpage Fee was set at \$2.73 per thousand gallons of groundwater pumped by the participating entity. It is anticipated that this fee will increase each year as costs are incurred for design and construction of the necessary infrastructure to deliver surface water.

The District cannot predict the amount or level of fees and charges which may be due the Authorities for future years, but anticipates that it will pass such fees through to its customers. In addition, conversion to surface water will necessitate improvements to the District's water supply system, which could require issuance of additional bonds.

The District's surface water fees payable to the LSGCD and SJRA for the fiscal year ended August 31, 2021, were \$61,236. The District billed its customers \$55,237 during the fiscal year to pay for the fees charged by these entities.

CLOVERCREEK MUNICIPAL UTILITY DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE, BUDGET AND ACTUAL, GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
REVENUES				
Property taxes	\$ 215,000	\$ 215,000	\$ 257,411	\$ 42,411
Water service	88,609	88,609	83,210	(5,399)
Sewer service	92,005	92,005	93,884	1,879
Surface water fees	68,359	68,359	55,237	(13,122)
Penalty and other	13,275	13,275	9,758	(3,517)
Tap connection and sewer inspection fees	0	0	5,720	5,720
Interest on deposits	4,500	4,500	428	(4,072)
TOTAL REVENUES	481,748	481,748	505,648	23,900
EXPENDITURES				
Service operations:				
Professional fees	85,700	85,700	71,372	(14,328)
Contracted services	67,600	67,600	67,386	(214)
Utilities	20,500	20,500	17,506	(2,994)
Surface water fees	64,347	64,347	61,236	(3,111)
Repairs and maintenance	160,000	160,000	113,623	(46,377)
Other operating expenditures	28,050	28,050	42,031	13,981
Garbage disposal	33,600	33,600	29,968	(3,632)
Administrative expenditures	33,622	33,622	31,640	(1,982)
Capital outlay	0	0	28,240	28,240
TOTAL EXPENDITURES	493,419	493,419	463,002	(30,417)
EXCESS REVENUES (EXPENDITURES)	(11,671)	(11,671)	42,646	54,317
FUND BALANCE, BEGINNING OF YEAR	631,112	631,112	631,112	0
FUND BALANCE, END OF YEAR	\$ 619,441	\$ 619,441	\$ 673,758	\$ 54,317

The District's Board of Directors adopts an annual nonappropriated budget. This budget may be amended throughout the fiscal year and is prepared on a basis consistent with generally accepted accounting principles.

See accompanying independent auditor's report.

CLOVERCREEK MUNICIPAL UTILITY DISTRICT
SCHEDULE OF TEXAS SUPPLEMENTARY INFORMATION
REQUIRED BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY
AUGUST 31, 2021

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

- [X] TSI-1. Services and Rates
- [X] TSI-2. General Fund Expenditures
- [X] TSI-3. Certificates of Deposits
- [X] TSI-4. Taxes Levied and Receivable
- [X] TSI-5. Long-Term Debt Service Requirements by Years
- [X] TSI-6. Changes in Long-Term Bonded Debt
- [X] TSI-7. Comparative Schedule of Revenues and Expenditures -
General Fund and Debt Service Fund - Five Year
- [X] TSI-8. Board Members, Key Personnel and Consultants

CLOVERCREEK MUNICIPAL UTILITY DISTRICT

SCHEDULE OF SERVICES AND RATES

AUGUST 31, 2021

1. Services Provided by the District during the Fiscal Year:

- | | | |
|--|---|-------------------------------------|
| <input checked="" type="checkbox"/> Retail Water | <input type="checkbox"/> Wholesale Water | <input type="checkbox"/> Drainage |
| <input checked="" type="checkbox"/> Retail Wastewater | <input type="checkbox"/> Wholesale Wastewater | <input type="checkbox"/> Irrigation |
| <input type="checkbox"/> Parks/Recreation | <input type="checkbox"/> Fire Protection | <input type="checkbox"/> Security |
| <input checked="" type="checkbox"/> Solid Waste/Garbage | <input type="checkbox"/> Flood Control | <input type="checkbox"/> Roads |
| <input checked="" type="checkbox"/> Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect) | | |
| <input type="checkbox"/> Other | | |

2. Retail Service Providers

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

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1000 Gallons Over Minimum</u>	<u>Usage Levels</u>
WATER:	\$19.50	6,000	N	3.50	6,001 to 8,000
				3.75	8,001 to 10,000
				4.00	10,001 to 12,000
				4.25	12,001 to 15,000
				4.50	15,001 to 20,000
				4.75	Over 20,000

WASTEWATER: \$29.21 6,000 N \$1.50 Over 6,000

SURCHARGE: \$3.10 per 1,000 gallons of water used – surface water fees

District employs winter averaging for wastewater usage: Yes No

Total charges per 10,000 gallons usage: Water: \$33.50 Wastewater: \$35.21 Surcharge: \$31.00

CLOVERCREEK MUNICIPAL UTILITY DISTRICT
SCHEDULE OF SERVICES AND RATES (Continued)
AUGUST 31, 2021

b. Water and Wastewater Retail Connections (unaudited):

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC* Factor</u>	<u>Active ESFCs</u>
Unmetered	0	0	1.0	0
< or = 3/4"	220	213	1.0	213
1"	2	2	2.5	5
1-1/2"	1	1	5.0	5
2"	3	2	8.0	16
3"	0	0	15.0	0
4"	1	1	25.0	25
6"	0	0	50.0	0
8"	0	0	80.0	0
10"	0	0	115.0	0
Total Water	<u>227</u>	<u>219</u>		<u>264</u>
Total Wastewater	<u>222</u>	<u>214</u>	1.0	<u>214</u>

*Single family equivalents

3. Total Water Consumption during the Fiscal Year (rounded to thousands):

Gallons pumped into system (unaudited): 20,333
 Gallons billed to customers (unaudited): 18,192

Water Accountability Ratio
 (Gallons billed/ gallons pumped): 89%

4. Standby Fees (authorized only under TWC Section 49.231):

Does the District have Debt Service standby fees? Yes No

If yes, date of the most recent Commission Order: _____

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

If yes, date of the most recent Commission Order: _____

CLOVERCREEK MUNICIPAL UTILITY DISTRICTEXPENDITURESFOR THE YEAR ENDED AUGUST 31, 2021

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
CURRENT				
Professional fees:				
Auditing	\$ 9,500	\$	\$	\$ 9,500
Legal	23,921	2,460		26,381
Engineering	37,451			37,451
Financial advisor	500			500
	<u>71,372</u>	<u>2,460</u>	<u>0</u>	<u>73,832</u>
Contracted services:				
Bookkeeping	11,513			11,513
Operation and billing	55,873			55,873
Tax assessor-collector		15,075		15,075
Central appraisal district		6,078		6,078
	<u>67,386</u>	<u>21,153</u>	<u>0</u>	<u>88,539</u>
Utilities	<u>17,506</u>	<u>0</u>	<u>0</u>	<u>17,506</u>
Surface water fees	<u>61,236</u>	<u>0</u>	<u>0</u>	<u>61,236</u>
Repairs and maintenance	<u>113,623</u>	<u>0</u>	<u>0</u>	<u>113,623</u>
Other operating expenditures:				
Sludge hauling	5,044			5,044
Chemicals	11,736			11,736
Laboratory costs	12,879			12,879
TCEQ assessment	801			801
Other	11,571			11,571
	<u>42,031</u>	<u>0</u>	<u>0</u>	<u>42,031</u>
Garbage disposal	<u>29,968</u>	<u>0</u>	<u>0</u>	<u>29,968</u>
Administrative expenditures:				
Director's fees	8,400			8,400
Office	4,370			4,370
Insurance	10,703	50		10,753
Permit fees	3,752			3,752
Other	4,415	2,228		6,643
	<u>31,640</u>	<u>2,278</u>	<u>0</u>	<u>33,918</u>

See accompanying independent auditor's report.

CLOVERCREEK MUNICIPAL UTILITY DISTRICT

EXPENDITURES (Continued)

FOR THE YEAR ENDED AUGUST 31, 2021

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
CAPITAL OUTLAY				
Authorized expenditures	\$ 26,940	\$	\$	\$ 26,940
Tap connection costs	1,300			1,300
	<u>28,240</u>	<u>0</u>	<u>0</u>	<u>28,240</u>
DEBT SERVICE				
Principal retirement	<u>0</u>	<u>145,000</u>	<u>0</u>	<u>145,000</u>
Interest and fees:				
Interest		16,783		16,783
Paying agent fees		750		750
	<u>0</u>	<u>17,533</u>	<u>0</u>	<u>17,533</u>
TOTAL EXPENDITURES	<u>\$ 463,002</u>	<u>\$ 188,424</u>	<u>\$ 0</u>	<u>\$ 651,426</u>

See accompanying independent auditor's report.

CLOVERCREEK MUNICIPAL UTILITY DISTRICTANALYSIS OF CHANGES IN DEPOSITS
ALL GOVERNMENTAL FUND TYPESFOR THE YEAR ENDED AUGUST 31, 2021

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
SOURCES OF DEPOSITS				
Cash receipts from revenues excluding maintenance taxes	\$ 258,768	\$ 337,747	\$	\$ 596,515
Maintenance tax receipts		257,411		257,411
Transfer of maintenance taxes	<u>256,135</u>	<u> </u>	<u> </u>	<u>256,135</u>
TOTAL DEPOSITS PROVIDED	<u>514,903</u>	<u>595,158</u>	<u>0</u>	<u>1,110,061</u>
APPLICATIONS OF DEPOSITS				
Cash disbursements for:				
Current expenditures	432,205	25,906		458,111
Capital outlay	28,240			28,240
Debt service		162,533		162,533
Transfer of maintenance taxes	<u> </u>	<u>256,135</u>	<u> </u>	<u>256,135</u>
TOTAL DEPOSITS APPLIED	<u>460,445</u>	<u>444,574</u>	<u>0</u>	<u>905,019</u>
INCREASE (DECREASE) IN DEPOSITS	54,458	150,584	0	205,042
DEPOSIT BALANCES, BEGINNING OF YEAR	<u>641,689</u>	<u>430,096</u>	<u>0</u>	<u>1,071,785</u>
DEPOSIT BALANCES, END OF YEAR	<u>\$ 696,147</u>	<u>\$ 580,680</u>	<u>\$ 0</u>	<u>\$ 1,276,827</u>

See accompanying independent auditor's report.

CLOVERCREEK MUNICIPAL UTILITY DISTRICTSCHEDULE OF CERTIFICATES OF DEPOSITAUGUST 31, 2021

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Year End Balance</u>	<u>Accrued Interest Receivable</u>
DEBT SERVICE FUND				
Certificates of Deposit				
No. 1002036118	0.20%	3/26/22	\$ <u>399,995</u>	\$ <u>346</u>

See accompanying independent auditor's report.

CLOVERCREEK MUNICIPAL UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2021

	<u>Maintenance Taxes</u>	<u>Debt Service Taxes</u>
RECEIVABLE, BEGINNING OF YEAR	\$ 5,603	\$ 6,008
2019 ADJUSTED TAX ROLL	<u>255,335</u>	<u>326,829</u>
Total to be accounted for	260,938	332,837
Tax collections: Current tax year	(251,886)	(322,414)
Prior tax years	<u>(5,525)</u>	<u>(5,952)</u>
RECEIVABLE, END OF YEAR	<u>\$ 3,527</u>	<u>\$ 4,471</u>
RECEIVABLE, BY TAX YEAR		
2015	\$ 24	\$ 11
2016	26	10
2017	17	20
2018	10	15
2019	<u>3,450</u>	<u>4,415</u>
RECEIVABLE, END OF YEAR	<u>\$ 3,527</u>	<u>\$ 4,471</u>

See accompanying independent auditor's report.

