

**OFFICIAL STATEMENT DATED MARCH 9, 2022**

THE DELIVERY OF THE BONDS IS SUBJECT TO THE OPINION OF BOND COUNSEL AS TO THE VALIDITY OF THE BONDS AND TO THE EFFECT THAT INTEREST ON THE BONDS IS EXCLUDABLE FROM THE GROSS INCOME OF THE OWNERS OF THE BONDS FOR PURPOSES OF FEDERAL INCOME TAXATION UNDER EXISTING STATUTES, REGULATIONS, PUBLISHED RULINGS, AND COURT DECISIONS, AND THAT THE BONDS ARE NOT SPECIFIED PRIVATE ACTIVITY BONDS. SEE “TAX MATTERS” HEREIN FOR A DISCUSSION OF BOND COUNSEL’S OPINION.

The District has designated the Bonds as “Qualified Tax-Exempt Obligations” for financial institutions. See “TAX MATTERS – Qualified Tax-Exempt Obligations for Financial Institutions” herein.

**NEW ISSUE—BOOK-ENTRY ONLY**  
**CUSIP No. 613704**

**RATINGS: Underlying “BBB” (stable outlook) S&P**  
**Insured “AA” (stable outlook) S&P**

See “MUNICIPAL BOND RATING” and “BOND INSURANCE” herein

**\$4,780,000**

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT No. 15**

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

**UNLIMITED TAX BONDS**

**SERIES 2022**

**Dated: April 1, 2022**

**Due: March 1 (as shown below)**

Interest on \$4,780,000 Unlimited Tax Bonds, Series 2022 (the “Bonds” or the “Series 2022 Bonds”) will accrue from April 1, 2022, and will be payable on September 1 and March 1 of each year, commencing September 1, 2022. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company (“DTC”) pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See “BOOK-ENTRY-ONLY SYSTEM” herein. The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. See “REGISTRATION – Paying Agent/Registrar.”

**The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by Assured Guaranty Municipal Corp. (“AGM” or the “Bond Insurer”).**



**MATURITIES, AMOUNTS, INTEREST RATES AND PRICES**

<u>Principal Amount</u>	<u>Maturity</u>	<u>Interest Rate (%)</u>	<u>Yield to Maturity(a)</u>	<u>Principal Amount</u>	<u>Maturity</u>	<u>Interest Rate (%)</u>	<u>Yield to Maturity(a)</u>
\$80,000	2024	3.00%	1.40%	\$125,000	2026	3.00%	1.80%
\$125,000	2025	3.00%	1.60%	\$125,000	2027	3.00%	2.00%

\$275,000 3.000% Term Bond Due March 1, 2029 to Yield 2.10% (a) (b) (c)  
 \$300,000 3.000% Term Bond Due March 1, 2031 to Yield 2.30% (a) (b) (c)  
 \$300,000 3.000% Term Bond Due March 1, 2033 to Yield 2.60% (a) (b) (c)  
 \$325,000 3.000% Term Bond Due March 1, 2035 to Yield 2.80% (a) (b) (c)  
 \$350,000 3.000% Term Bond Due March 1, 2037 to Yield 3.00% (a) (b) (c)  
 \$350,000 3.000% Term Bond Due March 1, 2039 to Yield 3.05% (a) (b) (c)  
 \$400,000 3.000% Term Bond Due March 1, 2041 to Yield 3.20% (a) (b) (c)  
 \$2,025,000 3.125% Term Bond Due March 1, 2050 to Yield 3.30% (a) (b) (c)

- (a) The initial reoffering yields are established by and are the sole responsibility of the Underwriter (hereinafter defined) and may be subsequently changed.
- (b) The Bonds maturing on or after March 1, 2029, are subject to redemption in whole or from time to time in part, at the option of the District (hereinafter defined), on March 1, 2027, or on any date thereafter, at a price equal to the par value thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption. If fewer than all of the Bonds within a maturity are redeemed, the Bonds to be redeemed shall be selected, on behalf of the District, by the Paying Agent/Registrar, in its capacity as Registrar, by lot or other customary method, in integral multiples of \$5,000 in any one maturity. See “THE BONDS—Optional Redemption.”
- (c) Subject to mandatory sinking fund redemption as described herein. See “THE BONDS – Mandatory Redemption.”

The proceeds of the Bonds will be used by Montgomery County Municipal Utility District No. 15 (the “District”) to: (1) reimburse the Developers (as defined herein) for certain development costs associated with two different subdivisions located in the District; (2) fund developer interest as approved by the Texas Commission on Environmental Quality (the “TCEQ”); (3) fund certain wastewater collection and water supply facilities; and (4) pay issuance and administrative expenses associated with the sale and delivery of the Bonds. See “USE OF BOND PROCEEDS.” The Bonds, when issued, will constitute valid and binding obligations of the District and will be payable from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. See “THE BONDS – Sources of and Security for Payment.” The Bonds are obligations solely of the District and are not obligations of the State of Texas, Montgomery County, the City of Conroe, or any entity other than the District. Neither the faith and credit nor the taxing power of the State of Texas, Montgomery County, or the City of Conroe is pledged to the payment of the principal of or interest on the Bonds. **The Bonds are subject to certain investment considerations described under the caption “RISK FACTORS.”**

The Bonds are offered when, as and if issued by the District, subject to approval by the Attorney General of Texas and the approval of certain legal matters by Young & Brooks, Attorneys at Law, Houston, Texas, Bond Counsel. Certain other matters will be passed upon on behalf of the District by Norton Rose Fulbright US LLP, Houston, Texas, Disclosure Counsel. Delivery of the Bonds is expected through the facilities of DTC on or about April 13, 2022.

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## **USE OF INFORMATION IN OFFICIAL STATEMENT**

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

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

Any information and expressions of opinion herein contained are subject to change 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.

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.

The following statement is provided by the Underwriter. In accordance with their responsibilities under the federal securities laws, the Underwriter has reviewed the information in this Official Statement but do not guarantee its accuracy or completeness.

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this final official statement for any purpose.

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

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

### **Award of the Bonds:**

After requesting competitive bids for the Bonds, the District has accepted the bid producing the lowest net interest cost to the District, which was tendered by SAMCO Capital Markets, Inc. (the "Underwriter"), to purchase the Bonds bearing the rates shown on the cover page of this Official Statement at a price of 97.010651% of par plus accrued interest to the date of delivery, which resulted in a net effective interest rate of 3.254556%, as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended.

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

The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

### **Prices and Marketability:**

The delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Underwriter on or before the date of delivery of the Bonds stating the prices at which a substantial number of the Bonds of each maturity have been sold to the public. For this purpose, the term "public" shall not include any person who is a bond house, broker, or similar person acting in the capacity of underwriter or wholesaler. Otherwise, the District has no understanding with the Underwriters regarding the reoffering yields or prices of the Bonds and has no control over trading of the Bonds after their initial sale by the District. Information concerning reoffering yields or prices is the responsibility of the Underwriter.

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

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

**Securities Laws:**

No registration statement relating to the Bonds has been filed with the Securities and Exchange Commission ("SEC") under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein nor have the Bonds been registered or qualified under the securities laws of any other jurisdiction. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdiction.

**NO REGISTRATION OR QUALIFICATION FOR SALE OF BONDS**

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 Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities acts of any jurisdiction. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated 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.

The Bonds have been sold to the Underwriter on the basis of its representation that the Bonds will be sold in states other than Texas only pursuant to exemptions from registration or qualification or that the Underwriter will, where necessary, register or qualify the Bonds in accordance with the securities laws of the state in which the Bonds are offered or sold.

**REGISTRATION**

**Paying Agent/Registrar:**

The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. The Bonds will be issued in fully registered form in multiples of \$5,000 for any one maturity, and principal and semi-annual interest will be paid by the District through the Paying Agent/Registrar. Principal will be payable to the registered holder at maturity or redemption upon presentation to the Paying Agent/Registrar. Interest will be payable by check or draft, dated as of the interest payment date, and mailed by the Paying Agent/Registrar to registered holders as shown on the records of the Paying Agent/Registrar at the close of business on the 15th calendar day of the month next preceding each interest payment date.

**Successor Paying Agent/Registrar:**

Provision is made in the Bond Order for replacement of the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the District, the new Paying Agent/Registrar shall accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any Paying Agent/Registrar selected by the District shall be either a national or state banking institution and shall be a corporation organized and doing business under the laws of the United States of America or of any State, shall be authorized under such laws to exercise trust powers, and shall be subject to supervision or examination by Federal or State banking authorities. Any successor Paying Agent/Registrar shall be selected by the District.

**Assignments, Transfers, and Exchange:**

In the event that Book-Entry is discontinued, the Bonds may be transferred, registered and assigned only on the registration books of the Paying Agent/Registrar, and such registration (exclusive of any tax or governmental charge therefor) shall be at the expense of the District. A Bond may be assigned by execution of the assignment form printed on the Bond. A new Bond or Bonds will be delivered by the Paying Agent/Registrar to the last assignee (the new registered owner) in exchange for such transferred and assigned Bonds not more than three days after receipt of the Bonds to be transferred in proper form. Such new Bond or Bonds must be in the denomination of \$5,000 for any one maturity, or any integral multiple thereof. The Bonds are transferable only on the

bond register kept by the Registrar upon surrender and reissuance. The Bonds are exchangeable for an equal principal amount or maturity amount of Bonds of the same maturity in any authorized denomination upon surrender of the Bonds to be exchanged at the principal office of the Registrar.

**Record Date:**

The record date ("Record Date") for the interest payable on any interest payment date means the 15th calendar day of the month next preceding such interest payment date.

**Record Date for Bonds to be Redeemed:**

Neither the District nor the Paying Agent/Registrar shall be required (1) to issue, transfer, or exchange any Bond during a period beginning at the opening of business 15 days before the day of the first mailing of a notice of redemption of Bonds and ending at the close of business on the day of such mailing or (2) to transfer or exchange any Bond so selected for redemption in whole or in part when such redemption is scheduled to occur within 45 calendar days.

**MUNICIPAL BOND RATING**

S&P Global Ratings ("S&P") assigned an underlying municipal bond rating of "BBB" (stable outlook) to this issue of Bonds based upon the District's underlying credit without bond insurance. An explanation of the significance of such rating may be obtained from S&P. The rating reflects only the view of S&P and the District makes no representation as to the appropriateness of such rating. The District can make no assurance that the S&P rating will continue for any period of time or that such rating will not be revised downward or withdrawn entirely by S&P if in the judgment of S&P circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

S&P Global Ratings ("S&P") assigned its 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 AGM. The District can make no assurance that the S&P rating will continue for any period of time or that such rating will not be revised downward or withdrawn entirely by S&P if in the judgment of S&P circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds. See "BOND INSURANCE."

**BOND INSURANCE**

**BOND INSURANCE POLICY**

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

**ASSURED GUARANTY MUNICIPAL CORP.**

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

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

### *Current Financial Strength Ratings*

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

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

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

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2021.

### *Capitalization of AGM*

At December 31, 2021:

- The policyholders' surplus of AGM was approximately \$3,053 million.
- The contingency reserve of AGM was approximately \$877 million.
- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately \$2,127 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, and (ii) the net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiaries Assured Guaranty UK Limited ("AGUK") and Assured Guaranty (Europe) SA ("AGE").

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

### *Incorporation of Certain Documents by Reference*

Portions of the following document filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof: the Annual Report on Form 10-K for the fiscal year ended December 31, 2021 (filed by AGL with the SEC on February 25, 2022).

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

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

### *Miscellaneous Matters*

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

## OFFICIAL STATEMENT SUMMARY

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

### THE BONDS

- Description:** Montgomery County Municipal Utility District No. 15 Unlimited Tax Bonds, Series 2022 (the "Bonds" or the "Series 2022 Bonds"), issued pursuant to Article XVI, Section 59 the Constitution and general laws of the State of Texas, particularly, Chapters 49 and 54 of the Texas Water Code, as amended, an election held within the District on May 5, 2018, an order approving the sale of the Bonds issued by Texas Commission on Environmental Quality (the "TCEQ"), and an order authorizing the issuance of the Bonds (the "Bond Order") adopted by the Board of Directors (the "Board") of Montgomery County Municipal Utility District No. 15 (the "District"). The Bonds will be dated April 1, 2022, with interest payable commencing September 1, 2022, and each March 1 and September 1, thereafter until the earlier of maturity or redemption. The Bonds mature on March 1 in the years as shown in the table on the cover page of this Official Statement. See "THE BONDS - General."
- Book-Entry-Only System:** The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM."
- Redemption Provisions:** Bonds maturing on or after March 1, 2029, are subject to early redemption, in whole or from time to time in part, on March 1, 2027, or on any date thereafter at the option of the District at a price of par plus accrued interest to the date of redemption. See "THE BONDS." The Bonds maturing on March 1 in the years 2029, 2031, 2033, 2035, 2037, 2039, 2041 and 2050 are Term Bonds and are subject to annual mandatory sinking fund redemption beginning on March 1 in the years 2028, 2030, 2032, 2034, 2036, 2038, 2040 and 2042 respectively. See "THE BONDS – Mandatory Redemption."
- Source of Payment:** The Bonds are payable from a continuing direct annual ad valorem tax levied against all taxable property within the District which, under Texas law, is not limited as to rate or amount. The Bonds are obligations of the District and are not obligations of the State of Texas, Montgomery County, the City of Conroe, or any other political subdivision or agency. See "THE BONDS - Sources of and Security for Payment."
- Use of Proceeds:** Proceeds from the sale of the Bonds will be used to: (1) reimburse the Developers (as defined herein) for certain development costs associated with two different subdivisions located in the District; (2) fund developer interest as approved by the TCEQ; (3) fund certain wastewater collection and water supply facilities; and (4) pay issuance and administrative expenses associated with the sale and delivery of the Bonds. See "USE OF BOND PROCEEDS."
- Municipal Bond Rating:** S&P assigned an underlying municipal bond rating of "BBB" (stable outlook) to this issue of Bonds based upon the District's underlying credit without bond insurance. An explanation of the significance of such rating may be obtained from S&P. The rating reflects only the view of S&P and the District makes no representation as to the appropriateness of such rating. See "MUNICIPAL BOND RATING."
- Bond Insurance:** S&P assigned its 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 AGM. See "MUNICIPAL BOND RATING," "BOND INSURANCE" and "APPENDIX B – Specimen Municipal Bond Insurance Policy."
- Qualified Tax-Exempt Obligations:** The District has designated the Bonds as "qualified tax-exempt obligations" pursuant to section 265(b) of the Internal Revenue Code of 1986, as amended, and represents that the total amount of tax-exempt bonds (including the Bonds) issued by it during calendar year 2022 is not reasonably expected to exceed \$10,000,000 and that it will not designate more than \$10,000,000 of qualified tax-exempt obligations during the calendar year 2022. See "TAX MATTERS -- Qualified Tax-Exempt Obligations for Financial Institutions."
- Authorized But Unissued Bonds:** After the issuance of the Bonds, the District will have (i) \$12,602,000 authorized but unissued unlimited tax bonds that may be used for the purposes of financing water, sanitary sewer, or drainage facilities to serve the District, or to refund bonds issued for such purposes, (ii) \$1,195,000 authorized but

unissued unlimited tax refunding bonds designated solely for the purpose of refunding outstanding bonds of the District. See "THE BONDS – Authority for Issuance."

**Paying Agent/  
Registrar:**

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

**Legal Opinion:**

Young & Brooks, Attorneys at Law, Bond Counsel, Houston, Texas. See "LEGAL MATTERS."

**Payment Record:**

The District has never defaulted on payment of principal of or interest on its bonded indebtedness.

**Risk Factors:**

The Bonds are subject to certain investment considerations, as set forth in this Official Statement. Prospective purchasers should carefully examine this Official Statement with respect to the investment security of the Bonds particularly the section captioned "RISK FACTORS."

**THE DISTRICT**

**Description:**

The District was created by Order of the Texas Water Rights Commission (now the Texas Commission on Environmental Quality "TCEQ") in 1972 and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended. The District contains approximately 835 acres of land and is located in southern Montgomery County, approximately 32 miles north, northwest of the Houston central business district. More specifically, the District is located approximately one mile to the east of I-45 and seven miles south of the City of Conroe. Needham Road/State Highway 242 runs through the middle of the District in an east-west direction. A portion of the District fronts on the West Fork of the San Jacinto River to the north; Wood Hollow Drive is located generally to the north of the District; the District is bounded by the Town of Woodloch on the east; vacant land lies to the south; the Spindle Wheel Subdivision lies to the southeast; and generally Gleneagles Drive borders the District on the west. The District is located within the extraterritorial jurisdiction of the City of Conroe. See "THE DISTRICT."

**Development:**

As of January 1, 2022, there were approximately 2,331 single family homes completed or under construction (approximately 2,262 homes were occupied as of January 1, 2022) and 3 vacant developed lots.

Commercial development in the District consisted of two service stations, a fast food restaurant, two commercial strip centers, a tractor supply store, an automotive aftermarket establishment, and two minor retail businesses. Under construction is a two story medical office building and two additional fast food restaurants. See "THE DISTRICT – Current Status of Residential Building in the District" and "– Existing Commercial Building Development."

**Current Developers:**

Woodmere Development Co., Ltd. ("Woodmere") is developing lots in the Montgomery Creek Ranch Subdivision and selling lots to three affiliated home building companies known as Foxwood Homes, Postwood Homes, and Briarwood Homes. Homes are presently being marketed in the \$300,000 - 400,000 price range.

242, LLC ("242") is the developer of Harper's Preserve, Sections 6, 9, 23 and 24. Sections 6 and 9 are built out. Sections 23 and 24 lots are fully developed and homes are currently being marketed in the \$420,000 - \$800,000 price range.

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

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

Over the ensuing year, COVID-19 negatively affected commerce, travel and businesses locally and globally, and negatively affected economic growth worldwide and within the State of Texas. Following the widespread release and distribution of various COVID-19 vaccines in 2020 and 2021, state governments (including Texas) have started to lift business and social limitations associated with COVID-19. Beginning in March 2021, the Governor issued various executive orders, which, among other things, rescinded and superseded prior executive orders and provide that there are currently no COVID-19 related operating limits for any business or other establishment. The Governor retains the right to impose additional restrictions on activities if needed to mitigate the effects of COVID-19. Additional information regarding executive orders issued by the Governor is accessible on the website of the



Governor at <https://gov.texas.gov/>. Neither the information on, nor accessed through, such website of the Governor is incorporated by reference into this Official Statement.

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

SELECTED FINANCIAL INFORMATION  
(Unaudited)

1/1/2022 Estimated Taxable Value	\$472,884,534	(a)
2021 Taxable Value	\$450,355,005	(b)
Direct Debt (See "DISTRICT DEBT")		
Outstanding Bonds (As of March 1, 2022)	\$35,540,000	
Plus Series 2022 Bonds	<u>\$4,780,000</u>	
Total Direct Debt	\$40,320,000	
Estimated Overlapping Debt	<u>\$20,756,404</u>	(c)
Direct and Estimated Overlapping Debt	\$61,076,404	
Percentage of Direct Debt to:		
1/1/2022 Taxable Value	8.53%	
2021 Taxable Value	8.95%	
See "DISTRICT DEBT"		
Percentage of Direct Overlapping Debt to:		
1/1/2022 Taxable Value	12.92%	
2021 Taxable Value	13.56%	
See "DISTRICT DEBT"		
2021 Tax Rate Per \$100 of Assessed Value:		
Debt Service	\$0.463	
Maintenance Tax	<u>\$0.267</u>	
Total 2021 Tax Rate	\$0.730	
Approximate General Fund Cash and Investment Balance (as of 1/12/2022)	\$3,924,702	
Approximate Debt Service Fund Cash and Investment Balance (as of 1/12/2022)	\$2,075,000	(d)

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- (a) Reflects data supplied by the Montgomery Central Appraisal District ("MCAD"). The Estimated Taxable Value as of 1/1/2022 was prepared by MCAD and provided to the District. Such value is not binding on MCAD, and any new value (subsequent to January 1, 2021) will not be included on the District's tax roll until the 2022 tax roll is prepared and certified by MCAD during the second half of 2022. See "TAX DATA" and "TAX PROCEDURES."
- (b) The 2021 Taxable Value was prepared by MCAD and provided to the District. See "TAX DATA" and "TAXING PROCEDURES."
- (c) See "DISTRICT DEBT - Estimated Overlapping Debt."
- (d) Represents the approximate cash and investment balance in the Debt Service Fund as of January 12, 2022. Neither Texas law nor the District's Bond Order requires the District to maintain any particular balance in the Debt Service Fund.

**DEBT SERVICE REQUIREMENTS**

The following sets forth the debt service requirements on the District's outstanding bonds plus the debt service on the Bonds.

<u>Year</u>	<u>Outstanding Debt Service Requirements</u>	<u>Series 2022 Bonds</u>		<u>Total Debt Service</u>
		<u>Principal</u>	<u>Interest</u>	
2022	\$1,979,869		\$60,804	\$2,040,673
2023	\$2,003,613		\$145,931	\$2,149,544
2024	\$2,207,600	\$80,000	\$144,731	\$2,432,331
2025	\$2,172,675	\$125,000	\$141,656	\$2,439,331
2026	\$2,222,516	\$125,000	\$137,906	\$2,485,422
2027	\$2,212,081	\$125,000	\$134,156	\$2,471,237
2028	\$2,235,100	\$125,000	\$130,406	\$2,490,506
2029	\$2,250,993	\$150,000	\$126,281	\$2,527,274
2030	\$2,286,215	\$150,000	\$121,781	\$2,557,996
2031	\$2,305,843	\$150,000	\$117,281	\$2,573,124
2032	\$2,336,784	\$150,000	\$112,781	\$2,599,565
2033	\$2,338,894	\$150,000	\$108,281	\$2,597,175
2034	\$2,417,556	\$150,000	\$103,781	\$2,671,337
2035	\$2,393,482	\$175,000	\$98,906	\$2,667,388
2036	\$2,382,226	\$175,000	\$93,656	\$2,650,882
2037	\$2,388,095	\$175,000	\$88,406	\$2,651,501
2038	\$1,777,507	\$175,000	\$83,156	\$2,035,663
2039	\$1,844,884	\$175,000	\$77,906	\$2,097,790
2040	\$1,695,931	\$200,000	\$72,281	\$1,968,212
2041	\$1,696,869	\$200,000	\$66,281	\$1,963,150
2042	\$1,715,885	\$200,000	\$60,156	\$1,976,041
2043	\$1,431,050	\$200,000	\$53,906	\$1,684,956
2044	\$612,028	\$200,000	\$47,656	\$859,684
2045	\$596,247	\$225,000	\$41,015	\$862,262
2046	\$384,638	\$225,000	\$33,984	\$643,622
2047	\$377,200	\$225,000	\$26,953	\$629,153
2048	\$369,763	\$250,000	\$19,531	\$639,294
2049	\$387,059	\$250,000	\$11,718	\$648,777
2050	<u>\$384,038</u>	<u>\$250,000</u>	<u>\$3,906</u>	<u>\$637,944</u>
<b>TOTALS</b>	<b>\$49,406,641</b>	<b>\$4,780,000</b>	<b>\$2,465,193</b>	<b>\$56,651,834</b>

Maximum Annual Debt Service Requirements (2034)..... \$2,671,337

\$0.60 Tax Rate on the 1/1/2022 Estimated Taxable Value of \$472,884,534  
 @ 95% collections produces..... \$2,695,442

\$0.63 Tax Rate on the 2021 Certified Taxable Value of \$450,355,005  
 @ 95% collections produces..... \$2,695,375

## OFFICIAL STATEMENT

relating to

**\$4,780,000**

### **MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT No. 15**

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

### **UNLIMITED TAX BONDS, SERIES 2022**

#### **INTRODUCTION**

This Official Statement provides certain information in connection with the issuance of Montgomery County Municipal Utility District No. 15 Unlimited Tax Bonds, Series 2022 (the "Bonds" or the "Series 2022 Bonds").

The Bonds are issued pursuant to Article XVI, Section 59 the Constitution and general laws of the State of Texas, particularly, Chapters 49 and 54 of the Texas Water Code, as amended, an election held within the District on May 5, 2018, an order approving the sale of the Bonds issued by the Texas Commission on Environmental Quality (the "TCEQ"), and an order authorizing the issuance of the Bonds (the "Bond Order") adopted by the Board of Directors (the "Board") of Montgomery County Municipal Utility District No. 15 (the "District").

This Official Statement includes descriptions of the Bonds, the Bond Order and certain information about the District and its financial condition. 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's Bond Counsel upon payment of costs of duplication thereof.

#### **RISK FACTORS**

##### **General:**

The Bonds are obligations of the District and are not obligations of the State of Texas, Montgomery County, the City of Conroe, 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, levied against all taxable property within the District. See "THE BONDS – Sources of and Security for Payment." The investment quality of the Bonds depends on the ability of the District to collect all taxes levied against the taxable property within the District, and, in the event of foreclosure of the District's tax lien, on the marketability of the property and the ability of the District to sell the property at a price sufficient to pay taxes levied by the District and by other overlapping taxing authorities. The District cannot and does not make any representations that over the life of the Bonds the taxable property within the District will accumulate or maintain taxable values sufficient to justify the continued payment of taxes by property owners.

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

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

Over the ensuing year, COVID-19 negatively affected commerce, travel and businesses locally and globally, and negatively affected economic growth worldwide and within the State of Texas. Following the widespread release and distribution of various COVID-19 vaccines in 2020 and 2021, state governments (including Texas) have started to lift business and social limitations associated with COVID-19. Beginning in March 2021, the Governor issued various executive orders, which, among other things, rescinded and superseded prior executive orders and provide that there are currently no COVID-19 related operating limits for any business or other establishment. The Governor retains the right to impose additional restrictions on activities if needed to mitigate the effects of COVID-19. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at <https://gov.texas.gov/>. Neither the information on, nor accessed through, such website of the Governor is incorporated by reference into this Official Statement.

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

### **Marketability:**

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

### **Tax Collection Limitations:**

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by market conditions limiting the proceeds from a foreclosure sale of taxable property and collection procedures. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. The costs of collecting any such taxpayer's delinquencies could substantially reduce the net proceeds to the District from a tax foreclosure sale. Finally, a bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two other ways: first, a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid. See "TAXING PROCEDURES - District's Rights in the Event of Tax Delinquencies."

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

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond 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 of a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond 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. Even if such sovereign immunity were waived and a judgment against the District for money damages was obtained, the judgment 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.

### **Changes in Tax Legislation:**

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

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

The enforceability of the rights and remedies of the Registered Owners may be limited by laws relating to bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Specifically, the District may voluntarily file a petition for protection from creditors under the federal bankruptcy laws. During the pendency of the bankruptcy proceedings, the remedy of mandamus would not be available to the Registered Owners unless authorized by a federal bankruptcy judge.

Subject to the requirements of Texas law, the District may voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Section 901-946, if the District: (a) is generally authorized to file for federal bankruptcy protection by State law; (b) is insolvent or unable to meet its debts as they mature; (c) desires to effect a plan to adjust such debts; and (d) has either obtained the agreement of, or negotiated in good faith with, its creditors or is unable to negotiate with its creditors because negotiation is impracticable. Under Texas law, the District must obtain the approval of the TCEQ prior to filing bankruptcy. Such law requires that the Texas Commission on Environmental Quality (the "TCEQ") investigate the financial condition of the District

and authorizes the District to proceed only if the District has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

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

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

**Approval of the Bonds:**

As required by law, 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 safety of the Bonds as an investment or the adequacy or accuracy of the information contained in this Official Statement.

**Economic Factors:**

The Houston metropolitan area has, in the past, experienced increased unemployment, business failures, and slow absorption of office space, especially during times of relatively low oil and natural gas prices. The relatively low oil and natural gas prices, currently being experienced worldwide, could affect the demand for new residential home construction and commercial development and hence the growth of property values in the District. An oversupply of homes, along with a decreased demand in new housing because of general economic conditions or relatively high interest rates, may have an adverse impact on sale prices for homes and, consequently, may materially adversely affect property values or, in some instances, cause builders to abandon homebuilding plans altogether.

Interest rates and the availability of mortgage and development funds have a direct impact on construction activity, particularly the short-term interest rates at which developers and builders are able to obtain financing for land development or homebuilding costs. Interest rate levels may affect the Developers' or builders' ability to complete development or building plans. Long-term interest rates affect home purchasers' ability to qualify for and afford the total financing costs of a new home. The continuation of long-term interest rates at higher levels may negatively affect home sales and the rate of growth of taxable values in the District.

A material percentage of the taxable values of the District is derived from the current market value of commercial improvements and tracts developed for commercial purposes. The market value of such tracts is related to general economic conditions affecting the demand for commercial, retail, warehouse, and office space. Demand for tracts of this type and the construction of commercial projects thereon can be significantly affected by factors such as interest rates, credit availability, construction costs, energy availability and the prosperity and demographic characteristics of the urban center toward which the marketing of such tracts is directed. Decreased levels of construction activity or reduced resale value of such tracts would tend to restrict the growth or maintenance of property values in the District or could adversely impact such values.

The commercial real estate industry in the Houston area is competitive, and the District can give no assurance that development programs will be implemented or completed. The sale of developed commercial tracts and the competitive position of prospective builders in the construction of commercial establishments are affected by most of the factors discussed herein.

Alternative sites are available for the construction of single-family residential improvements and commercial development within the market area in which the District is located. Such sites could pose competition to the continued commercial development on comparable sites and maintenance of residential values within the District.

**Landowners/Developers under No Obligation to the District:**

There are no commitments from or obligations of any landowner or the Developers (as defined herein) within the District to proceed at any particular rate or according to any specified plan with the development of land or the construction of homes in the District, and there is no restriction on any landowner's or Developer's right to sell their land.

**Maintenance of District Tax Rates:**

The District's 2021 combined debt service and maintenance tax rate is \$0.73 per \$100 of assessed valuation. The maintenance of the District's tax base is directly related to the housing industry in general. The housing industry has historically

been a cyclical industry, affected by short-term and long-term interest rates, demand for developed property, availability of mortgage and development funds, labor conditions, and general economic conditions. In the 1980s and again in 2007 – 2010 the downturn in the Houston economy and concurrent increases in unemployment substantially reduced the demand for housing. In many instances, homeowners turned homes back to mortgage companies because of a negative equity position and, consequently, many repossessed homes were resold at substantially reduced prices. The demand for single family homes in the District, which is 32 miles from downtown Houston, also could be affected by competition from nearby residential developments. In addition to competition for new home sales from other developments, there are numerous previously-owned homes in more established neighborhoods closer to downtown Houston that have been on the market for an extended period of time.

Both the local demand for, and the sale of single-family homes are affected by most of the factors discussed herein and will directly affect the maintenance of taxable values in the District and the ability of the District to raise tax revenues sufficient to pay its debt service requirements.

Assuming no further construction of residential, multi-family and/or commercial projects within the District other than those which have heretofore been constructed, the value of such land and improvements currently located and under construction within the District could be a major determinant of the ability of the District to collect, and the willingness of property owners to pay, ad valorem taxes levied by the District. After issuance of the Bonds, the Maximum Annual Debt Service Requirement on the Bonds and the remaining Outstanding Bonds will be \$2,671,337 (2034). Assuming no increase or decrease from the 1/1/2022 Taxable Value of \$472,884,534 and no use of other District funds, a District tax rate of \$0.60 per \$100 of assessed valuation at 95% collection would be necessary to pay the Maximum Annual Debt Service Requirements. Assuming no increase or decrease from the 2021 Certified Taxable Value of \$450,355,005 and no use of other District funds, a District tax rate of \$0.63 per \$100 of assessed valuation at 95% collection would be necessary to pay the Maximum Annual Debt Service Requirements. See "TAX DATA - Tax Rate Calculations."

#### **Potential Effects of Oil Price Fluctuation on the Houston Area:**

The recent fluctuation in oil prices in the U.S. and globally, which at times have led to the lowest such 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.

#### **Dependence on the Energy Industry:**

The economy of the Houston metropolitan area, which has sometimes been referred to as the energy capital of the world, is, in part, dependent upon the oil and gas and petrochemical industries. During the height of the COVID-19 pandemic in 2020, worldwide consumption of energy decreased dramatically and led to the lowest oil prices in three decades. This led to layoffs of workers, business failures and reduced capital and operating expenditures by energy companies. While there has been some rebound, Houston area jobs in the energy industry have not fully recovered. In 2021, the United States rejoined the 2015 Paris Climate Accords, under which many countries have agreed to move away from fossil fuels to alleviate climate change. Although major energy companies expect that fossil fuels will be vital to the global economy for many years to come, they have recognized the need to direct more investment toward various clean energy projects. The pace and success of these efforts could significantly affect the Houston economy in the future.

#### **Future Debt:**

After the issuance of the Bonds, the District will have (i) \$12,602,000 authorized but unissued unlimited tax bonds that may be used for the purposes of financing water, sanitary sewer, or drainage facilities to serve the District, or to refund bonds issued for such purposes, and (ii) \$1,195,000 authorized but unissued unlimited tax refunding bonds designated solely for the purpose of refunding outstanding bonds of the District. All such bonds that will remain authorized but unissued can be issued subject to the approval of the Attorney General of the State of Texas and in the case of new money bonds, subject to the approval of the TCEQ.

The District has the right to issue additional new money bonds as may hereafter be approved by both the Board and the voters of the District, and to issue refunding bonds as approved by the Board. Any such additional new money bonds and refunding bonds would be issued on parity with the Bonds. Any future new money bonds to be issued by the District must also be approved by the TCEQ. According to the Engineer, such bond authorization should be adequate to finance the District's share of development costs to allow for the full development of land within the District. The District has also reserved the right to issue certain other additional bonds, special project bonds, and other obligations described in the Bond Order. 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 might increase gross debt/property valuation ratios and thereby adversely affect the investment quality or security of the Bonds.

### **Financing Parks and Recreational Facilities:**

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 recreational facilities bonds payable from taxes, the following actions would be required: (a) amendments to existing city ordinances specifying the purposes for which the District may issue bonds; (b) preparation of a detailed park plan; (c) authorization of recreational facilities bonds by the qualified voters in the District; (d) approval of the park project and bonds by the TCEQ; and (e) approval of the bonds by the Attorney General of Texas. Also, 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. The Board has not discussed and presently has no plans to hold an election authorizing the issuance of recreational facilities bonds and authorizing a recreational facilities maintenance tax.

Current law may be changed in a manner to increase the amount of bonds which may be issued as related to a percentage of the value of taxable property or to allow a higher or lower maintenance tax rate for such purposes. The levy of taxes for such purposes may dilute the security for the Bonds.

### **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 retroactively to the date of original issuance. See "TAX MATTERS."

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

The District is subject to the TCEQ’s General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the “MS4 Permit”), which was issued by the TCEQ 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. The has applied for and received coverage under the MS4 Permit from the TCEQ. In order to maintain compliance with the MS4 Permit, the District continues to develop, implement, and maintain the required 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. Costs associated with these compliance activities could be substantial in the future.

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 June 9, 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. On November 18, 2021, the EPA and USACE issued a Notice Proposed Rulemaking to put back into place the pre-2015 definition of “waters of the United States.” 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.

**Hurricane Harvey:**

The Houston area, including the area in and around the District in Montgomery County, sustained widespread wind and rain damage and flooding as a result of Hurricane Harvey’s landfall along the Texas gulf coast on August 25, 2017, and historic levels of rainfall during the succeeding four days. According to representatives of the District’s consultants, the water, sewer, and drainage facilities serving the land within the District did not sustain any significant damage and there was no interruption of water and sewer service to District residents. According to the representatives of the Developers, approximately 50 homes within the District experienced flooding; substantially all of the homes that flooded have been rehabilitated since that time.

**Winter Storm Uri:**

From February 12-19, 2021, the State of Texas experienced a severe winter storm (“Winter Storm Uri”) which included prolonged freezing temperatures, heavy snow and freezing rains statewide. Winter Storm Uri led to power outages and potable and non-potable water shortages in many areas of the State, including the District. The federal government issued a Major Disaster Declaration for the State of Texas and has included federal funding for emergency protective measures. The District did not sustain material damage to its infrastructure during Winter Storm Uri. The District experienced no interruptions of wastewater service as a result of Winter Storm Uri. The District cannot predict the impact of future winter weather events.

**Inclement Weather:**

The District is located approximately 61 miles from the Texas Gulf Coast. Land located in this area is susceptible to high winds, heavy rain and flooding caused by hurricanes, tropical storms, and other tropical disturbances. If a hurricane (or any other natural disaster) significantly damaged all or part of the improvements within the District, the assessed value of property within the District could be substantially reduced, with a corresponding decrease in tax revenues or necessity to 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 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 would be adversely affected.

**Temporary Tax Exemption for Property Damaged by Disaster:**

The Property Tax Code (hereinafter defined) 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.

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

Certain qualified taxpayers, including owners of residential homesteads, located within a designated disaster area or emergency area and whose property has been damaged as a direct result of the disaster or emergency, are entitled to enter into a tax payment installment agreement with a taxing jurisdiction, such as the District, if the taxpayer pays at least 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.

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

#### **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 Service Area may be redrawn based on the Atlas 14 study based on a higher statistical rainfall amount, resulting in the application of more stringent floodplain regulations applying to a larger area and potentially leaving less developable property within the Service Area. The application of 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.

#### **Bond Insurance Investment Considerations:**

If a bond insurance policy is obtained securing principal of and interest on the Bonds, then 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 optional redemption 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 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 Insurer at such time and in such amounts as would have been due absent such prepayment by the Issuer unless the Bond Insurer chooses to pay such amounts at an earlier date.

Default of payment of principal of and interest on the Bonds does not accelerate 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 description of "BOND INSURANCE" herein.

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 governing insolvency of insurance companies.

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

and interest on the Bonds and the claims-paying ability of the Bond Insurer, particularly over the life of the investment. See “Bond Insurance” herein for further information provided by the Bond Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Bond Insurer.

**USE OF BOND PROCEEDS**

The proceeds from the sale of the Bonds will be used to: (1) reimburse the Developers (as defined herein) for certain development costs associated with two different subdivisions located in the District; (2) fund developer interest as approved by the TCEQ; (3) fund certain wastewater collection and water supply facilities; and (4) pay issuance and administrative expenses associated with the sale and delivery of the Bonds

The Engineer has advised the District that the proceeds listed below should be sufficient to finance certain water, sewer and drainage facilities construction costs previously incurred by the Developer. The District's present estimate of the use of proceeds of the Bonds is as follows:

<b>CONSTRUCTION COSTS:</b>	<b><u>Total Costs</u></b> (a)
<b>Developer Contribution Items</b>	
Harper's Preserve Section 23 & 24 - W/WW/D	\$585,450
Montgomery Creek Ranch Section 21 - W/WW/D	\$437,089
Montgomery Creek Ranch Section 22 - W/WW/D	\$148,949
Engineering and Testing	\$318,834
Storm Water Pollution Prevention Plan Costs	<u>\$85,579</u>
<b>Total Developer Contribution Items</b>	<b>\$1,575,901</b>
<b>District Items</b>	
Wastewater Line Extension with Lift Station	\$686,000
WP 1 East Ground Storage Tank	\$558,250
WP 1 West Ground Storage Tank	\$558,250
Contingency	\$360,300
Engineering and Testing	\$365,970
Wastewater Line Extension with Lift Station - Easement	<u>\$150,000</u>
<b>Total District Items</b>	<b>\$2,678,770</b>
 <b>TOTAL CONSTRUCTION COSTS</b>	 <b>\$4,254,671</b>
 <b>NON-CONSTRUCTION COSTS:</b>	
Legal Fees	\$124,500
Fiscal Agent Fees	\$95,600
Developer Interest	\$67,880
Bond Discount	\$142,890
Bond Issuance Expense	\$19,419
Bond Application Report Costs	\$57,800
Attorney General's Fee	\$4,780
TCEQ Bond Issuance Fee	\$11,950
Contingency	<u>\$510</u> (b)
<b>TOTAL NON-CONSTRUCTION COSTS:</b>	<b>\$525,329</b>
 <b>TOTAL BOND ISSUE REQUIREMENT</b>	 <b>\$4,780,000</b>

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- (a) TCEQ rules require, with certain exceptions, that developers contribute to the District's construction program a minimum of 30% of the construction costs of certain system facilities. The TCEQ granted the District a waiver of such rule.
  - (b) The TCEQ Order requires the District to designate any surplus bond proceeds resulting from the sale of the bonds at a lower interest rate than the rate initially projected in the District's Bond Application to the TCEQ as a contingency line item in the Official Statement.

## THE BONDS

### General:

The Bonds are dated April 1, 2022. The Bonds will mature on March 1 in the years and in the amounts set forth on the cover page of this Official Statement. Interest on the Bonds is payable on September 1, 2022, and each March 1 and September 1 thereafter until maturity or prior redemption. The Bonds will be issued in denominations of \$5,000 each or integral multiples thereof. The Bond Order authorizes the issuance and sale of the Bonds and prescribes terms, conditions and provisions for the payment of the principal of and interest on the Bonds by the District.

The Bonds will be issued only in fully registered form in any integral multiple of \$5,000 of principal amount for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of the Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. No physical delivery of the Bonds will be made to the owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" herein.

Interest on the Bonds shall be payable by check on or before each interest payment date, mailed by the Paying Agent/Registrar to the registered owners ("Registered Owners") as shown on the bond register (the "Register") kept by the Paying Agent/Registrar at the close of business on the 15th calendar day of the month immediately preceding each interest payment date to the address of such Registered Owner as shown on the Register, or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and a Registered Owner at the risk and expense of such Registered Owner.

### Authority for Issuance:

The Bonds are issued pursuant to Article XVI, Section 59 the Constitution and general laws of the State of Texas, particularly, Chapters 49 and 54 of the Texas Water Code, as amended, an election held within the District on May 5, 2018, an order approving the sale of the Bonds issued by the TCEQ, and an order authorizing the issuance of the Bonds (the "Bond Order") adopted by the Board of Directors (the "Board") of Montgomery County Municipal Utility District No. 15 (the "District"). After the issuance of the Bonds, the District will have (i) \$12,602,000 authorized but unissued unlimited tax bonds that may be used for the purposes of financing water, sanitary sewer, or drainage facilities to serve the District, or to refund bonds issued for such purposes, and (ii) \$1,195,000 authorized but unissued unlimited tax refunding bonds designated solely for the purpose of refunding outstanding bonds of the District.

### Optional Redemption:

The Bonds scheduled to mature on or after March 1, 2029, are subject to redemption prior to scheduled maturity at the option of the District, in whole or from time to time in part, on March 1, 2027, and on any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest from the most recent interest payment date to the redemption date. If fewer than all of the Bonds are redeemed at any time, the District shall determine the maturity or maturities and the amounts thereof to be redeemed. If fewer than all of the Bonds within a maturity are to be redeemed, the Paying Agent/Registrar shall select the Bonds to be so redeemed by lot or other random selection method.

Notice of each exercise of the right of redemption will be given by the Paying Agent/Registrar at least 30 calendar days prior to the date fixed for redemption in the manner specified in the Bond Order. When Bonds have been called for redemption, the right of the registered owners of such Bonds to collect interest which would otherwise accrue after the date for redemption will be terminated.

The Bonds of a denomination larger than \$5,000 in principal amount may be redeemed in part (\$5,000 in principal or any integral multiple thereof). Any Bond to be partially redeemed must be surrendered in exchange for one or more new Bonds of the same maturity for the unredeemed portion of the principal.

### Mandatory Redemption

The Bonds maturing March 1 in the years 2029, 2031, 2033, 2035, 2037, 2039, 2041 and 2050 (the "Term Bonds") shall be subject to annual mandatory sinking fund redemption as shown on the table(s) below.

#### \$275,000 Term Bonds, due March 1, 2029

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
March 1, 2028	\$125,000
March 1, 2029 (maturity)	\$150,000

#### \$300,000 Term Bonds, due March 1, 2031

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
March 1, 2030	\$150,000
March 1, 2031 (maturity)	\$150,000

**\$300,000 Term Bonds, due March 1, 2033**

<b><u>Mandatory Redemption Date</u></b>	<b><u>Principal Amount</u></b>
March 1, 2032	\$150,000
March 1, 2033 (maturity)	\$150,000

**\$325,000 Term Bonds, due March 1, 2035**

<b><u>Mandatory Redemption Date</u></b>	<b><u>Principal Amount</u></b>
March 1, 2034	\$150,000
March 1, 2035 (maturity)	\$175,000

**\$350,000 Term Bonds, due March 1, 2037**

<b><u>Mandatory Redemption Date</u></b>	<b><u>Principal Amount</u></b>
March 1, 2036	\$175,000
March 1, 2037 (maturity)	\$175,000

**\$350,000 Term Bonds, due March 1, 2039**

<b><u>Mandatory Redemption Date</u></b>	<b><u>Principal Amount</u></b>
March 1, 2038	\$175,000
March 1, 2039 (maturity)	\$175,000

**\$400,000 Term Bonds, due March 1, 2041**

<b><u>Mandatory Redemption Date</u></b>	<b><u>Principal Amount</u></b>
March 1, 2040	\$200,000
March 1, 2041 (maturity)	\$200,000

**\$2,025,000 Term Bonds, due March 1, 2050**

<b><u>Mandatory Redemption Date</u></b>	<b><u>Principal Amount</u></b>
March 1, 2042	\$200,000
March 1, 2043	\$200,000
March 1, 2044	\$200,000
March 1, 2045	\$225,000
March 1, 2046	\$225,000
March 1, 2047	\$225,000
March 1, 2048	\$250,000
March 1, 2049	\$250,000
March 1, 2050 (maturity)	\$250,000

**Notice of Redemption; Partial Redemption:**

While the Bonds are in book-entry-only form, pursuant to the Bond Order, the Term Bonds will be scheduled for annual mandatory sinking fund redemption by DTC in accordance with its procedures. If the book-entry-only system is discontinued, the Paying Agent/Registrar shall select by lot the Term Bonds, if any, to be redeemed and issue a notice of redemption in the manner provided below. The principal amount of the Term Bonds of a maturity required to be redeemed pursuant to the operation of such mandatory redemption requirements shall be reduced, at the option of and as determined by the District, by the principal amount of any Term Bonds of such maturity which, prior to the date of the mailing of notice of such mandatory redemption, (1) shall have been acquired by the District and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the District, or (3) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory redemption requirement.

Notice of each exercise of the right of redemption will be given at least 30 calendar days prior to the date fixed for redemption by the mailing of a notice by the Paying Agent/Registrar to each of the registered owners of the Bonds to be redeemed at the address shown on the records of the Paying Agent/Registrar on the date which is 45 calendar days prior to the redemption date. When Bonds have been called for redemption, the right of the registered owners of such Bonds to collect interest which would otherwise accrue after the date for redemption will be terminated.

The Bonds of a denomination larger than \$5,000 in principal amount may be redeemed in part (\$5,000 in principal or any integral multiple thereof). Any Bond to be partially redeemed must be surrendered in exchange for one or more new Bonds of the same maturity for the unredeemed portion of the principal.

### **Sources of and Security for Payment:**

The Bonds 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. The Bonds are obligations of the District and are not obligations of the State of Texas, Montgomery County, the City of Conroe, or any other political subdivision or agency. In the Bond Order the District covenants to levy a tax sufficient in rate and amount to pay principal of and interest on the Bonds when due, full allowance being made for delinquencies and costs of collection, and the District undertakes to collect such tax. The net proceeds from taxes levied for debt service purposes will be deposited in the District's Debt Service Fund and will be used to pay principal of and interest on the Bonds and on any additional bonds payable from taxes which the District may hereafter issue.

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

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

### **Funds:**

The Bond Order confirms the previous establishment of the District's Debt Service Fund. The Debt Service Fund is to be kept separate from all other funds of the District and used for payment of debt service on the Bonds, the Outstanding Bonds, and any of the District's duly authorized additional bonds. Amounts on deposit in the Debt Service Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar and to pay the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Bonds and any additional bonds.

### **Issuance of Additional Debt:**

If authorized by the District's voters and with the approval of the TCEQ, the District may issue bonds necessary to provide and maintain improvements for which the District was created. See "THE DISTRICT." After the issuance of the Bonds, the District will have (i) \$12,602,000 authorized but unissued unlimited tax bonds that may be used for the purposes of financing water, sanitary sewer, or drainage facilities to serve the District, or to refund bonds issued for such purposes, and (ii) \$1,195,000 authorized but unissued unlimited tax refunding bonds designated solely for the purpose of refunding outstanding bonds of the District. The Bond Order imposes no limitation on the amount of additional parity bonds which may be issued by the District, and in the Bond Order the District reserves the right to issue additional unlimited tax bonds, unlimited tax and revenue bonds, revenue bonds, and inferior lien bonds. See "RISK FACTORS - Future Debt."

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

In the event that the Book-Entry System is discontinued, the Bonds are transferable only at the designated principal corporate trust office of the Paying Agent/Registrar upon presentation and surrender of the Bonds accompanied by a duly executed assignment. The Bonds are exchangeable for an equal principal amount of Bonds of the same type, maturity, and interest rate, in



any authorized denomination. No service charge will be made for any transfer or exchange, but the District or the Paying Agent/Registrar may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith. Neither the District nor the Paying Agent/Registrar is required to (i) issue, transfer or exchange any Bond during the period beginning at the opening of business 15 calendar days before the date of the first mailing of any notice of redemption of Bonds and ending at the close of business on the date of such mailing or (ii) thereafter to transfer or exchange any Bonds selected for redemption when such redemption is scheduled within 45 calendar days.

#### **Replacement of Mutilated, Lost or Stolen Bonds:**

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

#### **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.

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

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

The District and the Underwriter cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Securities, 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 Securities), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the United States 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, New York, will act as securities depository for the Securities. The Securities will be issued as fully registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered certificate will be issued for each maturity of the Securities, each in the aggregate principal amount or Maturity Value, as the case may be, of such maturity, 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. 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 Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Securities under the DTC system must be made by or through Direct Participants, who will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Certificate ("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 Securities 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 securities representing their ownership interests in Securities except in the event that use of the book-entry system for the Securities is discontinued.

To facilitate subsequent transfers, all Securities 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 Securities 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 Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities 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 Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Certificate documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities 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 fewer than all of the Securities within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District 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 Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

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

The information in this section concerning DTC and DTC's book-entry-only system has been obtained from sources that the District believes to be reliable, but neither of the District, the Financial Advisor nor the Underwriter takes any responsibility for the accuracy thereof. Termination by the District of the DTC Book-Entry-Only System may require consent of DTC Participants under DTC Operational Arrangements.

## THE DISTRICT

### General:

The District is a municipal utility district created by Order of the Texas Water Rights Commission (now the TCEQ) in 1972. The rights, powers, privileges, authorities and functions of the District are established by the general laws of the State of Texas pertaining to municipal utility districts, particularly Chapters 49 and 54, Texas Water Code, as amended. The District is subject to the continuing supervision of the TCEQ. The District is empowered to purchase, construct, operate, and maintain all works, improvements, facilities, and plants necessary for the supply of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water. In addition, the District is empowered, if approved by the electorate, the TCEQ and other governmental entities having jurisdiction, to establish, operate and maintain a fire department, either independently or with certain other districts, and to develop parks and recreational facilities.

The District contains approximately 835 acres of land and is located in southern Montgomery County, approximately 32 miles north, northwest of the Houston central business district. More specifically, the District is located approximately one mile to the east of I-45 and seven miles south of the City of Conroe. State Highway 242 runs through the middle of the District in an east-west direction. A portion of the District fronts on the West Fork of the San Jacinto River to the northeast; Whispering Oaks subdivision and Needham Road is located to the north of the District; the northern half of District is bounded by the Needham Road on the east; the southern half of the district is bounded by Harpers Preserve to the east; vacant land lies to the south; the Huntington Estates lies to the southeast; and Tall Timbers and The Woodlands Township bounds the west. The District is located within the extraterritorial jurisdiction of the City of Conroe. The District is located in the Conroe Independent School District.

### Summary of Land Use:

A summary of the approximate land use in the District appears in the following table:

<u>Type of Land Use</u>	<u>Approximate Acres</u>	(a)
Fully Developed Acreage	557	(b)
Acres Currently Being Developed	0	
Additional Developable Acreage	60	(c)
Undevelopable Acreage	200	(d)
Recreational Vehicle Park	<u>18</u>	
<b>Total Approximate Acres</b>	<b>835</b>	

- 
- (a) Approximate amounts, rounded to the nearest acre.
  - (b) Acreage served by water, sewer, and drainage facilities and where the street paving work is completed or substantially completed. Includes approximately 533 acres improved for single family residential use and approximately 20 developed acres available and most likely to be improved for commercial usage.
  - (c) Generally, includes but is not limited to, acreage along FM 242 that may be developed for commercial purposes in the future; the District makes no representation that such land will ever be developed.
  - (d) Includes District plant sites, HOA recreational facilities, utility/drainage easements, detention ponds, permanent floodplain areas, street rights-of-ways, and acreage owned by Conroe ISD used for a junior high school sight.

**Current Status of Residential Development in the District:**

The District's single family building development is comprised of detached single family homes that sell in the \$240,000 to \$640,000 price range. As of January 1, 2022, there are approximately 2,331 completed homes/homes under construction and approximately 3 vacant developed lots located within the District that are available to be built upon. According to the District's records, approximately 65 homes were added to the District during calendar year 2021.

	<b><u>Approx. Acreage</u></b>	<b><u>Total Lots</u></b>	<b><u>Completed Homes</u></b>	<b><u>Homes Under Construction</u></b>	<b><u>Vacant Developed Lots</u></b>
Gleneagles, Sections 1 – 3 (a)	161	522	522	0	0
Gleneagles, Section 4a	24	110	110	0	0
Gleneagles, Section 6	26	144	144	0	0
Montgomery Creek Ranch, Sections 1 - 19	251	1205	1205	0	0
Montgomery Creek Ranch, Section 20	11	52	52	0	0
Montgomery Creek Ranch, Section 21	11	57	56	1	0
Montgomery Creek Ranch, Section 22 (b)	8	39	15	22	2
Harper's Preserve, Sections 6 & 9 (c)	47	190	190	0	0
Harper's Preserve, Sections 23 & 24 (d)	<u>18</u>	<u>46</u>	<u>31</u>	<u>14</u>	<u>1</u>
<b>TOTAL</b>	<b>557</b>	<b>2,365</b>	<b>2,294 (e)</b>	<b>37</b>	<b>3</b>

- (a) Most of these sections were developed and built out during 1970 – 1990. Acreage includes approximately 10 acres of commercial property.
- (b) The 39 lots in Montgomery Creek Ranch, Sections 22 become available for home building during the second half of 2021.
- (c) Harper's Preserve, Sections 6 and 9 were developed by 242, LLC.
- (d) Harper's Preserve, Sections 23 and 24 were developed by 242, LLC; such lots became available for home building during September of 2020. Homes in these Sections are being marketed in the \$420,000 - \$800,000 price range.
- (e) As of January 1, 2022, there were approximately 2,262 occupied homes in the District.

**Existing Commercial Building Development:**

The commercial building development currently located in the District includes: two service stations, a fast food restaurant, two commercial strip centers, a tractor supply store, an automotive aftermarket establishment, a car wash, and two small retail businesses. Under construction is a two story medical office building and two additional fast food restaurants.

**Management of the District:**

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

<b><u>Name</u></b>	<b><u>Title</u></b>	<b><u>Term Expires</u></b>
Helen Capozzelli	President	2022
Ashley F. Peterson	Vice President	2024
Sandra V. Day	Secretary	2022
Christina L. Urbano	Assistant Secretary	2024
Daniel L. Dean	Operator Liaison	2024

Although the District does not have a general manager or any other employees, it has contracted for bookkeeping, tax assessing services, annual auditing of its books and other services as follows:

**Tax Assessor/Collector** - The District's Tax Assessor/Collector is Tammy McRae who is also the Montgomery County Tax Assessor.

**Bookkeeper** - The District's accountant/bookkeeper is Myrtle Cruz, Inc., which acts as accountant/bookkeeper for approximately 347 utility districts.

**Auditor** - The District has engaged Breedlove & Co., P.C., Certified Public Accountant, as auditor. The TCEQ requires that utility districts file annual audits with it. A copy of the District's audited financial report for the year ended June 30, 2021, is included as Appendix A to this Official Statement with the consent of the auditor.

Utility System Operator - The District's operator is Regional Water Corporation which acts as operator for 15 other utility districts and other municipalities.

Engineer - The consulting engineer for the District is AEI Engineering a Baxter Woodson Company.

Financial Advisor - The District has engaged The GMS Group, L.L.C., as Financial Advisor for a fee to be computed on each separate issuance of bonds, contingent upon such bonds being delivered.

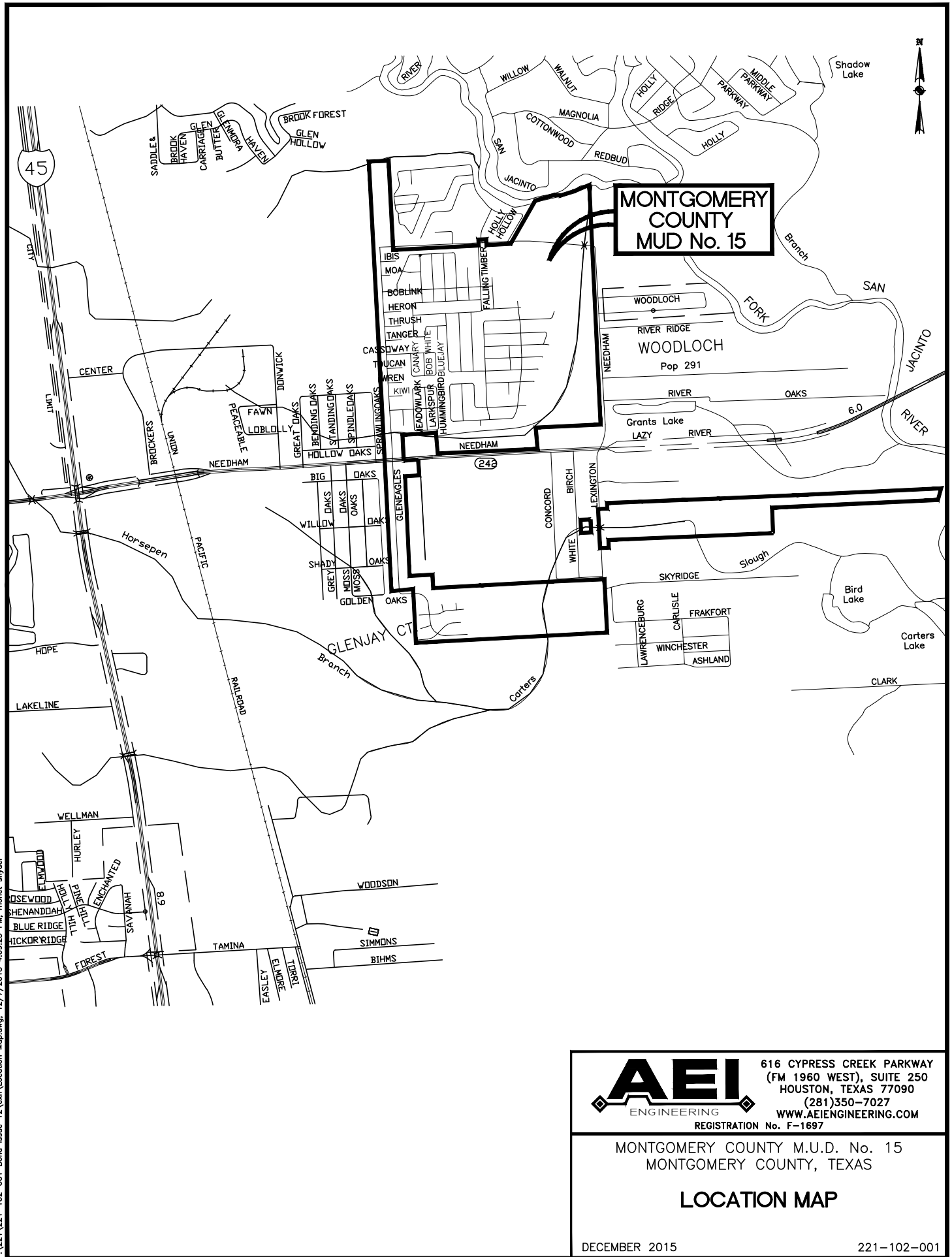
Legal Counsel - The District employs Young & Brooks, Attorneys at Law as Bond Counsel in connection with issuance of the Bonds. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued, sold and delivered and, therefore, such fees are contingent on the sale and delivery of the Bonds. Young & Brooks, Attorneys at Law also act as general counsel for the District on matters other than the issuance of bonds.

Disclosure Counsel - Norton Rose Fulbright US LLP, Houston, Texas, has been engaged by the District to serve as Disclosure Counsel on certain matters related to the sale and delivery of the Bonds, but such advice should not be relied upon by the purchasers as a due diligence undertaking on their behalf. Fees of the Disclosure Counsel will be paid from proceeds of the Bonds and are contingent upon the sale and delivery of such Bonds.

**District Investment Policy:**

The District had adopted an Investment Policy as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code. The District's goal is to preserve principal and maintain liquidity while securing a competitive yield on its portfolio. Funds of the District are invested in short-term obligations of the U.S. Treasury and federal agencies, certificates of deposit insured by the Federal Deposit Insurance Corporation ("FDIC") or secured by collateral evidenced by perfected safekeeping receipts held by a third party bank, and public funds investment pools rated in the highest rating category by a nationally recognized rating service. The District does not currently own or intend to purchase long-term securities or derivative products.

Location Map:



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**AEI**  
ENGINEERING  
REGISTRATION No. F-1697

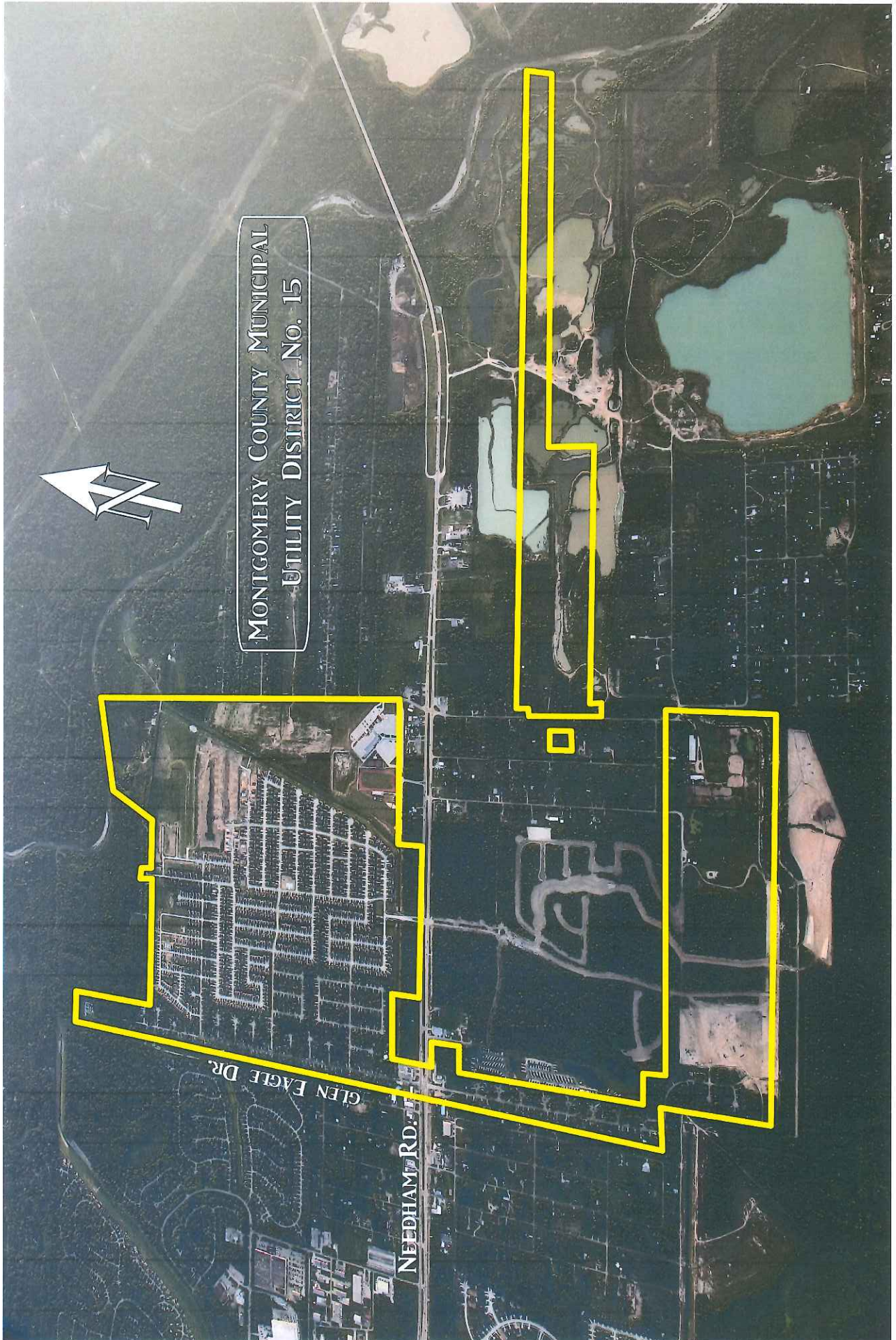
616 CYPRESS CREEK PARKWAY  
(FM 1960 WEST), SUITE 250  
HOUSTON, TEXAS 77090  
(281)350-7027  
WWW.AEIENGINEERING.COM

MONTGOMERY COUNTY M.U.D. No. 15  
MONTGOMERY COUNTY, TEXAS

**LOCATION MAP**

DECEMBER 2015 221-102-001

Aerial Photograph:



## THE SYSTEM

### **Regulation:**

The District's share of the cost of water, wastewater and storm drainage facilities has been financed with proceeds of the Outstanding Bonds; such facilities have been designed in accordance with accepted engineering practices and the recommendations 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.

Operation of the District's waterworks and wastewater facilities are subject to regulation by, among others, the United States Environmental Protection Agency, 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.

### **Description of the System:**

#### - Water Supply -

The District's source of water is provided by three existing wells which have a total capacity of 2,294 gpm including: 740,000 gallons of ground storage tank capacity, hydropneumatic tanks totaling 45,000 gallons, and booster pumps with a total rated capacity of 6,200 gpm. According to TCEQ criteria, the District's water supply facilities have capacity to serve 3,176 equivalent single family connections, 400 of which are committed to Montgomery County Municipal Utility District No. 95 under the terms of the Agreement (as defined herein and discussed below). (The District's water supply system is currently operating at approximately 50% of capacity). See "Agreement with Montgomery County Municipal Utility District No. 95".

#### - Wastewater Treatment -

The District's existing wastewater treatment plant has a total of 600,000 gpd of treatment capacity. According to the District's Engineer, this capacity is anticipated to accommodate approximately 2,222 equivalent single-family connections ("ESFCs") according to the TCEQ's approved regulatory flow rates of 270 gpd/ESFC. The District's actual flow rate is substantially less than the TCEQ's approved regulatory flow rate; with the expansion to 900,000 gpd of treatment the District has adequate capacity to serve the additional connections to be added to the system for the foreseeable future.

Approximately 400 ESFCs have been committed to Montgomery County Municipal Utility District No. 95 under the terms of the Agreement discussed below. See "Agreement with Montgomery County Municipal Utility District No. 95".

The District is in the process of designing a 300,000 gallon per day expansion to the District's wastewater treatment plant. Upon completion of such expansion the District will own wastewater treatment plant capacity capable of serving approximately 3,333 ESFC's.

#### - Drainage System -

The drainage of the entire District is distributed through two drainage ditches to the West Fork of the San Jacinto River. When a rainfall event occurs, the rain flows overland and within a storm sewer system ranging in size from 24 to 72 inches in diameter; the storm sewer is relieved at various locations with manmade drainage channels. The southern portion of the District, south of Highway 242, the area drains north to a drainage ditch just north of Highway 242. This drainage ditch drains northward to San Jacinto River. The area contained by Gleneagles, Section 4A and Highway 242 also drains to the same drainage ditch. Gleneagles, Section 4A and Section 6 are directed to a different manmade drainage ditch that joins the first drainage ditch and both drain to the San Jacinto River. Drainage for Montgomery Creek Ranch, Sections 1 – 12 and 14 - 16 is directed to a man-made drainage ditch that joins the San Jacinto River. Gleneagles, Section 3 drains to the south out of the District to a drainage ditch that flows to the San Jacinto River.

According to the District's Engineer, approximately 252 acres in the District are located in the 100-year flood plain. Approximately 100 acres are located in developed sections of the District; the lots/tracts of land in the developed sections have been elevated and removed from the 100-year flood plain. Approximately 152 acres are in the flood plain/floodway and represent a portion of the undevelopable land within the District.

#### - Agreement with Montgomery County Municipal Utility District No. 95 -

The District has entered into a 50-year Waste Disposal, Water Supply and Drainage Services Agreement (the "Agreement") with Montgomery County Municipal Utility District No. 95 ("MUD 95"). Under the terms of the Agreement, MUD 95 purchases capacity in and agrees to contribute to future operation and maintenance costs of the District's water supply and distribution and wastewater treatment and collection systems, and the District purchases capacity in and agrees to contribute to future operation and maintenance costs of the MUD 95 drainage channel that serves MUD 95 and the District.



## **Groundwater Regulation; GRP Contract:**

In 2001, the Texas Legislature created the Lone Star Groundwater Conservation District (the "Conservation District") to manage and protect Montgomery County's groundwater aquifers. The District is located within the boundaries of the Conservation District and, therefore, the withdrawal of groundwater by the District's water wells is subject to permitting and regulation by the Conservation District.

- Groundwater Regulation -

In 2009, the Conservation District adopted amendments to its District Regulatory Plan which required large-volume water users in the county, such as the District, to reduce groundwater pumpage and convert to alternative sources of water, including surface water. As described hereinafter, the District entered into a contract with the San Jacinto River Authority (the "Authority") to achieve compliance with such groundwater reduction requirements.

In August of 2015, in *City of Conroe, Texas et. al. vs. Richard J. Tram, et. al.*, filed in the 284th Judicial District Court, Montgomery County, Texas, the City of Conroe, Texas and various investor owned utilities sued the Conservation District and its Board of Directors claiming that the 2009 groundwater reduction requirements adopted by the Conservation District were beyond its legal authority and constitute an unconstitutional taking of the plaintiffs' water. In September 2018, the 284th Judicial District Court ruled that such groundwater reductions requirements were invalid. While the Conservation District initially appealed the ruling, the Conservation District approved a settlement offer with the plaintiffs on January 22, 2019. The settlement was accepted on January 24, 2019, and included the withdrawal of the Conservation District's appeal. On February 5, 2019, the Conservation District issued its notice of impending regulatory changes to comply with that judgment. In addition, in March of 2019, the Conservation District adopted an amended Groundwater Management Plan and submitted the plan to the Texas Water Development Board for review and approval in accordance with the requirements of Chapter 36 of the Texas Water Code. In May of 2019, the Texas Water Development Board rejected the amended Groundwater Management Plan. The Conservation District appealed the rejection of the amended Groundwater Management Plan, and, following mediation, the District submitted its revised Groundwater Management Plan to the Texas Water Development Board on April 14, 2020. The revised management plan was approved by the Texas Water Development Board on June 4, 2020. On September 9, 2020, the Conservation District adopted new rules that supersede the substantive requirements of the 2009 District Regulatory Plan, in that such new rules (a) no longer require a reduction in groundwater pumpage and conversion to alternative sources of water, and (b) no longer require participation in a groundwater reduction plan. Such new rules further provide, among other things, that the Conservation District may implement proportional reductions in groundwater pumpage in the future. The full impact of these matters on the District is not known at this time. Regulatory changes by the Conservation District may impact the District's production of groundwater from its wells.

- GRP Contract -

In response to the Conservation District's adoption of groundwater reduction requirements in 2009, the San Jacinto River Authority (the "Authority") developed and adopted a Groundwater Reduction Plan ("GRP") and entered into contracts ("GRP Contracts") with 151 water providers ("GRP Participants") to participate in the Authority's GRP and the related construction of surface water treatment facilities and pipelines to convert the water systems of certain GRP Participants from primarily groundwater supplies to primarily surface water supplies. The District entered into a GRP Contract with the Authority dated as of February 1, 2014. The Authority has issued, in phases, \$554,280,000 principal amount of bonds secured by payments made by the GRP Participants ("GRP Fees"), which payments consist of (i) a fee on groundwater withdrawals by GRP Participants ("Pumpage Fee"), and/or (ii) a fee on surface water delivered by the Authority to certain GRP Participants ("Surface Water Fee"). GRP Participants, such as the District, are obligated by the GRP Contracts to make payments to the Authority sufficient to provide for the payment of the outstanding GRP Division bonds pursuant to such contracts. The Pumpage Fee has increased from \$0.50 in 2009 to \$2.73 per 1,000 gallons effective September 1, 2019 and the Surface Water Fee has increased from \$2.44 in 2014 to \$3.15 per 1,000 gallons effective September 1, 2019.

In 2016, the City of Conroe and the City of Magnolia advised the Authority that it would not pay the rate increases that became effective September 1, 2016 of \$0.07 per thousand gallons for the Pumpage Fee and the Surface Water Fee. The Pumpage Fee and Surface Water Fee were further increased effective September 1, 2017. The City of Conroe and the City of Magnolia have not paid more than the rates set in 2015. On August 31, 2016, the Authority filed suit in the District Court of Travis County, Texas, pursuant to Chapter 1205 of the Texas Government Code (the "EDJA suit"), seeking a declaratory judgment that (i) the Authority is authorized to set rates for its GRP Participants pursuant to the procedures set forth in the GRP Contracts, (ii) the Authority adopted its fiscal year 2017 Rate Order, including the setting of its fiscal year 2017 rates, in accordance with the procedures set forth in the GRP Contracts, (iii) the Authority's fiscal year 2017 rates, the Rate Order, and the GRP Contract are legal and valid, and (iv) the City of Conroe's refusal to pay the fiscal year 2017 rate is a breach of its GRP Contract. The Cities of Conroe, Magnolia, and Splendora, Texas, along with two privately-owned water utilities, Quadvest, L.P. and Woodlands Oaks Utility, L.P. (collectively, the "Intervenors") intervened in opposition.

The Third Court of Appeals, Austin ruled in September 2018 that the EDJA suit was properly filed by the Authority and should be sent back to the District Court for further proceedings on the first three declarations sought by the Authority, as described above. The Third Court of Appeals ruled that the Authority could not pursue the fourth declaration, as described above, under the EDJA suit. A separate suit would need to be filed to achieve such declaration. The Intervenors filed a petition for review with the Texas Supreme Court, which petition was granted. The Texas Supreme Court issued an opinion in March 2020 holding, in summary,

that the Authority may pursue declarations under the EDJA suit with respect to the valid execution of the GRP Contracts. The EDJA suit has been remanded to the District Court for further proceedings.

While the EDJA suit was pending before the Texas Supreme Court, Quadvest, L.P., Woodlands Oaks Utility, L.P., and certain other privately-owned water utilities filed suit against the Authority in District Court in Montgomery County, Texas, alleging breach of contract claims related to the GRP Fees (the "rate suit"). The Authority filed cross-claims against the Cities of Conroe, Magnolia, Texas, in the rate suit seeking to recover unpaid GRP Fees from such Cities. In response, the Cities of Conroe, Magnolia, Texas, filed pleas arguing that immunity barred the Authority's claims. The District Court granted the pleas and the Authority has filed an appeal of the ruling with the Ninth Court of Appeals, Beaumont. The Authority has filed a separate rate suit against Quadvest, L.P. and Woodlands Oaks Utility, L.P. to recover unpaid GRP Fees from such utilities.

Quadvest, L.P. and Woodlands Oaks Utility, L.P. have also filed a suit against the Authority in the U.S. District Court for the Southern District of Texas, Houston Division, alleging violations of federal antitrust law when it entered into the GRP Contracts.

At this time, no evaluation can be made as to the outcome of the above lawsuit or the impacts on the Authority and the resultant impact on GRP Participants such as the District.

**Operating History:**

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. The information included in the table below relating to the District's General Fund (water and sewer system operations) is provided for information purposes only.

	<b>FISCAL YEAR ENDING JUNE 30 (a)</b>				
	<b><u>2021</u></b>	<b><u>2020</u></b>	<b><u>2019</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>
<b>REVENUES</b>					
Maintenance taxes	\$1,053,636	\$966,872	\$866,386	\$842,633	\$1,002,101
Water service	\$363,539	\$333,588	\$336,477	\$325,324	\$323,296
Wastewater service	\$993,331	\$918,743	\$928,039	\$891,241	\$868,873
Regional water authority	\$421,492	\$410,046	\$364,101	\$372,271	\$372,506
Penalty and interest	\$31,403	\$23,161	\$31,180	\$33,945	\$32,116
Reconnection fee	\$12,005	\$12,285	\$14,644	\$18,675	\$17,747
Tap connection fees	\$22,820	\$1,612	(\$77,725)	(\$51,418)	\$20,591
Interest of temporary investments	\$4,754	\$45,445	\$34,620	\$8,690	\$5,584
Miscellaneous income	\$14,070	\$1,526	\$1,306	-	\$195
<b>TOTAL REVENUES</b>	<b><u>\$2,917,050</u></b>	<b><u>\$2,713,278</u></b>	<b><u>\$2,499,028</u></b>	<b><u>\$2,441,361</u></b>	<b><u>\$2,643,009</u></b>
<b>EXPENDITURES</b>					
Bulk water and sewer purchases	\$967,732	\$969,268	\$734,665	\$814,410	\$736,882
Professional fees	\$396,581	\$344,350	\$379,335	\$364,701	\$369,027
Purchased and contracted services	\$466,393	\$406,543	\$369,762	\$311,259	\$326,394
Recurring operating expenditures	\$189,441	\$109,843	\$81,923	\$97,463	\$84,307
Repairs and maintenance	\$257,274	\$265,098	\$243,139	\$301,363	\$179,230
Utilities	\$74,519	\$46,190	\$30,152	\$45,194	\$34,547
Capital outlay	\$427,266	\$933,402	\$198,152	\$1,202,364	\$279,565
<b>TOTAL EXPENDITURES</b>	<b><u>\$2,779,206</u></b>	<b><u>\$3,074,694</u></b>	<b><u>\$2,037,128</u></b>	<b><u>\$3,136,754</u></b>	<b><u>\$2,009,952</u></b>
<b>EXCESS REVENUE/EXPENDITURE (b)</b>	<b><u>\$137,844</u></b>	<b><u>(\$361,416)</u></b>	<b><u>\$461,900</u></b>	<b><u>(\$695,393)</u></b>	<b><u>\$633,057</u></b>

(a) Source: District's annual financial statements.

(b) As of January 12, 2022, the cash balance in the General Fund was approximately \$3,924,702. For the fiscal year ending June 30, 2022, the District is budgeting General Fund revenues of approximately \$3,511,508 and Operating expenditures of approximately \$2,583,066.

## THE DEVELOPER

### Role of a Developer in a Municipal Utility District:

In general, activities of developers in special utility districts such as the District include defining a marketing program and building schedule, securing necessary governmental approvals and permits, arranging for construction of roads and installation of utilities (including in some cases, a contribution of 30% of the costs of certain water, sewer, and drainage facilities pursuant to the rules of the TCEQ), as well as gas, telephone, and electric service, and selling improved lots and commercial reserves to builders or others. In addition, developers are ordinarily major taxpayers during the development phase of the property within a utility district, and their ability to pay taxes may affect the security of a district's bonds.

### The Current Developers:

- Woodmere Development Co., Ltd. -

Woodmere Development Co., Ltd. ("Woodmere") is the developer of the Montgomery Creek Ranch Subdivision. Woodmere has completed the land development work in Montgomery Creek, Sections 1-12 and 14-22. Woodmere is currently selling 45-foot and 55-foot lots in the subdivision to Long Lake Ltd., dba Foxwood Homes, Postwood Homes, and Briarwood Homes (these homebuilding entities have ownership that is common to Woodmere). Homes are currently being marketed in the Montgomery Creek Ranch Subdivision in the \$300,000 - \$400,000 price range.

- 242, LLC -

242, LLC ("242") is the developer of the Harper's Preserve, Section 6 and Section 9. All of the land development work in these sections has been completed and both Sections' are substantially built out.

242 has recently completed the land development work associated with Harper's Preserve, Section 23 (13 lots) and Section 24 (33 lots). Homes in Section 23 are being constructed by MI Homes who will be marketing homes in the \$700,000-\$800,000 price range. Homes in Section 24 are being constructed by Empire Homes who is marketing homes in the \$420,000-\$490,000 price range. In addition to certain reimbursements from proceeds of the outstanding Bonds, 242, LLC anticipates additional reimbursement from the District for facilities located in Harper's Preserve Sections 23 and 24.

**DISTRICT DEBT**  
**(unaudited)**

1/1/2022 Estimated Taxable Value	\$472,884,534	(a)
2021 Taxable Value	\$450,355,005	(b)
Direct Debt (See "DISTRICT DEBT")		
Outstanding Bonds (As of March 1, 2022)	\$35,540,000	
Plus Series 2022 Bonds	<u>\$4,780,000</u>	
Total Direct Debt	\$40,320,000	
Estimated Overlapping Debt	<u>\$20,756,404</u>	
Direct and Estimated Overlapping Debt	\$61,076,404	
Percentage of Direct Debt to:		
1/1/2022 Taxable Value	8.53%	
2021 Taxable Value	8.95%	
See "DISTRICT DEBT"		
Percentage of Direct Overlapping Debt to:		
1/1/2022 Taxable Value	12.92%	
2021 Taxable Value	13.56%	
See "DISTRICT DEBT"		
2021 Tax Rate Per \$100 of Assessed Value:		
Debt Service	\$0.463	
Maintenance Tax	<u>\$0.267</u>	
Total 2021 Tax Rate	\$0.730	
Approximate General Fund Cash and Investment Balance (as of 1/12/2022)	\$3,924,702	
Approximate Debt Service Fund Cash and Investment Balance (as of 1/12/2022)	\$2,075,000	(c)

- 
- (a) Reflects data supplied by the Montgomery Central Appraisal District ("MCAD"). The Estimated Taxable Value as of 1/1/2022 was prepared by MCAD and provided to the District. Such value is not binding on MCAD, and any new value (subsequent to January 1, 2021) will not be included on the District's tax roll until the 2022 tax roll is prepared and certified by MCAD during the second half of 2022. See "TAX DATA" and "TAX PROCEDURES."
- (b) The 2021 Taxable Value was prepared by MCAD and provided to the District. See "TAX DATA" and "TAXING PROCEDURES."
- (c) Represents the approximate cash and investment balance in the Debt Service Fund as of January 12, 2022. Neither Texas law nor the District's Bond Order requires the District to maintain any particular balance in the Debt Service Fund.

**Estimated Overlapping Debt:**

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

<u>Taxing Jurisdiction</u>	<u>Outstanding Debt</u>	<u>Overlapping Debt</u>	
		<u>Percent</u>	<u>Amount</u>
Conroe Independent School District	\$1,513,170,000	1.04%	\$15,805,563
Montgomery County	\$485,170,000	0.76%	\$3,674,663
Lone Star College System	\$675,545,000	0.19%	<u>\$1,276,239</u>
<b>Total Estimated Overlapping Debt</b>			<b>\$20,756,404</b>
The District's Direct Debt (a)			<u>\$40,320,000</u>
<b>Total Direct and Estimated Overlapping Debt</b>			<b>\$61,076,404</b>

(a) Includes the Bonds.

**TAX DATA**

**Debt Service/Maintenance Tax:**

In 2021, the District levied a tax of \$0.463 per \$100 of assessed valuation for debt service purposes. In addition, the District also levied \$0.267 per \$100 of assessed valuation for maintenance purposes in 2021. The proceeds of the maintenance tax are deposited into the District's Operating Fund and used to pay certain operating costs. A maintenance tax has been levied in the District since 1995.

**Analysis of Tax Base:**

Based on information provided to the District by its Tax Assessor/Collector, the following table represents the composition of property comprising the District's gross tax roll valuations and the exemptions (including supplemental adjustments made by MCAD) for 2017 through 2021. See "DISTRICT DEBT."

<u>Year</u>	<u>Type of Property</u>			<u>Gross Valuations</u>	<u>Exemptions (a)</u>	<u>Taxable Valuation (b)</u>
	<u>Land</u>	<u>Improvements</u>	<u>Personal Property</u>			
2021	\$105,855,312	\$443,942,090	\$6,592,723	\$556,390,125	\$106,035,120	\$450,355,005
2020	\$81,316,345	\$414,358,210	\$7,799,487	\$503,474,042	\$103,649,123	\$399,824,919
2019	\$55,604,195	\$391,212,040	\$8,136,619	\$454,952,854	\$95,110,888	\$359,841,966
2018	\$54,491,890	\$325,683,280	\$6,327,959	\$386,503,129	\$75,683,576	\$310,819,553
2017	\$46,675,480	\$299,011,130	\$5,218,832	\$350,905,442	\$71,447,293	\$279,458,149

(a) A majority of the exemptions is a result of the 20% Homestead Exemption granted to homeowners by the District.

(b) Reflects the gross Assessed Valuation supplied by MCAD, less exemptions.

**Tax Distribution:**

The following table sets forth the tax rate distribution of the District for the years 2017 through 2021.

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Debt Service	\$0.463	\$0.515	\$0.55	\$0.59	\$0.59
Maintenance/Operation	<u>\$0.267</u>	<u>\$0.265</u>	<u>\$0.27</u>	<u>\$0.28</u>	<u>\$0.30</u>
<b>Total</b>	<b>\$0.730</b>	<b>\$0.780</b>	<b>\$0.82</b>	<b>\$0.87</b>	<b>\$0.89</b>

**Principal Taxpayers:**

The list of principal taxpayers for 2021 and the other information in this table was provided by MCAD based on certified tax rolls provided net of any exemptions. Such data does not reflect any corrections subsequent to action of the Appraisal District.

<b><u>Taxpayer</u></b>	<b><u>Type of Property</u></b>	<b><u>2021 Valuation</u></b>	<b><u>% of Total</u></b>
242 Glen Eagle LP	Land & improvements	\$5,856,440	1.30%
ExchangeRight Net Leased Portfolio 26 DST	Land & improvements	\$5,054,394	1.12%
Lund Ventures LLC	Land & improvements	\$3,773,610	0.84%
BK 8227 Ltd	Land & improvements	\$3,504,070	0.78%
10161 Hwy 242, LLC	Land & improvements	\$3,012,230	0.67%
Agree Convenience No. 1 LLC	Land & improvements	\$2,231,260	0.50%
Kualoa Ranch Inc	Land & improvements	\$1,866,670	0.41%
Daveck Properties Ltd	Land & improvements	\$1,691,570	0.38%
Entergy Texas Inc.	Land & improvements	\$1,502,390	0.33%
Panjwani Properties Ltd	Land, improvements & personal property	<u>\$1,466,700</u>	<u>0.33%</u>
<b>TOTAL</b>		<b>\$29,959,334</b>	<b>6.65%</b>

**Levy and Collection:**

The following represents the collection history of District taxes:

<b><u>Tax Year</u></b>	<b><u>Taxable Assessed Valuation</u></b>	<b><u>Tax Rate</u></b>	<b><u>Adjusted Levy</u></b>	<b><u>Cumulative Collections (a) Dollars</u></b>	<b><u>Percent</u></b>
2021	\$450,355,005	\$0.7300	\$3,287,961	\$3,025,388	92%
2020	\$399,824,919	\$0.7800	\$3,119,043	\$3,106,022	100%
2019	\$359,841,966	\$0.8200	\$2,950,704	\$2,937,132	100%
2018	\$310,819,553	\$0.8700	\$2,704,470	\$2,684,980	100%
2017	\$279,458,149	\$0.8900	\$2,487,244	\$2,470,339	100%

- (a) Represents the cumulative tax collections as of December 31, 2021. According to the tax collector's office the current tax collections have been 96% or better each year for the past several years.
- (b) The 2021 taxes were due on or before January 31, 2022.

**Tax Rate Calculations:**

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 assessed valuation which would be required to meet certain debt service requirements if no growth in the District occurs beyond the dates noted on the table below. The foregoing further assumes collection of 95% of taxes levied, and assumes the issuance of the Bonds but no additional bonds.

Maximum Debt Service Requirements (2034) .....	\$2,671,337
Tax Rate of \$0.60 on the 1/1/2022 Estimated Taxable Value (a) produces.....	\$2,695,442
Tax Rate of \$0.63 on the 2021 Taxable Value (a) produces.....	\$2,695,375

- (a) All calculations based upon the Taxable Values of the District. The Board has adopted a 20% homestead exemption each year since 1987.

**Estimated Overlapping Taxes:**

Property within the District is subject to taxation by several taxing authorities in addition to the District. Under Texas law, a tax lien attaches to property to secure the payment of all taxes, penalty and interest for the year, on January 1, of that year. The tax lien on property in favor of the District is on parity with tax liens of other taxing jurisdictions. See "TAXING PROCEDURES." In addition to ad valorem taxes required to make debt service payments on bonded debt of the District and of such other jurisdictions (see "DISTRICT DEBT -- Estimated Overlapping Debt"), certain taxing jurisdictions are authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

Set forth below are all 2021 taxes levied by such taxing jurisdictions, assuming each assesses at 100% basis of assessment. No recognition is given to local assessments for civic association dues, fire department contributions, solid waste disposal charges, or any other levy of entities other than political subdivisions.

<u>Taxing Jurisdictions</u>	<u>2021 Tax Rate Per \$100 Assessed Valuation</u>
Conroe ISD	\$1.17600
Montgomery County	\$0.40830
Montgomery County Hospital District	\$0.05670
Lone Star College System	\$0.10780
Emergency Service Dist. No. 4	<u>\$0.10000</u>
<b>Overlapping Taxing Jurisdictions</b>	<b>\$1.84800</b>
The District	<u>\$0.73000</u>
<b>Estimated Total Tax Rate</b>	<b>\$2.57880</b>

### 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 and interest on the Bonds, and any additional bonds payable from taxes that 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 in this Official Statement under the caption "THE BONDS – Sources 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 its water and wastewater system (see "TAX DATA – Maintenance Tax") and for the payment of certain contractual obligations, if authorized by the voters in the District.

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

Title 1 of the Texas Tax Code (the "Property Tax Code") specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Property Tax Code are complex and are not fully summarized here. The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units in 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 Appraisal Review Board (the "Appraisal Review Board").

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

**General.** Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes, and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; certain goods, wares, and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites, and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years or older and of certain disabled persons, to the extent deemed advisable by the Board. The District has granted a \$25,000 residential homestead exemption for the disabled and for over-65 individuals. 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, to 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. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if (i) the residence homestead was donated by a charitable organization at no cost to the



disabled veteran, or (ii) the residence was donated by a charitable organization at some cost to the disabled veteran if such cost is less than or equal to fifty percent (50%) of the total good faith estimate of the market value of the residence as of the date the donation is made. Also, the surviving spouse of (i) a member of the armed forces, or (ii) a first responder as defined under Texas law, 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. 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 spouse.

**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%) 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 May 1. The District has granted a 20% residential homestead exemption each year since 1987.

**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 is limited to 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, but may choose to exempt same in the future by further official action.

**Tax Abatement:**

Montgomery County may designate all or part of the area within the District as a reinvestment zone. The District, at its option and discretion, 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. The terms of all tax abatement agreements must be substantially the same.

**Valuation of Property for Taxation:**

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Tax Code.

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 are 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. If a landowner of qualified open-space land is a member of the U.S. armed forces, subject to certain conditions, the appraisal of the land as qualified open-space land does not change while the landowner is deployed or stationed outside of Texas. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it for another. If a claimant receives the agricultural use designation and

later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three (3) years for agricultural use and taxes for the previous five (5) years for open space land and timberland.

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

### **District and Taxpayer Remedies:**

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

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

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

### **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 "Low Tax Rate Districts." Districts that have financed, completed, and issued bonds to pay for all improvements and facilities necessary to serve at least 95% of the projected build-out of the district are classified as "Developed Districts." Districts that do not meet either of the classifications previously discussed are classified herein as "Developing Districts." The impact each classification has on the ability of a district to increase its maintenance and operations tax rate pursuant to SB 2 is described for each classification below.

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

preceding tax year on a residence homestead appraised at the average appraised value of a resident homestead in the district in that year, subject to certain homestead exemptions.

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

**Developing Districts.** Districts that do not meet the classification of a Low Tax Rate District or a Developed District are 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 a rollback election is called and passes, the total tax rate for Developing Districts is the current year's debt service and contract tax rate plus the operation and maintenance tax rate that would impose 1.08 times the amount of operation and maintenance tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a resident homestead in the district in that year, subject to certain homestead exemptions.

**The District.** A determination as to a district's status as a Low Tax Rate District, Developed District, or Developing District will be made on an annual basis, at the time a district sets its tax rate, beginning with the 2020 tax rate. The District is designated a Developing District for the 2021 tax year. 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 rollback 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 parity with tax liens of other such taxing units (see "TAX DATA – Estimated Overlapping Taxes"). A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; 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.

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

### **ANNEXATION AND CONSOLIDATION**

#### **Annexation:**

The District is located within the extraterritorial jurisdiction of the City of Conroe, Texas. Texas law provides that under certain circumstances, land within the District may be annexed by the City of Conroe without the consent of the District, which annexation could modify the sources of and security for payment of the Bonds. If the entire District is so annexed, the City of Conroe

must assume the District's assets and obligations (including the Bonds) and abolish the District. No representation is made that the City of Conroe will ever annex all or part of the territory within the District and assume payment of the Bonds. Moreover, no representation is made concerning the ability of Conroe to make debt service payments should assumption of the Bonds occur.

**Consolidation:**

A district (such as 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, with the water and wastewater systems of districts with which it is consolidating as well as its liabilities (which would include the Bonds). No representation is made concerning the likelihood of consolidation.

**LEGAL MATTERS**

**Legal Opinion:**

The District will furnish the Underwriter a transcript of certain certified proceedings held incident to the authorization and issuance of the Bonds, including a certified copy of the approving opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Bonds are valid and legally binding obligations of the District. The District will also furnish the legal opinion of Young & Brooks ("Bond Counsel") to the effect that based upon an examination of such transcript the Bonds are legal, valid and binding obligations of the District and to the effect that the interest on the Bonds is exempt from federal income taxation under existing statutes, regulations, published rulings and court decisions. Such opinions express no opinion with respect to the sufficiency of the security for or the marketability of the Bonds.

**Legal Review:**

Bond Counsel has reviewed the information appearing in the Official Statement under the captions "REGISTRATION," "THE BONDS," "THE DISTRICT – General," "TAXING PROCEDURES," "ANNEXATION AND CONSOLIDATION," "LEGAL MATTERS" (as it relates to the opinion of bond counsel), "TAX MATTERS," and "CONTINUING DISCLOSURE OF INFORMATION" (except for the subsection "Compliance with Prior Undertakings") solely to determine whether such information, insofar as it relates to matters of law, fairly summarizes the procedures and documents referred to therein. Bond Counsel has not, however, independently verified any of the factual information contained in this Official Statement nor has it conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon Bond Counsel's limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any information contained herein, other than the matters discussed immediately above.

Young & Brooks act as general counsel to the District on matters other than the issuance of bonds. The legal fees paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the bonds actually issued, sold and delivered and, therefore, such fees are contingent upon the sale and delivery of the Bonds.

**No-Litigation Certificate:**

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

**TAX MATTERS**

**Opinion:**

On the date of initial delivery of the Bonds, Young & Brooks, Houston, Texas, Bond Counsel, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code").

Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds. In rendering its opinion, Bond Counsel will rely upon (a) certain information and representations of the District, including information and representations contained in the District's federal tax certificate, and (b) covenants of the District contained in the Bond documents relating to certain matters, including arbitrage and the use of the proceeds of the Bonds and the property financed or refinanced therewith. Failure by the District to comply with the aforementioned representations or covenants could cause the interest on the Bonds to become includable in gross income retroactively to the date of issuance.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to be, and to remain, excludable from gross income for federal

income tax purposes. Failure to comply with such requirements may cause interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The opinion of Bond Counsel is conditioned on compliance by the Issuer with such requirements, and Bond Counsel has not been retained to monitor compliance with these requirements subsequent to the issuance of the Bonds.

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

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

### **Federal Income Tax Accounting Treatment of Original Issue Discount:**

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

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

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

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

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

### **Collateral Federal Income Tax Consequences:**

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

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

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

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

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

### **State, Local, and Foreign Taxes:**

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

### **Information Reporting and Backup Withholding:**

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

### **Qualified Tax-Exempt Obligations for Financial Institutions:**

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

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

### **REGISTRATION AND QUALIFICATION UNDER SECURITIES LAWS**

The offer and sale of the Bonds have not been registered or qualified under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein, and the Bonds have not been registered or qualified under the securities laws of any other jurisdiction. The District assumes no responsibility for qualification of the Bonds under the securities

laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated 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 provisions.

### **CONTINUING DISCLOSURE OF INFORMATION**

In the Bond Order, the District has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to the Municipal Securities Rulemaking Board (the "MSRB") or any successor to its functions as a repository through its Electronic Municipal Market Access ("EMMA") system.

#### **Annual Reports:**

The District will provide certain updated financial information and operating data annually. The information to be updated with respect to the District includes the quantitative financial information and operating data of the general type included in the District's audited financial statements and supplemental schedules as found in this Official Statement under the headings "SELECTED FINANCIAL INFORMATION," "TAX DATA," to the extent available, and "APPENDIX A - ANNUAL FINANCIAL REPORT." The District will update and provide this information within six months after the end of each of its fiscal years ending in and after 2022.

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

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

#### **Event Notices:**

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

#### **Availability of Information:**

The District has agreed to provide the foregoing information only to the MSRB. Investors will be able to access, without charge from the MSRB, continuing disclosure information filed with the MSRB through its EMMA system at [www.emma.msrb.org](http://www.emma.msrb.org).

### **Limitations and Amendments:**

The District has agreed to update information and to provide notices of material events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders 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 to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if but only if (1) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (2) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the Registered Owners and beneficial owners of the Bonds. The District also 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 Underwriter 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 so provided.

### **Compliance with Prior Undertakings:**

The District was not timely informed of the withdrawal of the rating of the insurer of its Series 2016 Bonds on December 1, 2017, and accordingly the District did not file notice of the resulting rating change to the Series 2016 Bonds within ten business days after the rating change occurred. Notice of late filing was made. The District is otherwise in compliance in all material respects with all continuing disclosure agreements made by it in connection with SEC Rule 15c2-12 for the last five years.

## **OFFICIAL STATEMENT**

### **Sources of Information:**

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

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.

### **Financial Advisor:**

The Official Statement was compiled and edited under the supervision of the District's Financial Advisor, The GMS Group, L.L.C. The fees to be paid the Financial Advisor for services rendered in connection with the issuance and sale of the Bonds are based on a percentage of the Bonds actually issued, sold and delivered and therefore such fees are contingent on the sale and delivery of the Bonds.

### **Consultants:**

In approving this Official Statement, the District has relied upon the following consultants.

**Engineer:** The information contained in this Official Statement relating to engineering matters generally, to the description of the System, and, in particular, that engineering related information included in the sections entitled "THE DISTRICT – General" " – Summary of Land Use," " - Current Status of Single Family Residential Development in the District" and "THE SYSTEM" has been provided by AEI Engineering a Baxter Woodson Company and has been included in reliance upon the authority of such firm as an expert in the field of civil engineering.

**Tax Collector:** The information contained in this Official Statement relating to the assessed valuation of property and, in particular, such information contained in the section captioned "TAX DATA," has been provided by the Montgomery County



Appraisal District and by Ms. Tammy J. McRae, the District's Tax Assessor/Collector, in reliance upon their authority as experts in the field of tax assessing and appraising.

Auditors: The financial statements of the District and the accompanying report by Breedlove & Co., P.C., Certified Public Accountants, as shown in Appendix A, have been published with the consent of such firm.

**Updating of Official Statement:**

The District will keep the Official Statement current by amendment or sticker to reflect material changes in the affairs of the District and, to the extent that information comes to its attention, to the other matters described in the Official Statement until the delivery of the Bonds to the Underwriter, unless the Underwriter notifies the District that less than all of the Bonds have been sold to ultimate customers on or before such date, in which case the obligation will extend until the earlier of the time when all of the Bonds have been sold or 90 days after delivery of the Bonds.

**Continuing Availability of Financial Information:**

Pursuant to Texas law, the District has its financial statements prepared in accordance with generally accepted accounting principles, and has its financial statements audited by a certified public accountant in accordance with generally accepted auditing standards within 120 days after the close of its fiscal year. The District audit report is filed with the TCEQ within 135 days after the close of its fiscal year.

The District's financial records and audit reports are available for public inspection during regular business hours at the office of the District and copies will be provided on written request, to the extent permitted by law, upon payment of copying charges. Requests for copies should be addressed to the District in care of Young & Brooks, Attorneys at Law, 10000 Memorial Drive, Suite 260, Houston, Texas 77024.

**Certification as to Official Statement:**

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

This Official Statement was approved by the Board of Directors of Montgomery County Municipal Utility District No. 15 as of the date shown on the cover page.

APPENDIX A

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT No. 15  
MONTGOMERY COUNTY, TEXAS  
ANNUAL FINANCIAL REPORT

JUNE 30, 2021

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**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 15**

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**REPORT ON FINANCIAL STATEMENTS**  
*(With Supplemental Material)*

**YEAR ENDED JUNE 30, 2021**

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# BREEDLOVE & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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JILL A. HENZE, CPA  
President

NICOLE BREEDLOVE HUNT, CPA  
CEO

## INDEPENDENT AUDITORS' REPORT

November 10, 2021

Board of Directors  
Montgomery County Municipal Utility District No. 15  
Montgomery County, Texas

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Montgomery County Municipal Utility District No. 15, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Montgomery County Municipal Utility District No. 15's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

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

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

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

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Montgomery County Municipal Utility District No. 15, as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 6 and pages 25 through 27 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Montgomery County Municipal Utility District No. 15's basic financial statements. The accompanying Texas Supplementary Information is presented for purposes of additional analysis and is not a required part of the financial statements. The Texas Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Texas Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Breckhow & Co., P.C.*

## **MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 15**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2021**

In June 1999, the Governmental Accounting Standards Board (GASB) adopted Statement 34, Basic Financial Statements, and Management Discussion and Analysis, for State and Local Governments. This standard requires that a "Management Discussion and Analysis" of the district be included with its annual audit and basic financial statements. Montgomery County Municipal Utility District 15 (MUD 15) implemented GASB 34 for the first time supplementing the audit for fiscal year ending June 30, 2004, as required.

#### **GOVERNMENTAL FUND STRUCTURE**

MUD 15 has four types of funds, which are:

- Debt Service - used to collect, hold, and pay long-term debt principal and interest payments;
- Capital Projects - dedicated to the construction or acquisition of capital facilities and improvements;
- General Operating - are all revenues and expenditures not listed in other funds; and
- Special Revenue - used to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

The debt service fund is divided into two different types of accounts. They are TexPool, which is an investment pool controlled by the state and a money market.

The capital project fund is a repository for large projects and capital acquisitions. At present MUD 15 is providing new taps and services for a new development in the district. The account includes monies received and paid out using bond series 2021, 2018A, 2018, 2017, 2016, 2015, and 2012 proceeds for this development, series 2014 proceeds for a new water plant, and series 2021 proceeds for wastewater treatment plant expansion.

The general operating fund is maintained in TexPool, a money market, and certificates of deposit. Moneys are transferred in and out of these accounts and the general operating checking account monthly as required.

The special revenue funds are maintained in checking accounts. Moneys are collected for bulk water and sewer sales and expensed for maintenance of joint water plant and joint wastewater treatment plant facilities.

#### **FINANCIAL ANALYSIS AND HIGHLIGHTS**

This district maintained a debt service tax rate at \$0.515 and \$0.59 per \$100 valuation in 2020 per \$100 valuation in 2020 and 2019, respectively. The 2021 debt service will be \$0.463 per \$100 valuation. The average annual debt service increased over the prior year (approximately \$1,719,000/year at June 30, 2021).

During the June 30, 2010 fiscal year, the district entered into an agreement with MUD 95 to supply water and wastewater services to their district. In the current year the district collected monies from MUD 95 that are being used for wastewater plant expansion. In addition, the district set up two special revenue funds to account for the joint water plant and joint wastewater treatment plant facilities with MUD 95.

Standard & Poor's gave the new series 2021A, 2021, 2018A, 2018, 2017, 2016A, 2016, 2015, 2014, and 2012 bonds a BBB rating which indicates good financial strength.

## MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 15

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2021 (Continued)

#### **CAPITAL ASSETS ANALYSIS AND HIGHLIGHTS**

MUD 15 was created in 1972 and encompasses 831.7839 acres. Of these, 637 acres are either developed or can be developed. This is equivalent to an estimated 1,512 connections. The remaining 194 acres are either in a floodway, ditch, detention pond, parks water or wastewater treatment plants.

The district sold its first bonds in June of 1973 and at the end of fiscal year 2021 had an outstanding debt of \$36,525,000.

The following is a synopsis of the district's capital assets:

- **Underground Facilities:**

A large portion of the district's underground infrastructure dates back to its first bond and the subsequent bond sales in the early 80s. Generally, the district's underground facilities are considered aging, and major repairs are being encountered. The District has implemented a rehabilitation program to make needed repairs in a cost-effective manner.

- **Wastewater Treatment Plant:**

The original wastewater treatment plant (WWTP) was replaced in 1997 and was increased to 300 thousand gallons per day (MGPD) in 1999. Last year, the plant had capacity to serve 1,071 connections based on 280 gallons per connection per day. An expansion of the WWTP was completed during in 2014 that doubled its size to 600 MGPD. The overall quality of the WWTP is very good.

- **Lift Stations:**

Currently, the district has five lift stations, all of which are of good quality. They are located at the WWTP, next to the pool on Gleneagles Drive, north end of Fallen Timbers, in section three along Glenoaks Drive, and in Montgomery Creek Ranch Section 3.

- **Water Wells:**

The district has three water wells that are located at the Water Plants (WP). Their current combined capacity is approximately 3,823 equivalent single-family connections. The overall quality of the water wells is good.

- **Ground Storage Tanks:**

The district also has two ground storage tanks with a combined capacity of 640,000 gallons. Both storage tanks are located at the WP. The overall quality of the storage tanks is good.

- **Hydropneumatic Tank:**

The district has two hydropneumatic tanks with a combined capacity to serve 2,500 connections. The overall quality of the pressure tanks is good.

- **Booster Pumps:**

The district has seven water booster pumps rated 15Hp (250 GPM), three at 30Hp (500GPM), 40Hp (750 GPM), 75Hp (1500 GPM), and 75Hp (1500 GPM) and can service up to 3,983 connections. The overall quality of the pumps is fair to good.



**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 15**

MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2021  
(Continued)

**CAPITAL ASSETS ANALYSIS AND HIGHLIGHTS (Continued)**

- Standby Generators:

The district currently has seven standby generators located at each of the following locations: WWTP, Water Plants 1 and 2, and four lift stations. There is sufficient generating capacity to operate the entire district during a prolonged power outage. The overall condition of the generators is very good.

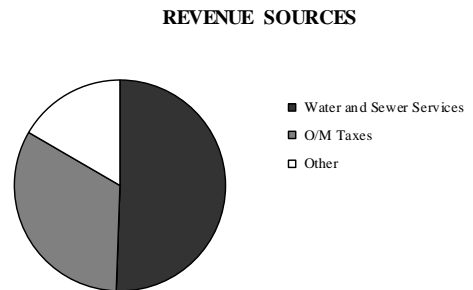
**BUDGET AND ECONOMIC ANALYSIS AND HIGHLIGHTS**

Typically, the district revenues are collected from water and sewer services and maintenance taxes. The following is a comparative breakdown of the actual revenue sources, including the general fund and special revenue funds less inter-fund activity for the fiscal years ended June 30, 2021 and 2020:

Revenue Source Table and Pie Chart

REVENUE SOURCE	FY 2021-2020	FY 2020-2019	INCREASE (DECREASE)	% CHANGE
Water and Sewer Services	1 542 069	1 433 686	108 383	7.56%
O/M Taxes	1 053 636	966 872	86 764	8.97%
Other	471 763	480 293	( 8 530)	-1.78%
Total	3 067 468	2 880 851	186 617	6.48%

Total revenues were 4% greater than the general fund and special revenue funds’ budgets with eliminating inter-fund activity. This positive variance in the budget revenues was mainly due to greater than expected sewer revenue.



**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 15**

MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2021  
(Continued)

**BUDGET AND ECONOMIC ANALYSIS AND HIGHLIGHTS (Continued)**

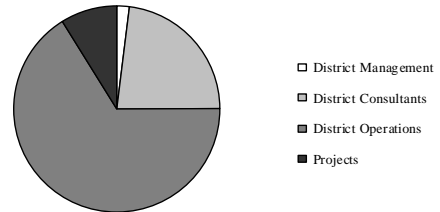
The expense side of the budget resulted in a less than 15% positive variance from the general fund and special revenue funds’ budgets in total. The following is a comparative breakdown of the actual expenditures, including the general fund and special revenue funds less inter-fund activity for the fiscal years ended June 30, 2021 and 2020:

Expenditure Table and Pie Chart

<b>EXPENDITURE</b>	<b>FY 2021-2020</b>	<b>FY 2020-2019</b>	<b>INCREASE (DECREASE)</b>	<b>% CHANGE</b>
District Management	45 141	85 011	( 39 870)	-46.90%
District Consultants	539 010	482 886	56 124	11.62%
District Operations	1 918 237	1 689 539	228 698	13.54%
Projects	427 266	955 602	( 528 336)	-55.29%
<b>Total</b>	<b>2 929 654</b>	<b>3 213 038</b>	<b>( 283 384)</b>	<b>-8.82%</b>

Revenues were up 6.48% and expenses were down 8.82% from fiscal year 2020 to 2021. The increase in revenue was due to increased water and sewer services revenue caused by more connections for the 2021 fiscal year compared to the 2020 fiscal year. The decrease in expenses was due to significantly less capital expenditures in in 2021 than in 2020.

**EXPENDITURES**



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**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 15**

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET  
JUNE 30, 2021

	General Fund	Special Revenue Fund I	Special Revenue Fund II	Debt Service Fund
<u>ASSETS</u>				
Cash and temporary investments	\$ 4 686 647	\$ 52 977	\$ 36 393	\$ -
Restricted cash and temporary investments	-	-	-	2 072 072
Taxes receivable	17 226	-	-	31 319
Other receivables	186 189	2 077	24 380	-
Internal receivables	210 907	-	24 760	186 883
Prepaid expenses	6 654	-	-	5 899
Capital assets (net of accumulated depreciation)				
Land	-	-	-	-
Infrastructure	-	-	-	-
Construction in progress	-	-	-	-
Total assets	<u>\$ 5 107 623</u>	<u>\$ 55 054</u>	<u>\$ 85 533</u>	<u>\$ 2 296 173</u>
<u>LIABILITIES</u>				
Accounts payable and accrued liabilities	\$ 113 710	\$ 35 018	\$ 11 520	\$ 13 079
Refundable deposits	253 160	-	-	-
Due to other districts	-	-	5 000	-
Due to developer	-	-	-	-
Internal payables	211 643	47 658	100 000	50 900
Long-term liabilities:				
Due within one year	-	-	-	-
Due after one year	-	-	-	-
Total liabilities	<u>578 513</u>	<u>82 676</u>	<u>116 520</u>	<u>63 979</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Unavailable tax revenue	17 226	-	-	31 319
Total deferred inflows of resources	<u>17 226</u>	<u>-</u>	<u>-</u>	<u>31 319</u>
<u>FUND BALANCES/NET POSITION</u>				
Fund balances:				
Restricted:				
Debt service funds	-	-	-	2 200 875
Unassigned	4 511 884	( 27 622)	( 30 987)	-
Total fund balances	<u>4 511 884</u>	<u>( 27 622)</u>	<u>( 30 987)</u>	<u>2 200 875</u>
Total liabilities and fund balances	<u>\$ 5 107 623</u>	<u>\$ 55 054</u>	<u>\$ 85 533</u>	<u>\$ 2 296 173</u>
Net position:				
Net investment in capital assets				
Restricted for debt service				
Unrestricted				
Total net position				
Total liabilities, deferred inflows of resources and net position				

See the Accompanying Independent Auditors' Report and Notes to Financial Statements.

Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$ -	\$ 4 776 017	\$ -	\$ 4 776 017
5 505 141	7 577 213	-	7 577 213
-	48 545	-	48 545
15 931	228 577	-	228 577
-	422 550	( 422 550)	-
-	12 553	-	12 553
-	-	3 015 275	3 015 275
-	-	21 570 223	21 570 223
-	-	159 183	159 183
<u>\$ 5 521 072</u>	<u>\$ 13 065 455</u>	<u>\$ 24 322 131</u>	<u>\$ 37 387 586</u>
\$ 43 067	\$ 216 394	\$ 333 591	\$ 549 985
-	253 160	-	253 160
-	5 000	-	5 000
184 097	184 097	-	184 097
12 349	422 550	( 422 550)	-
-	-	985 000	985 000
-	-	35 540 000	35 540 000
<u>239 513</u>	<u>1 081 201</u>	<u>36 436 041</u>	<u>37 517 242</u>
-	48 545	( 48 545)	-
-	48 545	( 48 545)	-
-	2 200 875	(2 200 875)	-
<u>5 281 559</u>	<u>9 734 834</u>	<u>(9 734 834)</u>	<u>-</u>
<u>5 281 559</u>	<u>11 935 709</u>	<u>(11 935 709)</u>	<u>-</u>
<u>\$ 5 521 072</u>	<u>\$ 13 065 455</u>		
		(11 780 319)	(11 780 319)
		2 200 875	2 200 875
		9 449 788	9 449 788
		( 129 656)	( 129 656)
		<u>\$ 24 322 131</u>	<u>\$ 37 387 586</u>

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 15**

**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>General Fund</u>	<u>Special Revenue Fund I</u>	<u>Special Revenue Fund II</u>	<u>Debt Service Fund</u>
Revenues:				
Charges for water service	\$ 375 544	\$ -	\$ 716 916	\$ -
Charges for sewer service	975 331	401 190	-	-
Property taxes	-	-	-	2 047 059
Maintenance taxes	1 053 636	-	-	-
Groundwater reduction plan fee	421 492	-	-	-
Tap connection fee and inspection fees	40 820	-	-	-
Investment earnings	4 754	39	35	3 217
Penalties and interest	31 403	-	-	14 892
Miscellaneous income	14 040	-	-	2 907
Total revenues	<u>2 917 020</u>	<u>401 229</u>	<u>716 951</u>	<u>2 068 075</u>
Expenditures/expenses:				
Service operations:				
Bulk water purchases	592 097	-	-	-
Bulk sewer purchases	375 635	-	-	-
Solid waste disposal	-	52 332	-	-
Contracted services	90 729	27 758	18 942	2 052
Professional fees	396 581	2 500	2 500	204 778
Director fees	12 450	-	-	-
Repairs and maintenance	257 274	156 749	26 555	-
Utilities	74 519	75 058	25 975	-
Solid waste management	375 664	-	-	-
Groundwater reduction plan	-	-	589 695	-
Other	176 991	86 832	53 284	32 350
Capital outlay	427 266	-	-	-
Bond sale expenses	-	-	-	56 390
Developer interest	-	-	-	-
Debt service				
Principal	-	-	-	8 725 000
Interest	-	-	-	1 002 381
Depreciation	-	-	-	-
Total expenditures/expenses	<u>2 779 206</u>	<u>401 229</u>	<u>716 951</u>	<u>10 022 951</u>
Excess (deficiency) of revenues over expenditures	137 814	-	-	(7 954 876)
Series 2021 and 2021A bond proceeds (\$109,462 net bond discount)	-	-	-	8 222 951
Transfer between funds	19 211	-	-	( 19 211)
Excess (deficiency) of revenues and transfers in over expenditures and transfers out	157 025	-	-	248 864
Change in net position				
Fund balance/net position:				
Beginning of the year	<u>4 354 859</u>	<u>( 27 622)</u>	<u>( 30 987)</u>	<u>1 952 011</u>
End of the year	<u>\$ 4 511 884</u>	<u>\$ ( 27 622)</u>	<u>\$ ( 30 987)</u>	<u>\$ 2 200 875</u>

See the Accompanying Independent Auditors' Report and Notes to Financial Statements.

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$ -	\$ 1 092 460	\$ ( 592 097)	\$ 500 363
-	1 376 521	( 375 635)	1 000 886
-	2 047 059	4 089	2 051 148
-	1 053 636	2 192	1 055 828
-	421 492	-	421 492
-	40 820	-	40 820
814	8 859	-	8 859
-	46 295	-	46 295
-	16 947	-	16 947
<u>814</u>	<u>6 104 089</u>	<u>( 961 451)</u>	<u>5 142 638</u>
-	592 097	( 592 097)	-
-	375 635	( 375 635)	-
-	52 332	-	52 332
3 000	142 481	-	142 481
340 618	946 977	-	946 977
-	12 450	-	12 450
-	440 578	-	440 578
-	175 552	-	175 552
-	375 664	-	375 664
-	589 695	-	589 695
841	350 298	-	350 298
1 154 375	1 581 641	(1 581 641)	-
33 513	89 903	-	89 903
83 888	83 888	-	83 888
-	8 725 000	(8 725 000)	-
-	1 002 381	339 089	1 341 470
-	-	1 569 497	1 569 497
<u>1 616 235</u>	<u>15 536 572</u>	<u>(9 365 787)</u>	<u>6 170 785</u>
(1 615 421)	(9 432 483)		
7 027 587	15 250 538	(15 360 000)	( 109 462)
-	-	-	-
5 412 166	5 818 055	(5 818 055)	
		(1 137 609)	(1 137 609)
<u>( 130 607)</u>	<u>6 117 654</u>	<u>(5 109 701)</u>	<u>1 007 953</u>
<u>\$ 5 281 559</u>	<u>\$11 935 709</u>	<u>\$ (12 065 365)</u>	<u>\$ ( 129 656)</u>

## MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 15

### SUMMARY OF ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021

#### NOTE (1) SIGNIFICANT ACCOUNTING POLICIES

Montgomery County Municipal Utility District No. 15 (the District) was created by an order of the Texas Water Rights Commission effective September 19, 1972, in accordance with Texas Water Code Chapter 54. The Board of Directors held its first meeting on October 6, 1972, and the first bonds were sold on June 22, 1973. The District was established to provide water, sewer, and drainage service to the residents of the District.

The accompanying financial statements of the District have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The more significant accounting policies of the District are described below.

#### A. REPORTING ENTITY

The District is a Texas Utility District with a five-member board of directors, who are elected by individuals residing within the boundaries of the District. The Directors are elected to serve four-year terms, with two members elected at one election and the other three elected two years later.

The District follows the standards promulgated by GASB Statement No. 14, The Financial Reporting Entity, and GASB Statement No. 39, Determining Whether Certain Organizations are Component Units, to define the reporting entity. The financial statements include all operations over which the District is financially accountable. The District is a participant in two joint ventures but has not identified any entities which would be component units of the District.

#### B. BASIS OF PRESENTATION

The District is a special-purpose government that is governed by a separately elected governing body. It is legally separate and fiscally independent of other state and local governments. The accompanying financial statements present the activities of the District.

The financial transactions of the District are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues, and expenditures. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the District:

##### 1. Governmental Funds

General Fund - To account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - To account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Debt Service Fund - To account for all financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Capital Projects Fund - To account for all financial resources that are restricted, committed, or assigned to expenditure for capital outlays.



# MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 15

## SUMMARY OF ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 (Continued)

### NOTE (1) SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### B. BASIS OF PRESENTATION (Continued)

##### 2. Fund Balances

Beginning with fiscal year 2011, the District implemented GASB Statement No. 54, "Fund Balance Reporting and Government Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints place on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance - amounts that are in nonspendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation
- Committed fund balance - amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., board of directors). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest-level action to remove or change the constraint.
- Assigned fund balance - amounts the District intends to use for a specific purpose. Intent can be expressed by the board of directors or by an official or body to which the board of directors delegates the authority.
- Unassigned fund balance - amounts that are available for any purpose.

The District uses the following classifications for net position:

Net investment in capital assets - To indicate the value of capital invested in capital assets less accumulated depreciation, net of associated debt.

Restricted - To indicate the funds restricted within the General Fund for the purposes of contingencies or emergencies. The Board must approve any changes in the restriction of this fund balance.

Unrestricted - To indicate net assets that are available for use in future periods.

## MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 15

### SUMMARY OF ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 (Continued)

#### NOTE (1) SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### C. BASIS OF ACCOUNTING

All Governmental Funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded in the accounting period in which they become available and measurable. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recognized in the period in which the fund liability is incurred, if measurable. The exception to this general rule is that principal and interest on general obligation long-term debt is recognized when due. Property taxes considered available by the District and included in revenue include taxes collected during the year and taxes collected after year end which were considered available to defray the expenditures of the current year. Deferred tax revenues are those taxes which the District does not reasonably expect to be collected soon enough in the subsequent period to finance current expenditures.

The District has adopted GASB 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments." In compliance with GASB 34, the District has presented a Statement of Net Assets and Statement of Activities for the year ended June 30, 2021. These statements are presented on an accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded in the period they are earned, and expenses are recorded in the period they are incurred. The "Adjustments" column on these statements represents the infrastructure of the District and related debt to reflect an accrual basis rather than a modified accrual basis of accounting. In addition, tax revenues are adjusted to reflect an accrual basis rather than a modified accrual basis of accounting. Depreciation is retroactively recorded for all infrastructure assets. All fund balances are adjusted to reflect net position.

##### D. CAPITAL ASSETS

The cost of capital assets includes all costs associated with the creation of the District, the sale of bonds, and the construction of facilities including infrastructure (immovable) assets which are of value only to the District. Interest costs related to bond proceeds are being expensed which includes construction in progress.

The District capitalized the cost of meters and boxes and residential lines as part of the water system as capital assets. The full cost of facilities owned by the District is capitalized; funds provided by others are shown as contributions on the balance sheet. Depreciation of capital assets is not recorded in the accounts of governmental funds but is recorded as an Adjustment on the Statement of Activities and Governmental Funds Revenues, Expenditures, and Changes in Fund Balance. The District capitalized all land and land improvements, buildings and facilities and improvements over \$7,500, and equipment and other assets over \$1,500. Assets are depreciated on a straight-line basis using lives established by the Texas Commission on Environmental Quality ranging from 3 years to 45 years. Land is not a depreciable asset.

##### E. BOND DISCOUNTS

The District expenses bond discounts upon issuance of the bonds.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 15**

**SUMMARY OF ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2021**

(Continued)

NOTE (1) SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. INTER-FUND TRANSACTIONS

Transfers from one fund to another fund are reported as inter-fund receivables and payables if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. Operating transfers represent legally authorized transfers from the fund receiving resources to the fund through which the resources are to be expended. Transfers of residual equities are reported as additions to or deductions from the fund balance of the governmental fund types. Inter-fund transactions are eliminated in the Adjustments column for the Statement of Net Position and Statement of Activities.

G. BUDGET

The District adopts a budget each fiscal year for the general fund and each special revenue fund on substantially the same basis used to reflect actual revenues and expenditures. The budget was formally adopted by the board members at a duly advertised public meeting. Approval by the Board of Directors is required for revisions that alter the total expenditures. Reported budgeted amounts are as adopted and approved by the Board of Directors. Budgeted amounts lapse annually.

H. USE OF ESTIMATES

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although those estimates are based on our knowledge of current events or actions that may happen in the future, actual results could differ from those estimates.

I. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

Total Fund Balance at June 30, 2021	<u>\$ 11 935 709</u>
Capital assets used in governmental activities are not financial and are not reported in the funds	24 744 681
Conversion of property tax assessments to full accrual basis	48 545
Interest paid on bonds is adjusted to accrual basis	( 333 591)
Long-term debt obligations are not reported in the funds	<u>(36 525 000)</u>
Adjustment to fund balance to arrive at net position	<u>(12 065 365)</u>
Net Position at June 30, 2021	<u>\$ ( 129 656)</u>

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 15**

SUMMARY OF ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2021  
 (Continued)

NOTE (1) SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS  
 (Continued)

Amounts reported for governmental activities in the statement of activities are different because:

Change in fund balance	\$ 5 818 055
Government funds report capital outlays as expenditures. However, for government-wide financial statements, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay and conveyance of capital assets exceeded depreciation in the current period.	12 144
Interest paid on bonds is adjusted to accrual basis	( 339 089)
Bond proceeds are not reported in the funds	(15 360 000)
Principal payments on debt are reported as expenditures in the funds. However, they do not affect net position.	8 725 000
Conversion of property tax assessments to full accrual basis	<u>6 281</u>
Change in net position of governmental activities	<u>\$ (1 137 609)</u>

NOTE (2) WATER AND SEWER SERVICE RATES

Effective October 9, 2013, the District adopted the following rates which remain in effect at June 30, 2021:

Water Service

Residential and Apartment Monthly Charges per connection:

First 5,000 gallons of water used (minimum bill)	\$ 10.00
Each 1,000 gallons of water used over 5,000 gallons, up to 10,000	1.00
Each 1,000 gallons of water used over 10,000 gallons, up to 15,000	1.50
Each 1,000 gallons of water used over 15,000 gallons, up to 20,000	2.00
Each 1,000 gallons of water used thereafter	2.50

Sewer Service

Residential and Apartment Monthly Charge:

First 25,000 gallons of water used	\$ 37.28
Each 1,000 gallons of water used thereafter	2.50
Apartment connections per unit	20.00

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 15**

SUMMARY OF ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

(Continued)

NOTE (2) WATER AND SEWER SERVICE RATES (Continued)

Service Fee

Cost of initiating water and/or sewer service to new customers (non-refundable)	\$ 15.00
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Tap Fees and Sewer Inspection

Residential Tap Fee:		
Up to and including 3/4 inch tap		\$ 1,200
Over 3/4-inch tap	Established by separate agreement	
Residential sewer inspection fee		\$ 75.00

Groundwater Reduction Plan Fee

The consumer shall pay a Groundwater Reduction Plan Fee per 1,000 gallons, equal to the pumpage fees per 1,000 gallons of water that the District is required to pay to the San Jacinto River Authority with respect to water that is delivered to the consumer.

Deposits

Per Residential Customer	minimum	\$ 80.00
	maximum	\$ 300.00
Builder deposit		\$1 500.00
Commercial, Apartment or non-profit Corporation		Greater of \$400 or 2.5 times the estimated monthly bill
Builder Inspections		\$ 60.00

NOTE (3) RESTRICTED CASH AND TEMPORARY INVESTMENTS

The following balances were restricted by the Bond Orders as of June 30, 2021:

	<u>Restricted for</u>	
	<u>Servicing of</u>	<u>Acquisition of</u>
	<u>Bonded Debt</u>	<u>Capital Assets</u>
Cash and Temporary Investments	<u>\$ 2 072 072</u>	<u>\$ 5 505 141</u>

## MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 15

### SUMMARY OF ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

(Continued)

#### NOTE (4) PRECONSTRUCTION AGREEMENTS

On October 8, 2003, the District entered into an agreement with Woodmere Development Co., Ltd. to proceed with the construction of water, sewer, drainage, and on-site storm water detention or retention facilities to serve 321 acres within the District for single-family residential use. The facilities were and will be constructed upon approval from the Texas Commission on Environmental Quality. The District acquires the facilities when a taxable value is sufficient to generate annual debt service requirements on bonds issued for such construction at a rate not exceeding \$1.25 per \$100 taxable value over a term that does not exceed 30 years. In addition, the District's annual debt service tax rate is not projected to exceed \$1.10 per \$100 taxable value over the life on the bonds, and the District must be able to sell and deliver its bonds for the purpose of purchasing the facilities. During the years ended June 30, 2010 through 2021, bonds were sold to pay for these facilities.

On February 13, 2008, the District entered into an agreement with 242, LLC to proceed with the construction of water, sewer, drainage, and on-site storm water detention or retention facilities to serve Gleneagles Section 5A and 31.17 adjacent acres (49+ acres). The facilities were constructed upon approval from the Texas Commission on Environmental Quality. The District would acquire the facilities when a taxable value is sufficient to generate annual debt service requirements on bonds issued for such construction at a rate that does not exceed \$1.10 per \$100 taxable value over a term that does not exceed 20 years. In addition, the District's annual debt service tax rate is not projected to exceed \$1.10 per \$100 taxable value over the life on the bonds, and the District must be able to sell and deliver its bonds for the purpose of purchasing the facilities. During the years ended June 30, 2021, 2019 and 2018 bonds were sold to pay for these facilities.

#### NOTE (5) DEPOSITS AND INVESTMENTS

##### Custodial Credit Risk – Deposits

The contracted depository bank used by the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund was BBVA Compass Bank for operations. The largest cash, savings, and time deposit combined account balance was \$12,221,767 and occurred in January 2021. Those amounts were adequately insured by the FDIC and pledged collateral.

##### Investment Policies

At the balance sheet date, operating cash account deposits with a carrying value of \$6,375,464 held by depository banks were secured by the FDIC and pledged collateral.

Statutes authorize the District to invest in direct or indirect obligations of the United States, the State or any county, school district, or other political subdivision of the State. Funds of the District may be placed in certificates of deposit of State or National banks or savings associations within the State. The District held investments in the amount of \$107,774 at June 30, 2021, in certificate of deposit accounts in one financial institution. The District holds investments at June 30, 2021, in accordance with the Board approved investment policy, in TexPool State Treasury ("TexPool"). In following the Public Funds Collateral Act, TexPool invests the District's funds in obligations of the United States, obligations issued by a public agency that is payable from taxes, revenues, or a combination thereof that has been rated by a nationally recognized rating agency with a rating of not less than A, or any security in which a public entity may invest under the Public Funds Investment Act of 1987. Surety bonds and investment securities are used as collateral to secure both the amount of the deposits with TexPool plus any accrued interest. A separate financial report for TexPool is prepared in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Copies of the report can be obtained from TexPool

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 15**

SUMMARY OF ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2021  
 (Continued)

NOTE (5) DEPOSITS AND INVESTMENTS (Continued)

Participant Services, c/o Federated Investors, 1001 Texas Ave., 14<sup>th</sup> Floor, Houston, Texas 77002. The carrying and market value of the temporary investments held was \$5,977,764 as of June 30, 2021. These investments consisted of \$247,480 in money market accounts, \$5,622,510 in TexPool and \$107,774 in certificate of deposit accounts.

Local governments are subject to the Public Funds Investment Act as amended during the 1995 legislative session. The Act directs local governments to adopt a written investment policy that primarily emphasizes safety of principal and liquidity. Also addressed under the Act are the areas of investment diversification, yield, maturity, and quality of investment management. The District has substantially complied with the Act's provisions during its fiscal year ended June 30, 2021.

NOTE (6) CAPITAL ASSETS

	Balances Beginning Of Year	Additions	Disposals	Depreciation	Balances End Of Year
Land	<u>\$ 3 015 275</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3 015 275</u>
Physical Plant	\$ 31 979 001	\$ 2 355 860	\$ ( 165 945)	\$ -	\$ 34 168 916
Less: Accumulated Depreciation	<u>(11 195 141)</u>	<u>-</u>	<u>165 945</u>	<u>(1 569 497)</u>	<u>(12 598 693)</u>
Net book value	<u>\$ 20 783 860</u>	<u>\$ 2 355 860</u>	<u>\$ -</u>	<u>\$ (1 569 497)</u>	<u>\$ 21 570 223</u>
Construction in progress	<u>\$ 933 402</u>	<u>\$ ( 774 219)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 159 183</u>

Additions to the physical plant include a new motor control center, building, access road and generator at water plant no. 1, improvements to lift station no. 1, fencing at Montgomery Creek Ranch homeowners' association, and Montgomery Creek Ranch section twenty water, sewer and drainage facilities, waterline extension and Harpers Preserve channel expansion obtained through bond reimbursement. Construction progress includes engineering costs associated with wastewater treatment plant expansion.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 15**

SUMMARY OF ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2021  
 (Continued)

NOTE (7) BONDS PAYABLE

	<u>Series 2012</u>	<u>Series 2014</u>	<u>Series 2015</u>	<u>Series 2016</u>	<u>Series 2016 (R)</u>
Amounts outstanding June 30, 2021	\$ 50 000	\$ 100 000	\$ 75 000	\$ 2 925 000	\$ 4 640 000
Interest Rates	3.0% to 4.0%	2.5% to 4.0%	2.0% to 3.625%	2.0% to 3.625%	2.0% to 3.0%
Maturity dates, serially beginning/ending	March 1, 2019/2039	March 1, 2018/2042	March 1, 2019/2043	March 1, 2019/2043	March 1, 2017/2037
Interest payment dates	September 1 March 1	September 1 March 1	September 1 March 1	September 1 March 1	September 1 March 1
	<u>Series 2017</u>	<u>Series 2018 (R)</u>	<u>Series 2018A</u>	<u>Series 2021</u>	<u>Series 2021A</u>
Amounts outstanding June 30, 2021	\$ 6 590 000	3 415 000	\$ 3 370 000	\$ 7 205 000	\$ 8 155 000
Interest Rates	2.25% to 3.625%	2.0% to 3.0%	4.0% to 4.125%	1.0% to 3.0%	2.0% to 3.0%
Maturity dates, serially beginning/ending	March 1, 2018/2043	March 1, 2018/2037	March 1, 2019/2045	March 1, 2022/2050	March 1, 2022/2043
Interest payment dates	September 1 March 1	September 1 March 1	September 1 March 1	September 1 March 1	September 1 March 1
			\$ 29 890 000		
			15 360 000		
			<u>(8 725 000)</u>		
			\$ 36 525 000		

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. The taxes were levied September 1 or as soon after September 1 as it took to set the tax rate. The ad valorem tax was due upon receipt and was considered delinquent if not paid by February 1, at which time penalties and interest were assessed. According to the District's tax calendar, the lien date was January 1.

In the governmental funds, property taxes are initially recorded as receivables and unearned revenue at the time the tax levy is billed. Revenues recognized during the fiscal year ended June 30, 2021, include collections during the current period or within 60 days of year-end related to the 2019 and prior years' tax levies.



**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 15**

**SUMMARY OF ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS**

JUNE 30, 2021

(Continued)

NOTE (7) BONDS PAYABLE (Continued)

During the year ended June 30, 2021, the District levied an ad valorem debt service tax at the rate of \$0.515 per \$100 of assessed valuation, which resulted in a tax levy of \$2,062,140 on the taxable valuation of \$400,415,494 for the 2020 tax year. The Bond Resolutions require 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. The debt service cash balance at June 30, 2021 was \$2,072,072.

The sources and uses of the series 2021 bonds sold during the year ended June 30, 2021 are as follows:

Sources		Uses	
Principal amount of bonds	\$ 7 205 000	Deposit to the Capital Project Fund	\$ 6 655 215
Accrued interest	3 770	Costs of issuance wired at closing	371 622
Bond discounts	( 177 413)	Fee deducted by fiscal agent	750
Total sources	<u>\$ 7 031 357</u>	Deposit to the Debt Service Fund	3 770
		Total uses	<u>\$ 7 031 357</u>

The sources and uses of the series 2021A bonds sold during the year ended June 30, 2021 are as follows:

Sources		Uses	
Principal amount of bonds	\$ 8 155 000	Deposit used for refunding	\$ 7 943 937
Net original issue premium	118 104	Costs of issuance wired at closing	219 750
Accrued interest	3 845	Bond issuance premium	38 403
Bond discounts	( 50 153)	Deposit to the Debt Service Fund	3 845
Total sources	<u>\$ 8 226 796</u>	Fee deducted by fiscal agent	1 650
		Deposit to the General Fund	19 211
		Total uses	<u>\$ 8 226 796</u>

NOTE (8) SIGNIFICANT BOND RESOLUTIONS AND LEGAL REQUIREMENTS

In accordance with State statutes, the District should require that security (market value basis) be provided by depositories for all funds held by them. At the balance sheet date, federal insurance and securities pledged were in excess of the District's deposits.

The Bond Resolutions state that so long as any of the bonds or coupons remain outstanding, the District covenants that it will at all times keep insured such parts of the system as are customarily insured by municipal corporations and political subdivisions in Texas operating like properties in similar locations under the same circumstances with a responsible insurance company or companies against risk, accidents or casualties against which and to the extent insurance is customarily carried by such municipal corporations and political subdivisions; provided, however, that at any time while any contractor engaged in construction work shall be fully responsible. At June 30, 2021, the District had physical damage coverage of \$12,320,000 and comprehensive general liability coverage with a maximum limit of \$1,000,000 for each occurrence and a \$3,000,000 general aggregate limit.

## MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 15

### SUMMARY OF ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

(Continued)

#### NOTE (9) MAINTENANCE TAXES

An election held August 9, 1986, authorized a maintenance tax not to exceed \$0.50 per \$100 valuation on all property subject to taxation within the District. During the year ended June 30, 2021, the District levied an ad valorem maintenance tax at the rate of \$0.265 per \$100 of assessed valuation, which resulted in a tax levy of \$1,061,101 on the taxable valuation of \$400,415,494 for the 2020 tax year. This maintenance tax is being used by the general fund to pay expenditures of operating the District's waterworks, storm drainage and sanitary sewer system. The taxes were levied September 1 or as soon after September 1 as it took to set the tax rate. The maintenance tax was due upon receipt and was delinquent if not paid before February 1, at which time penalties and interest were assessed. According to the District's tax calendar, the lien date was January 1.

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

#### NOTE (10) WATER SUPPLY AND WASTEWATER TREATMENT AGREEMENT

On May 24, 2010, the District entered into an agreement with Montgomery County Municipal Utility District No. 95 (MUD 95) to provide water and wastewater treatment to that district. Under the agreement MUD 95 purchased water plant capacity and wastewater treatment plant capacity from the District for \$882,000. The District granted credits to MUD 95 for the costs of interconnect between the districts and future shared improvements of shared facilities in the amount of \$584,252. The result was a payment of \$297,748 received from MUD 95 during the year ended June 30, 2010. Under the agreement, MUD 95 will owe the District \$202,500 for water plant improvements and capacity reservation once certain conditions are met. During the year ended June 30, 2014, the conditions were met, and the District received the \$202,500 payment. In addition, during the year ended June 30, 2013, the District received a \$388,271 contribution from MUD 95 for wastewater plant improvements. After the wastewater treatment plant expansion was completed during the year ended June 30, 2014 and all costs were incurred, the District had a receivable from MUD 95 of \$15,931 at June 30, 2013. The amount remains receivable at June 30, 2021. The term of the contract is fifty years with twelve months written notice to terminate the contract.

On May 13, 2015, the agreement with MUD 95 was amended to make certain clarifications and updates, and to provide for the connection of additional tracts in the District to the Shared Drainage Facilities. The District shall pay \$150,270 to MUD 95 if and when a physical tie-in to the Shared Drainage Facilities is made for Parcel 4. This payment was made during the fiscal year ended June 30, 2019.

The operations for the joint wastewater treatment plant and joint water plant are reported under the Special Revenue Funds I and II, respectively, on the Statement of Net Assets and Governmental Funds Balance Sheet and the Statement of Activities and Governmental Funds Revenues, Expenditures, and Changes in Fund Balance.

The fixed operating costs of the joint facilities include legal, renewal of permits and licenses (except any such costs which are included in the costs of construction and expansion), insurance, laboratory, mowing, bookkeeping, and auditing costs based on ownership interest in the joint facilities. MUD 95 currently owns 18.67% of the joint wastewater treatment plant and 17.73% of the joint water plant. The District currently owns 81.33% of the joint wastewater treatment plant and 82.27% of the joint water plant.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 15**

**SUMMARY OF ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2021**

(Continued)

**NOTE (10) WATER SUPPLY AND WASTEWATER TREATMENT AGREEMENT (Continued)**

The variable operating costs of the joint wastewater treatment plant and joint water plant include costs such as repairs and maintenance, utilities, chemicals, sludge haul, groundwater reduction fees and all expenses which are not fixed operating costs. Joint wastewater treatment plant variable costs are allocated based on each district's equivalent connections to the sanitary sewer collection system during a month divided by the equivalent connections served by the wastewater treatment plant during the same month. Joint water plant variable costs are allocated based on the ratio of flows (total meter readings) by each district through the joint water plant.

During the year ended June 30, 2021, the District's share of costs for the joint wastewater treatment plant and the joint water plant was \$375,635 and \$592,097, respectively.

**NOTE (11) JOINT FINANCING, CONSTRUCTION AND MAINTENANCE OF WATER DISTRIBUTION AND SANITARY SEWER COLLECTION FACILITIES**

On May 13, 2015, the District entered into an agreement with MUD 95 for services to be provided to the portion of Harper's Preserve development located within the District. Under the agreement, MUD 95 will bill and collect from the Harper's Preserve residents that reside within the District's boundaries for monthly water and sewer services. The agreement also provides that MUD 95 will maintain the Harper's Preserve Facilities located within the District, except for major repairs. The cost of the District's Pro Rata Share of the Joint Use Facilities will be reimbursed to the developer out of bond sales.

**NOTE (12) EMERGENCY WATER SUPPLY CONTRACT**

On October 8, 2003, the District entered into an emergency water supply agreement with MUD 95. Under the contract, MUD 95 constructed a water line to connect with the District's water supply system, and the District constructed a water line from their water supply system to the point of interconnect. Each district is responsible for maintaining its respective interconnect lines. Water delivered during emergencies shall cost \$1 per 1,000 gallons to be reviewed every ten years. The term of the contract is for fifty years unless earlier terminated upon mutual written consent of the districts.

**NOTE (13) SUBSEQUENT EVENTS**

Management has evaluated subsequent events through November 10, 2021 (the date the financial statements were available to be issued) and noted no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

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**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 15**

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCE - BUDGET AND ACTUAL - GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	Original and		Variance
	Final Budget*	Actual	Positive (Negative)
	<u>Final Budget*</u>	<u>Actual</u>	<u>(Negative)</u>
Revenues:			
Charges for water service	\$ 365 000	\$ 375 544	\$ 10 544
Charges for sewer service	860 000	975 331	115 331
Maintenance taxes	1 100 000	1 053 636	( 46 364)
Ground water reduction plan fee	400 000	421 492	21 492
Tap connection fee and inspection fees	25 000	40 820	15 820
Investment earnings	35 000	4 754	( 30 246)
Penalties and interest	35 000	31 403	( 3 597)
Miscellaneous income	-	14 040	14 040
	<u>2 820 000</u>	<u>2 917 020</u>	<u>97 020</u>
Expenditures/expenses:			
Service operations:			
Bulk water purchases	590 000	592 097	( 2 097)
Bulk sewer purchases	360 000	375 635	( 15 635)
Contracted services	91 000	90 729	271
Professional fees	252 000	396 581	( 144 581)
Director fees	15 000	12 450	2 550
Repairs and maintenance	235 500	257 274	( 21 774)
Utilities	45 000	74 519	( 29 519)
Solid waste management	360 000	375 664	( 15 664)
Other	117 500	176 991	( 59 491)
Capital outlay	<u>1 245 630</u>	<u>427 266</u>	<u>818 364</u>
	<u>3 311 630</u>	<u>2 779 206</u>	<u>532 424</u>
Excess (deficiency) of revenues over expenditures	( 491 630)	137 814	629 444
Transfer between funds	-	19 211	19 211
Fund balance/net position:			
Beginning of the year	<u>4 354 859</u>	<u>4 354 859</u>	<u>-</u>
End of the year	<u>\$ 3 863 229</u>	<u>\$ 4 511 884</u>	<u>\$ 648 655</u>

\* Budget was not amended during the year. Therefore, the original budget is the same as the final budget.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 15**

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCE - BUDGET AND ACTUAL – SPECIAL REVENUE FUND I  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	Original and Final Budget*	Actual	Variance Positive (Negative)
Revenues:			
Charges for sewer service	\$ 362 900	\$ 401 190	\$ 38 290
Investment earnings	<u>          -</u>	<u>          39</u>	<u>          39</u>
Total revenues	<u>362 900</u>	<u>401 229</u>	<u>38 329</u>
Expenditures/expenses:			
Service operations:			
Solid waste disposal	130 000	52 332	77 668
Contracted services	25 400	27 758	( 2 358)
Professional fees	3 500	2 500	1 000
Repairs and maintenance	85 000	156 749	( 71 749)
Utilities	71 500	75 058	( 3 558)
Other	<u>47 500</u>	<u>86 832</u>	<u>( 39 332)</u>
Total expenditures/expenses	<u>362 900</u>	<u>401 229</u>	<u>( 38 329)</u>
Excess (deficiency) of revenues over expenditures	-	-	-
Fund balance/net position:			
Beginning of the year	<u>( 27 622)</u>	<u>( 27 622)</u>	-
End of the year	<u>\$ ( 27 622)</u>	<u>\$ ( 27 622)</u>	<u>\$ -</u>

\* Budget was not amended during the year. Therefore, the original budget is the same as the final budget.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 15**

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCE - BUDGET AND ACTUAL – SPECIAL REVENUE FUND II  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	<u>Original and Final Budget*</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues:			
Charges for water service	\$ 716 950	\$ 716 916	\$ ( 34)
Investment earnings	<u>          -</u>	<u>          35</u>	<u>          35</u>
Total revenues	<u>716 950</u>	<u>716 951</u>	<u>          1</u>
Expenditures/expenses:			
Service operations:			
Contracted services	20 400	18 942	1 458
Professional fees	3 500	2 500	1 000
Repairs and maintenance	40 000	26 555	13 445
Utilities	25 300	25 975	( 675)
Groundwater reduction plan	575 000	589 695	( 14 695)
Other	<u>57 750</u>	<u>53 284</u>	<u>4 466</u>
Total expenditures/expenses	<u>721 950</u>	<u>716 951</u>	<u>4 999</u>
Excess (deficiency) of revenues over expenditures	-	-	5 000
Fund balance/net position:			
Beginning of the year	<u>( 30 987)</u>	<u>( 30 987)</u>	<u>          -</u>
End of the year	<u>\$ ( 30 987)</u>	<u>\$ ( 30 987)</u>	<u>\$ 5 000</u>

\* Budget was not amended during the year. Therefore, the original budget is the same as the final budget.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 15**

TSI-1. SERVICES AND RATES  
FOR THE YEAR ENDED JUNE 30, 2021

1. Services Provided by the District:

Retail Water  
Retail Wastewater and Solid Waste Collection and Disposal

2. Retail Service Providers

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

Most prevalent type of meter (if not a 5/8"): 3/4" meter

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons Over Minimum</u>	<u>Usage Levels</u>
Water	\$10.00	5,000	N	\$1.00 1.50 2.00 2.50	5,001 - 10,000 10,001 - 15,000 15,001 - 20,000 20,001 - over
Wastewater and Solid Waste Collection and Disposal	\$37.28	25,000	N	\$2.50	25,001 - over

District employs winter averaging for wastewater usage? Yes      No   X  

Total charges per 10,000 gallons usage: Water \$15.00 Wastewater \$37.28

b. Water and Wastewater Retail Connections:

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered	-	-	x 1.0	-
< or =3/4"	2 070	2 040	x 1.0	2 040
1"	15	15	x 2.5	38
1 1/2"	2	2	x 5.0	10
2"	24	20	x 8.0	160
3"	2	2	x 15.0	30
4"	1	1	x 25.0	25
6"	1	1	x 50.0	50
8"	2	2	x 80.0	160
10"	-	-	x 115.0	-
Total Water	2 117	2 083		2 513
Total Wastewater	2 116	2 075	x 1.0	2 075

3. Total water consumption (rounded to the nearest 1,000) during the fiscal year:

Gallons pumped into system: 215,544 Water Accountability Ratio: .922  
Gallons billed to customers: 198,646

See the Accompanying Independent Auditors' Report.



**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 15**

TSI-1. SERVICES AND RATES  
FOR THE YEAR ENDED JUNE 30, 2021  
(Continued)

4. Location of District:

County in which district is located			<u>Montgomery</u>
Is the District located entirely within one county?			Yes    No <u>X</u> <u>   </u>
Is the District located within a city?	Entirely <u>   </u>	Partly <u>   </u>	Not at All <u>   X</u>
Is the District located within a city's extra territorial jurisdiction (ETJ)?	Entirely <u>   X</u>	Partly <u>   </u>	Not at All <u>   </u>
ETJ's in which district is located			<u>Conroe</u>
Are Board members appointed by an office outside the District?			Yes    No <u>   </u> <u>   X</u>

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 15**

TSI-2. GENERAL FUND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2021

Personnel Expenditures (including benefits)*	\$ -
Professional Fees	
Auditing	18 076
Legal	64 499
Engineering	312 806
Financial advisor fee	1 200
Purchased Services for Resale	
Bulk water purchases	592 097
Bulk sewer purchases	375 635
Solid waste disposal	-
Contracted Services	
Bookkeeping	21 000
Operator	69 729
Appraisal district	-
Other contracted services	-
Utilities	74 519
Repairs and Maintenance	257 274
Administrative Expenditures	
Directors' fees	12 450
Office supplies	31 208
Insurance	14 095
Other administrative expenditures	131 688
Capital Outlay	
Capitalized Assets	427 266
Expenditures not Capitalized	-
Tap Connection Expenditures	-
Solid Waste Management	375 664
Developer Reimbursement and Developer Interest	-
Other Expenditures	-
	<hr/>
TOTAL EXPENDITURES	<u><u>\$ 2 779 206</u></u>

\*Number of persons employed by the District:

Full-time	-
Part-time	-

See the Accompanying Independent Auditors' Report.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 15**

**TSI-3. TEMPORARY INVESTMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

<u>Funds</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balances End of Year</u>	<u>Accrued Interest Receivable at End of Year</u>
<b>General Fund</b>					
Money Market Savings		varies	-	\$ 1 681	\$ -
TexPool		varies	-	3 805 872	-
Certificate of Deposit:					
Veritex Bank	33000348001Z	0.35%	08/02/21	<u>107 774</u>	<u>154</u>
Total General Fund				<u>3 915 327</u>	<u>154</u>
<b>Debt Service Fund</b>					
Money Market Savings		varies	-	2 124	-
Money Market Savings		varies	-	243 675	-
TexPool		varies	-	<u>1 816 638</u>	-
Total Debt Service Fund				<u>2 062 437</u>	-
Total - All Funds				<u>\$ 5 977 764</u>	<u>\$ 154</u>

See the Accompanying Independent Auditors' Report.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 15**

**TSI-4. TAXES LEVIED AND RECEIVABLE  
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Maintenance Taxes</u>	<u>Debt Service Taxes</u>
Taxes Receivable, Beginning of Year	\$ 15 034	\$ 27 230
2020 Tax Roll	1 061 101	2 062 140
Adjustments and overpayments	<u>( 5 273)</u>	<u>( 10 992)</u>
Total to be Accounted for	<u>1 070 862</u>	<u>2 078 378</u>
Tax Collections		
Current year	1 052 754	2 045 919
Prior years	<u>882</u>	<u>1 140</u>
Total Collections	<u>1 053 636</u>	<u>2 047 059</u>
Total Receivable, End of Year	<u>\$ 17 226</u>	<u>\$ 31 319</u>
Total Receivable, by Years		
2020	\$ 8 486	\$ 16 491
2019	1 283	2 614
2018	1 321	2 785
2017 and prior	<u>6 136</u>	<u>9 429</u>
Taxes Receivable, End of Year	<u>\$ 17 226</u>	<u>\$ 31 319</u>

ASSESSED VALUATION SUMMARY

Property Valuations	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Land	\$ 81 316 345	\$ 55 604 185	\$ 54 491 890	\$ 46 675 480	\$ 35 564 880
Improvements	414 358 210	388 872 480	325 391 610	296 266 910	256 353 980
Personal Property	7 799 487	8 028 869	6 327 959	5 218 832	3 366 528
Exemptions	<u>(103 058 548)</u>	<u>(92 053 188)</u>	<u>(74 888 364)</u>	<u>(68 368 065)</u>	<u>(60 392 909)</u>
Total Property Valuations	<u>\$ 400 415 494</u>	<u>\$ 360 452 346</u>	<u>\$ 311 323 095</u>	<u>\$ 279 793 157</u>	<u>\$ 234 892 479</u>
Tax Rates per \$100 Valuation					
Debt service tax rates	\$ 0.5150	\$ 0.5500	\$ 0.5900	\$ 0.5900	\$ 0.5096
Maintenance tax rates*	<u>0.2650</u>	<u>0.2700</u>	<u>0.2800</u>	<u>0.3000</u>	<u>0.4273</u>
Total Tax Rates per \$100 Valuation	<u>\$ 0.7800</u>	<u>\$ 0.8200</u>	<u>\$ 0.8700</u>	<u>\$ 0.8900</u>	<u>\$ 0.9369</u>
Tax Rolls	<u>\$ 3 123 241</u>	<u>\$ 2 955 709</u>	<u>\$ 2 708 511</u>	<u>\$ 2 490 159</u>	<u>\$ 2 200 708</u>
Percent of Taxes Collected to Taxes					
Levied	<u>99.2%</u>	<u>99.9%</u>	<u>99.9%</u>	<u>99.8%</u>	<u>99.9%</u>

\* Maximum Tax Rate Approved by Voters: \$0.50 on August 9, 1986

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 15**

**TSI-5. LONG-TERM DEBT SERVICE REQUIREMENTS - BY YEARS  
JUNE 30, 2021**

Series 2012			
Due During Fiscal Years Ending	Principal Due March 1	Interest Due March 1, September 1	Total
2022	\$ 50 000	\$ 1 550	\$ 51 550
Total	<u>\$ 50 000</u>	<u>\$ 1 550</u>	<u>\$ 51 550</u>

Series 2014			
Due During Fiscal Years Ending	Principal Due March 1	Interest Due March 1, September 1	Total
2022	\$ 100 000	\$ 2 500	\$ 102 500
Total	<u>\$ 100 000</u>	<u>\$ 2 500</u>	<u>\$ 102 500</u>

Series 2015			
Due During Fiscal Years Ending	Principal Due March 1	Interest Due March 1, September 1	Total
2022	\$ 75 000	\$ 1 650	\$ 76 650
Total	<u>\$ 75 000</u>	<u>\$ 1 650</u>	<u>\$ 76 650</u>

See the Accompanying Independent Auditors' Report.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 15**

**TSI-5. LONG-TERM DEBT SERVICE REQUIREMENTS - BY YEARS**  
**JUNE 30, 2021**  
 (Continued)

Series 2016

Due During Fiscal Years Ending	Principal Due March 1	Interest Due March 1, September 1	Total
2022	\$ 75 000	\$ 81 875	\$ 156 875
2023	100 000	80 375	180 375
2024	100 000	78 375	178 375
2025	100 000	76 375	176 375
2026	100 000	74 375	174 375
2027	100 000	71 875	171 875
2028	100 000	69 375	169 375
2029	100 000	66 875	166 875
2030	125 000	64 375	189 375
2031	125 000	61 094	186 094
2032	125 000	57 812	182 812
2033	125 000	54 375	179 375
2034	125 000	50 938	175 938
2035	150 000	47 186	197 186
2036	150 000	42 688	192 688
2037	150 000	38 186	188 186
2038	150 000	33 688	183 688
2039	175 000	29 187	204 187
2040	175 000	23 939	198 939
2041	175 000	18 469	193 469
2042	200 000	13 000	213 000
2043	200 000	6 500	206 500
Total	\$ 2 925 000	\$ 1 140 937	\$ 4 065 937

See the Accompanying Independent Auditors' Report.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 15**

TSI-5. LONG-TERM DEBT SERVICE REQUIREMENTS - BY YEARS  
 JUNE 30, 2021  
 (Continued)

Refunding Series 2016A			
Due During Fiscal Years Ending	Principal Due March 1	Interest Due March 1, September 1	Total
2022	\$ 220 000	\$ 118 781	\$ 338 781
2023	235 000	114 381	349 381
2024	240 000	109 681	349 681
2025	245 000	104 881	349 881
2026	255 000	99 981	354 981
2027	260 000	94 563	354 563
2028	270 000	88 712	358 712
2029	280 000	82 300	362 300
2030	285 000	75 300	360 300
2031	300 000	68 175	368 175
2032	310 000	59 925	369 925
2033	320 000	51 400	371 400
2034	335 000	42 600	377 600
2035	350 000	32 550	382 550
2036	360 000	22 050	382 050
2037	375 000	11 250	386 250
Total	<u>\$ 4 640 000</u>	<u>\$ 1 176 530</u>	<u>\$ 5 816 530</u>

See the Accompanying Independent Auditors' Report.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 15**

**TSI-5. LONG-TERM DEBT SERVICE REQUIREMENTS - BY YEARS**  
**JUNE 30, 2021**  
 (Continued)

Series 2017			
Due During Fiscal Years Ending	Principal Due March 1	Interest Due March 1, September 1	Total
2022	\$ 175 000	\$ 211 888	\$ 386 888
2023	175 000	207 950	382 950
2024	200 000	203 575	403 575
2025	200 000	198 575	398 575
2026	225 000	192 575	417 575
2027	225 000	185 825	410 825
2028	225 000	179 075	404 075
2029	250 000	172 325	422 325
2030	250 000	164 825	414 825
2031	275 000	157 325	432 325
2032	275 000	149 075	424 075
2033	300 000	140 481	440 481
2034	300 000	131 106	431 106
2035	300 000	121 356	421 356
2036	325 000	111 606	436 606
2037	325 000	101 044	426 044
2038	375 000	90 482	465 482
2039	400 000	77 825	477 825
2040	425 000	63 825	488 825
2041	425 000	48 950	473 950
2042	450 000	34 075	484 075
2043	490 000	17 763	507 763
Total	<u>\$ 6 590 000</u>	<u>\$ 2 961 526</u>	<u>\$ 9 551 526</u>

See the Accompanying Independent Auditors' Report.



**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 15**

**TSI-5. LONG-TERM DEBT SERVICE REQUIREMENTS - BY YEARS**  
**JUNE 30, 2021**  
 (Continued)

Refunding Series 2018			
Due During Fiscal Years Ending	Principal Due March 1	Interest Due March 1, September 1	Total
2022	\$ 170 000	\$ 118 744	\$ 288 744
2023	170 000	113 644	283 644
2024	170 000	108 544	278 544
2025	165 000	103 444	268 444
2026	165 000	98 494	263 494
2027	185 000	93 544	278 544
2028	210 000	87 994	297 994
2029	200 000	81 694	281 694
2030	205 000	75 544	280 544
2031	195 000	69 294	264 294
2032	245 000	63 200	308 200
2033	240 000	53 400	293 400
2034	260 000	43 800	303 800
2035	255 000	33 400	288 400
2036	275 000	23 200	298 200
2037	305 000	12 200	317 200
Total	<u>\$ 3 415 000</u>	<u>\$ 1 180 140</u>	<u>\$ 4 595 140</u>

See the Accompanying Independent Auditors' Report.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 15**

**TSI-5. LONG-TERM DEBT SERVICE REQUIREMENTS - BY YEARS**  
**JUNE 30, 2021**  
 (Continued)

Series 2018A			
Due During Fiscal Years Ending	Principal Due March 1	Interest Due March 1, September 1	Total
2022	\$ 70 000	\$ 135 494	\$ 205 494
2023	75 000	132 594	207 594
2024	75 000	129 594	204 594
2025	75 000	126 594	201 594
2026	100 000	123 094	223 094
2027	100 000	119 094	219 094
2028	100 000	115 094	215 094
2029	125 000	110 594	235 594
2030	125 000	105 594	230 594
2031	125 000	100 593	225 593
2032	125 000	95 594	220 594
2033	150 000	90 094	240 094
2034	150 000	84 094	234 094
2035	150 000	78 094	228 094
2036	150 000	72 094	222 094
2037	150 000	66 000	216 000
2038	175 000	59 297	234 297
2039	175 000	52 078	227 078
2040	175 000	44 859	219 859
2041	175 000	37 641	212 641
2042	175 000	30 422	205 422
2043	200 000	22 688	222 688
2044	225 000	13 922	238 922
2045	225 000	4 641	229 641
Total	<u>\$ 3 370 000</u>	<u>\$ 1 949 857</u>	<u>\$ 5 319 857</u>

See the Accompanying Independent Auditors' Report.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 15**

**TSI-5. LONG-TERM DEBT SERVICE REQUIREMENTS - BY YEARS**  
**JUNE 30, 2021**  
 (Continued)

Series 2021			
Due During Fiscal Years Ending	Principal Due March 1	Interest Due March 1, September 1	Total
2022	\$ -	\$ 147 043	\$ 147 043
2023	-	135 731	135 731
2024	175 000	135 731	310 731
2025	175 000	130 481	305 481
2026	200 000	125 231	325 231
2027	200 000	123 231	323 231
2028	200 000	121 231	321 231
2029	200 000	119 231	319 231
2030	200 000	117 231	317 231
2031	225 000	114 731	339 731
2032	225 000	111 919	336 919
2033	225 000	108 544	333 544
2034	250 000	104 606	354 606
2035	250 000	100 231	350 231
2036	250 000	95 856	345 856
2037	250 000	90 856	340 856
2038	275 000	85 856	360 856
2039	275 000	80 356	355 356
2040	275 000	74 856	349 856
2041	300 000	69 356	369 356
2042	300 000	63 356	363 356
2043	300 000	57 356	357 356
2044	325 000	51 356	376 356
2045	325 000	44 857	369 857
2046	350 000	38 357	388 357
2047	350 000	30 920	380 920
2048	350 000	23 482	373 482
2049	375 000	16 044	391 044
2050	380 000	8 075	388 075
<b>Total</b>	<u><u>\$ 7 205 000</u></u>	<u><u>\$ 2 526 111</u></u>	<u><u>\$ 9 731 111</u></u>

See the Accompanying Independent Auditors' Report.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 15**

**TSI-5. LONG-TERM DEBT SERVICE REQUIREMENTS - BY YEARS**  
**JUNE 30, 2021**  
 (Continued)

Refunding Series 2021A			
Due During Fiscal Years Ending	Principal Due March 1	Interest Due March 1, September 1	Total
2022	\$ 50 000	\$ 181 248	\$ 231 248
2023	280 000	196 225	476 225
2024	310 000	187 825	497 825
2025	310 000	178 525	488 525
2026	310 000	169 225	479 225
2027	310 000	159 925	469 925
2028	335 000	150 625	485 625
2029	335 000	140 575	475 575
2030	385 000	130 525	515 525
2031	385 000	122 825	507 825
2032	400 000	115 125	515 125
2033	395 000	107 125	502 125
2034	465 000	99 225	564 225
2035	460 000	89 925	549 925
2036	450 000	80 725	530 725
2037	470 000	70 600	540 600
2038	490 000	60 025	550 025
2039	550 000	49 000	599 000
2040	420 000	36 625	456 625
2041	440 000	26 125	466 125
2042	455 000	15 125	470 125
2043	150 000	3 750	153 750
Total	<u>\$ 8 155 000</u>	<u>\$ 2 370 898</u>	<u>\$ 10 525 898</u>

See the Accompanying Independent Auditors' Report.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 15**

**TSI-5. LONG-TERM DEBT SERVICE REQUIREMENTS - BY YEARS**  
**JUNE 30, 2021**  
 (Continued)

Annual Requirements for All Series			
Due During Fiscal Years Ending	Principal Due March 1	Interest Due March 1, September 1	Total
2022	\$ 985 000	\$ 1 000 773	\$ 1 985 773
2023	1 035 000	980 900	2 015 900
2024	1 270 000	953 325	2 223 325
2025	1 270 000	918 875	2 188 875
2026	1 355 000	882 975	2 237 975
2027	1 380 000	848 057	2 228 057
2028	1 440 000	812 106	2 252 106
2029	1 490 000	773 594	2 263 594
2030	1 575 000	733 394	2 308 394
2031	1 630 000	694 037	2 324 037
2032	1 705 000	652 650	2 357 650
2033	1 755 000	605 419	2 360 419
2034	1 885 000	556 369	2 441 369
2035	1 915 000	502 742	2 417 742
2036	1 960 000	448 219	2 408 219
2037	2 025 000	390 136	2 415 136
2038	1 465 000	329 348	1 794 348
2039	1 575 000	288 446	1 863 446
2040	1 470 000	244 104	1 714 104
2041	1 515 000	200 541	1 715 541
2042	1 580 000	155 978	1 735 978
2043	1 340 000	108 057	1 448 057
2044	550 000	65 278	615 278
2045	550 000	49 498	599 498
2046	350 000	38 357	388 357
2047	350 000	30 920	380 920
2048	350 000	23 482	373 482
2049	375 000	16 044	391 044
2050	380 000	8 075	388 075
<b>Total</b>	<u>\$ 36 525 000</u>	<u>\$ 13 311 699</u>	<u>\$ 49 836 699</u>

See the Accompanying Independent Auditors' Report.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 15**

**TSI-6. CHANGE IN LONG-TERM BONDED DEBT  
JUNE 30, 2021**

	Bond Issues			
	Series 2012	Series 2014	Series 2015	Series 2016
Interest Rate	3.0% - 4.0%	2.5% - 4.0%	2.0% - 3.625%	2.0% - 3.0%
Date Interest Payable	9/1;3/1	9/1;3/1	9/1;3/1	9/1;3/1
Maturity Dates	3/1/2019 - 3/1/2039	3/1/2018 - 3/1/2042	3/1/2019 - 3/1/2043	3/1/2020 - 3/1/2043
Bonds Outstanding at Beginning of Current Year	\$ 1 370 000	\$ 3 870 000	\$ 3 125 000	\$ 3 000 000
Sale of Bonds	\$ -	\$ -	\$ -	\$ -
Retirements of Principal	\$ 1 320 000	\$ 3 770 000	\$ 3 050 000	\$ 75 000
Bonds Outstanding at End of Current Year	\$ 50 000	\$ 100 000	\$ 75 000	\$ 2 925 000
Bond Interest Paid During the Year	\$ 51 800	\$ 136 550	\$ 104 400	\$ 83 750

Paying Agents Name and Address

Series 2012,  
2014, 2015,  
2016, 2016A, Bank of New York Mellon, N.A.  
2017, 2018, Post Office Box 2320  
2018A, 2021, Dallas, Texas 75221-2320  
and 2021A:

	Tax Bonds	Refunding Bonds
Bond Authority:		
Amount authorized by voters	\$ 60 682 000	\$ 5 000 000
Amount issued	\$ 43 300 000	\$ 3 805 000
Remaining to be issued	\$ 17 382 000	\$ 1 195 000
Debt Service Fund Cash and Temporary Investment Balances as of June 30, 2021:		<u>\$ 2 072 072</u>
Average Annual Debt Service Payment (Principal and Interest) for Remaining Term of All Debt		<u>\$ 1 718 507</u>

See the Accompanying Independent Auditors' Report.

**Bond Issues**

<u>Series 2016A (R)</u>	<u>Series 2017</u>	<u>Series 2018 (R)</u>	<u>Series 2018 (A)</u>	<u>Series 2021</u>	<u>Series 2021 (A)</u>
2.0% - 3.0%	2.25% - 3.625%	2.0% - 3.0%	4.0% - 4.125%	1.0% - 3.0%	2.0% - 3.0%
9/1;3/1	9/1;3/1	9/1;3/1	9/1;3/1	9/1;3/1	9/1;3/1
3/1/2017 - 3/1/2037	3/1/2018 - 3/1/2043	9/1/2018 - 9/1/2037	3/1/2019 - 3/1/2045	3/1/2022 - 3/1/2050	3/1/2022 - 3/1/2043
\$ 4 855 000	\$ 6 765 000	\$ 3 535 000	\$ 3 370 000	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ 7 205 000	\$ 8 155 000
\$ 215 000	\$ 175 000	\$ 120 000	\$ -	\$ -	\$ -
\$ 4 640 000	\$ 6 590 000	\$ 3 415 000	\$ 3 370 000	\$ 7 205 000	\$ 8 155 000
\$ 123 081	\$ 215 825	\$ 121 144	\$ 136 894	\$ 28 937	\$ -

See the Accompanying Independent Auditors' Report.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 15**

**TSI-7. COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES,  
GENERAL FUND AND DEBT SERVICE FUND  
FIVE YEARS ENDED JUNE 30, 2021**

	Amounts		
	2021	2020	2019
General Fund Revenues			
Maintenance taxes	\$ 1 053 636	\$ 966 872	\$ 866 386
Water service	363 539	333 588	336 477
Wastewater service	993 331	918 743	928 039
Regional water authority	421 492	410 046	364 101
Penalty and interest	31 403	23 161	31 180
Reconnection fee	12 005	12 285	14 644
Tap connection fees	22 820	1 612	( 77 725)
Interest on temporary investments	4 754	45 445	34 620
Miscellaneous income	14 040	1 526	1 306
Total General Fund Revenues	2 917 020	2 713 278	2 499 028
General Fund Expenditures			
Bulk water and sewer purchases	967 732	969 268	734 665
Professional fees	396 581	344 350	379 335
Purchased and contracted services	466 393	406 543	369 762
Recurring operating expenditures	189 441	109 843	81 923
Repairs and maintenance	257 274	265 098	243 139
Utilities	74 519	46 190	30 152
Capital outlay	427 266	933 402	198 152
Total General Fund Expenditures	2 779 206	3 074 694	2 037 128
Excess Revenues (Expenditures)	\$ 137 814	\$( 361 416)	\$ 461 900
Debt Service Fund Revenues			
Property taxes	\$ 2 047 059	\$1 969 577	\$1 824 924
Penalty and interest	14 892	15 594	10 573
Interest on temporary investments	3 217	8 498	7 500
Miscellaneous income	2 907	6 559	-
Total Debt Service Revenues	2 068 075	2 000 228	1 842 997
Debt Service Fund Expenditures			
Tax collection services	27 751	29 259	30 029
Other recurring operating expenditures	9 666	9 662	5 854
Debt service, interest and fees			
Principal retirement	8 725 000	635 000	555 000
Interest and fees	1 002 381	1 022 242	860 262
Bond sale expenses/professional fees	258 152	-	-
Total Debt Service Expenditures	10 022 950	1 696 163	1 451 145
Excess Revenues (Expenditures)	\$(7 954 875)	\$ 391 852	\$ 391 852
Total Active Retail Water Connections	2 083	1 999	1 954
Total Active Retail Wastewater Connections	2 075	1 940	1 940

See the Accompanying Independent Auditors' Report.



Amounts		Percent of Fund Total Revenues						
2018	2017	2021	2020	2019	2018	2017		
\$ 842 633	\$ 1 002 101	36.1	35.5	34.6	34.5	37.9	%	
325 324	323 296	12.5	12.3	13.5	13.3	12.2		
891 241	868 873	34.0	33.8	37.1	36.5	32.9		
372 271	372 506	14.4	15.1	14.6	15.2	14.1		
33 945	32 116	1.1	0.9	1.2	1.4	1.2		
18 675	17 747	0.4	0.5	0.6	0.8	0.7		
( 51 418)	20 591	0.8	0.1	(3.1)	(2.1)	0.8		
8 690	5 584	0.2	1.7	1.4	0.4	0.2		
-	195	0.5	0.1	0.1	-	-		
<u>2 441 361</u>	<u>2 643 009</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>		
814 410	736 882	33.2	35.7	29.4	33.4	27.9		
364 701	369 027	13.6	12.7	15.2	14.9	14.0		
311 259	326 394	16.0	15.0	14.8	12.7	12.3		
97 463	84 307	6.5	4.0	3.3	4.0	3.2		
301 363	179 230	8.8	9.8	9.7	12.3	6.8		
45 194	34 547	2.6	1.7	1.2	1.9	1.3		
<u>1 202 364</u>	<u>279 565</u>	<u>14.6</u>	<u>34.4</u>	<u>7.9</u>	<u>49.2</u>	<u>10.6</u>		
<u>3 136 754</u>	<u>2 009 952</u>	<u>95.3</u>	<u>113.3</u>	<u>81.5</u>	<u>128.4</u>	<u>76.1</u>		
<u>\$ ( 695 393)</u>	<u>\$ 633 057</u>	<u>4.7</u>	<u>(13.3)</u>	<u>18.5</u>	<u>(28.4)</u>	<u>23.9</u>	%	
\$ 1 650 813	\$ 1 196 378	99.0	98.5	99.0	98.5	98.9	%	
12 926	11 311	0.7	0.8	0.6	0.8	0.9		
4 064	2 103	0.2	0.4	0.4	0.2	0.2		
7 909	-	0.1	0.3	-	0.5	-		
<u>1 675 712</u>	<u>1 209 792</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>		
24 108	22 265	1.3	1.5	1.6	1.4	1.8		
12 736	6 600	0.5	0.5	0.3	0.8	0.5		
400 000	405 000	421.9	31.7	30.1	23.9	33.5		
740 574	665 098	48.5	51.1	46.7	44.2	55.0		
160 249	226 736	12.5	-	-	9.6	18.7		
<u>1 337 667</u>	<u>1 325 699</u>	<u>484.7</u>	<u>84.8</u>	<u>78.7</u>	<u>79.9</u>	<u>109.5</u>		
<u>\$ 338 045</u>	<u>\$ ( 115 907)</u>	<u>(384.7)</u>	<u>15.2</u>	<u>21.3</u>	<u>20.1</u>	<u>(9.5)</u>	%	
<u>1 886</u>	<u>1 810</u>							
<u>1 875</u>	<u>1 804</u>							

See the Accompanying Independent Auditors' Report.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 15**

**TSI-8. BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS  
JUNE 30, 2021**

Complete District Mailing Address: Montgomery County Municipal Utility District No. 15  
10000 Memorial Drive, Suite 260  
Houston, Texas 77024

District Business Telephone Number: (713) 951-0800

Submission Date of the most recent District Registration Form  
(TWC Sections 36.054 and 49.054): April 8, 2021

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

<u>Names</u>	<u>Term of office (Elected or Appointed)</u>	<u>Fees of Office Paid* FYE 6/30/21</u>	<u>Expense Reimburse- ments FYE 6/30/21</u>	<u>Title at Year End</u>
Board Members:				
Helen Capozzelli	(Elected) 05/18 - 05/22	\$ 3 750	\$ -	President
Ashley F. Peterson	(Elected) 05/20 - 05/24	\$ 2 250	\$ 230	Vice President
Sandra V. Day	(Elected) 05/18 - 05/22	\$ 2 100	\$ -	Secretary
Christina L. Urbano	(Elected) 05/20 - 05/24	\$ 1 950	\$ -	Assistant Secretary
Daniel L. Dean	(Elected) 05/20 - 05/24	\$ 2 400	\$ -	Operator Liaison

\* Fees of Office are the amounts actually paid to a director during the district's fiscal year.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 15**

TSI-8. BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS  
 JUNE 30, 2021  
 (Continued)

<u>Names</u>	<u>Date Hired</u>	<u>Fees Paid* FYE 6/30/21</u>	<u>Expense Reimburse- ments FYE 6/30/21</u>	<u>Title at Year End</u>
Consultants:				
Myrtle Cruz, Inc.	Prior to 06/83	\$ 32 025	\$ 2 775	Bookkeeper
Young & Brooks	10/72	\$ 351 398	\$ 2 329	Attorney
AEI Engineering, Inc.	06/96	\$ 422 043	\$ 9 998	Engineer
Montgomery Central Appraisal District	12/87	\$ 24 384	\$ -	County Appraiser
Breedlove & Co., P.C.	06/86	\$ 23 076	\$ -	Auditor
Regional Water Corporation	08/99	\$ 102 887	\$ 833 168	Operator
The GMS Group, L.L.C.	1994	\$ 229 260	\$ -	Financial Advisor

\* Fees Paid are the amounts actually paid to a consultant during the district's fiscal year.

**APPENDIX B**

**SPECIMEN MUNICIPAL BOND INSURANCE POLICY**



## MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

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

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

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

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

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

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

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

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

ASSURED GUARANTY MUNICIPAL CORP.

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

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