OFFICIAL STATEMENT DATED JULY 14, 2022

IN THE OPINION OF BOND COUNSEL, HEREINAFTER DEFINED, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER EXISTING LAW. SEE "TAX MATTERS" FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.

The Bonds are NOT designated as "qualified tax-exempt obligations" for financial institutions. See "TAX MATTERS – Qualified Tax-Exempt Obligations."

NEW ISSUE – Book Entry Only

Moody's Investors Service, Inc. (Underlying)......... "Baa2"
S&P Global Ratings (AGM Insured): "AA"
Moody's Investors Service, Inc. (AGM Insured): "A1"

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 139

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

$8,795,000 Unlimited Tax Utility Bonds, Series 2022	**$7,400,000 Unlimited Tax Road Bonds, Series 2022**

Dated: August 1, 2022 **Due: April 1, as shown on inside cover page**
Interest Accrues from Delivery Date

The $8,795,000 Unlimited Tax Utility Bonds, Series 2022 (the "Utility Bonds") and the $7,400,000 Unlimited Tax Road Bonds, Series 2022 (the "Road Bonds", and together with the Utility Bonds, the "Bonds") are solely obligations of Montgomery County Municipal Utility District No. 139 (the "District") and are not obligations of the State of Texas; Montgomery County, Texas; the City of Conroe, Texas; or any political subdivision or entity other than the District. Neither the full faith and credit nor the taxing power of the State of Texas; Montgomery County, Texas; the City of Conroe, Texas; nor any entity other than the District is pledged to the payment of the principal of or the interest on the Bonds.

Principal of the Bonds is payable upon presentation at the principal payment office of the paying agent/registrar, initially, Zions Bancorporation, National Association, Amegy Bank Division, Houston, Texas (the "Paying Agent/Registrar"). The Bonds are dated August 1, 2022, and interest on the Bonds accrues from the date of their delivery, currently scheduled for August 11, 2022 (the "Delivery Date"). Interest is payable April 1, 2023, and on each October 1 and April 1 thereafter (each an "Interest Payment Date") until the earlier of maturity or redemption. Interest on the Bonds will be payable by check dated as of the Interest Payment Date and mailed by the Paying Agent/Registrar to registered owners as shown on the records of the Paying Agent/Registrar at the close of business on the 15th calendar day of the month next preceding each Interest Payment Date. The Bonds are fully registered bonds in principal denominations of $5,000 or any integral multiple thereof.

The Bonds will be registered 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 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, in turn, will remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds as described herein. See "THE BONDS – Book-Entry-Only System."

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

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under separate municipal bond insurance policies (each a "Bond Insurance Policy" and collectively, the "Bond Insurance Policy") to be issued concurrently with the delivery of the Bonds by **ASSURED GUARANTY MUNICIPAL CORP.** (the "AGM" or the "Insurer"). See "**MUNICIPAL BOND INSURANCE**" and APPENDIX B herein.

ASSURED GUARANTY® MUNICIPAL

The Utility Bonds constitute the fifth series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing water, wastewater and drainage facilities (the "Utility System") to serve the District and the Road Bonds constitute the fifth series of unlimited tax bonds issued by the District for the purpose of constructing the "Road System" to serve the District, and, when issued, will constitute valid and binding obligations of the District payable from the proceeds of two continuing direct annual ad valorem taxes, each without legal limitation as to rate or amount, levied upon all taxable property within the District. See "THE BONDS – Source of Payment." Investment in the Bonds is subject to special risk factors as described herein. Prospective purchasers should review this entire Official Statement, including particularly the section of this Official Statement entitled "INVESTMENT CONSIDERATIONS," before making an investment decision. See "INVESTMENT CONSIDERATIONS."

The Utility Bonds are offered, when, as and if issued by the District to the winning bidder of the Utility Bonds (the "Utility Bonds Initial Purchaser") and the Road Bonds are offered, when, as and if issued by the District to the winning bidder of the Road Bonds (the "Road Bonds Initial Purchaser", and together with the Utility Bonds Initial Purchaser, the "Initial Purchaser"), subject, among other things, to the approval of the Attorney General of Texas and of Coats Rose, P.C., Houston, Texas, Bond Counsel. Certain legal matters will be passed on for the District by Orrick, Herrington & Sutcliffe LLP, Houston, Texas, as Disclosure Counsel. This Official Statement and the information contained herein are subject to completion and amendment. Under no circumstances shall this Official Statement constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of the Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful under the securities laws of such jurisdictions. Delivery of the Bonds through the facilities of DTC is expected on or about August 11, 2022.

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS

$8,795,000 Unlimited Tax Utility Bonds, Series 2022

<u>$3,325,000 Serial Bonds</u>

Maturity April 1	Principal Amount (d)	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 61372P (b)	Maturity April 1	Principal Amount (d)	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 61372P (b)
2024	$220,000	6.000%	2.200%	JF4	2030(c)	$280,000	4.000%	3.200%	JM9
2025	230,000	5.750%	2.400%	JG2	2031(c)	290,000	4.000%	3.350%	JN7
2026	235,000	5.500%	2.600%	JH0	2032(c)	305,000	4.000%	3.500%	JP2
2027	245,000	5.500%	2.750%	JJ6	2033(c)	315,000	4.000%	3.600%	JQ0
2028(c)	260,000	4.000%	2.900%	JK3	2034(c)	330,000	3.625%	3.800%	JR8
2029(c)	270,000	4.000%	3.000%	JL1	2035(c)	345,000	4.000%	3.800%	JS6

<u>$5,470,000 Term Bonds</u>

$735,000 Term Bond Due April 1, 2037(c)(d) Interest Rate 4.000% Yield 4.000%(a) CUSIP 61372P JU1(b)
$795,000 Term Bond Due April 1, 2039(c)(d) Interest Rate 4.000% Yield 4.050%(a) CUSIP 61372P JW7(b)
$865,000 Term Bond Due April 1, 2041(c)(d) Interest Rate 4.000% Yield 4.100%(a) CUSIP 61372P JY3(b)
$1,440,000 Term Bond Due April 1, 2044(c)(d) Interest Rate 4.000% Yield 4.150%(a) CUSIP 61372P KB1(b)
$1,635,000 Term Bond Due April 1, 2047(c)(d) Interest Rate 4.000% Yield 4.200%(a) CUSIP 61372P KE5(b)

$7,400,000 Unlimited Tax Road Bonds, Series 2022

<u>$2,645,000 Serial Bonds</u>

Maturity April 1	Principal Amount (d)	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 61372P (b)	Maturity April 1	Principal Amount (d)	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 61372P (b)
2024	$165,000	5.750%	2.200%	KF2	2030(c)	$225,000	4.000%	3.200%	KM7
2025	175,000	5.750%	2.400%	KG0	2031(c)	235,000	4.000%	3.350%	KN5
2026	185,000	5.750%	2.600%	KH8	2032(c)	245,000	3.250%	3.550%	KPO
2027	190,000	5.750%	2.750%	KJ4	2033(c)	260,000	3.375%	3.700%	KQ8
2028(c)	200,000	5.750%	2.800%	KK1	2034(c)	270,000	3.500%	3.800%	KR6
2029(c)	210,000	5.750%	2.900%	KL9	2035(c)	285,000	4.000%	3.800%	KS4

<u>$4,755,000 Term Bonds</u>

$615,000 Term Bond Due April 1, 2037(c)(d) Interest Rate 4.000% Yield 4.000%(a) CUSIP 61372P KU9(b)
$675,000 Term Bond Due April 1, 2039(c)(d) Interest Rate 4.000% Yield 4.050%(a) CUSIP 61372P KW5(b)
$745,000 Term Bond Due April 1, 2041(c)(d) Interest Rate 4.000% Yield 4.100%(a) CUSIP 61372P KY1(b)
$1,260,000 Term Bond Due April 1, 2044(c)(d) Interest Rate 4.000% Yield 4.150%(a) CUSIP 61372P LB0(b)
$1,460,000 Term Bond Due April 1, 2047(c)(d) Interest Rate 4.000% Yield 4.200%(a) CUSIP 61372P LE4(b)

(a) The initial reoffering yield has been provided by the Initial Purchaser (herein defined) and represents the initial offering price to the public of a substantial amount of the Bonds for each maturity. Such initial reoffering yield may be changed for subsequent purchasers. The initial reoffering yields indicated above represent the lower of the yields resulting when priced to maturity or to the first call date.

(b) CUSIP numbers have been assigned to the Bonds by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of the American Bankers Association and are included solely for the convenience of the owners of the Bonds. None of the District, Financial Advisor (herein defined) or Initial Purchaser shall be responsible for the selection or the correctness of the CUSIP numbers.

(c) Bonds maturing on April 1, 2028, and thereafter, are subject to redemption prior to maturity at the option of the District, as a whole or from time to time in part, on April 1, 2027, or any date thereafter at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption. See "THE BONDS – Redemption of the Bonds – *Optional Redemption*."

(d) The Utility Term Bonds (defined herein) and the Road Term Bonds (defined herein) maturing on April 1 in the years 2037, 2039, 2041, 2044, and 2047 are additionally subjected to mandatory sinking fund redemption prior to maturity. See "THE BONDS – Redemption of the Bonds – *Mandatory Redemption.*"

USE OF INFORMATION IN OFFICIAL STATEMENT

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

This Official Statement does not constitute, and is not authorized by the District for use in connection with, an offer to sell or the solicitation of any 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, records, and 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. ("Bond Counsel") for further information.

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 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, other matters described in the Official Statement until delivery of the Bonds to the Initial Purchaser and thereafter only as specified in "CONTINUING DISCLOSURE OF INFORMATION" and "OFFICIAL STATEMENT – Updating of Official Statement."

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

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

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SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Utility Bonds, the District has accepted the bid resulting in the lowest net interest cost, which was tendered by SAMCO Capital Markets (the "Utility Bonds Initial Purchaser"). The Utility Bonds Initial Purchaser has agreed to purchase the Utility Bonds, bearing the interest rates shown under "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS" on the inside cover page of this Official Statement, at a price of 98.008744% of the principal amount thereof which resulted in a net effective interest rate of 4.157015%, calculated pursuant to Chapter 1204, Texas Government Code, as amended.

After requesting competitive bids for the Road Bonds, the District has accepted the bid resulting in the lowest net interest cost, which was tendered by SAMCO Capital Markets (the "Road Bonds Initial Purchaser"). The Road Bonds Initial Purchaser has agreed to purchase the Road Bonds, bearing the interest rates shown under "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS" on the inside cover page of this Official Statement, at a price of 98.001141% of the principal amount thereof which resulted in a net effective interest rate of 4.158865%, calculated pursuant to Chapter 1204, Texas Government Code, as amended.

The Utility Bonds Initial Purchaser and the Road Bonds Initial Purchaser are collectively referred to as the "Initial Purchaser" through this Official Statement.

Prices and Marketability

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

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

The prices and other terms with respect to the offering and sale of the Bonds may be changed from time to time by the Initial Purchaser after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial reoffering prices, including sales to dealers who may sell the Bonds into investment accounts. IN CONNECTION WITH THE OFFERING OF THE BONDS, THE INITIAL PURCHASER 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.

Securities Laws

No registration statement relating to the Bonds has been filed with the United States Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon 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 jurisdictions. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be offered, sold or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds should not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdiction.

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

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

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

Assured Guaranty Municipal Corp.

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

AGM's financial strength is rated "AA" (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("KBRA") and "A1" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On July 8, 2022, S&P announced it had affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On March 18, 2022, Moody's announced it had upgraded AGM's insurance financial strength rating to "A1" (stable outlook) from "A2" (stable outlook). AGM can give no assurance as to any further ratings action that Moody's may take.

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

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

Capitalization of AGM

At March 31, 2022:

- The policyholders' surplus of AGM was approximately $2,909 million.
- The contingency reserve of AGM was approximately $893 million.
- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately $2,116 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, and (ii) the net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiaries Assured Guaranty UK Limited ("AGUK") and Assured Guaranty (Europe) SA ("AGE").

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

Incorporation of Certain Documents by Reference

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

(i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2021 (filed by AGL with the SEC on February 25, 2022); and

(ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2022 (filed by AGL with the SEC on May 6, 2022).

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

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

Miscellaneous Matters

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

RATINGS

S&P is located at 55 Water Street, New York, New York 10041, telephone number (212) 208-8000 and has engaged in providing ratings for corporate bonds since 1923 and municipal bonds since 1940. Long-term debt ratings assigned by S&P reflect its analysis of the overall level of credit risk involved in financings. At present S&P assigns long-term debt ratings with symbols "AAA" (the highest rating) through "D" (the lowest rating). The Bonds received insured ratings of "AA" (stable outlook) from S&P and "A1" (stable outlook) from Moody's solely in reliance upon the issuance of the Policies issued by AGM at the time of delivery of the Bonds.

Moody's Investors Service, Inc. ("Moody's) has assigned an underlying credit rating of "Baa2" to the Bonds. An explanation of the ratings may be obtained from Moody's, 7 World Trade Center, 250 Greenwich Street, New York, New York 10007.

Furthermore, a security rating is not a recommendation to buy, sell or hold securities. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by S&P or Moody's, if in their judgment, circumstances so warrant. Any such revisions or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

The District is not aware of any rating assigned the Bonds other than the rating of Moody's.

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OFFICIAL STATEMENT SUMMARY

The following material is qualified in its entirety by the more detailed information and financial statements appearing elsewhere in this Official Statement. The offering of the Bonds to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement.

THE BONDS

The District	Montgomery County Municipal Utility District No. 139 (the "District"), a political subdivision of the State of Texas, is located in Montgomery County, Texas. See "THE DISTRICT."
The Bonds	The District is issuing $8,795,000 Unlimited Tax Utility Bonds, Series 2022 (the "Utility Bonds") and $7,400,000 Unlimited Tax Road Bonds, Series 2022 (the "Road Bonds", and together with the Utility Bonds, the "Bonds"). The Bonds are dated August 1, 2022 and mature on April 1 in the years and amounts set forth on the inside cover page hereof. Interest accrues from the date of the delivery of the Bonds at the rates per annum set forth on the inside cover page hereof and is payable on April 1, 2023, and on each October 1 and April 1 thereafter until maturity or earlier redemption. The Bonds are offered in fully registered form in integral multiples of $5,000 for any one maturity. See "THE BONDS."
Redemption	Bonds maturing on and after April 1, 2028, are subject to redemption, in whole or from time to time in part, at the option of the District on April 1, 2027, and on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date of redemption. See "THE BONDS – Redemption of the Bonds."
Source of Payment	Principal of and interest on the Bonds are payable from the proceeds of two continuing direct annual ad valorem taxes, each levied upon all taxable property within the District without legal limitation as to rate or amount. The Bonds are obligations solely of the District and are not obligations of the State of Texas, Montgomery County, Texas, the City of Conroe, Texas (the "City"), or any entity other than the District. See "THE BONDS – Source of Payment."
Qualified Tax Exempt Obligations	The Bonds have NOT been designated as "qualified tax-exempt obligations" for financial institutions. See "TAX MATTERS – Qualified Tax Exempt Obligations."
Outstanding Bonds	The District has previously issued the following: (i) $7,570,000 Unlimited Tax Utility Bonds, Series 2021 of which $7,570,000 principal amount remains outstanding as of June 1, 2022 (the "Outstanding Series 2021 Utility Bonds"), (ii) $6,670,000 Unlimited Tax Utility Bonds, Series 2020 of which $6,355,000 principal amount remains outstanding as of June 1, 2022 (the "Outstanding Series 2020 Utility Bonds"), (iii) $5,525,000 Unlimited Tax Bonds, Series 2019 of which $5,120,000 principal amount remains outstanding as of June 1, 2022 (the "Outstanding Series 2019 Utility Bonds"), and (iv) $5,085,000 Unlimited Tax Bonds, Series 2018 of which $4,695,000 principal amount remains outstanding as of June 1, 2022 (the "Outstanding Series 2018 Utility Bonds"). The Outstanding 2021 Utility Bonds, Outstanding 2020 Utility Bonds, the Outstanding 2019 Utility Bonds, and the Outstanding 2018 Utility Bonds are collectively referred to herein as the "Outstanding Utility Bonds." In addition, the District previously issued the following: (i) $2,615,000 Unlimited Tax Road Bonds, Series 2021 of which $2,615,000 principal amount remains outstanding as of June 1, 2022 (the "Outstanding Series 2021 Road Bonds"), (ii) $2,000,000

Unlimited Tax Road Bonds, Series 2020 of which $1,915,000 principal amount remains outstanding as of June 1, 2022 (the "Outstanding Series 2020 Road Bonds"), (iii) $3,870,000 Unlimited Tax Road Bonds, Series 2019 of which $3,580,000 principal amount remains outstanding as of June 1, 2022 (the "Outstanding Series 2019 Road Bonds"), and (iv) $4,775,000 Unlimited Tax Bonds, Series 2017 of which $4,150,000 principal amount remains outstanding as of June 1, 2022 (the "Outstanding Series 2017 Road Bonds"). The Outstanding 2021 Road Bonds, Outstanding 2020 Road Bonds, the Outstanding 2019 Road Bonds, and the Outstanding 2017 Road Bonds are collectively referred to herein as the "Outstanding Road Bonds."

The Outstanding Utility Bonds and the Outstanding Road Bonds are collectively referred to herein as the "Outstanding Bonds."

Payment Record.. The District has never defaulted on the timely payment of principal and interest on its prior bonded indebtedness. See "THE BONDS – Source of Payment."

Authority for Issuance .... To date, voters of the District have authorized the District's issuance of $366,930,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sewer, and drainage facilities to serve the District (the "Utility System") and for refunding purposes; $165,540,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing a road system to serve the District (the "Road System") and for refunding purposes; and $37,710,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities to serve the District and for refunding purposes.

The Utility Bonds are issued pursuant to (i) Article XVI, Section 59 of the Texas Constitution, (ii) Chapter 8449 of the Texas Special District Local Laws Code, and the general laws of the State of Texas, including particularly Chapters 49 and 54 of the Texas Water Code, as amended, (iii) an order (the "Utility Bond Order") adopted by the Board of Directors of the District on the date of the sale of the Bonds, (iv) an election held within the District on November 4, 2014, and (v) an approving order of the Texas Commission on Environmental Quality ("TCEQ").

The Road Bonds are issued pursuant to (i) Article III, Section 52 of the Texas Constitution, (ii) Chapter 8449 of the Texas Special District Local Laws Code, and the general laws of the State of Texas, including particularly Chapters 49 and 54 of the Texas Water Code, as amended, (iii) an order (the "Road Bond Order") adopted by the Board of Directors of the District on the date of the sale of the Road Bonds, and (iv) an election held within the District on November 4, 2014.

The Utility Bond Order and the Road Bond Order are herein referred to collectively as the "Bond Orders."

Use of Utility Bond Proceeds .... A portion of the proceeds from the sale of the Utility Bonds will be used to reimburse the Developer (hereinafter defined) for a portion of the development of the following: (i) Fosters Ridge, Section Seven; (ii) Fosters Ridge, Section Eight; (iii) Fosters Ridge, Section Ten; (iv) Fosters Ridge, Section Eleven; (v) Fosters Ridge, Section Twelve; (vi) engineering and geotechnical for Fosters Ridge Sections Seven, Eight, Ten, Eleven and Twelve; (vii) storm water compliance Fosters Ridge Sections Seven, Eight, Ten, Eleven and Twelve; and (viii) Geotechnical Reports for Fosters Ridge Section Eleven and Twelve. In addition, a portion of the proceeds from the Bonds will be used to pay for WWTP Phase III and contingencies, engineering, geotechnical and storm water compliance for WWTP Phase III, developer interest, six (6) months of capitalized interest on the Utility Bonds, and certain other costs associated with the issuance of the Bonds. See "THE BONDS – Use and Distribution of Utility Bond Proceeds."

Use of Road Bond Proceeds	A portion of the proceeds from the sale of the Road Bonds will be used to reimburse the Developer (hereinafter defined) for a portion of the development of the following: (i) Fosters Ridge, Section Seven; (ii) Fosters Ridge, Section Eight; (iii) Fosters Ridge, Section Eleven; (iv) Fosters Ridge, Section Twelve; (v) West Denali Wilderness Parkway, Phase Two; (vi) engineering and geotechnical for Fosters Ridge Sections Eight and Twelve and West Denali Wilderness Parkway, Phase Two; (vii) storm water compliance for Fosters Ridge Sections Eight and Twelve and West Denali Wilderness Parkway, Phase Two; (viii) street lighting for Fosters Ridge Sections Eight and Twelve and West Denali Wilderness Parkway, Phase Two; and (ix) land acquisition for Fosters Ridge Sections Seven, Eight, Eleven, and Twelve and West Denali Wilderness Parkway, Phase Two. In addition, a portion of the proceeds from the Road Bonds will be used to pay developer interest, six (6) months of capitalized interest on the Road Bonds, and certain other costs associated with the issuance of the Road Bonds. See "THE BONDS – Use and Distribution of Road Bond Proceeds."
Municipal Bond Insurance	Assured Guaranty Municipal Corp. See "MUNICIPAL BOND INSURANCE."
Ratings...	Moody's Investors Service, Inc. (Underlying) – "Baa2." S&P Global Ratings (AGM Insured) – "AA" and Moody's Investors Service, Inc. (AGM Insured) – "A1." See "RATINGS."
Bond Counsel	Coats Rose, P.C., Houston, Texas.
Disclosure Counsel....................................	Orrick, Herrington & Sutcliffe LLP, Houston, Texas.
Financial Advisor	Tierra Financial Advisors, LLC, Arlington, Texas ("Tierra"). Tierra is a wholly-owned subsidiary of D.R. Horton Inc., the primary developer of land in the District. See "RELATIONSHIP AMONG THE PARTIES" 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 the Chapter 418 of the Texas Government Code, the Governor issued a number of executive orders intended to help limit the spread of COVID-19 and mitigate injury and the loss of life, including limitations imposed on business operations, social gatherings, and other activities.

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

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

THE DISTRICT

Description .... The District was created by House Bill No. 1385, 83rd Texas Legislature, Regular Session, codified as Chapter 8449, Texas Special District Local Laws Code, effective June 14, 2013, as a conservation and reclamation district created under and essential to accomplish the purposes of Section 59, Article XVI, and Section 52, Article III of the Texas Constitution, and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended, and other general statutes of Texas applicable to municipal utility districts. The District consists of approximately 793 total acres. See "THE DISTRICT."

Location.. The District is located approximately 35 miles from the central downtown business district of the City of Houston, Texas and approximately 15 miles southwest of the City of Conroe, Texas' central business district. The District is north of Farm-to-Market 1488 along Old Conroe Road and can be accessed from Interstate Highway 45 via Farm-to-Market 1488 and Old Conroe Road. The District is located in Montgomery County and within the extraterritorial jurisdiction of the City of Conroe, Texas. See "THE DISTRICT- LOCATION."

Developer and Principal Landowner .... The developer and principal land-owner of the land within the District is D.R. Horton-Texas, Ltd. (the "Developer"), a Texas limited partnership. The Developer is wholly owned by D.R. Horton, Inc. ("D.R. Horton"), a Delaware corporation and publicly held company, the stock of which is listed on the New York Stock Exchange under the ticker symbol "DHI." To date, the Developer has developed approximately 326 acres within the District which are being marketed as Fosters Ridge. The Developer continues to own approximately 100 acres of undeveloped land withing the District. See "PRINCIPAL LANDOWNER/DEVELOPER."

Development within the District................. Development in the District currently includes 1,601 single-family residential lots on approximately 326 acres. As of May 1, 2022, the District consisted of 1,469 completed homes (1,237 occupied, 193 unoccupied but contracted for sale, 3 model homes and 36 unoccupied but unsold), 118 homes under construction and 14 vacant developed lots. Homes in the District range in price from approximately $240,000 to over $600,000. Section Eleven of Fosters Ridge (124 lots) is being developed as a rental property community.

Homes in Section Eleven, Fosters Ridge, are being purchased by Home Rent 3 LLC, a foreign limited liability company ("Home Rent 3"), as such homes are constructed. Within Section Eleven of Fosters Ridge, as described above, to date, 124 homes have been sold to Home Rent 3. See "INVESTMENT CONSIDERATIONS – Rental Homes."

In addition to the development described above, the Developer has constructed a recreation center which includes a recreation pool, restrooms and open spaces on approximately 7 acres in the District. The District includes approximately 100 developable acres that have not been provided with water distribution, sanitary sewer and storm drainage facilities. The remainder of the District is comprised of approximately 365 acres of street right-of-way, easements, drainage, floodway, open spaces and utility sites, including the 7 acres devoted to the recreation center. See "DEVELOPMENT OF THE DISTRICT – Status of Development within the District."

Homebuilders .... D.R. Horton is currently building single-family homes in the District. Homes in the District range in price from approximately $240,000 to over $600,000 and in size from approximately 1,500 to over 3,100 square feet. During 2021, D.R. Horton sold approximately 276 homes in the District and has sold approximately 244 homes during the first 6 months of 2022. See "DEVELOPMENT OF THE DISTRICT – Homebuilders within the District."

INVESTMENT CONSIDERATIONS

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

SELECTED FINANCIAL INFORMATION
(UNAUDITED)

2021 Assessed Valuation	$	263,318,061 (a)
2022 Preliminary Assessed Valuation	$	423,103,099 (b)
Estimated Assessed Valuation as of May 1, 2022	$	475,036,053 (c)
Direct Debt:		
The Outstanding Utility Bonds (as of May 1, 2022)	$	23,740,000
The Outstanding Road Bonds (as of May 1, 2022)	$	12,260,000
The Utility Bonds	$	8,795,000
The Road Bonds	$	7,400,000
Total	$	52,195,000
Estimated Overlapping Debt	$	11,698,191 (d)
Total Direct and Estimated Overlapping Debt	$	63,893,191 (d)
Direct Debt Ratio:		
As a percentage of 2021 Assessed Valuation		19.82%
As a percentage of 2022 Preliminary Assessed Valuation		12.34%
As a percentage of Estimated Assessed Valuation as of May 1, 2022		10.99%
Direct and Estimated Overlapping Debt Ratio:		
As a percentage of 2021 Assessed Valuation		24.26%
As a percentage of 2022 Preliminary Assessed Valuation		15.10%
As a percentage of Estimated Assessed Valuation as of May 1, 2022		13.45%
Utility System Debt Service Fund (as of May 5, 2022)	$	916,697 (e)
Road System Debt Service Fund (as of May 5, 2022)	$	612,629 (f)
Utility System Capital Projects Fund (as of May 5, 2022)	$	830,968
Road System Capital Projects Fund (as of May 5, 2022)	$	121,605
Operating Fund (as of May 5, 2022)	$	2,423,219
2021 Tax Rate:		
Utility System Debt Service	$	0.660
Road System Debt Service	$	0.340
Maintenance & Operation	$	0.300
Total	$	1.300 (g)
Average Annual Debt Service Requirements on the Outstanding Utility Bonds and the Utility Bonds (2022 - 2047)	$	1,787,005 (h)
Maximum Annual Debt Service Requirements on the Outstanding Utility Bonds and the Utility Bonds (2045)	$	2,000,606 (h)
Utility System Debt Service Tax Rate per $100 of Assessed Valuation Required to Pay Average Annual Debt Service Requirement on the Outstanding Utility Bonds and the Utility Bonds (2022 - 2047):		
Based on 2021 Assessed Valuation at 95% Collections	$	0.71
Based on 2022 Preliminary Assessed Valuation at 95% Collections	$	0.44
Based on Estimated Assessed Valuation as of May 1, 2022, at 95% Collections	$	0.40
Utility System Debt Service Tax Rate per $100 of Assessed Valuation Required to Pay Maximum Annual Debt Service Requirement on the Outstanding Utility Bonds and the Utility Bonds (2022 - 2047):		
Based on 2021 Assessed Valuation at 95% Collections	$	0.80
Based on 2022 Preliminary Assessed Valuation at 95% Collections	$	0.50
Based on Estimated Assessed Valuation as of May 1, 2022, at 95% Collections	$	0.44

Average Annual Debt Service Requirements on the Outstanding Road Bonds and the Road Bonds (2022 - 2047)	$	1,119,235 (i)
Maximum Annual Debt Service Requirements on the Outstanding Road Bonds and the Road Bonds (2045)	$	1,261,506 (i)
Road System Debt Service Tax Rate per $100 of Assessed Valuation Required to Pay Average Annual Debt Service Requirement on the Outstanding Road Bonds and the Road Bonds (2022 - 2047):		
Based on 2021 Assessed Valuation at 95% Collections	$	0.45
Based on 2022 Preliminary Assessed Valuation at 95% Collections	$	0.28
Based on Estimated Assessed Valuation as of May 1, 2022, at 95% Collections	$	0.25
Road System Debt Service Tax Rate per $100 of Assessed Valuation Required to Pay Maximum Debt Service Requirement on the Outstanding Road Bonds and the Road Bonds (2022 – 2047):		
Based on 2021 Assessed Valuation at 95% Collections	$	0.50
Based on 2022 Preliminary Assessed Valuation at 95% Collections	$	0.31
Based on Estimated Assessed Valuation as of May 1, 2022, at 95% Collections	$	0.28

(a) Represents the assessed valuation of all taxable property in the District as of January 1, 2021, provided by the Montgomery Central Appraisal District (the "Appraisal District"). This value includes $0.00 of uncertified assessed valuation. See "TAX DATA" and "TAXING PROCEDURES."

(b) Provided by the Appraisal District as the preliminary value as of January 1, 2022. This value represents the preliminary determination of the taxable value in the District as of January 1, 2022. This preliminary value is subject to protest by the landowners. No taxes will be levied on the preliminary value. The value will be certified by the Appraisal District and taxes will be levied on the certified value. No representation is made as to the variance in the certified value for 2021 and the preliminary value provided herein.

(c) Provided by the Appraisal District for informational purposes only. This amount is an estimate of the taxable value of all taxable property located within the District as of January 1, 2022, and includes an estimate of additional taxable value resulting from the construction of taxable improvements from January 1, 2022 to May 1, 2022. No taxes will be levied on this estimated value until certified by the Appraisal District. See "TAX DATA" and "TAXING PROCEDURES."

(d) See "DISTRICT DEBT – Direct and Estimated Overlapping Debt Statement."

(e) Neither Texas law nor the Utility Bond Order requires that the District maintain any particular sum in the Utility System Debt Service Fund. The funds in the Utility System Debt Service Fund are pledged only to pay the debt service on the Outstanding Utility Bonds, the Utility Bonds, and any other bonds issued for the purpose of acquiring or constructing the Utility System. The funds in the Utility System Debt Service Fund are not pledged to pay debt service on the Outstanding Road Bonds, the Road Bonds, or any other bonds issued for the purpose of acquiring or constructing the Road System. The District expects to deposit six (6) months of capitalized interest in the Utility Bond Debt Service on the Delivery Date.

(f) Neither Texas law nor the Road Bond Order requires that the District maintain any particular sum in the Road Bond Debt Service Fund. The funds in the Road System Debt Service Fund are pledged only to pay the debt service on the Outstanding Road Bonds, the Road Bonds, and any other bonds issued for the purpose of acquiring or constructing the Road System. The funds in the Road System Debt Service Fund are not pledged to pay debt service on the Outstanding Utility Bonds, the Utility Bonds, or any other bonds issued for the purpose of acquiring or constructing the Utility System. he District expects to deposit six (6) months of capitalized interest in the Road Bond Debt Service on the Delivery Date.

(g) See "TAX DATA - Tax Rate Calculations."

(h) See "DISTRICT DEBT – Estimated Utility System Debt Service Requirement Schedule."

(i) See "DISTRICT DEBT – Estimated Road System Debt Service Requirement Schedule."

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OFFICIAL STATEMENT

relating to

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 139
(A Political Subdivision of the State of Texas, located within Montgomery County)

$8,795,000 **Unlimited Tax Utility Bonds,** **Series 2022**	**$7,400,000** **Unlimited Tax Road Bonds,** **Series 2022**

INTRODUCTION

This Official Statement provides certain information in connection with the issuance by Montgomery County Municipal Utility District No. 139 (the "District") of its $8,795,000 Unlimited Tax Utility Bonds, Series 2022 (the "Utility Bonds") and its $7,400,000 Unlimited Tax Road Bonds, Series 2022 (the "Road Bonds"). The Utility Bonds and Road Bonds are herein referred to collectively as the "Bonds."

The Utility Bonds are issued pursuant to (i) Article XVI, Section 59 of the Texas Constitution, (ii) Chapter 8449 of the Texas Special District Local Laws Code, and the general laws of the State of Texas, including particularly Chapters 49 and 54 of the Texas Water Code, as amended, (iii) an order (the "Utility Bond Order") adopted by the Board of Directors of the District on the date of the sale of the Bonds, (iv) an election held within the District on November 4, 2014, and (v) an approving order of the Texas Commission on Environmental Quality ("TCEQ").

The Road Bonds are issued pursuant to the (i) Article III, Section 52 of the Texas Constitution, (ii) Chapter 8449 of the Texas Special District Local Laws Code, and the general laws of the State of Texas, including particularly Chapters 49 and 54 of the Texas Water Code, as amended, (iii) an order (the "Road Bond Order") adopted by the Board of Directors of the District on the date of the sale of the Road Bonds, and (iv) an election held within the District on November 4, 2014.

The Utility Bond Order and the Road Bond Order are herein referred to collectively as the "Bond Orders."

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

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

RELATIONSHIP AMONG THE PARTIES

Tierra Financial Advisors, LLC, serves as financial advisor to the District (the "Financial Advisor") and is a wholly owned subsidiary of D.R. Horton Inc. ("D.R. Horton"), the primary developer of land in the District. The District was created in 2013 at the direction of D.R. Horton to facilitate development in the District, and D.R. Horton currently owns approximately 3.31% of the of the total taxable assessed value of property in the District. See "DEVELOPMENT OF THE DISTRICT," "PRINCIPAL LANDOWNER/DEVELOPER" and "TAX DATA – Principal Taxpayers." A portion of the proceeds of the Bonds will be used to reimburse D.R. Horton for expenditures incurred in connection with the development of infrastructure in the District. See "THE BONDS – Use and Distribution of Utility Bond Proceeds" and "THE BONDS – Use and Distribution of Road Bond Proceeds." No employees of D.R. Horton are members of the Board of the District and the Financial Advisor is subject to federal laws and regulations that require it to disclose, manage and mitigate conflicts of interest consistent with its fiduciary duties to the District.

INVESTMENT CONSIDERATIONS

General

The Bonds, which are obligations of the District and not of the State of Texas; Montgomery County, Texas; the City of Conroe, Texas (the "City"); or any political subdivision other than the District, will be secured by two continuing direct annual ad valorem taxes, each without legal limitation as to rate or amount, levied against all taxable property located within the District. Therefore, the ultimate security for payment of the principal of and interest on the Bonds depends upon the ability of the District to collect from the property owners within the District taxes levied against all taxable property located within the District, or, in the event taxes are not collected and foreclosure proceedings are instituted by the District, upon the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The District makes no representations that over the life of the Bonds the property within the District will maintain a value sufficient to justify continued payment of taxes by the property owners. The potential increase in taxable valuation of District property is directly related to the economics of the residential housing industry, not only due to general economic conditions, but also due to the particular factors discussed below. See "DEVELOPMENT OF THE DISTRICT," "TAX DATA," and "TAXING PROCEDURES."

Factors Affecting Taxable Values and Tax Payment

Economic Factors: The District is situated in the Houston and Conroe, Texas area, and the rate of development of the District is directly related to the vitality of the residential housing industry in said metropolitan areas. New residential housing construction can be significantly affected by factors such as interest rates, construction costs, and consumer demand. Decreased levels of home construction activity would restrict the growth of property values in the District. The District cannot predict the pace or magnitude of any future development or home construction in the District.

Principal Landowner/Developer: There is no commitment by, or legal requirement of, the principal landowners, the Developer (herein defined), or any other landowner in the District to proceed at any particular rate or according to any specified plan with the development of land in the District, or of any homebuilder to proceed at any particular pace with the construction of homes in the District. Moreover, there is no restriction on any landowner's right to sell its land. Therefore, the District can make no representation about the probability of future development, if any, or the rate of future home construction activity in the District. Failure to construct taxable improvements on developed lots would restrict the rate of growth of taxable values in the District and result in higher tax rates. See "DEVELOPMENT OF THE DISTRICT," "PRINCIPAL LANDOWNER/DEVELOPER," and "TAX DATA – Principal Taxpayers."

Dependence on Principal Taxpayers and the Developer: The top ten principal taxpayers represent $39,202,410 or 14.89% of the 2021 Assessed Valuation, which represents ownership as of January 1, 2021. Home Rent 3 LLC (herein defined) is the largest principal tax payer representing $25,358,950 or 9.63% of such value with the Developer (herein defined) representing $8,698,320 or 3.30% of such value. If these or other principal taxpayers were to default in the payment of taxes in an amount which exceeds the District's debt service fund surplus, the ability of the District to make timely payment of debt service on the Bonds would be dependent on its ability to enforce and liquidate its tax lien, which is a time-consuming process, or to sell tax anticipation notes. Failure to recover or borrow funds in a timely fashion could result in an excessive District tax rate, hindering growth and leading to further defaults in the payment of taxes. The District is not required by law or the Bond Orders to maintain any specified amount of surplus in its debt service fund. See, "TAX DATA – Principal Taxpayers" and "TAXING PROCEDURES – Levy and Collection of Taxes."

Maximum Impact on District Tax Rates: Assuming no further development or home construction, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of property owners to pay their taxes. The 2021 Assessed Valuation of property located within the District is $263,318,061 and the Estimated Valuation as of May 1, 2022, is $475,036,053 See "TAX DATA."

After issuance of the Utility Bonds, the maximum annual debt service requirement on the Outstanding Utility Bonds will be $2,000,606 (2045) and the average annual debt service requirement on the Outstanding Utility Bonds and the Utility Bonds will be $1,787,005 (2022-2047). Assuming no decrease to the 2021 Assessed Valuation, tax rates of $0.80 and $0.71 per $100 of assessed valuation at 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirement, respectively. Assuming no decrease from the Estimated Valuation as of May 1, 2022, tax rates of $0.44 and $0.40 per $100 of assessed valuation at 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirement, respectively.

After issuance of the Road Bonds, the maximum annual debt service requirement on the Outstanding Road Bonds and the Road Bonds will be $1,261,506 (2045) and the average annual debt service requirement on the Outstanding Road Bonds and the Road Bonds will be $1,119,235 (2022-2047). Assuming no decrease to the 2021 Assessed Valuation, tax rates of $0.50 and $0.45 per $100 of assessed valuation at 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirement, respectively. Assuming no decrease from the Estimated Valuation as of May 1, 2022, tax rates of $0.28 and $0.25 per $100 of assessed valuation at 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirement, respectively.

The District can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the proposed District tax rate or to justify continued payment of taxes by property owners. In 2021, the District levied a maintenance tax of $0.30 per $100 of assessed valuation, a Utility System debt service tax of $0.66 per $100 of assessed valuation, and a Road System debt service tax of $0.34 per $100 of assessed valuation.

Rental Homes

The homes being constructed in Section Eleven, Fosters Ridge (124 lots) are being constructed by D.R. Horton and sold to Home Rent 3 LLC, a foreign limited liability company ("Home Rent 3") as a rental community. Home Rent 3 purchases homes as they are completed and, to date, owns 124 properties. It is anticipated that Home Rent 3 will continue to own all of the homes constructed in Section Eleven, Fosters Ridge. Due to timing of construction of such properties, no information is available from the Appraisal District related the 2022 Preliminary Taxable Valuation or the Estimated Taxable Valuation as of May 1, 2022, related to Home Rent 3's property ownership within the District. Home Rent 3, as the owner of the homes in Section Eleven, Fosters Ridge, as described above, is responsible for the payment of property taxes, maintenance of the homes and the landscape maintenance of the front yards.

Dependence on the Oil and Gas Industry

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

Competitive Nature of Residential Housing Market

The residential housing industry in the Houston and Conroe, Texas area is very competitive, and the District can give no assurance that the building programs which are planned by any homebuilder(s) will be continued or completed. The respective competitive position of the homebuilders listed herein and any other developer or homebuilder(s) which might attempt future home building or development projects in the District, the sale of developed lots or in the construction and sale of single-family residential units, are affected by most of the factors discussed in this section, and such competitive positions are directly related to tax revenues received by the District and the growth and maintenance of taxable values in the District.

Tax Collection and Foreclosure Remedies

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedures against a taxpayer, (c) market conditions limiting the proceeds from a foreclosure sale of taxable property, or (d) the taxpayer's right to redeem the property within two years of foreclosure for residential homestead and agricultural use property and within six (6) months of foreclosure for other property. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding.

Moreover, the value of property to be sold for delinquent taxes and thereby the potential sales proceeds available to pay debt service on the Bonds, may be limited by among other factors, the existence of other tax liens on the property, by the current aggregate tax rate being levied against the property, or by the taxpayers' right to redeem residential or agricultural use property within two (2) years of foreclosure and all other property within six (6) months of foreclosure. Finally, a bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes assessed against such taxpayer. See "TAXING PROCEDURES."

Bondholders' Remedies

In the event of default in the payment of principal of or interest on the Bonds, the registered holders of the Bonds ("Bondholders") have a right to seek a writ of mandamus requiring the District to levy adequate taxes each year to make such payments. Except for mandamus, the Bond Orders do not provide for remedies to protect and enforce the interests of the Bondholders. 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. Based on recent Texas court decisions, it is unclear whether, §49.066, Texas Water Code, effectively waives governmental immunity of a municipal utility district for suits for money damages. Even if the Bondholders could obtain a judgment against the District, such a judgment could not be enforced by a direct levy and execution against the District's property. Further, the Bondholders cannot themselves foreclose on property within the District or sell property of the District in order to pay the principal of and interest on the Bonds. Since there is no trust indenture or trustee, the Bondholders would have to initiate and finance the legal process to enforce their remedies. SEE "THE BONDS-Bondholders' Remedies and Bankruptcy Limitation to Bondholders' Rights."

Bankruptcy Limitation to Bondholders' Rights

Subject to the requirements of Texas law, the District may voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Section 901-946, if the District: (1) is authorized to file for federal bankruptcy protection by Texas law; (2) is insolvent or unable to meet its debts as they mature; (3) desired to effect a plan to adjust such debts; and (4) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiation is impracticable. Under Texas law, the District must also obtain the approval of the TCEQ prior to filing bankruptcy. Such law requires that the TCEQ investigate the financial conditions of the District and authorize the District to proceed only if the District has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

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

If the District decides in the future to proceed voluntarily under the federal Bankruptcy Code, the District could develop and file a plan for the adjustment of its debts. If such a plan was confirmed by the bankruptcy court, it could, among other things, affect the Beneficial Owners by reducing or eliminating the interest rate or the principal amount, 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 such Beneficial Owners' claims against the District.

The District may not be placed into bankruptcy involuntarily. SEE "THE BONDS-Bondholders' Remedies and Bankruptcy Limitation to Bondholders' Rights."

Marketability

The District has no understanding with the Initial Purchaser of the Bonds 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 for 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. See "SALE AND DISTRIBUTION OF THE BONDS."

Future Debt

At an election held within the District on November 4, 2014, voters of the District authorized the District's issuance of: $366,930,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sewer, and drainage facilities to serve the District (the "Utility System") and for refunding purposes; $165,540,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing a road system to serve the District and for refunding purposes; and $37,710,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities to serve the District and for refunding purposes.

The Utility Bonds represent the fifth series of bonds issued by the District for the purpose of acquiring or constructing the Utility System and the Road Bonds constitute the fifth series of unlimited tax bonds issued by the District for the purpose of constructing the "Road System" to serve the District. After issuance of the Bonds, the following principal amounts of unlimited tax bonds will remain authorized but unissued: $333,285,000 for the Utility System; $144,880,000 for the Road System; and $37,710,000 for parks and recreational facilities. The District may also issue any additional bonds as may hereafter be approved by both the Board of Directors and voters of the District as well as certain additional bonds, revenue bonds, special project bonds, and other obligations as described in the Bond Orders. See "THE BONDS – Issuance of Additional Debt."

The District's issuance of the remaining $333,285,000 unlimited tax bonds authorized for the Utility System and the $37,710,000 unlimited tax bonds authorized for park and recreational facilities shall be subject to approval by the TCEQ.

Following the issuance of the Bonds, the District will owe the Developer approximately $37,200,000 for its expenditures to construct the Utility System and the Road System. If additional bonds are issued in the future and property values have not increased proportionately, such issuance may increase gross debt-to-property-valuation ratios and thereby adversely affect the investment quality or security of the Bonds.

The District does not intend to issue any additional unlimited tax bonds in the current calendar year. SEE "THE BONDS-Issuance of Additional Debt."

Continuing Compliance with Certain Covenants

The Bond Orders contain covenants by the District intended to preserve the exclusion from gross income of interest on the Bonds. Failure of the District to comply with such covenants on a continuous basis prior to maturity of the Bonds could result in interest on the Bonds becoming taxable retroactively to the date of original issuance. See "TAX MATTERS."

Approval of the Bonds

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

Infectious Disease Outbreak – COVID-19

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

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

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

Environmental Regulations

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

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

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

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

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

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

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

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

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

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

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

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

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

In addition to the foregoing, special district activities in the Austin Area involving the clearing of acreage and construction within the Edwards Aquifer recharge, transition, and contributing zones are subject to the TCEQ's Edwards Aquifer Protection Program, which requires a site-specific application, construction plan approval, and the implementation of temporary and permanent structural and non-structural Best Management Practices and the protection of sensitive features.

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

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

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

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

On June 9, 2021, the EPA and USACE announced plans to further revise the definition of "waters of the United States." On August 30, 2021, the United States District Court for the District of Arizona issued an order vacating the NWPR while the EPA and USACE make plans to replace it. On November 18, 2021, the EPA and USACE issued a Notice of Proposed Rulemaking to put back into place the pre-2015 definition of "waters of the United States." Due to existing and possible future litigation and regulatory action, there remains uncertainty regarding the ultimate scope of "waters of the United States" and the extent of EPA and USACE jurisdiction. Depending on the final outcome of such proceedings, operations of municipal utility districts, including the District, could potentially be subject to additional restrictions and requirements, including additional permitting requirements.

Severe Weather Events

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

The greater Houston area, including the District, has experienced multiple storms exceeding a 0.2% probability (i.e. "500 year flood" events) since 2015. The most recent event was Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 26, 2017, and brought historic levels of rainfall during the successive four days.

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.

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.

Potential Impact of Natural Disaster

The District could be impacted by a natural disaster such as wide-spread fires, earthquakes, or weather events such as hurricanes, tornados, tropical storms, or other severe weather events that could produce high winds, heavy rains, hail, and flooding. In the event that a natural disaster should damage or destroy improvements and personal property in the District, the assessed value of such taxable properties could be substantially reduced, resulting in a decrease in the taxable assessed value of the District or an increase in the District's tax rates.

There can be no assurance that a casualty will be covered by insurance (certain casualties, including flood, are usually excepted unless specific insurance is purchased), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild, repair, or replace any taxable properties in the District that were damaged. Even if insurance proceeds are available and damaged properties are rebuilt, there could be a lengthy period in which assessed values in the District would be adversely affected. There can be no assurance the District will not sustain damage from such natural disasters.

Bond Insurance Risk Factors

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

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

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

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

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

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

Future and Proposed Legislation

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

THE BONDS

General

The following is a description of certain terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Bond Orders of the Board of Directors of the District (the "Board") authorizing the issuance of the Bonds. Copies of the Bond Orders may be obtained from the District upon request and payment of the costs for duplication thereof. The Bond Orders authorize 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 are dated August 1, 2022, and will mature on April 1 in the years and in the principal amounts indicated on the inside cover page hereof. The Bonds will accrue interest from the date of their delivery (the "Delivery Date"), at the stated interest rates indicated on the inside cover page hereof. Interest on the Bonds is payable on April 1, 2023, and on each April 1 and October 1 thereafter (each an "Interest Payment Date") until maturity or prior redemption. The Bonds will be issued as fully registered bonds in principal denominations of $5,000 or any integral multiple thereof. Principal of the Bonds will be payable to a Bondholder thereof at maturity or earlier redemption upon presentation of Bonds at the principal payment office of Zions Bancorporation, National Association, Amegy Bank Division, Houston, Texas (the "Paying Agent/Registrar"). Interest on the Bonds will be payable by check, dated as of the interest payment date, and mailed by the Paying Agent/Registrar to Bondholders as shown on the records of the Paying Agent/Registrar at the close of business on the 15th day of the calendar month next preceding each Interest Payment Date (the "Record Date"), or by other such customary banking arrangements as may be acceptable to the Paying Agent/Registrar and the Bondholder at the expense and risk of the Bondholder.

Book-Entry-Only System

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

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

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC.

DTC also facilitates the post- trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities 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 Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

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

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

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

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

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

Use of Certain Terms in Other Sections of this Official Statement

In reading this Official Statement it should be understood that while the Bonds are in the book-entry form, references in other sections of this Official Statement to registered owners should be read to include the person for which the DTC Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the book-entry system, and (ii) except as described above, notices that are to be given to registered owners under the Bond Orders will be given only to DTC.

Successor Paying Agent/Registrar

Provisions are made in the Bond Orders for replacing the Paying Agent/Registrar. If the District replaces the Paying Agent/Registrar, such Paying Agent/Registrar shall, promptly upon the appointment of a successor, deliver the Paying Agent/Registrar's records to the successor Paying Agent/Registrar, and the successor Paying Agent/Registrar shall act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar selected by the District shall be a commercial bank; a trust company organized under the laws of the State of Texas; or other entity duly qualified and legally authorized to serve and perform the duties of the Paying Agent/Registrar for the Bonds.

Registration, Transfer and Exchange

In the event the Book-Entry-Only system is discontinued, the Bonds are transferable only on the bond register kept by the Paying Agent/Registrar upon surrender at the principal payment office of the Paying Agent/Registrar in Houston, Texas. A Bond may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. At any time after the date of delivery, any Bond may be transferred upon its presentation and surrender at the designated offices of the Paying Agent/Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the Bondholder. The Bonds are exchangeable upon presentation at the designated office(s) of the Paying Agent/Registrar, for an equal principal amount of Bonds of the same maturity in authorized denominations. To the extent possible, new Bonds issued in exchange or transfer of Bonds will be delivered to the Bondholder or assignee of the Bondholder within not more than three (3) days after the receipt by the Paying Agent/Registrar of the request in proper form to transfer or exchange the Bonds. New Bonds registered and delivered in an exchange or transfer shall be in the denomination of $5,000 in principal amount for a Bond, or any integral multiple thereof for any one maturity and shall bear interest at the same rate and be for a like aggregate principal or maturity amount as the Bond or Bonds surrendered for exchange or transfer. Neither the Paying Agent/Registrar nor the District is required to issue, transfer, or exchange any Bond during a period beginning at the opening of business on a Record Date and ending at the close of business on the next succeeding Interest Payment Date or to transfer or exchange any Bond selected for redemption, in whole or in part, beginning fifteen (15) calendar days prior to, and ending on the date of the mailing of notice of redemption, or where such redemption is scheduled to occur within thirty (30) calendar days. No service charge will be made for any transfer or exchange, but the District or Paying Agent/Registrar may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith.

Redemption of the Bonds

Optional Redemption

The Bonds maturing on April 1, 2028, and thereafter are subject to redemption and payment at the option of the District, in whole or from time to time in part, on April 1, 2027, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. Notice of the exercise of the reserved right of redemption will be given at least thirty (30) days prior to the redemption date by sending such notice by first class mail to the Bondholder of each Bond to be redeemed in whole or in part at the address shown on the bond register. If less than all of the Bonds are redeemed at any time, the maturities of the Bonds to be redeemed shall be selected by the District. If less than all of the Bonds of a certain maturity are to be redeemed, the particular Bonds or portions thereof to be redeemed will be selected by the Paying Agent/Registrar prior to the redemption date by such random method as the Paying Agent/Registrar deems fair and appropriate in integral multiples of $5,000 within any one maturity. The Bondholder of any Bond, all or a portion of which has been called for redemption, shall be required to present such Bond to the Paying Agent/Registrar for payment of the redemption price on the portion of the Bonds so called for redemption and issuance of a new Bond in the principal amount equal to the portion of such Bond not redeemed.

The Utility Bonds maturing on April 1, 2037, April 1, 2039, April 1, 2041, April 1, 2044, and April 1, 2047 (the "Utility Term Bonds") shall be subject to annual mandatory sinking fund redemption as shown on the table(s) below.

<u>$735,000 Utility Term Bonds, due April 1, 2037</u>

Mandatory Redemption Date	Principal Amount
April 1, 2036	$360,000
April 1, 2037 (maturity)	$375,000

<u>$795,000 Utility Term Bonds, due April 1, 2039</u>

Mandatory Redemption Date	Principal Amount
April 1, 2038	$390,000
April 1, 2039 (maturity)	$405,000

<u>$865,000 Utility Term Bonds, due April 1, 2041</u>

Mandatory Redemption Date	Principal Amount
April 1, 2040	$425,000
April 1, 2041 (maturity)	$440,000

<u>$1,440,000 Utility Term Bonds, due April 1, 2044</u>

Mandatory Redemption Date	Principal Amount
April 1, 2048	$460,000
April 1, 2043	$480,000
April 1, 2044 (maturity)	$500,000

<u>$1,635,000 Utility Term Bonds, due April 1, 2047</u>

Mandatory Redemption Date	Principal Amount
April 1, 2045	$520,000
April 1, 2046	$545,000
April 1, 2047 (maturity)	$570,000

The Road Bonds maturing on April 1, 2037, April 1, 2039, April 1, 2041, April 1, 2044, and April 1, 2047 (the "Road Term Bonds") shall be subject to annual mandatory sinking fund redemption as shown on the table(s) below.

<u>$615,000 Road Term Bonds, due April 1, 2037</u>

Mandatory Redemption Date	Principal Amount
April 1, 2036	$300,000
April 1, 2037 (maturity)	$315,000

<u>$675,000 Road Term Bonds, due April 1, 2039</u>

Mandatory Redemption Date	Principal Amount
April 1, 2038	$330,000
April 1, 2039 (maturity)	$345,000

<u>$745,000 Road Term Bonds, due April 1, 2041</u>

Mandatory Redemption Date	Principal Amount
April 1, 2040	$365,000
April 1, 2041 (maturity)	$380,000

$1,260,000 Road Term Bonds, due April 1, 2044

Mandatory Redemption Date	Principal Amount
April 1, 2042	$400,000
April 1, 2043	$420,000
April 1, 2044 (maturity)	$440,000

$1,460,000 Road Term Bonds, due April 1, 2047

Mandatory Redemption Date	Principal Amount
April 1, 2045	$465,000
April 1, 2046	$485,000
April 1, 2047 (maturity)	$510,000

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

Replacement of Bonds

In the event the Book-Entry-Only system is discontinued, the District has agreed to replace mutilated, destroyed, lost or stolen Bonds upon surrender of the mutilated Bonds, receipt of satisfactory evidence of such destruction, loss or theft, and receipt by the District and the Paying Agent/Registrar of security or indemnity to hold them harmless. The District or the Paying Agent/Registrar may require payment of taxes, governmental charges and other expenses and other expenses in connection with any such replacement.

Authority for Issuance

At an election held within the District on November 4, 2014, voters of the District authorized the District's issuance of: $366,930,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System and for refunding purposes; $165,540,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System and for refunding purposes; and $37,710,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities to serve the District and for refunding purposes.

The Utility Bonds are issued pursuant to (i) Article XVI, Section 59 of the Texas Constitution, (ii) Chapter 8449 of the Texas Special District Local Laws Code, and the general laws of the State of Texas, including particularly Chapters 49 and 54 of the Texas Water Code, as amended, (iii) the Utility Bond Order, (iv) an election held within the District on November 4, 2014, and (v) an approving order of the TCEQ.

The Road Bonds are issued pursuant to (i) Article III, Section 52 of the Texas Constitution, (ii) Chapter 8449 of the Texas Special District Local Laws Code, and the general laws of the State of Texas, including particularly Chapters 49 and 54 of the Texas Water Code, as amended, (iii) the Road Bond Order, and (iv) an election held within the District on November 4, 2014.

Source of Payment

The Bonds are payable from the proceeds of two continuing direct annual ad valorem taxes, each without legal limitation as to rate or amount, levied against all taxable property located within the District. In the Bond Orders, the District covenants to levy a sufficient tax to pay principal of and interest on the Bonds, with full allowance being made for delinquencies, costs of collections, and certain fees. Tax proceeds, after deduction for collection costs, will be placed in the Debt Service Fund and used solely to pay principal of and interest on the Bonds, and additional bonds payable from taxes which may be issued.

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

Outstanding Bonds

The District has previously issued the following: (i) $7,570,000 Unlimited Tax Utility Bonds, Series 2021 of which $7,570,000 principal amount remains outstanding as of June 1, 2022 (the "Outstanding Series 2021 Utility Bonds"), (ii) $6,670,000 Unlimited Tax Utility Bonds, Series 2020 of which $6,355,000 principal amount remains outstanding as of June 1, 2022 (the "Outstanding Series 2020 Utility Bonds"), (iii) $5,525,000 Unlimited Tax Bonds, Series 2019 of which $5,120,000 principal amount remains outstanding as of June 1, 2022 (the "Outstanding Series 2019 Utility Bonds"), and (iv) $5,085,000 Unlimited Tax Bonds, Series 2018 of which $4,695,000 principal amount remains outstanding as of June 1, 2022 (the "Outstanding Series 2018 Utility Bonds"). The Outstanding 2021, Utility Bonds, Outstanding 2020 Utility Bonds, the Outstanding 2019 Utility Bonds, and the Outstanding 2018 Utility Bonds are collectively referred to herein as the "Outstanding Utility Bonds."

In addition, the District previously issued the following: (i) $2,615,000 Unlimited Tax Road Bonds, Series 2021 of which $2,615,000 principal amount remains outstanding as of June 1, 2022 (the "Outstanding Series 2021 Road Bonds"), (ii) $2,000,000 Unlimited Tax Road Bonds, Series 2020 of which $1,915,000 principal amount remains outstanding as of June 1, 2022 (the "Outstanding Series 2020 Road Bonds"), (iii) $3,870,000 Unlimited Tax Road Bonds, Series 2019 of which $3,580,000 principal amount remains outstanding as of June 1, 2022 (the "Outstanding Series 2019 Road Bonds"), and (iv) $4,775,000 Unlimited Tax Bonds, Series 2017 of which $4,150,000 principal amount remains outstanding as of June 1, 2022 (the "Outstanding Series 2017 Road Bonds"). The Outstanding 2021 Road Bonds, Outstanding 2020 Road Bonds, the Outstanding 2019 Road Bonds, and the Outstanding 2017 Road Bonds are collectively referred to herein as the "Outstanding Road Bonds."

The Outstanding Utility Bonds and the Outstanding Road Bonds are collectively referred to herein as the "Outstanding Bonds."

Issuance of Additional Debt

The District may issue additional bonds with the approval of the TCEQ (with respect to the bonds for the Utility System or for parks and recreation) necessary to provide improvements and facilities consistent with the purposes for which the District was created. The District's voters have authorized the District's issuance of $366,930,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System and for refunding purposes; $165,540,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System and refunding purposes; and $37,710,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities to serve the District and for refunding purposes.

The Bonds represent the fifth series of bonds issued by the District for the purpose of acquiring or constructing the Utility System and the Road Bonds represent the fifth series of bonds issued by the District for the purpose of acquiring or constructing the Road System. After issuance of the Bonds, the following principal amounts of unlimited tax bonds will remain authorized but unissued: $333,285,000 for the Utility System; $144,880,000 for the Road System; and $37,710,000 for parks and recreational facilities. The District may also issue any additional bonds as may hereafter be approved by both the Board of Directors and voters of the District as well as certain additional bonds, revenue bonds, special project bonds, and other obligations as described in the Bond Orders. The Bond Orders impose no limitation on the amount of additional parity bonds which may be issued by the District (if authorized by the District's voters and, in the case of bonds for the Utility System or for parks and recreation, approved by the TCEQ).

Following the issuance of the Bonds, the District will owe the Developer approximately $37,200,000 for its expenditures to construct the Utility System and the Road System.

The District is also authorized by statute to engage in fire-fighting activities, including the issuing of bonds payable from taxes for such purposes. Before the District could issue such bonds, the following actions would be required: (a) authorization of a detailed fire protection plan; (b) approval of the fire plan by the TCEQ; (c) approval of the fire plan by the voters of the District; and (d) approval of bonds, if any, by the Attorney General of Texas. If additional debt obligations are issued in the future by the District, such issuance may increase gross debt/property ratios and might adversely affect the investment security of the Bonds. The District has no current plans to submit an application for approval of a fire protection plan.

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. Before the District could issue park bonds payable from taxes, the following actions would be required: (a) approval of the park bond application for the issuance of bonds by the TCEQ; and (b) approval of the bonds by the Attorney General of Texas. The District has not considered the preparation of a parks bond application at this time. If the District does issue park bonds, the principal amount of bonds sold by the District to construct park and recreational facilities is limited to one percent of the District's certified taxable assessed valuation, unless, effective June 14, 2021, the District meets certain financial feasibility requirements under the TCEQ rules, in which case the outstanding principal amount of such bonds issued by the District may exceed an amount equal to three percent of the value of the taxable property in the District.

The District does not intend to issue any additional unlimited tax bonds in the current calendar year.

Strategic Partnership Agreement

The District has entered into a Strategic Partnership Agreement dated August 27, 2015 with the City which provides the terms under which the District would continue to exist for an extended period if the land within the District were annexed for full or limited purposes by the City. The City may annex the District for limited purposes at any time and impose its sales and use tax within the District upon its limited purpose annexation of the District. The City may annex the District for full purposes at any time on or after December 31, 2025, by full-purpose annexation ordinance or conversion from limited purpose annexation.

Upon the full purpose annexation of the District, the land included within the boundaries of the District will be deemed to be within the full purpose boundary limits of the City without the need for any further action. Upon such date all taxable property within the territory of the District will become subject to ad valorem taxation by the City. Upon full-purpose annexation the City may (a) if the District is at least 90% built out, abolish the District and assume its debts and obligations (which would include the Bonds) pursuant to Local Government Code Section 43.075, or (b) continue the District as a limited district.

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 is not contemplating consolidation.

No Arbitrage

The District will certify, on the date of delivery of the Bonds, 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 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.

Defeasance

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

There is no assurance that the current law will not be changed in a manner which would permit other investments to be made with amounts deposited to defease the Bonds. Because the Bond Orders do not contractually limit such investments, Bondholders may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as currently permitted under Texas law. There is also no assurance that any investment held for such discharge will maintain its rating.

Legal Investment and Eligibility to Secure Public Funds in Texas

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

> (a) All bonds, notes, and other obligations issued by a district shall be legal and authorized investments for all banks, trust companies, building and loan associations, savings and loan associations, insurance companies of all kinds and types, fiduciaries, and trustees, and for all interest and sinking funds and other public funds of the state, and all agencies, subdivisions, and instrumentalities of the state, including all counties, cities, towns, villages, school districts, and all other kinds and types of districts, public agencies, and bodies politic.
>
> (b) A district's bonds, notes, and other obligations are eligible and lawful security for all deposits of public funds of the state, and all agencies, subdivisions, and instrumentalities of the state, including all counties, cities, towns, villages, school districts, and all other kinds and types of districts, public agencies, and bodies politic, to the extent of the market value of the bonds, notes, and other obligations when accompanied by any unmatured interest coupons attached to them.

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

Bondholders' Remedies

The Bond Orders contain a covenant that while any part of the Bonds is outstanding, there shall be assessed, levied, and collected an annual ad valorem tax, without legal limit as to rate or amount, on all taxable property within the District, sufficient to pay principal of and interest on the Bonds, the Outstanding Bonds issued for the Utility System, and any additional tax bonds when due and to pay the expenses necessary in collecting taxes. Texas law and the Bond Orders provide that in the event that the District defaults in the payment of the principal of or interest on any of the Bonds when due, fails to make debt service payments, or defaults in the observance or performance of any of the covenants, conditions, or obligations set forth in the Bond Orders, any Bondholder shall be entitled at any time to a writ of mandamus from a court of competent jurisdiction compelling and requiring the Board to observe and perform any covenant, obligation, or condition prescribed by the Bond Orders. Such right is in addition to all other rights the Bondholders may be provided by the laws of the State of Texas.

Except for mandamus, the Bond Orders do not specifically provide for remedies to a Bondholder in the event of a District default, nor does it provide for the appointment of a trustee to protect and enforce the interests of the Bondholders. There is no acceleration of maturity of the Bonds in the event of default. Consequently, the remedy of mandamus is a remedy which may have to be relied upon from year to year by the Bondholders. Even if the Bondholders could obtain a judgment against the District, such judgment could not be enforced by direct levy and execution against the District's property. Further, the Bondholders cannot themselves foreclose on property within the District or sell property within the District in order to pay the principal of and interest on the Bonds. Certain traditional legal remedies also may be unavailable. The enforceability of the rights and remedies of the Bondholders may be further limited by federal bankruptcy laws, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. See "Bankruptcy Limitation to Bondholders' Rights" below.

Bankruptcy Limitation to Bondholders' Rights

Other than a writ of mandamus and other relief authorized by law, the Bond Orders do not expressly provide a specific remedy for a default. Even if a Bondholder could obtain a judgment against the District for a default in the payment of principal or interest, such judgment could not be satisfied by execution against any property of the District. If the District defaults, a Bondholder could petition for a writ of mandamus issued by a court of competent jurisdiction requiring the District and the District's officials to observe and perform the covenants, obligations or conditions prescribed in the Bond Order. Such remedy might need to be enforced on a periodic basis. The enforcement of a claim for payment on the Bonds would be subject to the applicable provisions of the federal bankruptcy laws, any other similar laws affecting the rights of creditors of political subdivisions, and general principals of equity. See "INVESTMENT CONSIDERATIONS – Bondholders' Remedies," and "INVESTMENT CONSIDERATIONS – Bankruptcy Limitation to Bondholders' Rights."

Use and Distribution of Utility Bond Proceeds

A portion of the proceeds from the sale of the Utility Bonds will be used to reimburse the Developer (hereinafter defined) for a portion of the following: (i) Fosters Ridge, Section Seven; (ii) Fosters Ridge, Section Eight; (iii) Fosters Ridge, Section Ten; (iv) Fosters Ridge, Section Eleven; (v) Fosters Ridge, Section Twelve; (vi) engineering and geotechnical for Fosters Ridge Sections Seven, Eight, Ten, Eleven and Twelve; (vii) storm water compliance for Fosters Ridge Sections Seven, Eight, Ten, Eleven and Twelve; and (viii) Geotechnical Reports for Fosters Ridge Sections Eleven and Twelve. In addition, a portion of the proceeds from the Bonds will be used to pay for WWTP Phase III and contingencies, engineering, geotechnical and storm water compliance for WWTP Phase III, developer interest, six (6) months of capitalized interest on the Utility Bonds, and certain other costs associated with the issuance of the Bonds.

Construction Costs		District Share [1]	
A. Developer Contribution Items			
1. Fosters Ridge, Section 7 – W, WW, D	$	677,823	
2. Fosters Ridge, Section 8 – W, WW, D	$	974,411	
3. Fosters Ridge, Section 10 – W, WW, D	$	475,020	
4. Fosters Ridge, Section 11 – W, WW, D and Detention	$	1,591,052	
5. Fosters Ridge, Section 12 – W, WW, D	$	1,162,742	
6. Engineering and Geotechnical (Item Nos. 1 – 5)	$	1,180,440	
7. SWPPP (Item Nos. 1-5)	$	154,088	
8. Geotechnical Reports (Items Nos. 4 and 5)	$	13,030	[2]
Total Developer Contribution Items	**$**	**6,228,606**	
B. District Items			
1. WWTP Phase 3 Expansion to 0.51 MGD	$	432,566	
2. Contingencies (Item No. 1)	$	43,257	
3. Engineering and Geotechnical (Item No. 1)	$	110,794	
4. SWPPP (Item No. 1)	$	36,492	
Total District Items	**$**	**623,109**	
TOTAL CONSTRUCTION COSTS (77.90% of BIR)	**$**	**6,851,715**	
Non-Construction Costs			
A. Legal Fees	$	147,950	[3]
B. Fiscal Agent Fees	$	87,950	[4]
C. Interest			
1. Capitalized Interest (6 months)	$	178,521	
2. Developer Interest	$	1,215,663	[5]
D. Bond Discount	$	175,131	
E. Bond Issuance Expenses	$	49,932	
F. Bond Application Report Costs	$	48,213	
G. Attorney General Fee	$	8,795	
H. TCEQ Bond Issuance Fee (0.25%)	$	21,988	
I. Contingency	$	9,142	
TOTAL NON-CONSTRUCTION COSTS (22.10% of BIR)	**$**	**1,943,285**	
TOTAL BOND ISSUE REQUIREMENT	**$**	**8,795,000**	

(1) The District has requested a waiver of the 30% developer contribution requirement.
(2) Information provided indicates a total cost of $26,060. The District is requesting 50% be reimbursed in this application. The remaining $13,030 may be requested via road bonds.
(3) Represents legal fee associated with the bonds in accordance with the Legal Consultant Agreement with the District.
(4) Represents fiscal agent fee in accordance with the Financial Advisor Agreement with the District.
(5) Estimated at 4.25% through 9/30/2022, or a maximum of five years. The District has requested to reimburse more than two years of interest in accordance with 30 TAC Section 293.50(b). The District has requested less than one year of capitalized interest in accordance with 30 TAC Section 293.50(b)(2), and the District's financial advisor has concurred with the request.

In the instance that approved estimated amounts exceed the actual costs, the difference comprises a surplus which may be expended for approved uses in accordance with the rules of the TCEQ. However, the District cannot and does not guarantee the sufficiency of such funds for such purposes.

Use and Distribution of Road Bond Proceeds

A portion of the proceeds from the sale of the Road Bonds will be used to reimburse the Developer (hereinafter defined) for a portion of the following: (i) Fosters Ridge, Section Seven; (ii) Fosters Ridge, Section Eight; (iii) Fosters Ridge, Section Eleven; (iv) Fosters Ridge, Section Twelve; (v) West Denali Wilderness Parkway, Phase Two; (vi) engineering and geotechnical for Fosters Ridge Sections Eight and Twelve and West Denali Wilderness Parkway, Phase Two; (vii) storm water compliance for Fosters Ridge Sections Eight and Twelve and West Denali Wilderness Parkway, Phase Two; (viii) street lighting for Fosters Ridge Sections Eight and Twelve and West Denali Wilderness Parkway, Phase Two; and (ix) land acquisition for Fosters Ridge Sections Seven, Eight, Eleven, and Twelve and West Denali Wilderness Parkway, Phase Two. In addition, a portion of the proceeds from the Road Bonds will be used to pay developer interest, six (6) months of capitalized interest on the Road Bonds, and certain other costs associated with the issuance of the Road Bonds.

Construction Costs		Developer Share	District Share
A. Developer Contribution Items			
1. Fosters Ridge, Section 7[(1)]			
a. Site Preparation		$ -	$ -
b. Excavation, Paving and Grading		$ 793,620	$ 793,620
c. Storm Water Pollution Prevention Plan		$ 1,500	$ 1,500
d. Construction Staking		$ 23,000	$ 23,000
e. Post Topographic Verification, As-Builts		$ 9,000	$ 9,000
	Sub-Total	**$ 827,120**	**$ 827,120**
2. Fosters Ridge, Section 8[(1)]			
a. Site Preparation		$ 12,400	$ 12,400
b. Excavation, Paving and Grading		$ 1,082,475	$ 1,082,475
c. Storm Water Pollution Prevention Plan		$ 1,600	$ 1,600
d. Construction Staking		$ 28,000	$ 28,000
e. Post Topographic Verification, As-Builts		$ 10,000	$ 10,000
	Sub-Total	**$ 1,134,475**	**$ 1,134,475**
3. Fosters Ridge, Section 11[(1)]			
a. Excavation, Paving and Grading		$ 853,564	$ 853,564
b. Storm Water Pollution Prevention Plan		$ 5,200	$ 5,200
c. Construction Staking		$ 25,000	$ 25,000
d. Post Topographic Verification, As-Builts		$ 9,000	$ 9,000
	Sub-Total	**$ 892,764**	**$ 892,764**
4. Fosters Ridge, Section 12[(1)]			
a. Site Preparation		$ 6,650	$ 6,650
b. Excavation, Paving and Grading		$ 836,902	$ 836,902
c. Storm Water Pollution Prevention Plan		$ 4,500	$ 4,500
d. Construction Staking		$ 40,000	$ 40,000
e. Post Topographic Verification, As-Builts		$ 14,000	$ 14,000
	Sub-Total	**$ 902,052**	**$ 902,052**
5. West Denali Wilderness Parkway, Phase 2			
a. Excavation, Paving and Grading		$ 418,485	$ 418,485
b. Storm Water Pollution Prevention Plan		$ 2,700	$ 2,700
c. Construction Staking		$ 7,100	$ 7,100
d. Post Topographic Verification, As-Builts		$ 4,000	$ 4,000
	Sub-Total	**$ 432,285**	**$ 432,285**
6. Engineering and Geotechnical			
a. Fosters Ridge, Section 8		$ 193,144	$ 183,333
b. Fosters Ridge, Section 12		$ 109,159	$ 100,404
c. West Denali Wilderness Parkway, Phase 2		$ 85,847	$ 69,754
	Sub-Total	**$ 388,150**	**$ 353,490**
7. Storm Water Compliance			
a. Fosters Ridge, Section 8		$ 61,106	$ 30,553
b. Fosters Ridge, Section 12		$ 18,756	$ 9,378
c. West Denali Wilderness Parkway, Phase 2		$ 7,610	$ 3,805
	Sub-Total	**$ 87,473**	**$ 43,736**
8. Street Lighting:			

a. Fosters Ridge, Section 8		$	24,448	$	24,448	(2)
b. Fosters Ridge, Section 12		$	23,391	$	23,391	(2)
c. West Denali Wilderness Parkway, Phase 2		$	14,565	$	14,564	(2)
	Sub-Total	**$**	**62,404**		**$62,403**	
9. Land Acquisition:						
a. Fosters Ridge, Section 7 (5.76 acres @ $57,235.84)		$	329,678	$	329,678	(3)
ai. Carrying Cost		$	161,588	$	161,588	(3)
b. Fosters Ridge, Section 8 (6.42 acres @ $57,235.84)		$	367,454	$	367,454	(3)
bi. Carrying Costs		$	180,103	$	180,103	(3)
c. Fosters Ridge, Section 11 (5.10 acres @ $57,235.84)		$	291,903	$	291,903	(3)
ci. Carrying Costs		$	143,072	$	143,072	(3)
d. Fosters Ridge, Section 12 (5.49 acres @ $57,235.84)		$	314,225	$	314,225	(3)
di. Carrying Costs		$	154,013	$	154,013	(3)
e. West Denali Wilderness Parkway, Phase 2 (1.90 acres @ $57,235.84)		$	108,748	$	108,748	(3)
ei. Carrying Costs		$	53,301	$	53,301	(3)
	Sub-Total	**$**	**2,104,086**	**$**	**2,104,086**	
TOTAL CONSTRUCTION COSTS		**$**	**6,830,808**	**$**	**6,752,411**	
NET CONSTRUCTION COSTS (91.25% of BIR)		**$**	**6,830,808**	**$**	**6,752,411**	

Non-Construction Costs

A. Legal Fees	$	134,000	(4)
B. Fiscal Agent Fees	$	74,000	(5)
C. Interest Costs			
1. Capitalized Interest (6 months)	$	151,554	(6)
2. Developer Interest	$	28,503	
D. Engineer Fees	$	25,000	(7)
E. Bond Discount	$	147,916	(8)
F. Bond Issuance Expenses	$	45,686	(9)
G. Attorney General Fees (0.10%)	$	7,400	(10)
H. Contingency	$	33,530	
TOTAL CONSTRUCTION COSTS (8.75% of BIR)	**$**	**647,589**	
TOTAL BOND ISSUE REQUIREMENT	**$**	**7,400,000**	

(1) Paving contracts for Fosters Ridge, Section Seven, Section Eight, Section Eleven and Section Twelve was not publicly bid, therefore, in accordance with Commission with Commission Rule §293.46(5), there is no developer interest allowed on these projects.
(2) Represents costs for street lighting for Fosters Ridge, Section Eight, Section Twelve and West Denali Parkway, Phase Two.
(3) Represents costs for the land acquisition for Fosters Ridge, Section Seven, Section Eight, Section Eleven, Section Twelve and West Denali Wilderness Parkway, Phase Two street rights-of-ways.
(4) Represents legal fee associated with the bonds in accordance with the Legal Consultant Agreement with the District.
(5) Represents fiscal agent fee in accordance with the Financial Advisor Agreement with the District.
(6) Represents six months (6) of capitalized interest.
(7) Engineering bond issue fees.
(8) Bond discount equals to 2% of total Bond Issue Requirement.
(9) Represents estimated bond issuance expenses.
(10) The Attorney General's fee is calculated at 0.10% of total Bond Issue Requirement.

In the instance that estimated amounts exceed the actual costs, the difference comprises a surplus which may be expended for approved uses. In the instance that actual costs exceed previously approved estimated amounts and contingencies, the issuance of additional bonds may be required. However, the District cannot and does not guarantee the sufficiency of such funds for such purposes.

THE DISTRICT

Authority

The District was created by House Bill No. 1385, Acts of the 83rd Texas Legislature, Regular Session, codified as Chapter 8449, Texas Special District Local Laws Code, effective June 14, 2013 as a conservation and reclamation district created under and essential to accomplish the purposes of Section 59, Article XVI, and section 52, Article III of the Texas Constitution, and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended, and other general laws of the State of Texas applicable to municipal utility districts. The District, which lies wholly within the planning area and extraterritorial jurisdiction of the City, is subject to the continuing supervisory jurisdiction of the TCEQ.

The District is empowered, among other things, to finance, purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation, and treatment of wastewater; the control and diversion of storm water; and roads located inside its boundaries. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District may also provide solid waste disposal and collection services. The District is also empowered to establish, operate, and maintain fire-fighting facilities, independently or with one or more conservation and reclamation districts, after approval by the TCEQ and the voters of the District. Additionally, the District may, subject to certain limitations, develop and finance recreational facilities.

The District is required to observe certain requirements of the City and Montgomery County, Texas 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; require approval by the City to issue an aggregate amount of bonds in excess of $110,000,000 principal amount; limit the net effective interest rate on such bonds and other terms of such bonds; require approval by the City and Montgomery County, Texas of District construction plans; and permit connections only to lots and reserves described in plats which have been approved by the City and Montgomery County, Texas and filed in the real property records of Montgomery County, Texas.

Description

The District consists of approximately 793 total acres of land and is situated in southern Montgomery County, Texas, entirely in the extraterritorial jurisdiction of the City, and within the boundaries of Conroe Independent School District. The District is located approximately 35 miles from the central downtown business district of the City of Houston, Texas and approximately 15 miles southwest of the City's central business district. The District is north of Farm-to-Market 1488 along Old Conroe Road and can be accessed from Interstate Highway 45 via Farm-to-Market 1488 and Old Conroe Road. The District is located in the planning area and extraterritorial jurisdiction of the City.

Management of the District

The District is governed by the Board consisting of five directors, who have control over and management supervision of all affairs of the District. All of the Directors own property in the District. The directors serve four-year staggered terms. Elections are held in May of even-numbered years. The current members and officers of the Board are listed below:

Name	Position	Term Expires May
Stedman Grigsby	President	2026
Carrie Prati	Vice President	2026
Sara Krezinski	Secretary	2024
Paige Buchheit	Assistant Secretary	2024
Shawna Esquivel	Assistant Secretary	2026

Investment Policy

The District has adopted an Investment Policy (the "Policy") as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code (the "Act"). The District's goal is to preserve principal and maintain liquidity in a diversified portfolio while securing a competitive yield on its portfolio. Funds of the District are to be invested only in accordance with the Policy. The Policy states that the funds of the District may be invested in short term obligations of the U.S. or its agencies or instrumentalities, in certificates of deposits insured by the Federal Deposit Insurance Corporation and secured by collateral authorized by the Act, and in TexPool and TexStar, which are 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 portfolio.

Consultants

Although the District does not have a general manager or any other full-time employees, it has contracted for bookkeeping, tax assessing and collecting, auditing, engineering, and legal services as follows:

Bond Counsel and General Counsel: The District has engaged Coats Rose, P.C., Houston, Texas, as general counsel to the District and as bond counsel ("Bond Counsel") in connection with the issuance of the Bonds. The fees to be paid Bond Counsel in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds. See "LEGAL MATTERS."

Disclosure Counsel: Orrick, Herrington & Sutcliffe LLP, Houston, Texas, serves as Disclosure Counsel to the District. The fee to be paid Disclosure Counsel for services rendered in connection with the issuance of the Bonds is contingent on the issuance, sale and delivery of the Bonds.

Financial Advisor: Tierra Financial Advisors, LLC is engaged as financial advisor to the District in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement. Tierra Financial Advisors, LLC is a wholly owned subsidiary of D.R. Horton. See "RELATIONSHIP AMONG THE PARTIES" herein.

Tax Assessor/Collector: The tax assessor/collector for the District is Assessments of the Southwest, Inc. (the "Tax Assessor/Collector").

Bookkeeper: The District's bookkeeper is Municipal Accounts & Consulting, L.P. (the "Bookkeeper").

Auditor: The District engaged McCall Gibson Swedlund Barfoot PLLC to audit its financial statements for the fiscal year ended November 30, 2021. McCall Gibson Swedlund Barfoot PLLC was not requested to perform any updating procedures subsequent to the date of its audit opinion on the November 30, 2021, financial statements.

Engineer: The District's engineer is Edminster, Hinshaw, Russ & Associates, Inc. (the "Engineer").

Operator: The operation and maintenance of the District's water and wastewater systems are overseen by TNG Utility Corp.

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DEVELOPMENT OF THE DISTRICT

Status of Development within the District

Development in the District currently includes 1,601 single-family residential lots on approximately 326 acres. As of May 1, 2022, the District consisted of 1,469 completed homes (1,237 occupied, 193 unoccupied but contracted for sale, 3 model homes and 36 unoccupied but unsold), 118 homes under construction and 14 vacant developed lots. Fosters Ridge Section Eleven is being developed as a rental property community, of which such homes are being purchased by Home Rent 3 as home are constructed, within such portion of the District, to date, 124 homes have been sold to Home Rent 3.

The table below summarizes the status of development and land use within the District as of May 1, 2022.

Fosters Ridge	Acreage	Section Lots	Homes Completed	Homes Construction	Vacant Lots
Section 1	17.75	75	75	0	0
Section 2	15.25	75	75	0	0
Section 3	16.43	52	52	0	0
Section 4	24.63	46	46	0	0
Section 5	15.50	73	73	0	0
Section 6	12.89	50	50	0	0
Section 7	21.58	91	91	0	0
Section 7A	0.93	3	3	0	0
Section 8	24.68	132	132	0	0
Section 9	13.05	66	66	0	0
Section 10	10.79	46	4	33	9
Section 11	18.59	124	124	0	0
Section 12	16.63	82	80	0	2
Section 13	18.99	97	97	0	0
Section 14	12.82	74	74	0	0
Section 15	14.77	92	92	0	0
Section 16	11.78	69	69	0	0
Section 17	8.83	56	56	0	0
Section 18	4.54	31	31	0	0
Section 20A	12.16	77	77	0	0
Section 20B	17.02	102	102	0	0
Section 22	16.71	88	0	85	3
Totals	326.32	1,601	1,469	118	14
Undevelopable[(a)]	365.50				
Remaining Developable	100.89				
District Total	792.72				

(a) Includes street right-of-way, easements. Drainage, floodway, open spaces and utility sites, including the 7 acres devoted to the recreation center.

Homebuilder within the District

D.R. Horton is currently building single-family homes in the District. Homes in the District range in price from approximately $240,000 to over $600,000 and in size from approximately 1,500 to over 3,100 square feet. During 2021, D.R. Horton sold approximately 276 homes in the District and has sold approximately 244 homes during the first 6 months of 2021. See "PRINCIPAL LANDOWNER/DEVELOPER."

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PHOTOGRAPHS TAKEN IN THE DISTRICT

PHOTOGRAPHS TAKEN IN THE DISTRICT

PRINCIPAL LANDOWNER/DEVELOPER

Role of the Developer

In general, the activities of a developer in a municipal utility district such as the District include purchasing the land within the District, designing the subdivision, designing the utilities and streets to be constructed in the subdivision, designing any community facilities to be built, defining a marketing program and building schedule, securing necessary governmental approvals and permits for development, arranging for the construction of roads and the installation of utilities (including, in some cases, water, wastewater, and drainage facilities pursuant to the rules of the TCEQ, as well as gas, telephone, and electric service) and selling improved lots and commercial reserves to builders, developers, or other third parties. In most instances, the developer will be required to pay up to thirty percent (30%) of the cost of constructing certain of the water, wastewater, and drainage facilities in a municipal utility district pursuant to the rules of the TCEQ. The relative success or failure of a developer to perform such activities in development of the property within a municipal utility district may have a profound effect on the security of the unlimited tax bonds issued by a district. A developer is generally under no obligation to a district to develop the property which it owns in a district. Furthermore, there is no restriction on a developer's right to sell any or all of the land which it owns within a district. In addition, a developer is ordinarily a major taxpayer within a municipal utility district during the development phase of the property.

Prospective purchasers of the Bonds should note that the prior real estate experience of a developer should not be construed as an indication that further development within the District will occur, or construction of taxable improvements upon property within the District will occur, or that marketing or leasing of taxable improvements constructed upon property within the District will be successful. Circumstances surrounding development within the District may differ from circumstances surrounding development of other land in several respects, including the existence of different economic conditions, financial arrangements, homebuilders, geographic location, market conditions, and regulatory climate.

Neither the Developer (herein defined), nor any affiliate entities, are obligated to pay principal of or interest on the Bonds. Furthermore, neither the Developer, nor any affiliate entities, have a binding commitment to the District to carry out any plan of development, and the furnishing of information relating to the proposed development by the Developer or affiliate entities should not be interpreted as such a commitment. Prospective purchasers are encouraged to inspect the District in order to acquaint themselves with the nature of development that has occurred or is occurring within the District's boundaries.

The Developer

The developer of land within the District is D.R. Horton-Texas, Ltd., a Texas limited partnership (the "Developer"), which is a subsidiary of and controlled by D.R. Horton, Inc. D.R. Horton, Inc. is a publicly traded corporation whose stock is listed on the New York Stock Exchange. Audited financial statements for D.R. Horton, Inc. can be found online at https://investor.drhorton.com. D.R. Horton, Inc. is subject to the information requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith files reports and other information with the United States Securities and Exchange Commission ("SEC"). Reports, proxy statements and other information filed by D.R. Horton, Inc. can be inspected at the office of the SEC at Judiciary Plaza, Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such material can be obtained from the Public Reference Section of the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. Copies of the above reports, proxy statements and other information may also be inspected at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005. The SEC maintains a website at http://www.sec.gov that contains reports, proxy information statements and other information regarding registrants that file electronically with the SEC.

Certain financial information concerning the Developer is included as part of the consolidated financial statements of D.R. Horton, Inc. However, D.R. Horton, Inc. is not legally obligated to provide funds for the development of the District, to provide funds to pay taxes on property in the District owned by the Developer, or to pay any other obligations of the Developer. Further, neither the Developer nor D.R. Horton, Inc. is responsible for, is liable for or has made any commitment for payment of the Bonds or other obligations of the District, and the inclusion of such financial statements and description of financial arrangements herein should not be construed as an implication to that effect. Neither the Developer nor D.R. Horton, Inc. has any legal commitment to the District or owners of the Bonds to continue development of the land within the District and the Developer may sell or otherwise dispose of its property within the District, or any other assets, at any time. Further, the financial condition of the Developer and D.R. Horton, Inc. is subject to change at any time. Because of the foregoing, financial information concerning the Developer and D.R. Horton, Inc. will neither be updated nor provided following issuance of the Bonds.

THE UTILITY SYSTEM

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 EPA. Montgomery County, Texas, the City, and the Texas Department of Health also exercise regulatory jurisdiction over the District's water, wastewater and storm drainage facilities.

Water Supply

Water supply for the District is provided by a water plant located within the boundaries of the District and a secondary remote well. The District's water plant consists of a 1,200 gallons per minute ("gpm") water well, two 15,000 gallons pressure tanks, two 235,000 gallon ground storage tanks, and four 864 gpm booster pumps. The District has a 1,350 gpm water well as a secondary source of water. The District's existing water supply facilities are sufficient to serve 1,728 equivalent single-family connections ("esfc"). As of March 2022, the District was serving 1,510 active connections, including 1,510 occupied homes and 91 homes under construction or in a builder's name.

Lone Star Groundwater Conservation District

The District is included in the boundaries of the Lone Star Groundwater Conservation District ("Lone Star"), a Montgomery County wide regulatory agency. On October 10, 2017 the Lone Star Groundwater Conservation District board of directors approved new recommendations for future increases in groundwater pumping in Montgomery County based upon the results of a three-year scientific study. Lone Star commissioned its "Strategic Water Resources Planning Study" in October 2014 to evaluate the impacts to local aquifers of its 2016 groundwater pumping reductions, to evaluate whether and how additional groundwater supplies could be safely developed in the county, and to develop other related information and recommendations for use in the next five-year cycle of joint planning for establishing goals for future aquifer conditions in a multi-county region of the Gulf Coast known as Groundwater Management Area 14 ("GMA 14"). As part of the study, Lone Star surveyed all of the large water well permit holders in the county to determine how much additional declines in the water levels of the aquifers that they could tolerate in their water wells. The new recommended planning goal for the aquifers in Montgomery County would allow groundwater pumping to increase from the current goal of 64,000 acre-feet per year to 100,000 acre-feet per year. The study found that increased pumping would result in greater declines in water levels in the aquifers over the 50-year planning period than under the current goal, but that the survey results supported the board making such a policy decision because of the limited number of well owners who may have to lower their wells to accommodate the water-level declines.

The board of directors' decision was unanimous to approve the increased groundwater pumping levels and resulting aquifer conditions included in what is referred to as groundwater availability model "Run D" in the Final Report for Task 3 of the study as the Board's recommended model scenario. The board of directors also approved a recommendation that Lone Star's general manager and technical consultants present the results of the study, including the board's new recommendation for Run D, to the other groundwater conservation district representatives of GMA 14, with a request that Run D be considered in the new round of joint planning for the aquifers as either an amendment to the current desired future conditions for the aquifers or as a new proposal. By law, GMA 14 must adopt desired future conditions for the aquifers at least once every five years, with the current five-year cycle ending no later than January 5, 2022. However, GMA 14 can adopt new or amended desired future conditions for the aquifers earlier than those deadlines. In order to be finally approved, any new proposal or amendment must go through a lengthy technical evaluation and public hearings process prescribed by law and must receive an affirmative vote of at least four out of the five member groundwater conservation districts in GMA 14.

In 2015, dissatisfied with the production limits Lone Star created through the rulemaking authority delegated to it by the Texas Legislature, a group of large water producers filed suit claiming that the rules Lone Star created imposing per-producer yearly production limits on their production of groundwater were invalid because they purported to regulate the production of groundwater in ways the Texas Legislature never authorized. On October 2, 2018, the 284th District Court of Montgomery County, ruled that, as a matter of law, the core groundwater regulation, which Lone Star imposed on large groundwater producers, is outside of Lone Star's authority under the Texas Water Code and is not valid. Under the ruling, Lone Star could appeal directly to the Beaumont Court of Appeals for review of the decision. However, at the Lone Star board meeting held on January 23, 2019, the board announced that they unanimously agreed on a settlement offer with the large water producers, but the specifics of the settlement will not be made public until all parties have reviewed and signed it. As a result of the District Court's ruling on October 2, 2018, it is expected that the Lone Star board will consider and adopt new groundwater regulations in the future.

Lone Star currently bills permit holders, including the District, $0.085 per 1,000 gallons of water pumped from wells to finance the Conservation District's operations. This amount is subject to future increases. Currently, well owners in Lone Star are charged a fee of $3.15 per 1,000 gallons of water pumped from the wells.

Wastewater Treatment

The District's wastewater is treated by a wastewater treatment plant with 0.28 million gallons per day ("MGD") of treatment capacity. According to the Engineer, the 0.28 MGD is sufficient to serve 1,120 equivalent single-family connections ("esfc") based on the existing flow factor of 250 gallons per day ("gpd") which is currently serving the existing 1,072 ESFCs. As of March 2022, the District was serving 1,510 active connections, including 1,510 occupied homes and 91 homes under construction or in a builder's name. Currently the average daily flow at the plant is 177,000 gpd. The phase three expansion of 230,000 gpd of treatment capacity will serve an additional 920 esfc for a total of 2,040 esfc. Phase three expansion construction is anticipated to start September 2022.

Storm Water Drainage

The drainage facilities include detention, lake reserve and existing ditches. Developed runoff from a five-year storm event is conveyed using a storm sewer system consisting of inlets, storm manholes and storm sewer pipes as required by Montgomery County, Texas. The 100-year flow is conveyed through the storm sewer system with excess runoff conveyed over the paved streets. The pavement design, which includes cascading high and low points to an extreme event outfall, allows all overland flow to be conveyed to the lake reserve, detention basin and existing ditches.

740 acres of the District (Fosters Ridge) drains to Lake Creek, which is adjacent to the north boundary line of the District, and 44.11 acres of the District and Old Conroe Magnolia Road drains to the south into the existing ditch along Gulf State Utilities Company Easement. Lake Creek and the adjacent ditch to the south of the District lie within Montgomery County, Texas. Storm water runoff from Fosters Ridge, Sections Three, Four and Seven drain directly into the Reserve Lake which discharges into the existing ditch located in the middle of the District which ultimately drains to Lake Creek. Fosters Ridge, Sections One, Two, Five, Six, Nine and contributing undeveloped area drain directly into the existing ditch located in the middle of the District which ultimately drains into Lake Creek. Storm water runoff from Fosters Ridge Sections Eight, Twelve and Eighteen drains into existing ditches within the District which ultimately drains into Lake Creek. Storm water runoff from Fosters Ridge, Section Eleven drains into the Detention Basin which discharges directly to the south of the District into the existing ditch along Gulf State Utilities Company Easement.

100-Year Flood Plain

According to Edminster, Hinshaw, Russ & Associates, Inc., approximately 155 acres of land in the District is within the 100-year floodplain, of which 80 acres is within the floodway, and all of which is in the undevelopable portion of the District. Approximately 12 acres of land is located within the 500-year floodplain of the developable portion of the District.

General Fund Operating Statement

The following is a summary of the District's general fund activity for the fiscal years ended November 30, 2018, 2019, 2020, and 2021, and for the period ended March 30, 2022. The summary has been prepared by the Financial Advisor based upon information obtained from the District's audited financial statements and from information provided from the District's bookkeeper. Reference is made to such statements for further and more complete information. See "APPENDIX A – Financial Statements of the District."

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	Unaudited 3/30/2022(a)	Fiscal Year Ended November 30 2021	2020	2019	2018
Revenues:					
Property taxes	$ 659,193	$ 890,752	$ 864,021	$ 602,125	$ 353,910
Water Service	130,748	469,158	351,305	262,360	189,768
Wastewater Service	206,090	561,532	437,926	332,443	170,398
Groundwater Reduction Plan Fees	107,275	419,961	348,905	271,474	171,050
Conservation District Fees	3,226	13,049	11,826	10,689	6,357
Penalty and Interest	22,136	34,607	26,862	15,672	15,036
Tap Connection and Inspection Fees	188,599	276,394	340,280	118,135	316,600
Investment Revenues	463	1,625	14,292	23,947	5,427
Miscellaneous Revenues	544	16,412	9,322	5,192	9,026
TOTAL REVENUES	$ 1,318,274	$ 2,683,490	$ 2,404,739	$ 1,642,037	$ 1,237,572
Expenditures:					
Current Service Operations					
Professional Fees	57,819	78,315	91,761	58,869	65,814
Contracted Services	170,687	370,860	237,242	141,943	73,501
Utilities	34,283	115,072	82,970	64,687	53,411
Groundwater Reduction Plan		409,417	375,602	240,324	173,826
Assessment	98,721				
Repairs & Maintenance	124,213	429,532	339,170	335,263	100,340
Other	411,057	551,759	458,669	312,269	293,833
Capital Outlay	37,185	442,426	-	-	-
Developer Interest	-	49,931	-	-	-
TOTAL EXPENDITURES	$ 933,965	$ 2,447,312	$ 1,585,414	$ 1,153,355	$ 760,725
Revenues Over (Under) Expenditures	$ 384,309	$ 236,178	$ 819,325	$ 488,682	$ 476,847
Developer Advances	$ -	$ -	$ -	$ -	$ -
Fund Balance, Beginning of Year	$ 2,239,622	$ 2,003,444	$ 1,184,119	$ 695,437	$ 218,590
Fund Balance, End of Year	$ 2,623,931	$ 2,239,622	$ 2,003,444	$ 1,184,119	$ 695,437

(a) Unaudited. From the District's bookkeeper.

THE ROAD SYSTEM

The road system currently includes three collector streets named Fosters Ridge Parkway, Denali Wilderness Parkway and Thunder Basin Parkway. Fosters Ridge Parkway and Thunder Basin Parkway connect north to Denali Wilderness Parkway and south to Old Conroe Road and provides access to and from the District.

Internal circulation within the different subdivisions is provided by the local streets connecting to Denali Wilderness Parkway.

All streets throughout the District have been designed and constructed according to the design criteria and specifications established by the City of Conroe and Montgomery County. Montgomery County is responsible for ongoing maintenance of public roads in the District.

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DISTRICT DEBT

2021 Assessed Valuation	$	263,318,061 (a)
2022 Preliminary Assessed Valuation	$	423,103,099 (b)
Estimated Assessed Valuation as of May 1, 2022	$	475,036,053 (c)
Direct Debt:		
The Outstanding Utility Bonds (as of May 1, 2022)	$	23,740,000
The Outstanding Road Bonds (as of May 1, 2022)	$	12,260,000
The Utility Bonds	$	8,795,000
The Road Bonds	$	7,400,000
Total	$	52,195,000
Estimated Overlapping Debt	$	11,698,191 (d)
Total Direct and Estimated Overlapping Debt	$	63,893,191 (d)
Direct Debt Ratio:		
As a percentage of 2021 Assessed Valuation		19.82%
As a percentage of 2022 Preliminary Assessed Valuation		12.34%
As a percentage of Estimated Assessed Valuation as of May 1, 2022		10.99%
Direct and Estimated Overlapping Debt Ratio:		
As a percentage of 2021 Assessed Valuation		24.26%
As a percentage of 2022 Preliminary Assessed Valuation		15.10%
As a percentage of Estimated Assessed Valuation as of May 1, 2022		13.45%
Utility System Debt Service Fund (as of May 5, 2022)	$	916,697 (e)
Road System Debt Service Fund (as of May 5, 2022)	$	612,629 (f)
Utility System Capital Projects Fund (as of May 5, 2022)	$	830,968
Road System Capital Projects Fund (as of May 5, 2022)	$	121,605
Operating Fund (as of May 5, 2022)	$	2,423,219
2021 Tax Rate:		
Utility System Debt Service	$	0.660
Road System Debt Service	$	0.340
Maintenance & Operation	$	0.300
Total	$	1.300 (g)
Average Annual Debt Service Requirements on the Outstanding Utility Bonds and the Utility Bonds (2022 - 2047)	$	1,787,005 (h)
Maximum Annual Debt Service Requirements on the Outstanding Utility Bonds and the Utility Bonds (2045)	$	2,000,606 (h)
Utility System Debt Service Tax Rate per $100 of Assessed Valuation Required to Pay Average Annual Debt Service Requirement on the Outstanding Utility Bonds and the Utility Bonds (2022 - 2047):		
Based on 2021 Assessed Valuation at 95% Collections	$	0.71
Based on 2022 Preliminary Assessed Valuation at 95% Collections	$	0.44
Based on Estimated Assessed Valuation as of May 1, 2022, at 95% Collections	$	0.40
Utility System Debt Service Tax Rate per $100 of Assessed Valuation Required to Pay Maximum Annual Debt Service Requirement on the Outstanding Utility Bonds and the Utility Bonds (2022 - 2047):		
Based on 2021 Assessed Valuation at 95% Collections	$	0.80
Based on 2022 Preliminary Assessed Valuation at 95% Collections	$	0.50
Based on Estimated Assessed Valuation as of May 1, 2022, at 95% Collections	$	0.44
Average Annual Debt Service Requirements on the Outstanding Road Bonds and the Road Bonds (2022 - 2047)	$	1,119,235 (i)
Maximum Annual Debt Service Requirements on the Outstanding Road Bonds and the Road Bonds (2045)	$	1,261,506 (i)
Road System Debt Service Tax Rate per $100 of Assessed Valuation Required to Pay		

Average Annual Debt Service Requirement on the Outstanding Road Bonds and the Road Bonds (2022 - 2047):		
Based on 2021 Assessed Valuation at 95% Collections	$	0.45
Based on 2022 Preliminary Assessed Valuation at 95% Collections	$	0.28
Based on Estimated Assessed Valuation as of May 1, 2022, at 95% Collections	$	0.25
Road System Debt Service Tax Rate per $100 of Assessed Valuation Required to Pay Maximum Debt Service Requirement on the Outstanding Road Bonds and the Road Bonds (2022 – 2047):		
Based on 2021 Assessed Valuation at 95% Collections	$	0.50
Based on 2022 Preliminary Assessed Valuation at 95% Collections	$	0.31
Based on Estimated Assessed Valuation as of May 1, 2022, at 95% Collections	$	0.28

(a) Represents the assessed valuation of all taxable property in the District as of January 1, 2021, provided by the Montgomery Central Appraisal District (the "Appraisal District"). This value includes $0.00 of uncertified assessed valuation. See "TAX DATA" and "TAXING PROCEDURES."

(b) Provided by the Appraisal District as the preliminary value as of January 1, 2022. This value represents the preliminary determination of the taxable value in the District as of January 1, 2022. This preliminary value is subject to protest by the landowners. No taxes will be levied on the preliminary value. The value will be certified by the Appraisal District and taxes will be levied on the certified value. No representation is made as to the variance in the certified value for 2021 and the preliminary value provided herein.

(c) Provided by the Appraisal District for informational purposes only. This amount is an estimate of the taxable value of all taxable property located within the District as of January 1, 2022, and includes an estimate of additional taxable value resulting from the construction of taxable improvements from January 1, 2022 to May 1, 2022. No taxes will be levied on this estimated value. See "TAX DATA" and "TAXING PROCEDURES."

(d) See "DISTRICT DEBT – Direct and Estimated Overlapping Debt Statement."

(e) Neither Texas law nor the Utility Bond Order requires that the District maintain any particular sum in the Utility System Debt Service Fund. The funds in the Utility System Debt Service Fund are pledged only to pay the debt service on the Outstanding Utility Bonds, the Utility Bonds, and any other bonds issued for the purpose of acquiring or constructing the Utility System. The funds in the Utility System Debt Service Fund are not pledged to pay debt service on the Outstanding Road Bonds, the Road Bonds, or any other bonds issued for the purpose of acquiring or constructing the Road System. The District expects to deposit six (6) months of capitalized interest in the Utility Bond Debt Service on the Delivery Date.

(f) Neither Texas law nor the Road Bond Order requires that the District maintain any particular sum in the Road Bond Debt Service Fund. The funds in the Road System Debt Service Fund are pledged only to pay the debt service on the Outstanding Road Bonds, the Road Bonds, and any other bonds issued for the purpose of acquiring or constructing the Road System. The funds in the Road System Debt Service Fund are not pledged to pay debt service on the Outstanding Utility Bonds, the Utility Bonds, or any other bonds issued for the purpose of acquiring or constructing the Utility System. The District expects to deposit six (6) months of capitalized interest in the Road Bond Debt Service on the Delivery Date.

(g) See "TAX DATA – Tax Rate Calculations."

(h) See "DISTRICT DEBT – Estimated Utility System Debt Service Requirement Schedule."

(i) See "DISTRICT DEBT – Estimated Road System Debt Service Requirement Schedule."

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Utility System Debt Service Requirement Schedule

The following schedule sets forth the debt service requirements on the Outstanding Utility Bonds, plus the principal and interest requirements on the Utility Bonds.

		Plus: The Utility Bonds			
Year Ending 12/31	Outstanding Utility System Debt Service (a)	Principal	Interest	Debt Service	Total Debt Service
2022	$ 328,956	$ -	$ -	$ -	$ 328,956
2023	1,344,338	-	417,047	417,047	1,761,384
2024	1,341,775	220,000	359,588	579,588	1,921,363
2025	1,339,138	230,000	346,375	576,375	1,915,513
2026	1,341,163	235,000	333,300	568,300	1,909,463
2027	1,340,475	245,000	320,100	565,100	1,905,575
2028	1,342,297	260,000	308,163	568,163	1,910,459
2029	1,345,659	270,000	297,563	567,563	1,913,222
2030	1,350,363	280,000	286,563	566,563	1,916,925
2031	1,358,903	290,000	275,163	565,163	1,924,066
2032	1,361,456	305,000	263,263	568,263	1,929,719
2033	1,368,047	315,000	250,863	565,863	1,933,909
2034	1,368,653	330,000	238,581	568,581	1,937,234
2035	1,378,009	345,000	225,700	570,700	1,948,709
2036	1,381,034	360,000	211,600	571,600	1,952,634
2037	1,387,844	375,000	196,900	571,900	1,959,744
2038	1,388,600	390,000	181,600	571,600	1,960,200
2039	1,397,606	405,000	165,700	570,700	1,968,306
2041	1,399,422	425,000	149,100	574,100	1,973,522
2041	1,404,756	440,000	131,800	571,800	1,976,556
2042	1,408,888	460,000	113,800	573,800	1,982,688
2043	1,416,550	480,000	95,000	575,000	1,991,550
2044	1,420,050	500,000	75,400	575,400	1,995,450
2045	1,425,606	520,000	55,000	575,000	2,000,606
2046	384,275	545,000	33,700	578,700	962,975
2047	-	570,000	11,400	581,400	581,400
Total	$32,323,863	$ 8,795,000	$ 5,343,266	$14,138,266	$46,462,128

(a) Outstanding Utility System debt service as of May 1, 2022.

Estimated Average Annual Debt Service Requirements on the Outstanding Utility Bonds and the Utility Bonds (2024–2047)	$1,787,005
Estimated Maximum Annual Debt Service Requirements on the Outstanding Utility Bonds and the Utility Bonds (2045)	$2,000,606

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Road System Debt Service Requirement Schedule

The following schedule sets forth the debt service requirements on the Outstanding Road Bonds, plus the principal and interest requirements on the Road Bonds.

		Plus: The Road Bonds			
Year Ending 12/31	Outstanding Debt Service (a)	Principal	Interest	Debt Service	Total Debt Service
2022	$ 179,179	$ -	$ -	$ -	$ 179,179
2023	717,773	-	354,052	354,052	1,071,825
2024	716,383	165,000	306,131	471,131	1,187,514
2025	719,440	175,000	296,356	471,356	1,190,796
2026	716,937	185,000	286,006	471,006	1,187,943
2027	715,478	190,000	275,225	465,225	1,180,703
2028	720,006	200,000	264,013	464,013	1,184,018
2029	718,916	210,000	252,225	462,225	1,181,141
2030	722,179	225,000	241,688	466,688	1,188,866
2031	724,826	235,000	232,488	467,488	1,192,314
2032	721,828	245,000	223,806	468,806	1,190,634
2033	728,225	260,000	215,438	475,438	1,203,663
2034	728,656	270,000	206,325	476,325	1,204,981
2035	728,134	285,000	195,900	480,900	1,209,034
2036	731,578	300,000	184,200	484,200	1,215,778
2037	733,834	315,000	171,900	486,900	1,220,734
2038	735,356	330,000	159,000	489,000	1,224,356
2039	736,200	345,000	145,500	490,500	1,226,700
2040	736,366	365,000	131,300	496,300	1,232,666
2041	740,713	380,000	116,400	496,400	1,237,113
2042	739,228	400,000	100,800	500,800	1,240,028
2043	744,231	420,000	84,400	504,400	1,248,631
2044	745,794	440,000	67,200	507,200	1,252,994
2045	747,406	465,000	49,100	514,100	1,261,506
2046	151,688	485,000	30,100	515,100	666,788
2047	-	510,000	10,200	520,200	520,200
Total	$ 17,100,354	$ 7,400,000	$ 4,599,752	$ 11,999,752	$ 29,100,106

(a) Outstanding Road System debt service as of May 1, 2022.

Estimated Average Annual Debt Service Requirements on the Outstanding Road Bonds and the Road Bonds (2024–2047)	$1,119,235
Estimated Maximum Annual Debt Service Requirements on the Outstanding Road Bonds and the Road Bonds (2045)	$1,261,506

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Combined Debt Service Requirement Schedule

The following schedule sets forth the combined debt service requirements on the Bonds, plus the principal and interest requirements on the Bonds.

Year Ending 12/31	Outstanding Debt Service (a)	Plus: New Debt Principal	Interest	Debt Service	Total Debt Service
2022	$ 508,134	$ -	$ -	$ -	$ 508,135
2023	2,062,111	-	771,099	771,099	2,833,210
2024	2,058,158	385,000	665,719	1,050,719	3,108,877
2025	2,058,578	405,000	642,731	1,047,731	3,106,309
2026	2,058,099	420,000	619,306	1,039,306	3,097,406
2027	2,055,953	435,000	595,325	1,030,325	3,086,278
2028	2,062,303	460,000	572,175	1,032,175	3,094,478
2029	2,064,576	480,000	549,788	1,029,788	3,094,363
2030	2,072,541	505,000	528,250	1,033,250	3,105,791
2031	2,083,729	525,000	507,650	1,032,650	3,116,379
2032	2,083,284	550,000	487,069	1,037,069	3,120,353
2033	2,096,272	575,000	466,300	1,041,300	3,137,572
2034	2,097,309	600,000	444,906	1,044,906	3,142,216
2035	2,106,144	630,000	421,600	1,051,600	3,157,744
2036	2,112,613	660,000	395,800	1,055,800	3,168,413
2037	2,121,678	690,000	368,800	1,058,800	3,180,478
2038	2,123,956	720,000	340,600	1,060,600	3,184,556
2039	2,133,806	750,000	311,200	1,061,200	3,195,006
2040	2,135,788	790,000	280,400	1,070,400	3,206,188
2041	2,145,469	820,000	248,200	1,068,200	3,213,669
2042	2,148,116	860,000	214,600	1,074,600	3,222,716
2043	2,160,781	900,000	179,400	1,079,400	3,240,181
2044	2,165,844	940,000	142,600	1,082,600	3,248,444
2045	2,173,013	985,000	104,100	1,089,100	3,262,113
2046	535,963	1,030,000	63,800	1,093,800	1,629,763
2047	-	1,080,000	21,600	1,101,600	1,101,600
Total	$ 49,424,216	$ 16,195,000	$ 9,943,018	$ 26,138,018	$ 75,562,234

(a) Outstanding Road System debt service as of May 1, 2022.

Estimated Average Annual Debt Service Requirements on the Outstanding Road Bonds and the Road Bonds (2022–2047)	$2,906,240
Estimated Maximum Annual Debt Service Requirements on the Outstanding Road Bonds and the Road Bonds (2045)	$3,262,113

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Direct and Estimated Overlapping Debt Statement

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

Taxing Jurisdiction	Outstanding Debt May 1, 2022	Overlapping Percent	Overlapping Amount
Conroe Independent School District	$1,462,395,000	0.61%	$ 8,931,257
Montgomery County	464,200,000	0.44%	2,055,641
Lone Star College Systems District	643,940,000	0.11%	711,293
Total Estimated Overlapping Debt			$ 11,698,191
Direct Debt (a)			$ 52,195,000
Total Direct and Estimated Overlapping Debt (a)			$ 63,893,191

(a) Includes the Outstanding Bonds and the Bonds.

Debt Ratios

Ratio of Direct Debt:	
As a Percentage of 2021 Assessed Valuation	19.82%
As a percentage of 2022 Preliminary Assessed Valuation	12.34%
As a Percentage of Estimated Valuation as of May 1, 2022	10.99%
Ratio of Direct and Estimated Overlapping Debt:	
As a Percentage of 2021 Assessed Valuation	24.26%
As a percentage of 2022 Preliminary Assessed Valuation	15.10%
As a Percentage of Estimated Valuation as of May 1, 2022	13.45%

(a) Includes the Bonds.

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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 sufficient amount to pay the principal of and interest on the Bonds, the Outstanding Bonds issued for the Utility System, and any additional bonds payable from taxes that the District may hereafter issue for the purpose of acquiring or constructing the Utility System and to pay the expenses of assessing and collecting such taxes. In the Bond Orders, the District agrees to levy such a tax from year to year as described more fully above under "THE BONDS – Source of Payment." The Board is also authorized to levy an annual ad valorem tax, without legal limit as to rate or amount, on all taxable property in the District in sufficient amount to pay the principal of and interest on the Outstanding Bonds issued for the Road System and any additional bonds payable from taxes that the District may hereafter issue for the purpose of acquiring or constructing the Road System and to pay the expenses of assessing and collecting such taxes. Under Texas law, the Board may also levy and collect annual ad valorem taxes for the operation and maintenance of the District for the payment of certain contractual obligations. See "TAX DATA – Tax Rate Limitation."

Property Tax Code and County-Wide Appraisal District

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

The Property 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 Montgomery Central Appraisal District (the "Appraisal District"). The Appraisal District has the responsibility of appraising property for all taxing units within Montgomery County, including the District. Such appraisal values will be subject to review and change by the Montgomery County Appraisal Review Board (the "Appraisal Review Board"). The appraisal roll, as approved by the Appraisal Review Board, will be used by the District in establishing its tax rolls and tax rate.

Property Subject to Taxation by the District

***General*:** Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions, if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies and personal effects; certain goods, wares, and merchandise in transit; certain farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually-owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years or older and certain disabled persons, to the extent deemed advisable by the Board of the District. The District may be required to offer such exemptions if a majority of voters approve same at an election. The District would be required to call an election upon petition by 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 the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces, if requested, but only to the maximum extent of between $5,000 and $12,000 depending upon the disability rating of the veteran claiming the exemption. A veteran who receives a disability rating of one hundred percent (100%) is entitled to an exemption for the full value of the veteran's residence homestead. Furthermore, qualifying surviving spouses of persons 65 years of age and older are entitled to receive a resident homestead exemption equal to the exemption received by the deceased spouse. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization at no cost to the veteran. This exemption applies to a residence homestead that was donated by a charitable organization at some cost to such veterans. The surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

The surviving spouse of a first responder who is killed or fatally injured in the line of duty is entitled to an exemption of the total appraised value of the surviving spouse's residence homestead if the surviving spouse has not remarried since the first responder's death, and said property was the first responder's residence homestead at the time of death. Such exemption would be transferrable to a subsequent residence homestead of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

Residential Homestead Exemptions: The Property Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the appraised value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The District has never adopted a general homestead exemption.

Freeport Goods and Goods-in-Transit Exemption: Freeport goods are goods, wares, merchandise, other tangible personal property and ores, other than oil, natural gas and other petroleum products, which have been acquired or brought into the state for assembling, storing, manufacturing, repair, maintenance, processing or fabricating purposes, or used to repair or maintain aircraft of a certified air carrier, and shipped out of the state within one hundred seventy-five (175) days. Freeport goods are exempt from taxation by the District. Article VIII, Section 1-n of the Texas Constitution provides for the exemption from taxation of "goods-in-transit." "Goods-in-transit" is defined by a provision of the Tax Code, which is effective for tax year 2016 and prior applicable years, as personal property acquired or imported into Texas and transported to another location in the State or outside the State within 175 days of the date the property was acquired or imported into Texas. The exemption excludes oil, natural gas, petroleum products, aircraft and special inventory. For tax year 2016 and subsequent years, such Goods-in-Transit Exemption is limited to tangible personal property acquired in or imported into Texas for storage purposes and which is stored under a contract of bailment by a public warehouse operator at one or more warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. The Tax Code provision permits local governmental entities, on a local option basis, to take official action by January 1 of the year preceding a tax year, after holding a public hearing, to tax goods-in-transit during the following tax year. The District has taken action to tax Goods-in-Transit. A taxpayer may receive only one of the Freeport exemptions or the goods-in-transit exemptions for items of personal property.

Tax Abatement

Montgomery County, Texas, may designate all or part of the area within the District as a reinvestment zone. Thereafter, Montgomery County, Texas, and the District, at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to 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. At this time, Montgomery County, Texas, has not designated any of the area within the District as a reinvestment zone.

Valuation of Property for Taxation

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

The Property Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its fair market value. The Property Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price all of such property would bring if sold as a unit to a purchaser who would continue the business. Provisions of the Property 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 Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by one political subdivision while claiming it for another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three years for agricultural use and taxes for the previous five years for open space land and timberland.

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

The Property Tax Code provides for a temporary exemption from ad valorem taxation of a portion of the appraised value of certain property that is at least 15% 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 orders of the Appraisal Review Board by filing a petition for review in State district court. In such event, the value of 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 comply with the Property Tax Code.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the District and provides for taxpayer referenda, which could result in the repeal of certain tax increases. The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property 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, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of 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 twenty percent (20%) penalty for collection costs. A delinquent tax on personal property incurs an additional twenty percent (20%) penalty, 60 days after the date the taxes become delinquent (April 1). 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 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

During the 86th Regular Legislative Session, Senate Bill 2 ("SB 2") was passed and signed by the Governor, with an effective date of January 1, 2020, which effectively restricts increases in the District's operation and maintenance tax rates by requiring rollback elections to reduce the operation and maintenance tax component of the District's total tax rate (collectively, the debt service tax rate, maintenance and operations tax rate and contract tax rate are the "total tax rate"). See "SELECTED FINANCIAL INFORMATION" for a description of the District's current total tax rate. SB

2 requires a reduction in the operation and maintenance tax component of the District's total tax rate if the District's total tax rate surpasses the thresholds for specific classes of districts in SB 2. Debt service and contract tax rates cannot be reduced by a rollback election held within any of the districts described below.

SB 2 classifies districts differently based on the current operation and maintenance tax rate or on the percentage of build-out that the District has completed. Districts that have adopted an operation and maintenance tax rate for the current year that is 2.5 cents or less per $100 of taxable value are classified as "Low Tax Rate Districts." Districts that have financed, completed, and issued bonds to pay for all improvements and facilities necessary to serve at least 95% of the projected build-out of the district are classified as "Developed Districts." Districts that do not meet either of the classifications previously discussed are classified herein as "Other Districts." The impact each classification has on the ability of a district to increase its maintenance and operations tax rate pursuant to SB 2 is described for each classification below.

Low Tax Rate Districts

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

Other Districts

Districts that do not meet the classification of a Low Tax Rate District or a Developed District are classified as Other Districts. The qualified voters of these districts, upon the Other District's adoption of a total tax rate that would impose more than 1.08 times the amount of the total tax rate imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions, are authorized to petition for an election to reduce the operation and maintenance tax rate. If a rollback election is called and passes, the total tax rate for Other 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 Low Tax Rate District, Developed District or Other District will be made on an annual basis, at the time a district sets its tax rate, beginning with the 2020 tax rate. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new rollback election calculation.

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of such other taxing units. 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. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights or by bankruptcy proceeding which restrict the collection of taxpayer debts. See “INVESTMENT CONSIDERATIONS – Tax Collection and Foreclosure Proceedings” and “– Bondholders’ Remedies.”

The ability of the District to collect delinquent taxes by foreclosure may be adversely affected by the amount of taxes owed to other taxing units, the foreclosure sale price attributable to market conditions, the taxpayer's right to redeem the property within six (6) months of foreclosure (two (2) years in the case of residential or agricultural property), or by bankruptcy proceedings which restrain the collection of a taxpayer's debts or modify such debts. The Financial Institutions Reform, Recovery and Enforcement Act of 1989 contains certain provisions which affect the time for protesting property valuations, the fixing of tax liens and the collection of penalties and interest on delinquent taxes on real property owned by the Federal Deposit Insurance Corporation (“FDIC”) when the FDIC is acting as the conservator or receiver of an insolvent financial institution.

TAX DATA

General

Taxable property within the District is subject to the assessment, levy and collection by the District of an annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds (and any future tax-supported bonds which may be issued from time to time as authorized). Taxes are levied by the District each year against the District’s assessed valuation as of January 1 of that year. Taxes become due October 1 of such year, or when billed, and generally become delinquent after January 31 of the following year. The Board covenants in the Bond Orders to assess and levy for each year that all or any part of the Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds. The actual rate of such tax will be determined from year to year as a function of the District’s tax base, its debt service requirements and available funds. In addition, the District has the power and authority to assess, levy and collect ad valorem taxes, in an unlimited amount, for operation and maintenance purposes. In 2021, the District levied a maintenance tax of $0.30 per $100 of assessed valuation, a utility system debt service tax of $0.66 per $100 of assessed valuation, and a road system debt service tax of $0.34 per $100 of assessed valuation.

Tax Rate Limitation

Debt Service:	Unlimited (no legal limit as to rate or amount).
Maintenance and Operation General:	$1.50 per $100 assessed taxable valuation.
Maintenance and Operation Road:	$1.50 per $100 assessed taxable valuation.
Maintenance and Operation Recreation:	$0.10 per $100 assessed taxable valuation.

Debt Service Taxes

The Board covenants in the Bond Orders to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Bonds. In 2021, the District levied a maintenance tax of $0.30 per $100 of assessed valuation, a utility system debt service tax of $0.66 per $100 of assessed valuation, and a road system debt service tax of $0.34 per $100 of assessed valuation.

(Upon closing and delivery of the Road Bonds, six (6) months of capitalized interest on the Road Bonds will be deposited into the Road System Debt Service Fund.)

Maintenance Taxes

The Board has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District’s improvements if such maintenance tax is authorized by vote of the District’s electors. The Board is authorized by the District’s voters to levy such maintenance tax in an amount not to exceed $1.50 per $100 of assessed valuation. Such tax, when levied, is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds and any parity bonds which may be issued in the future. In 2021, the District levied a maintenance tax of $0.300 per $100 of assessed valuation. See “Tax Rate Distribution” below.

Tax Exemption

As discussed in the section entitled “TAXING PROCEDURES” herein, certain property in the District may be exempt from taxation by the District. For 2022, the District has granted a $20,000 homestead exemption for individuals disabled and/or 65 years of age or older. Also, the Developer has its vacant undeveloped land under an agricultural exemption. See Analysis of Tax Base below.

Additional Penalties

The District has contracted with a delinquent tax attorney to collect certain delinquent taxes. In connection with that contract, the District can establish an additional penalty of twenty percent (20%) of the tax to defray the costs of collection. This twenty percent (20%) penalty applies to taxes that either: (1) become delinquent on or after February 1 of a year, but not later than June 1 of that year, and that remain delinquent on April 1 (for personal property) and July 1 (for real property) of the year in which they become delinquent or (2) become delinquent on or after June 1, pursuant to the Texas Tax Code.

Historical Tax Collections

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

Tax Year	Certified Taxable Value	Tax Rate (b)	Adjusted Tax Levy	Collections Current Year	Current Year Ending 9/30	Collections 5/1/2022
2017	$ 43,827,689	1.450%	$ 635,501	100.00%	2018	100.00%
2018	76,596,242	1.450	1,110,646	100.00%	2019	100.00%
2019	136,857,144	1.400	1,916,070	99.85%	2020	99.85%
2020	177,363,290	1.400	2,483,086	99.99%	2021	99.99%
2021	263,318,061	1.300	3,423,135	98.58%(a)	2022	98.58%(a)

(a) In process of collection.

Tax Rate Distribution

The following table sets out the components of the District's tax levy for each of the 2017–2021 tax years.

	2021	2020	2019	2018	2017
Utility System Debt Service	$ 0.660	$ 0.560	$ 0.4400	$ 0.3800	$ 0.0000
Road System Debt Service	0.340	0.340	0.3250	0.3300	0.6900
Maintenance & Operations	0.300	0.500	0.6350	0.7400	0.7600
Total	$ 1.300	$ 1.400	$ 1.4000	$ 1.4500	$ 1.4500

Analysis of Tax Base

The following represents the types of property comprising the District assessed taxable value for each of the 2017–2021 tax years.

Type of Property	2021 Assessed Taxable Valuation	2020 Assessed Taxable Valuation	2019 Assessed Taxable Valuation	2018 Assessed Taxable Valuation	2017 Assessed Taxable Valuation
Land	$ 79,119,860	$ 53,590,930	$ 45,217,240	$ 32,702,580	$ 20,088,690
Improvements	192,414,450	132,523,360	97,691,630	49,567,080	28,694,750
Personal Property	243,331	603,815	910,449	589,196	209,063
Exemptions	(8,459,580)	(9,070,260)	(6,847,734)	(6,249,634)	(5,154,814)
Total	$ 263,318,061	$ 177,647,845	$ 136,971,585	$ 76,609,222	$43,837,689

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Principal Taxpayers

The following represents the principal taxpayers, type of property, and their assessed values as of May 5, 2022:

Taxpayer	Type of Property	Assessed Valuation 2021 Tax Roll	Percent of District 2021 Value
Home Rent 3 LLC	Land & Improvements	$25,358,950	9.63%
DR Horton – Texas, LTD (a)	Land & Improvements	8,698,320	3.30%
Homeowner	Land & Improvements	1,301,840	0.49%
Homeowner	Land & Improvements	656,970	0.25%
Homeowner	Land & Improvements	557,010	0.21%
Homeowner	Land & Improvements	541,060	0.21%
Homeowner	Land & Improvements	537,320	0.20%
Homeowner	Land & Improvements	517,620	0.20%
Homeowner	Land & Improvements	516,700	0.20%
Homeowner	Land & Improvements	516,620	0.20%
Total		**$39,202,410**	**14.89%**

(a) See "PRINCIPAL LANDOWNER/DEVELOPER."

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per $100 of assessed taxable valuation that would be required to meet certain debt service requirements on the Bonds if no growth in the District's tax base occurs beyond the 2021 Assessed Valuation ($262,815,890) or the Estimated Valuation as of May 1, 2022 ($475,036,053). The calculations assume collection of 95% of taxes levied, the sale of the Bonds but not the sale of any additional bonds.

Utility System Average Annual Debt Service Requirements (2022–2047)	$1,787,005
Tax Rate of $0.71 on the 2021 Assessed Valuation produces	$1,787,005
Tax Rate of $0.44 on the 2022 Preliminary Assessed Valuation produces	$1,787,005
Tax Rate of $0.40 on the Estimated Assessed Valuation as of May 1, 2022, produces	$1,787,005
Utility System Maximum Annual Debt Service Requirement (2045)	$2,000,606
Tax Rate of $0.80 on the 2021 Assessed Valuation produces	$2,000,606
Tax Rate of $0.50 on the 2022 Preliminary Assessed Valuation produces	$2,000,606
Tax Rate of $0.44 on the Estimated Assesses Valuation as of May 1, 2022, produces	$2,000,606
Road System Average Annual Debt Service Requirements (2022–2047)	$1,119,235
Tax Rate of $0.45 on the 2021 Assessed Valuation produces	$1,119,235
Tax Rate of $0.28 on the 2022 Preliminary Assessed Valuation produces	$1,119,235
Tax Rate of $0.25 on the Estimated Assessed Valuation as of May 1, 2022, produces	$1,119,235
Road System Maximum Annual Debt Service Requirement (2045)	$1,261,506
Tax Rate of $0.50 on the 2021 Assessed Valuation produces	$1,261,506
Tax Rate of $0.31 on the 2022 Preliminary Assessed Valuation produces	$1,261,506
Tax Rate of $0.28 on the Estimated Assesses Valuation as of May 1, 2022, produces	$1,261,506

Estimated Overlapping Taxes

Property within the District is subject to taxation by several taxing authorities in addition to the District. Under Texas law, if ad valorem taxes levied by a taxing authority become delinquent, a lien is created upon the property which has been taxed. A tax lien on property in favor of the District is on a parity with tax liens of other taxing jurisdictions. In addition to ad valorem taxes required to make debt service payments on bonded debt of the District and of such other jurisdictions (see "DISTRICT DEBT –Direct and Estimated Overlapping Debt Statement"), certain taxing jurisdictions are authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

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

Taxing Jurisdiction		2021 Tax Rates
Conroe Independent School District	$	1.176000
Montgomery County		0.461900
Montgomery County Hospital District		0.059700
Emergency Services District No. 4		0.094600
Lone Star College System District		0.109300
The District		1.300000
Total Tax Rate	**$**	**3.201500**

LEGAL MATTERS

Legal Opinions

Issuance of the Bonds is subject to 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 an annual ad valorem tax levied without limit as to rate or amount upon all taxable property within the District. Issuance of the Bonds is also subject to the legal opinion of Bond Counsel that, based upon examination of the transcript of the proceedings incident to authorization and issuance of the Bonds, 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. The legal opinion will further state that the interest on the Bonds is excludable from gross income for federal income tax purposes under existing statutes, regulations, published rulings and court decisions as described below under "TAX MATTERS." The legal opinion of Bond Counsel will be printed on the Bonds, if certificated Bonds are issued. Such opinions will express no opinion with respect to the sufficiency of the security for or the marketability of the Bonds. Certain legal matters will be passed upon for the District by Orrick, Herrington & Sutcliffe LLP, Houston, Texas, Disclosure Counsel.

No-Litigation Certificate

The District will furnish the Initial Purchaser 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 has been filed or is to their knowledge then pending or threatened, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the issuance, execution or delivery of the Bonds; affecting the provisions made for the payment of security for the Bonds; in any manner questioning the authority or proceedings for the issuance, execution or delivery of the Bonds; or affecting the validity of the Bonds.

No Material Adverse Change

The obligations of the Initial Purchaser 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 MATTERS

Tax Exemption

On the date of delivery of the Bonds, Coats Rose, P.C., Houston, Texas, Bond Counsel, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds.

In rendering its opinion, Bond Counsel will rely upon (a) certain information and representations of the District, including information and representations contained in the District's federal tax certificate and (b) covenants of the District contained in the Bond documents relating to certain matters, including arbitrage and the use of the proceeds of the Bonds and the property financed or refinanced therewith. Failure by the District to observe the aforementioned representations or covenants could cause the interest on the Bonds to become taxable retroactively to the date of issuance.

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

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

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

Federal Income Tax Accounting Treatment of Original Issue Discount

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

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

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

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

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

Collateral Federal Income Tax Consequences

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on Existing Law, which is subject to change or modification, retroactively.

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

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

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation. Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Bonds, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount bonds" to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

Qualified Tax-Exempt Obligations

The Bonds are NOT designated as "qualified tax-exempt obligations" for financial institutions.

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Orders, the District has the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, audited financial statements and timely notice of specified material events, in an electronic format as prescribed by the Municipal Securities Rulemaking Board ("MSRB"). The MSRB has established the Electronic Municipal Market Access ("EMMA") system for such purpose.

Annual Reports

The District will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under the headings "DISTRICT DEBT" (excluding the information contained under the subheading "Direct and Estimated Overlapping Debt Statement"), "TAX DATA," and "APPENDIX A." The District will update and provide this information within six months after the end of each of its fiscal years.

Any information so provided shall be prepared in accordance with generally accepted accounting principles or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to the MSRB within such six month period, and audited financial statements when and if the audit report becomes available. The District's current fiscal year end is November 30. Accordingly, it must provide updated information by the last day in May in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other events affecting the tax-exempt status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of SEC Rule 15c212; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (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 a 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 meanings ascribed to them under federal securities laws. Neither the Bonds nor the Bond Orders make any provision for debt service reserves or liquidity enhancement. The term "financial obligation" when used in this paragraph shall have the meaning ascribed to it under federal securities laws including meaning a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). The term "financial obligation" does not include municipal securities for which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule. In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information from EMMA

The District has agreed to provide the information only to the MSRB. The MSRB has prescribed that such information must be filed via EMMA. The MSRB makes the information available to the public without charge and investors will be able to access continuing disclosure information filed with the MSRB at www.emma.msrb.org.

Limitations and Amendments

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

The District may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or operations of the District, but only if (1) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with the SEC Rule 15c2-12, taking into account any amendments or interpretations of SEC Rule 15c2-12 to the date of such amendment, as well as such changed circumstances, and (2) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any qualified professional 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. 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. The District may also amend or repeal its continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the SEC Rule 15c2-12 or a court of final jurisdiction enters judgment that such provisions of such SEC Rule 15c2-12 are invalid, and the District also may amend its continuing disclosure agreement in its discretion in any other manner or circumstance, but in either case only if and to the extent that the provisions of this sentence would not have prevented an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds.

Compliance with Prior Undertaking

During the last five years, the District has complied in all material respects with its continuing disclosure agreements made in accordance with SEC Rule 15c2-12, except as follows: due to an administrative oversight, the District's audit and operating data for fiscal year end November 30, 2021 ("2021 Financial Information") was filed late. The District filed its 2021 Financial Information and a Notice of Late Filing via EMMA on June 1, 2022. The District has instituted procedures to ensure timely filing of all future annual financial data.

OFFICIAL STATEMENT

General

The information contained in this Official Statement has been obtained primarily from the Developer, the District's records, the Engineer, the Tax Assessor/Collector, the Appraisal District, and other sources believed to be reliable; however, no representation is made as to the accuracy or completeness of the information contained herein, except as described below. The summaries of the statutes, resolutions and engineering and other related reports set forth herein are included subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information.

Experts

The information contained in this Official Statement relating to engineering and to the description of the Utility System, and, in particular, that engineering information included in the sections entitled "THE BONDS – Use and Distribution of Bond Proceeds," "THE DISTRICT – Description," "DEVELOPMENT OF THE DISTRICT – Status of Development within the District," and "THE UTILITY SYSTEM" has been provided by the Engineer and has been included herein in reliance upon the authority of said firm as an expert in the field of civil engineering.

The information contained in this Official Statement relating to development of the District and, in particular, that development information included in the sections captioned "DEVELOPMENT OF THE DISTRICT – Status of Development within the District" and "PRINCIPAL LANDOWNER/DEVELOPER" has been provided by the Developer and has been included herein in reliance upon the authority of said firm as an expert in the field of property development.

The information contained in this Official Statement relating to assessed valuations of property generally and, in particular, that information concerning collection rates and valuations contained in the sections captioned "TAX DATA" and "DISTRICT DEBT" was provided by the Tax Assessor/Collector and the Appraisal District. Such information has been included herein in reliance upon the Tax Assessor/Collector's authority as an expert in the field of tax collection and the Appraisal District's authority as an expert in the field of property appraisal.

Financial Advisor

Tierra Financial 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, Tierra Financial 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. Tierra Financial Advisors, LLC, is a wholly owned subsidiary of D.R. Horton, the primary developer of land in the District. See "RELATIONSHIP AMONG THE PARTIES" herein.

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.

Certification as to Official Statement

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

Updating of 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 Initial Purchaser, of any adverse event which causes the Official Statement to be materially misleading, and unless the Initial Purchaser elects to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Initial Purchaser an appropriate amendment or supplement to the Official Statement satisfactory to the Initial Purchaser; 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 Initial Purchaser, unless the Initial Purchaser notifies the District in writing 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.

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CONCLUDING STATEMENT

The information set forth herein has been obtained from the District's records, audited financial statements, and other sources that are considered to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will ever be realized. All of the summaries of the statutes, documents, and resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents, and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such summarized documents for further information. Reference is made to official documents in all respects.

This Official Statement was approved by the Board of Directors of Montgomery County Municipal Utility District No. 139 as of the date shown on the cover page hereof.

/s/ Stedman Grigsby
President, Board of Directors
Montgomery County Municipal Utility District No 139

ATTEST:

/s/ Sara Krezinski
Secretary, Board of Directors
Montgomery County Municipal Utility District No 139

APPENDIX A

FINANCIAL STATEMENTS OF THE DISTRICT

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 139

MONTGOMERY COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

NOVEMBER 30, 2021

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 139

MONTGOMERY COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

NOVEMBER 30, 2021

T A B L E O F C O N T E N T S

McCALL GIBSON SWEDLUND BARFOOT PLLC

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Montgomery County Municipal
Utility District No. 139
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. 139 (the "District"), as of and for the year ended November 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

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

Other Information

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

McCall Gibson Swedlund Barfoot PLLC

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

March 3, 2022

Management's discussion and analysis of Montgomery County Municipal Utility District No. 139's (the "District") financial performance provides an overview of the District's financial activities for the year ended November 30, 2021. Please read it in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

FUND FINANCIAL STATEMENTS

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

FUND FINANCIAL STATEMENTS (Continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, liabilities and deferred inflows of resources exceeded assets by $15,721,862 as of November 30, 2021. A portion of the District's net position reflects its net investment in capital assets (water, wastewater and drainage facilities less any debt used to acquire those assets that is still outstanding). The District uses these assets to provide water and wastewater services.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2021	2020	Change Positive (Negative)
Current and Other Assets	$ 7,708,516	$ 5,967,656	$ 1,740,860
Capital Assets (Net of Accumulated Depreciation)	29,367,337	26,785,898	2,581,439
Total Assets	$ 37,075,853	$ 32,753,554	$ 4,322,299
Due to Developer	$ 12,181,127	$ 15,954,521	$ 3,773,394
Long-Term Liabilities	36,760,099	27,180,277	(9,579,822)
Other Liabilities	441,008	368,010	(72,998)
Total Liabilities	$ 49,382,234	$ 43,502,808	$ (5,879,426)
Deferred Inflows of Resources	$ 3,415,481	$ 2,424,323	$ (991,158)
Net Position:			
Net Investment in Capital Assets	$ (18,436,636)	$ (15,464,034)	$ (2,972,602)
Restricted	472,748	281,959	190,789
Unrestricted	2,242,026	2,008,498	233,528
Total Net Position	$ (15,721,862)	$ (13,173,577)	$ (2,548,285)

The following table provides a summary of the District's operations for the years ended November 30, 2021, and November 30, 2020.

	Summary of Changes in the Statement of Activities		
	2021	2020	Change Positive (Negative)
Revenues:			
Property Taxes	$ 2,486,706	$ 1,915,880	$ 570,826
Charges for Services	1,792,009	1,525,247	266,762
Other Revenues	28,809	48,412	(19,603)
Total Revenues	$ 4,307,524	$ 3,489,539	$ 817,985
Expenses for Services	6,855,809	6,951,065	95,256
Change in Net Position	$ (2,548,285)	$ (3,461,526)	$ 913,241
Net Position, Beginning of Year	(13,173,577)	(9,712,051)	(3,461,526)
Net Position, End of Year	$ (15,721,862)	$ (13,173,577)	$ (2,548,285)

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of November 30, 2021 were $4,019,258, an increase of $719,000 from the prior year.

The General Fund fund balance increased by $236,178, primarily due to operating revenues exceeding operating and capital costs.

The Debt Service Fund fund balance increased by $230,435, primarily due to the structure of the District's outstanding debt, as well as the receipt of capitalized interest from the sale of Series 2021 and Series 2021 Road bonds.

The Capital Projects Fund fund balance increased by $252,387, primarily due to Developer reimbursements and capital costs exceeding proceeds from the sale of Series 2021 and Series 2021 Road bonds.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors amended their budget during the current fiscal year to decrease budgeted connection fee revenue. Actual revenues were $288,954 more than budgeted revenue primarily due to higher than anticipated revenues across most categories. Actual expenditures were more than budgeted expenditures by $235,876 due to higher than anticipated costs across all budget categories, with the exception of lower than anticipated professional fees.

CAPITAL ASSETS

Capital assets as of November 30, 2021, total $29,367,337 (net of accumulated depreciation) and include the water, wastewater and drainage systems. The District has also constructed paving facilities have been conveyed to the County.

Capital Assets At Year-End, Net of Accumulated Depreciation

	2021	2020	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	$ 266,587	$ 248,821	$ 17,766
Construction in Progress	91,336		91,336
Capital Assets, Net of Accumulated Depreciation:			
Water System	9,281,645	8,367,438	914,207
Wastewater System	9,519,918	8,797,587	722,331
Drainage System	10,207,851	9,372,052	835,799
Total Net Capital Assets	$ 29,367,337	$ 26,785,898	$ 2,581,439

LONG-TERM DEBT ACTIVITY

As of November 30, 2021, the District had total bond debt payable of $36,720,000. The changes in the debt position of the District during the fiscal year ended November 30, 2021, are summarized as follows:

Bond Debt Payable, December 1, 2020	$ 27,235,000
Add: Bond Sales	10,185,000
Less: Bond Principal Paid	700,000
Bond Debt Payable, November 30, 2021	$ 36,720,000

As of November 30, 2021, the District's Series 2017 Road and 2018 bonds do not have an underlying rating or an insured rating. The Series 2019, Series 2019 Road, Series 2021 and Series 2021 Road bonds carry an underlying rating of "Baa3" and an insured rating of "AA" by virtue of insurance issued by either Build America Mutual. The Series 2020 and Series 2020 Road bonds carry an underlying rating of "Baa3" and an insured of "AA" by virtue of insurance issued by Assured Guarantee Mutual. The above ratings are as of November 30, 2021 and reflect all rating changes of the bond insurers though the year end.

CONTRACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Montgomery County Municipal Utility District No. 139, c/o Coats Rose, P.C., 9 Greenway Plaza, Suite 1000, Houston, Texas 77046.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 139
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
NOVEMBER 30, 2021

	General Fund	Debt Service Fund
ASSETS		
Cash	$ 567,914	$ 67,262
Investments	1,738,699	664,694
Receivables:		
Property Taxes	775,817	2,581,591
Service Accounts	146,177	
Due from Other Funds	40,324	
Prepaid Costs	18,250	
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation):		
TOTAL ASSETS	$ 3,287,181	$ 3,313,547

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
$ 435	$ 635,611	$	$ 635,611
1,147,677	3,551,070		3,551,070
	3,357,408		3,357,408
	146,177		146,177
	40,324	(40,324)	
	18,250		18,250
		266,587	266,587
		91,336	91,336
		29,009,414	29,009,414
$ 1,148,112	$ 7,748,840	$ 29,327,013	$ 37,075,853

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

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 139
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
NOVEMBER 30, 2021

	General Fund	Debt Service Fund
LIABILITIES		
Accounts Payable	$ 142,172	$
Accrued Interest Payable		
Due to Developers		
Due to Other Funds		40,324
Security Deposits	114,795	
Long-Term Liabilities:		
Due Within One Year		
Due After One Year		
TOTAL LIABILITIES	$ 256,967	$ 40,324
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	$ 790,592	$ 2,630,840
FUND BALANCES		
Nonspendable:		
Prepaid Costs	$ 18,250	$
Restricted for:		
Authorized Construction		
Debt Service		642,383
Unassigned	2,221,372	
TOTAL FUND BALANCES	$ 2,239,622	$ 642,383
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 3,287,181	$ 3,313,547
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
$ 10,859	$ 153,031	$	$ 153,031
		173,182	173,182
		12,181,127	12,181,127
	40,324	(40,324)	
	114,795		114,795
		720,000	720,000
		36,040,099	36,040,099
$ 10,859	$ 308,150	$ 49,074,084	$ 49,382,234
$ - 0 -	$ 3,421,432	$ (5,951)	$ 3,415,481
$	$ 18,250	$ (18,250)	$
1,137,253	1,137,253	(1,137,253)	
	642,383	(642,383)	
	2,221,372	(2,221,372)	
$ 1,137,253	$ 4,019,258	$ (4,019,258)	$ - 0 -
$ 1,148,112	$ 7,748,840		
		$ (18,436,636)	$ (18,436,636)
		472,748	472,748
		2,242,026	2,242,026
		$ (15,721,862)	$ (15,721,862)

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

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 139
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
NOVEMBER 30, 2021

Total Fund Balances - Governmental Funds		$ 4,019,258
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		29,367,337
Deferred inflows of resources related to tax revenues for the 2020 and prior tax levies became part of recognized revenue in the governmental activities of the District.		5,951
Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:		
Due to Developer	$ (12,181,127)	
Accrued Interest Payable	(173,182)	
Bonds Payable	(36,760,099)	(49,114,408)
Total Net Position - Governmental Activities		$ (15,721,862)

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

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MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 139
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED NOVEMBER 30, 2021

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	$ 890,752	$ 1,601,144
Water Service	469,158	
Wastewater Service	561,532	
Ground Water Reduction Plan Fees	419,961	
Conservation District Fees	13,049	
Penalty and Interest	34,607	17,308
Tap Connection and Inspection Fees	276,394	
Investment Revenues	1,625	1,047
Miscellaneous Revenues	16,412	9,255
TOTAL REVENUES	$ 2,683,490	$ 1,628,754
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	$ 78,315	$ 6,413
Contracted Services	370,860	24,641
Utilities	115,072	
Ground Water Reduction Plan Assessment	409,417	
Repairs and Maintenance	429,532	
Depreciation		
Other	551,759	24,471
Capital Outlay	442,426	
Developer Interest	49,931	
Conveyance of Assets		
Debt Service:		
Bond Principal		700,000
Bond Interest		821,032
Bond Issuance Costs		
TOTAL EXPENDITURES/EXPENSES	$ 2,447,312	$ 1,576,557
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES	$ 236,178	$ 52,197
OTHER FINANCING SOURCES (USES)		
Proceeds from Sale of Bonds	$	$ 178,238
Bond Premium		
TOTAL OTHER FINANCING SOURCES (USES)	$ - 0 -	$ 178,238
NET CHANGE IN FUND BALANCES	$ 236,178	$ 230,435
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - DECEMBER 1, 2020	2,003,444	411,948
FUND BALANCES/NET POSITION - NOVEMBER 30, 2021	$ 2,239,622	$ 642,383

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
$	$ 2,491,896	$ (5,190)	$ 2,486,706
	469,158		469,158
	561,532		561,532
	419,961		419,961
	13,049		13,049
	51,915		51,915
	276,394		276,394
470	3,142		3,142
	25,667		25,667
$ 470	$ 4,312,714	$ (5,190)	$ 4,307,524
$ 8,500	$ 93,228	$	$ 93,228
1,625	397,126		397,126
	115,072		115,072
	409,417		409,417
	429,532		429,532
		826,409	826,409
119	576,349		576,349
8,406,244	8,848,670	(8,848,670)	
697,909	747,840		747,840
		1,667,427	1,667,427
	700,000	(700,000)	
	821,032	39,269	860,301
733,108	733,108		733,108
$ 9,847,505	$ 13,871,374	$ (7,015,565)	$ 6,855,809
$ (9,847,035)	$ (9,558,660)	$ 7,010,375	$ (2,548,285)
$ 10,006,762	$ 10,185,000	$ (10,185,000)	$
92,660	92,660	(92,660)	
$ 10,099,422	$ 10,277,660	$ (10,277,660)	$ - 0 -
$ 252,387	$ 719,000	$ (719,000)	$
		(2,548,285)	(2,548,285)
884,866	3,300,258	(16,473,835)	(13,173,577)
$ 1,137,253	$ 4,019,258	$ (19,741,120)	$ (15,721,862)

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

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 139
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED NOVEMBER 30, 2021

Net Change in Fund Balances - Governmental Funds	$ 719,000
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.	(5,190)
Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.	(826,409)
Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected.	8,848,670
Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Position, bond principal payments are reported as decreases in long-term liabilities.	700,000
In the Statement of Activities, conveyance of assets to other governmental entities is recorded as an expense.	(1,667,427)
Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.	(39,269)
Governmental funds report bond proceeds as other financing sources. Issued bonds increase long-term liabilities in the Statement of Net Position.	(10,185,000)
Governmental funds report bond premiums as other financing sources in the year paid. However, in the Statement of Net Position, these costs are amortized over the life of the bonds and the current year amortized portion is recorded in the Statement of Activities.	(92,660)
Change in Net Position - Governmental Activities	$ (2,548,285)

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

NOTE 1. CREATION OF DISTRICT

Montgomery County Municipal Utility District No. 139 (the "District") was created effective June 14, 2013, pursuant to House Bill 1385, 83rd Texas Legislature, Regular Session codified as Chapter 8449, Texas Special District Local Laws Code. Pursuant to the provisions of Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution and Chapters 49 and 54 of the Texas Water Code, the District is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water, sanitary sewer service, storm sewer drainage, irrigation, roads, solid waste collection and disposal, including recycling, and to construct parks and recreational facilities for the residents of the District. The District is also empowered to contract for or employ its own peace officers with powers to make arrests and to establish, operate and maintain a fire department to perform all fire-fighting activities within the District. The Board of Directors held its first meeting on July 18, 2014, and sold their first bonds on August 15, 2017.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

<u>Financial Statement Presentation</u>

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

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

- Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

- Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

- Unrestricted Net Position – This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

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

Government-Wide Financial Statements

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

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

The Statement of Activities is reported by adjusting the governmental fund types to report only items related to current year revenues and expenditures. Items such as capital outlay are allocated over their estimated useful lives as depreciation expense. Internal activities between governmental funds, if any, are eliminated by adjustment to obtain net total revenue and expense of the government-wide Statement of Activities.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

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

Governmental Funds

The District has three governmental funds and considers these funds to be major funds.

General Fund - To account for resources not required to be accounted for in another fund, customer service revenues, operating costs and general expenditures.

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

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

Basis of Accounting

The District uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both "measurable and available." Measurable means the amount can be determined. Available means collectable within the current period or soon enough thereafter to pay current liabilities. The District considers revenue reported in governmental funds to be available if they are collectable within 60 days after year end. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, which are recognized as expenditures when payment is due.

Property taxes considered available by the District and included in revenue include the 2020 tax levy collections during the period October 1, 2020 to November 30, 2021 and taxes collected from December 1, 2020, to November 30, 2021, for the 2019 and prior tax levies. The 2021 tax levy has been fully deferred to meet the planned expenditures in the 2022 fiscal year.

Amounts transferred from one fund to another fund are reported as another financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. As of November 30, 2021, the Debt Service Fund owed the General Fund $40,324 for maintenance tax collections.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets, which include land and land improvements, construction in progress, water, wastewater and drainage system, are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their acquisition value on the date donated. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Engineering fees and certain other costs are capitalized as part of the asset.

Assets are capitalized, including infrastructure assets, if they have an original cost greater than $10,000 and a useful life over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation. Estimated useful lives are as follows:

	Years
Water, Wastewater and Drainage System	10-45
All Other Equipment	3-20

Budgeting

An annual unappropriated budget is adopted for the General Fund by the District's Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. The original General Fund budget for the current year was amended. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund presents the original and revised budget amounts, compared to the actual amounts of revenues and expenditures for the current year.

Pensions

The District has not established a pension plan as the District does not have employees. The Internal Revenue Service has determined that fees of office received by directors are considered wages subject to federal income tax withholding for payroll tax purposes only.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus

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

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

Nonspendable: amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

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

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

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

Unassigned: all other spendable amounts in the General Fund.

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Estimates

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

NOTE 3. LONG-TERM DEBT

	Road Series 2017	Series 2018	Series 2019	Road Series 2019
Amount Outstanding – November 30, 2021	$ 4,285,000	$ 4,830,000	$ 5,265,000	$ 3,685,000
Interest Rates	2.35% - 4.00%	3.00% - 4.00%	2.00% - 3.00%	2.00% - 3.00%
Maturity Dates – Serially Beginning/Ending	April 1, 2022/2042	April 1, 2022/2043	April 1, 2022/2044	April 1, 2022/2044
Interest Payment Dates	April 1/October 1	April 1/October 1	April 1/October 1	April 1/October 1
Callable Dates	April 1, 2023*	April 1, 2023*	April 1, 2024*	April 1, 2024*

	Series 2020	Road Series 2020	Series 2021	Road Series 2021
Amount Outstanding – November 30, 2021	$ 6,515,000	$ 1,955,000	$ 7,570,000	$ 2,615,000
Interest Rates	2.00% - 4.50%	2.375% - 4.875%	2.00% - 4.50%	2.00% - 4.50%
Maturity Dates – Serially Beginning/Ending	April 1, 2022/2044	April 1, 2022/2045	April 1, 2023/2046	April 1, 2023/2046
Interest Payment Dates	April 1/October 1	April 1/October 1	April 1/October 1	April 1/October 1
Callable Dates	April 1, 2025*	April 1, 2025*	April 1, 2026*	April 1, 2026*

* Or on any date thereafter, in whole or in part, at the option of the District, at a price of par plus accrued interest from the most recent interest payment date to the date fixed for redemption. Series 2017 Road term bonds maturing on April 1, 2031, 2033, 2035, 2038 and 2042 are subject to mandatory redemption beginning April 1, 2030, 2032, 2034, 2036 and 2039, respectively. Series 2018 term bonds maturing on April 1, 2043 are subject to mandatory redemption beginning April 1, 2040. Series 2019 term bonds maturing on April 1, 2044 are subject to mandatory redemption beginning April 1, 2040. Series 2019 Road term bonds maturing April 1, 2040, April 1, 2042 and April 1, 2044 are subject to mandatory redemption beginning April 1, 2039, April 1, 2041 and April 1, 2043, respectively. Series 2021 term bonds maturing on April 1, 2046 are subject to mandatory redemption beginning April 1, 2044. Series 2021 Road term bonds maturing April 1, 2032, April 1, 2034, April 1, 2036, April 1, 2038, April 1, 2040, April 1, 2043, and April 1, 2046 are subject to mandatory redemption beginning April 1, 2031, April 1, 2033, April 1, 2035, April 1, 2037, April 1, 2039, April 1, 2041 and April 1, 2044, respectively.

NOTE 3. LONG-TERM DEBT (Continued)

The following is a summary of transactions regarding bonds payable for the year ended November 30, 2021:

	December 1, 2020	Additions	Retirements	November 30, 2021
Bonds Payable	$ 27,235,000	$ 10,185,000	$ 700,000	$ 36,720,000
Unamortized Discounts	(202,511)		(9,048)	(193,463)
Unamortized Premium	147,788	92,660	6,886	233,562
Bonds Payable, Net	$ 27,180,277	$ 10,277,660	$ 697,838	$ 36,760,099

Amount Due Within One Year	$ 720,000
Amount Due After One Year	36,040,099
Bonds Payable, Net	$ 36,760,099

As of November 30, 2021, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2022	$ 720,000	$ 1,027,683	$ 1,747,683
2023	1,065,000	997,113	2,062,113
2024	1,100,000	958,157	2,058,157
2025	1,140,000	918,579	2,058,579
2026	1,180,000	878,098	2,058,098
2027-2031	6,465,000	3,874,102	10,339,102
2032-2036	7,520,000	2,975,626	10,495,626
2037-2041	8,830,000	1,830,701	10,660,701
2042-2046	8,700,000	483,722	9,183,722
	$ 36,720,000	$ 13,943,781	$ 50,663,781

As of November 30, 2021, the District had authorized but unissued bonds in the amount of $342,080,000 for utility facilities, $152,280,000 for roads and $37,710,000 for park and recreational facilities. The District also has authorized refunding bonds in the amount of one and a half times the amount of bonds previously issued.

During the year ended November 30, 2021, the District levied an ad valorem debt service tax at the rate of $0.66 per $100 of assessed valuation, which resulted in a tax levy of $1,734,012 on the adjusted taxable valuation of $262,729,121 for the 2021 tax year. The bond orders require the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 7 for maintenance tax levy.

NOTE 3. LONG-TERM DEBT (Continued)

During the year ended November 30, 2021, the District levied an ad valorem road debt service tax at the rate of $0.34 per $100 of assessed valuation, which resulted in a tax levy of $893,279 on the adjusted taxable valuation of $262,729,121 for the 2021 tax year. The bond orders require the District to levy and collect an ad valorem road debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. All property values and exempt status, if any, are determined by the appraisal district.

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

NOTE 4. SIGNIFICANT BOND RESOLUTION AND LEGAL REQUIREMENTS

The District has covenanted that it will take all necessary steps to comply with the requirement that rebatable arbitrage earnings on the investment of the gross proceeds of the bonds, within the meaning of section 148 (f) of the Internal Revenue Code, be rebated to the federal government. The minimum requirement for determination of the rebatable amount is on each 5th-year anniversary of each issue.

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

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

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

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District's deposits was $635,611 and the bank balance was $636,808. The bank balance was fully covered by federal depository insurance.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at November 30, 2021, as listed below:

	Cash
GENERAL FUND	$ 567,914
DEBT SERVICE FUND	67,262
CAPITAL PROJECTS FUND	435
TOTAL DEPOSITS	$ 635,611

Investments

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

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

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

The District invests in Texas Cooperative Liquid Assets Securities System Trust ("Texas CLASS"), an external public funds investment pool that is not SEC-registered. Public Trust Advisors, LLC serves as the pool's administrator and investment advisor. The pool is subject to the general supervision of the Board of Trustees and its Advisory Board. UMB Bank serves as custodian for the pool. Investments held by Texas CLASS are priced to market on a weekly basis. The investments are considered Level I investments because their fair value is measured by quoted prices in active markets. The fair value of the District's position in the pool is the same as the value of the pool shares. There are no limitations or restrictions on withdrawals from Texas Class.

		Maturities in Years		
Fund and Investment Type	Fair Value	Less Than 1	1-5	6-10
GENERAL FUND				
Texas CLASS	$ 1,738,699	$ 1,738,699	$	$
DEBT SERVICE FUND				
Texas CLASS	664,694	664,694		
CAPITAL PROJECTS FUND				
Texas CLASS	1,147,677	1,147,677		
TOTAL INVESTMENTS	$ 3,551,070	$ 3,551,070	$ - 0 -	$ - 0 -

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

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investments in Texas CLASS to have a maturity of less than one year due to the fact the share position can usually be redeemed each day at the discretion of the District, unless there has been a significant change in value.

Restrictions

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

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended November 30, 2021:

	December 1, 2020	Increases	Decreases	November 30, 2021
Capital Assets Not Being Depreciated				
Land and Land Improvements	$ 248,821	$ 17,766	$	$ 266,587
Construction in Progress		3,407,848	3,316,512	91,336
Total Capital Assets Not Being Depreciated	$ 248,821	$ 3,425,614	$ 3,316,512	$ 357,923
Capital Assets Subject to Depreciation				
Water System	$ 9,323,087	$ 1,191,589	$	$ 10,514,676
Wastewater System	9,361,685	983,530		10,345,215
Drainage System	10,044,834	1,123,627		11,168,461
Total Capital Assets Subject to Depreciation	$ 28,729,606	$ 3,298,746	$ - 0 -	$ 32,028,352
Less Accumulated Depreciation				
Water System	$ 955,649	$ 277,382	$	$ 1,233,031
Wastewater System	564,098	261,199		825,297
Drainage System	672,782	287,828		960,610
Total Accumulated Depreciation	$ 2,192,529	$ 826,409	$ - 0 -	$ 3,018,938
Total Depreciable Capital Assets, Net of Accumulated Depreciation	$ 26,537,077	$ 2,472,337	$ - 0 -	$ 29,009,414
Total Capital Assets, Net of Accumulated Depreciation	$ 26,785,898	$ 5,897,951	$ 3,316,512	$ 29,367,337

NOTE 7. MAINTENANCE TAX

On November 4, 2014, the voters of the District approved the levy and collection of a maintenance tax at a maximum rate of $1.50 per $100 of assessed valuation of taxable property within the District. The maintenance tax is to be used by the General Fund to pay expenditures of operating the District's waterworks and wastewater system. During the year ended November 30, 2021, the District levied an ad valorem maintenance tax at the rate of $0.30 per $100 of assessed valuation, which resulted in a tax levy of $788,190 on the taxable valuation of $262,729,121 for the 2021 tax year. The 2021 tax levy has been fully deferred.

On November 4, 2014, the voters of the District approved the levy and collection of a road maintenance tax at a maximum rate of $1.50 per $100 of assessed valuation of taxable property within the District. During the year ended November 30, 2021, the District did not levy an ad valorem road maintenance tax.

NOTE 7. MAINTENANCE TAX (Continued)

On November 4, 2014, the voters of the District approved the levy and collection of a parks and recreational maintenance tax at a maximum rate of $0.10 per $100 of assessed valuation of taxable property within the District. During the year ended November 30, 2021, the District did not levy an ad valorem parks and recreational maintenance tax.

NOTE 8. LONE STAR GROUNDWATER CONSERVATION DISTRICT

The District is located within the boundaries of the Lone Star Groundwater Conservation District (the "Conservation District"). The Conservation District was created under Article 16, Section 59 of the Texas Constitution by House Bill 1842 (the "Act"), as passed by the 77th Texas Legislature, in 2001. The Act empowers the Conservation District for purposes including the acquisition and provision of surface water and groundwater for residential, commercial, industrial, agricultural, and other uses, the reduction of groundwater withdrawals, the conservation, preservation, protection, recharge, and prevention of waste of groundwater, and of groundwater reservoirs or their subdivisions, and the control of subsidence caused by withdrawal of water from those groundwater reservoirs or their subdivisions. The Conservation District is overseeing that its participants comply with subsidence district pumpage requirements. The District is required to convert its water supply to surface water over a period of time. A nine-member board of directors governs the Conservation District. The directors serve staggered four-year terms. Each director must qualify to serve as director in the manner provided by Section 49.055 of the Water Code.

The Conservation District charges a fee based on the amount of water pumped from a well, to the owner of wells located within the boundaries of the Conservation District, unless exempted. This fee enables the Conservation District to fulfill its purpose and regulatory functions.

NOTE 9. UNREIMBURSED COSTS

The District has executed reimbursement agreements with Developers within the District. The agreements call for the Developers to fund costs associated with water, wastewater and drainage facilities until such time as the District can sell bonds. As of November 30, 2021, the District has recorded a liability in the amount of $12,181,127 for projects that have been completed by the Developers as of November 30, 2021. This liability has been recorded in the Statement of Net Position. Below is a summary of current year activity.

	December 1, 2020	Additions	Reimbursements	November 30, 2021
Due To Developer	$ 15,954,521	$ 1,628,931	$ 5,402,325	$ 12,181,127

NOTE 10. 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. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

NOTE 11. SAN JACINTO RIVER AUTHORITY

Effective January 1, 2014, the District entered into the Contract for Groundwater Reduction Planning, Alternative Water Supply, and Related Goods and Services with the San Jacinto River Authority (the "Authority"). The District and the Authority operate within the boundaries of Lone Star Groundwater Conservation District (the "Conservation District"). See Note 6. The Authority has developed supplies of surface water that, when taken together with groundwater withdrawals to be permitted by the Conservation District, are reasonably believed to be adequate to satisfy the total water demands of Montgomery County. A surface water treatment and transmission system (the "Project") is proposed to be designed, constructed, operated, and maintained by the Authority in order to provide phased treatment, transmission, and delivery of the Authority's surface water to regulated users for blending with groundwater supplies, so that regulated users may continue to pump groundwater. The Authority will develop a Groundwater Reduction Plan (the "GRP") for all participants. The Authority charges a fee, currently $2.88 per 1,000 gallons, based on the amount of groundwater and surface water used. This fee enables the Authority to achieve, maintain and implement the GRP. The term of this contract expires on December 31, 2089. During the current fiscal year, the District recorded an expenditure of $409,417 in relation to this contract.

NOTE 12. STRATEGIC PARTNERSHIP AGREEMENT

The District has entered into a Strategic Partnership Agreement ("SPA") with the City of Conroe, Texas (the "City"), whereby the City may annex the District for limited purposes at any time and impose its Sales and Use Tax within the District upon its limited purpose annexation of the District. The City may annex the District for full purposes at any time on or after December 31, 2025, by full-purpose annexation ordinance or conversion from limited purpose annexation. Upon the full purpose annexation of the District, the land included within the boundaries of the District will be deemed to be within the full purpose boundary limits of the City without the need for any further action. Upon such date all taxable property within the territory of the District will become subject to ad valorem taxation by the City.

Upon full-purpose annexation the City may (a) abolish the District and assume its debts and obligations pursuant to Local Government Code Section 43.075, or (b) continue the District as a limited district. The District may not be abolished until 90% build out.

NOTE 13. OPERATING LEASES

On November 17, 2014, the District entered into a lease agreement with AUC Group to finance a 0.14 MGD wastewater treatment plant in the amount of $897,586 at an interest rate of 7.5%. Payments in the amount of $13,103 are due the first day of each month. The initial term of this lease is 60 months. At the end of the initial term, the District has the option to purchase the wastewater treatment plant in the amount of $354,135. As of the date of this report, the District has not made a decision to purchase the wastewater treatment plant at the end of the initial term. Monthly lease payments of $11,000 will be required for any additional months beyond the initial term.

On August 1, 2019, the District entered into a lease agreement with AUC Group to finance Phase II of a 0.28 MGD wastewater treatment plant expansion in the amount of $350,000 at an interest rate of 8%. Payments in the amount of $4,750 are due the first day of each month. The initial term of this lease is 60 months. At the end of the initial term, the District has the option to purchase the wastewater treatment plant in the amount of $189,723. As of the date of this report, the District has not made a decision to purchase the wastewater treatment plant at the end of the initial term. Monthly lease payments of $3,400 will be required for any additional months beyond the initial term.

The following is a schedule of future minimum lease payments under the operating leases during the initial terms as of November 30, 2021

Fiscal Year	Principal	Interest	Total
2022	$ 30,633	$ 26,367	$ 57,000
2023	33,507	23,493	57,000
2024	36,651	20,349	57,000
2025	16,267	7,483	23,750
	$ 117,058	$ 77,692	$ 194,750

NOTE 14. BOND SALES

On September 8, 2021, the District closed on the sale of its Series 2021 Unlimited Tax Utility Bonds in the amount of $7,570,000. The District used proceeds of the bonds to fund the following: (i) water plant expansion no. 1; (ii) phase 3 expansion of the wastewater treatment plant; (iii) offsite sanitary sewer trunkline; (iv) Lift Station No. 3 to serve Fosters Ridge; (v) coating inspection services of the water plant expansion no. 1, wastewater permit amendment costs, land acquisition costs for Lift Station No. 3, stormwater compliance costs, geotechnical and engineering fees; and reimburse the developer for a portion of (vi) water, wastewater and drainage facilities serving the development of Fosters Ridge Sections 1, 2, 3 and 5 within the District. Additional proceeds were used to pay developer interest, six months of capitalized interest, and other costs associated with the issuance of the bonds.

NOTE 14. BOND SALES (Continued)

On September 8, 2021, the District closed on the sale of its Series 2021 Unlimited Tax Road Bonds in the amount of $2,615,000. The District used proceeds of the bonds to reimburse the developer for a portion of the following: (i) Fosters Ridge, Section One; (ii) Fosters Ridge, Section Five; (iii) Fosters Ridge clearing and grubbing phase two; (iv) engineering and geotechnical for Fosters Ridge Section Five, Seven and Eleven and Fosters Ridge clearing and grubbing phase two; (v) storm water compliance for Fosters Ridge Section Five, Seven and Eleven; (vi) street lighting for Fosters Ridge Sections Five, Seven and Eleven; and (vii) land acquisition for Fosters Ridge, Sections Two and Five. Additional proceeds were used to pay developer interest, six months of capitalized interest, and certain other costs associated with the bonds.

NOTE 15. ECONOMIC UNCERTAINTIES

On March 11, 2020, the World Health Organization declared the COVID-19 virus a global pandemic. Since that time, the District has not experienced any decrease in property values, unusual tax delinquencies, or interruptions to service as a result of COVID-19. The District will continue to carefully monitor the situation and evaluate the financial statement impact, if any, that results from the pandemic.

NOTE 16. USE OF SURPLUS FUNDS

On January 29, 2021, the Commission approved the use of surplus capital projects funds in the amount of $639,574 to reimburse the developer for cost associated with clearing and grubbing, water, wastewater, and drainage facilities to serve Fosters Ridge, Section 18.

On December 2, 2021, the District authorized the application to the Commission for the use of surplus funds from the Series 2020 and Series 2021 bonds to fund the construction of Phase III of the wastewater treatment plant.

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MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 139

REQUIRED SUPPLEMENTARY INFORMATION

NOVEMBER 30, 2021

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 139
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED NOVEMBER 30, 2021

	Original Budget	Final Amended Budget	Actual	Variance Positive (Negative)
REVENUES				
Property Taxes	$ 866,700	$ 866,700	$ 890,752	$ 24,052
Water Service	382,600	382,600	469,158	86,558
Wastewater Service	491,700	491,700	561,532	69,832
Ground Water Reduction Plan Fees	386,700	386,700	419,961	33,261
Conservation District Fees	13,000	13,000	13,049	49
Penalty and Interest	28,700	28,700	34,607	5,907
Tap Connection and Inspection Fees	217,200	217,200	276,394	59,194
Investment Revenues	3,836	3,836	1,625	(2,211)
Miscellaneous Revenues	12,100	4,100	16,412	12,312
TOTAL REVENUES	$ 2,402,536	$ 2,394,536	$ 2,683,490	$ 288,954
EXPENDITURES				
Services Operations:				
Professional Fees	$ 88,500	$ 88,500	$ 78,315	$ 10,185
Contracted Services	261,800	261,800	370,860	(109,060)
Utilities	97,300	97,300	115,072	(17,772)
Ground Water Reduction Plan Assessment	386,700	386,700	409,417	(22,717)
Repairs and Maintenance/Capital Outlay	913,775	913,775	921,889	(8,114)
Other	463,361	463,361	551,759	(88,398)
TOTAL EXPENDITURES	$ 2,211,436	$ 2,211,436	$ 2,447,312	$ (235,876)
NET CHANGE IN FUND BALANCE	$ 191,100	$ 183,100	$ 236,178	$ 53,078
FUND BALANCE - DECEMBER 1, 2020	2,003,444	2,003,444	2,003,444	
FUND BALANCE - NOVEMBER 30, 2021	$ 2,194,544	$ 2,186,544	$ 2,239,622	$ 53,078

See accompanying independent auditor's report.

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MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 139

SUPPLEMENTARY INFORMATION – REQUIRED BY THE

WATER DISTRICT FINANCIAL MANAGEMENT GUIDE

NOVEMBER 30, 2021

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 139
SERVICES AND RATES
FOR THE YEAR ENDED NOVEMBER 30, 2021

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

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

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

_______ Other (specify): ______________________________

2. RETAIL SERVICE PROVIDERS

a. RETAIL RATES FOR A 5/8" METER (OR EQUIVALENT):

Based on the rate order effective May 6, 2021.

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1,000 Gallons over Minimum Use	Usage Levels
WATER:	$15.00	5,000	N	$2.00	5,001 to 20,000
				$2.50	20,001 to 30,000
				$3.50	30,001 to 40,000
				$4.50	Over 40,000
WASTEWATER:	$32.61*	5,000	N	$1.75	5,001 to 20,000
				$2.00	20,001 to 30,000
				$2.25	30,001 to 40,000
				$3.00	Over 40,000

* Includes Solid Waste/Garbage

SURCHARGE:

Groundwater Conservation District Fees	$ 0.085 per 1,000 gallons + 10%
Groundwater Reduction Plan Fees	$ 2.88 per 1,000 gallons + 10%

District employs winter averaging for wastewater usage?		X
	Yes	No

Total monthly charges per 10,000 gallons usage: Water: $25.00 Wastewater: $41.36 Surcharge: $32.62 Total: $98.98

See accompanying independent auditor's report.

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFCs
Unmetered			x 1.0	
≤¾"	1,336	1,293	x 1.0	1,293
1"	44	42	x 2.5	105
1½"	2	2	x 5.0	10
2"	18	16	x 8.0	128
3"			x 15.0	
4"	1	1	x 25.0	25
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water Connections	1,401	1,354		1,561
Total Wastewater Connections	1,376	1,351	x 1.0	1,351

3. TOTAL WATER CONSUMPTION DURING THE FISCAL YEAR ROUNDED TO THE NEAREST THOUSAND: (Unaudited)

Gallons pumped in system:	145,221,000	Water Accountability Ratio: 97.45% (Gallons billed/Gallons pumped)
Gallons billed to customers:	141,515,000	

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

Does the District have Debt Service standby fees? Yes __ No _X_

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

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes __X__ No ______

County or Counties in which District is located:

Montgomery County, Texas

Is the District located within a city?

Entirely _____ Partly _______ Not at all __X__

Is the District located within a city's extraterritorial jurisdiction (ETJ)?

Entirely __X__ Partly _______ Not at all _____

ETJ in which the District is located:

City of Conroe, Texas

Are Board Members appointed by an office outside the District?

Yes _____ No __X__

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 139
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED NOVEMBER 30, 2021

PROFESSIONAL FEES:	
Auditing	$ 15,500
Engineering	17,752
Legal	45,063
TOTAL PROFESSIONAL FEES	$ 78,315
CONTRACTED SERVICES:	
Bookkeeping	$ 33,545
Operations and Billing	80,632
Solid Waste Disposal	256,683
TOTAL CONTRACTED SERVICES	$ 370,860
UTILITIES	
Electricity	$ 113,062
Telephone	2,010
TOTAL UTILITIES	$ 115,072
REPAIRS AND MAINTENANCE	$ 429,532
ADMINISTRATIVE EXPENDITURES:	
Director Fees	$ 8,850
Insurance	22,109
Office Supplies and Postage	11,464
Operating Lease	215,662
Payroll Taxes	677
Travel and Meetings	904
Other	3,992
TOTAL ADMINISTRATIVE EXPENDITURES	$ 263,658
CAPITAL OUTLAY:	
Capitalized Assets/Developer Reimbursement	$ 442,426
Developer Interest	49,931
TOTAL CAPITAL OUTLAY:	$ 492,357
TAP CONNECTIONS	$ 54,600

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 139
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED NOVEMBER 30, 2021

OTHER EXPENDITURES:	
Chemicals	$ 38,449
Ground Water Reduction Plan Assessment	409,417
Laboratory Fees	20,089
Permit Fees	1,450
Reconnection Fees	25,300
Inspection Fees	44,450
Regulatory Assessment	4,611
Lone Star Groundwater Conservation Fee	4,282
Sludge Hauling	94,870
TOTAL OTHER EXPENDITURES	$ 642,918
TOTAL EXPENDITURES	$ 2,447,312

See accompanying independent auditor’s report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 139
INVESTMENTS
NOVEMBER 30, 2021

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
GENERAL FUND					
Texas CLASS	XXXX0003	Varies	Daily	$ 1,738,699	$ -0-
DEBT SERVICE FUND					
Texas CLASS	XXXX0002	Varies	Daily	$ 281,792	$
Texas CLASS	XXXX0005	Varies	Daily	382,902	
TOTAL DEBT SERVICE FUND				$ 664,694	$ -0-
CAPITAL PROJECTS FUND					
Texas CLASS	XXXX0007	Varies	Daily	$ 30,172	$
Texas CLASS	XXXX0008	Varies	Daily	94,557	
Texas CLASS	XXXX0009	Varies	Daily	38,025	
Texas CLASS	XXXX0010	Varies	Daily	934,180	
Texas CLASS	XXXX0011	Varies	Daily	50,743	
TOTAL CAPITAL PROJECTS FUND				$ 1,147,677	$ -0-
TOTAL - ALL FUNDS				$ 3,551,070	$ -0-

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 139
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED NOVEMBER 30, 2021

	Maintenance Taxes		Debt Service Taxes		Road Debt Service Taxes	
TAXES RECEIVABLE - DECEMBER 1, 2020	$ 863,292		$ 964,728		$ 586,188	
Adjustments to Beginning Balance	22,273	$ 885,565	25,000	$ 989,728	15,110	$ 601,298
Original 2021 Tax Levy	$ 773,190		$ 1,701,019		$ 876,282	
Adjustment to 2021 Tax Levy	15,000	788,190	32,993	1,734,012	16,997	893,279
TOTAL TO BE ACCOUNTED FOR		$ 1,673,755		$ 2,723,740		$ 1,494,577
TAX COLLECTIONS:						
Prior Years	$ 883,161		$ 987,595		$ 599,884	
Current Year	14,777	897,938	32,503	1,020,098	16,744	616,628
TAXES RECEIVABLE - NOVEMBER 30, 2021		$ 775,817		$ 1,703,642		$ 877,949
TAXES RECEIVABLE BY YEAR:						
2021		$ 773,413		$ 1,701,509		$ 876,535
2020		1,094		1,226		744
2019		1,310		907		670
TOTAL		$ 775,817		$ 1,703,642		$ 877,949

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 139
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED NOVEMBER 30, 2021

	2021	2020	2019	2018
PROPERTY VALUATIONS:				
Land	$ 78,993,860	$ 52,750,280	$ 45,217,240	$ 32,702,550
Improvements	191,541,960	128,454,460	97,691,630	49,567,080
Personal Property	250,822	592,892	910,449	579,196
Exemptions	(8,057,521)	(8,631,781)	(6,480,969)	(6,233,740)
TOTAL PROPERTY VALUATIONS	$ 262,729,121	$ 173,165,851	$ 137,338,350	$ 76,615,086
TAX RATES PER $100 VALUATION:				
Debt Service	$ 0.66	$ 0.56	$ 0.440	$ 0.38
Road Debt Service	0.34	0.34	0.325	0.33
Maintenance	0.30	0.50	0.635	0.74
TOTAL TAX RATES PER $100 VALUATION	$ 1.30	$ 1.40	$ 1.400	$ 1.45
ADJUSTED TAX LEVY*	$ 3,415,481	$ 2,424,323	$ 1,922,736	$ 1,110,919
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	1.87 %	99.87 %	99.85 %	100.00 %

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

Maximum Tax – Maximum tax rate of $1.50 per $100 of assessed valuation approved by voter on November 4, 2014.

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 139
LONG-TERM DEBT SERVICE REQUIREMENTS
NOVEMBER 30, 2021

	SERIES - 2017 ROAD		
Due During Fiscal Years Ending November 30	Principal Due April 1	Interest Due April 1/ October 1	Total
2022	$ 135,000	$ 150,910	$ 285,910
2023	140,000	147,574	287,574
2024	145,000	143,903	288,903
2025	150,000	139,882	289,882
2026	160,000	135,381	295,381
2027	165,000	130,402	295,402
2028	170,000	125,063	295,063
2029	180,000	119,262	299,262
2030	185,000	113,080	298,080
2031	190,000	106,704	296,704
2032	200,000	99,975	299,975
2033	205,000	92,888	297,888
2034	215,000	85,269	300,269
2035	225,000	77,019	302,019
2036	230,000	68,200	298,200
2037	240,000	58,800	298,800
2038	250,000	49,000	299,000
2039	260,000	38,800	298,800
2040	270,000	28,200	298,200
2041	280,000	17,200	297,200
2042	290,000	5,800	295,800
2043			
2044			
2045			
2046			
	$ 4,285,000	$ 1,933,312	$ 6,218,312

See accompanying independent auditor’s report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 139
LONG-TERM DEBT SERVICE REQUIREMENTS
NOVEMBER 30, 2021

	S E R I E S - 2 0 1 8		
Due During Fiscal Years Ending November 30	Principal Due April 1	Interest Due April 1/ October 1	Total
2022	$ 135,000	$ 172,950	$ 307,950
2023	140,000	168,825	308,825
2024	150,000	164,475	314,475
2025	155,000	159,900	314,900
2026	160,000	155,075	315,075
2027	170,000	149,812	319,812
2028	175,000	144,097	319,097
2029	185,000	138,022	323,022
2030	190,000	131,575	321,575
2031	200,000	124,750	324,750
2032	210,000	117,575	327,575
2033	215,000	110,003	325,003
2034	225,000	102,028	327,028
2035	235,000	93,544	328,544
2036	245,000	84,544	329,544
2037	255,000	75,169	330,169
2038	265,000	65,419	330,419
2039	280,000	55,025	335,025
2040	290,000	43,800	333,800
2041	305,000	31,900	336,900
2042	315,000	19,500	334,500
2043	330,000	6,600	336,600
2044			
2045			
2046			
	$ 4,830,000	$ 2,314,588	$ 7,144,588

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 139
LONG-TERM DEBT SERVICE REQUIREMENTS
NOVEMBER 30, 2021

	SERIES - 2019		
Due During Fiscal Years Ending November 30	Principal Due April 1	Interest Due April 1/ October 1	Total
2022	$ 145,000	$ 138,269	$ 283,269
2023	150,000	133,844	283,844
2024	160,000	129,194	289,194
2025	165,000	125,144	290,144
2026	170,000	121,794	291,794
2027	175,000	118,344	293,344
2028	185,000	114,744	299,744
2029	190,000	110,994	300,994
2030	200,000	106,844	306,844
2031	205,000	102,159	307,159
2032	215,000	97,037	312,037
2033	220,000	91,600	311,600
2034	230,000	85,831	315,831
2035	240,000	79,662	319,662
2036	250,000	73,075	323,075
2037	260,000	66,062	326,062
2038	265,000	58,844	323,844
2039	280,000	51,000	331,000
2040	290,000	42,450	332,450
2041	300,000	33,600	333,600
2042	310,000	24,450	334,450
2043	325,000	14,925	339,925
2044	335,000	5,025	340,025
2045			
2046			
	$ 5,265,000	$ 1,924,891	$ 7,189,891

See accompanying independent auditor’s report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 139
LONG-TERM DEBT SERVICE REQUIREMENTS
NOVEMBER 30, 2021

	SERIES - 2019 ROAD		
Due During Fiscal Years Ending November 30	Principal Due April 1	Interest Due April 1/ October 1	Total
2022	$ 105,000	$ 95,927	$ 200,927
2023	105,000	93,828	198,828
2024	110,000	91,677	201,677
2025	115,000	89,428	204,428
2026	120,000	87,077	207,077
2027	125,000	84,628	209,628
2028	130,000	82,077	212,077
2029	135,000	79,360	214,360
2030	140,000	76,367	216,367
2031	145,000	73,053	218,053
2032	150,000	69,437	219,437
2033	155,000	65,625	220,625
2034	160,000	61,488	221,488
2035	165,000	57,019	222,019
2036	175,000	52,125	227,125
2037	180,000	46,800	226,800
2038	185,000	41,325	226,325
2039	195,000	35,625	230,625
2040	200,000	29,700	229,700
2041	210,000	23,550	233,550
2042	220,000	17,100	237,100
2043	225,000	10,425	235,425
2044	235,000	3,525	238,525
2045			
2046			
	$ 3,685,000	1,367,166	$ 5,052,166

See accompanying independent auditor’s report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 139
LONG-TERM DEBT SERVICE REQUIREMENTS
NOVEMBER 30, 2021

	S E R I E S - 2 0 2 0		
Due During Fiscal Years Ending November 30	Principal Due October 1	Interest Due April 1/ October 1	Total
2022	$ 160,000	$ 172,669	$ 332,669
2023	170,000	165,244	335,244
2024	165,000	157,706	322,706
2025	170,000	150,169	320,169
2026	180,000	142,294	322,294
2027	180,000	134,194	314,194
2028	185,000	125,981	310,981
2029	190,000	119,919	309,919
2030	195,000	116,069	311,069
2031	200,000	112,119	312,119
2032	205,000	108,069	313,069
2033	215,000	103,869	318,869
2034	220,000	99,519	319,519
2035	225,000	94,928	319,928
2036	235,000	90,041	325,041
2037	245,000	84,788	329,788
2038	255,000	79,163	334,163
2039	260,000	73,369	333,369
2040	270,000	67,238	337,238
2041	280,000	60,706	340,706
2042	295,000	53,878	348,878
2043	305,000	46,563	351,563
2044	665,000	34,438	699,438
2045	1,045,000	13,063	1,058,063
2046			
	$ 6,515,000	$ 2,405,996	$ 8,920,996

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 139
LONG-TERM DEBT SERVICE REQUIREMENTS
NOVEMBER 30, 2021

	SERIES-2020 ROAD		
Due During Fiscal Years Ending November 30	Principal Due October 1	Interest Due April 1/ October 1	Total
2022	$ 40,000	$ 52,194	$ 92,194
2023	45,000	50,122	95,122
2024	45,000	47,928	92,928
2025	40,000	45,856	85,856
2026	35,000	44,028	79,028
2027	35,000	42,759	77,759
2028	35,000	41,928	76,928
2029	30,000	41,156	71,156
2030	30,000	40,444	70,444
2031	30,000	39,731	69,731
2032	25,000	39,078	64,078
2033	30,000	38,425	68,425
2034	30,000	37,713	67,713
2035	25,000	37,059	62,059
2036	25,000	36,466	61,466
2037	25,000	35,872	60,872
2038	30,000	35,219	65,219
2039	25,000	34,566	59,566
2040	30,000	33,913	63,913
2041	30,000	33,200	63,200
2042	25,000	32,547	57,547
2043	335,000	28,063	363,063
2044	345,000	19,563	364,563
2045	610,000	7,625	617,625
2046			
	$ 1,955,000	$ 895,455	$ 2,850,455

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 139
LONG-TERM DEBT SERVICE REQUIREMENTS
NOVEMBER 30, 2021

	S E R I E S - 2 0 2 1		
Due During Fiscal Years Ending November 30	Principal Due October 1	Interest Due April 1/ October 1	Total
2022	$	$ 181,826	$ 181,826
2023	240,000	176,426	416,426
2024	250,000	165,399	415,399
2025	260,000	153,925	413,925
2026	270,000	141,999	411,999
2027	280,000	133,126	413,126
2028	285,000	127,475	412,475
2029	290,000	121,724	411,724
2030	295,000	115,876	410,876
2031	305,000	109,874	414,874
2032	305,000	103,775	408,775
2033	315,000	97,575	412,575
2034	315,000	91,275	406,275
2035	325,000	84,875	409,875
2036	325,000	78,375	403,375
2037	330,000	71,824	401,824
2038	335,000	65,175	400,175
2039	340,000	58,212	398,212
2040	345,000	50,934	395,934
2041	350,000	43,550	393,550
2042	355,000	36,060	391,060
2043	360,000	28,463	388,463
2044	360,000	20,588	380,588
2045	355,000	12,544	367,544
2046	380,000	4,275	384,275
	$ 7,570,000	$ 2,275,150	$ 9,845,150

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 139
LONG-TERM DEBT SERVICE REQUIREMENTS
NOVEMBER 30, 2021

	SERIES-2021 ROAD		
Due During Fiscal Years Ending November 30	Principal Due September 1	Interest Due March 1/ September 1	Total
2022	$	$ 62,938	$ 62,938
2023	75,000	61,250	136,250
2024	75,000	57,875	132,875
2025	85,000	54,275	139,275
2026	85,000	50,450	135,450
2027	85,000	47,688	132,688
2028	90,000	45,938	135,938
2029	90,000	44,138	134,138
2030	95,000	42,288	137,288
2031	100,000	40,338	140,338
2032	100,000	38,338	138,338
2033	105,000	36,288	141,288
2034	105,000	34,188	139,188
2035	110,000	32,038	142,038
2036	115,000	29,788	144,788
2037	120,000	27,363	147,363
2038	120,000	24,813	144,813
2039	125,000	22,210	147,210
2040	125,000	19,554	144,554
2041	130,000	16,763	146,763
2042	135,000	13,781	148,781
2043	135,000	10,744	145,744
2044	135,000	7,707	142,707
2045	125,000	4,782	129,782
2046	150,000	1,688	151,688
	$ 2,615,000	$ 827,223	$ 3,442,223

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 139
LONG-TERM DEBT SERVICE REQUIREMENTS
NOVEMBER 30, 2021

	ANNUAL REQUIREMENTS FOR ALL SERIES		
Due During Fiscal Years Ending November 30	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2022	$ 720,000	$ 1,027,683	$ 1,747,683
2023	1,065,000	997,113	2,062,113
2024	1,100,000	958,157	2,058,157
2025	1,140,000	918,579	2,058,579
2026	1,180,000	878,098	2,058,098
2027	1,215,000	840,953	2,055,953
2028	1,255,000	807,303	2,062,303
2029	1,290,000	774,575	2,064,575
2030	1,330,000	742,543	2,072,543
2031	1,375,000	708,728	2,083,728
2032	1,410,000	673,284	2,083,284
2033	1,460,000	636,273	2,096,273
2034	1,500,000	597,311	2,097,311
2035	1,550,000	556,144	2,106,144
2036	1,600,000	512,614	2,112,614
2037	1,655,000	466,678	2,121,678
2038	1,705,000	418,958	2,123,958
2039	1,765,000	368,807	2,133,807
2040	1,820,000	315,789	2,135,789
2041	1,885,000	260,469	2,145,469
2042	1,945,000	203,116	2,148,116
2043	2,015,000	145,783	2,160,783
2044	2,075,000	90,846	2,165,846
2045	2,135,000	38,014	2,173,014
2046	530,000	5,963	535,963
	$ 36,720,000	$ 13,943,781	$ 50,663,781

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 139
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED NOVEMBER 30, 2021

Description	Original Bonds Issued	Bonds Outstanding December 1, 2020
Montgomery County Municipal Utility District No. 139 Unlimited Tax Road Bonds - Series 2017	$ 4,775,000	$ 4,415,000
Montgomery County Municipal Utility District No. 139 Unlimited Tax Bonds - Series 2018	5,085,000	4,960,000
Montgomery County Municipal Utility District No. 139 Unlimited Tax Bonds - Series 2019	5,525,000	5,405,000
Montgomery County Municipal Utility District No. 139 Unlimited Tax Road Bonds - Series 2019	3,870,000	3,785,000
Montgomery County Municipal Utility District No. 139 Unlimited Tax Bonds - Series 2020	6,670,000	6,670,000
Montgomery County Municipal Utility District No. 139 Unlimited Tax Road Bonds - Series 2020	2,000,000	2,000,000
Montgomery County Municipal Utility District No. 139 Unlimited Tax Bonds - Series 2021	7,570,000	
Montgomery County Municipal Utility District No. 139 Unlimited Tax Road Bonds - Series 2021	2,615,000	
TOTAL	$ 38,110,000	$ 27,235,000

Bond Authority:	Utility Bonds	Recreational Facility Bonds	Road Bonds
Amount Authorized by Voters	$ 366,930,000	$ 37,710,000	$ 165,540,000
Amount Issued	24,850,000		13,260,000
Remaining to be Issued	$ 342,080,000	$ 37,710,000	$ 152,280,000

See accompanying independent auditor’s report.

Current Year Transactions				
	Retirements			
Bonds Sold	Principal	Interest	Bonds Outstanding November 30, 2021	Paying Agent
$	$ 130,000	$ 153,926	$ 4,285,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	130,000	176,925	4,830,000	ZB, National Association dba Amegy Bank Houston, TX
	140,000	142,544	5,265,000	ZB, National Association dba Amegy Bank Houston, TX
	100,000	97,977	3,685,000	ZB, National Association dba Amegy Bank Houston, TX
	155,000	179,756	6,515,000	ZB, National Association dba Amegy Bank Houston, TX
	45,000	54,266	1,955,000	ZB, National Association dba Amegy Bank Houston, TX
7,570,000		11,617	7,570,000	ZB, National Association dba Amegy Bank Houston, TX
2,615,000		4,021	2,615,000	ZB, National Association dba Amegy Bank Houston, TX
$ 10,185,000	$ 700,000	$ 821,032	$ 36,720,000	

Debt Service Fund cash and investments balances as of November 30, 2021:	$ 731,956
Average annual debt service payment (principal and interest) for remaining term of all debt:	$ 2,026,551

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

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 139
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS

	Amounts		
	2021	2020	2019
REVENUES			
Property Taxes	$ 890,752	$ 864,021	$ 602,125
Water Service	469,158	351,305	262,360
Wastewater Service	561,532	437,926	332,443
Ground Water Reduction Plan Fees	419,961	348,905	271,474
Conservation District Fees	13,049	11,826	10,689
Penalty and Interest	34,607	26,862	15,672
Tap Connection and Inspection Fees	276,394	340,280	118,135
Investment Revenues	1,625	14,292	23,947
Miscellaneous Revenues	16,412	9,322	5,192
TOTAL REVENUES	$ 2,683,490	$ 2,404,739	$ 1,642,037
EXPENDITURES			
Professional Fees	$ 78,315	$ 91,761	$ 58,869
Contracted Services	370,860	237,242	141,943
Utilities	115,072	82,970	64,687
Ground Water Reduction Plan Assessment	409,417	375,602	240,324
Repairs and Maintenance	429,532	339,170	335,263
Other	551,759	458,669	312,269
Capital Outlay/Developer Reimbursement	442,426		
Developer Interest	49,931		
TOTAL EXPENDITURES	$ 2,447,312	$ 1,585,414	$ 1,153,355
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ 236,178	$ 819,325	$ 488,682
OTHER FINANCING SOURCES			
Developer Advances	$ - 0 -	$ - 0 -	$ - 0 -
NET CHANGE IN FUND BALANCE	$ 236,178	$ 819,325	$ 488,682
BEGINNING FUND BALANCE	2,003,444	1,184,119	695,437
ENDING FUND BALANCE	$ 2,239,622	$ 2,003,444	$ 1,184,119

See accompanying independent auditor's report.

2018	2017	Percentage of Total Revenues 2021	2020	2019	2018	2017
$ 353,910	$ 317,862	33.2 %	35.9 %	36.6 %	28.7 %	44.9 %
189,768	109,967	17.5	14.6	16.0	15.3	15.5
170,398	93,528	20.9	18.2	20.2	13.8	13.2
171,050	102,320	15.6	14.5	16.5	13.8	14.4
6,357	2,580	0.5	0.5	0.7	0.5	0.4
15,036	6,557	1.3	1.1	1.0	1.2	0.9
316,600	73,410	10.3	14.2	7.2	25.6	10.4
5,427		0.1	0.6	1.5	0.4	
9,026	1,882	0.6	0.4	0.3	0.7	0.3
$ 1,237,572	$ 708,106	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
$ 65,814	$ 55,444	2.9 %	3.8 %	3.6 %	5.3 %	7.8 %
73,501	51,990	13.8	9.9	8.6	5.9	7.3
53,411	45,154	4.3	3.5	3.9	4.3	6.4
173,826	120,029	15.3	15.6	14.6	14.0	17.0
100,340	76,053	16.0	14.1	20.4	8.1	10.7
293,833	244,355	20.6	19.1	19.0	23.7	34.5
		16.5				
		1.9				
$ 760,725	$ 593,025	91.3 %	66.0 %	70.1 %	61.3 %	83.7 %
$ 476,847	$ 115,081	8.7 %	34.0 %	29.9 %	38.7 %	16.3 %
$ - 0 -	75,000					
$ 476,847	$ 190,081					
218,590	28,509					
$ 695,437	$ 218,590					

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 139
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS

	Amounts		
	2021	2020	2019
REVENUES			
Property Taxes	$ 1,601,144	$ 1,040,908	$ 548,169
Penalty and Interest	17,308	8,143	3,528
Interest on Investments	1,047	7,668	14,051
Miscellaneous Revenues	9,255	8,202	46
TOTAL REVENUES	$ 1,628,754	$ 1,064,921	$ 565,794
EXPENDITURES			
Tax Collection Expenditures	$ 52,745	$ 49,611	$ 32,578
Debt Service Principal	700,000	455,000	120,000
Debt Service Interest and Fees	823,812	635,904	355,394
TOTAL EXPENDITURES	$ 1,576,557	$ 1,140,515	$ 507,972
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ 52,197	$ (75,594)	$ 57,822
OTHER FINANCING SOURCES (USES)			
Proceeds from Sale of Bonds	$ 178,238	$ - 0 -	$ 99,927
NET CHANGE IN FUND BALANCE	$ 230,435	$ (75,594)	$ 157,749
BEGINNING FUND BALANCE	411,948	487,542	329,793
ENDING FUND BALANCE	$ 642,383	$ 411,948	$ 487,542
TOTAL ACTIVE RETAIL WATER CONNECTIONS	1,354	1,107	732
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	1,351	1,082	709

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2018	2017	2021	2020	2019	2018	2017
$ 302,480	$	98.2 %	97.7 %	96.9 %	93.3 %	%
15,728	1,727	1.1	0.8	0.6	4.9	69.8
5,645	647	0.1	0.7	2.5	1.7	26.2
352	100	0.6	0.8		0.1	4.0
$ 324,205	$ 2,474	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
$ 18,483	$ 20,233	3.2 %	4.7 %	5.8 %	5.7 %	817.8 %
115,000		43.0	42.7	21.2	35.5	
182,228		50.6	59.7	62.8	56.2	
$ 315,711	$ 20,233	96.8 %	107.1 %	89.8 %	97.4 %	817.8 %
$ 8,494	$ (17,759)	3.2 %	(7.1) %	10.2 %	2.6 %	(717.8) %
$ 177,377	$ 161,681					
$ 185,871	$ 143,922					
143,922						
$ 329,793	$ 143,922					
605	244					
604	237					

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 139
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
NOVEMBER 30, 2021

District Mailing Address	-	Montgomery County Municipal Utility District No. 139 c/o Coats Rose, P.C. 9 Greenway Plaza, Suite 1000 Houston, TX 77046
District Telephone Number	-	(713) 653-7360

Board Members	Term of Office (Elected or Appointed)	Fees of Office for the year ended November 30, 2021	Expense reimbursements for the year ended November 30, 2021	Title
Stedman Grisgby	05/18-05/22 (Elected)	$ 1,950	$ 13	President
Carrie Prati	12/18-05/22 (Appointed)	$ 1,650	$ 43	Vice President
Sara Krezinski	05/20-05/24 (Elected)	$ 1,650	$ 16	Secretary
Paige Buchheit	05/20-05/24 (Elected)	$ 1,800	$ 24	Assistant Secretary
Shawna Esquivel	06/20-05/22 (Appointed)	$ 1,800	$ 94	Assistant Secretary

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

The submission date of the most recent District Registration Form: March 8, 2021.

The limit on Fees of Office that a Director may receive during a fiscal year is $7,200 as set by Board Resolution (TWC Section 49.060) on July 18, 2014. Fees of office are the amounts actually paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 139
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
NOVEMBER 30, 2021

Consultants:	Date Hired	Fees for the year ended November 30, 2021	Title
Coats Rose, P.C.	07/18/14	$ 46,953 $ 205,463 $ 6,413	Attorney/ Bond Counsel/ Delinquent Tax Attorney
McCall Gibson Swedlund Barfoot PLLC	12/07/16	$ 13,000 $ 14,475	Auditor/ Bond Related
Municipal Accounts & Consulting	07/18/14	$ 43,643	Bookkeeper
Edminster, Hinshaw, Russ & Associates, Inc.	07/18/14	$ 184,853	Engineer
Tierra Financial Advisors, LLC	04/09/20	$ 83,022	Financial Advisor
Mark Burton	11/17/14	$ -0-	Investment Officer
TNG Utility Corp.	01/07/15	$ 740,247	Operator
Assessments of the Southwest, Inc.	11/17/14	$ 10,202	Tax Assessor/ Collector

See accompanying independent auditor's report.

APPENDIX B

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

ASSURED GUARANTY MUNICIPAL

MUNICIPAL BOND INSURANCE POLICY

ISSUER: Policy No: -N

BONDS: $ in aggregate principal amount of Effective Date:

Premium: $

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

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

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

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

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

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

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

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

ASSURED GUARANTY MUNICIPAL CORP.

By ______________________________
Authorized Officer

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