CLOVERCREEK MUNICIPAL UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE (Continued)
FOR THE YEAR ENDED AUGUST 31, 2021

ADJUSTED PROPERTY VALUATIONS AS OF JANUARY 1 OF TAX YEAR	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Land	\$ 11,331,670	\$ 11,252,030	\$ 11,152,790	\$ 11,087,740
Improvements	42,517,400	35,268,050	32,761,860	33,108,860
Personal property	643,948	746,247	580,143	574,985
Less exemptions	<u>(3,425,857)</u>	<u>(1,818,377)</u>	<u>(1,651,610)</u>	<u>(1,667,683)</u>
 TOTAL PROPERTY VALUATIONS	 <u>\$ 51,067,161</u>	 <u>\$ 45,447,950</u>	 <u>\$ 42,843,183</u>	 <u>\$ 43,103,902</u>
 TAX RATES PER \$100 VALUATION				
Debt service tax rates	\$ 0.64000	\$ 0.73000	\$ 0.65000	\$ 0.33000
Maintenance tax rates*	<u>0.50000</u>	<u>0.48000</u>	<u>0.56000</u>	<u>0.88000</u>
 TOTAL TAX RATES PER \$100 VALUATION	 <u>\$ 1.14000</u>	 <u>\$ 1.21000</u>	 <u>\$ 1.21000</u>	 <u>\$ 1.21000</u>
 TAX ROLLS	 <u>\$ 582,164</u>	 <u>\$ 549,919</u>	 <u>\$ 518,401</u>	 <u>\$ 521,556</u>
 PERCENT OF TAXES COLLECTED TO TAXES LEVIED	 <u>98.6 %</u>	 <u>99.9 %</u>	 <u>99.9 %</u>	 <u>99.9 %</u>

*Maximum tax rate approved by voters on August 10, 1985: \$1.00

CLOVERCREEK MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS
AUGUST 31, 2021

<u>Due During Fiscal Years Ending August 31</u>	<u>Series 2006</u>		
	<u>Principal Due April 1</u>	<u>Interest Due October 1, April 1</u>	<u>Total</u>
2022	\$ 145,000	\$ 9,677	\$ 154,677
2023	50,000	2,500	52,500
TOTALS	<u>\$ 195,000</u>	<u>\$ 12,177</u>	<u>\$ 207,177</u>

See accompanying independent auditor's report.

CLOVERCREEK MUNICIPAL UTILITY DISTRICT
ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT
FOR THE YEAR ENDED AUGUST 31, 2021

Bond Series:	2006
Interest Rate:	4.95% to 5.00%
Dates Interest Payable:	October 1/ April 1
Maturity Dates:	April 1, 2022/2023
Bonds Outstanding at Beginning of Current Year	\$ 340,000
Less Retirements	<u>(145,000)</u>
Bonds Outstanding at End of Current Year	<u>\$ 195,000</u>
Current Year Interest Paid	<u>\$ 16,783</u>

Bond Descriptions and Original Amount of Issue

Clovercreek Municipal Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds, Series 2006 (\$1,655,000)

Paying Agent/Registrar

The Bank of New York Mellon Trust Company, N.A., Dallas, Texas

<u>Bond Authority</u>	<u>Tax Bonds</u>	<u>Other Bonds</u>	<u>Refunding Bonds</u>
Amount Authorized by Voters:	\$ 6,555,000	\$ 0	\$ 0
Amount Issued:	1,970,000		
Remaining to be Issued:	4,585,000		

Net Debt Service Fund deposits balances as of August 31, 2021:	\$577,054
Average annual debt service payment for remaining term of all debt:	103,589

See accompanying independent auditor's report.

CLOVERCREEK MUNICIPAL UTILITY DISTRICT
COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES,
GENERAL FUND
FOR YEARS ENDED AUGUST 31

	AMOUNT					PERCENT OF TOTAL REVENUES				
	2021	2020	2019	2018	2017	2021	2020	2019	2018	2017
REVENUES										
Property taxes	\$ 257,411	\$ 217,187	\$ 239,968	\$ 377,043	\$ 310,814	50.9 %	46.6 %	50.1 %	62.1 %	58.3 %
Water service	83,210	83,565	76,478	77,767	74,637	16.5	18.0	15.9	12.8	14.0
Sewer service	93,884	88,328	86,727	81,040	79,551	18.6	19.0	18.1	13.3	15.0
Surface water fees	55,237	61,318	50,744	51,945	50,342	10.9	13.2	10.6	8.5	9.5
Penalty and other	9,758	10,660	12,443	11,411	15,849	1.9	2.3	2.6	1.9	3.0
Tap connection and inspection fees	5,720	0	6,880	5,160	0	1.1	0.0	1.4	0.8	0.0
Interest on deposits	428	4,107	6,246	3,490	852	0.1	0.9	1.3	0.6	0.2
TOTAL REVENUES	505,648	465,165	479,486	607,856	532,045	100.0	100.0	100.0	100.0	100.0
EXPENDITURES										
Service operations:										
Professional fees	71,372	64,287	73,373	69,322	70,283	14.1	13.8	15.3	11.4	13.1
Contracted services	67,386	67,861	54,230	44,363	52,690	13.3	14.6	11.3	7.3	9.9
Utilities	17,506	19,642	20,564	18,597	20,797	3.5	4.2	4.3	3.1	3.9
Surface water fees	61,236	57,055	56,777	62,112	56,169	12.1	12.3	11.8	10.2	10.6
Repairs and maintenance	113,623	113,804	99,581	77,092	55,140	22.5	24.4	20.9	12.7	10.4
Other operating expenditures	42,031	25,960	27,561	39,887	31,140	8.3	5.6	5.7	6.6	5.9
Garbage disposal	29,968	29,743	29,743	29,316	31,340	5.9	6.4	6.2	4.8	5.9
Administrative expenditures	31,640	28,464	24,457	27,501	41,443	6.3	6.1	5.1	4.5	7.8
Capital outlay	28,240	76,134	9,273	26,979	53,798	5.6	16.4	1.9	4.4	10.1
TOTAL EXPENDITURES	463,002	482,950	395,559	395,169	412,800	91.6	103.8	82.5	65.0	77.6
EXCESS REVENUES (EXPENDITURES)	\$ 42,646	\$ (17,785)	\$ 83,927	\$ 212,687	\$ 119,245	8.4 %	(3.8) %	17.5 %	35.0 %	22.4 %
TOTAL ACTIVE RETAIL WATER CONNECTIONS	219	219	219	207	209					
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	214	216	216	205	206					

See accompanying independent auditor's report.

CLOVERCREEK MUNICIPAL UTILITY DISTRICT
COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES,
DEBT SERVICE FUND
FOR YEARS ENDED AUGUST 31

	<u>AMOUNT</u>					<u>PERCENT OF TOTAL REVENUES</u>				
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
REVENUES										
Property taxes	\$ 328,366	\$ 329,722	\$ 276,277	\$ 141,678	\$ 154,174	97.3 %	97.2 %	98.1 %	95.3 %	92.5 %
Penalty and interest	8,097	7,442	3,343	5,077	11,346	2.4	2.2	1.2	3.4	6.8
Interest on deposits	1,045	2,155	1,835	1,897	1,160	0.3	0.6	0.7	1.3	0.7
TOTAL REVENUES	<u>337,508</u>	<u>339,319</u>	<u>281,455</u>	<u>148,652</u>	<u>166,680</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
EXPENDITURES										
Current:										
Professional fees	2,460	3,468	1,223	1,361	4,227	0.7	1.0	0.4	0.9	2.5
Contracted services	21,153	18,294	18,515	18,270	15,518	6.3	5.4	6.6	12.3	9.3
Other expenditures	2,278	3,032	3,548	4,119	4,068	0.7	0.9	1.3	2.8	2.4
Debt service:										
Principal retirement	145,000	150,000	140,000	140,000	120,000	43.0	44.2	49.7	94.1	72.1
Interest and fees	17,533	24,808	31,528	38,178	43,818	5.2	7.3	11.2	25.7	26.3
TOTAL EXPENDITURES	<u>188,424</u>	<u>199,602</u>	<u>194,814</u>	<u>201,928</u>	<u>187,631</u>	<u>55.9</u>	<u>58.8</u>	<u>69.2</u>	<u>135.8</u>	<u>112.6</u>
EXCESS REVENUES (EXPENDITURES)	<u>\$ 149,084</u>	<u>\$ 139,717</u>	<u>\$ 86,641</u>	<u>\$ (53,276)</u>	<u>\$ (20,951)</u>	<u>44.1 %</u>	<u>41.2 %</u>	<u>30.8 %</u>	<u>(35.8) %</u>	<u>(12.6) %</u>

CLOVERCREEK MUNICIPAL UTILITY DISTRICTBOARD MEMBERS, KEY PERSONNEL AND CONSULTANTSAUGUST 31, 2021

Complete District Mailing Address: Clovercreek Municipal Utility District
 c/o Coats Rose, P.C.
 9 Greenway Plaza, Suite 1000
 Houston, Texas 77046

District Business Telephone No.: 713-651-0111

Submission date of the most recent District Registration Form: April 16, 2021

Limit on Fees of Office that a Director may receive during a fiscal year: \$7,200

BOARD MEMBERS

<u>Name and Address</u>	<u>Term of Office (Elected/ Appointed)</u>	<u>Fees of Office Paid</u>	<u>Expense Reimb.</u>	<u>Title at Year End</u>
Anthony V. Roubik c/o Coats Rose, P.C. 9 Greenway Plaza, Suite 1000 Houston, Texas 77046	Elected 5/04/19- 5/06/23	\$ 1,200	\$ 0	President
Anthony Torkelson, Jr. c/o Coats Rose, P.C. 9 Greenway Plaza, Suite 1000 Houston, Texas 77046	Elected 5/01/21- 5/03/25	1,800		Vice President
Barbara Woods c/o Coats Rose, P.C. 9 Greenway Plaza, Suite 1000 Houston, Texas 77046	Elected 5/04/19- 5/06/23	2,100	96	Secretary
Lisa Blonquist c/o Coats Rose, P.C. 9 Greenway Plaza, Suite 1000 Houston, Texas 77046	Elected 5/01/21- 5/03/25	1,800	0	Assistant Secretary
Andy Knight c/o Coats Rose, P.C. 9 Greenway Plaza, Suite 1000 Houston, Texas 77046	Elected 5/01/21- 5/03/25	1,500	0	Assistant Secretary

See accompanying independent auditor's report.

CLOVERCREEK MUNICIPAL UTILITY DISTRICTBOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS (Continued)AUGUST 31, 2021CONSULTANTS

<u>Name and Address</u>	<u>Date Hired</u>	<u>Fees and Expense Reimbursements</u>	<u>Title at Year End</u>
Coats Rose, P.C. 9 Greenway Plaza Suite 1000 Houston, Texas 77046	3/13/97	\$ 27,202	Attorney
VLB Bookkeeping Services P.O. Box 867 Groesbeck, Texas 76642	10/12/12	14,843	Bookkeeper/ Investment Officer
TNG Utility Corporation P.O. Box 2749 Spring, Texas 77383-2749	12/12/08	215,401	Operator
Vogler & Spencer Engineering, Inc. 777 North Eldridge Parkway, Suite 500 Houston, Texas 77079	3/20/15	37,451	Engineer
Cathy Wheeler 6935 Barney Road, Suite 110 Houston, Texas 77092	1995	16,550	Tax Assessor- Collector
Montgomery Central Appraisal District P.O. Box 2233 Conroe, Texas 77305	Legislative Action	5,328	Central Appraisal District
RBC Capital Markets, LLC 2800 Post Oak Blvd., Suite 4325 Houston, Texas 77056	8/05/03	500	Financial Advisor
Mark C. Eyring, CPA, PLLC 12702 Century Drive, Suite C2 Stafford, Texas 77477	11/05/97	9,500	Independent Auditor

See accompanying independent auditor's report.

APPENDIX B
Water and Sewer System - Rate and Fee Schedule

CLOVERCREEK MUNICIPAL UTILITY DISTRICT	
DISTRICT RATE SHEET	
RATE ORDER AUGUST 20, 2021	
CATEGORY	RATE
<u>WATER - RESIDENTIAL</u>	
Minimum monthly charge for up to 6,000 gallons	\$19.50
For each 1,000 gallons of water over 6,000 up to 8,000 gallons	\$3.50
For each 1,000 gallons of water over 8,000 up to 10,000 gallons	\$3.75
For each 1,000 gallons of water over 10,000 up to 12,000 gallons	\$4.00
For each 1,000 gallons of water over 12,000 up to 15,000 gallons	\$4.25
For each 1,000 gallons of water over 15,000 up to 20,000 gallons	\$4.50
For each 1,000 gallons of water over 20,000+ gallons	\$4.75
<u>WATER - COMMERCIAL - PER ESFC</u>	
Minimum monthly charge for up to 6,000 gallons	\$30.00
For each 1,000 gallons of water over 6,000 up to 8,000 gallons	\$3.50
For each 1,000 gallons of water over 8,000 up to 10,000 gallons	\$3.75
For each 1,000 gallons of water over 10,000 up to 12,000 gallons	\$4.00
For each 1,000 gallons of water over 12,000 up to 15,000 gallons	\$4.25
For each 1,000 gallons of water over 15,000 up to 20,000 gallons	\$4.50
For each 1,000 gallons of water over 20,000+ gallons	\$4.75
<u>WATER - APARTMENTS - PER ESFC</u>	
Minimum monthly charge for up to 6,000 gallons	\$19.50
For each 1,000 gallons of water over 6,000 up to 8,000 gallons	\$3.50
For each 1,000 gallons of water over 8,000 up to 10,000 gallons	\$3.75
For each 1,000 gallons of water over 10,000 up to 12,000 gallons	\$4.00
For each 1,000 gallons of water over 12,000 up to 15,000 gallons	\$4.25
For each 1,000 gallons of water over 15,000 up to 20,000 gallons	\$4.50
For each 1,000 gallons of water over 20,000+ gallons	\$4.75
<u>WATER - IRRIGATION</u>	
Minimum monthly charge for up to 6,000 gallons	\$19.50
For each 1,000 gallons of water over 6,000 up to 8,000 gallons	\$3.50
For each 1,000 gallons of water over 8,000 up to 10,000 gallons	\$3.75
For each 1,000 gallons of water over 10,000 up to 12,000 gallons	\$4.00
For each 1,000 gallons of water over 12,000 up to 15,000 gallons	\$4.25
For each 1,000 gallons of water over 15,000 up to 20,000 gallons	\$4.50
For each 1,000 gallons of water over 20,000+ gallons	\$4.75
<u>WATER - HOA</u>	
Minimum monthly charge for up to 6,000 gallons	\$19.50
For each 1,000 gallons of water over 6,000 up to 8,000 gallons	\$3.50
For each 1,000 gallons of water over 8,000 up to 10,000 gallons	\$3.75
For each 1,000 gallons of water over 10,000 up to 12,000 gallons	\$4.00
For each 1,000 gallons of water over 12,000 up to 15,000 gallons	\$4.25
For each 1,000 gallons of water over 15,000 up to 20,000 gallons	\$4.50
For each 1,000 gallons of water over 20,000+ gallons	\$4.75
<u>SEWER - RESIDENTIAL</u>	
Minimum monthly charge up to 6,000 gallons	\$33.89
For each 1,000 gallons of water over 6,000+ gallons	\$1.50
<u>SEWER - COMMERCIAL - PER ESFC</u>	
Minimum monthly charge up to 6,000 gallons	\$30.00
For each 1,000 gallons of water over 6,000+ gallons	\$1.65

<u>SEWER - APARTMENTS - PER ESFC</u>	
Minimum monthly charge up to 6,000 gallons	\$29.00
For each 1,000 gallons of water over 6,000+ gallons	\$1.50
<u>SEWER- PARKS & RECREATION</u>	
Per 1,000 gallons of water	NL
<u>FEES</u>	
APPLICATION FEE - Non refundable	\$40.00
SECURITY DEPOSIT - RESIDENTIAL	\$50.00
SECURITY DEPOSIT - APARTMENT	\$25.00
SECURITY DEPOSIT - COMMERCIAL	\$200.00
SECURITY DEPOSIT - BUILDER - RESIDENTIAL per lot/ max \$1,000	\$100.00
SECURITY DEPOSIT - BUILDER - COMMERCIAL	NL
DELINQUENT PENALTY (sewer, trash and water)	10%
DELINQUENT LETTER	\$5.00
DOORHANGER	\$10.00
RETURNED CHECK	\$35.00
DISCONTINUE/RESTORE SERVICE - RESIDENTIAL (delinquency)	NL
DISCONTINUE/RESTORE SERVICE - COMMERCIAL (delinquency)	NL
DISCONTINUE/RESTORE SERVICE (per customer's request)	\$20.00/\$20.00
PULL WATER METER	\$40.00
RE-INSTALL WATER METER	\$75.00
ACCOUNT TRANSFER	NL
<u>INSPECTIONS - RESIDENTIAL</u>	
SANITARY SEWER TAP INSPECTIONS	\$50.00
SANITARY SEWER REINSPECTIONS	\$50.00
SANITARY SEWER TAP BACK FILL INSPECTIONS	\$25.00
CULVERT INSPECTIONS	\$100.00
CULVERT REINSPECTIONS	\$50.00
SWIMMING POOL INSPECTIONS	NL
PRE-CONSTRUCTION INSPECTIONS	\$25.00
FINAL SITE SURVEY INSPECTIONS	\$25.00
CUSTOMER SERVICE INSPECTION	\$85.00
<u>INSPECTIONS - COMMERCIAL</u>	
SANITARY SEWER TAP INSPECTIONS	\$100.00
SANITARY SEWER REINSPECTION	\$100.00
GREASE TRAP INSPECTIONS - Initial Request	\$50.00
GREASE TRAP INSPECTIONS - Reinspection	\$50.00
PRE-CONSTRUCTION INSPECTIONS	\$25.00
FINAL SITE SURVEY INSPECTIONS	\$25.00
CUSTOMER SERVICE INSPECTIONS	\$85
<u>INSPECTIONS - PARKS & RECREATION</u>	
SANITARY SEWER TAP INSPECTIONS	NL
<u>FEES - WATER AUTHORITY</u>	
LONE STAR GROUNDWATER CONSERVATION DISTRICT	COST + 10%
SAN JACINTO RIVER AUTHORITY	COST + 10%

APPENDIX C

Specimen Municipal Bond Insurance Policy



BAM

**MUNICIPAL BOND
INSURANCE POLICY**

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

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

Effective Date: _____

Risk Premium: \$ _____
Member Surplus Contribution: \$ _____
Total Insurance Payment: \$ _____

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

SPECIAL MEMBER

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

1 World Financial Center, 27th floor

200 Liberty Street

New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN