OFFICIAL STATEMENT DATED AUGUST 24, 2022

IN THE OPINION OF BOND COUNSEL, UNDER EXISTING LAW, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES, AND INTEREST ON BONDS IS NOT SUBJECT TO THE ALTERNATIVE MINIMUM TAX ON INDIVIDUALS; HOWEVER, SUCH INTEREST IS TAKEN INTO ACCOUNT IN DETERMINING THE ANNUAL ADJUSTED FINANCIAL STATEMENT INCOME OF APPLICABLE CORPORATIONS FOR THE PURPOSE OF DETERMINING THE ALTERNATIVE MINIMUM TAX IMPOSED ON CORPORATIONS FOR TAX YEARS BEGINNING AFTER DECEMBER 31, 2022. SEE "TAX MATTERS" FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.

THE BONDS HAVE BEEN DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS. SEE "TAX MATTERS - Qualified Tax-Exempt Obligations."

NEW ISSUE - Book-Entry-Only

Insured Rating (AGM): S&P: "AA" (stable outlook)
Moody's: "A1" (stable outlook)
Underlying Rating: Moody's: "Baa2" (stable outlook)
See "MUNICIPAL BOND RATING" and "MUNICIPAL BOND INSURANCE" herein.

$4,290,000
VALLEY RANCH MUNICIPAL UTILITY DISTRICT NO. 1
(A political subdivision of the State of Texas located within Montgomery County)
UNLIMITED TAX BONDS, SERIES 2022

Dated: September 1, 2022 **Due: September 1, as shown below**

Principal of the bonds described above (the "Bonds") will be payable at stated maturity or redemption upon presentation of the Bonds at the principal payment office of the paying agent/registrar, initially The Bank of New York Mellon Trust Company, N.A. (the "Paying Agent/Registrar", "Paying Agent" or "Registrar") in Dallas, Texas. Interest on the Bonds will accrue from September 1, 2022 and be payable on March 1, 2023 and on each September 1 and March 1 thereafter until the earlier of maturity or redemption. The Bonds will be issued only in fully registered form. Interest will be calculated on the basis of a 360-day year of twelve 30-day months. The Bonds are subject to redemption prior to maturity as shown below.

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 directly to DTC, which will, in tum, remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds as described herein. See "BOOK-ENTRY-ONLY SYSTEM."

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by **ASSURED GUARANTY MUNICIPAL CORP.**

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL REOFFERING YIELDS, AND CUSIPS

Due Sept. 1	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Number 92006T (b)	Due Sept. 1	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Number 92006T (b)
2023	$ 95,000	5.500%	2.400%	QM2	2026	$ 110,000	5.500%	2.700%	QQ3
2024	100,000	5.500%	2.500%	QNO	2027	115,000	5.500%	2.800%	QR1
2025	105,000	5.500%	2.600%	QP5					

$245,000 Term Bonds due September 1, 2029 (c), 92006T QT7 (b), 3.000% Interest Rate, 3.000% Yield (a)
$265,000 Term Bonds due September 1, 2031 (c), 92006T QV2 (b), 3.000% Interest Rate, 3.300% Yield (a)
$295,000 Term Bonds due September 1, 2033 (c), 92006T QX8 (b), 4.000% Interest Rate, 3.500% Yield (a)
$320,000 Term Bonds due September 1, 2035 (c), 92006T QZ3 (b), 4.000% Interest Rate, 3.700% Yield (a)
$350,000 Term Bonds due September 1, 2037 (c), 92006T RB5 (b), 4.000% Interest Rate, 3.900% Yield (a)
$380,000 Term Bonds due September 1, 2039 (c), 92006T RD1 (b), 4.000% Interest Rate, 4.050% Yield (a)
$420,000 Term Bonds due September 1, 2041 (c), 92006T RF6 (b), 4.000% Interest Rate, 4.100% Yield (a)
$695,000 Term Bonds due September 1, 2044 (c), 92006T RJ8 (b), 4.000% Interest Rate, 4.150% Yield (a)
$795,000 Term Bonds due September 1, 2047 (c), 92006T RM1 (b), 4.000% Interest Rate, 4.200% Yield (a)

(a) Initial reoffering yield represents the initial offering yield to the public which has been established by the Initial Purchaser (as herein defined) for offers to the public and which may be subsequently changed by the Initial Purchaser and is the sole responsibility of the Initial Purchaser. The initial reoffering yields indicated above represent the lower of the yields resulting when priced at maturity or to the first call date. Accrued interest from September 1, 2022, is to be added to the price.

(b) CUSIP numbers have been assigned to the Bonds by CUSIP Global Services and are included solely for the convenience of the purchasers of the Bonds. Neither the District nor the Initial Purchaser shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

(c) Bonds maturing on and after September 1, 2029, are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on September 1, 2028, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. The Term Bonds (as defined herein) are also subject to mandatory sinking fund redemption as described herein. See "THE BONDS-Redemption Provisions."

The Bonds, when issued, will constitute valid and legally binding obligations of Valley Ranch Municipal Utility District No. 1 (the "District") and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. The Bonds are obligations solely of the District and are not obligations of the State of Texas, Montgomery County, the City of Houston or any entity other than the District. The Bonds are subject to special investment risks described herein. See "INVESTMENT CONSIDERATIONS."

The Bonds are offered by the Initial Purchaser subject to prior sale, when, as and if issued by the District and accepted by the Initial Purchaser, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Allen Boone Humphries Robinson LLP, Bond Counsel. Delivery of the Bonds through the facilities of DTC is expected on or about September 29, 2022.

TABLE OF CONTENTS

USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

All of the summaries of the statutes, resolutions, orders, contracts, audited financial statements, engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, Texas, 77027, upon payment of duplication costs.

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

Assured Guaranty Municipal Corp. ("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 "MUNCIPAL BOND INSURANCE" and "APPENDIX B - SPECIMEN MUNICIPAL BOND INSURANCE POLICY".

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

OFFICIAL STATEMENT SUMMARY

The following information is qualified in its entirety by the detailed information appearing elsewhere in this Official Statement.

THE FINANCING

The Issuer .... Valley Ranch Municipal Utility District No. 1 (the "District"), a political subdivision of the State of Texas, is located in Montgomery County, Texas. See "THE DISTRICT."

The Issue .... $4,290,000 Unlimited Tax Bonds, Series 2022 (the "Bonds") are issued pursuant to Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, the general laws of the State of Texas regarding the issuance of bonds by political subdivisions of the State of Texas, an election held in the District, a resolution authorizing the issuance of the Bonds (the "Bond Resolution") adopted by the Board of Directors of the District (the "Board"), and an order of the Texas Commission on Environmental Quality (the "Commission" or "TCEQ"). The Bonds will be issued as fully registered bonds maturing serially on September 1 in the years 2023 through 2027, both inclusive, and as term bonds on September 1 in the years 2029, 2031, 2033, 2035, 2037, 2039, 2041, 2044 and 2047 (the "Term Bonds") in the principal amounts shown on the cover hereof. Interest on the Bonds accrues from September 1, 2022, and is payable on March 1, 2023, and on each September 1 and March 1 thereafter until the earlier of maturity or prior redemption. See "THE BONDS."

Redemption.................. The Bonds maturing on and after September 1, 2029, are subject to redemption, in whole or in part, at the option of the District, prior to their maturity dates, on September 1, 2028, or on any date thereafter. The Term Bonds are subject to mandatory sinking fund redemption as described herein. Upon redemption, the Bonds will be payable at a price of par plus accrued interest to the date of redemption. See "THE BONDS- Redemption Provisions."

Book-Entry-Only System... The Depository Trust Company, New York, New York ("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 requested by an authorized representative of DTC. One fully registered certificate will be issued for each maturity of the Bonds and will be deposited with DTC. See "BOOK-ENTRY-ONLY SYSTEM."

Source of Payment .... The Bonds are payable from an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. See "TAX PROCEDURES." The Bonds are obligations of the District and are not obligations of the State of Texas, Montgomery County, the City of Houston or any other political subdivision or agency other than the District. See "THE BONDS-Source of and Security for Payment."

Use of Proceeds .... Proceeds from the sale of the Bonds will be used to pay for items shown herein under "USE AND DISTRIBUTION OF BOND PROCEEDS," and to pay certain other costs and fees related to the issuance of the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

Payment Record................ The District has previously issued eleven series of unlimited tax bonds, three series of unlimited tax refunding bonds and one series of unlimited tax park bonds of which $31,030,000 in the aggregate principal amount remains outstanding as of May 31, 2022 (the "Outstanding Bonds"). The District has never defaulted in the payment of principal and interest on the Outstanding Bonds.

Qualified Tax-Exempt Obligations .... The Bonds have been designated as "qualified tax-exempt obligations" within the meaning of Section 265(b) of the Internal Revenue Code of 1986, as amended. See "TAX MATTERS- Qualified Tax-Exempt Obligations."

Municipal Bond Rating and Municipal Bond Insurance .... S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), and Moody's Investors Services ("Moody's") have assigned their municipal bond ratings of "AA" and "A1," respectively, to this issue of Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy guaranteeing the timely payment of the principal of and interest on the Bonds will be issued by Assured Guaranty Municipal Corp. ("AGM") (See "MUNICIPAL BOND INSURANCE"). Additionally, Moody's has assigned the Bonds an underlying rating of "Baa2." An explanation of the significance of such ratings may be obtained from S&P and Moody's. These ratings reflect only the views of S&P and Moody's, and the District makes no representation as to the appropriateness of such ratings. Further, there is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely, if in the sole judgment of S&P and Moody's, circumstances so warrant. Any such downward revisions or withdrawal of the ratings may have an adverse effect on the trading value and the market price of the Bonds See "INVESTMENT CONSIDERATIONS – Risk Factors Related to the Purchase of Municipal Bond Insurance," "MUNICIPAL BOND RATING," and "APPENDIX B."

Legal Opinion .... Allen Boone Humphries Robinson LLP, Bond Counsel, Houston, Texas.

Disclosure Counsel .... McCall, Parkhurst & Horton L.L.P., Houston, Texas.

Financial Advisor .... Post Oak Municipal Advisors LLC, Houston, Texas.

Engineer .... DE Corp., Houston, Texas.

THE DISTRICT

Description .... The District was created by order of the Texas Commission on Environmental Quality (the "Commission" or "TCEQ") dated January 12, 2006. The District presently contains approximately 814 acres of land located approximately 30 miles north of downtown Houston, Texas (the "City"). The District lies entirely within the extraterritorial jurisdiction of the City and New Caney Independent School District. The District is bounded on the east by U.S. Highway 59, on the north by White Oak Creek, on the west by Freeway Oaks Subdivision and on the south by Porter Municipal Utility District. See "THE DISTRICT" and "AERIAL PHOTOGRAPH" herein.

Status of Development .... The District is being developed as Valley Ranch and Azalea District, predominantly single-family residential communities. The Developers (as defined below) have financed the design and construction of water, sanitary sewer and drainage facilities to serve Valley Ranch, Sections 1 through 11 (approximately 165 acres of land developed into 703 single-family residential lots), and Azalea District, Sections 1 through 5 (approximately 74 acres of land developed into 287 single-family residential lots). Construction of underground utilities and street paving is complete in these sections. Home construction in the District began in May 2006 and, as of June 29, 2022, there are 990 completed and occupied homes, no homes under construction or lots owned by a builder, and no vacant developed lots available for home construction. Homebuilding in the District has been conducted by Signorelli Homes, Legend Classic Homes, Horizon Homes, Castle Rock Homes, D.R. Horton and First America Homes. New homes in the District range in offering prices from approximately $150,000 to $350,000.

In addition to the development described above, the District contains two separate apartment complexes. The Villas at Valley Ranch is a 320-unit complex on approximately 17 acres and is currently 97% occupied. The Gregory Apartments is a 269-unit complex on approximately 12 acres that was completed in May of 2022 and is currently in the beginning stages of being leased. Approximately 14 acres of commercial reserves are served with trunk facilities, upon which a 16-bay Texaco Gas Station with a convenience store, Neighbors Emergency Center, a Discount Tire, a Caliber Collison center and a 740-unit self-storage facility have been constructed. Additionally, the District contains an elementary school on approximately 30 acres, which is not subject to ad valorem taxation by the District, a recreation center with a pool on approximately 6 acres, and approximately 400 acres of developable land which are not provided with underground water, sanitary sewer and drainage facilities. Approximately 50 acres of land are contained in drainage easements, rights-of-way, and plants and the remaining approximately 46 acres of land are in the 100-year flood plain and not planned for future development.

The Developers................. The Valley Ranch and Azalea District subdivisions (except Valley Ranch, Section 9 as described below) are being developed by (a) Sig-Valley Ranch, Ltd., a Texas limited partnership ("Sig-Valley Ranch") formed for the sole purpose of owning and developing an approximately 1,272 acre tract of land, including approximately 735 acres of land in the District and (b) Valley Ranch Town Center One, Ltd., Valley Ranch Town Center Two, Ltd. and Valley Ranch Town Center Holdings, Ltd. (collectively referred to herein as "Valley Ranch Town Center"), each a Texas limited partnership, and all formed for the sole purpose of owning and developing an approximately 354 acre tract of land, including approximately 47 acres of land in the District acquired from Sig-Valley Ranch. The general partner of Sig-Valley Ranch is Sig-Valley Ranch Operating Company, LLC, a Texas limited liability company, and the general partner of Valley Ranch Town Center is Valley Ranch Town Center Holdings Operating Company, LLC, a Texas limited liability company.

In 2017, D.R. Horton-Texas, Ltd. ("D.R. Horton"), a Texas limited partnership, purchased approximately 32 acres of land and 81 lots in the District from Sig-Valley Ranch for the purpose of developing the land and building homes in the District. D.R. Horton is wholly owned by D.R. Horton, Inc., a Delaware corporation and publicly held company, the stock of which is listed on the New York Stock Exchange under the ticker symbol "DHI." The land purchased by D.R. Horton has been developed as Valley Ranch, Section 9. The lots purchased by D.R. Horton are located in various sections of Valley Ranch. D.R. Horton has completed section 9 of Valley Ranch and is no longer developing in the District.

Sig-Valley Ranch, Valley Ranch Town Center and D.R. Horton are collectively referred to herein as the "Developers." See "THE DEVELOPERS."

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

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

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

INVESTMENT CONSIDERATIONS

THE PURCHASE AND OWNERSHIP OF THE BONDS ARE SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS AND ALL PROSPECTIVE PURCHASERS ARE URGED TO EXAMINE CAREFULLY THE ENTIRE OFFICIAL STATEMENT FOR A DISCUSSION OF INVESTMENT RISKS, INCLUDING PARTICULARLY THE SECTION CAPTIONED "INVESTMENT CONSIDERATIONS."

SELECTED FINANCIAL INFORMATION

2021 Certified Taxable Assessed Valuation	$254,226,873	(a)
Estimated Taxable Assessed Valuation as of February 1, 2022	$289,795,790	(b)
Gross Debt Outstanding (after the issuance of the Bonds)	$35,320,000	
Estimated Overlapping Debt	26,930,441	(c)
Gross Debt and Estimated Overlapping Debt	$62,250,441	
Ratios of Gross Debt to:		
2021 Certified Taxable Assessed Valuation	13.89%	
Estimated Taxable Assessed Valuation as of February 1, 2022	12.19%	
Ratios of Gross Debt and Estimated Overlapping Debt to:		
2021 Certified Taxable Assessed Valuation	24.49%	
Estimated Taxable Assessed Valuation as of February 1, 2022	21.48%	
Fund Balances Available as of June 29, 2022:		
Operating Fund	$1,866,800	
Capital Projects Fund	$2,839,997	
Debt Service Fund	$3,547,403	(d)
2021 Tax Rate:		
Debt Service	$0.80	
Maintenance and Operations	0.30	
Total	$1.10	
Average Annual Debt Service Requirements (2023-2047) of the Outstanding Bonds and the Bonds ("Average Requirement")	$1,889,825	
Maximum Annual Debt Service Requirements (2035) of the Outstanding Bonds and the Bonds ("Maximum Requirement")	$2,324,203	
Tax rate required to pay the Average Requirement based upon:		
2021 Certified Taxable Assessed Valuation at a 95% collection rate	$0.79 /$100 A.V.	
Estimated Taxable Assessed Valuation as of February 1, 2022 at a 95% collection rate	$0.69 /$100 A.V.	
Tax rate required to pay the Maximum Requirement based upon:		
2021 Certified Taxable Assessed Valuation at a 95% collection rate	$0.97 /$100 A.V.	
Estimated Taxable Assessed Valuation as of February 1, 2022 at a 95% collection rate	$0.85 /$100 A.V.	

Connection Count as of June 29, 2022

Homes Completed and Occupied	990	
Homes Completed and Unoccupied	0	
Homes under Construction or Owned by a Builder	0	
Commercial connections	9	
Multifamily connections (589 units)	412	
Other connections	35	
Total connections	1,446	
Estimated 2022 population	4,643	(e)

(a) As certified by the Montgomery Central Appraisal District (the "Appraisal District"). See "TAX PROCEDURES."
(b) Provided by the Appraisal District for information purposes only. Such amount reflects the estimated value of taxable improvements as of February 1, 2022. Taxes are levied based on value as certified by the Appraisal District as of January 1 of each year. No tax will be levied on such amount until it is certified. Increases in value occurring between January 1, 2021 and January 1, 2022 will be certified as of January 1, 2022 in the fall of 2022. See "TAX PROCEDURES."
(c) See "ESTIMATED OVERLAPPING DEBT STATEMENT."
(d) Neither Texas law nor the Bond Resolution requires the District to maintain any minimum balance in the Debt Service Fund.
(e) Based on 3.5 persons per occupied single-family residence and 2 persons per multi-family apartment unit (589 units).

OFFICIAL STATEMENT
$4,290,000
VALLEY RANCH MUNICIPAL UTILITY DISTRICT NO. 1
(A political subdivision of the State of Texas located within Montgomery County)
UNLIMITED TAX BONDS, SERIES 2022

This Official Statement provides certain information in connection with the issuance by Valley Ranch Municipal Utility District No. 1 (the "District") of its $4,290,000 Unlimited Tax Bonds, Series 2022 (the "Bonds").

The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, the general laws of the State of Texas regarding the issuance of bonds by political subdivisions of the State of Texas, an election held in the District, a resolution authorizing the issuance of the Bonds (the "Bond Resolution") adopted by the Board of Directors of the District (the "Board"), and an order of the Texas Commission on Environmental Quality (the "Commission" or "TCEQ").

This Official Statement includes descriptions, among others, of the Bonds and the Bond Resolution, and certain other information about the District and the developers of land within the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of documents may be obtained from the District upon payment of the costs of duplication therefor.

THE BONDS

General

The Bonds will be dated and accrue interest from September 1, 2022, which interest is payable on March 1, 2023, and on each September 1 and March 1 thereafter, until the earlier of maturity or prior redemption. The Bonds mature on September 1 in the amounts and years and bear interest at the rates shown on the cover page of this Official Statement. Interest calculations are based on a 360-day year comprised of twelve 30-day months.

The Bonds will be issued in fully registered form in denominations of $5,000 or integral multiples thereof.

Authority for Issuance

At a bond election held within the District on May 13, 2006, the voters of the District authorized the issuance of a total of $121,100,000 principal amount of unlimited tax bonds for water, sanitary sewer and drainage facilities. The Bonds are being issued pursuant to such authorization. After issuance of the Bonds, $83,605,000 principal amount of unlimited tax bonds will remain authorized but unissued for water, sanitary sewer and drainage facilities. See "Issuance of Additional Debt" below. The TCEQ has authorized the District to sell the Bonds for the purposes described in "USE AND DISTRIBUTION OF BOND PROCEEDS."

The Bonds are issued by the District pursuant to the terms and provisions of the Bond Resolution; an order of the Commission; Article XVI, Section 59 of the Texas Constitution; Chapters 49 and 54 of the Texas Water Code, as amended; and the general laws of the State of Texas regarding the issuance of bonds by political subdivisions of the State of Texas.

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

Source of and Security for Payment

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

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

Funds

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

Accrued interest on the Bonds shall be deposited into the Debt Service Fund upon receipt. The remaining proceeds from sale of the Bonds, including interest earnings thereon, shall be deposited into the Capital Projects Fund, to pay the costs of acquiring or constructing District facilities and to pay the costs of issuing the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS" for a more complete description of the use of Bond proceeds.

Method of Payment of Principal and Interest

In the Bond Resolution, the Board has appointed The Bank of New York Mellon Trust Company, N.A. in Dallas, Texas as the initial Paying Agent/Registrar for the Bonds. The principal of the Bonds shall be payable, without exchange or collection charges, in any coin or currency of the United States of America which, on the date of payment, is legal tender for the payment of debts due the United States of America, upon their presentation and surrender as they respectively become due and payable, at the principal payment office of the Paying Agent/Registrar in Dallas, Texas. Interest on each Bond shall be payable by check or draft payable on each Interest Payment Date, mailed by the Paying Agent/Registrar on or before each Interest Payment Date to the Registered Owners as shown on the Register on the fifteenth (15th) day (whether or not a business day) of the month prior to each interest payment date (defined herein as the "Record Date"), to the address of such Registered Owner as shown on the Paying Agent/Registrar's records (the "Register") or by such other customary banking arrangements as may be agreed to by the Paying Agent/Registrar and the Registered Owners at the risk and expense of the Registered Owners.

If the date for payment of the principal of or interest on any Bond is not a business day, then the date for such payment shall be the next succeeding business day, as defined in the Bond Resolution.

No Arbitrage

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

Redemption Provisions

Mandatory Redemption: The Bonds maturing on September 1 in the years 2029, 2031, 2033, 2035, 2037, 2039, 2041, 2044 and 2047 (the "Term Bonds") shall be redeemed, at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption (the "Mandatory Redemption Date"), on September 1 in each of the years and in the principal amounts set forth in the following schedule (with each such scheduled principal amount reduced, by the principal amount as may have been previously redeemed through the exercise of the District's reserved right of optional redemption, as provided under "Optional Redemption" on the following page):

$245,000 Term Bonds Due September 1, 2029	
Mandatory Redemption Date	Principal Amount
2028	$ 120,000
2029 (maturity)	125,000

$265,000 Term Bonds Due September 1, 2031	
Mandatory Redemption Date	Principal Amount
2030	$ 130,000
2031 (maturity)	135,000

$295,000 Term Bonds Due September 1, 2033	
Mandatory Redemption Date	Principal Amount
2032	$ 145,000
2033 (maturity)	150,000

$320,000 Term Bonds Due September 1, 2035	
Mandatory Redemption Date	Principal Amount
2034	$ 155,000
2035 (maturity)	165,000

$350,000 Term Bonds Due September 1, 2037	
Mandatory Redemption Date	Principal Amount
2036	$ 170,000
2037 (maturity)	180,000

$380,000 Term Bonds Due September 1, 2039	
Mandatory Redemption Date	Principal Amount
2038	$ 185,000
2039 (maturity)	195,000

$420,000 Term Bonds Due September 1, 2041	
Mandatory Redemption Date	Principal Amount
2040	$ 205,000
2041 (maturity)	215,000

$695,000 Term Bonds Due September 1, 2044	
Mandatory Redemption Date	Principal Amount
2042	$ 220,000
2043	230,000
2044 (maturity)	245,000

$795,000 Term Bonds Due September 1, 2047	
Mandatory Redemption Date	Principal Amount
2045	$ 255,000
2046	265,000
2047 (maturity)	275,000

On or before 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 Bond or portions of the Term Bond of such maturity to be mandatorily redeemed on such Mandatory Redemption Date, and (iii) give notice of such redemption as provided in the Bond Resolution. The principal amount of any Term Bond to be mandatorily redeemed on such Mandatory Redemption Date shall be reduced by the principal amount of such Term Bond which, by the 45th day prior to such Mandatory Redemption Date, either has been purchased in the open market and delivered or tendered for cancellation by or on behalf of the District to the Paying Agent/Registrar or optionally redeemed and which, in either case, has not previously been made the basis for a reduction under this sentence.

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

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

Record Date

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

Registration and Transfer

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

Replacement of Paying Agent/Registrar

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

Lost, Stolen or Destroyed Bonds

In the event the book-entry-only system is discontinued, upon the presentation and surrender to the Paying Agent/Registrar of a mutilated Bond, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor a replacement Bond of like maturity, interest rate and principal amount, bearing a number not contemporaneously outstanding. If any Bond is lost, stolen or destroyed, the District, pursuant to the applicable laws of the State of Texas and in the absence of notice or knowledge that such Bond has been acquired by a bona fide purchaser, shall, upon receipt of certain documentation from the Registered Owner and an indemnity bond, execute and the Paying Agent/Registrar shall authenticate and deliver a replacement Bond of like maturity, interest rate and principal amount bearing a number not contemporaneously outstanding. Registered Owners of lost, stolen or destroyed bonds will be required to pay the District's costs to replace such bond. In addition, the District or the Paying Agent/Registrar may require the Registered Owner to pay a sum sufficient to cover any tax or other governmental charge that may be imposed.

Issuance of Additional Debt

After issuance of the Bonds, the District will have $83,605,000 principal amount of unlimited tax bonds authorized but unissued for water, sanitary sewer and drainage facilities, $11,980,000 principal amount of unlimited tax bonds authorized but unissued for parks and recreational facilities, and $120,870,000 principal amount of unlimited tax bonds authorized but unissued for refunding purposes. The District anticipates issuing additional bonds in the future. The Bond Resolution imposes no limitation on the amount of additional parity bonds which may be authorized for issuance by the District's voters or the amount ultimately issued by the District. See "USE AND DISTRIBUTION OF BOND PROCEEDS—Future Debt" and "UNLIMITED TAX BONDS AUTHORIZED BUT UNISSUED."

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. The District has adopted a park plan and conducted a park bond election which resulted in voter approval of $14,000,000 principal amount of unlimited tax park bonds, $11,980,000 of which remains authorized but unissued. Before the District issues park bonds payable from taxes, the following actions are required: (a) approval of the park projects and bonds by the Commission; and (b) approval of the bonds by the Attorney General of Texas. When the District does issue park bonds, the outstanding principal amount of such bonds may not exceed an amount equal to one percent of the value of the taxable property in the District, unless 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 one percent (1%) but not three percent (3%) of the value of the taxable property in the District.

The District also is authorized by statute to engage in fire-fighting activities, including the issuing of bonds payable from taxes for such purpose. Before the District could issue fire-fighting bonds payable from taxes, the following actions would be required: (a) approval of a detailed fire plan by the Commission; (b) authorization of a detailed fire plan and fire bonds by the District's voters at an election; (c) approval of bonds by the Commission; and (d) approval of bonds by the Attorney General of Texas. The Board has not considered preparing such a fire plan or calling such an election at this time.

Pursuant to Chapter 54 of the Texas Water Code, a municipal utility district may petition the Commission for the power to issue bonds supported by property taxes to finance roads. Before the District could issue such bonds, the District would be required to receive a grant of such power from the Commission, authorization from the District's voters to issue such bonds and approval of the bonds by the Attorney General of Texas. The District has not considered filing an application to the Commission for "road powers" nor calling such an election at this time.

Issuance of additional bonds could dilute the investment security for the Bonds.

Annexation by the City of Houston

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston, the District must conform to a City of Houston consent ordinance. Generally, the District may be annexed by the City of Houston without the District's consent, and the City cannot annex territory within the District unless it annexes the entire District. However, the City may not annex the District unless (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed, and (ii) if the registered voters in the area to be annexed do not own more than 50 percent of the land in the area, a petition has been signed by more than 50 percent of the landowners consenting to the annexation.

If the District is annexed, the City of Houston will assume the District's assets and obligations (including the Bonds) and dissolve the District. Annexation of territory by the City of Houston is a policy-making matter within the discretion of the Mayor and City Council of the City of Houston, and therefore, the District makes no representation that the City of Houston will ever annex the District and assume its debt. Moreover, no representation is made concerning the ability of the City of Houston to make debt service payments should annexation occur.

Strategic Partnership

The District is authorized to enter into a strategic partnership agreement with the City of Houston to provide the terms and conditions under which the services would be provided and funded by the parties and under which the District would continue to exist for an extended period if the land within the District were to be annexed for full or limited purposes by the City of Houston. The terms of any such agreement would be determined by the City of Houston and the District, and could provide for the conversion of a limited purpose annexation to a general purpose annexation within twenty-nine years of limited purpose annexation. Although the City of Houston has negotiated and entered into such an agreement with one or more other districts in its extraterritorial jurisdiction, none is currently contemplated with respect to the District. However, no representation can be made regarding the future likelihood of an agreement or the terms thereof.

Consolidation

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

Remedies in Event of Default

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Resolution, or defaults in the observance or performance of any other covenants, conditions, or obligations set forth in the Bond Resolution, the Registered Owners have the statutory right of a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Resolution. Except for mandamus, the Bond Resolution does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners. Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages, so that in the absence of other waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the Bond Resolution may not be reduced to a judgment for money damages. If such a judgment against the District were obtained, it could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may further be limited by a State of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District. See "INVESTMENT CONSIDERATIONS-Registered Owners' Remedies and Bankruptcy Limitations."

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

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

Defeasance

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

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

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

BOOK-ENTRY-ONLY SYSTEM

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

The Depository Trust Company, New York, New York ("DTC"), will act as securities depository for the Bonds. The Bonds will be issued as fully-registered Bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. With respect to the Bonds, one fully-registered Bond certificate will be issued of each such series 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 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a rating from S&P Global Ratings 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 purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the

Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

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

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

All 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 Bonds 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 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.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but neither the District nor the Initial Purchaser take any responsibility for the accuracy thereof.

THE DISTRICT

General

The District is a municipal utility district created by order of the Texas Commission on Environmental Quality (the "Commission" or "TCEQ") dated January 12, 2006 and operates under the provisions of Chapters 49 and 54 of the Texas Water Code, as amended, and other general statutes applicable to municipal utility districts. The District is located wholly within the exclusive extraterritorial jurisdiction of the City of Houston and New Caney Independent School District.

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District is also empowered to establish parks and recreational facilities, to contract for or employ its own peace officers and, after approval by the Commission and the voters of the District, to establish, operate, and maintain fire-fighting facilities, independently or with one or more conservation and reclamation districts.

The Commission exercises continuing supervisory jurisdiction over the District. The District is required to observe certain requirements of the City of Houston which limit the purposes for which the District may sell bonds for the acquisition, construction, and improvement of waterworks, wastewater and drainage facilities, parks and recreation facilities, and firefighting facilities and the refunding of outstanding debt obligations; limit the net effective interest rate on such bonds and other terms of such bonds; require approval by the City of Houston of District construction plans; and permit connections only to platted lots and reserves which have been approved by the Planning Commission of the City of Houston. Construction and operation of the District's system are subject to the regulatory jurisdiction of additional governmental agencies. See "THE SYSTEM."

The District presently contains approximately 814 acres of land. The District is located approximately 30 miles north of downtown Houston, Texas. The District is bounded on the east by U.S. Highway 59, on the north by White Oak Creek, on the west by Freeway Oaks Subdivision and on the south by Porter Municipal Utility District.

Status of Development

The District is being developed as Valley Ranch and Azalea District, predominantly single-family residential communities. The Developers (as defined below) have financed the design and construction of water, sanitary sewer and drainage facilities to serve Valley Ranch, Sections 1 through 11 (approximately 165 acres of land developed into 703 single-family residential lots), and Azalea District, Sections 1 through 5 (approximately 74 acres of land developed into 287 single-family residential lots). Construction of underground utilities and street paving is complete in these sections. Home construction in the District began in May 2006 and, as of June 29, 2022, there are 990 completed and occupied homes, no homes under construction or lots owned by a builder, and no vacant developed lots available for home construction. Homebuilding in the District has been conducted by Signorelli Homes, Legend Classic Homes, Horizon Homes, Castle Rock Homes, D.R. Horton and First America Homes. New homes in the District range in offering prices from approximately $150,000 to $350,000.

In addition to the development described above, the District contains two separate apartment complexes. The Villas at Valley Ranch is a 320-unit complex on approximately 17 acres and is currently 97% occupied. The Gregory Apartments is a 269-unit complex on approximately 12 acres that was completed in May of 2022 and is currently in the beginning stages of being leased. Approximately 14 acres of commercial reserves are served with trunk facilities, upon which a 16-bay Texaco Gas Station with a convenience store, Neighbors Emergency Center, a Discount Tire, a Caliber Collison center and a 740-unit self-storage facility have been constructed. Additionally, the District contains an elementary school on approximately 30 acres, which is not subject to ad valorem taxation by the District, a recreation center with a pool on approximately 6 acres, and approximately 400 acres of developable land which are not provided with underground water, sanitary sewer and drainage facilities. Approximately 50 acres of land are contained in drainage easements, rights-of-way, and plants and the remaining approximately 46 acres of land are in the 100-year flood plain and not planned for future development.

MANAGEMENT

Board of Directors

The District is governed by the Board of Directors, consisting of five directors, which has control over and management supervision of all affairs of the District. Each of the five current Directors owns land and/or resides in the District. Directors are elected by the voters within the District for four-year staggered terms. Director elections are held only in even numbered years. The Directors and Officers of the District are listed below:

Name	District Board Title	Term Expires
Chris Baughman	President	May 2024
Kyle Hoegemeyer	Vice President	May 2026
Neal J. Brussell	Secretary	May 2026
David Knighten	Assistant Vice President	May 2026
Corey Mills	Assistant Secretary	May 2024

While the District does not employ any full-time employees, it has contracted for certain services as follows:

Tax Assessor/Collector

Land and improvements within the District are appraised for ad valorem taxation purposes by the Montgomery Central Appraisal District. The District's Tax Assessor/Collector is appointed by the Board of Directors of the District. Utility Tax Service, LLC is currently serving in this capacity for the District.

Bookkeeper

The District has engaged District Data Services, Inc. to serve as the District's bookkeeper.

System Operator

The District contracts with Inframark, LLC for maintenance and operation of the District's system.

Engineer

The consulting engineer for the District in connection with the design and construction of the District's facilities is DE Corp. (the "Engineer").

General/Bond Counsel

The District has engaged Allen Boone Humphries Robinson LLP as general counsel and as Bond Counsel in connection with the issuance of the Bonds. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued, sold and delivered and, therefore, such fees are contingent on the sale and delivery of the Bonds. The legal fees paid to Allen Boone Humphries Robinson LLP in its capacity as General Counsel are based on time charges actually incurred.

Disclosure Counsel

McCall, Parkhurst & Horton L.L.P., Houston, Texas, ("Disclosure Counsel") 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

Post Oak Municipal Advisors LLC (the "Financial Advisor") serves as financial advisor to the District. The fee to be paid the Financial Advisor is contingent upon sale and delivery of the Bonds.

Auditor

As required by the Texas Water Code, the District retains an independent accountant to audit the District's financial statements annually, which audited financial statements are filed with the Commission. The District's financial statements for the fiscal year ended June 30, 2021, have been audited by McGrath & Co., PLLC. See "APPENDIX A" for a copy of the District's June 30, 2021, audited financial statements. The District has engaged McGrath & Co., PLLC to prepare the District's June 30, 2022, financial statements.

THE DEVELOPERS

Role of a Developer

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

Sig-Valley Ranch, Ltd. and Valley Ranch Town Center

The Valley Ranch and Azalea District subdivisions (except Valley Ranch, Section 9 as described below) are being developed by (a) Sig-Valley Ranch, Ltd. ("Sig-Valley Ranch"), a Texas limited partnership formed for the sole purpose of owning and developing an approximately 1,272 acre tract of land, including approximately 735 acres of land in the District and (b) Valley Ranch Town Center One, Ltd., Valley Ranch Town Center Two, Ltd. and Valley Ranch Town Center Holdings, Ltd. (collectively referred to herein as "Valley Ranch Town Center"), each a Texas limited partnership, and all formed for the sole purpose of owning and developing an approximately 354 acre tract of land, including approximately 47 acres of land in the District acquired from Sig-Valley Ranch. The general partner of Sig-Valley Ranch is Sig-Valley Ranch Operating Company, LLC, a Texas limited liability company, and the general partner of Valley Ranch Town Center is Valley Ranch Town Center Holdings Operating Company, LLC, a Texas limited liability company. Sig-Valley Ranch, Valley Ranch Town Center, and the general partners of each entity were formed by, and partnership interests in Sig-Valley Ranch and Valley Ranch Town Center are owned by, The Signorelli Company and its principals and affiliates.

The Signorelli Company is a privately owned real estate development company founded in 1994 by Daniel Signorelli. Neither The Signorelli Company nor any of its principals or affiliates is obligated to provide funds for the development of the District, to provide funds to pay taxes on property in the District owned by Sig-Valley Ranch and Valley Ranch Town Center or to pay any other obligations of Sig-Valley Ranch and Valley Ranch Town Center.

D.R. Horton-Texas, Ltd.

In 2017, D.R. Horton-Texas, Ltd. ("D.R. Horton"), a Texas limited partnership, purchased approximately 32 acres of land and 81 lots in the District from Sig-Valley Ranch for the purpose of developing the land and building homes in the District. D.R. Horton is wholly owned by D.R. Horton, Inc., a Delaware corporation and publicly held company, the stock of which is listed on the New York Stock Exchange under the ticker symbol "DHI." The land purchased by D.R. Horton has been developed at Valley Ranch, Section 9. The lots purchased by D.R. Horton are located in various sections of Valley Ranch. D.R. Horton has completed section 9 of Valley Ranch and is no longer developing in the District.

Sig-Valley Ranch, Valley Ranch Town Center and D.R. Horton are collectively referred to herein as the "Developers."

Neither the Developers nor any of their affiliates is obligated to pay principal of or interest on the Bonds. Furthermore, the Developers have no binding commitment to the District to carry out any plan of development, and the furnishing of information relating to the proposed development by the Developers should not be interpreted as such a commitment. Prospective purchasers are encouraged to inspect Valley Ranch and Azalea District in order to acquaint themselves with the nature of development that has occurred or is occurring within the boundaries of the District. See “INVESTMENT CONSIDERATIONS – Landowner Obligation to the District.”

THE SYSTEM

Regulation

According to the Engineer, the District's water supply and distribution, wastewater collection and treatment, and storm drainage facilities (collectively, the “System”) have been designed in accordance with accepted engineering practices and the then current requirements of various entities having regulatory or supervisory jurisdiction over the construction and operation of such facilities. The construction of the System was required to be accomplished in accordance with the standards and specifications of such entities and is subject to inspection by each such entity. Operation of the System must be accomplished in accordance with the standards and requirements of such entities. The Commission exercises continuing supervisory authority over the District. Discharge of treated sewage is subject to the regulatory authority of the Commission and the U.S. Environmental Protection Agency. Construction of drainage facilities is subject to the regulatory authority of the City of Houston, Montgomery County and, in some instances, the Commission. Montgomery County and the City of Houston also exercise regulatory jurisdiction over the System. The regulations and requirements of entities exercising regulatory jurisdiction over the System are subject to further development and revision which, in turn, could require additional expenditures by the District in order to achieve compliance. In particular, additional or revised requirements in connection with any permit for the wastewater treatment plant in which the District owns capacity beyond the criteria existing at the time of construction of the plant could result in the need to construct additional facilities in the future. The following descriptions are based upon information supplied by the Engineer.

Water, Sanitary Sewer and Drainage Facilities

Construction of the District's System has been financed with funds advanced by Sig-Valley Ranch and D.R. Horton, a portion of which has been reimbursed with proceeds from the Outstanding Bonds. Additional costs of the System will be reimbursed with the proceeds from the sale of future bonds.

Source of Water Supply: Porter Special Utility District (“Porter SUD”) holds a Certificate of Convenience and Necessity (“CCN”) which grants it authority over the provision of water supply service to the land in the District. Porter SUD and the District have entered into a Water Supply Agreement, as amended (the “Water Agreement”) that provides the terms and conditions under which Porter SUD will provide wholesale potable water supply to the District. Subject to certain notification and reservation requirements set forth in the Water Agreement, Porter SUD will provide sufficient water supply capacity to meet the District’s total projected demand at full development. The District will pay Porter SUD an impact fee on a per connection basis in accordance with the Porter SUD impact fee schedule, which is currently $2,100 per equivalent single-family connection (“ESFC”). Porter SUD is responsible for the cost of operating and maintaining its water supply facilities. The District pays Porter SUD wholesale water rates, as established from time to time by Porter SUD, per thousand gallons of water received to provide service to the District. Such rates include a Groundwater Conservation Fee per 1,000 gallons, and a Groundwater Reduction Plan Fee per 1,000 gallons. The District, at its sole cost and expense, is responsible for designing, constructing, operating and maintaining all internal facilities necessary to receive water supply from Porter SUD and provide service to the District’s customers.

Porter SUD’s water plants consist of six active water wells with a total capacity of 7,100 gallons per minute (“gpm”), five ground storage tanks with a total capacity of 970,000 gallons, three elevated storage tanks with a total capacity of 800,000 gallons, one 10,000 gallon hydro-pneumatic tank, and twelve booster pumps with a total capacity of 7,200 gpm. A series of water mains has been designed to distribute the water and provide for redundancy should one of the water plants be out of service. According to the Engineer, the District's current water supply is sufficient to serve the 1,257 ESFCs currently located within the District.

Lone Star Groundwater Conservation District: Porter SUD and the District are within the boundaries of the Lone Star Groundwater Conservation District (the “Conservation District”) which was created by the Texas legislature in 2001. The Conservation District was created to conserve, enhance, and protect the groundwater resources of Montgomery County. In the future, it is expected that the Conservation District will require a partial conversion to surface water. The Conservation District bills Porter SUD for water pumped by Porter SUD from its wells.

Porter Special Utility District GRP Agreement: Porter SUD has developed, implements, and enforces a Groundwater Reduction Plan and has entered into GRP Participation Agreements with certain other large water users in Montgomery County, Texas (together with Porter SUD, the "Porter SUD GRP Participants") to achieve and maintain compliance with the Conservation District requirements on behalf of the Porter SUD GRP Participants. Porter SUD holds a CCN which grants it authority over the provision of water supply service to the land in the District. Porter SUD and the District have entered into the Water Agreement that provides the terms and conditions under which Porter SUD provides wholesale potable water supply to the District. The District pays Porter SUD's wholesale water rates, as established from time to time by Porter SUD, per thousand gallons of water received to provide service to the District. Such rates include a Groundwater Conservation Fee per 1,000 gallons, and a Groundwater Reduction Plan Fee per 1,000 gallons.

Source of Wastewater Treatment: The District has full authority over the provision of wastewater treatment service to the land within its boundaries. In order to serve the total projected demand at full development in the District, a permanent wastewater treatment plant (the "Permanent Plant") will need to be constructed. The District will be solely responsible for the design, construction, operation, and maintenance of the Permanent Plant.

Wastewater treatment for the District is currently being provided by a temporary wastewater treatment plant (the "Temporary Plant") leased by the District from AUC Group, L.P. The District, at its sole cost and expense, is responsible for designing, constructing, operating, and maintaining all internal facilities necessary to collect wastewater from its customers and deliver it to the Temporary Plant for treatment. The Temporary Plant serves the District and currently has a capacity of 400,000 gallons per day (gpd), with monthly flow rates below 200,000 gpd for the past twelve months. Therefore, the District has capacity to serve the 1,257 equivalent single-family connections currently located in the District.

100-Year Flood Plain: "Flood Insurance Rate Map" or "FIRM" means an official map of a community on which the Federal Emergency Management Agency (FEMA) has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100-year flood plain, is depicted on these maps. The "100-year flood plain" (or 1% chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rain storm of such intensity to statistically have a one percent chance of occurring in any given year. According to the District's Engineer, none of the developable acreage within the District is located within the 100-year flood plain. Approximately 46 acres of undevelopable land within the District lie within the 100-year flood plain, but there are no plans to develop such land. Additionally, the District's storm water drainage system has been designed and constructed in accordance with current applicable regulatory standards for a development of this size and location. See "INVESTMENT CONSIDERATIONS –Severe Weather."

In 2018, the National Weather Service completed a rainfall study known as NOAA Atlas 14, Volume 11 Precipitation-Frequency Atlas of the United States ("Atlas 14"). Floodplain boundaries within the District may be redrawn based on the Atlas 14 study based on a higher statistical rainfall amount, resulting in the application of more stringent floodplain regulations applying to a larger area and potentially leaving less developable property within the District. The application of such regulations could additionally result in higher insurance rates, increased development fees, and stricter building codes for any property located within the expanded boundaries of the floodplain. See "-100-Year Flood Plain" above.

[Remainder of Page Left Intentionally Blank]

USE AND DISTRIBUTION OF BOND PROCEEDS

The estimated use and distribution of Bond proceeds is shown below. Of proceeds to be received from sale of the Bonds, $3,844,517 is estimated for construction costs, $128,700 is estimated for non-construction costs, and $316,783 is estimated for issuance costs and fees.

I.	**CONSTRUCTION COSTS**		
	Developer Contribution Items		
1)	Valley Ranch Town Center West - W, WW, & D………………………	$	295,786
2)	Azalea Medical District Phase 1 - W, WW, & D…………………………		1,184,770
3)	Azalea Medical District Phase 2 - Detention…………………………….		1,305,326
4)	Engineering, Testing, & Storm Water Protection (15% of Items 1-3)……		417,882
5)	Contingencies (20% of Items 1-4)…………………………………………		640,753
	Total Developer Contribution Items…...	**$**	**3,844,517**
	District Items		
•	None	$	-
	Total Construction Costs………………………………………………......	**$**	**3,844,517**
II.	**NON-CONSTRUCTION COSTS**		
•	Bond Discount (a)…....……………………………………………………...	$	127,677
•	Contingency (a)…....………………………………………………………….		1,023
	Total Non-Construction Costs……………………………………………….	**$**	**128,700**
III.	**ISSUANCE COSTS AND FEES**		
•	Issuance Costs and Professional Fees………………………………………	$	301,768
•	Regulatory Fees………………………………………………………………		15,015
	Total Issuance Costs and Fees……………………………………………….	**$**	**316,783**
	TOTAL BOND ISSUE…………………………………………………………	**$**	**4,290,000**

(a) Contingency represents the difference between the estimated and actual amounts of bond discount.

In the event approved estimated amounts exceed actual costs, the difference comprises a surplus which may be expended for uses in accordance with the rules of the Commission. In the event actual costs exceed previously approved estimated amounts and contingencies, additional Commission approval and the issuance of additional bonds may be required.

Future Debt

The Developers have financed or are financing the engineering and construction costs of underground utilities to serve various subdivisions in the District, and certain other District improvements, including drainage facilities. After reimbursement from sale of the Bonds, the Developers will have expended approximately $600,000 (as of May 31, 2022) for design, construction and acquisition of District utilities and parks and recreational facilities not yet reimbursed. It is anticipated that proceeds from future issues of District bonds will be used, in part, to reimburse the Developers for these costs to the extent allowed by the Commission. Additionally, the District presently contains approximately 400 acres of developable land not presently fully served with water distribution, wastewater collection and storm drainage facilities. It is anticipated that additional bonds will be issued to finance the construction of these facilities to serve this undeveloped acreage and to finance park and recreational facilities. The District makes no representation that any additional development will occur within the District. See “THE BONDS—Issuance of Additional Debt” and “INVESTMENT CONSIDERATIONS—Future Debt.”

UNLIMITED TAX BONDS AUTHORIZED BUT UNISSUED

Date of Authorization	Purpose	Amount Authorized	Issued to Date	Amount Unissued
5/13/2006	Water, Sanitary Sewer and Drainage Bonds	$121,100,000	$37,495,000 *	$83,605,000
5/13/2006	Park Bonds	$14,000,000	$2,020,000	$11,980,000
5/13/2006	Refunding Bonds	$121,100,000	$230,000	$120,870,000

* Includes the Bonds.

FINANCIAL STATEMENT (UNAUDITED)

2021 Certified Taxable Assessed Valuation…………………………………………………	$254,226,873 (a)
Estimated Taxable Assessed Valuation as of February 1, 2022……………………………	$289,795,790 (b)
Gross Debt Outstanding (after the issuance of the Bonds)…………………………………	$35,320,000
Estimated Overlapping Debt………………………………………………………………	26,930,441 (c)
Gross Debt and Estimated Overlapping Debt……………………………………………	$62,250,441
Ratio of Gross Debt to:	
2021 Certified Taxable Assessed Valuation………………………………………………	13.89%
Estimated Taxable Assessed Valuation as of February 1, 2022…………………………	12.19%
Ratio of Gross Debt and Estimated Overlapping Debt to:	
2021 Certified Taxable Assessed Valuation………………………………………………	24.49%
Estimated Taxable Assessed Valuation as of February 1, 2022…………………………	21.48%

Area of District: 814 acres
Estimated 2022 Population: 4,643 (d)

(a) As certified by the Montgomery Central Appraisal District (the "Appraisal District"). See "TAX PROCEDURES."
(b) Provided by the Appraisal District for information purposes only. Such amount reflects the estimated value of taxable improvements as of February 1, 2022. Taxes are levied based on value as certified by the Appraisal District as of January 1 of each year. No tax will be levied on such amount until it is certified. Increases in value occurring between January 1, 2021 and January 1, 2022 will be certified as of January 1, 2022 in the fall of 2022.
(c) See "ESTIMATED OVERLAPPING DEBT STATEMENT."
(d) Based on 3.5 persons per occupied single-family residence and 2 persons per multi-family apartment unit (589 units).

<u>Cash and Investment Balances</u> (unaudited as of June 29, 2022)

Operating Fund	Cash and Temporary Investments	$1,866,800
Capital Projects Fund	Cash and Temporary Investments	$2,839,997
Debt Service Fund	Cash and Temporary Investments	$3,547,403 (a)

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

Outstanding Bonds (as of May 31, 2022)

Series		Original Principal Amount	Principal Amount Outstanding as of May 31, 2022
2012		$1,500,000	$50,000
2014A		1,010,000	820,000
2016		2,465,000	1,965,000
2016A	(a)	3,760,000	3,080,000
2017		3,800,000	3,460,000
2018		2,500,000	2,335,000
2018A		4,150,000	3,955,000
2019	(b)	2,020,000	1,930,000
2019A	(a)	1,775,000	1,625,000
2021		9,500,000	9,500,000
2021A	(a)	2,310,000	2,310,000
			$31,030,000

(a) Unlimited Tax Refunding Bonds.
(b) Unlimited Tax Park Bonds.

ESTIMATED OVERLAPPING DEBT STATEMENT

Expenditures of the various taxing entities within the territory of the District are paid out of ad valorem taxes levied by such entities on properties within the District. Such entities are independent of the District and may incur borrowings to finance their expenditures. This statement of direct and estimated overlapping ad valorem tax bonds ("Tax Debt") was developed from information contained in the "Texas Municipal Reports" published by the Municipal Advisory Council of Texas. Except for the amounts relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed may have issued additional bonds since the date hereof, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot be determined. The following table reflects the estimated share of the overlapping Tax Debt of the District.

Taxing Jurisdiction	Outstanding Bonds	As of	Overlapping Percent	Overlapping Amount
Lone Star College System................	$643,940,000	05/31/22	0.10%	$643,940
Montgomery County	464,200,000	05/31/22	0.36%	1,671,120
New Caney ISD...........................	561,995,000	05/31/22	4.38%	24,615,381
Total Estimated Overlapping Debt				$26,930,441
The District................................	$35,320,000 (a)	Current	100.00%	35,320,000
Total Direct and Estimated Overlapping Debt.........				$62,250,441
Ratio of Total Direct and Estimated Overlapping Debt to:				
2021 Certified Taxable Assessed Valuation..........				24.49%
Estimated Taxable Assessed Valuation as of February 1, 2022..........				21.48%

(a) Includes the Bonds.

Overlapping Tax Rates for 2021

	2021 Tax Rate per $100 of Taxable Assessed Valuation
Lone Star College System	$ 0.107800
Montgomery County	0.408300
New Caney ISD	1.460300
Total Overlapping Tax Rate	$ 1.976400
The District	1.100000
Total Tax Rate	$ 3.076400

TAX DATA

Tax Collections

The following statement of tax collections sets forth in condensed form the historical tax collection experience of the District. This summary has been prepared for inclusion herein, based upon information from the District's Tax Assessor/Collector. Reference is made to these records for further and more complete information.

Tax Year	Assessed Valuation	Tax Rate	Tax Levy	Total Collections As of May 31, 2022 (a) Amount	Percent
2017	$144,886,971	$1.15	$1,666,200	$1,666,200	100.00%
2018	180,912,250	1.15	2,080,491	2,077,476	99.86%
2019	228,933,214	1.10	2,518,265	2,515,936	99.91%
2020	254,065,910	1.10	2,794,725	2,787,042	99.73%
2021	254,226,873	1.10	2,796,496	2,763,829	98.83%

(a) Unaudited.

Taxes are due when billed and become delinquent if not paid before February 1 of the year following the year in which imposed. No split payments are allowed and no discounts are allowed.

Tax Rate Distribution

	2021	**2020**	**2019**	**2018**	**2017**
Debt Service	$ 0.80	$ 0.87	$ 0.85	$ 0.95	$ 0.79
Maintenance and Operations	0.30	0.23	0.25	0.20	0.36
Total	$ 1.10	$ 1.10	$ 1.10	$ 1.15	$ 1.15

Tax Rate Limitations

Debt Service: Unlimited (no legal limit as to rate or amount).
Maintenance and Operations: $1.50 per $100 of taxable assessed valuation.

Debt Service Tax

The Board covenants in the Bond Resolution to levy and assess, for each year that all or any part of the Bonds or the Outstanding Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Bonds and the Outstanding Bonds. For the 2021 tax year, the Board levied a debt service tax rate in the amount of $0.80 per $100 taxable assessed valuation.

Maintenance and Operations Tax

The Board of Directors of the District 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. Pursuant to an election held on May 13, 2006, the Board was authorized to levy such a maintenance tax in an amount not to exceed $1.50 per $100 of taxable assessed valuation. Such tax is in addition to taxes which the District is authorized to levy for paying principal and interest on the District's bonds. The District levied a maintenance tax for 2021 in the amount of $0.30 per $100 of taxable assessed valuation.

Tax Exemptions

As discussed in the section titled "TAX PROCEDURES" herein, certain property in the District may be exempt from taxation by the District. The District currently exempts $5,000 of the market value of residential homesteads from taxation of persons sixty-five (65) years or older or disabled. The Developers have executed Waivers of Special Appraisal, waiving their right to claim any agriculture or open space exemptions or any other type of exemption or valuation for the property they own within the District that would reduce the assessed value of such land below its market value for purposes of ad valorem taxation by the District. Such waivers are binding for periods of thirty years.

Additional Penalties

The District has contracted with a delinquent tax attorney to collect certain delinquent taxes. In connection with that contract, the District established an additional penalty of twenty percent (20%) of the tax to defray the costs of collection. This 20% penalty applies to taxes that either: (1) become delinquent on or after February 1 of a year, but not later than May 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 Property Tax Code.

Principal Taxpayers

The following list of principal taxpayers was provided by the District's Tax Assessor/Collector based upon the 2021 certified tax rolls, which reflect ownership at January 1, 2021.

Taxpayer	Type of Property	2021 Taxable Assessed Valuation	% of 2021 Taxable Assessed Valuation
Lawford No. 21 LLC	Land & Improvements	$ 24,661,730	9.70%
Sig-Valley Ranch LTD (a)	Land & Improvements	7,438,190	2.93%
Camillo LT 2018-SFR LLC	Land & Improvements	3,469,840	1.36%
Camillo Houses CV 3 LLC	Land & Improvements	2,227,790	0.88%
AFJR Corporation	Land & Improvements	1,670,490	0.66%
Porters JFP LLC	Land & Improvements	1,516,350	0.60%
Camillo Houses CV 4 LLC	Land & Improvements	1,360,050	0.53%
Vallley Ranch Self Storage QOZB LP	Land & Improvements	1,049,060	0.41%
Halle Properties LLC	Land & Improvements	836,660	0.33%
Woodmark Holdings LLC	Land & Improvements	671,170	0.26%
Total		$ 44,901,330	17.66%

(a) See "THE DEVELOPERS."

Summary of Assessed Valuation

The following summary of the 2021, 2020, 2019, 2018, and 2017 certified assessed valuation is provided by the District's Tax Assessor/Collector based on information contained in the 2021, 2020, 2019, 2018, and 2017 tax rolls of the District. Information in this summary may differ slightly from the assessed valuations shown herein due to differences in dates of data.

	2021	2020	2019	2018	2017
Land	$49,419,644	$49,232,704	$42,923,664	$40,381,470	$30,354,090
Improvements	214,785,910	215,557,140	195,730,120	147,601,780	118,868,650
Personal Property	3,454,144	3,027,726	2,850,289	2,279,875	2,431,699
Exemptions	(13,432,825)	(13,751,660)	(12,570,859)	(9,350,875)	(6,767,468)
Total Assessed Valuation	$254,226,873	$254,065,910	$228,933,214	$180,912,250	$144,886,971

Tax Adequacy for Debt Service

The calculations shown below assume, solely for purposes of illustration, no increase or decrease in assessed valuation over the 2021 Certified Taxable Assessed Valuation or Estimated Taxable Assessed Valuation as of February 1, 2022, no use of available funds, and utilize tax rates necessary to pay the District's average and maximum annual debt service requirements on the Outstanding Bonds and the Bonds.

Average annual debt service requirement (2023-2047)………………………………………………………… $1,889,825

$0.79 tax rate on the 2021 Taxable Assessed Valuation
of $254,226,873 at a 95% collection rate produces………………………………………………………… $1,907,973

$0.69 tax rate on the Estimated Taxable Assessed Valuation as of February 1, 2022
of $289,795,790 at a 95% collection rate produces………………………………………………………… $1,899,611

Maximum annual debt service requirement (2035)………………………………………………………… $2,324,203

$0.97 tax rate on the 2021 Taxable Assessed Valuation
of $254,226,873 at a 95% collection rate produces………………………………………………………… $2,342,701

$0.85 tax rate on the Estimated Taxable Assessed Valuation as of February 1, 2022
of $289,795,790 at a 95% collection rate produces………………………………………………………… $2,340,101

TAX PROCEDURES

Authority to Levy Taxes

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

Property Tax Code and County-Wide Appraisal District

Title 1 of the Texas Tax Code (the "Property Tax Code") specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Property Tax Code are complex and are not fully summarized here.

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

Property Subject to Taxation by the District

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

Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between $5,000 and $12,000 depending on the disability rating of the veteran. A veteran who receives a disability rating of 100% is entitled to an exemption for the full amount of the veteran's residence homestead. 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. Also, the surviving spouse of a member of the armed forces who was killed or fatally injured in the line of duty is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. The surviving spouse of a first responder who was killed or fatally injured in the line of duty is, subject to certain conditions, also entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. See "TAX DATA."

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

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

Tax Abatement

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

Valuation of Property for Taxation

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

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

The Property Tax Code requires the Appraisal Districts to implement a plan for periodic reappraisal of property to update appraisal values. The plan must provide for appraisal of all real property in such Appraisal District at least once every three (3) years. It is not known what frequency of reappraisal will be utilized by the Appraisal Districts 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 Districts 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 applicable Appraisal District chooses formally to 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% physically damaged by a disaster and located within an area declared to be a disaster area by the governor of the State of Texas. This temporary exemption is automatic if the disaster is declared prior to a taxing unit, such as the District, adopting its tax rate for the tax year. A taxing unit, such as the District, may authorize the exemption at its discretion if the disaster is declared after the taxing unit has adopted its tax rate for the tax year. The amount of the exemption is based on the percentage of damage and is prorated based on the date of the disaster. Upon receipt of an application submitted within the eligible timeframe by a person who qualifies for a temporary exemption under the Property Tax Code, the applicable Appraisal District is required to complete a damage assessment and assign a damage assessment rating to determine the amount of the exemption. The temporary exemption amounts established in the Property Tax Code range from 15% for property less than 30% damaged to 100% for property that is a total loss. Any such temporary exemption granted for disaster-damaged property expires on January 1 of the first year in which the property is reappraised.

District and Taxpayer Remedies

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

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes, and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. The delinquent tax accrues interest at a rate of 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, which may be rejected by taxing units. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties and interest, if the person requests an installment agreement and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) sixty-five (65) years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continues to accrue during the period of deferral.

Rollback of Operation and Maintenance Tax Rate

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

Special Taxing Units:

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

Developed Districts:

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

Developing Districts:

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

The District:

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

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State of Texas and each local taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of such other taxing units. See "ESTIMATED OVERLAPPING DEBT STATEMENT-Overlapping Tax Rates for 2021." A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. Personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

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

Tax Payment Installments after Disaster

Certain qualified taxpayers, including owners of residential homesteads, located within a designated disaster area or emergency area and whose property has been damaged as a direct result of the disaster or emergency, are entitled to enter into a tax payment installment agreement with a taxing jurisdiction, such as the District, if the taxpayer pays at least one-fourth of the tax bill imposed on the property by the delinquency date. The remaining taxes may be paid without penalty or interest in three equal installments within six months of the delinquency date.

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

[Remainder of Page Intentionally Left Blank]

WATER AND SEWER OPERATIONS

General

The Bonds are payable from the levy of an ad valorem tax, without legal limitation as to rate or amount, upon all taxable property in the District. Net revenues, if any, derived from the operation of the District's water and sewer operations are not pledged to the payment of the Outstanding Bonds and the Bonds but are available for any lawful purpose including payment of debt service on the Outstanding Bonds and the Bonds, at the discretion and upon action of the Board. It is not anticipated that significant revenues, if any, will be available for the payment of debt service on the Bonds.

Waterworks and Sewer System Operating Statement

The following statement sets forth in condensed form the historical results of operation of the District's General Fund. Accounting principles customarily employed in the determination of net revenues have been observed and, in all instances, exclude depreciation. Such summary is based upon information obtained from the District's audited financial statements for fiscal years June 30, 2017 through 2021, and from the District's bookkeeper for the eleven-month period ended May 31, 2022. Reference is made to such records and statements for further and more complete information.

	7/1/2021 5/31/2022 (a)	Fiscal Year Ended June 30 2021	2020	2019	2018	2017
GENERAL FUND						
Revenues:						
Water service	$ 486,829	$ 583,848	$ 582,492	$ 512,986	$ 418,464	$ 401,491
Sewer Service	501,994	649,558	611,924	532,683	434,066	391,151
Property Taxes	756,458	581,297	569,554	357,396	520,735	476,380
Penalties and Interest	10,385	13,009	11,822	11,826	8,620	8,014
Tap Connections	40,557	99,094	28,015	327,640	533,861	34,829
Miscellaneous	2,884	-	8,543	21,183	3,356	7,281
Investment Earnings	2,216	1,654	20,600	37,879	27,436	11,412
Total Revenues	$ 1,801,323	$ 1,928,460	$ 1,832,950	$ 1,801,593	$ 1,946,538	$ 1,330,558
Expenditures:						
Purchased Services	$ 465,598	$ 438,796	$ 313,583	$ 449,287	$ 403,883	$ 414,842
Professional Fees	195,052	129,798	183,389	191,862	206,514	176,837
Contracted Services	478,160	433,857	359,093	380,900	413,546	285,470
Repairs and Maintence	349,914	566,439	395,437	449,193	352,708	226,154
Utilties	72,935	61,084	56,741	49,640	20,383	19,316
Administrative	13,634	24,227	21,871	24,738	22,418	22,589
Lease Expense	238,650	265,800	257,250	258,300	122,300	95,100
Other	30,225	21,629	24,370	33,668	18,793	16,410
Capital Outlay	65,830	191,558	29,718	258,979	673,843	79,482
Developer Interest	-	8,041	-	-	-	-
Total Expenditures	$ 1,909,998	$ 2,141,229	$ 1,641,452	$ 2,096,567	$ 2,234,388	$ 1,336,200
Net Revenues	$ (108,675)	$ (212,769)	$ 191,498	$ (294,974)	$ (287,850)	$ (5,642)
Fund Balance Beginning of Period	$ 1,828,483	$ 1,824,343	$ 1,212,845	$ 1,450,018	$ 1,737,868	$ 1,699,978
Internal Transfers	-	$ 20,909	-	$ 57,801	-	$ 43,532
Write off of other liabilities	-	-	$ 420,000	-	-	-
Settlement proceeds	-	$ 196,000	-	-	-	-
Fund Balance End of Period	$ 1,719,808	$ 1,828,483	$ 1,824,343	$ 1,212,845	$ 1,450,018	$ 1,737,868

(a) Unaudited. Provided by the District's bookkeeper.

DEBT SERVICE REQUIREMENTS

The following table sets forth the debt service requirements for the Outstanding Bonds and the Bonds.

Year	Outstanding Debt Service	Debt Service on the Bonds Principal	Interest	Total	Total Debt Service
2023	$ 1,995,391	$ 95,000	$ 174,375	$ 269,375	$ 2,264,766
2024	1,994,041	100,000	169,150	269,150	2,263,191
2025	1,993,294	105,000	163,650	268,650	2,261,944
2026	1,998,714	110,000	157,875	267,875	2,266,589
2027	2,003,739	115,000	151,825	266,825	2,270,564
2028	2,016,811	120,000	145,500	265,500	2,282,311
2029	2,017,771	125,000	141,900	266,900	2,284,671
2030	2,017,071	130,000	138,150	268,150	2,285,221
2031	2,017,228	135,000	134,250	269,250	2,286,478
2032	2,040,478	145,000	130,200	275,200	2,315,678
2033	2,040,653	150,000	124,400	274,400	2,315,053
2034	2,034,328	155,000	118,400	273,400	2,307,728
2035	2,047,003	165,000	112,200	277,200	2,324,203
2036	1,967,713	170,000	105,600	275,600	2,243,313
2037	1,956,215	180,000	98,800	278,800	2,235,015
2038	1,748,586	185,000	91,600	276,600	2,025,186
2039	1,409,206	195,000	84,200	279,200	1,688,406
2040	1,408,738	205,000	76,400	281,400	1,690,138
2041	1,416,469	215,000	68,200	283,200	1,699,669
2042	1,417,838	220,000	59,600	279,600	1,697,438
2043	1,178,025	230,000	50,800	280,800	1,458,825
2044	1,020,494	245,000	41,600	286,600	1,307,094
2045	612,750	255,000	31,800	286,800	899,550
2046		265,000	21,600	286,600	286,600
2047		275,000	11,000	286,000	286,000
Total	$ 40,352,553	$ 4,290,000	$ 2,603,075	$ 6,893,075	$ 47,245,628

Average Annual Debt Service Requirements (2023-2047)……………………………………… $1,889,825

Maximum Annual Debt Service Requirements (2035)…………………………………………… $2,324,203

INVESTMENT CONSIDERATIONS

General

The Bonds, which are obligations of the District and not obligations of the State of Texas, Montgomery County, the City of Houston or any other entity other than the District, will be secured by a continuing direct annual ad valorem tax levied, without legal limitation as to rate or amount, on all taxable property within the District. The ultimate security for payment of the principal of and interest on the Bonds depends on the ability of the District to collect from the property owners within the District all taxes levied against the property, or in the event of foreclosure, on the value of the taxable property with respect to taxes levied by the District and by other taxing authorities.

Infectious Disease Outlook (COVID-19)

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

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

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

Severe Weather

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

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

According to the Engineer, the District's System did not sustain any material damage, there was no interruption of water and sewer service, and no homes or commercial improvements within the District experienced structural flooding or other material damage as a result of Hurricane Harvey.

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 in 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.

Specific Flood Type Risks

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

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

Economic Factors and Interest Rates

A substantial percentage of the taxable value of the District results from the current market value of property used for commercial and retail purposes and of single-family residences. The market value of such properties is related to general economic conditions in the City of Houston, the State of Texas and the nation and those conditions can affect the demand for such properties. Demand for property of this type and the construction of improvements thereon can be significantly affected by factors such as interest rates, credit availability (see "Credit Markets and Liquidity in the Financial Markets" below), construction costs and the prosperity and demographic characteristics of the urban center toward which the marketing of commercial property is directed. Decreased levels of construction activity would tend to restrict the growth of property values in the District or could adversely impact such values.

Credit Markets and Liquidity in the Financial Markets

Interest rates and the availability of mortgage and development funding have a direct impact on construction activity, particularly short-term interest rates at which landowners are able to obtain financing for development costs. Interest rate levels may affect the ability of a landowner with undeveloped property to undertake and complete construction activities within the District. Because of the numerous and changing factors affecting the availability of funds, particularly liquidity in the national credit markets, the District is unable to assess the future availability of such funds for continued construction within the District. In addition, since the District is located approximately 30 miles north of the central downtown business district of the City of Houston, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the Houston metropolitan and regional economies and national credit and financial markets. A downturn in the economic conditions of Houston or decline in the nation's real estate and financial markets could adversely affect development in the District and restrain the growth of or reduce the value of the District's property tax base.

Potential Effects of Oil Price Fluctuations on the Houston Area

The economy of the Houston area has, in the past, been particularly affected by adverse conditions in the oil and gas industry, and such conditions and their spillover effects into other industries could result in declines in the demand for residential and commercial property in the Houston area and could reduce or negatively affect property values within the District. The District cannot predict the impact that negative conditions in the oil industry will have on property values in the District.

Landowner Obligation to the District

There are no commitments from or obligations of the Developers or any landowner to the District to proceed at any particular rate or according to any specified plan with the development of land or the construction of improvements in the District, and there is no restriction on any landowner's right to sell its land. Failure to construct taxable improvements on developed tracts of land would restrict the rate of growth of taxable values in the District. The

District cannot and does not make any representations that over the life of the Bonds the District will increase or maintain its taxable value.

Impact on District Tax Rates

Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of District property owners to pay their taxes. The 2021 Certified Taxable Assessed Valuation of the District is $254,226,873 and the Estimated Taxable Assessed Valuation as of February 1, 2022, is $289,795,790. See "FINANCIAL STATEMENT (UNAUDITED)." After issuance of the Bonds, the maximum annual debt service requirement will be $2,324,203 (2035) and the average annual debt service requirement will be $1,889,825 (2023-2047). Assuming no increase or decrease from the 2021 Certified Taxable Assessed Valuation and no use of funds other than tax collections, a tax rate of $0.97 per $100 of taxable assessed valuation at a 95% collection rate would be necessary to pay the maximum annual debt service requirement of $2,324,203 and a tax rate of $0.79 per $100 of taxable assessed valuation at a 95% collection rate would be necessary to pay the average annual debt service requirement of $1,889,825. Assuming no increase or decrease from the Estimated Taxable Assessed Valuation as of February 1, 2022 and no use of funds other than tax collections, a tax rate of $0.85 per $100 of taxable assessed valuation at a 95% collection rate would be necessary to pay the maximum annual debt service requirement of $2,324,203 and a tax rate of $0.69 per $100 of taxable assessed valuation at a 95% collection rate would be necessary to pay the average annual debt service requirement of $1,889,825. See "DEBT SERVICE REQUIREMENTS."

Although calculations have been made regarding the average and maximum tax rates necessary to pay the debt service on the Bonds and the Outstanding Bonds based upon the 2021 Certified Taxable Assessed Valuation and Estimated Taxable Assessed Valuation as of February 1, 2022, the District makes no representations regarding the future level of assessed valuation within the District. Increases in taxable values depend primarily on the continuing construction and sale of homes and other taxable improvements within the District. See "TAX PROCEDURES" and "TAX DATA—Tax Adequacy for Debt Service."

Tax Collection Limitations

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

Registered Owners' Remedies and Bankruptcy Limitations

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Resolution, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Resolution, the Registered Owners have the statutory right of a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Resolution. Except for mandamus, the Bond Resolution does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners. Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages, so that in the absence of other waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the Bond Resolution may not be reduced to a judgment for money damages. If such a judgment against the District were obtained, it could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may further be limited by a State of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District.

Subject to the requirements of Texas law discussed below, a political subdivision such as the District may voluntarily file a petition for relief from creditors under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Sections 901-946. The filing of such petition would automatically stay the enforcement of Registered Owners' remedies, including mandamus. The automatic stay would remain in effect until the federal bankruptcy judge hearing the case dismisses the petition, enters an order granting relief from the stay or otherwise allows creditors to proceed against the petitioning political subdivision. A political subdivision such as the District may qualify as a debtor eligible to proceed in a Chapter 9 case only if it is (1) authorized to file for federal bankruptcy protection by applicable state law, (2) is insolvent or unable to meet its debts as they mature, (3) desires 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. Special districts such as the District must obtain the approval of the Commission as a condition to seeking relief under the Federal Bankruptcy Code. The Commission is required to investigate the financial condition of a financially troubled district and authorize such district to proceed under federal bankruptcy law only if such district has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

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

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

A district may not be forced into bankruptcy involuntarily.

Continuing Compliance with Certain Covenants

The Bond Resolution contains covenants by the District intended to preserve the exclusion from gross income for federal income tax purposes of interest on the Bonds. Failure by the District to comply with such covenants in the Bond Resolution 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."

Marketability

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

Environmental Regulations

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

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

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

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

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

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

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

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

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

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

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

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

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

The District is subject to the TCEQ's General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the "MS4 Permit"), which was issued by the TCEQ on January 24, 2019. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. The District has applied for and received coverage under the MS4 Permit from the TCEQ. In order to maintain compliance with the MS4 Permit, the District continues to develop, implement, and maintain the required plans, as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff. Costs associated with these compliance activities could be substantial in the future.

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

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

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

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

On June 9, 2021, the EPA and USACE announced plans to further revise the definition of "waters of the United States." On August 30, 2021, the United States District Court for the District of Arizona issued an order vacating the NWPR while the EPA and USACE make plans to replace it. On November 18, 2021, the EPA and USACE issued a Notice of Proposed Rulemaking to put back into place the pre-2015 definition of "waters of the United States," and on December 7, 2021, the proposed rule was published in the Federal Register, with the public comment period closing on February 7, 2022. 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.

Changes in Tax 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 tax purposes. Any proposed legislation, whether or not enacted, may also affect the value and liquidity of the Bonds. Prospective purchasers should consult with their own tax advisors with respect to any proposed, pending or future legislation.

Risk Factors Related to the Purchase of Municipal Bond Insurance

The Initial Purchaser (as defined herein) has entered into an agreement with Assured Guaranteed Municipal Corp. (the "Insurer") for the purchase of a bond insurance policy (the "Policy") to guarantee the scheduled payment of principal and interest on the Bonds. Investors should be aware of the following investment considerations:

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

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

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

LEGAL MATTERS

Legal Proceedings

Delivery of the Bonds will be accompanied by the approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the District under the Constitution and laws of the State of Texas, payable from the proceeds of an annual ad valorem tax levied, without limit as to rate or amount, upon all taxable property within the District, and, based upon their examination of a transcript of certified proceedings relating to the issuance and sale of the Bonds, the approving legal opinion of Bond Counsel, to a like effect and to the effect that, under existing law, interest on the Bonds is excludable from gross income for federal tax purposes and interest on the Bonds is not subject to the alternative minimum tax on individuals.

Bond Counsel has reviewed the information appearing in this Official Statement under "THE BONDS," "THE DISTRICT-General," "TAX PROCEDURES," "LEGAL MATTERS," "TAX MATTERS," and "CONTINUING DISCLOSURE OF INFORMATION" solely to determine if such information, insofar as it relates to matters of law, is true and correct, and whether such information fairly summarizes the provisions of the documents referred to therein. Bond Counsel has not, however, independently verified any of the factual information contained in this Official Statement nor has it conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon Bond Counsel's limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any information contained herein.

Allen Boone Humphries Robinson LLP also serves as General Counsel to the District on matters other than the issuance of bonds. The legal fees paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the bonds actually issued, sold, and delivered and, therefore, such fees are contingent upon the sale and delivery of the Bonds. The legal fees paid to Allen Boone Humphries Robinson LLP in its capacity as General Counsel are based on time charges actually incurred.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction, nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

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 from that set forth or contemplated in the Preliminary Official Statement.

No-Litigation Certificate

The District will furnish the Initial Purchaser a certificate, executed by both the President or Vice President and Secretary or Assistant Secretary of the Board, and dated as of the date of delivery of the Bonds, to the effect that no litigation of any nature is pending or to its knowledge threatened, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the levy, assessment and collection of ad valorem taxes to pay the interest or the principal of 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 or the title of the present officers of the District.

TAX MATTERS

In the opinion of Allen Boone Humphries Robinson LLP, Bond Counsel, under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes and interest on the Bonds is not subject to the alternative minimum tax on individuals; however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in section 59(k) of the Internal Revenue Code of 1986, as amended (the "Code")) for the purpose of determining the alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022.

The Code imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of proceeds and the source of repayment, limitations on the investment of proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of proceeds be paid periodically to the United States and a requirement that the issuer file an information report with the Internal Revenue Service. The District has covenanted in the Bond Order that they will comply with these requirements.

Bond Counsel's opinion will assume continuing compliance with the covenants of the Bond Resolution pertaining to those sections of the Code which affect the exclusion from gross income of interest on the Bonds for federal income tax purposes and, in addition, will rely on representations by the District, the District's Financial Advisor and the Initial Purchaser with respect to matters solely within the knowledge of the District, the District's Financial Advisor and the Initial Purchaser, respectively, which Bond Counsel has not independently verified. If the District should fail to comply with the covenants in the Bond Resolution or if the foregoing representations should be determined to be inaccurate or incomplete, interest on the Bonds could become taxable from the date of delivery of the Bonds, regardless of the date on which the event causing such taxability occurs.

Under the Code, taxpayers are required to report on their returns the amount of tax exempt interest, such as interest on the Bonds, received or accrued during the year. Payments of interest on tax-exempt obligations such as the Bonds are in many cases required to be reported to the Service. Additionally, backup withholding may apply to any such payments to any owner who is not an "exempt recipient" and who fails to provide certain identifying information. Individuals generally are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients.

Except as stated above, Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the ownership of, receipt of interest on, or disposition of, the Bonds.

Prospective purchasers of the Bonds should be aware that the ownership of tax exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax exempt obligations, taxpayers owning an interest in a FASIT that holds tax-exempt obligations, and individuals otherwise qualifying for the earned income credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively-connected earnings and profits, including tax exempt interest such as interest on the Bonds. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences.

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel's knowledge of facts as of the date hereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent Bond Counsel's legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the District as the taxpayer and the owners of the Bonds may not have a right to participate in such audit. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit regardless of the ultimate outcome of the audit.

Tax Accounting Treatment of Original Issue Discount Bonds

The issue price of certain of the Bonds (the "Original Issue Discount Bonds") is less than the stated redemption price at maturity. In such case, under existing law, and based upon the assumptions hereinafter stated (a) the difference between (i) the stated amount payable at the maturity of each Original Issue Discount Bond and (ii) the issue price of such Original Issue Discount Bond constitutes original issue discount with respect to such Original Issue Discount Bond in the hands of any owner who has purchased such Original Issue Discount Bond at the initial public offering price in the initial public offering of the Bonds; and (b) such initial owner 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 period that such Original Issue Discount Bond continues to be owned by such owner.

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 Bond was held by such initial owner) is ineluctable in gross income. (Because original issue discount is treated as interest for federal income tax purposes, the discussion regarding interest on the Bonds under the caption "TAX MATTERS" generally applies, except as otherwise provided below, to original issue discount on an Original Issue Discount Bond held by an owner who purchased such Bond at the initial offering price in the initial public offering of the Bonds, and should be considered in connection with the discussion in this portion of the Official Statement.)

The foregoing is based on the assumptions that (a) the Initial Purchaser has purchased the Bonds for contemporaneous sale to the general public and not for investment purposes, and (b) all of the Original Issue Discount Bonds have been offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm's-length transactions for a cash price (and with no other consideration being included) equal to the initial offering prices thereof stated on the cover page of this Official Statement, and (c) the respective initial offering prices of the Original Issue Discount Bonds to the general public are equal to the fair market value thereof. Neither the District nor Bond Counsel warrants that the Original Issue Discount Bonds will be offered and sold in accordance with such assumptions.

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 Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Bond for purposes of determining the amount of gain or loss recognized by such owner upon 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 plus 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 Bond.

The federal income tax consequences of the purchase, ownership, and 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 interest accrued upon redemption, sale or other disposition of such Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership and redemption, sale or other disposition of such Bonds.

Qualified Tax-Exempt Obligations

The Code requires a pro rata reduction in the interest expense deduction of a financial institution to reflect such financial institution's investment in tax-exempt obligations acquired after August 7, 1986. An exception to the foregoing provision is provided in the Code for "qualified tax-exempt obligations," which include tax-exempt obligations, such as the Bonds, (a) designated by the issuer as "qualified tax-exempt obligations" and (b) issued by or on behalf of a political subdivision for which the aggregate amount of tax-exempt obligations (not including private activity bonds other than qualified 501(c)(3) bonds) to be issued during the calendar year is not expected to exceed $10,000,000.

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

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

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District accepted the bid resulting in the lowest net interest cost, which bid was tendered by SAMCO Capital Markets, Inc. (the "Initial Purchaser") bearing the interest rates shown on the cover page hereof, at a price of 97.02% of the principal amount thereof plus accrued interest to the date of delivery which resulted in a net effective interest rate of 4.173548% as calculated pursuant to Chapter 1204 of the Texas Government Code.

Prices and Marketability

The prices and other terms with respect to the offering and sale of the Bonds may be changed at any time by the Initial Purchaser after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering 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 that stabilize or maintain the market prices of the Bonds at levels above those that might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

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

Securities Laws

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

MUNICIPAL BOND RATING

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), and Moody's Investors Services ("Moody's") have assigned their municipal bond ratings of "AA" and "A1," respectively, to this issue of Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy guaranteeing the timely payment of the principal of and interest on the Bonds will be issued by Assured Guaranty Municipal Corp. ("AGM") (See "MUNICIPAL BOND INSURANCE"). Additionally, Moody's has assigned the Bonds an underlying rating of "Baa2." An explanation of the significance of such ratings may be obtained from S&P and Moody's. These ratings reflect only the views of S&P and Moody's, and the District makes no representation as to the appropriateness of such ratings. Further, there is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely, if in the sole judgment of S&P and Moody's circumstances so warrant. Any such downward revisions or withdrawal of the ratings may have an adverse effect on the trading value and the market price of the Bonds. See “MUNICIPAL BOND INSURANCE”.

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. ("AGM") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as APPENDIX B to this Official Statement.

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

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 June 30, 2022:

- The policyholders' surplus of AGM was approximately $2,779 million.

- The contingency reserve of AGM was approximately $905 million.

- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately $2,114 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);

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); and

III. the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2022 (filed by AGL with the SEC on August 4, 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".

PREPARATION OF OFFICIAL STATEMENT

Sources and Compilation of Information

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

Financial Advisor

Post Oak Municipal 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, including the Official Notice of Sale and the Official Bid Form for the sale of the Bonds. In its capacity as Financial Advisor, Post Oak Municipal Advisors LLC has compiled and edited this Official Statement. In addition to compiling and editing, the Financial Advisor has obtained the information set forth herein under the caption indicated from the following sources:

> "THE DISTRICT" – Sig-Valley Ranch, Ltd., Valley Ranch Town Center Holdings, Ltd., and D.R. Horton-Texas, Ltd. (collectively the "Developers"), DE Corp. ("Engineer"), and Records of the District ("Records"); "THE DEVELOPERS" – Developers; "THE SYSTEM" – Engineer; "UNLIMITED TAX BONDS AUTHORIZED BUT UNISSUED" - Records; "FINANCIAL STATEMENT (UNAUDITED)" - Montgomery Central Appraisal District and Utility Tax Service, LLC, Tax Assessor/Collector; "ESTIMATED OVERLAPPING DEBT STATEMENT" - Municipal Advisory Council of Texas and Financial Advisor; "TAX DATA" - Utility Tax Service, LLC; "MANAGEMENT" – Records; "DEBT SERVICE REQUIREMENTS" - Financial Advisor; "THE BONDS," "TAX PROCEDURES," "LEGAL MATTERS," and "TAX MATTERS" - Allen Boone Humphries Robinson LLP.

The Financial Advisor has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the District and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

Consultants

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

Engineer: The information contained in this Official Statement relating to engineering matters and to the description of the System and in particular that information included in the sections entitled "THE DISTRICT" and "THE SYSTEM" has been provided by DE Corp. and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

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

Tax Assessor/Collector: The information contained in this Official Statement relating to the historical breakdown of the Assessed Valuation, principal taxpayers, and certain other historical data concerning tax rates and tax collections has been provided by Utility Tax Service, LLC and is included herein in reliance upon the authority of such entity as experts in assessing and collecting taxes.

Auditor: As required by the Texas Water Code, the District retains an independent accountant to audit the District's financial statements annually, which audited financial statements are filed with the Commission. The District's financial statements for the fiscal year ended June 30, 2021, have been audited by McGrath & Co., PLLC. See "APPENDIX A" for a copy of the District's June 30, 2021, audited financial statements. The District has engaged McGrath & Co., PLLC to prepare the District's June 30, 2022, financial statements.

Bookkeeper: The information related to the "unaudited" summary of the District's General Operating Fund as it appears in "WATER AND SEWER OPERATIONS" has been provided by District Data Services, Inc., and is included herein in reliance upon the authority of such firm as experts in the tracking and managing the various funds of municipal utility districts.

Updating the Official Statement

If, subsequent to the date of the Official Statement, the District learns, through the ordinary course of business and without undertaking any investigation or examination for such purposes, or is notified by the 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 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 as required by law (but not more than 90 days after the date the District delivers the Bonds).

Certification of Official Statement

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

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide certain updated financial information and operating data to the MSRB through its EMMA system. The information to be updated with respect to the District includes all quantitative financial information and operating data of the general type included in this Official Statement under the headings "THE SYSTEM," "FINANCIAL STATEMENT (UNAUDITED)" (except for Estimated Overlapping Debt), "TAX DATA," "WATER AND SEWER OPERATIONS," and in Appendix A. The District will update and provide this information within six (6) months after the end of each fiscal year ending in or after 2022.

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

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

Event Notices

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

Availability of Information from MSRB

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

Limitations and Amendments

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

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

Compliance with Prior Undertakings

During the last five years, the District has complied in all material respects with its previous continuing disclosure agreements made by the District in accordance with the SEC Rule 15c2-12.

MISCELLANEOUS

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

This Official Statement was approved by the Board of Directors of Valley Ranch Municipal Utility District No. 1, as of the date shown on the cover page.

/s/ ***Chris Baughman***
President, Board of Directors
Valley Ranch Municipal Utility District No. 1

ATTEST:

/s/ ***Corey Mills***
Assistant Secretary, Board of Directors
Valley Ranch Municipal Utility District No. 1

AERIAL PHOTOGRAPH

(Approximate boundaries of the District as of June 2022)


VALLEY RANCH
MUNICIPAL UTILITY DISTRICT
NO. 1
Grand Pkwy
US 59
F.M. 1314
N
S
E
W
nw
ne
sw
se

PHOTOGRAPHS

The following photographs were taken in the District in June 2022, solely to illustrate the type of improvements which have been constructed in the District. The District cannot predict if any additional improvements will be constructed in the future.


MONTGOMERY COUNTY
VALLEY RANCH
MUNICIPAL UTILITY DISTRICT NO.1
TEXAS COMMISSION ON ENVIORMENTAL QUALITY


TECHRON
DIESEL
4.79
Checkers
VALLEY RANCH


TEXACO
DICKEY'S
Self


DISCOUNT TIRE
neighbors
ENTER AT DISCOUNT TIRE
24/7/365 EMERGENCY ROOM
EMERGENCY CENTER
In-Network with BCBS, Aetna, & Cigna
NEC24.COM
22610
DISCOUNT TIRE
22610
STOP


CLIMATE CONTROLLED
VALLEY RANCH SELF STORAGE


CALIBER COLLISION
CALIBER COLLISION
21930


THE VILLAS
21899


Sotheby's


VALLEY RANCH RECREATION CENTER

APPENDIX A

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

VALLEY RANCH MUNICIPAL UTILITY DISTRICT NO. 1

MONTGOMERY COUNTY, TEXAS

FINANCIAL REPORT

June 30, 2021

Table of Contents

McGRATH & CO., PLLC

Certified Public Accountants
2900 North Loop West, Suite 880
Houston, Texas 77092

Independent Auditor's Report

Board of Directors
Valley Ranch Municipal Utility District No. 1
Montgomery County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Valley Ranch Municipal Utility District No. 1, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these basic 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 basic financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including 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 principles 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 to provide a basis for our audit opinions.

Mark W. McGrath, CPA
mark@mcgrath-co.com

Colette M. Garcia, CPA
colette@mcgrath-co.com

Tayo Ilori, CPA, CFE
tayo@mcgrath-co.com

Crystal V. Horn, CPA
crystal@mcgrath-co.com

Opinion

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 Valley Ranch Municipal Utility District No. 1, as of June 30, 2021, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information 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 Texas Supplementary Information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Texas Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied to the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

McGrath & Co, PLLC

Houston, Texas
October 27, 2021

Management's Discussion and Analysis

(This page intentionally left blank)

Using this Annual Report

Within this section of the financial report of Valley Ranch Municipal Utility District No. 1 (the "District"), the District's Board of Directors provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended June 30, 2021. This analysis should be read in conjunction with the independent auditor's report and the basic financial statements that follow this section.

In addition to this discussion and analysis, this annual report consists of:

- The District's basic financial statements;
- Notes to the basic financial statements, which provide additional information essential to a full understanding of the data provided in the financial statements;
- Supplementary information required by the Governmental Accounting Standards Board (GASB) concerning the District's budget; and
- Other Texas supplementary information required by the District's state oversight agency, the Texas Commission on Environmental Quality (TCEQ).

Overview of the Financial Statements

The District prepares its basic financial statements using a format that combines fund financial statements and government-wide statements onto one financial statement. The combined statements are the *Statement of Net Position and Governmental Funds Balance Sheet* and the *Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances*. Each statement contains an adjustments column which quantifies the differences between the government-wide and fund level statements. Additional details of the adjustments are provided in Note 2 to the basic financial statements.

Government-Wide Financial Statements

The focus of government-wide financial statements is on the overall financial position and activities of the District, both long-term and short-term. The District's government-wide financial statements consist of the *Statement of Net Position* and the *Statement of Activities*, which are prepared using the accrual basis of accounting. The *Statement of Net Position* includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the residual reported as net position. Over time, changes in net position may provide a useful indicator of whether the financial position of the District as a whole is improving or deteriorating.

Accounting standards establish three components of net position. The net investment in capital assets component represents the District's investments in capital assets, less any outstanding debt or other borrowings used to acquire those assets. Resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The restricted component of net position consists of financial resources that are restricted for a specific purpose by enabling legislation or external parties. The unrestricted component of net position represents resources not included in the other components.

The *Statement of Activities* reports how the District's net position has changed during the fiscal year. All revenues and expenses are included on this statement, regardless of whether cash has been received or paid.

Fund Financial Statements

The fund financial statements include the *Governmental Funds Balance Sheet* and the *Governmental Funds Revenues, Expenditures and Changes in Fund Balances*. The focus of fund financial statements is on specific activities of the District rather than the District as a whole, reported using modified accrual accounting. These statements report on the District's use of available financial resources and the balances of available financial resources at the end of the year. Except for the General Fund, a specific fund is established to satisfy managerial control over resources or to satisfy finance-related legal requirements established by external parties, governmental statutes or regulations.

For further discussion on the government-wide and fund financial statements, please refer to Note 1 in the financial statements.

Financial Analysis of the District as a Whole

The District's net position at June 30, 2021, was negative $1,311,493. A comparative summary of the District's overall financial position, as of June 30, 2021 and 2020, is as follows:

	2021	2020
Current and other assets	$ 10,823,611	$ 4,865,754
Capital assets	20,855,805	17,956,734
Total assets	31,679,416	22,822,488
Total deferred outflows of resources	374,847	342,899
Current liabilities	1,670,944	1,288,578
Long-term liabilities	31,694,812	23,396,218
Total liabilities	33,365,756	24,684,796
Net position		
Net investment in capital assets	(6,183,067)	(5,815,467)
Restricted	3,032,760	2,464,362
Unrestricted	1,838,814	1,831,696
Total net position	$ (1,311,493)	$ (1,519,409)

The total net position of the District increased during the current fiscal year by $207,916. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	2021	2020
Revenues		
Water and sewer service	$ 1,233,406	$ 1,194,416
Property taxes, penalties and interest	2,827,300	2,545,043
Other	104,099	82,533
Total revenues	4,164,805	3,821,992
Expenses		
Current service operations	2,048,707	1,672,942
Debt interest and fees	874,566	843,268
Developer interest	8,041	8,051
Debt issuance costs	730,335	105,516
Depreciation and amortization	491,240	487,772
Total expenses	4,152,889	3,117,549
Change in net position before other item	11,916	704,443
Other item		
Settlement proceeds	196,000	
Write off of other liabilties		420,000
Change in net position	207,916	1,124,443
Net position, beginning of year	(1,519,409)	(2,643,852)
Net position, end of year	$ (1,311,493)	$ (1,519,409)

Financial Analysis of the District's Funds

The District's combined fund balances, as of June 30, 2021, were $10,171,208, which consists of $1,828,483 in the General Fund, $3,271,632 in the Debt Service Fund, and $5,071,093 in the Capital Projects Fund.

General Fund

A comparative summary of the General Fund's financial position as of June 30, 2021 and 2020 is as follows:

	2021	2020
Total assets	$ 2,136,776	$ 2,072,558
Total liabilities	$ 297,962	$ 240,862
Total deferred inflows	10,331	7,353
Total fund balance	1,828,483	1,824,343
Total liabilities, deferred inflows and fund balance	$ 2,136,776	$ 2,072,558

A comparative summary of the General Fund's activities for the current and prior fiscal year is as follows:

	2021	2020
Total revenues	$ 1,928,460	$ 1,832,950
Total expenditures	(2,141,229)	(1,641,452)
Revenues over/(under) expenditures	(212,769)	191,498
Other changes in fund balance	216,909	420,000
Net change in fund balance	$ 4,140	$ 611,498

The District manages its activities with the objectives of ensuring that expenditures will be adequately covered by revenues each year and that an adequate fund balance is maintained. The District's primary financial resources in the General Fund are from a property tax levy, the provision of water and sewer services to customers within the District and tap connection fees charged to homebuilders in the District. Financial resources are influenced by a variety of factors each year:

- Property tax revenues are dependent upon assessed values in the District and the maintenance tax rate set by the District. While the District decreased its maintenance tax levy, property tax revenues increased because assessed values in the District increased from the prior year.
- Water and sewer revenues are dependent upon customer usage, which fluctuates from year to year as a result of factors beyond the District's control.
- Tap connection fees fluctuate with homebuilding activity within the District.

During the current year, the District received $196,000 from a contractor to settle claims related to an agreement for the excavation of land within the District. See Note 11 for additional information.

Debt Service Fund

A comparative summary of the Debt Service Fund's financial position as of June 30, 2021 and 2020 is as follows:

	2021	2020
Total assets	$ 3,332,581	$ 2,738,794
Total liabilities	$ 13,104	$ 1,772
Total deferred inflows	47,845	31,106
Total fund balance	3,271,632	2,705,916
Total liabilities, deferred inflows and fund balance	$ 3,332,581	$ 2,738,794

A comparative summary of the Debt Service Fund's activities for the current and prior fiscal year is as follows:

	2021	2020
Total revenues	$ 2,216,462	$ 1,973,698
Total expenditures	(1,680,746)	(1,584,895)
Revenues over expenditures	535,716	388,803
Other changes in fund balance	30,000	110,000
Net change in fund balance	$ 565,716	$ 498,803

The District's financial resources in the Debt Service Fund in both the current year and prior year are from property tax revenues. The difference between these financial resources and debt service requirements resulted in an increase in fund balance each year. It is important to note that the District sets its annual debt service tax rate as recommended by its financial advisor, who monitors projected cash flows in the Debt Service Fund to ensure that the District will be able to meet its future debt service requirements.

During the current year, the District issued $2,310,000 in refunding bonds to refund $2,280,000 of its outstanding Series 2012 and Series 2014 bonds. This refunding will save the District $441,150 in future debt service requirements. In the prior year, the District issued $1,775,000 in refunding bonds to refund $1,665,000 of its outstanding Series 2010 bonds and save the District $248,663 in future debt service requirements at the time of issuance.

Capital Projects Fund

A comparative summary of the Capital Projects Fund's financial position as of June 30, 2021 and 2020 is as follows:

	2021	2020
Total assets	$ 5,354,254	$ 54,402
Total liabilities	$ 283,161	$ 3,284
Total fund balance	5,071,093	51,118
Total liabilities and fund balance	$ 5,354,254	$ 54,402

A comparative summary of activities in the Capital Projects Fund for the current and prior fiscal year is as follows:

	2021	2020
Total revenues	$ 166	$ 247
Total expenditures	(4,459,282)	(107,865)
Revenues under expenditures	(4,459,116)	(107,618)
Other changes in fund balance	9,479,091	
Net change in fund balance	$ 5,019,975	$ (107,618)

The District has had considerable capital asset activity this year, which was financed with proceeds from the issuance of its Series 2021 Unlimited Tax Bonds. The District did not have any significant capital asset activity in the prior year.

General Fund Budgetary Highlights

The Board of Directors adopts an annual unappropriated budget for the General Fund prior to the beginning of each fiscal year. The Board amended the budget during the year to reflect changes in anticipated revenues and expenditures.

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was $129,440 greater than budgeted. The *Budgetary Comparison Schedule* on page 38 of this report provides variance information per financial statement line item.

Capital Assets

The District has entered into financing agreements with its developers for the financing of the construction of capital assets within the District. Developers will be reimbursed from proceeds of future bond issues or other lawfully available funds. These developer funded capital assets are recorded on the District's financial statements upon completion of construction.

Capital assets held by the District at June 30, 2021 and 2020 are summarized as follows:

	2021	2020
Capital assets not being depreciated		
Land and improvements	$ 3,472,251	$ 3,393,419
Construction in progress	3,163,302	
	6,635,553	3,393,419
Capital assets being depreciated/amortized		
Infrastructure	15,993,795	15,851,918
Park improvements	993,103	993,103
Impact fees	1,461,790	1,455,490
	18,448,688	18,300,511
Less accumulated depreciation/amortization		
Infrastructure	(3,231,319)	(2,875,900)
Park improvements	(403,310)	(340,579)
Impact fees	(593,807)	(520,717)
	(4,228,436)	(3,737,196)
Depreciable/amortizable capital assets, net	14,220,252	14,563,315
Capital assets, net	$ 20,855,805	$ 17,956,734

Capital asset additions during the current year include impact fees paid to Porter Special Utility District and clearing and grubbing.

The District's construction in progress is for the construction of the following:

- Azalea Medical District – clearing and grubbing
- Azalea Medical District – detention ponds A, B, C, and D
- Valley Ranch Parkway – utilities
- Valley Ranch expansion of channel and detention pond
- Valley Ranch Town Center West – clearing and grubbing
- Valley Ranch Town Center West – utilities

Long-Term Debt and Related Liabilities

As of June 30, 2021, the District owes approximately $494,021 to developers for completed projects. The initial cost of the completed project and related liability is estimated based on actual construction costs plus 10-15% for engineering and other fees and is recorded on the District's financial statements upon completion of construction. The District intends to reimburse the developer from proceeds of future bond issues or other lawfully available funds. The estimated cost of amounts owed to the developer is trued up when the developer is reimbursed.

At June 30, 2021 and 2020, the District had total bonded debt outstanding as shown below:

Series	2021	2020
2012	$ 100,000	$ 1,200,000
2014	45,000	1,315,000
2014A	850,000	880,000
2016	2,065,000	2,165,000
2016A Refunding	3,275,000	3,470,000
2017	3,550,000	3,635,000
2018	2,395,000	2,450,000
2018A	4,055,000	4,150,000
2019 Park	1,975,000	2,020,000
2019A Refunding	1,700,000	1,775,000
2021	9,500,000	
2021A Refunding	2,310,000	
	$ 31,820,000	$ 23,060,000

During the current year, the District issued $9,500,000 in unlimited tax bonds and $2,310,000 in unlimited tax refunding bonds. At June 30, 2021, the District had $87,895,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District; $11,980,000 for parks and recreational facilities; and $120,870,000 for refunding purposes.

Next Year's Budget

In establishing the budget for the next fiscal year, the Board considered various economic factors that may affect the District, most notably projected revenues from property taxes and water/sewer services and the projected cost of operating the District and providing services to customers. A comparison of next year's budget to current year actual amounts for the General Fund is as follows:

	2021 Actual	2022 Budget
Total revenues	$ 1,928,460	$ 1,969,000
Total expenditures	(2,141,229)	(1,908,300)
Revenues over/(under) expenditures	(212,769)	60,700
Other changes in fund balance	216,909	
Net change in fund balance	4,140	60,700
Beginning fund balance	1,824,343	1,828,483
Ending fund balance	$ 1,828,483	$ 1,889,183

Property Taxes

The District's property tax base decreased approximately $9,492,000 (based on certified values) for the 2021 tax year from $254,081,740 to $244,589,983. The District has an additional $9,500,000 in uncertified values. For the 2021 tax year, the District has levied a maintenance tax rate of $0.30 per $100 of assessed value and a debt service tax rate of $0.80 per $100 of assessed value, for a total combined tax rate of $1.10 per $100.

(This page intentionally left blank)

Basic Financial Statements

Valley Ranch Municipal Utility District No. 1
Statement of Net Position and Governmental Funds Balance Sheet
June 30, 2021

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash	$ 140,694	$ 51,017	$ 45,221	$ 236,932	$ -	$ 236,932
Investments	1,762,612	3,233,692	5,309,033	10,305,337		10,305,337
Taxes receivable	10,331	47,845		58,176		58,176
Customer service receivables, net	187,701			187,701		187,701
Internal balances	(27)	27				
Other receivables	1,860			1,860		1,860
Prepaid items	33,605			33,605		33,605
Capital assets not being depreciated					6,635,553	6,635,553
Capital assets, net					14,220,252	14,220,252
Total Assets	$ 2,136,776	$ 3,332,581	$ 5,354,254	$ 10,823,611	20,855,805	31,679,416
Deferred Outflows of Resources						
Deferred difference on refunding					374,847	374,847
Liabilities						
Accounts payable	$ 154,098	$ -	$ 15,550	$ 169,648		169,648
Retainage payable			267,611	267,611		267,611
Other payables	160	166		326		326
Customer deposits	143,704			143,704		143,704
Accrued interest payable		12,938		12,938	286,717	299,655
Due to developers					494,021	494,021
Long-term debt						
Due within one year					790,000	790,000
Due after one year, net					31,200,791	31,200,791
Total Liabilities	297,962	13,104	283,161	594,227	32,771,529	33,365,756
Deferred Inflows of Resources						
Deferred property taxes	10,331	47,845		58,176	(58,176)	
Fund Balances/Net Position						
Fund Balances						
Nonspendable	33,605			33,605	(33,605)	
Restricted		3,271,632	5,071,093	8,342,725	(8,342,725)	
Unassigned	1,794,878			1,794,878	(1,794,878)	
Total Fund Balances	1,828,483	3,271,632	5,071,093	10,171,208	(10,171,208)	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 2,136,776	$ 3,332,581	$ 5,354,254	$ 10,823,611		
Net Position						
Net investment in capital assets					(6,183,067)	(6,183,067)
Restricted for debt service					3,032,760	3,032,760
Unrestricted					1,838,814	1,838,814
Total Net Position					$ (1,311,493)	$ (1,311,493)

See notes to basic financial statements.

Valley Ranch Municipal Utility District No. 1
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2021

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues						
Water service	$ 583,848	$ -	$ -	$ 583,848	$ -	$ 583,848
Sewer service	649,558			649,558		649,558
Property taxes	581,297	2,196,510		2,777,807	16,595	2,794,402
Penalties and interest	13,009	16,767		29,776	3,122	32,898
Tap connection and inspection	99,094			99,094		99,094
Miscellaneous		1,375		1,375		1,375
Investment earnings	1,654	1,810	166	3,630		3,630
Total Revenues	1,928,460	2,216,462	166	4,145,088	19,717	4,164,805
Expenditures/Expenses						
Current service operations						
Purchased services	438,796			438,796		438,796
Professional fees	129,798		57,372	187,170		187,170
Contracted services	433,857	44,799		478,656		478,656
Repairs and maintenance	566,439			566,439		566,439
Utilities	61,084			61,084		61,084
Administrative	24,227	4,829		29,056		29,056
Lease	265,800			265,800		265,800
Other	21,629		77	21,706		21,706
Capital outlay	191,558		3,685,812	3,877,370	(3,877,370)	
Debt service						
Principal		770,000		770,000	(770,000)	
Interest and fees		846,804		846,804	27,762	874,566
Developer interest	8,041			8,041		8,041
Debt issuance costs		14,314	716,021	730,335		730,335
Depreciation and amortization					491,240	491,240
Total Expenditures/Expenses	2,141,229	1,680,746	4,459,282	8,281,257	(4,128,368)	4,152,889
Revenues Over/(Under) Expenditures/Expenses	(212,769)	535,716	(4,459,116)	(4,136,169)	4,136,169	11,916
Other Financing Sources/(Uses)						
Proceeds from sale of bonds			9,500,000	9,500,000	(9,500,000)	
Proceeds from sale of refunding bonds		2,310,000		2,310,000	(2,310,000)	
Payment to refunded bonds escrow agent		(2,280,000)		(2,280,000)	2,280,000	
Internal transfers	20,909		(20,909)			
Other Item						
Settlement proceeds	196,000			196,000		196,000
Net Change in Fund Balances	4,140	565,716	5,019,975	5,589,831	(5,589,831)	
Change in Net Position					207,916	207,916
Fund Balances/Net Position						
Beginning of the year	1,824,343	2,705,916	51,118	4,581,377	(6,100,786)	(1,519,409)
End of the year	$ 1,828,483	$ 3,271,632	$ 5,071,093	$ 10,171,208	$(11,482,701)	$ (1,311,493)

See notes to basic financial statements.

(This page intentionally left blank)

Note 1 – Summary of Significant Accounting Policies

The accounting policies of Valley Ranch Municipal Utility District No. 1 (the "District") conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board ("GASB"). The following is a summary of the most significant policies:

Creation

The District was organized, created and established pursuant to an order of the Texas Commission on Environmental Quality dated January 22, 2006, and operates in accordance with the Texas Water Code, Chapters 49 and 54. The Board of Directors held its first meeting on February 3, 2006, and the first bonds were issued on May 28, 2008.

The District's primary activities include construction, maintenance and operation of water, sewer and drainage facilities. The District has contracted with various consultants to provide services to operate and administer the affairs of the District. The District has no employees, related payroll or pension costs.

Reporting Entity

The District is a political subdivision of the State of Texas governed by an elected five-member board. The GASB has established the criteria for determining the reporting entity for financial statement reporting purposes. To qualify as a primary government, a government must have a separately elected governing body, be legally separate, and be fiscally independent of other state and local governments, while a component unit is a legally separate government for which the elected officials of a primary government are financially accountable. Fiscal independence implies that the government has the authority to adopt a budget, levy taxes, set rates, and/or issue bonds without approval from other 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 statements as component units.

Government-Wide and Fund Financial Statements

Government-wide financial statements display information about the District as a whole. These statements focus on the sustainability of the District as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. Interfund activity, if any, has been removed from these statements. These aggregated statements consist of the *Statement of Net Position* and the *Statement of Activities*.

Fund financial statements display information at the individual fund level. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for a specific purpose. Each fund is considered to be a separate accounting entity. Most governments typically have many funds; however, governmental financial statements focus on the most important or "major" funds with non-major funds aggregated in a single column. The District has three governmental funds, which are all considered major funds.

Note 1 – Summary of Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements (continued)

The following is a description of the various funds used by the District:

- The General Fund is used to account for the operations of the District's water and sewer system and all other financial transactions not reported in other funds. The principal sources of revenue are property taxes and water and sewer service fees. Expenditures include costs associated with the daily operations of the District.
- The Debt Service Fund is used to account for the payment of interest and principal on the District's general long-term debt. The primary source of revenue for debt service is property taxes. Expenditures include costs incurred in assessing and collecting these taxes.
- The Capital Projects Fund is used to account for the expenditures of bond proceeds for the construction of the District's water, sewer, drainage and park and recreational facilities.

As a special-purpose government engaged in a single governmental program, the District has opted to combine its government-wide and fund financial statements in a columnar format showing an adjustments column for reconciling items between the two.

Measurement Focus and Basis of Accounting

The government-wide financial statements use the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied.

The fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized in the accounting period in which it becomes both available and measurable to finance expenditures of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Revenues susceptible to accrual include property taxes, interest earned on investments and income from District operations. Property taxes receivable at the end of the fiscal year are treated as deferred inflows because they are not considered available to pay liabilities of the current period. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for unmatured interest on long-term debt, which is recognized when due.

Note 2 further details the adjustments from the governmental fund presentation to the government-wide presentation.

Use of Restricted Resources

When both restricted and unrestricted resources are available for use, the District uses restricted resources first, then unrestricted resources as they are needed.

Note 1 – Summary of Significant Accounting Policies (continued)

Prepaid Items

Certain payments made by the District reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset, unless a legal right of offset exists. At June 30, 2021, an allowance of $1,300 was provided for possible uncollectible water/sewer accounts. An allowance for possible uncollectible property taxes was not considered necessary.

Unbilled Service Revenues

Utility revenue is recorded when earned. Customers are billed monthly. The estimated value of services provided but unbilled at year-end has been included in the accompanying financial statements.

Interfund Activity

During the course of operations, transactions occur between individual funds. This can include internal transfers, payables and receivables. This activity is combined as internal balances and is eliminated in both the government-wide and fund financial statement presentation.

Capital Assets

Capital assets do not provide financial resources at the fund level, and, therefore, are reported only in the government-wide statements. The District defines capital assets as assets with an initial cost of $5,000 or more and an estimated useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at acquisition value, which is the price that would be paid to acquire the asset on the acquisition date. The District has not capitalized interest incurred during the construction of its capital assets. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Depreciable capital assets, which primarily consist of water, wastewater and drainage facilities, are depreciated (or amortized in the case of intangible assets) using the straight-line method as follows:

Assets	Useful Life
Infrastructure	45 years
Park improvements	10-30 years
Impact fees	20 years

The District's detention facilities are considered improvements to land and are non-depreciable.

Note 1 – Summary of Significant Accounting Policies (continued)

Deferred Inflows and Outflows of Financial Resources

A deferred inflow of financial resources is the acquisition of resources in one period that is applicable to a future period, while a deferred outflow of financial resources is the consumption of financial resources in one period that is applicable to a future period. A deferred inflow results from the acquisition of an asset without a corresponding revenue or assumption of a liability. A deferred outflow results from the use of an asset without a corresponding expenditure or reduction of a liability.

At the fund level, property taxes receivable not collected within 60 days of fiscal year end do not meet the availability criteria required for revenue recognition and are recorded as deferred inflows of financial resources.

Deferred outflows of financial resources at the government-wide level are from refunding bond transactions in which the amount required to repay the old debt exceeded the net carrying amount of the old debt. This amount is being amortized to interest expense.

Net Position – Governmental Activities

Governmental accounting standards establish the following three components of net position:

Net investment in capital assets – represents the District's investments in capital assets, less any outstanding debt or other borrowings used to acquire those assets.

Restricted – consists of financial resources that are restricted for a specific purpose by enabling legislation or external parties.

Unrestricted – resources not included in the other components.

Fund Balances – Governmental Funds

Governmental accounting standards establish the following fund balance classifications:

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. The District's nonspendable fund balance consists of prepaid items.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. The District's restricted fund balances consist of unspent bond proceeds in the Capital Projects Fund and property taxes levied for debt service in the Debt Service Fund.

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Balances – Governmental Funds (continued)

Committed - amounts that can be used only for specific purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. 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 an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses/expenditures during the period reported. These estimates include, among others, the collectability of receivables; the value of unbilled revenues and receivables; the useful lives and impairment of capital assets; the value of amounts due to developers and the value of capital assets for which the developers have not been fully reimbursed. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from the estimates.

Note 2 – Adjustment from Governmental to Government-wide Basis

Reconciliation of the *Governmental Funds Balance Sheet* to the *Statement of Net Position*

Total fund balances, governmental funds		$ 10,171,208
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
Historical cost	$ 25,084,241	
Less accumulated depreciation/amortization	(4,228,436)	
Change due to capital assets		20,855,805
The difference between the face amount of bonds refunded and the amount paid to the escrow agent is recorded as a deferred difference on refunding in the *Statement of Net Position* and amortized to interest expense. It is not recorded in the fund statements because it is not a financial resource.		374,847
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. The difference consists of:		
Bonds payable, net	(31,990,791)	
Interest payable on bonds	(286,717)	
Change due to long-term debt		(32,277,508)
Amounts due to the District's developers for prefunded construction are recorded as a liability in the *Statement of Net Position.*		(494,021)
Property taxes receivable and related penalties and interest have been levied and are due, but are not available soon enough to pay current period expenditures and, therefore, are deferred in the funds.		58,176
Total net position - governmental activities		$ (1,311,493)

Note 2 – Adjustment from Governmental to Government-wide Basis (continued)

Reconciliation of the *Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances* to the *Statement of Activities*

Net change in fund balances - total governmental funds		$ 5,589,831
Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the *Statement of Activities* when earned. The difference is for property taxes and related penalties and interest.		19,717
Governmental funds report capital outlays for developer reimbursements and construction costs as expenditures in the funds; however, in the *Statement of Activities,* the cost of capital assets is charged to expense over the estimated useful life of the asset.		
Capital outlays	$ 3,877,370	
Depreciation/amortization expense	(491,240)	
		3,386,130
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal uses current financial resources. However, neither transaction has any effect on net assets. Other elements of debt financing are reported differently between the fund and government wide statements.		
Issuance of long-term debt	(11,810,000)	
Payment to refunded bonds escrow agent	2,280,000	
Principal payments	770,000	
Interest expense accrual	(27,762)	
		(8,787,762)
Change in net position of governmental activities		$ 207,916

Note 3 – Deposits and Investments

Deposit Custodial Credit Risk

Custodial credit risk as it applies to deposits (i.e. cash) is the risk that, in the event of the failure of the depository institution, a government will not be able to recover its deposits or will not be able to recover collateral securities. The *Public Funds Collateral Act* (Chapter 2257, Texas Government Code) requires that all of the District's deposits with financial institutions be covered by federal depository insurance and, if necessary, pledged collateral held by a third-party custodian. The act further specifies the types of securities that can be used as collateral. The District's written investment policy establishes additional requirements for collateralization of deposits.

Note 3 – Deposits and Investments (continued)

Investments

The District is authorized by the *Public Funds Investment Act* (Chapter 2256, Texas Government Code) to invest in the following: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including Federal Home Loan Banks, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) certain collateralized mortgage obligations, (4) other obligations, which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies or instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, (5) certain A rated or higher obligations of states and political subdivisions of any state, (6) bonds issued, assumed or guaranteed by the State of Israel, (7) certain insured or collateralized certificates of deposit and share certificates, (8) certain fully collateralized repurchase agreements, (9) bankers' acceptances with limitations, (10) commercial paper rated A-1 or P-1 or higher and a maturity of 270 days or less, (11) no-load money market mutual funds and no-load mutual funds, with limitations, (12) certain guaranteed investment contracts, (13) certain qualified governmental investment pools and (14) a qualified securities lending program.

The District has adopted a written investment policy to establish the principles by which the District's investment program should be managed. This policy further restricts the types of investments in which the District may invest.

As of June 30, 2021, the District's investments consist of the following:

Type	Fund	Carrying Value	Rating	Weighted Average Maturity
TexPool	General	$ 1,762,612		
	Debt Service	3,233,692		
	Capital Projects	5,309,033		
Total		$ 10,305,337	AAAm	30 days

TexPool

The District participates in TexPool, the Texas Local Government Investment Pool. The State Comptroller of Public Accounts exercises oversight responsibility of TexPool, which includes (1) the ability to significantly influence operations, (2) designation of management and (3) accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure.

Note 3 – Deposits and Investments (continued)

TexPool (continued)

As permitted by GAAP, TexPool uses amortized cost (which excludes unrealized gains and losses) rather than market value to compute share price and seeks to maintain a constant dollar value per share. Accordingly, the fair value of the District's position in TexPool is the same as the value of TexPool shares. Investments in TexPool may be withdrawn on a same day basis, as long as the transaction is executed by 3:30 p.m.

Investment Credit and Interest Rate Risk

Investment credit risk is the risk that the investor may not recover the value of an investment from the issuer, while interest rate risk is the risk that the value of an investment will be adversely affected by changes in interest rates. The District's investment policies do not address investment credit and interest rate risk beyond the rating and maturity restrictions established by state statutes.

Note 4 – Interfund Balances and Transactions

Amounts due to/from other funds at June 30, 2021, consist of the following:

Receivable Fund	Payable Fund	Amounts	Purpose
General Fund	Debt Service Fund	$ 384	Maintenance tax collections not remitted as of year end
Debt Service Fund	General Fund	411	Proceeds from the sale of refunding bonds in excess of bond application fees paid by the General Fund

Amounts reported as internal balances between funds are considered temporary balances and will be paid during the following fiscal year.

A summary of internal transfers for the current fiscal year is as follows:

Transfers Out	Transfers In	Amounts	Purpose
Capital Projects Fund	General Fund	$ 20,909	Reimbursement of bond application fees paid by General Fund

Note 5 – Capital Assets

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

	Beginning Balances	Additions/ Adjustments	Ending Balances
Capital assets not being depreciated			
Land and improvements	$ 3,393,419	$ 78,832	$ 3,472,251
Construction in progress		3,163,302	3,163,302
	3,393,419	3,242,134	6,635,553
Capital assets being depreciated/amortized			
Infrastructure	15,851,918	141,877	15,993,795
Park improvements	993,103		993,103
Impact fees	1,455,490	6,300	1,461,790
	18,300,511	148,177	18,448,688
Less accumulated depreciation/amortization			
Infrastructure	(2,875,900)	(355,419)	(3,231,319)
Park improvements	(340,579)	(62,731)	(403,310)
Impact fees	(520,717)	(73,090)	(593,807)
	(3,737,196)	(491,240)	(4,228,436)
Subtotal depreciable capital assets, net	14,563,315	(343,063)	14,220,252
Capital assets, net	$ 17,956,734	$ 2,899,071	$ 20,855,805

Depreciation/amortization expense for the current year was $491,240.

The District has contractual commitments for construction projects as follows:

	Contract Amount	Amounts Paid	Remaining Commitment
Azalea Medical District clearing and grubbing	$ 396,205	$ 315,911	$ 80,294
Valley Ranch channel and dention pond expansion	1,676,998	1,475,034	201,964
Valley Ranch Parkway utilities	540,764	437,831	102,933
Valley Ranch Town Center West clearing and grubbing	320,070	259,839	60,231
	$ 2,934,037	$ 2,488,615	$ 445,422

Note 6 – Due to Developers

The District has entered into financing agreements with its developers for the financing of the construction of water, sewer, drainage, and park and recreational facilities. Under the agreements, the developers will advance funds for the construction of facilities to serve the District. The developers will be reimbursed from proceeds of future bond issues or other lawfully available funds, subject to approval by TCEQ, as applicable. The District does not record the capital asset and related liability on the government-wide statements until construction of the facilities is complete. The initial cost is estimated based on construction costs plus 10-15% for engineering and other fees. Estimates are trued up when the developers are reimbursed.

Changes in the estimated amounts due to developers during the year are as follows:

Due to developers, beginning of year	$	981,079
Developer reimbursements		(1,824,753)
Developer funded construction and adjustments		1,337,695
Due to developers, end of year	$	494,021

Note 7 – Long-Term Debt

Long-term debt is comprised of the following:

Bonds payable	$	31,820,000
Unamortized discounts		(114,706)
Unamortized premium		285,497
	$	31,990,791
Due within one year	$	790,000

Note 7 – Long-Term Debt (continued)

The District's bonds payable at June 30, 2021, consists of unlimited tax bonds as follows:

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2012	$ 100,000	$ 1,500,000	2.00% - 4.00%	September 1, 2014-2037	September 1, March 1	September 1, 2020
2014	45,000	1,490,000	2.50% - 4.875%	September 1, 2015-2038	September 1, March 1	September 1, 2021
2014A	850,000	1,010,000	3.00% - 4.15%	September 1, 2015-2038	September 1, March 1	September 1, 2022
2016	2,065,000	2,465,000	1.00% - 3.00%	September 1, 2017-2038	September 1, March 1	September 1, 2023
2016A Refunding	3,275,000	3,760,000	2.00% - 4.00%	September 1, 2017-2035	September 1, March 1	September 1, 2024
2017	3,550,000	3,800,000	3.00% - 5.00%	September 1, 2018-2042	September 1, March 1	September 1, 2024
2018	2,395,000	2,500,000	3.00% - 5.50%	September 1, 2019-2043	September 1, March 1	September 1, 2023
2018A	4,055,000	4,150,000	3.00% - 5.50%	September 1, 2020-2044	September 1, March 1	September 1, 2024
2019 Park	1,975,000	2,020,000	2.00% - 3.50%	September 1, 2020-2044	September 1, March 1	September 1, 2025
2019A Refunding	1,700,000	1,775,000	2.00% - 3.00%	September 1, 2020-2035	September 1, March 1	September 1, 2025
2021	9,500,000	9,500,000	2.00% - 2.125%	September 1, 2022-2045	September 1, March 1	September 1, 2027
2021A Refunding	2,310,000	2,310,000	2.00% - 4.00%	September 1, 2022-2038	September 1, March 1	September 1, 2029
	$ 31,820,000					

Payments of principal and interest on all series of bonds are to be provided from taxes levied on all properties within the District. Investment income realized by the Debt Service Fund from investment of idle funds will be used to pay outstanding bond principal and interest. The District is in compliance with the terms of its bond resolutions.

Note 7 – Long-Term Debt (continued)

At June 30, 2021, the District had authorized but unissued bonds in the amount of $87,895,000 for water, sewer and drainage facilities; $11,980,000 for parks and recreational facilities; and $120,870,000 for refunding purposes.

On March 25, 2021, the District issued its $9,500,000 Series 2021 Unlimited Tax Bonds at a net effective interest rate of 2.238278%. Proceeds of the bonds were used to reimburse developers for the cost of capital assets constructed within the District plus interest expense at the net effective interest rate of the bonds, and are further being used to construct additional capital assets within the District.

On June 17, 2021, the District issued its $2,310,000 Series 2021 Unlimited Tax Refunding Bonds at a net effective interest rate of 2.127526% to refund $1,050,000 of outstanding Series 2012 bonds and $1,230,000 of outstanding Series 2014 bonds. The District refunded the bonds to reduce total debt service payments over future years by approximately $441,150 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately $352,635. Proceeds of the bonds were placed in an escrow account with an escrow agent and irrevocably pledged to the payment of future debt service payments through June 25, 2021, and September 1, 2021, the redemption dates of the Series 2012 and Series 2014 bonds, respectively. As of June 30, 2021, the Series 2012 bonds have all been redeemed and are no longer outstanding. The Series 2014 refunded bonds are considered defeased and the liability has been removed from the government-wide financial statements. As of June 30, 2021, the outstanding principal of defeased bonds is $1,230,000.

The change in the District's long-term debt during the year is as follows:

Bonds payable, beginning of year	$	23,060,000
Bonds issued		11,810,000
Bonds retired		(770,000)
Bonds refunded		(2,280,000)
Bonds payable, end of year	$	31,820,000

Note 7 – Long-Term Debt (continued)

As of June 30, 2021, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2022	$ 790,000	$ 917,996	$ 1,707,996
2023	1,060,000	907,404	1,967,404
2024	1,105,000	872,216	1,977,216
2025	1,140,000	836,167	1,976,167
2026	1,175,000	801,005	1,976,005
2027	1,215,000	766,226	1,981,226
2028	1,255,000	730,275	1,985,275
2029	1,305,000	692,293	1,997,293
2030	1,345,000	652,422	1,997,422
2031	1,385,000	612,148	1,997,148
2032	1,425,000	571,352	1,996,352
2033	1,490,000	528,064	2,018,064
2034	1,535,000	482,490	2,017,490
2035	1,575,000	435,665	2,010,665
2036	1,635,000	387,358	2,022,358
2037	1,605,000	339,463	1,944,463
2038	1,640,000	292,400	1,932,400
2039	1,480,000	246,395	1,726,395
2040	1,185,000	206,472	1,391,472
2041	1,220,000	170,103	1,390,103
2042	1,265,000	132,154	1,397,154
2043	1,305,000	92,932	1,397,932
2044	1,105,000	56,760	1,161,760
2045	980,000	26,622	1,006,622
2046	600,000	6,375	606,375
	$ 31,820,000	$ 11,762,755	$ 43,582,755

Note 8 – Property Taxes

On May 13, 2006, the voters of the District authorized the District's Board of Directors to levy taxes annually for use in financing general operations limited to $1.50 per $100 of assessed value. The District's bond resolutions require that property taxes be levied for use in paying interest and principal on long-term debt and for use in paying the cost of assessing and collecting taxes. Taxes levied to finance debt service requirements on long-term debt are without limitation as to rate or amount.

Note 8 – Property Taxes (continued)

All property values and exempt status, if any, are determined by the Montgomery Central 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 are levied around October/November, are due upon receipt and are delinquent the following February 1. Penalty and interest attach thereafter.

Property taxes are collected based on rates adopted in the year of the levy. The District's 2021 fiscal year was financed through the 2020 tax levy, pursuant to which the District levied property taxes of $1.10 per $100 of assessed value, of which $0.23 was allocated to maintenance and operations and $0.87 was allocated to debt service. The resulting tax levy was $2,794,899 on the adjusted taxable value of $254,081,740.

Property taxes receivable, at June 30, 2021, consisted of the following:

Current year taxes receivable	$ 44,229
Prior years taxes receivable	5,473
	49,702
Penalty and interest receivable	8,474
Property taxes receivable	$ 58,176

Note 9 – Lease Agreement

On February 22, 2006, the District and AUC Group, Inc. entered into an operating lease agreement for a temporary wastewater treatment plant (Phase 1). This lease was initially for a 60 month term. It is currently being renewed every 90 days until otherwise terminated. Monthly payments for the Phase 1 lease are $4,600.

On September 24, 2008, the District and AUC Group, Inc. entered into an operating lease for Phase 2 of the temporary wastewater treatment plant. This lease was initially for a 60 month term. It is currently being renewed every 90 days until otherwise terminated. Monthly payments for the Phase 2 lease are $2,575.

On June 23, 2010, the District and AUC Group, Inc. entered into an operating lease for Phase 2A of the temporary wastewater treatment plant. This lease was initially for a 60 month term. It is currently being renewed every 90 days until otherwise terminated. Monthly payments for the Phase 2A lease are $750.

On June 28, 2017, the District and AUC Group, Inc. entered into an operating lease for a temporary wastewater treatment plant. This lease is for a 60 month term, unless otherwise terminated, effective November 1, 2017. The District has the option to extend the lease on a month to month basis following expiration of the term. Monthly payments for the lease are $13,600.

On February 1, 2019, the lease agreement was amended to include an additional $625 monthly payment for access bridges at the temporary wastewater treatment plant, effective August 1, 2019.

Note 9 – Lease Agreement (continued)

Future minimum lease payments under the term leases as of June 30, 2021, are as follows:

Year	Amount
2022	$ 170,700
2023	142,250
	$ 312,950

Total costs for the leases for the fiscal year ended June 30, 2021, was $265,800. The District is responsible for all ordinary expenses related to repairing and maintaining the equipment. Standard lease terms required the District to prepay the first and last month's lease payment upon inception of the lease. All such amounts are recorded as a prepaid expense on the *Statement of Net Position*.

Note 10 – Water Supply Agreement

On October 3, 2016, the District entered into a second amended and restated water supply agreement with Porter Special Utility District ("Porter SUD") to provide the District with treated water. It is estimated that the District will require 2,500 equivalent single family connections (ESFCs) at ultimate build out. At the time of the agreement Porter SUD had capacity for 1,000 ESFCs. The District can request additional capacity from Porter SUD, limited to 750 ESFC's per request and no more than one request per 12 month period. If Porter SUD cannot meet the District's capacity requirements within any 24 month period, then the District has the right to construct a water plant. The District is responsible for the cost of all water lines constructed within its boundaries to serve its customers.

The District will pay Porter SUD the Porter SUD impact fee on a per connection basis, quarterly, in accordance with the Porter SUD impact fee schedule uniformly applied to all that connect to the Porter SUD system, which is currently $1,800 per ESFC. The District paid $6,300 to Porter SUD during the current year for additional capacity.

The District pays Porter SUD on a monthly basis for the amount of water used based on a wholesale rate which is a base of $366.27 plus $2.84 per 1,000 gallons used. Porter SUD must provide a 60 day notice of any changes in the rate. The total cost of water was purchased from Porter SUD during the fiscal year was $438,796.

Note 11 – Settlement Agreement

On September 28, 2020, the District and Sig-Valley Ranch, Ltd., the developer, agreed to settle a contractual dispute with Grand Parkway Infrastructure, LLC ("GPI") related to previous agreements to excavate and restore tracts of land and other property within the District. Pursuant to the settlement agreement, GPI paid the District $196,000 as payment in full for the settled claims. As a result of this settlement, all parties are fully released from any and all claims.

Note 12 – 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 personal injuries. The risk of loss is covered by commercial insurance. There have been no significant reductions in insurance coverage from the prior year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

(This page intentionally left blank)

Required Supplementary Information

Valley Ranch Municipal Utility District No. 1
Required Supplementary Information - Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Water service	$ 500,000	$ 500,000	$ 583,848	$ 83,848
Sewer service	500,000	500,000	649,558	149,558
Property taxes	535,000	535,000	581,297	46,297
Penalties and interest	10,000	10,000	13,009	3,009
Tap connection and inspection	30,000	30,000	99,094	69,094
Miscellaneous	2,000	2,000		(2,000)
Investment earnings	22,000	22,000	1,654	(20,346)
Total Revenues	1,599,000	1,599,000	1,928,460	329,460
Expenditures				
Current service operations				
Purchased services	307,000	307,000	438,796	(131,796)
Professional fees	151,000	151,000	129,798	21,202
Contracted services	331,000	331,000	433,857	(102,857)
Repairs and maintenance	340,500	340,500	566,439	(225,939)
Utilities	50,000	50,000	61,084	(11,084)
Administrative	26,500	26,500	24,227	2,273
Other	30,000	30,000	21,629	8,371
Lease	258,300	258,300	265,800	(7,500)
Capital outlay	34,000	230,000	191,558	38,442
Debt service				
Developer interest			8,041	(8,041)
Total Expenditures	1,528,300	1,724,300	2,141,229	(416,929)
Revenues Over/(Under) Expenditures	70,700	(125,300)	(212,769)	(87,469)
Other Financing Sources				
Internal transfers			20,909	20,909
Other Items				
Settlement proceeds			196,000	196,000
Net Change in Fund Balance	70,700	(125,300)	4,140	129,440
Fund Balance				
Beginning of the year	1,824,343	1,824,343	1,824,343	
End of the year	$ 1,895,043	$ 1,699,043	$ 1,828,483	$ 129,440

Budgets and Budgetary Accounting

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 budget was amended during the year to reflect changes in anticipated expenditures.

(This page intentionally left blank)

Texas Supplementary Information

1. Services provided by the District During the Fiscal Year:

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

[ ] 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):

	Minimum Charge	Minimum Usage	Flat Rate (Y / N)	Rate per 1,000 Gallons Over Minimum Usage	Usage Levels		
Water:	$ 19.25	1,000	N	$ 3.19	1,001	to	10,000
				$ 3.49	10,001	to	no limit
Wastewater:	$ 36.25	1,000	N	$ 1.60	1,001	to	no limit

District employs winter averaging for wastewater usage? [ ] Yes [X] No

Total charges per 10,000 gallons usage: Water $ 47.96 Wastewater $ 50.65

b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFCs
Unmetered			x 1.0	
less than 3/4"	999	987	x 1.0	987
1"	10	10	x 2.5	25
1.5"	1	1	x 5.0	5
2"	16	15	x 8.0	120
3"	4	4	x 15.0	60
4"			x 25.0	
6"			x 50.0	
8"	1	1	x 80.0	80
10"			x 115.0	
Total Water	1,031	1,018		1,277
Total Wastewater	1,009	997	x 1.0	997

See accompanying auditor's report.

3. Total Water Consumption during the fiscal year (rounded to the nearest thousand):

*Gallons purchased:	105,628,000	Water Accountability Ratio: (Gallons billed / Gallons pumped)
Gallons billed to customers:	106,433,000	100.76%

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

Does the District have Debt Service standby fees? Yes [ ] No [X]

If yes, Date of the most recent commission Order: ____________

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

If yes, Date of the most recent commission Order: ____________

5. Location of District

Is the District located entirely within one county? Yes [X] No [ ]

County(ies) in which the District is located: Montgomery County

Is the District located within a city? Entirely [ ] Partly [ ] Not at all [X]

City(ies) in which the District is located: ____________

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

Entirely [X] Partly [ ] Not at all [ ]

ETJs in which the District is located: City of Houston

Are Board members appointed by an office outside the district? Yes [ ] No [X]

If Yes, by whom? ____________

* Purchased from Porter SUD

See accompanying auditors' report.

Valley Ranch Municipal Utility District No. 1
TSI-2. General Fund Expenditures
For the Year Ended June 30, 2021

Purchased services	$ 438,796
Professional fees	
Legal	98,016
Audit	15,000
Engineering	16,782
	129,798
Contracted services	
Bookkeeping	18,759
Operator	148,019
Garbage collection	232,214
Tap connection and inspection	34,865
	433,857
Repairs and maintenance	566,439
Utilities	61,084
Administrative	
Directors fees	9,600
Printing and office supplies	543
Insurance	13,349
Other	735
	24,227
Lease	265,800
Other	21,629
Capital outlay	191,558
Developer interest	8,041
Total expenditures	$ 2,141,229

Reporting of Utility Services in Accordance with HB 3693:

	Usage	Cost
Electrical	853,605 kWh	$ 61,084
Water	N/A	N/A
Natural Gas	N/A	N/A

See accompanying auditors' report.

Valley Ranch Municipal Utility District No. 1
TSI-3. Investments
June 30, 2021

Fund	Interest Rate	Maturity Date	Balance at End of Year
General			
TexPool	Variable	N/A	$ 1,762,612
Debt Service			
TexPool	Variable	N/A	3,233,692
Capital Projects			
TexPool	Variable	N/A	5,309,033
Total - All Funds			$ 10,305,337

See accompanying auditors' report.

Valley Ranch Municipal Utility District No. 1
TSI-4. Taxes Levied and Receivable
June 30, 2021

	Maintenance Taxes	Debt Service Taxes	Totals
Taxes Receivable, Beginning of Year	$ 7,353	$ 25,754	$ 33,107
Adjustments	(113)	(384)	(497)
Adjusted Receivable	7,240	25,370	32,610
2020 Original Tax Levy	519,121	1,963,630	2,482,751
Adjustments	65,267	246,881	312,148
Adjusted Tax Levy	584,388	2,210,511	2,794,899
Total to be accounted for	591,628	2,235,881	2,827,509
Tax collections:			
Current year	575,140	2,175,530	2,750,670
Prior years	6,157	20,980	27,137
Total Collections	581,297	2,196,510	2,777,807
Taxes Receivable, End of Year	$ 10,331	$ 39,371	$ 49,702
Taxes Receivable, By Years			
2020	$ 9,248	$ 34,981	$ 44,229
2019	559	1,900	2,459
2018	524	2,490	3,014
Taxes Receivable, End of Year	$ 10,331	$ 39,371	$ 49,702

	2020	2019	2018	2017
Property Valuations:				
Land	$ 49,232,704	$ 42,923,664	$ 40,381,470	$ 30,354,090
Improvements	216,026,800	196,046,740	147,774,030	119,009,450
Personal Property	3,027,726	2,850,289	2,279,875	2,431,699
Exemptions	(14,205,490)	(12,855,189)	(9,501,035)	(6,908,268)
Total Property Valuations	$ 254,081,740	$ 228,965,504	$ 180,934,340	$ 144,886,971
Tax Rates per $100 Valuation:				
Maintenance tax rates	$ 0.23	$ 0.25	$ 0.20	$ 0.36
Debt service tax rates	0.87	0.85	0.95	0.79
Total Tax Rates per $100 Valuation	$ 1.10	$ 1.10	$ 1.15	$ 1.15
Adjusted Tax Levy:	$ 2,794,899	$ 2,518,621	$ 2,080,745	$ 1,666,200
Percentage of Taxes Collected to Taxes Levied **	98.42%	99.90%	99.86%	100.00%

* Maximum Maintenance Tax Rate Approved by Voters: $1.50 on May 13, 2006

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

See accompanying auditors' report.

Valley Ranch Municipal Utility District No. 1
TSI-5. Long-Term Debt Service Requirements
Series 2012-by Years
June 30, 2021

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2022	$ 50,000	$ 2,406	$ 52,406
2023	50,000	813	50,813
	$ 100,000	$ 3,219	$ 103,219

See accompanying auditors' report.

Valley Ranch Municipal Utility District No. 1
TSI-5. Long-Term Debt Service Requirements
Series 2014-by Years
June 30, 2021

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2022	$ 45,000	$ 675	$ 45,675

See accompanying auditors' report.

Valley Ranch Municipal Utility District No. 1
TSI-5. Long-Term Debt Service Requirements
Series 2014A-by Years
June 30, 2021

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2022	$ 30,000	$ 31,935	$ 61,935
2023	30,000	31,035	61,035
2024	35,000	30,060	65,060
2025	35,000	28,993	63,993
2026	35,000	27,873	62,873
2027	40,000	26,595	66,595
2028	40,000	25,175	65,175
2029	45,000	23,623	68,623
2030	45,000	21,890	66,890
2031	45,000	20,090	65,090
2032	50,000	18,190	68,190
2033	50,000	16,190	66,190
2034	55,000	14,090	69,090
2035	55,000	11,890	66,890
2036	60,000	9,545	69,545
2037	65,000	6,951	71,951
2038	65,000	4,253	69,253
2039	70,000	1,452	71,452
	$ 850,000	$ 349,830	$ 1,199,830

See accompanying auditors' report.

Valley Ranch Municipal Utility District No. 1
TSI-5. Long-Term Debt Service Requirements
Series 2016-by Years
June 30, 2021

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2022	$ 100,000	$ 50,850	$ 150,850
2023	100,000	49,275	149,275
2024	100,000	47,450	147,450
2025	100,000	45,450	145,450
2026	100,000	43,450	143,450
2027	100,000	41,388	141,388
2028	100,000	39,263	139,263
2029	100,000	37,075	137,075
2030	100,000	34,825	134,825
2031	100,000	32,513	132,513
2032	100,000	30,138	130,138
2033	100,000	27,450	127,450
2034	100,000	24,450	124,450
2035	100,000	21,450	121,450
2036	100,000	18,450	118,450
2037	185,000	14,175	199,175
2038	190,000	8,550	198,550
2039	190,000	2,850	192,850
	$ 2,065,000	$ 569,050	$ 2,634,050

See accompanying auditors' report.

Valley Ranch Municipal Utility District No. 1
TSI-5. Long-Term Debt Service Requirements
Series 2016A Refunding-by Years
June 30, 2021

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2022	$ 195,000	$ 118,950	$ 313,950
2023	200,000	114,000	314,000
2024	210,000	107,850	317,850
2025	210,000	101,550	311,550
2026	210,000	94,200	304,200
2027	215,000	85,700	300,700
2028	230,000	76,800	306,800
2029	235,000	67,500	302,500
2030	240,000	58,000	298,000
2031	245,000	48,300	293,300
2032	245,000	38,500	283,500
2033	260,000	28,400	288,400
2034	265,000	17,900	282,900
2035	160,000	9,400	169,400
2036	155,000	3,100	158,100
	$ 3,275,000	$ 970,150	$ 4,245,150

See accompanying auditors' report.

Valley Ranch Municipal Utility District No. 1
TSI-5. Long-Term Debt Service Requirements
Series 2017-by Years
June 30, 2021

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2022	$ 90,000	$ 123,800	$ 213,800
2023	95,000	119,175	214,175
2024	95,000	114,425	209,425
2025	100,000	109,550	209,550
2026	105,000	105,475	210,475
2027	110,000	102,250	212,250
2028	115,000	98,875	213,875
2029	120,000	95,350	215,350
2030	125,000	91,613	216,613
2031	125,000	87,721	212,721
2032	130,000	83,656	213,656
2033	140,000	79,181	219,181
2034	145,000	74,372	219,372
2035	150,000	69,300	219,300
2036	155,000	63,963	218,963
2037	250,000	56,875	306,875
2038	250,000	48,125	298,125
2039	250,000	39,375	289,375
2040	250,000	30,625	280,625
2041	250,000	21,875	271,875
2042	250,000	13,125	263,125
2043	250,000	4,375	254,375
	$ 3,550,000	$ 1,633,081	$ 5,183,081

See accompanying auditors' report.

Valley Ranch Municipal Utility District No. 1
TSI-5. Long-Term Debt Service Requirements
Series 2018-by Years
June 30, 2021

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2022	$ 60,000	$ 83,088	$ 143,088
2023	60,000	79,788	139,788
2024	65,000	76,350	141,350
2025	65,000	73,588	138,588
2026	70,000	71,563	141,563
2027	75,000	69,387	144,387
2028	75,000	67,137	142,137
2029	80,000	64,813	144,813
2030	85,000	62,337	147,337
2031	90,000	59,713	149,713
2032	95,000	56,818	151,818
2033	100,000	53,650	153,650
2034	105,000	50,253	155,253
2035	110,000	46,625	156,625
2036	115,000	42,828	157,828
2037	120,000	38,862	158,862
2038	125,000	34,650	159,650
2039	130,000	30,187	160,187
2040	140,000	25,375	165,375
2041	145,000	20,209	165,209
2042	155,000	14,772	169,772
2043	160,000	9,063	169,063
2044	170,000	3,081	173,081
	$ 2,395,000	$ 1,134,137	$ 3,529,137

See accompanying auditors' report.

Valley Ranch Municipal Utility District No. 1
TSI-5. Long-Term Debt Service Requirements
Series 2018A-by Years
June 30, 2021

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2022	$ 100,000	$ 158,850	$ 258,850
2023	100,000	153,350	253,350
2024	105,000	147,713	252,713
2025	110,000	141,937	251,937
2026	115,000	137,325	252,325
2027	120,000	133,800	253,800
2028	125,000	129,969	254,969
2029	130,000	125,663	255,663
2030	140,000	120,938	260,938
2031	145,000	115,950	260,950
2032	150,000	110,600	260,600
2033	160,000	104,787	264,787
2034	165,000	98,694	263,694
2035	175,000	92,100	267,100
2036	180,000	85,000	265,000
2037	190,000	77,600	267,600
2038	195,000	69,900	264,900
2039	205,000	61,900	266,900
2040	215,000	53,500	268,500
2041	225,000	44,700	269,700
2042	235,000	35,500	270,500
2043	245,000	25,900	270,900
2044	255,000	15,900	270,900
2045	270,000	5,400	275,400
	$ 4,055,000	$ 2,246,976	$ 6,301,976

See accompanying auditors' report.

Valley Ranch Municipal Utility District No. 1
TSI-5. Long-Term Debt Service Requirements
Series 2019 Park-by Years
June 30, 2021

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2022	$ 45,000	$ 61,287	$ 106,287
2023	50,000	60,337	110,337
2024	50,000	59,337	109,337
2025	55,000	58,218	113,218
2026	55,000	56,913	111,913
2027	60,000	55,475	115,475
2028	60,000	53,825	113,825
2029	65,000	51,950	116,950
2030	65,000	50,000	115,000
2031	70,000	47,975	117,975
2032	75,000	45,800	120,800
2033	75,000	43,550	118,550
2034	80,000	41,225	121,225
2035	85,000	38,644	123,644
2036	90,000	35,800	125,800
2037	90,000	32,819	122,819
2038	95,000	29,697	124,697
2039	100,000	26,406	126,406
2040	105,000	22,947	127,947
2041	110,000	19,250	129,250
2042	115,000	15,313	130,313
2043	120,000	11,200	131,200
2044	125,000	6,913	131,913
2045	135,000	2,363	137,363
	$ 1,975,000	$ 927,244	$ 2,902,244

See accompanying auditors' report.

Valley Ranch Municipal Utility District No. 1
TSI-5. Long-Term Debt Service Requirements
Series 2019A Refunding-by Years
June 30, 2021

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2022	$ 75,000	$ 45,950	$ 120,950
2023	80,000	43,625	123,625
2024	80,000	41,225	121,225
2025	90,000	38,675	128,675
2026	95,000	35,900	130,900
2027	95,000	33,525	128,525
2028	95,000	31,625	126,625
2029	100,000	29,613	129,613
2030	100,000	27,363	127,363
2031	105,000	24,730	129,730
2032	105,000	21,844	126,844
2033	110,000	18,750	128,750
2034	110,000	15,450	125,450
2035	220,000	10,500	230,500
2036	240,000	3,600	243,600
	$ 1,700,000	$ 422,375	$ 2,122,375

See accompanying auditors' report.

Valley Ranch Municipal Utility District No. 1
TSI-5. Long-Term Debt Service Requirements
Series 2021-by Years
June 30, 2021

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2022	$ -	$ 194,075	$ 194,075
2023	245,000	191,625	436,625
2024	255,000	186,625	441,625
2025	265,000	181,425	446,425
2026	275,000	176,025	451,025
2027	285,000	170,425	455,425
2028	295,000	164,625	459,625
2029	305,000	158,625	463,625
2030	320,000	152,375	472,375
2031	330,000	145,875	475,875
2032	345,000	139,125	484,125
2033	360,000	132,075	492,075
2034	375,000	124,725	499,725
2035	390,000	117,075	507,075
2036	405,000	109,125	514,125
2037	420,000	100,875	520,875
2038	440,000	92,275	532,275
2039	455,000	83,325	538,325
2040	475,000	74,025	549,025
2041	490,000	64,069	554,069
2042	510,000	53,444	563,444
2043	530,000	42,394	572,394
2044	555,000	30,866	585,866
2045	575,000	18,859	593,859
2046	600,000	6,375	606,375
	$ 9,500,000	$ 2,910,332	$ 12,410,332

See accompanying auditors' report.

Valley Ranch Municipal Utility District No. 1
TSI-5. Long-Term Debt Service Requirements
Series 2021A Refunding-by Years
June 30, 2021

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2022	$ -	$ 46,130	$ 46,130
2023	50,000	64,381	114,381
2024	110,000	61,181	171,181
2025	110,000	56,781	166,781
2026	115,000	52,281	167,281
2027	115,000	47,681	162,681
2028	120,000	42,981	162,981
2029	125,000	38,081	163,081
2030	125,000	33,081	158,081
2031	130,000	29,281	159,281
2032	130,000	26,681	156,681
2033	135,000	24,031	159,031
2034	135,000	21,331	156,331
2035	130,000	18,681	148,681
2036	135,000	15,947	150,947
2037	285,000	11,306	296,306
2038	280,000	4,950	284,950
2039	80,000	900	80,900
	$ 2,310,000	$ 595,686	$ 2,905,686

See accompanying auditors' report.

Valley Ranch Municipal Utility District No. 1
TSI-5. Long-Term Debt Service Requirements
All Bonded Debt Series--by Years
June 30, 2021

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2022	$ 790,000	$ 917,996	$ 1,707,996
2023	1,060,000	907,404	1,967,404
2024	1,105,000	872,216	1,977,216
2025	1,140,000	836,167	1,976,167
2026	1,175,000	801,005	1,976,005
2027	1,215,000	766,226	1,981,226
2028	1,255,000	730,275	1,985,275
2029	1,305,000	692,293	1,997,293
2030	1,345,000	652,422	1,997,422
2031	1,385,000	612,148	1,997,148
2032	1,425,000	571,352	1,996,352
2033	1,490,000	528,064	2,018,064
2034	1,535,000	482,490	2,017,490
2035	1,575,000	435,665	2,010,665
2036	1,635,000	387,358	2,022,358
2037	1,605,000	339,463	1,944,463
2038	1,640,000	292,400	1,932,400
2039	1,480,000	246,395	1,726,395
2040	1,185,000	206,472	1,391,472
2041	1,220,000	170,103	1,390,103
2042	1,265,000	132,154	1,397,154
2043	1,305,000	92,932	1,397,932
2044	1,105,000	56,760	1,161,760
2045	980,000	26,622	1,006,622
2046	600,000	6,375	606,375
	$ 31,820,000	$ 11,762,755	$ 43,582,755

See accompanying auditors' report.

	Bond Issue			
	Series 2012	Series 2014	Series 2014A	Series 2016
Interest rate	2.00% - 4.00%	2.50% - 4.875%	3.00% - 4.15%	1.00% - 3.00%
Dates interest payable	9/1; 3/1	9/1; 3/1	9/1; 3/1	9/1; 3/1
Maturity dates	9/1/14 - 9/1/37	9/1/15 - 9/1/38	9/1/15 - '9/1/38	9/1/17 - 9/1/38
Beginning bonds outstanding	$ 1,200,000	$ 1,315,000	$ 880,000	$ 2,165,000
Bonds issued				
Bonds retired	(50,000)	(40,000)	(30,000)	(100,000)
Bonds refunded	(1,050,000)	(1,230,000)		
Ending bonds outstanding	$ 100,000	$ 45,000	$ 850,000	$ 2,065,000
Interest paid during fiscal year	$ 44,594	$ 57,515	$ 32,835	$ 52,250

Paying agent's name and city	
Series 2012	Wells Fargo Bank, N.A., Dallas, Texas
All other Series	The Bank of New York Mellon Trust Company, N.A., Dallas, Texas

Bond Authority:	Water, Sewer and Drainage Bonds	Park Bonds	Refunding Bonds
Amount Authorized by Voters	$ 121,100,000	$ 14,000,000	$ 121,100,000
Amount Issued	(33,205,000)	(2,020,000)	(230,000)
Remaining To Be Issued	$ 87,895,000	$ 11,980,000	$ 120,870,000

All bonds are secured with tax revenues. Bonds may also be secured with other revenues in combination with taxes.

Debt Service Fund cash and investment balances as of June 30, 2021:	$ 3,284,709
Average annual debt service payment (principal and interest) for remaining term of all debt:	$ 1,743,310

See accompanying auditors' report.

Bond Issue				
Series 2016A Refunding	Series 2017	Series 2018	Series 2018A	Series 2019 Park
2.00% - 4.00%	3.00% - 5.00%	3.00% - 5.50%	3.00% - 5.50%	2.00% - 3.50%
9/1; 3/1	9/1; 3/1	9/1; 3/1	9/1; 3/1	9/1; 3/1
9/1/17 - 9/1/35	9/1/18 - 9/1/42	9/1/19 - 9/1/43	9/1/20 - 9/1/44	9/1/20 - 9/1/44
$ 3,470,000	$ 3,635,000	$ 2,450,000	$ 4,150,000	$ 2,020,000
(195,000)	(85,000)	(55,000)	(95,000)	(45,000)
$ 3,275,000	$ 3,550,000	$ 2,395,000	$ 4,055,000	$ 1,975,000
$ 122,850	$ 128,175	$ 86,250	$ 164,212	$ 62,187

	Bond Issue			
	Series 2019A Refunding	Series 2021	Series 2021A Refunding	Totals
Interest rate	2.00% - 3.00%	2.00% - 2.125%	2.00% - 4.00%	
Dates interest payable	9/1; 3/1	9/1; 3/1	9/1; 3/1	
Maturity dates	9/1/20 - 9/1/35	9/1/22 - 9/1/45	9/1/22 - 9/1/38	
Beginning bonds outstanding	$ 1,775,000	$ -	$ -	$ 23,060,000
Bonds issued		9,500,000	2,310,000	11,810,000
Bonds retired	(75,000)			(770,000)
Bonds refunded				(2,280,000)
Ending bonds outstanding	$ 1,700,000	$ 9,500,000	$ 2,310,000	$ 31,820,000
Interest paid during fiscal year	$ 48,200	$ -	$ -	$ 799,068

See accompanying auditors' report.

(This page intentionally left blank)

Valley Ranch Municipal Utility District No. 1
TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund
For the Last Five Fiscal Years

	Amounts				
	2021	2020	2019	2018	2017
Revenues					
Water service	$ 583,848	$ 582,492	$ 512,986	$ 418,464	$ 401,491
Sewer service	649,558	611,924	532,683	434,066	391,151
Property taxes	581,297	569,554	357,396	520,735	476,380
Penalties and interest	13,009	11,822	11,826	8,620	8,014
Tap connection and inspection	99,094	28,015	327,640	533,861	34,829
Miscellaneous		8,543	21,183	3,356	7,281
Investment earnings	1,654	20,600	37,879	27,436	11,412
Total Revenues	1,928,460	1,832,950	1,801,593	1,946,538	1,330,558
Expenditures					
Current service operations					
Purchased services	438,796	313,583	449,287	403,883	414,842
Professional fees	129,798	183,389	191,862	206,514	176,837
Contracted services	433,857	359,093	380,900	413,546	285,470
Repairs and maintenance	566,439	395,437	449,193	352,708	226,154
Utilities	61,084	56,741	49,640	20,383	19,316
Administrative	24,227	21,871	24,738	22,148	22,589
Lease	265,800	257,250	258,300	122,300	95,100
Other	21,629	24,370	33,668	18,793	16,410
Capital outlay	191,558	29,718	258,979	673,843	79,482
Debt service					
Developer interest	8,041				
Total Expenditures	2,141,229	1,641,452	2,096,567	2,234,118	1,336,200
Revenues Over/(Under) Expenditures	$ (212,769)	$ 191,498	$ (294,974)	$ (287,580)	$ (5,642)
Total Active Retail Water Connections	1,018	1,016	1,002	856	655
Total Active Retail Wastewater Connections	997	1,000	987	844	641

*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues				
2021	2020	2019	2018	2017
30%	32%	28%	21%	30%
34%	33%	30%	22%	29%
30%	31%	20%	29%	35%
1%	1%	1%	*	1%
5%	2%	18%	27%	3%
	*	1%	*	1%
*	1%	2%	1%	1%
100%	100%	100%	100%	100%
23%	17%	25%	21%	31%
7%	10%	11%	11%	13%
22%	20%	21%	21%	21%
29%	22%	25%	18%	17%
3%	3%	3%	1%	1%
1%	1%	1%	1%	2%
14%	14%	14%	6%	7%
1%	1%	2%	1%	1%
10%	2%	14%	35%	6%
*				
110%	90%	116%	115%	99%
(10%)	10%	(16%)	(15%)	1%

Valley Ranch Municipal Utility District No. 1
TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fund
For the Last Five Fiscal Years

	Amounts				
	2021	2020	2019	2018	2017
Revenues					
Property taxes	$ 2,196,510	$ 1,936,138	$ 1,714,927	$ 1,142,724	$ 1,044,252
Penalties and interest	16,767	12,432	16,714	6,634	8,683
Accrued interest on bonds sold					20,042
Miscellaneous	1,375	130	5,935	282	34
Investment earnings	1,810	24,998	33,686	16,574	6,110
Total Revenues	2,216,462	1,973,698	1,771,262	1,166,214	1,079,121
Expenditures					
Tax collection services	49,628	42,261	42,509	30,409	29,518
Debt service					
Principal	770,000	600,000	525,000	445,000	290,000
Interest and fees	846,804	837,118	675,692	547,041	454,500
Debt issuance costs	14,314	105,516			168,200
Total Expenditures	1,680,746	1,584,895	1,243,201	1,022,450	942,218
Revenues Over Expenditures	$ 535,716	$ 388,803	$ 528,061	$ 143,764	$ 136,903

*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues				
2021	2020	2019	2018	2017
99%	98%	97%	98%	96%
1%	1%	1%	1%	1%
				2%
*	*	*	*	*
*	1%	2%	1%	1%
100%	100%	100%	100%	100%
2%	2%	2%	3%	3%
35%	30%	30%	38%	27%
38%	42%	38%	47%	42%
1%	5%			16%
76%	79%	70%	88%	88%
24%	21%	30%	12%	12%

Valley Ranch Municipal Utility District No. 1
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended June 30, 2021

Complete District Mailing Address: 3200 Southwest Freeway, Suite 2600, Houston, TX 77027

District Business Telephone Number: (713) 860-6400

Submission Date of the most recent District Registration Form
(TWC Sections 36.054 and 49.054): May 27, 2020

Limit on Fees of Office that a Director may receive during a fiscal year: $ 7,200
(Set by Board Resolution -- TWC Section 49.0600)

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimburse-ments	Title at Year End
Board Members:				
Chris Baughman	5/20 - 5/24	$ 1,650	$ -	President
Kyle Hoegemeyer	5/18 - 5/22	1,350		Vice President
Neal J. Brussell	5/18 - 5/22	1,500		Secretary
David Knighten, Sr.	5/20 - 5/24	3,150		Assistant Vice President
Corey Mills	5/18 - 5/22	1,950		Assistant Secretary
Consultants:		Amounts Paid		
Allen Boone Humphries Robinson LLP	2006			Attorney
General legal		$ 102,499		
Bond counsel		282,083		
Inframark, LLC	2006	567,201		Operator
District Data Services, Inc.	2006	22,258		Bookkeeper
Utility Tax Service, LLC	2006	15,378		Tax Collector
Montgomery Central Appraisal District	Legislation	21,408		Property Valuation
Purdue, Brandon, Fielder, Collins & Mott, LLP	2006	7,613		Delinquent Tax Attorney
Dannenbaum Engineering Corp.	2006	170,130		Engineer
McGrath & Co., PLLC	2010	23,500		Auditor
Post Oak Municipal Advisors, LLC	2018	166,408		Financial Advisor

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

See accompanying auditors’ report.

APPENDIX B

Specimen Municipal Bond Insurance Policy

MUNICIPAL BOND INSURANCE POLICY

ISSUER: Policy No: -N

BONDS: $ in aggregate principal amount of Effective Date:

Premium: $

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

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

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

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

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

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

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

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

ASSURED GUARANTY MUNICIPAL CORP.

By ________________________________
Authorized Officer

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