

OFFICIAL STATEMENT DATED MAY 10, 2022

IN THE OPINION OF BOND COUNSEL, THE BONDS ARE VALID OBLIGATIONS OF THE DISTRICT AND UNDER STATUTES, REGULATIONS, PUBLISHED RULINGS AND COURT DECISIONS EXISTING ON THE DATE THEREOF, INTEREST ON THE BONDS WILL BE EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES, SUBJECT TO THE MATTERS DESCRIBED UNDER "LEGAL MATTERS – TAX EXEMPTION" HEREIN, WHICH INCLUDES A DISCUSSION OF THE OPINION OF BOND COUNSEL.

THE BONDS ARE **NOT** "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS.

NEW ISSUE-Book-Entry-Only

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

\$9,565,000
MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 111
(A political subdivision of the State of Texas located within Montgomery County)
UNLIMITED TAX ROAD BONDS
SERIES 2022

The bonds described above (the "Bonds") are obligations solely of Montgomery County Municipal Utility District No. 111 (the "District") and are not obligations of the State of Texas, Montgomery County, the City of Conroe or any entity other than the District. THE PURCHASE AND OWNERSHIP OF THE BONDS ARE SUBJECT TO SPECIAL RISK FACTORS AND ALL PROSPECTIVE PURCHASERS ARE URGED TO EXAMINE CAREFULLY THIS ENTIRE OFFICIAL STATEMENT WITH RESPECT TO THE INVESTMENT SECURITY OF THE BONDS, INCLUDING PARTICULARLY THE SECTION CAPTIONED "RISK FACTORS."

Dated: June 1, 2022

Due: September 1, as shown below

Interest Accrual Date: Date of Delivery

Principal of the Bonds is payable at maturity or earlier redemption at the principal payment office of the paying agent/registrar, initially The Bank of New York Mellon Trust Company, N.A. in Dallas, Texas (the "Paying Agent/Registrar"). Interest on the Bonds accrues from the initial date of delivery, which is expected to be June 15, 2022 (the "Date of Delivery"), and is payable each March 1 and September 1, commencing September 1, 2022, until maturity or prior redemption. The Bonds will be issued only in fully registered form in denominations of \$5,000 each or integral multiples thereof. The Bonds are subject to redemption prior to their maturity, as shown below.

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



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

MATURITY SCHEDULE

Principal Amount	Maturity (September 1)	Interest Rate	Initial Reoffering Yield(b)	CUSIP Number(c)	Principal Amount	Maturity (September 1)	Interest Rate	Initial Reoffering Yield(b)	CUSIP Number(c)
\$ 385,000	2023	6.500 %	2.30 %	61370S CC4	\$ 385,000	2030 (a)	4.000 %	3.40 %	61370S CK6
385,000	2024	6.500	2.55	61370S CD2	385,000	2031 (a)	4.000	3.50	61370S CL4
385,000	2025	5.500	2.80	61370S CE0	385,000	2032 (a)	4.000	3.60	61370S CM2
385,000	2026	6.500	3.00	61370S CF7	385,000	2033 (a)	4.000	3.70	61370S CN0
385,000	2027	6.500	3.10	61370S CG5	385,000	2034 (a)	4.000	3.80	61370S CP5
385,000	2028	6.500	3.20	61370S CH3	385,000	2035 (a)	4.000	3.90	61370S CQ3
385,000	2029 (a)	4.000	3.30	61370S CJ9					

- (a) Bonds maturing on or after September 1, 2029, are subject to redemption prior to maturity at the option of the District, in whole or, from time to time, in part, on September 1, 2028, or on any date thereafter, at a price equal to par plus accrued interest from the most recent interest payment date to the date fixed for redemption. The Term Bonds (as defined herein) are also subject to mandatory sinking fund redemption as more fully described herein. See "THE BONDS—Redemption Provisions."
- (b) Initial reoffering yield represents the initial offering yield to the public, which has been established by the Underwriter for offers to the public and which may be subsequently changed by the Underwriter and is the sole responsibility of the Underwriter. The initial reoffering yields indicated above represent the lower of the yields resulting when priced to maturity or to the first call date.
- (c) CUSIP Numbers have been assigned to the Bonds by CUSIP Global Services and are included solely for the convenience of the purchasers of the Bonds. Neither the District nor the Underwriter shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.

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

The Bonds are offered when, as and if issued by the District, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Coats Rose, P.C., Houston, Texas, Bond Counsel. Delivery of the Bonds in book-entry form through the facilities of DTC is expected on or about June 15, 2022.

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

All of the summaries of the statutes, orders, contracts, audited financial statements, engineering and other related reports set forth in this OFFICIAL STATEMENT are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Coats Rose, P.C., 9 Greenway Plaza, 10th Floor, Houston, Texas, 77046 upon payment of the costs of duplication therefor.

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

This OFFICIAL STATEMENT contains, in part, estimates, assumptions and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates, assumptions or matters of opinion, or as to the likelihood that they will be realized. Any information and expressions of opinion herein contained are subject to change without notice and neither the delivery of this OFFICIAL STATEMENT nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein since the date hereof. However, the District has agreed to keep this OFFICIAL STATEMENT current by amendment or sticker to reflect material changes in the affairs of the District and, to the extent that information actually comes to its attention, the other matters described in this OFFICIAL STATEMENT until delivery of the Bonds to the Underwriter (as herein defined) and thereafter only as specified in "PREPARATION OF THE OFFICIAL STATEMENT—Updating the Official Statement."

Build America Mutual Assurance Company ("BAM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this OFFICIAL STATEMENT or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "MUNICIPAL BOND INSURANCE" and "APPENDIX 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 accepted the bid resulting in the lowest net effective interest rate, which bid was tendered by SAMCO Capital Markets, Inc. (the "Underwriter") bearing the interest rates shown on the cover page hereof, at a price of 98.0120% of the par value thereof which resulted in a net effective interest rate of 4.365659% as calculated pursuant to Chapter 1204, Texas Government Code (the IBA method).

Prices and Marketability

The prices and other terms with respect to the offering and sale of the Bonds may be changed from time-to-time by the Underwriter after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts. In connection with the offering of the Bonds, the Underwriter may over-allot or effect transactions which stabilize or maintain the market prices of the Bonds at levels above those which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

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

Securities Laws

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

OFFICIAL STATEMENT SUMMARY

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

INFECTIOUS DISEASE OUTLOOK (COVID-19)

General...

In March 2020, the World Health Organization and the President of the United States separately declared the outbreak of a respiratory disease caused by a novel coronavirus (“COVID-19”) to be a public health emergency. On March 13, 2020, the Governor of Texas (the “Governor”) declared a state of disaster for all counties in the State of Texas (the “State”) because of the effects of COVID-19. Subsequently, in response to a rise in COVID-19 infections in the State and pursuant to 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.

There are currently no COVID-19 related operating limits imposed by executive order of the Governor for any business or other establishment in the State of Texas. The Governor retains the right to impose additional restrictions on activities if needed in order to mitigate the effects of COVID-19. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at <https://gov.texas.gov/>. Neither the information on, nor accessed through, such website of the Governor is incorporated by reference into this OFFICIAL STATEMENT.

The District has not experienced any decrease in property values, unusual tax delinquencies or interruptions to any service as a result of COVID 19; however, the District cannot predict the long-term economic effect of COVID-19, or a similar virus should there be a reversal of economic activity and reinstatement of restrictions. See “RISK FACTORS—Infectious Disease Outlook (COVID-19).”

THE DISTRICT

Description...

The District is a political subdivision of the State of Texas operating as a municipal utility district pursuant to Article XVI, Section 59 of the Texas Constitution. The District was created by an order of the Texas Commission on Environmental Quality (the “TCEQ”) dated March 12, 2006. The District is vested with all the rights, privileges, authority and functions conferred by the laws of the State of Texas applicable to municipal utility districts, including without limitation those conferred by Article XVI, Section 59, and Article III, Section 52 of the Texas Constitution, Senate Bill 2002, 84th Texas Legislature, Regular Session, 2015, codified as Chapter 8390, Texas Special District Local Laws Code (the “Act”) and Chapters 49 and 54 of the Texas Water Code, as amended. The District consists currently of approximately 719 acres of land. See “THE DISTRICT.”

Location...

The District is located in Montgomery County, approximately 31 miles northeast of the central downtown business district of the City of Houston and within the extraterritorial jurisdiction of the City of Conroe and within the boundaries of the Conroe Independent School District. The District is generally bounded by Texas State Highway 242 on the north, Farm-to-Market 1314 to the west and Old Houston Road to the east. See “THE DISTRICT” and “AERIAL LOCATION MAP.”

Artavia...

The District is part of the development of an approximately 2,187 acre master-planned community known as “Artavia.” Artavia is comprised of the District, Montgomery County Municipal Utility District No. 157 (“MUD 157” or the “Master District”), Montgomery County Municipal Utility District No. 106 (“MUD 106”) and Montgomery County Municipal Utility District 158 (“MUD 158”). The District, MUD 157, MUD 106 and MUD 158 are collectively referred to as the “Artavia Districts.” See “ARTAVIA.”

*The Developer and
Principal Landowner...*

The developer of Artavia is Artavia Development Company, a Texas corporation ("ADC" or the "Developer"). The undeveloped land within the Artavia project boundaries is owned by Pilot Land Acquisitions, LLC, a Nevada limited liability company ("PLA"), which acts solely as a land holding company. PLA sells land to the Developer as needed for development. As of April 1, 2022 the Developer has purchased 1,521 acres within the Artavia project boundaries, including all of the land in the District. AIRIA Development Company, a Texas corporation ("AIRIA") manages the development of Artavia for the Developer and PLA. The controlling interests in AIRIA, ADC, and PLA are primarily lineal descendants (or their trusts) of Lester Benny Binion and Phyllis Cope. The President of AIRIA and ADC is E. Travis Stone, Jr. See "THE DEVELOPER."

Status of Development...

The land within the District is being developed primarily as the single-family residential community of Artavia, currently consisting of 1,074 single-family residential lots on approximately 329 acres. An additional 29 lots on approximately 11 acres are under construction with expected completion in May 2022. As of February 25, 2022, the District consisted of 434 completed homes (386 of which were occupied and 48 homes complete but not occupied), 146 homes under construction, and 494 vacant developed lots available for home construction. According to the Developer, homes within the District range in sales price from approximately \$250,000 to over \$500,000.

Approximately 299 acres are undeveloped and developable, and approximately 80 acres are not developable (street easements, drainage detention, parks and recreation space, right-of-way and utility sites). See "THE DISTRICT—Land Use" and "—Status of Development."

Homebuilding...

Homebuilders active within the District include David Weekly Homes, Highland Homes, J. Patrick Homes, Lennar Homes, MHI Partnership (Coventry Homes), Perry Homes, Ravenna Homes and Westin Homes. See "THE DISTRICT—Status of Development—Homebuilders within the District."

Regional Facilities...

The Master District has contracted with the Artavia Districts to provide water supply and wastewater treatment as well as regional water distribution, wastewater collection trunk lines and storm water collection trunk lines necessary to serve Artavia (collectively, the "Master District Facilities"). See "WATER, WASTEWATER AND DRAINAGE."

Payment Record...

The District has previously issued one series of unlimited tax road bonds totaling \$8,000,000 principal amount and one series of unlimited tax water, sewer and drainage bonds totaling \$10,030,000, of which \$18,030,000 is collectively outstanding as of the date hereof (the "Outstanding Bonds"). The Bonds are the District's second issuance of unlimited tax road bonds. The District capitalized twenty-four (24) months of interest in November 2020 from proceeds of the Series 2020 Road Bonds and twenty-four (24) months of interest from the Series 2021 Bonds in November 2021. \$406,513 of interest will be capitalized from Bond proceeds for payment of debt service on the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS" and "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)."

Future Debt...

The District has authorized the submission of a bond application to the TCEQ requesting approval to sell approximately \$9,080,000 principal amount of water, sewer and drainage bonds. The District expects approval of such application and the sale of such bonds in the fourth quarter of 2022. See "RISK FACTORS—Future Debt" and "THE BONDS—Issuance of Additional Debt."

THE BONDS

Description...

Montgomery County Municipal Utility District No. 111 Unlimited Tax Road Bonds, Series 2022, in the aggregate principal amount of \$9,565,000 maturing serially on September 1 in each of the years 2023 through 2035, both inclusive, and as term bonds on September 1 in each of the years 2037, 2039, 2041, 2043, 2045, and 2047 (the "Term Bonds"). The Bonds are dated June 1, 2022, and interest on the Bonds accrues from the Date of Delivery at the rates per annum set forth on the cover page hereof, and is payable on September 1, 2022, and each September 1 and March 1 thereafter until the earlier of stated maturity or redemption. The Bonds will be issued as fully registered bonds, pursuant to an order authorizing the issuance of the Bonds (the "Bond Order"), adopted by the Board of Directors of the District (the "Board"), in fully registered form only, in denominations of \$5,000 or any integral multiple of \$5,000. See "THE BONDS—General."

<i>Book-Entry-Only System...</i>	The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC (“Registered Owner”). One fully-registered certificate will be issued for each maturity of the Bonds and will be deposited with DTC. See “BOOK-ENTRY-ONLY SYSTEM.”
<i>Redemption...</i>	Bonds maturing on or after September 1, 2029, are subject to redemption at the option of the District prior to their maturity dates in whole, or from time to time in part, on September 1, 2028, or on any date thereafter, at a price of par plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. The Term Bonds are also subject to mandatory sinking fund redemption as more fully described herein. See “THE BONDS—Redemption Provisions.”
<i>Use of Proceeds...</i>	Proceeds of the Bonds will be used to pay construction costs outlined herein under “USE AND DISTRIBUTION OF BOND PROCEEDS,” to pay interest on funds that have been advanced by the Developer on behalf of the District; and to pay legal fees, financial advisory fees, administrative costs, and certain other costs and engineering fees related to the issuance of the Bonds. In addition, Bond proceeds will be used to capitalize \$406,513 of interest on the Bonds.
<i>Authority for Issuance...</i>	The Bonds are the second series of bonds issued out of an aggregate of \$94,100,000 principal amount of unlimited tax bonds authorized by the District’s voters on May 5, 2018, for the purpose of financing road facilities to serve the land within its boundaries. The Bonds are issued by the District pursuant to the terms and conditions of the Bond Order (herein defined), Article III, Section 52 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, the Act, and the general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas. See “THE BONDS—Authority for Issuance” and “Issuance of Additional Debt” and “RISK FACTORS—Future Debt.”
<i>Source of Payment...</i>	Principal of and interest on the Bonds, the Outstanding Bonds, and such additional tax bonds as may hereafter be issued by the District are payable from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. See “THE BONDS—Source of and Security for Payment.”
<i>Municipal Bond Rating and Municipal Bond Insurance...</i>	S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC, (“S&P”) has assigned a municipal bond rating of “AA” (stable outlook) to this issue of Bonds with the understanding that, upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by Build America Mutual Assurance Company (“BAM”). No application has been made to a municipal rating company for an underlying rating on the Bonds, nor is it expected that the District would have received an investment grade rating if application had been made. See “RISK FACTORS—Risk Factors Related to the Purchase of Municipal Bond Insurance,” “MUNICIPAL BOND RATING,” “MUNICIPAL BOND INSURANCE” and “APPENDIX B.”
<i>Not Qualified Tax-Exempt Obligations...</i>	The District has not designated the Bonds as “qualified tax-exempt obligations” for financial institutions.
<i>Bond Counsel...</i>	Coats Rose, P.C., Bond Counsel, Houston, Texas. See “MANAGEMENT OF THE DISTRICT” and “LEGAL MATTERS.”
<i>Disclosure Counsel...</i>	McCall, Parkhurst & Horton L.L.P., Houston, Texas.
<i>Financial Advisor...</i>	Masterson Advisors LLC, Houston, Texas. See “MANAGEMENT OF THE DISTRICT” and “PREPARATION OF OFFICIAL STATEMENT.”
<i>Paying Agent/Registrar...</i>	The Bank of New York Mellon Trust Company, N.A. in Dallas, Texas. See “THE BONDS—Method of Payment of Principal and Interest.”

RISK FACTORS

THE PURCHASE AND OWNERSHIP OF THE BONDS ARE SUBJECT TO SPECIAL RISK FACTORS AND ALL PROSPECTIVE PURCHASERS ARE URGED TO EXAMINE CAREFULLY THIS ENTIRE OFFICIAL STATEMENT WITH RESPECT TO THE INVESTMENT SECURITY OF THE BONDS, INCLUDING PARTICULARLY THE SECTION CAPTIONED "RISK FACTORS."

SELECTED FINANCIAL INFORMATION (UNAUDITED)

2021 Taxable Assessed Valuation	\$ 92,989,060	(a)
2022 Preliminary Taxable Assessed Valuation	\$ 242,450,970	(b)
Gross Direct Debt Outstanding	\$27,595,000	(c)
Estimated Overlapping Debt.....	<u>4,131,140</u>	(d)
Gross Direct Debt and Estimated Overlapping Debt	\$31,726,140	
Ratios of Gross Direct Debt to:		
2022 Preliminary Taxable Assessed Valuation	11.38%	
Ratios of Gross Direct Debt and Estimated Overlapping Debt to:		
2022 Preliminary Taxable Assessed Valuation	13.09%	
Funds Available for Debt Service as of April 12, 2022:		
Water, Sewer and Drainage Debt Service Fund	\$ 495,143	(e)
Road Debt Service Fund.....	511,225	(e)
Capitalized Interest from Road Bond proceeds	<u>406,513</u>	(f)
Total Funds Available for Debt Service	\$1,412,881	(e)
Available General Operating Funds as of April 12, 2022.....	\$ 471,466	
Available Capital Projects Funds as of April 12, 2022.....	\$ 237,407	
2021 Debt Service Tax Rate	\$0.46	
2021 Maintenance Tax Rate	<u>\$0.89</u>	
2021 Total Tax Rate	\$1.35	
Average Annual Debt Service Requirement (2023-2047).....	\$1,589,634	(g)
Maximum Annual Debt Service Requirement (2023)	\$1,820,915	(g)
Tax Rate Required to Pay Average Annual Debt Service (2023-2047) at a 95% Collection Rate		
Based upon 2022 Preliminary Taxable Assessed Valuation.....	\$0.70	(g)
Tax Rate Required to Pay Maximum Annual Debt Service (2023) at a 95% Collection Rate		
Based upon 2022 Preliminary Taxable Assessed Valuation.....	\$0.80	(g)
Status of Development as of February 25, 2022 (h):		
Total Developed Lots	1,074	
Total Completed Homes (386 Occupied and 48 Complete but not Occupied).....	434	
Homes Under Construction	146	
Vacant Developed Lots Available for Home Construction	494	
Lots Under Construction	29	
Estimated Population.....	1,351	(i)

- (a) As certified by the Montgomery Central Appraisal District (the "Appraisal District"). See "TAXING PROCEDURES."
- (b) Provided by the Appraisal District as a preliminary indication of the 2022 taxable assessed value. Such amount is subject to review and downward adjustment prior to certification. No tax will be levied on such amount until it is certified. See "TAXING PROCEDURES."
- (c) After issuance of the Bonds. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)."
- (d) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Estimated Overlapping Debt."
- (e) Although all of the District's debt, including the Outstanding Bonds and the Bonds, is payable from an unlimited tax pledge on an equal basis, a pro rata portion of the District's ad valorem tax revenue will be allocated to bonds sold for water, sewer and drainage facilities ("Water, Sewer and Drainage Bonds"), and a pro rata portion will be allocated to bonds sold for road facilities ("Road Bonds"), including the Bonds. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements."
- (f) The District capitalized twenty-four (24) months of interest in November 2020 from proceeds of the Series 2020 Road Bonds and twenty-four (24) months of interest from the Series 2021 Bonds in November 2021. The District will capitalize \$406,513 of interest from the Bond proceeds and deposit such funds in the Road Debt Service Fund.
- (g) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements" and "TAX DATA—Tax Adequacy for Debt Service."
- (h) See "THE DISTRICT—Land Use—Status of Development."
- (i) Based upon 3.5 persons per occupied single-family residence.

OFFICIAL STATEMENT

\$9,565,000

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 111
(A political subdivision of the State of Texas located within Montgomery County)

UNLIMITED TAX ROAD BONDS
SERIES 2022

This OFFICIAL STATEMENT provides certain information in connection with the issuance by Montgomery County Municipal Utility District No. 111 (the “District”) of its \$9,565,000 Unlimited Tax Road Bonds, Series 2022 (the “Bonds”).

The District is a political subdivision of the State of Texas operating as a municipal utility district pursuant to Article XVI, Section 59 of the Texas Constitution. The District was created by an order of the Texas Commission on Environmental Quality (the “TCEQ”) dated March 12, 2006. The Bonds are issued pursuant to Article III, Section 52 of the Texas Constitution, the Act, Chapters 49 and 54 of the Texas Water Code, as amended, the general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas and an order authorizing the issuance of the Bonds (the “Bond Order”) adopted by the Board of Directors of the District (the “Board”).

This OFFICIAL STATEMENT includes descriptions, among others, of the Bonds and certain other information about AIRIA Development Company (“AIRIA”), Artavia Development Company (“ADC” or the “Developer”) and development activity in the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of documents may be obtained from Coats Rose, P.C. (“Bond Counsel”), 9 Greenway Plaza, Suite 1000, Houston, Texas 77046 upon payment of the costs of duplication therefore.

THE BONDS

General

The following is a description of the terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Bond Order of the Board authorizing the issuance and sale of the Bonds. The Bond Order authorizes the issuance and sale of the Bonds and prescribes the terms, conditions, and provisions for the payment of the principal of and interest on the Bonds by the District.

The Bonds will be dated June 1, 2022, and will accrue interest from the Date of Delivery with interest payable on each March 1 and September 1, commencing September 1, 2022, until the earlier of maturity or prior redemption. The Bonds mature on September 1 in the principal amounts and years and accrue interest at the rates shown on the cover page of this OFFICIAL STATEMENT. Interest calculations are based on a 360-day year comprised of twelve 30-day months.

Authority for Issuance

At a bond election held within the District on May 5, 2018, the voters of the District authorized the issuance of a total of \$94,100,000 principal amount of unlimited tax bonds for the purpose of financing road improvements and facilities to the land within its boundaries. The Bonds are issued pursuant to such authorization.

The Bonds are issued by the District pursuant to the terms and provisions of the Bond Order, Article III, Section 52 of the Texas Constitution, the Act, Chapters 49 and 54 of the Texas Water Code, as amended and the general laws of the State of Texas relating to the issuance of the bonds by political subdivisions of the State of Texas.

Before the Bonds can be issued, the Attorney General of Texas must pass upon the legality of certain related matters. The Attorney General of Texas does not guarantee or pass upon the safety of the Bonds as an investment or upon the adequacy of the information contained in this OFFICIAL STATEMENT.

Source of and Security for Payment

While the Bonds or any part of the principal thereof or interest thereon remain outstanding and unpaid, the District covenants in the Bond Order to levy a continuing direct annual ad valorem tax, without legal limit as to rate or amount, upon all taxable property in the District sufficient to pay the principal of and interest on the Bonds, with full allowance being made for delinquencies and costs of collection.

The Bonds are obligations of the District and are not the obligations of the State of Texas, Montgomery County, the City of Conroe or any entity other than the District.

Record Date

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

Funds

In the Bond Order, the Road Debt Service Fund is confirmed, and the proceeds from all taxes levied and collected for and on account of the Bonds authorized by the Bond Order shall be deposited, as collected, in such fund.

The District also maintains a Water, Sewer and Drainage Debt Service Fund for bonds sold for water, sewer and drainage facilities (the “Water, Sewer and Drainage Bonds”) that is not pledged to bonds sold for road facilities (“Road Bonds”), including the Bonds. Funds in the Water, Sewer and Drainage Debt Service Fund are not available to pay principal and interest on the Outstanding Road Bonds, including the Bonds, and funds in the Road Debt Service Fund are not available to pay principal and interest on the Outstanding Water, Sewer and Drainage Bonds.

Twelve (12) months of capitalized interest on the Bonds shall be deposited into the Road Debt Service Fund upon receipt. The remaining proceeds from sale of the Bonds, including interest earnings thereon, shall be deposited into the Road Capital Projects Fund, to pay the costs of acquiring or constructing road improvements and facilities and for paying the costs of issuing the Bonds. See “USE AND DISTRIBUTION OF BOND PROCEEDS” for a more complete description of the use of Bond proceeds.

No Arbitrage

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

Redemption Provisions

Mandatory Redemption: The Bonds maturing on September 1 in each of the years 2037, 2039, 2041, 2043, 2045 and 2047 (the “Term Bonds”) shall be redeemed, at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption, on September 1 in each of the years and in the principal amounts set forth in the following schedule (with each such scheduled principal amount reduced by the principal amount as may have been previously redeemed through the exercise of the District’s reserved right of optional redemption, as provided under “Optional Redemption” below):

\$760,000 Term Bonds Due September 1, 2037		\$760,000 Term Bonds Due September 1, 2039		\$760,000 Term Bonds Due September 1, 2041	
Mandatory	Principal	Mandatory	Principal	Mandatory	Principal
<u>Redemption Date</u>	<u>Amount</u>	<u>Redemption Date</u>	<u>Amount</u>	<u>Redemption Date</u>	<u>Amount</u>
2036	\$ 380,000	2038	\$ 380,000	2040	\$ 380,000
2037 (maturity)	380,000	2039 (maturity)	380,000	2041 (maturity)	380,000
\$760,000 Term Bonds Due September 1, 2043		\$760,000 Term Bonds Due September 1, 2045		\$760,000 Term Bonds Due September 1, 2047	
Mandatory	Principal	Mandatory	Principal	Mandatory	Principal
<u>Redemption Date</u>	<u>Amount</u>	<u>Redemption Date</u>	<u>Amount</u>	<u>Redemption Date</u>	<u>Amount</u>
2042	\$ 380,000	2044	\$ 380,000	2046	\$ 380,000
2043 (maturity)	380,000	2045 (maturity)	380,000	2047 (maturity)	380,000

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

Optional Redemption: The District reserves the right, at its option, to redeem the Bonds maturing on or after September 1, 2029, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of \$5,000, on September 1, 2028, or on any date thereafter, at a price of par plus accrued interest on the principal amounts called for redemption to the date fixed for redemption. If fewer than all of the Bonds are redeemed at any time, the particular maturities of Bonds to be redeemed shall be selected by the District. If less than all the Bonds of any maturity are redeemed at any time, the particular Bonds within a maturity to be redeemed shall be selected by the Paying Agent/Registrar by lot or other customary method of selection (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form).

Notice of any redemption identifying the Bonds to be redeemed in whole or in part shall be given by the Paying Agent/Registrar at least thirty (30) days prior to the date fixed for redemption by sending written notice by first class mail to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the register. Such notices shall state the redemption date, the redemption price, the place at which the Bonds are to be surrendered for payment and, if fewer than all the Bonds outstanding within any one maturity are to be redeemed, the numbers of the Bonds or the portions thereof to be redeemed. Any notice given shall be conclusively presumed to have been duly given, whether or not the Registered Owner receives such notice. By the date fixed for redemption, due provision shall be made with the Paying Agent/Registrar for payment of the redemption price of the Bonds or portions thereof to be redeemed, plus accrued interest to the date fixed for redemption. When Bonds have been called for redemption in whole or in part and due provision has been made to redeem the same as herein provided, the Bonds or portions thereof so redeemed shall no longer be regarded as outstanding except for the purpose of receiving payment solely from the funds so provided for redemption, and the rights of the Registered Owners to collect interest that would otherwise accrue after the redemption date on any Bond or portion thereof called for redemption shall terminate on the date fixed for redemption.

Registration and Transfer

So long as any Bonds remain outstanding, the Paying Agent/Registrar shall keep the register at its principal payment office in Dallas, Texas and, subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar shall provide for the registration and transfer of Bonds in accordance with the terms of the Bond Order. While the Bonds are in the Book-Entry-Only system, the Bonds will be registered in the name of Cede & Co. and will not be transferred. See "BOOK-ENTRY-ONLY SYSTEM."

Method of Payment of Principal and Interest

The Board has appointed The Bank of New York Mellon Trust Company, N.A., having its principal corporate trust office and its principal payment office in Dallas, Texas, as the initial Paying Agent/Registrar for the Bonds. The principal of and interest on the Bonds shall be paid to DTC, which will make distribution of the amounts so paid to the Beneficial Owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM."

Replacement of 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 act in the same capacity as the previous Paying Agent/Registrar. Any paying agent/registrar selected by the District shall be a national or state banking institution, a corporation organized and doing business under the laws of the United States of America or of any State, authorized under such laws to exercise trust powers, and subject to supervision or examination by federal or state authority, to act as Paying Agent/Registrar for the Bonds.

Issuance of Additional Debt

The District may issue additional bonds necessary to provide and maintain improvements and facilities consistent with the purposes for which the District was created. After issuance of the Bonds, the District will have \$76,535,000 principal amount of unlimited tax bonds for the purposes of financing road facilities authorized but unissued. The District also has \$169,870,000 principal amount of unlimited tax bonds for the purposes of financing water, wastewater and drainage facilities authorized but unissued, and \$51,450,000 principal amount of unlimited tax bonds for the purposes of financing park and recreational facilities authorized but unissued. The District will also have authorized but unissued refunding bonds in an amount not in excess of one and one-half times the amount of bonds or other evidences of indebtedness previously issued by the District for water, wastewater, and drainage facilities and refunding bonds in an amount not in excess of one and one-half times the amount of bonds or other evidences of indebtedness previously issued by the District for road improvements and facilities. If the District does issue park bonds, the outstanding principal amount of such bonds may not exceed an amount equal to one percent (1%) of the value of the taxable property in the District; however, the outstanding

principal amount of such bonds may exceed one percent (1%) but not three percent (3%) of the value of the taxable property in the District if the District has (i) a ratio of debt to certified assessed valuation of ten percent (10%) or less; (ii) a credit rating that conforms to the TCEQ rules; (iii) a credit enhanced rating on the District's bond issue that conforms to the TCEQ rules; or (iv) a contract with a political subdivision or an entity acting on behalf of a political subdivision under which the subdivision or the entity agrees to provide to the District taxes or other revenues, as consideration for the District's development or acquisition of the facility, including a contract under Section 49.108 of the Texas Water Code, as amended. The Bond Order imposes no limitation on the amount of additional parity bonds which may be authorized for issuance by the District's voters or the amount ultimately issued by the District. The District has authorized the submission of a bond application to the TCEQ requesting approval to sell approximately \$9,080,000 principal amount of water, sewer and drainage bonds. The District expects approval of such application and the sale of such bonds in the fourth quarter of 2022. See "RISK FACTORS—Future Debt."

After approval by the District's voters, the City of Conroe, and the TCEQ, the District may elect to issue unlimited tax bonds for the purpose of providing fire-fighting facilities. The District has not considered calling an election to authorize bonds for fire-fighting facilities at this time.

Annexation by the City of Conroe

Under existing law, since the District lies wholly within the extraterritorial jurisdiction of the City of Conroe (the "City"), the District must conform to a City of Conroe consent ordinance. Under Texas law, a city is authorized to annex property within its extraterritorial jurisdiction and to abolish the municipal utility district in which such property is located, subject to compliance with various requirements of Chapter 43 of the Texas Local Government Code, including the following: (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed, and (ii) if the registered voters in the area to be annexed do not own more than 50 percent of the land in the area, a petition has been signed by more than 50 percent of the landowners consenting to the annexation. If a city and a municipal utility district existing within the extraterritorial jurisdiction have entered into a strategic partnership, however, the election and petition process specified above does not apply during the term of the agreement. The agreement may provide for a full purpose annexation or a limited purpose annexation. The District has entered into a Strategic Partnership Agreement with the City. See "THE DISTRICT—Strategic Partnership Agreement."

If the City were to successfully annex the property within the District, the City would assume the District's assets and obligations (including the Bonds) and dissolve the District. The commencement of annexation proceedings by the City is a policy-making matter within the discretion of the Mayor and City Council of the City, and therefore, the District makes no representation that the City will ever annex the District and assume its debt. Moreover, no representation is made concerning the ability of the City to make debt service payments should annexation occur. See "THE DISTRICT—Strategic Partnership Agreement."

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, but the District currently is not contemplating consolidation.

Remedies in Event of Default

If the District defaults in the payment of principal, interest, or the 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 observance or performance of any other covenants, conditions, or obligations set forth in the Bond Order, the Registered Owners have the statutory 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, so that in the absence of other waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the Bond Order may not be reduced to a judgment for money damages. If such a judgment against the District were obtained, it could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may further be limited by a State of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District. See "RISK FACTORS—Registered Owners' Remedies and Bankruptcy Limitations to Registered Owners' Rights."

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

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

Defeasance

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

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

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

BOOK-ENTRY-ONLY SYSTEM

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC, DTC Direct Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) Bonds representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) prepayment or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will do so on a timely basis or that DTC, DTC Direct Participants or DTC Indirect Participants will act in the manner described in this OFFICIAL STATEMENT. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedure" of DTC to be followed in dealing with DTC Direct Participants is on file with DTC.

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

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a rating of "AA+" from S&P Global Ratings. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

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

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

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

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

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

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

USE AND DISTRIBUTION OF BOND PROCEEDS

The construction costs below were prepared by LJA Engineering, Inc. (the “Engineer). Nonconstruction costs are based upon either contract amounts or estimates of various costs from the Engineer and Masterson Advisors LLC (the “Financial Advisor”). The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Bonds and agreed-upon procedures are completed by an independent accountant. The surplus funds, if any, may be expended for any lawful purpose for which surplus construction funds may be used.

I CONSTRUCTION COSTS

• Artavia Parkway Phase I.....	\$	1,968,233
• Artavia Parkway Phase I Streetlights.....		226,787
• Artavia Section Eleven.....		1,448,330
• Artavia Section Eleven Streetlights.....		38,218
• Artavia Section Seven.....		772,125
• Artavia Section Seven Streetlights.....		17,366
• Artavia Parkway Phase II.....		526,760
• Land Acquisition (ROW) & Carry Costs.....		2,451,292
• Engineering, Geotechnical and Construction Phase Services.....		588,577
		588,577
Total Construction Costs.....	\$	8,037,687

II NON-CONSTRUCTION COSTS

• Underwriter's Discount (b).....	\$	190,155
• Capitalized Interest (a).....		406,513
• Developer Interest.....		453,702
		453,702
Total Non-Construction Costs.....	\$	1,050,369

III ISSUANCE COSTS AND FEES

• Issuance Costs and Professional Fees.....	\$	466,299
• State Regulatory Fees.....		9,500
• Contingency (b).....		1,145
		1,145
Total Issuance Costs and Fees.....	\$	476,944
TOTAL BOND ISSUE.....	\$	9,565,000

(a) The District will capitalize \$406,513 of interest on the Bonds.

(b) Contingency represents the difference in the estimated and actual amount of underwriter’s discount and may be used for any eligible construction cost.

ARTAVIA

General

Artavia is an approximately 2,187 acre master-planned community located 31 miles northeast of downtown Houston, Texas. Artavia includes four (4) municipal utility districts: the District, Montgomery County Municipal Utility District No. 157 (“MUD 157” or the “Master District”), Montgomery County Municipal Utility District No. 106 (“MUD 106”) and Montgomery County Municipal Utility District No. 158 (“MUD 158”) (collectively, the “Artavia Districts”). A majority of the development occurring within Artavia is currently within the District. Each of the Artavia Districts has the authority to provide water, wastewater, drainage and recreation facilities as well as the roads within its boundaries. MUD 157 also acts as the “Master District” and has additional powers related to providing regional water and wastewater service to the Artavia Districts. See “WATER, WASTEWATER AND DRAINAGE—Master District.”

THE DISTRICT

General

The District is a political subdivision of the State of Texas operating as a municipal utility district pursuant to Article XVI, Section 59 of the Texas Constitution. The District was created by an order of the TCEQ. The District is vested with all the rights, privileges, authority and functions conferred by the laws of the State of Texas applicable to municipal utility districts, including without limitation those conferred by Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution, the Act, and Chapters 49 and 54 of the Texas Water Code, as amended. The District is empowered to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply of water; the collection, transportation and treatment of wastewater; the control and diversion of storm water; to finance, develop and maintain parks and recreational facilities, and to acquire, construct, finance, improve and operate road facilities, among other things. The District may also provide solid waste collection and disposal service and contract for or employ peace officers. The District may operate and maintain a fire department, independently or with one or more other conservation and reclamation districts, if approved by the voters and the TCEQ. The District is subject to the continuing supervision of the TCEQ.

The District is required to observe certain requirements of the City of Conroe which limit the purposes for which the District may sell bonds to the acquisition, construction, and improvement of waterworks, wastewater, drainage, recreational, road and firefighting facilities and the refunding of outstanding debt obligations; limit the net effective interest rate on such bonds and other terms of such bonds; require approval by the City of Conroe of District construction plans; and permit connections only to lots and reserves described in plats which have been approved by the City of Conroe and filed in the real property records of Montgomery County, Texas. The District is also required to obtain TCEQ approvals prior to acquiring, constructing and financing water, wastewater, drainage, recreation and fire-fighting facilities. See “WATER, WASTEWATER AND DRAINAGE—Regulation.”

Description and Location

The District consists currently of approximately 719 acres of land. The District is located in Montgomery County, entirely in the extraterritorial jurisdiction of the City of Conroe and within the Conroe Independent School District. The District is located approximately 31 miles northeast of the central downtown business district of the City of Houston and 10 miles from the central downtown business district of the City of Conroe. The District is located within the boundaries of the Conroe Independent School District. The District is generally bounded by Texas State Highway 242 on the north, Farm-to-Market 1314 to the west and south and Old Houston Road to the east. See “AERIAL LOCATION MAP” herein.

Land Use

The following table has been provided by the Engineer and represents the current land use within the District.

<u>Single-Family Residential</u>	<u>Approximate Acres</u>	<u>Total Lots</u>
Artavia, Section One	27	102
Artavia, Section Two	38	108
Artavia, Section Three	28	97
Artavia, Section Four	20	60
Artavia, Section Five	22	60
Artavia, Section Six	10	31
Artavia, Section Seven	26	89
Artavia, Section Eight	22	120
Artavia, Section Nine	34	81
Artavia, Section Ten	36	95
Artavia, Section Eleven	32	90
Artavia, Section Twelve	18	89
Artavia, Section Thirteen	17	52
Artavia, Section Sixteen (a)	<u>11</u>	<u>29</u>
Subtotal	340	1,103
Future Development	299	---
Undevelopable Acreage(b)	<u>80</u>	<u>---</u>
Total District Acreage	719	1,103

(a) Currently under construction with an expected completion date in May 2022.

(b) Consists of street easements, drainage detention, parks and recreation space, right-of-way and utility sites.

Status of Development

Single Family Residential: The development in the District currently includes 1,074 single-family residential lots on approximately 329 acres with an additional 29 lots on approximately 11 acres under construction with an expected completion in May 2022. As of February 25, 2022, the District consisted of 434 completed homes (386 of which were occupied and 48 homes complete but not occupied), 146 homes under construction, and 494 vacant developed lots available for home construction. Homes within the District range in price from approximately \$250,000 to over \$500,000. The estimated population within the District is 1,351 based upon 3.5 persons per occupied single-family residence.

Homebuilders

Homebuilders active within the District include: David Weekly Homes, Highland Homes, J. Patrick Homes, Lennar Homes, MHI Partnership (Coventry Homes), Perry Homes, Ravenna Homes and Westin Homes. Pursuant to lot sales agreements with the homebuilders in the District, each builder that is required to make an earnest money deposit is subject to lot takedown requirements of generally four lots per quarter. Each builder is also required to build models and/or speculative homes. According to the Developer, each of the homebuilders is in substantial compliance with all of the terms of its respective lot sales contract.

Future Development

Approximately 299 developable acres of land in the District are not yet fully served with water, wastewater, and drainage facilities, park and recreational facilities, and roads necessary for the construction of taxable improvements (excluding approximately 11 acres where utility construction has recently commenced for 29 single-family residential lots). While the District anticipates future development of this acreage, there can be no assurances if and when any of such undeveloped land will ultimately be developed. The District anticipates issuing additional bonds to fund water, wastewater, drainage, road, and park and recreational facilities within the District necessary to serve the land at full development. The Engineer has stated that under current development plans, the remaining authorized but unissued bonds (\$301,500,000) should be sufficient to finance the construction of water, wastewater, and drainage facilities, park and recreational facilities, and roads for the District. See “THE ROAD SYSTEM,” “WATER, WASTEWATER AND DRAINAGE” and “RISK FACTORS—Future Debt.”

Strategic Partnership Agreement

The District and the City entered into a Strategic Partnership (“SPA”) on or about November 14, 2018, pursuant to Chapter 43 of the Texas Local Government Code. The SPA provides for the terms and conditions for annexation of the District by the City and controls over any other law. The SPA terminates on the earlier of (i) 40 years from the effective date of the Agreement, or (ii) the date the District ceases to exist.

Under the SPA the City may at any time annex the territory of the District for limited purposes (a “limited purpose annexation”). After a limited purpose annexation, the City may impose a sales and use tax within the District but the District is not subject to property taxation by the City.

Under the SPA the City may annex the territory of the District for full purposes (a “full-purpose annexation”) at any time on or after December 31, 2034, or at any earlier time that the District has achieved 90% build out as defined in the SPA. Upon full-purpose annexation the City may either (i) abolish and District and assume its debts and obligations or (ii) continue the District as a limited district under the terms of the SPA. The District cannot be abolished until it achieves 90% build out. The term “90% build out” means that the public water, sewer and drainage facilities and roads for 90% of the developable land in the District have been constructed and the District has fully reimbursed the Developer for such infrastructure.

If the District is continued as a limited district after full-purpose annexation, the District may operate and remain responsible for its obligations. It will continue to have the power to levy and collect taxes to pay its debt and operating expenses. Upon 90% build out, the City may dissolve the limited district, take over its assets, assume its obligations, and perform its functions.

MANAGEMENT OF THE DISTRICT

Board of Directors

The District is governed by the Board consisting of five (5) directors, which has control over and management supervision of all affairs of the District. Directors are elected to staggered four-year terms and elections are held on the first Saturday of May of even numbered years. All of the Board members own land within the District subject to a note and deed of trust in favor of the Developer. The current members and officers of the Board along with their titles and terms are listed as follows:

<u>Name</u>	<u>District Board Title</u>	<u>Term Expires</u>
Brett D. Beardsley	President	May 2026
Kurt Granhold	Vice President	May 2026
Ryan Lesikar	Secretary	May 2026
Wes Harlan	Assistant Secretary	May 2024
Nicholas Carroll	Assistant Secretary	May 2024

District Consultants

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

Bond Counsel and General Counsel: Coats Rose, P.C. serves as Bond Counsel to the District. The fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds. In addition, Coats Rose, P.C. serves as general counsel to the District on matters other than the issuance of bonds.

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

Auditor: The financial statements of the District as of April 30, 2021, and for the year then ended, included in this offering document, have been audited by BKD, LLP, independent auditors, as stated in their report appearing herein. See “APPENDIX A.” The District has engaged BKD, LLP, to audit its financial statements for the year ended April 30, 2022.

Engineer: The District’s consulting engineer is LJA Engineering, Inc.

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

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

Bookkeeper: The District has contracted with Municipal Accounts & Consulting, LP (the “Bookkeeper”) for bookkeeping services.

Operator: The operation and maintenance of the District’s water and wastewater systems are overseen by Inframark Infrastructure Management Services (the “Operator”).

Disclosure Counsel: McCall, Parkhurst & Horton L.L.P. serves as Disclosure Counsel to the District in connection with the issuance of the Bonds.

THE DEVELOPER

Role of a Developer

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

Description of the Developer and Principal Landowner

The developer of Artavia is Artavia Development Company, a Texas corporation ("ADC" or the "Developer"). A portion of the undeveloped land within the Artavia project boundaries is owned by Pilot Land Acquisitions, LLC, a Nevada limited liability company ("PLA"), which acts solely as a land holding company. PLA sells land to the Developer as needed for development. As of April 1, 2022 the Developer has purchased 1,521 acres within the Artavia project boundaries, including all of the land in the District. AIRIA Development Company, a Texas corporation ("AIRIA") manages the development of Artavia for the Developer and PLA. The controlling interests in AIRIA, ADC, and PLA are primarily lineal descendants (or their trusts) of Lester Benny Binion and Phyllis Cope. The President of AIRIA and ADC is E. Travis Stone, Jr.

Neither the Developer, nor any affiliates of the Developer are responsible for, liable for, or have made any commitment for payment of the Bonds or other obligations of the District. Neither the Developer, nor any affiliates of the Developer have any legal commitment to the District or the owners of the Bonds to continue development of the land within the District, and the Developer may sell or otherwise dispose of property within the District, or any assets, at any time. Further, the financial condition of the Developer is subject to change.

Acquisition and Development Financing

The Developer acquired approximately 314 acres of land on October 1, 2018 to develop as the first phase of Artavia. The acquisition was funded through a loan from PLA in the amount of \$12,257,958.95. The loan is secured by a lien on the property, which is released by PLA as the Developer sells parcels to third parties.

According to the Developer, its source of construction funding is a \$100,000,000 note with SR Lender, LLC, a Nevada limited liability company, which is due on October 1, 2028. Modifications were made to the loan agreement and effective December 1, 2020, the new maximum principal sum is \$120,000,000 and the new maturity date is June 1, 2029. According to the Developer, the outstanding principal balance of the loan as of February 28, 2022 was \$81,108,828.92 and the Developer is in compliance with all terms.

WATER, WASTEWATER AND DRAINAGE

Water Supply

The District's water supply is provided by MUD 157 which serves as the Master District. Water Plant No. 1 consists of a 1,511 gallon per minute ("gpm") water well, a 1,200 gpm water well, 25,000 gallons of pressure tank capacity, 500,000 gallons of ground storage tank capacity and 4,000 gpm of booster pump capacity. The Master District water supply facilities adequately serve 1,250 equivalent single-family connections. As of March 2022, the Master District was servicing approximately 555 active connections (including 374 active residential connections and 181 under construction or in a builder's name), all of which are located within the District.

Wastewater Treatment

The District's wastewater is treated by the Master District's 125,000-gallon Wastewater Treatment Plant No. 1 ("WWTP No. 1"). The District's current capacity in WWTP No. 1 will adequately serve approximately 550 equivalent single-family connections. As of March 2022, the Master District was servicing approximately 542 active connections (including 374 which are active residential connections and 168 under construction or in a builder's name), all of which are located within the District. A 125,000-gallon expansion of the Plant No. 1 is under construction in the Master District which will increase capacity to approximately 1,100 equivalent single-family connections. The anticipated completion date is August 2022.

Water Distribution, Wastewater, Collection and Storm Drainage

Water distribution, wastewater collection and storm drainage facilities have been constructed to serve 1,074 single-family residential lots. In addition, utility construction is underway for an additional 29 single-family lots. See "THE DISTRICT – Land Use."

Flood Protection

"Flood Insurance Rate Map" or "FIRM" means an official map of a community on which the Federal Emergency Management Agency (FEMA) has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100-year flood plain, is depicted on these maps. The "100-year flood plain" (or 1% chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rainstorm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes must be built above the 100-year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. An engineering or regulatory determination that an area is above the 100-year flood plain is not an assurance that homes built in such area will not be flooded, and a number of neighborhoods in the greater Houston area that are above the 100-year flood plain have flooded multiple times in the last several years. According to the Engineer, none of the land within the District is within the 100-year flood plain. See "RISK FACTORS—Severe Weather."

Master District

As of February 2, 2018, the District entered in a regional contract (the "Contract") with MUD 157. Under the terms of the Contract, MUD 157 serves as the "Master District" and provides or causes to be provided the regional water supply and delivery facilities, the regional waste collection, treatment and disposal facilities, and the regional drainage facilities to serve the Artavia Districts. Under the terms of the Contract, the Master District will charge the participants a monthly operational fee based on connections. The Master District will assess a master district connection fee to the District to pay for its pro-rata share of regional capital projects.

Regulation

Construction and operation of the District's water, wastewater, and storm drainage system as it now exists or as it may be expanded from time to time is subject to regulatory jurisdiction of federal, state and local authorities. The TCEQ exercises continuing, supervisory authority over the District. Discharge of treated sewage into Texas waters is also subject to the regulatory authority of the TCEQ and the United States Environmental Protection Agency. Montgomery County, the City of Conroe, and the Texas Department of Health also exercise regulatory jurisdiction over the District's water, wastewater and storm drainage facilities.

Lone Star Groundwater Conservation District

The District is included in the boundaries of the Lone Star Groundwater Conservation District ("LSGCD"), a Montgomery County-wide regulatory agency. LSGCD has adopted a regulatory plan which requires groundwater users within Montgomery County to develop a groundwater reduction plan and reduce their groundwater usage. Currently the Master District, which owns a groundwater well and provides water to the District, is exempt from having to enter into a groundwater reduction plan because of the small amount of water it pumps. The Master District and the District are currently exploring various options for complying with the LSGCD plan in the future when their groundwater usage increases. The District expects to pass through any fee charged for groundwater usage under a groundwater reduction plan to its customers in their water bills.

Waterworks and Sewer System Operating Statement

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. Net revenues, if any, derived from the operation of the District's water and wastewater operations are not pledged to the payment of the Bonds but are available for any lawful purpose including payment of debt service on the Bonds, at the discretion and upon action of the Board. It is not anticipated that any significant revenues will be available for the payment of debt service on the Bonds. The following statement sets forth in condensed form the historical results of operation of the District's General Fund as derived from the District's audited financial statements for the fiscal years ended April 30, 2020 and 2021 and an unaudited summary for the eleven-month period ended March 31, 2022 provided by the Bookkeeper. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Reference is made to "APPENDIX A" for further and complete information.

	Unaudited 5/1/2021 to 3/31/2022	<u>Fiscal Year Ended</u>	
		<u>4/30/2021</u>	<u>4/30/2020</u>
Revenues:			
Property Taxes	\$ 740,662	\$ 501,445	\$ 54,662
Water Service	112,083	79,928	17,472
Sewer Service	206,711	140,877	26,321
Penalty and Interest	9,940	6,227	1,744
Investment Income	73	244	229
Tap Connection & Inspection	414,125	382,134	248,971
Miscellaneous	4,070	3,706	1,037
Total Revenue	\$ 1,487,664	\$ 1,114,561	\$ 350,436
Expenditures:			
Professional Fees	\$ 63,461	\$ 46,608	\$ 6,251
Purchased Services	786,765	696,959	117,657
Tap Connections	193,041	97,221	101,451
Repairs and Maintenance	281,201	320,742	41,629
Capital Outlay	-	-	385,983
Contracted Services	145,277	102,190	161,965
Other Expenses	39,295	22,371	19,464
Debt issuance costs	-	28,285	-
Total Expenditures	\$ 1,509,040	\$ 1,314,376	\$ 834,400
NET REVENUES	\$ (21,375)	\$ (199,815)	\$ (483,964)
Other Financing Sources	\$ 182,285 (a)	\$ 348,116 (b)	\$ 479,450 (c)
General Operating Fund			
Balance (Beginning of Year)	\$ 146,210	\$ (2,091)	\$ 2,423
General Operating Fund			
Balance (End of Year)	\$ 307,120	\$ 146,210	\$ (2,091)

(a) Includes a developer advance of \$154,000 and an interfund transfer of \$28,285.

(b) Includes a developer advance of \$347,000 and an interfund transfer of \$1,116.

(c) Includes a developer advance of \$177,000 and a settlement payment in connection with a construction settlement in the amount of \$302,450.

THE ROAD SYSTEM

The road system (the "Roads") serves the residents of the District by providing access to major thoroughfares and collectors within Artavia and the surrounding area. The internal subdivision streets provide access to several collectors including Artavia Parkway and Aspire Way. These internal streets and collectors convey the residents of the District to Texas State Highway 242 and Farm-to-Market 1314. All Roads are maintained or will be maintained by Montgomery County. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)

2021 Taxable Assessed Valuation	\$ 92,989,060	(a)
2022 Preliminary Taxable Assessed Valuation	\$ 242,450,970	(b)
Gross Direct Debt Outstanding	\$27,595,000	(c)
Estimated Overlapping Debt.....	<u>4,131,140</u>	(d)
Gross Direct Debt and Estimated Overlapping Debt	\$31,726,140	
Ratios of Gross Direct Debt to:		
2022 Preliminary Taxable Assessed Valuation	11.38%	
Ratios of Gross Direct Debt and Estimated Overlapping Debt to:		
2022 Preliminary Taxable Assessed Valuation	13.09%	
Funds Available for Debt Service as of April 12, 2022:		
Water, Sewer and Drainage Debt Service Fund	\$ 495,143	(e)
Road Debt Service Fund.....	511,225	(e)
Capitalized Interest from Road Bond proceeds	<u>406,513</u>	(f)
Total Funds Available for Debt Service	\$1,412,881	(e)
Available General Operating Funds as of April 12, 2022.....	\$ 471,466	
Available Capital Projects Funds as of April 12, 2022.....	\$ 237,407	

- (a) As certified by the Montgomery Central Appraisal District (the "Appraisal District"). See "TAXING PROCEDURES."
- (b) Provided by the Appraisal District as a preliminary indication of the 2022 taxable assessed value. Such amount is subject to review and downward adjustment prior to certification. No tax will be levied on such amount until it is certified. See "TAXING PROCEDURES."
- (c) After issuance of the Bonds. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)."
- (d) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Estimated Overlapping Debt."
- (e) Although all of the District's debt, including the Outstanding Bonds and the Bonds, is payable from an unlimited tax pledge on an equal basis, a pro rata portion of the District's ad valorem tax revenue will be allocated to bonds sold for water, sewer and drainage facilities ("Water, Sewer and Drainage Bonds"), and a pro rata portion will be allocated to bonds sold for road facilities ("Road Bonds"), including the Bonds. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements."
- (f) The District will capitalize \$406,513 of interest from the Bond proceeds and deposit such funds in a Road Debt Service Fund. Funds in the Water, Sewer and Drainage Debt Service Fund are not available to pay debt service on the Outstanding Bonds.

Investments of the District

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

Outstanding Bonds

The District has previously issued one series of unlimited tax road bonds totaling \$8,000,000 principal amount and one series of unlimited tax water, sewer and drainage bonds totaling \$10,030,000, of which \$18,030,000 is collectively outstanding as of the date hereof (the "Outstanding Bonds"). The following table lists the original principal amount of the bonds issued by the District and the Outstanding Bonds.

Series	Original Principal Amount	Outstanding Bonds as of 04/01/2022
2020	\$ 8,000,000	\$ 8,000,000
2021	<u>10,030,000</u>	<u>10,030,000</u>
Total	\$ 18,030,000	\$ 18,030,000

Debt Service Requirements

The following sets forth the debt service on the Outstanding Bonds and the debt service on the Bonds. This schedule does not reflect the fact that the District capitalized twenty-four (24) months of interest in November 2020 from proceeds of the Series 2020 Road Bonds, twenty-four (24) months of interest from the Series 2021 Bonds in November 2021 and will capitalize \$406,513 of interest from proceeds of the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

Year	Outstanding Bonds	The Bonds			Total
	Debt Service Requirements	Principal	Interest	Total	Debt Service Requirements
2022	\$ 475,082.50 (a)		\$ 92,751.67	\$ 92,751.67	\$ 567,834.17
2023	996,565.00	\$ 385,000	439,350.00	824,350.00	1,820,915.00
2024	991,715.00	385,000	414,325.00	799,325.00	1,791,040.00
2025	993,465.00	385,000	389,300.00	774,300.00	1,767,765.00
2026	989,515.00	385,000	368,125.00	753,125.00	1,742,640.00
2027	984,725.00	385,000	343,100.00	728,100.00	1,712,825.00
2028	979,225.00	385,000	318,075.00	703,075.00	1,682,300.00
2029	985,610.00	385,000	293,050.00	678,050.00	1,663,660.00
2030	991,250.00	385,000	277,650.00	662,650.00	1,653,900.00
2031	1,001,125.00	385,000	262,250.00	647,250.00	1,648,375.00
2032	1,005,375.00	385,000	246,850.00	631,850.00	1,637,225.00
2033	1,003,756.25	385,000	231,450.00	616,450.00	1,620,206.25
2034	1,011,381.25	385,000	216,050.00	601,050.00	1,612,431.25
2035	1,012,968.75	385,000	200,650.00	585,650.00	1,598,618.75
2036	1,018,618.75	380,000	185,250.00	565,250.00	1,583,868.75
2037	1,023,593.75	380,000	170,050.00	550,050.00	1,573,643.75
2038	1,027,350.00	380,000	154,850.00	534,850.00	1,562,200.00
2039	1,030,412.50	380,000	139,650.00	519,650.00	1,550,062.50
2040	1,037,781.25	380,000	124,450.00	504,450.00	1,542,231.25
2041	1,039,306.25	380,000	109,250.00	489,250.00	1,528,556.25
2042	1,040,137.50	380,000	94,050.00	474,050.00	1,514,187.50
2043	1,045,275.00	380,000	78,850.00	458,850.00	1,504,125.00
2044	1,049,050.00	380,000	63,650.00	443,650.00	1,492,700.00
2045	1,056,962.50	380,000	47,975.00	427,975.00	1,484,937.50
2046	1,053,881.25	380,000	32,300.00	412,300.00	1,466,181.25
2047	590,093.75	380,000	16,150.00	396,150.00	986,243.75
Total	\$ 25,434,221.25	\$ 9,565,000	\$ 5,309,451.67	\$ 14,874,451.67	\$ 40,308,672.92

(a) Excludes the March 1, 2022, debt service payment in the amount of \$204,735.69.

Average Annual Debt Service Requirements (2023-2047)	\$ 1,589,634
Maximum Annual Debt Service Requirement (2023)	\$ 1,820,915

Estimated Overlapping Debt

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

<u>Taxing Jurisdiction</u>	<u>Outstanding Bonds</u>	<u>As of</u>	<u>Overlapping</u>	
			<u>Percent</u>	<u>Amount</u>
Montgomery County.....	\$ 464,200,000	3/31/2022	0.156%	\$ 725,936
Conroe Independent School District.....	1,462,395,000	3/31/2022	0.216%	3,154,015
Lone Star College System.....	643,940,000	3/31/2022	0.039%	<u>251,189</u>
Total Overlapping Debt.....				\$ 4,131,140
The District.....	27,595,000	(a)	100.00%	<u>27,595,000</u>
Total Direct and Estimated Overlapping Debt.....				\$ 31,726,140

Direct and Estimated Overlapping Debt as a Percentage of:
 2022 Preliminary Taxable Assessed Valuation of \$242,450,970..... 13.09%

(a) Includes the Bonds and the Outstanding Bonds.

Overlapping Taxes

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

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

	<u>Tax Rate</u> <u>per \$100 of Taxable</u> <u>Assessed Valuation</u>
Montgomery County.....	\$ 0.40830
Montgomery County Hospital District.....	0.05670
Conroe Independent School District.....	1.17600
Lone Star College System.....	0.10780
Montgomery County ESD No. 9.....	<u>0.10000</u>
Total Overlapping Tax Rate.....	\$ 1.84880
The District(a).....	<u>1.35000</u>
Total Tax Rate.....	\$ 3.19880

(a) See “TAX DATA—Debt Service Tax” and “—Maintenance and Operations Tax.”

TAX DATA

Debt Service Tax

The Board covenants in the Bond Order to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, the tax adequate to provide funds to pay the principal of and interest on the Bonds. See “Tax Rate Distribution” and “Tax Roll Breakdown” below.

Maintenance and Operations Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for the operation and maintenance of the District, if such a maintenance tax is authorized by the District’s voters. A maintenance tax election was conducted May 13, 2006, and voters of the District authorized the Board, among other things, to levy a maintenance tax at a rate not to exceed \$1.35 per \$100 appraised valuation. A maintenance tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds. See “Debt Service Tax” above.

Tax Exemption

The District currently grants no exemptions.

Tax Rate Distribution

	2021	2020	2019
Debt Service Tax	\$ 0.46	\$ -	\$ -
Maintenance Tax	0.89	1.35	1.35
Total District Tax Rate	\$ 1.35	\$ 1.35	\$ 1.35

Historical Tax Collections

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

	Certified Taxable Assessed	Tax Rate	Total Tax Levy	Total Collections	
	Valuation (a)			As of March 31, 2022 (b)	
				Amount	Percent
2019	\$ 4,198,410	\$ 1.35	\$ 56,679	\$ 56,679	100.00%
2020	37,350,584	1.35	504,230	502,061	99.57%
2021	92,989,060	1.35	1,255,352	1,211,899	96.54%

(a) As certified by the Appraisal District.

(b) Unaudited.

Tax Roll Breakdown

The District’s appraised value as of January 1 of each year is used by the District in establishing its tax rate. See “TAXING PROCEDURES—Valuation of Property for Taxation.” The following represents the composition of property comprising the 2019 through 2021 Assessed Valuations. A breakdown of the 2022 Preliminary Taxable Assessed Valuation, is not available from the Appraisal District.

	2021 <u>Assessed Valuation</u>	2020 <u>Assessed Valuation</u>	2019 <u>Assessed Valuation</u>
Land	\$ 34,463,430	\$ 28,930,910	\$ 8,155,730
Improvements	63,667,550	12,926,460	-
Personal Property	<u>889,896</u>	<u>592,740</u>	<u>219,710</u>
Gross Assessed Valuation	\$ 99,020,876	\$ 42,450,110	\$ 8,375,440
Exemptions(a)	<u>(6,031,816)</u>	<u>(5,099,761)</u>	<u>(4,177,030)</u>
Total Taxable Assessed Valuation	\$ 92,989,060	\$ 37,350,349	\$ 4,198,410

(a) See “TAXING PROCEDURES.”

Principal Taxpayers

The following table represents the ten principal taxpayers and their taxable appraised value as a percentage of the 2021 Taxable Assessed Valuation of \$92,989,060. This represents certified ownership as of January 1, 2021. A principal taxpayer list related to the 2022 Preliminary Taxable Assessed Valuation, of \$242,450,970 is not available.

<u>Taxpayer</u>	<u>2021 Certified Taxable Assessed Valuation</u>	<u>% of 2021 Certified Taxable Assessed Valuation</u>
Artavia Development Company (a)	\$ 4,158,340	4.47%
MHI Partnership Ltd. (b)	2,273,050	2.44%
Ravenna Homes LLC (b)	1,708,790	1.84%
Highland Homes Houston LLC (b)	1,701,432	1.83%
J. Patrick Homes Ltd. (b)	1,413,860	1.52%
Westin Homes and Properties LP	1,201,000	1.29%
Sienergy	631,940	0.68%
Lennar Homes of Texas Land & Construction (b)	625,320	0.67%
Individual	592,780	0.64%
Individual	<u>537,080</u>	<u>0.58%</u>
Total	\$ 14,843,592	15.96%

(a) See “THE DEVELOPER.”

(b) See “THE DISTRICT—Homebuilders.”

Tax Adequacy for Debt Service

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 appraised valuation which would be required to meet average annual and maximum debt service requirements if no growth in the District’s tax base occurred beyond the 2022 Preliminary Taxable Assessed Valuation, of \$242,450,970. The calculations contained in the following table merely represent the tax rate required to pay principal and interest on the Bonds and the Outstanding Bonds when due, assuming no further increase or any decrease in taxable values in the District, collection of ninety-five percent (95%) of taxes levied, and the sale of no additional bonds. See “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements.”

Average Annual Debt Service Requirement (2023-2047).....	\$1,589,634
\$0.70 Tax Rate on 2022 Preliminary Taxable Assessed Valuation.....	\$1,612,299
Maximum Annual Debt Service Requirement (2023).....	\$1,820,915
\$0.80 Tax Rate on 2022 Preliminary Taxable Assessed Valuation.....	\$1,842,627

No representation or suggestion is made that the 2022 Preliminary Taxable Assessed Valuation will not be adjusted downward once certified, and no person should rely upon such amounts or their inclusion herein as assurance of their attainment. See “TAXING PROCEDURES.”

TAXING PROCEDURES

Authority to Levy Taxes

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

Property Tax Code and County-Wide Appraisal District

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

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

Property Subject to Taxation by the District

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

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

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

Freeport Goods and Goods-in-Transit Exemptions: A "Freeport Exemption" applies to goods, wares, ores, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit" Exemption is applicable to the same categories of tangible personal property which are covered by the Freeport Exemption, if, for tax year 2011 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2012 and subsequent years, such Goods-in-Transit Exemption includes tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit personal property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. The District has taken official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years.

Tax Abatement

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

Valuation of Property for Taxation

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

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

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

Disaster Exemption

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

District and Taxpayer Remedies

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

Levy and Collection of Taxes

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

Rollback of Operation and Maintenance Tax Rate

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

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

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

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

The District: A determination as to a district's status as a Special Taxing Unit, Developed District or Developing District will be made by the Board of Directors on an annual basis. For the 2022 tax year, the Board has designated the District as a Developing District. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

District's Rights in the Event of Tax Delinquencies

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

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both subject to the restrictions on residential homesteads described above under “Levy and Collection of Taxes”. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the cost of suit and sale, by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within six (6) months for commercial property and two (2) years for residential and all other types of property after the purchaser’s deed issued at the foreclosure sale is filed in the county records) or by bankruptcy proceedings which restrict the collection of taxpayer debts. The District’s ability to foreclose its tax lien or collect penalties or interest on delinquent taxes may be limited on property owned by a financial institution which is under receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act, 12 U.S.C. 1825, as amended. See “RISK FACTORS—Tax Collection Limitations and Foreclosure Remedies.”

RISK FACTORS

General

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

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 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.

There are currently no COVID-19 related operating limits imposed by executive order of the Governor for any business or other establishment in the State of Texas. 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.

The District has not experienced any decrease in property values, unusual tax delinquencies, or interruptions to service as a result of COVID-19; however the District cannot predict the long-term economic effect of COVID-19 or a similar virus should there be a reversal of economic activity and re-imposition of restrictions.

Potential Effects of Oil Price Fluctuations on the Houston Area

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. This District cannot predict the impact that negative conditions in the oil industry will have on property values in the District.

Specific Flood Type Risks

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

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

Severe Weather

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

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

Atlas 14

In 2018, the National Weather Service completed a rainfall study known as NOAA Atlas 14, Volume 11 Precipitation-Frequency Atlas of the United States ("Atlas 14"). Floodplain boundaries within the District may be redrawn based upon the Atlas 14 study, which is based upon a higher statistical rainfall amount, resulting in interim floodplain regulations applying to a larger number of properties. Such regulations could additionally result in higher insurance rates, increased development fees and stricter building codes for any property located within the expanded boundaries of the floodplain. See "WATER, WASTEWATER AND DRAINAGE."

Economic Factors and Interest Rates

A substantial percentage of the taxable value of the District results from the current market value of single-family residences and developed lots. The market value of such development is related to general economic conditions in the Houston region and the national economy. Demand for lots and the construction of taxable improvements 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 property is directed. Decreased levels of construction activity would tend to restrict the growth of property values in the District or could adversely impact such values. See "Credit Markets and Liquidity in the Financial Markets" herein and "THE DEVELOPER."

Credit Markets and Liquidity in the Financial Markets

Interest rates and the availability of mortgage and development funding have a direct impact on the construction activity, particularly short-term interest rates at which developers are able to obtain financing for development costs. Interest rate levels may affect the ability of a landowner with undeveloped property to undertake and complete construction activities within the District. Because of the numerous and changing factors affecting the availability of funds, particularly the liquidity in the national credit markets, the District is unable to assess the future availability of such funds for continued construction within the District. In addition, since the District is located approximately 31 miles from the central downtown business district of the City of Houston, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the Houston metropolitan and regional economies and national credit and financial markets. A downturn in the economic conditions of Houston and decline in the nation's real estate and financial markets could adversely affect development and home-building plans in the District and restrain the growth or reduce the value of the District's property tax base.

Competition

The demand for and construction of single-family homes in the District, which is 31 miles from downtown Houston, could be affected by competition from other residential developments, including other residential developments located in Montgomery County and the Houston metropolitan area. In addition to competition for new home sales from other developments, there are numerous previously owned homes in the area of the District and in more established neighborhoods closer to downtown Houston. Such homes could represent additional competition for new homes proposed to be sold within the District.

The competitive position of the Developer or any other landowner in the sale of developed lots within the District is affected by most of the factors discussed in this section. Such a competitive position directly affects the growth and maintenance of taxable values in the District.

Landowner Obligation to the District

There are no commitments from or obligations of the Developer, or any other landowner to the District to proceed at any particular rate or according to any specified plan with the construction of improvements in the District, and there is no restriction on any landowner's right to sell its land. Failure to construct taxable improvements on developed tracts of land or developed lots would restrict the rate of growth of taxable values in the District. The District cannot and does not make any representations that over the life of the Bonds the District will increase or maintain its taxable property. The District can make no prediction as to the effects that current or future economic or governmental circumstances may have on any plans of the Developer and other landowners. See "THE DEVELOPER."

Undeveloped Acreage and Vacant Lots

There are approximately 299 developable acres that have not been fully provided with water, wastewater and storm drainage facilities and paving necessary to the construction of taxable improvements (excluding approximately 11 acres where utility construction is underway for 29 single-family residential lots). In addition, 494 developed single-family residential lots remain vacant and an additional 29 single-family residential lots are under construction with an expected completion in May 2022. The District makes no representation as to when or if development of this acreage will occur or the timing of new home construction. See "THE DISTRICT—Land Use—Status of Development."

Dependence on Principal Taxpayers

The ten principal taxpayers in the District represent \$14,843,592 or 15.96% of the 2021 Taxable Assessed Valuation within the District, which represents ownership as of January 1, 2021. See "THE DEVELOPER" and "TAX DATA—Principal Taxpayers." A principal taxpayer list related to the 2022 Preliminary Taxable Assessed Valuation, of \$242,450,970 is not available. The ability of any principal taxpayer to make full and timely payments of taxes levied against its property by the District and similar taxing authorities will directly affect the District's ability to meet its debt service obligations. If, for any reason, any one or more principal taxpayers do not pay taxes due or do not pay in a timely manner, the District may need to levy additional taxes or use other funds available for debt service purposes. However, the District has not covenanted in the Bond Order, nor is it required by Texas law, to maintain any particular balance in its Debt Service Fund or any other funds to allow for any such delinquencies. Therefore, failure by one or more principal taxpayers to pay their taxes on a timely basis could have a material adverse effect upon the District's ability to pay debt service on the Bonds on a current basis.

The Developer has informed the District that its current plans are to continue building homes and marketing lots. Neither the Developer nor any future developer is obligated to implement development plans on any particular schedule, or at all. Thus, the furnishing of any information related to any proposed development should not be interpreted as a commitment. The District makes no representation about the probability of development continuing in a timely manner or about the ability of the Developer to implement any plan of development. Furthermore, there is no restriction on any landowner's right to sell land. The District can make no prediction as to the effects that current or future economic conditions or governmental circumstances may have on any plans of the Developer or any other landowners.

Operating Funds

The District levied a total tax rate in 2021 consisting of a maintenance tax in the amount of \$0.89 per \$100 of taxable assessed valuation and a debt service tax in the amount of \$0.46 per \$100 of taxable assessed valuation. The District expects to reduce the maintenance tax in 2022 and increase the debt service tax; however, no exact allocation has been determined as of the date hereof. The District's General Fund balance as of April 12, 2022 was \$471,466. The revenue produced from the 2021 maintenance tax rate may not be sufficient to offset the operating expenses of the District. Continued maintenance of a positive General Fund balance may depend upon (1) cash subsidies from the Developer, and (2) continued development and increased amounts of maintenance tax revenue. If funds from these sources are not forthcoming, the District would have to increase its maintenance tax rate. See "Dependence on Principal Taxpayers" herein, "THE DEVELOPERS," "THE SYSTEM—Water and Wastewater Operations" and "TAX DATA—Principal Taxpayers."

Possible Impact on District Tax Rate

Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of owners of property within the District to pay their taxes. The 2022 Preliminary Taxable Assessed Valuation is \$242,450,970. After issuance of the Bonds, the maximum debt service requirement will be \$1,820,915 (2023), and the average annual debt service requirement will be \$1,589,634 (2023-2047 inclusive). Assuming no increase or decrease from the 2022 Preliminary Taxable Assessed Valuation, the issuance of no additional debt, and no other funds available for the payment of debt service, tax rates of \$0.80 and \$0.70 per \$100 of appraised valuation at a ninety-five percent (95%) collection rate would be necessary to pay the maximum debt service requirement and the average annual debt service requirement, respectively. See “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements.”

Although calculations have been made regarding average and maximum tax rates necessary to pay the debt service on the Bonds and the Outstanding Bonds based upon the 2022 Preliminary Taxable Assessed Valuation, the District can make no representations regarding the future level of assessed valuation within the District. Increases in the tax rate may be required in the event major taxpayers do not pay their District taxes timely. See “TAXING PROCEDURES” and “TAX DATA—Tax Adequacy for Debt Service.”

Tax Collections Limitations and Foreclosure Remedies

The District’s ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other local taxing authorities on the property against which taxes are levied, and such lien may be enforced by judicial foreclosure. The District’s ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming and expensive collection procedures, (b) a bankruptcy court’s stay of tax collection procedures against a taxpayer, or (c) market conditions affecting the marketability of taxable property within the District and limiting the proceeds from a foreclosure sale of such property. Moreover, the proceeds of any sale of property within the District available to pay debt service on the Bonds may be limited by the existence of other tax liens on the property (see “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Overlapping Taxes”) by the current aggregate tax rate being levied against the property, and by other factors (including the taxpayers’ right to redeem property within two years of foreclosure for residential and agricultural use property and six months for other property). Finally, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes assessed against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two other ways: first, a debtor’s confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid.

Registered Owners’ Remedies

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Order, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Order, the Registered Owners have the right to seek a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Order. Except for mandamus, the Bond Order does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners. Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government’s sovereign immunity from suits for money damages so that in the absence of other waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the Bond Order may not be reduced to a judgment for money damages. If such a judgment against the District were obtained, it could not be enforced by direct levy and execution against the District’s property.

Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may further be limited by a State of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District.

Bankruptcy Limitation to Registered Owners’ Rights

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

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

A district may not be forced into bankruptcy involuntarily.

Future Debt

The District has the right to issue obligations other than the Bonds, including tax anticipation notes and bond anticipation notes, and to borrow for any valid corporate purpose. After the issuance of the Bonds, the District will continue to owe the Developer approximately \$33,500,000 plus interest for advances made for engineering and construction of water, wastewater, drainage, road and park facilities, which will be financed with future bond issues. A total of \$94,100,000 principal amount of unlimited tax bonds for the purpose of financing road facilities, \$179,900,000 principal amount of unlimited tax bonds for financing water, wastewater and drainage facilities and \$51,450,000 principal amount of unlimited tax bonds for financing park and recreational facilities has been authorized by the District's voters. After issuance of the Bonds, \$76,535,000 principal amount of road bonds, \$169,870,000 principal amount of water, wastewater and drainage bonds, and all of the park bonds will remain authorized but unissued. The District has authorized the submission of a bond application to the TCEQ requesting approval to sell approximately \$9,080,000 principal amount of water, sewer and drainage bonds. The District expects approval of such application and the sale of such bonds in the fourth quarter of 2022.

In addition, voters may authorize the issuance of additional bonds secured by ad valorem taxes. The District is authorized to issue bonds to refund or redeem its outstanding debt. The District does not employ any formula with respect to appraised valuations, tax collections or otherwise to limit the amount of parity bonds which it may issue. The issuance of bonds for water, wastewater and drainage facilities and park and recreational facilities is subject to approval by the TCEQ pursuant to its rules regarding issuance and feasibility of bonds, but the issuance of road bonds is not. In addition, future changes in health or environmental regulations could require the construction and financing of additional improvements without any corresponding increases in taxable value in the District. See "THE BONDS—Issuance of Additional Debt." The issuance of additional obligations may increase the District's tax rate and adversely affect the security for, and the investment quality and value of, the Bonds.

Environmental Regulation and Air Quality

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

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

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

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

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

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

The HGB Area is currently designated as a “serious” nonattainment area under the 2008 Ozone Standard, with an attainment deadline of July 20, 2021. If the EPA ultimately determines that the HGB Area has failed to meet the attainment deadline based on the relevant data, the area is subject to reclassification to a nonattainment classification that provides for more stringent controls on emissions from the industrial sector. In addition, the EPA may impose a moratorium on the awarding of federal highway construction grants and other federal grants for certain public works construction projects if it finds that an area fails to demonstrate progress in reducing ozone levels.

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

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

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

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

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

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

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

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

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

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

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

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

On 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. In light of this order, the EPA and the USACE announced that they have halted implementation of the NWPR and are interpreting “waters of the United States” consistent with the pre-2015 regulatory regime until further notice while continuing to move forward with the rulemakings announced in June of 2021. Due to existing and possible future litigation and regulatory action, there remains uncertainty regarding the ultimate scope of “waters of the United States” and the extent of EPA and USACE jurisdiction. Depending on the final outcome of such proceedings, operations of municipal utility districts, including the District, could potentially be subject to additional restrictions and requirements, including additional permitting requirements.

Flood Protection: According to the Engineer, none of the land within the District is located within the 100-year floodplain.

Marketability of the Bonds

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

Continuing Compliance with Certain Covenants

Failure of the District to comply with certain covenants contained in the Bond Order on a continuing basis prior to the maturity of the Bonds could result in interest on the Bonds becoming taxable retroactive to the date of original issuance. See “LEGAL MATTERS—Tax Exemption.”

Risk Factors Related to the Purchase of Municipal Bond Insurance

The Underwriter has entered into an agreement with Build America Mutual Assurance Company (“BAM” or the “Insurer”) for the purchase of a municipal bond insurance policy (the “Policy”). At the time of entering into the agreement, the Insurer was rated “AA” (stable outlook) by S&P. See “MUNICIPAL BOND INSURANCE” and “APPENDIX B.”

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

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

Neither the District nor the Underwriter has made independent investigation into the claims paying ability of the Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal and interest on the Bonds and the claims paying ability of the Insurer, particularly over the life of the investment. See “MUNICIPAL BOND RATING” and “MUNICIPAL BOND INSURANCE” for further information provided by the Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Insurer.

Future and Proposed Legislation

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

LEGAL MATTERS

Legal Opinions

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

In addition to serving as Bond Counsel, Coats Rose, P.C. also acts as counsel to the District on matters not related to the issuance of bonds. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are based upon a percentage of Bonds actually issued, sold and delivered and, therefore, such fees are contingent upon the sale and delivery of the Bonds.

No-Litigation Certificate

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

Not Qualified Tax-Exempt Obligations

The District has not designated the Bonds as “qualified tax-exempt obligations.” within the meaning of Section 265(b) of the Internal Revenue Code of 1986.

No Material Adverse Change

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

Tax Exemption

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

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

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

Tax Accounting Treatment of Discount and Premium on Certain Bonds

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

However, such interest may be required to be taken into account in determining the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, “S” corporations with “subchapter C” earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of interests in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Bond by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Bond was held) is includable in gross income.

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

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

MUNICIPAL BOND RATING

S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC, (“S&P”) has assigned a municipal bond rating of “AA” (stable outlook) to this issue of Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by Build America Mutual Assurance Company. No application has been made to a municipal rating company for an underlying rating on the Bonds, nor is it expected that the District would have received an investment grade rating if application had been made.

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

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

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

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

Build America Mutual Assurance Company

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

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

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

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

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of March 31, 2022 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$466.8 million, \$172.1 million and \$294.7 million, respectively.

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

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

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

Additional Information Available from BAM

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

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

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

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

PREPARATION OF OFFICIAL STATEMENT

Sources and Compilation of Information

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

Financial Advisor

Masterson Advisors LLC is employed as the Financial Advisor to the District to render certain professional services, including advising the District on a plan of financing and preparing the OFFICIAL STATEMENT, the OFFICIAL NOTICE OF SALE and the OFFICIAL BID FORM for the sale of the Bonds. In its capacity as Financial Advisor, Masterson Advisors LLC has compiled and edited this OFFICIAL STATEMENT. The Financial Advisor has reviewed the information in this OFFICIAL STATEMENT in accordance with, and as a part of, its responsibilities to the District and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

Bond Counsel

Coats Rose, P.C. is employed as Bond Counsel for the District and has reviewed the information appearing in this OFFICIAL STATEMENT under the captions "THE BONDS," "THE DISTRICT-General," "TAXING PROCEDURES," "LEGAL MATTERS," AND "CONTINUING DISCLOSURE OF INFORMATION." Bond Counsel has reviewed the information under the aforementioned sections solely to determine whether such information fairly summarizes the law or documents referred to in such sections. Bond Counsel has not independently verified other factual information contained in this OFFICIAL STATEMENT nor conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this OFFICIAL STATEMENT. No person is entitled to rely upon the limited participation of such firm as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of any of the other information contained herein.

Consultants

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

Engineer: The information contained in this OFFICIAL STATEMENT relating to engineering and to the description of the System and, in particular that information included in the sections entitled "THE DISTRICT," "ROAD SYSTEM," and "WATER, WASTEWATER AND DRAINAGE" has been provided by LJA Engineering, Inc., Consulting Engineers and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

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

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

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

Bookkeeper: The information related to the unaudited summary of the District's General Operating Fund as it appears in "WATER, WASTEWATER AND DRAINAGE" has been provided from records of Municipal Accounts & Consulting L.P. and is included herein in reliance upon the authority of such firm as experts in the tracking and managing the various funds of municipal utility districts.

Updating the Official Statement

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

Certification of Official Statement

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

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

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

The District's current fiscal year end is April 30. Accordingly, it must provide updated information by October 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.

Specified Event Notices

The District will provide timely notices of certain specified events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of Beneficial Owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership

or similar event of the District or other obligated person within the meaning of CFR § 240.15c2-12 (the “Rule”); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of an definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person within the meaning of the Rule, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person within the meaning of the Rule, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the District or other obligated person within the meaning of the Rule, any of which reflect financial difficulties. The terms “material” and “financial obligation” when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Order makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operational data, or financial statements in accordance with its agreement described above under “Annual Reports.”

Availability of Information from MSRB

The District has agreed to provide the foregoing information only to the MSRB. The MSRB makes the information available to the public without charge through its Electronic Municipal Market Access internet portal at www.emma.msrb.org.

Limitations and Amendments

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

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

Compliance with Prior Undertakings

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

MISCELLANEOUS

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

This OFFICIAL STATEMENT was approved by the Board of Directors of Montgomery County Municipal Utility District No. 111, as of the date shown on the cover page.

/s/ Brett D. Beardsley
President, Board of Directors

ATTEST:

/s/ Ryan Lesikar
Secretary, Board of Directors

AERIAL LOCATION MAP
(Approximate Boundaries as of March 2022)



242
F.M. 1314

**MONTGOMERY COUNTY
MUNICIPAL UTILITY
DISTRICT NO. 111**

PHOTOGRAPHS OF THE DISTRICT
(Taken March 2022)













APPENDIX A

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

Montgomery County Municipal Utility District No. 111

Montgomery County, Texas

Independent Auditor's Report and Financial Statements

April 30, 2021



Montgomery County Municipal Utility District No. 111
April 30, 2021

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Independent Auditor's Report

Board of Directors
Montgomery County Municipal Utility District No. 111
Montgomery County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Montgomery County Municipal Utility District No. 111 (the District), as of and for the year ended April 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

BKD, LLP

Houston, Texas
September 7, 2021

Montgomery County Municipal Utility District No. 111

Management's Discussion and Analysis

April 30, 2021

Overview of the Financial Statements

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

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

Government-wide Financial Statements

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

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

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

Montgomery County Municipal Utility District No. 111
Management's Discussion and Analysis (Continued)
April 30, 2021

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

Fund Financial Statements

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

Governmental Funds

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

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

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

Notes to Financial Statements

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

Montgomery County Municipal Utility District No. 111
Management's Discussion and Analysis (Continued)
April 30, 2021

Financial Analysis of the District as a Whole

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

Summary of Net Position

	2021	2020
Current and other assets	\$ 765,158	\$ 118,121
Capital assets	22,780,191	20,637,280
Total assets	\$ 23,545,349	\$ 20,755,401
Long-term liabilities	\$ 25,161,394	\$ 21,274,141
Other liabilities	258,018	118,195
Total liabilities	25,419,412	21,392,336
Net position:		
Net investment in capital assets	(2,025,138)	(636,861)
Unrestricted	151,075	(74)
Total net position	\$ (1,874,063)	\$ (636,935)

The total net position of the District decreased by \$1,237,128. The majority of the decrease in net position is related to services expenses exceeding revenues, as well as debt service requirements and depreciation expense on the District's capital assets. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Summary of Changes in Net Position

	2021	2020
Revenues:		
Property taxes	\$ 504,293	\$ 56,679
Charges for services	220,805	43,793
Other revenues	392,553	554,431
Total revenues	1,117,651	654,903

Montgomery County Municipal Utility District No. 111
Management's Discussion and Analysis (Continued)
April 30, 2021

Summary of Changes in Net Position (Continued)

	2021	2020
Expenses:		
Services	\$ 1,286,111	\$ 498,417
Depreciation	518,319	504,768
Debt service	550,349	-
Total expenses	2,354,779	1,003,185
Change in net position	(1,237,128)	(348,282)
Net position, beginning of year	(636,935)	(288,653)
Net position, end of year	\$ (1,874,063)	\$ (636,935)

Financial Analysis of the District's Fund

The District's combined fund balances as of the end of the fiscal year ended April 30, 2021 were \$540,134, an increase of \$542,225 from the prior year.

The general fund's fund balance increased by \$148,301, primarily due to property taxes and service revenues and developer advances received exceeding service operations expenditures. In addition, tap connection fee revenues exceeded related expenditures.

The debt service fund's fund balance increased by \$393,924, due to proceeds received from the sale of bonds exceeding bond interest requirements.

The capital projects fund's ending fund balance was \$0 as all proceeds from the sale of bonds were used for debt issuance costs and repayment to the developer for constructed capital assets.

General Fund Budgetary Highlights

There were several differences between the final budgetary amounts and actual amounts. The major differences between budget and actual were due to property taxes, sewer service and tap connection and inspection fees revenues, purchased services, contracted services, and repairs and maintenance expenditures, and developer advances received being higher than anticipated. In addition, debt issuance costs were not included in the current year budget. The fund balance as of April 30, 2021, was expected to be \$(2,091) and the actual end-of-year fund balance was \$146,210.

Montgomery County Municipal Utility District No. 111
Management's Discussion and Analysis (Continued)
April 30, 2021

Capital Assets and Related Debt

Capital Assets

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

Capital Assets (Net of Accumulated Depreciation)

	2021	2020
Land and improvements	\$ 2,625,475	\$ 492,725
Water facilities	1,330,029	1,360,960
Wastewater facilities	2,118,514	2,167,781
Drainage facilities	8,662,188	8,863,634
Road and paving facilities	7,189,322	6,850,035
Parks and recreational facilities	854,663	902,145
Total capital assets	\$ 22,780,191	\$ 20,637,280

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

Clearing and grubbing in Artavia, Phases 6 and 7	\$ 522,550
Land acquisition in Artavia, Sections 1-6 and Artavia Parkway, Phase 1	1,610,200
Road and paving facilities for Artavia, Sections 1-6	528,480
Total additions to capital assets	\$ 2,661,230

The developer within the District has constructed facilities on behalf of the District under the terms of the contracts with the District. The District has agreed to purchase these facilities from the proceeds of future bond issues subject to the approval of the Commission. As of April 30, 2021, a liability for developer constructed capital assets of \$16,582,044 was recorded in the government-wide financial statements.

Debt

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

Long-term debt payable, beginning of year	\$ 21,274,141
Increases in long-term debt	8,629,550
Decreases in long-term debt	(4,742,297)
Long-term debt payable, end of year	\$ 25,161,394

Montgomery County Municipal Utility District No. 111

Management's Discussion and Analysis (Continued)

April 30, 2021

At April 30, 2021, the District had \$179,900,000 of unlimited tax bonds authorized, but unissued, for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District, \$51,450,000 of unlimited tax bonds authorized, but unissued, for the purposes of constructing parks and recreational facilities and \$86,100,000 of unlimited tax bonds authorized, but unissued, for the purpose of constructing road and paving facilities.

The District's Road Series 2020 bonds are not rated.

Other Relevant Factors

Relationship to the City of Conroe

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Conroe (the City), the District must conform to the City ordinance consenting to the creation of the District. In addition, the District may be annexed by the City without the District's consent. If the District is annexed, the City must assume the District's assets and obligations (including the bonded indebtedness) and abolish the District within 90 days.

Strategic Partnership Agreement

Effective November 14, 2018, the District entered into a Strategic Partnership Agreement (the Agreement) with the City. Under the terms of the Agreement, the District consented to limited purpose annexation at any time and to full-purpose annexation of the District by the City at any time on or after December 31, 2034, or at any earlier time after the District has achieved 90 percent build out as defined in the Agreement.

Contingencies

The developer of the District is constructing water, sewer, drainage, recreational, and road and paving facilities within the boundaries of the District. The District has agreed to reimburse the developer for a portion of these costs, plus interest, from the proceeds of future bond sales, to the extent approved by the Commission. Current construction contract amounts are approximately \$12,175,600. This amount has not been recorded in the financial statements since the facilities are not complete or operational.

Economic Dependency

The District's developer owns the majority of the taxable property in the District. The District's ability to meet its obligations is dependent on the developer's ability to pay property taxes.

Since inception, the developer has advanced \$815,076 to the District for operations. The District does not have sufficient funds or anticipated revenues sufficient to liquidate these advances during the forthcoming fiscal year. These advances have been recorded as liabilities in the government-wide financial statements.

Montgomery County Municipal Utility District No. 111
Statement of Net Position and Governmental Funds Balance Sheet
April 30, 2021

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash	\$ 110,041	\$ 1,000	\$ -	\$ 111,041	\$ -	\$ 111,041
Short-term investments	239,020	392,924	-	631,944	-	631,944
Receivables:						
Property taxes	4,865	-	-	4,865	-	4,865
Service accounts	17,308	-	-	17,308	-	17,308
Capital assets (net of accumulated depreciation):						
Land and improvements	-	-	-	-	2,625,475	2,625,475
Infrastructure	-	-	-	-	12,110,731	12,110,731
Roads and paving	-	-	-	-	7,189,322	7,189,322
Parks and recreation	-	-	-	-	854,663	854,663
Total assets	<u>\$ 371,234</u>	<u>\$ 393,924</u>	<u>\$ 0</u>	<u>\$ 765,158</u>	<u>\$ 22,780,191</u>	<u>\$ 23,545,349</u>

Montgomery County Municipal Utility District No. 111
Statement of Net Position and Governmental Funds Balance Sheet (Continued)
April 30, 2021

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Liabilities						
Accounts payable	\$ 144,164	\$ -	\$ -	\$ 144,164	\$ -	\$ 144,164
Accrued interest payable	-	-	-	-	37,859	37,859
Customer deposits	25,600	-	-	25,600	-	25,600
Due to others	2,800	-	-	2,800	-	2,800
Unearned tap connection fees	47,595	-	-	47,595	-	47,595
Long-term liabilities, due after one year	-	-	-	-	25,161,394	25,161,394
Total liabilities	<u>220,159</u>	<u>0</u>	<u>0</u>	<u>220,159</u>	<u>25,199,253</u>	<u>25,419,412</u>
Deferred Inflows of Resources						
Deferred property tax revenues	<u>4,865</u>	<u>0</u>	<u>0</u>	<u>4,865</u>	<u>(4,865)</u>	<u>0</u>
Fund Balances/Net Position						
Fund balances:						
Restricted, road bonds	-	393,924	-	393,924	(393,924)	-
Unassigned	<u>146,210</u>	<u>-</u>	<u>-</u>	<u>146,210</u>	<u>(146,210)</u>	<u>-</u>
Total fund balances	<u>146,210</u>	<u>393,924</u>	<u>0</u>	<u>540,134</u>	<u>(540,134)</u>	<u>0</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 371,234</u>	<u>\$ 393,924</u>	<u>\$ 0</u>	<u>\$ 765,158</u>		
Net position:						
Net investment in capital assets					(2,025,138)	(2,025,138)
Unrestricted					<u>151,075</u>	<u>151,075</u>
Total net position					<u>\$ (1,874,063)</u>	<u>\$ (1,874,063)</u>

Montgomery County Municipal Utility District No. 111
Statement of Activities and Governmental Funds Revenues,
Expenditures and Changes in Fund Balances
Year Ended April 30, 2021

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues						
Property taxes	\$ 501,445	\$ -	\$ -	\$ 501,445	\$ 2,848	\$ 504,293
Water service	79,928	-	-	79,928	-	79,928
Sewer service	140,877	-	-	140,877	-	140,877
Penalty and interest	6,227	-	-	6,227	-	6,227
Tap connection and inspection fees	382,134	-	-	382,134	-	382,134
Investment income	244	212	30	486	-	486
Other income	3,706	-	-	3,706	-	3,706
	<u>1,114,561</u>	<u>212</u>	<u>30</u>	<u>1,114,803</u>	<u>2,848</u>	<u>1,117,651</u>
Expenditures/Expenses						
Service operations:						
Purchased services	696,959	-	-	696,959	-	696,959
Professional fees	46,608	-	-	46,608	-	46,608
Contracted services	102,190	-	-	102,190	-	102,190
Repairs and maintenance	320,742	-	-	320,742	-	320,742
Other expenditures	22,371	19	1	22,391	-	22,391
Tap connections	97,221	-	-	97,221	-	97,221
Capital outlay	-	-	6,885,251	6,885,251	(6,885,251)	-
Depreciation	-	-	-	-	518,319	518,319
Debt service:						
Interest and fees	-	60,574	-	60,574	42,133	102,707
Debt issuance costs	28,285	-	419,357	447,642	-	447,642
	<u>1,314,376</u>	<u>60,593</u>	<u>7,304,609</u>	<u>8,679,578</u>	<u>(6,324,799)</u>	<u>2,354,779</u>
Deficiency of Revenues Over Expenditures	<u>(199,815)</u>	<u>(60,381)</u>	<u>(7,304,579)</u>	<u>(7,564,775)</u>	<u>6,327,647</u>	

Montgomery County Municipal Utility District No. 111
Statement of Activities and Governmental Funds Revenues,
Expenditures and Changes in Fund Balances (Continued)
Year Ended April 30, 2021

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Other Financing Sources (Uses)						
Interfund transfers in (out)	\$ 1,116	\$ -	\$ (1,116)	\$ -	\$ -	
Developer advances received	347,000	-	-	347,000	(347,000)	
General obligation bonds issued	-	454,305	7,545,695	8,000,000	(8,000,000)	
Discount on debt issued	-	-	(240,000)	(240,000)	240,000	
	<u>348,116</u>	<u>454,305</u>	<u>7,304,579</u>	<u>8,107,000</u>	<u>(8,107,000)</u>	
Total other financing sources						
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses						
	148,301	393,924	-	542,225	(542,225)	
Change in Net Position						
					(1,237,128)	\$ (1,237,128)
Fund Balances (Deficit)/Net Position						
Beginning of year	(2,091)	-	-	(2,091)	-	(636,935)
End of year	<u>\$ 146,210</u>	<u>\$ 393,924</u>	<u>\$ 0</u>	<u>\$ 540,134</u>	<u>\$ 0</u>	<u>\$ (1,874,063)</u>

Montgomery County Municipal Utility District No. 111

Notes to Financial Statements

April 30, 2021

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

Montgomery County Municipal Utility District No. 111 (the District) was created by an order of the Texas Commission on Environmental Quality (the Commission), effective March 13, 2006, in accordance with the provisions of Article XVI, Section 59, of the Texas Constitution. The District operates in accordance with Chapters 49 and 54 of the Texas Water Code and is subject to the continuing supervision of the Commission. The principal functions of the District are to finance, construct, own and operate waterworks, wastewater, drainage, parks and recreational, and road and paving facilities and to provide such facilities and services to the customers of the District.

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

Reporting Entity

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

Government-wide and Fund Financial Statements

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

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

Montgomery County Municipal Utility District No. 111

Notes to Financial Statements

April 30, 2021

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

The District presents the following major governmental funds:

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

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

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

Fund Balances – Governmental Funds

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

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

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

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

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

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

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

Montgomery County Municipal Utility District No. 111
Notes to Financial Statements
April 30, 2021

Measurement Focus and Basis of Accounting

Government-wide Financial Statements

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

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

Fund Financial Statements

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

Deferred Outflows and Inflows of Resources

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

Montgomery County Municipal Utility District No. 111
Notes to Financial Statements
April 30, 2021

Interfund Transactions

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

Pension Costs

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

Use of Estimates

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

Investments and Investment Income

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

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

Property Taxes

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

Montgomery County Municipal Utility District No. 111
Notes to Financial Statements
April 30, 2021

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

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

Capital Assets

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

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

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

	Years
Water production and distribution facilities	10-45
Wastewater collection and treatment facilities	10-45
Drainage facilities	10-45
Park and recreational facilities	10-30
Road and paving facilities	10-40

Debt Issuance Costs

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

Long-term Obligations

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

Montgomery County Municipal Utility District No. 111

Notes to Financial Statements

April 30, 2021

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

Net Position/Fund Balances

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

Capital assets used in governmental activities are not financial resources and are not reported in the funds.	\$ 22,780,191
Property tax revenue recognition and the related reduction of deferred inflows of resources are subject to availability of funds in the fund financial statements.	4,865
Accrued interest on long-term liabilities is not payable with current financial resources and is not reported in the funds.	(37,859)
Long-term liabilities are not due and payable in the current period and are not reported in the funds.	<u>(25,161,394)</u>
Adjustment to fund balances to arrive at net position.	<u><u>\$ (2,414,197)</u></u>

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

Change in fund balances.	\$ 542,225
Governmental funds report capital outlays as expenditures. However, for government-wide financial statements, the cost of capitalized assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay expenditures exceeded depreciation expense in the current year.	6,366,932

Montgomery County Municipal Utility District No. 111
Notes to Financial Statements
April 30, 2021

Governmental funds report developer advances as other financing sources or uses as amounts are received or paid. However, for government-wide financial statements, these amounts are recorded as an increase or decrease in due to developer.	\$ (347,000)
Governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	240,000
Governmental funds report proceeds from the sale of bonds and bond anticipation notes because they provide current financial resources to governmental funds. Principal payments on debt are recorded as expenditures. None of these transactions, however, have any effect on net position.	(8,000,000)
Revenues that do not provide current financial resources are not reported as revenues for the funds, but are reported as revenues in the statement of activities.	2,848
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(42,133)</u>
Change in net position of governmental activities	<u><u>\$ (1,237,128)</u></u>

Note 2: Deposits, Investments and Investment Income

Deposits

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

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

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

Montgomery County Municipal Utility District No. 111
Notes to Financial Statements
April 30, 2021

Investments

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

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

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

At April 30, 2021, the District had the following investments and maturities:

Type	Maturities in Years				
	Fair Value	Less Than 1	1-5	6-10	More Than 10
Texas CLASS	\$ 631,944	\$ 631,944	\$ 0	\$ 0	\$ 0

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

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

Montgomery County Municipal Utility District No. 111
Notes to Financial Statements
April 30, 2021

Summary of Carrying Values

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

Carrying value:		
Deposits	\$	111,041
Investments		<u>631,944</u>
Total	\$	<u><u>742,985</u></u>

Investment Income

Investment income of \$486, for the year ended April 30, 2021, consisted of interest income.

Fair Value Measurements

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

- Pooled investments of \$631,944 are valued at fair value per share of the pool's underlying portfolio.

Note 3: Capital Assets

A summary of changes in capital assets for the year ended April 30, 2021, is presented as follows:

Governmental Activities	Balances, Beginning of Year	Additions	Balances, End of Year
Capital assets, non-depreciable:			
Land and improvements	<u>\$ 492,725</u>	<u>\$ 2,132,750</u>	<u>\$ 2,625,475</u>
Capital assets, depreciable:			
Water production and distribution facilities	1,391,891	-	1,391,891
Wastewater collection and treatment facilities	2,217,049	-	2,217,049
Drainage facilities	9,065,080	-	9,065,080
Road and paving facilities	7,025,677	528,480	7,554,157
Parks and recreational facilities	<u>949,626</u>	<u>-</u>	<u>949,626</u>
Total capital assets, depreciable	<u>20,649,323</u>	<u>528,480</u>	<u>21,177,803</u>

Montgomery County Municipal Utility District No. 111
Notes to Financial Statements
April 30, 2021

Governmental Activities (Continued)	Balances, Beginning of Year	Additions	Balances, End of Year
Less accumulated depreciation:			
Water production and distribution facilities	\$ (30,931)	\$ (30,931)	\$ (61,862)
Wastewater collection and treatment facilities	(49,268)	(49,267)	(98,535)
Drainage facilities	(201,446)	(201,446)	(402,892)
Road and paving facilities	(175,642)	(189,193)	(364,835)
Parks and recreational facilities	(47,481)	(47,482)	(94,963)
	<u>(504,768)</u>	<u>(518,319)</u>	<u>(1,023,087)</u>
Total accumulated depreciation			
	<u>(504,768)</u>	<u>(518,319)</u>	<u>(1,023,087)</u>
Total governmental activities, net	<u>\$ 20,637,280</u>	<u>\$ 2,142,911</u>	<u>\$ 22,780,191</u>

Note 4: Long-term Liabilities

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

Governmental Activities	Balances, Beginning of Year	Increases	Decreases	Balances, End of Year	Amounts Due in One Year
Bonds payable:					
General obligation bonds	\$ -	\$ 8,000,000	\$ -	\$ 8,000,000	\$ -
Less discounts on bonds	-	240,000	4,274	235,726	-
	<u>0</u>	<u>7,760,000</u>	<u>(4,274)</u>	<u>7,764,274</u>	<u>0</u>
Due to developer, advances	468,076	347,000	-	815,076	-
Due to developer, construction	20,806,065	522,550	4,746,571	16,582,044	-
	<u>21,274,141</u>	<u>8,629,550</u>	<u>4,742,297</u>	<u>25,161,394</u>	<u>0</u>
Total governmental activities long-term liabilities	<u>\$ 21,274,141</u>	<u>\$ 8,629,550</u>	<u>\$ 4,742,297</u>	<u>\$ 25,161,394</u>	<u>\$ 0</u>

Montgomery County Municipal Utility District No. 111
Notes to Financial Statements
April 30, 2021

General Obligation Bonds

	Road Series 2020
Amount outstanding, April 30, 2021	\$8,000,000
Interest rates	2.00% to 4.00%
Maturity dates, serially beginning/ending	September 1, 2022/2046
Interest payment dates	September 1/ March 1
Callable date*	September 1, 2026

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

Annual Debt Service Requirements

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

Year	Principal	Interest	Total
2022	\$ -	\$ 227,153	\$ 227,153
2023	215,000	222,852	437,852
2024	220,000	215,253	435,253
2025	225,000	209,702	434,702
2026	235,000	205,103	440,103
2027-2031	1,285,000	944,193	2,229,193
2032-2036	1,510,000	767,604	2,277,604
2037-2041	1,775,000	527,880	2,302,880
2042-2046	2,080,000	236,975	2,316,975
2047	455,000	7,109	462,109
Total	\$ 8,000,000	\$ 3,563,824	\$ 11,563,824

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

Montgomery County Municipal Utility District No. 111
Notes to Financial Statements
April 30, 2021

Bonds voted:	
Water, sewer and drainage facilities	\$ 179,900,000
Parks and recreational facilities	51,450,000
Road and paving facilities	94,100,000
Bonds sold:	
Road and paving facilities	8,000,000

Due to Developer - Construction

The developer of the District has constructed facilities on behalf of the District. The District is maintaining and operating the facilities and has agreed to reimburse the developer for these construction costs and interest to the extent approved by the Commission from the proceeds of future bond sales. The District's engineer estimates reimbursable costs for completed projects are \$16,582,044. These amounts have been recorded in the financial statements as long-term liabilities.

Due to Developer - Advances

Since inception, the developer has advanced \$815,076 to the District for operations. The District does not have sufficient funds or anticipated revenues sufficient to liquidate these advances during the forthcoming fiscal year. These advances have been recorded as liabilities in the government-wide financial statements.

Note 5: Significant Bond Order and Commission Requirements

- A. The Bond Order requires that the District levy and collect an ad valorem road debt service tax sufficient to pay interest and principal on road bonds when due. During the year ended April 30, 2021, the District did not levy an ad valorem road debt service tax. The interest requirements to be paid from available resources are \$189,294 of which \$75,718 has been paid and \$113,576 is due September 1, 2021.
- B. In accordance with the Road Series 2020 Bond Order, a portion of the bond proceeds was deposited into the debt service fund and reserved for the payment of bond interest during the construction period. This bond interest reserve is reduced as the interest is paid:

Bond interest reserve, beginning of year	\$ -
Additions:	
Interest appropriated from bond proceeds	454,305
Accrued interest received on bonds at date of sale	15,144
	<hr/>
	469,449
Deductions--Appropriation from bond interest paid	75,718
	<hr/>
Bond interest reserve, end of year	<u>\$ 393,731</u>

- C. During the current year, the District transferred \$1,116 from the capital projects fund to the general fund. The transfer was in accordance with the rules of the Commission.

Montgomery County Municipal Utility District No. 111
Notes to Financial Statements
April 30, 2021

Note 6: Maintenance Taxes

At an election held May 13, 2006, voters authorized a maintenance tax not to exceed \$1.35 per \$100 valuation on all property within the District subject to taxation. During the year ended April 30, 2021, the District levied an ad valorem maintenance tax at the rate of \$1.3500 per \$100 assessed valuation, which resulted in a tax levy of \$504,293 on the taxable valuation of \$37,355,074 for the 2020 tax year. The maintenance tax will be used by the general fund to pay expenditures of operating the District.

At an election held May 5, 2018, voters authorized a road maintenance tax not to exceed \$1.50 per \$100 valuation on all property within the District subject to taxation. During the year ended April 30, 2021, the District did not levy an ad valorem road maintenance tax for the 2020 tax year. The road maintenance tax will be used by the general fund to pay expenditures of operating and maintaining roads and paving facilities within the District.

At an election held May 5, 2018, voters authorized a parks and recreational maintenance tax not to exceed \$0.10 per \$100 valuation on all property within the District subject to taxation. During the year ended April 30, 2021, the District did not levy an ad valorem parks and recreational maintenance tax for the 2020 tax year. The parks and recreational maintenance tax will be used by the general fund to pay expenditures of operating and maintaining parks and recreational facilities within the District.

Note 7: Strategic Partnership Agreement

Effective November 14, 2018, the District and the City of Conroe (the City) entered into a Strategic Partnership Agreement (the Agreement). Under the terms of the Agreement, the District consented to limited-purpose annexation at any time and to full-purpose annexation of the District by the City at any time on or after December 31, 2034, or at any earlier time after the District has achieved 90 percent build out as defined in the Agreement.

Note 8: Financing and Operation of Regional Facilities

On February 8, 2018, the District entered into a regional facilities contract with Montgomery County Municipal Utility District No. 157 (District No. 157), Montgomery County Municipal Utility District No. 106 (District No. 106) and Montgomery County Municipal Utility District No. 158 (District No. 158), whereby District No. 157 will act as the master district and provide, or cause to be provided, the regional water supply and distribution, waste collection and treatment and storm sewer, drainage and detention facilities necessary to serve the District. Under the terms of the regional facilities contract, which is in effect for 50 years, monthly operating charges will be determined by multiplying the total number of actual equivalent single-family residential connections within the

Montgomery County Municipal Utility District No. 111

Notes to Financial Statements

April 30, 2021

District on the first day of the previous month by the budgeted monthly unit cost per equivalent single-family residential connection. The District incurred \$696,959 of operating costs attributable to this contract for the year ended April 30, 2021. District No. 157 is to maintain an operation and maintenance reserve equivalent to three months of budgeted operation and maintenance expenses.

In addition, District No. 157 plans to acquire, construct, extend, own, operate and maintain the regional facilities and intends to finance the capital costs of the regional facilities from connection charges paid by each participant district.

Note 9: Risk Management

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

Note 10: Economic Dependency

The District's developer owns the majority of the taxable property in the District. The District's ability to meet its obligations is dependent on the developer's ability to pay property taxes.

Note 11: Contingencies

The developer of the District is constructing water, sewer, drainage, recreational, and road and paving facilities within the boundaries of the District. The District has agreed to reimburse the developer for a portion of these costs, plus interest, from the proceeds of future bond sales, to the extent approved by the Commission. Current construction contract amounts are approximately \$12,175,600. This amount has not been recorded in the financial statements since the facilities are not complete or operational.

Note 12: Uncertainties

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

Required Supplementary Information

Montgomery County Municipal Utility District No. 111
Budgetary Comparison Schedule – General Fund
Year Ended April 30, 2021

	Original Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property taxes	\$ 125,000	\$ 501,445	\$ 376,445
Water service	60,000	79,928	19,928
Sewer service	80,000	140,877	60,877
Regional water fee	3,000	-	(3,000)
Penalty and interest	2,400	6,227	3,827
Tap connection and inspection fees	179,900	382,134	202,234
Investment income	120	244	124
Other income	3,100	3,706	606
	<u>453,520</u>	<u>1,114,561</u>	<u>661,041</u>
Expenditures			
Service operations:			
Purchased services	345,800	696,959	(351,159)
Regional water fee	3,000	-	3,000
Professional fees	70,000	46,608	23,392
Contracted services	33,500	102,190	(68,690)
Repairs and maintenance	124,800	320,742	(195,942)
Other expenditures	19,800	22,371	(2,571)
Tap connections	75,000	97,221	(22,221)
Debt issuance costs	-	28,285	(28,285)
	<u>671,900</u>	<u>1,314,376</u>	<u>(642,476)</u>
Deficiency of Revenues Over Expenditures	<u>(218,380)</u>	<u>(199,815)</u>	<u>18,565</u>
Other Financing Sources			
Interfund transfers in	-	1,116	1,116
Developer advances received	218,380	347,000	128,620
	<u>218,380</u>	<u>348,116</u>	<u>129,736</u>
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	-	148,301	148,301
Fund Balance (Deficit), Beginning of Year	<u>(2,091)</u>	<u>(2,091)</u>	<u>-</u>
Fund Balance (Deficit), End of Year	<u>\$ (2,091)</u>	<u>\$ 146,210</u>	<u>\$ 148,301</u>

Montgomery County Municipal Utility District No. 111
Notes to Required Supplementary Information
April 30, 2021

Budgets and Budgetary Accounting

An annual operating budget is prepared for the general fund by the District's consultants. The budget reflects resources expected to be received during the year and expenditures expected to be incurred. The Board of Directors is required to adopt the budget prior to the start of its fiscal year. The budget is not a spending limitation (a legally restricted appropriation). The original budget of the general fund was not amended during fiscal 2021.

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

Other Information

Montgomery County Municipal Utility District No. 111
Other Schedules Included Within This Report
April 30, 2021

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

- [X] Notes Required by the Water District Accounting Manual
See "Notes to Financial Statements," Pages 13-26
- [X] Schedule of Services and Rates
- [X] Schedule of General Fund Expenditures
- [X] Schedule of Temporary Investments
- [X] Analysis of Taxes Levied and Receivable
- [X] Schedule of Long-term Debt Service Requirements by Years
- [X] Changes in Long-term Bonded Debt
- [X] Comparative Schedule of Revenues and Expenditures – General Fund and Debt Service Fund
- [X] Board Members, Key Personnel and Consultants

Montgomery County Municipal Utility District No. 111

Schedule of Services and Rates

Year Ended April 30, 2021

1. Services provided by the District:

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

2. Retail service providers

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

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate Per 1,000 Gallons Over Minimum	Usage Levels
Water:	\$ 20.00	10,000	N	\$ 1.50	10,001 to 15,000
				\$ 1.75	15,001 to 20,000
				\$ 2.00	20,001 to 25,000
				\$ 2.50	25,001 to 30,000
				\$ 3.50	30,000 to No Limit
Wastewater:	\$ 47.50	0	Y		
Groundwater conservation fee:	\$ 0.0935	0	N	\$ 0.0935	1,001 to No Limit

Does the District employ winter averaging for wastewater usage?

Yes No

Total charges per 10,000 gallons usage (including fees):

Water \$ 20.94 Wastewater \$ 47.50

b. Water and wastewater retail connections:

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFC*</u>
Unmetered	-	-	x1.0	-
≤ 3/4"	234	231	x1.0	231
1"	107	106	x2.5	265
1 1/2"	-	-	x5.0	-
2"	11	11	x8.0	88
3"	3	3	x15.0	45
4"	-	-	x25.0	-
6"	-	-	x50.0	-
8"	-	-	x80.0	-
10"	-	-	x115.0	-
Total water	355	351		629
Total wastewater	341	337	x1.0	337

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

Gallons pumped into the system:	50,488
Gallons billed to customers:	39,738
Water accountability ratio (gallons billed/gallons pumped):	78.71%

*"ESFC" means equivalent single-family connections

Montgomery County Municipal Utility District No. 111
Schedule of General Fund Expenditures
Year Ended April 30, 2021

Personnel (including benefits)		\$ -
Professional Fees		
Auditing	\$ 14,600	
Legal	15,242	
Engineering	16,766	
Financial advisor	-	46,608
Purchased Services for Resale		
Bulk water and wastewater service purchases		696,959
Regional Water Fee		
Contracted Services		
Bookkeeping	22,805	
General manager	-	
Appraisal district	3,832	
Tax collector	4,579	
Security	-	
Other contracted services	47,095	78,311
Utilities		-
Repairs and Maintenance		320,742
Administrative Expenditures		
Directors' fees	9,450	
Office supplies	669	
Insurance	4,091	
Other administrative expenditures	8,161	22,371
Capital Outlay		
Capitalized assets	-	
Expenditures not capitalized	-	-
Tap Connection Expenditures		97,221
Solid Waste Disposal		23,879
Fire Fighting		-
Parks and Recreation		-
Other Expenditures		28,285
Total expenditures		\$ 1,314,376

Montgomery County Municipal Utility District No. 111

Schedule of Temporary Investments

April 30, 2021

	Interest Rate	Maturity Date	Face Amount	Accrued Interest Receivable
<hr style="border: 1px solid black;"/>				
General Fund				
Texas CLASS	0.08%	Demand	\$ 239,020	\$ -
Debt Service Fund				
Texas CLASS	0.08%	Demand	392,924	-
Totals			\$ 631,944	\$ 0

Montgomery County Municipal Utility District No. 111
Analysis of Taxes Levied and Receivable
Year Ended April 30, 2021

	Maintenance Taxes
Receivable, Beginning of Year	<u>\$ 2,017</u>
2020 Original Tax Levy	502,102
Additions and corrections	<u>2,191</u>
Adjusted tax levy	<u>504,293</u>
Total to be accounted for	506,310
Tax collections: Current year	(499,428)
Prior years	<u>(2,017)</u>
Receivable, end of year	<u><u>\$ 4,865</u></u>
 Receivable, by Years	
2020	<u><u>\$ 4,865</u></u>

Montgomery County Municipal Utility District No. 111
Analysis of Taxes Levied and Receivable (Continued)
Year Ended April 30, 2021

	<u>2020</u>	<u>2019</u>
Property Valuations		
Land	\$ 28,930,910	\$ 8,155,730
Improvements	12,926,460	-
Personal property	592,740	219,710
Exemptions	<u>(5,095,036)</u>	<u>(4,177,030)</u>
 Total property valuations	 <u>\$ 37,355,074</u>	 <u>\$ 4,198,410</u>
 Tax Rates per \$100 Valuation		
Maintenance tax rates*	<u>\$ 1.3500</u>	<u>\$ 1.3500</u>
 Tax Levy	 <u>\$ 504,293</u>	 <u>\$ 56,679</u>
 Percent of Taxes Collected to Taxes Levied**	 <u>99%</u>	 <u>100%</u>

*Maximum tax rate approved by voters: \$1.35 on May 13, 2006

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

Montgomery County Municipal Utility District No. 111
Schedule of Long-term Debt Service Requirements by Years
April 30, 2021

Road Series 2020			
Due During Fiscal Years Ending April 30	Principal Due September 1	Interest Due September 1, March 1	Total
2022	\$ -	\$ 227,153	\$ 227,153
2023	215,000	222,852	437,852
2024	220,000	215,253	435,253
2025	225,000	209,702	434,702
2026	235,000	205,103	440,103
2027	240,000	200,232	440,232
2028	250,000	194,963	444,963
2029	255,000	189,280	444,280
2030	265,000	183,168	448,168
2031	275,000	176,550	451,550
2032	285,000	169,550	454,550
2033	295,000	162,116	457,116
2034	300,000	154,119	454,119
2035	310,000	145,538	455,538
2036	320,000	136,281	456,281
2037	330,000	126,531	456,531
2038	345,000	116,406	461,406
2039	355,000	105,906	460,906
2040	365,000	95,106	460,106
2041	380,000	83,931	463,931
2042	390,000	72,381	462,381
2043	400,000	60,531	460,531
2044	415,000	48,047	463,047
2045	430,000	34,844	464,844
2046	445,000	21,172	466,172
2047	455,000	7,109	462,109
Totals	<u>\$ 8,000,000</u>	<u>\$ 3,563,824</u>	<u>\$ 11,563,824</u>

Montgomery County Municipal Utility District No. 111
Changes in Long-term Bonded Debt
Year Ended April 30, 2021

	Bond Issue
	Road Series 2020
Interest rates	2.00% to 4.00%
Dates interest payable	September 1/ March 1
Maturity dates	September 1, 2022/2046
Bonds outstanding, beginning of current year	\$ -
Bonds sold during current year	8,000,000
Retirements, principal	-
Bonds outstanding, end of current year	\$ 8,000,000
Interest paid during current year	\$ 75,718

Paying agent's name and address:

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

Bond authority:

	Tax Bonds	Parks and Recreation Bonds	Road and Paving Bonds	Refunding Bonds
Amount authorized by voters	\$ 179,900,000	\$ 51,450,000	\$ 94,100,000	0
Amount issued	\$ -	\$ -	\$ 8,000,000	0
Remaining to be issued	\$ 179,900,000	\$ 51,450,000	\$ 86,100,000	0

Debt service fund cash and temporary investment balances as of April 30, 2021: \$ 393,924

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 444,762

Montgomery County Municipal Utility District No. 111
Comparative Schedule of Revenues and Expenditures – General Fund
Two Years Ended April 30,

	<u>Amounts</u>		<u>Percent of Fund Total Revenues</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
General Fund				
Revenues				
Property taxes	\$ 501,445	\$ 54,662	45.0 %	15.6 %
Water service	79,928	17,472	7.2	5.0
Sewer service	140,877	26,321	12.6	7.5
Penalty and interest	6,227	1,744	0.6	0.5
Tap connection and inspection fees	382,134	248,971	34.3	71.0
Investment income	244	229	0.0	0.1
Other income	3,706	1,037	0.3	0.3
Total revenues	<u>1,114,561</u>	<u>350,436</u>	<u>100.0</u>	<u>100.0</u>
Expenditures				
Service operations:				
Purchased services	696,959	117,657	62.5	33.6
Professional fees	46,608	6,251	4.2	1.8
Contracted services	102,190	161,965	9.2	46.2
Repairs and maintenance	320,742	41,629	28.8	11.9
Other expenditures	22,371	19,464	2.0	5.6
Tap connections	97,221	101,451	8.7	28.9
Capital outlay	-	385,983	-	110.1
Debt issuance costs	28,285	-	2.5	-
Total expenditures	<u>1,314,376</u>	<u>834,400</u>	<u>117.9</u>	<u>238.1</u>
Deficiency of Revenues Over Expenditures	<u>(199,815)</u>	<u>(483,964)</u>	<u>(17.9) %</u>	<u>(138.1) %</u>
Other Financing Sources				
Interfund transfer in	1,116	-		
Developer advances	347,000	177,000		
Settlement payment	-	302,450		
Total other financing sources	<u>348,116</u>	<u>479,450</u>		
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	148,301	(4,514)		
Fund Balance (Deficit), Beginning of Year	<u>(2,091)</u>	<u>2,423</u>		
Fund Balance (Deficit), End of Year	<u>\$ 146,210</u>	<u>\$ (2,091)</u>		
Total Active Retail Water Connections	<u>351</u>	<u>141</u>		
Total Active Retail Wastewater Connections	<u>337</u>	<u>131</u>		

Montgomery County Municipal Utility District No. 111
Schedule of Revenues and Expenditures – Debt Service Fund
Year Ended April 30, 2021

	Amounts	Percent of Fund Total Revenues
Debt Service Fund		
Revenues		
Investment income	\$ 212	100.0 %
Expenditures		
Current:		
Other expenditures	19	9.0
Debt service:		
Interest	60,574	28,572.6
Total expenditures	60,593	28,581.6
Deficiency of Revenues Over Expenditures	(60,381)	(28,481.6) %
Other Financing Sources		
General obligation bonds issued	454,305	
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	393,924	
Fund Balance, Beginning of Year	-	
Fund Balance, End of Year	\$ 393,924	

Montgomery County Municipal Utility District No. 111
Board Members, Key Personnel and Consultants
Year Ended April 30, 2021

Complete District mailing address:	Montgomery County Municipal Utility District No. 111 c/o Coats Rose, P.C. 9 Greenway Plaza, Suite 1000 Houston, Texas 77046
District business telephone number:	713.651.0111
Submission date of the most recent District Registration Form (TWC Sections 36.054 and 49.054):	June 11, 2018
Limit on fees of office that a director may receive during a fiscal year:	\$ 7,200

Board Members	Term of Office Elected & Expires	Fees*	Expense Reimbursements	Title at Year-end
Brett D. Beardsley	Elected 05/18- 05/22	\$ 2,250	\$ 0	President
Todd Orosco	Elected 05/20- 05/24	1,350	0	Vice President
Kurt Granhold	Elected 05/18- 05/22	1,950	0	Secretary
Mark T. Crowl	Elected 05/20- 05/24	1,950	0	Assistant Secretary
Ryan Lesikar	Elected 05/18- 05/22	1,950	0	Assistant Secretary

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

Montgomery County Municipal Utility District No. 111
Board Members, Key Personnel and Consultants (Continued)
Year Ended April 30, 2021

Consultants	Date Hired	Fees and Expense Reimbursements	Title
Assessments of the Southwest, Inc.	07/01/18	\$ 4,579	Tax Assessor/ Collector
BKD, LLP	05/12/20	28,500	Auditor
Coats Rose, P.C.	08/10/16	15,639 203,875	General Counsel Bond Counsel
Inframark, LLC	12/11/18	498,698	Operator
LJA Engineering, Inc.	08/18/17	65,051	Engineer
Masterson Advisors LLC	05/18/18	159,582	Financial Advisor
Montgomery Central Appraisal District	Legislative Action	3,832	Appraiser
Municipal Accounts & Consulting, L.P.	03/13/06	27,196	Bookkeeper
Investment Officers			
Mark M. Burton	01/15/07	N/A	Bookkeeper
Ghia Lewis	12/21/09	N/A	Bookkeeper

APPENDIX B

Specimen Municipal Bond Insurance Policy



BAM

**MUNICIPAL BOND
INSURANCE POLICY**

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

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

Effective Date: _____

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

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

SPECIAL MEMBER

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

1 World Financial Center, 27th floor

200 Liberty Street

New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN