

IN THE OPINION OF BOND COUNSEL, THE BONDS ARE VALID OBLIGATIONS OF MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 24. IN THE OPINION OF BOND COUNSEL, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAXATION UNDER STATUTES, REGULATIONS, PUBLISHED RULINGS AND COURT DECISIONS EXISTING ON THE DATE OF SUCH OPINION. SEE “LEGAL MATTERS” AND “TAX MATTERS” HEREIN FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.

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

NEW ISSUE—BOOK-ENTRY ONLY
CUSIP No. 613902

**RATINGS: Underlying “Baa3” Moody’s
Insured “AA” (stable outlook) S&P**

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

\$8,100,000

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 24

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

UNLIMITED TAX BONDS

SERIES 2022

Dated: November 1, 2022

Due: March 1 (as shown below)

Interest on the \$8,100,000 Montgomery County Municipal Utility District No. 24 Unlimited Tax Bonds, Series 2022 (the “Bonds”) will accrue from November 1, 2022, and will be payable on March 1 and September 1 of each year, commencing March 1, 2023. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company (“DTC”) pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See “BOOK-ENTRY-ONLY SYSTEM” herein. The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. See “REGISTRATION – Paying Agent/Registrar.”

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by Build America Mutual Assurance Company (“BAM”).



MATURITIES, AMOUNTS, INTEREST RATES AND PRICES

<u>Principal Amount</u>	<u>Maturity</u>	<u>Interest Rate (%)</u>	<u>Yield to Maturity(a)</u>	<u>Principal Amount</u>	<u>Maturity</u>	<u>Interest Rate (%)</u>	<u>Yield to Maturity(a)</u>
\$170,000	2025	7.25%	3.60%	\$250,000	2034(b)	4.75%	4.50%
\$175,000	2026	7.25%	3.70%	\$265,000	2035(b)	4.75%	4.60%
\$185,000	2027	7.25%	3.80%	***	***	***	***
***	***	***	***	\$300,000	2038(b)	4.75%	4.80%

\$390,000 7.00% Term Bond Due March 1, 2029 to Yield 3.85% (a) (b) (c)
 \$430,000 6.00% Term Bond Due March 1, 2031 to Yield 3.90% (a) (b) (c)
 \$470,000 6.00% Term Bond Due March 1, 2033 to Yield 4.00% (a) (b) (c)
 \$565,000 4.75% Term Bond Due March 1, 2037 to Yield 4.75% (a) (b) (c)
 \$990,000 4.75% Term Bond Due March 1, 2041 to Yield 4.85% (a) (b) (c)
 \$1,545,000 4.75% Term Bond Due March 1, 2045 to Yield 4.90% (a) (b) (c)
 \$2,365,000 4.75% Term Bond Due March 1, 2050 to Yield 4.95% (a) (b) (c)

- (a) The initial reoffering yields are established by and are the sole responsibility of the Underwriter (hereinafter defined) and may be subsequently changed.
- (b) The Bonds maturing on or after March 1, 2028, are subject to redemption in whole or from time to time in part, at the option of the District (hereinafter defined), on March 1, 2027, or on any date thereafter, at a price equal to the par value thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption. If fewer than all of the Bonds within a maturity are redeemed, the Bonds to be redeemed shall be selected, on behalf of the District, by the Paying Agent/Registrar, in its capacity as Registrar, by lot or other customary method, in integral multiples of \$5,000 in any one maturity. See “THE BONDS – Optional Redemption.”
- (c) Subject to mandatory sinking fund redemption as described herein. See “THE BONDS – Mandatory Redemption.”

The proceeds of the Bonds will be used by Montgomery County Municipal Utility District No. 24 (the “District”) to: (1) reimburse the Developer (hereinafter defined) for advancing funds to construct certain water, wastewater, and drainage facilities serving the District and related land acquisition, engineering, and testing costs; (2) fund certain wastewater treatment plant lease payments and the acquisition of such wastewater treatment plant; (3) fund developer interest related to the advancement of funds for certain construction and land acquisition costs; (4) fund approximately 11 months of capitalized interest on the Bonds; and (5) pay issuance and administrative expenses related to the Bonds. See “USE OF BOND PROCEEDS.”

The Bonds, when issued, will constitute valid and binding obligations of the District and will be payable from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. See “THE BONDS – Sources of and Security for Payment.” The Bonds are obligations solely of the District and are not obligations of the State of Texas, Montgomery County, the City of Houston, or any entity other than the District. Neither the faith and credit nor the taxing power of the State of Texas, Montgomery County, or the City of Houston is pledged to the payment of the principal of or interest on the Bonds. **The Bonds are subject to certain investment considerations described under the caption “RISK FACTORS.”**

The Bonds are offered when, as and if issued by the District, subject to approval by the Attorney General of Texas and the approval of certain legal matters by Young & Brooks, Attorneys at Law, Houston, Texas, Bond Counsel. Certain other matters will be passed upon on behalf of the District by Allen Boone Humphries Robinson LLP, Houston, Texas, Disclosure Counsel. Delivery of the Bonds is expected through the facilities of DTC on or about November 3, 2022.

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

Any information and expressions of opinion herein contained are subject to change and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein since the date hereof.

All of the summaries of the statutes, resolutions, 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 Young & Brooks, Attorneys at Law, 10000 Memorial Drive, Suite 260, Houston, Texas 77024, upon payment of duplication costs.

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

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

Build America Mutual Assurance Company ("BAM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "BOND INSURANCE" and "APPENDIX B – Specimen Municipal Bond Insurance Policy."

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

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the bid producing the lowest net interest cost to the District, which was tendered by SAMCO Capital Markets, Inc. (the "Underwriter"), to purchase the Bonds bearing the rates shown on the cover page of this Official Statement at a price of 97.007161% of par plus accrued interest to the date of delivery, which resulted in a net effective interest rate of 5.062631%, as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended.

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

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

Prices and Marketability

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

the reoffering yields or prices of the Bonds and has no control over trading of the Bonds after their initial sale by the District. Information concerning reoffering yields or prices is the responsibility of the Underwriter.

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

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

NO REGISTRATION OR QUALIFICATION FOR SALE OF BONDS

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

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

REGISTRATION

Paying Agent/Registrar

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

Successor Paying Agent/Registrar

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

Assignments, Transfers, and Exchange

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

Record Date

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

Record Date for Bonds to be Redeemed

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

MUNICIPAL BOND RATING

In connection with the sale of the Bonds the District made application to Moody's Investors Service, Inc. ("Moody's") which assigned a rating of "Baa3" on the Bonds based upon the District's underlying credit without bond insurance. An explanation of the significance of such rating may be obtained from Moody's. The rating reflects only the view of Moody's and the District makes no representation as to the appropriateness of such rating. The District can make no assurance that the Moody's rating will continue for any period of time or that such rating will not be revised downward or withdrawn entirely by Moody's if in the judgment of Moody's circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

S&P Global Ratings ("S&P") has assigned its municipal bond rating of "AA" (stable outlook) to this issue of Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by BAM. The District can make no assurance that S&P's rating will continue for any period of time or that such rating will not be revised downward or withdrawn entirely by S&P if, in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds. See "BOND INSURANCE."

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company ("BAM") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an appendix to this Official Statement.

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

Build America Mutual Assurance Company

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

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

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

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

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of June 30, 2022 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$490.5 million, \$187.1 million and \$303.4 million, respectively.

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

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

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

Additional Information Available from BAM

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

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

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

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

OFFICIAL STATEMENT SUMMARY

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

THE BONDS

- Description:** The \$8,100,000 Unlimited Tax Bonds, Series 2022 (the "Bonds"), are dated November 1, 2022, with interest payable commencing March 1, 2023, and each September 1 and March 1 thereafter until the earlier of maturity or redemption. The Bonds represent the fifth series of bonds to be issued by Montgomery County Municipal Utility District No. 24 (the "District"). The Bonds mature on March 1 in the years as shown in the table on the cover page of this Official Statement. The Bonds are issued pursuant to the Constitution and general laws of the State of Texas, particularly Article XVI, Section 59 of the Texas Constitution and Chapters 49 and 54 of the Texas Water Code, as amended, pursuant to an order (the "Bond Order") adopted by the Board of Directors of the District, and pursuant to an order of the Texas Commission on Environmental Quality. See "THE BONDS."
- Book-Entry-Only System:** The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM."
- Redemption Provisions:** Bonds maturing on or after March 1, 2028, are subject to early redemption, in whole or in part, on March 1, 2027, or on any date thereafter at the option of the District at a price of par plus accrued interest to the date of redemption. See "THE BONDS – Optional Redemption." The Bonds maturing on March 1 in the years 2029, 2031, 2033, 2037, 2041, 2045, and 2050 are Term Bonds and are subject to annual mandatory sinking fund redemption beginning on March 1 in the years 2028, 2030, 2032, 2036, 2039, 2042, and 2046, respectively. See "THE BONDS – Mandatory Redemption."
- Source of Payment:** The Bonds are payable from a continuing direct annual ad valorem tax upon all taxable property within the District which, under Texas law, is not limited as to rate or amount. The Bonds are obligations of the District and are not obligations of the State of Texas, Montgomery County, the City of Houston, or any other political subdivision or agency. See "THE BONDS – Sources of and Security for Payment."
- Use of Proceeds:** Proceeds from the sale of the Bonds will be used by the District to: (1) reimburse the Developer (hereinafter defined) for advancing funds to construct certain water, wastewater, and drainage facilities serving the District and related land acquisition, engineering, and testing costs; (2) fund certain wastewater treatment plant lease payments and the acquisition of such wastewater treatment plant; (3) fund developer interest related to the advancement of funds for certain construction and land acquisition costs; (4) fund approximately 11 months of capitalized interest on the Bonds; and (5) pay issuance and administrative expenses related to the Bonds. See "USE OF BOND PROCEEDS."
- Municipal Bond Rating:** In connection with the sale of the Bonds the District made application to Moody's which has assigned a rating of "Baa3" on the Bonds based upon the District's underlying credit without bond insurance. An explanation of the significance of such rating may be obtained from Moody's. The rating reflects only the view of Moody's and the District makes no representation as to the appropriateness of such rating. See "MUNICIPAL BOND RATING."
- Bond Insurance:** S&P has assigned its municipal bond rating of "AA" (stable outlook) to this issue of Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by BAM. The District can make no assurance that S&P's rating will continue for any period of time or that such rating will not be revised downward or withdrawn entirely by S&P if in the judgment of S&P circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds. See "MUNICIPAL BOND RATING," "BOND INSURANCE" and "APPENDIX B – Specimen Municipal Bond Insurance Policy."
- Qualified Tax-Exempt Obligations:** The District has designated the Bonds as "qualified tax-exempt obligations" pursuant to section 265(b) of the Internal Revenue Code of 1986, as amended, and represents that the total amount of tax-exempt bonds (including the Bonds) issued by it during calendar year 2022 is not reasonably expected to exceed \$10,000,000 and that it will not designate more than \$10,000,000 of qualified tax-exempt obligations during the calendar year 2022. See "TAX MATTERS – Qualified Tax-Exempt Obligations for Financial Institutions."

Authorized but Unissued Bonds:	After the issuance of the Bonds, the District will have (i) \$28,460,000 authorized but unissued unlimited tax bonds that may be used for the purposes of financing water, sanitary sewer, or drainage facilities to serve the District, or to refund bonds issued for such purposes, and (ii) \$4,870,000 authorized but unissued unlimited tax bonds designated solely for the purpose of refunding outstanding bonds of the District. See “THE BONDS – Authority for Issuance.”
Paying Agent/Registrar:	The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. See “REGISTRATION – Paying Agent/Registrar.”
Legal Opinion:	Young & Brooks, Attorneys at Law, Bond Counsel, Houston, Texas. See “LEGAL MATTERS” and “TAX MATTERS.”
Payment Record:	The District has previously issued three (3) series of unlimited tax bonds and one (1) series of unlimited tax refunding bonds, of which \$7,440,000 principal amount was outstanding as of August 1, 2022 (the “Outstanding Bonds”). The District has never defaulted on payment of principal or interest on the Outstanding Bonds.
Risk Factors:	The Bonds are subject to certain investment considerations, as set forth in this Official Statement. Prospective purchasers should carefully examine this Official Statement with respect to the investment security of the Bonds particularly the section captioned “RISK FACTORS.”

THE DISTRICT

Description:	The District was created by Order of the Texas Water Rights Commission (now the Texas Commission on Environmental Quality or “TCEQ”) in 1974 and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended. The District, as it was originally created, included approximately 300 acres. Since its creation, the District has annexed certain tracts of land and presently includes approximately 334 acres. The District is located in southeastern Montgomery County, approximately 28 miles northeast of the central business district of the City of Houston and approximately 13 miles southeast of the central business district of the City of Conroe. North Lake Houston Drive bisects the District, and Ford Road serves as part of the western boundary. Access to the central business district of the City of Houston is provided via Ford Road, west approximately 2.5 miles to US Highway 59. The District is located entirely within the extraterritorial jurisdiction of the City of Houston. See “THE DISTRICT – General.”
Development of the District:	The District is being developed for single-family residential purposes in the subdivisions known as Country Colony and Royal Brook at Kingwood. The initial development of the District took place in Country Colony, Section 3. The development of Country Colony, Section 3 commenced during the 1970’s and was substantially built out during the 1990’s. The District is currently being developed as Country Colony, Sections 4 – 7 and Royal Brook at Kingwood, Sections 8, 9, 13, and 24. As of August 1, 2022, the District included approximately 573 completed homes (approximately 564 of which were resident-occupied), 41 homes under construction, and 72 vacant developed lots. See “THE DISTRICT – Status of Residential Development” and “– Aerial Photograph.”
Summary of Land Uses:	As of August 1, 2022, the District included approximately 160 developed acres, approximately 116 additional developable acres, and approximately 58 undevelopable acres, which includes District plant sites, park and recreational facilities, utility and drainage easements, road rights-of-ways, and open spaces. See “THE DISTRICT – Summary of Land Uses.”
The Developer:	Lennar Homes of Texas Land and Construction, Ltd., d/b/a Friendswood Development Company (the “Developer”) is the developer of the land and lots located in Country Colony, Sections 4 – 7, and Royal Brook at Kingwood, Sections 8, 9, 13, and 24. The Developer is a wholly owned subsidiary of its publicly traded parent company, Lennar Corporation, whose stock is listed on the New York Stock Exchange. As a publicly traded company, Lennar Corporation is subject to the information requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith files annual reports, quarterly reports, proxy statements, and periodic statements with the United States Securities and Exchange Commission (“SEC”). Reports, proxy statements, and other information filed by Lennar Corporation can be inspected at the office of the SEC at Judiciary Plaza, Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. Copies of the above reports, proxy statements and other information may also be inspected at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005. The SEC maintains a website at http://www.sec.gov that contains reports, proxy information statements, and other information regarding registrants that file electronically with the SEC. See “THE DEVELOPER – Description of the Developer.”

In 2021 TC LB Royal Pines, LP, a Texas limited partnership (“TC LB”), purchased approximately 150 acres from 1992 Guniganti Credit Shelter Trusts for the purpose of developing such land for single-family

residential purposes in the subdivision to be known as Royal Pines. TC LB has contracted with Starlight Homes Texas, LLC, a Delaware limited liability company (“Starlight Homes”) and a wholly owned subsidiary of Ashton Woods USA, LLC, a privately held limited liability company, to develop the land in the Royal Pines subdivision on behalf of TC LB. Starlight Homes has also contracted to purchase the single-family residential lots from TC LB for homebuilding based upon a predetermined lot takedown schedule. Approximately 34 acres of the 150 acres owned by TC LB are presently located outside of the District’s boundaries. Since the District is located entirely within the extraterritorial jurisdiction of the City of Houston, the City of Houston must consent to the annexation of land to be included within the District’s boundaries. The District is in the process of submitting an application to the City of Houston for consent to annex such 34-acre tract. Based on current land plans, the Royal Pines subdivision is expected to contain 452 single-family residential lots at ultimate buildout and Starlight Homes intends to be the sole homebuilder on all of such lots. According to Starlight Homes as of August 1, 2022, Royal Pines, Sections 1 and 2 are in the design phase and expected to contain 103 single-family residential lots and 59 single-family residential lots, respectively. Starlight Homes anticipates that such lots will be available for homebuilding during the fourth quarter of 2023. The District makes no representation that such land will ever be developed or that taxable improvements will ever be constructed thereon. See “THE DEVELOPER – Future Development.”

Homebuilders:

The Developer is also the principal homebuilder in the District. The Developer sold 31 lots in the Royal Brook at Kingwood subdivision to TriPointe Homes (herein “TriPointe” and formerly known as Trendmaker Homes). Homes in the Country Colony subdivision (except for Country Colony, Section 3) were constructed by Lennar and were sold in the \$180,000 to \$240,000 price range. Homes in the Royal Brook at Kingwood subdivision are being constructed by Lennar and TriPointe and are being marketed in the \$300,000 to \$450,000 price range. See “THE DISTRICT – Status of Residential Development” and “THE DEVELOPER – Homebuilders.”

The System:

The District’s source of water is provided by one existing well, which has a total capacity of 400 gallons per minute with 125,000 gallons of ground storage tank capacity, hydropneumatic tanks totaling 10,000 gallons of capacity, and booster pumps with a total rated capacity of 1,375 gallons per minute. The District has received a deposit from the Developer and Starlight Homes to fund the expansion of the District’s water plant. The expansion improvements to the District’s water plant include a new 125,000-gallon ground storage tank, a new 15,000-gallon hydropneumatic tank, and a 950 gpm booster pump. After such water plant expansion improvements are made, according to TCEQ criteria, the District’s water supply facilities will have capacity to serve 932 equivalent single-family connections (“ESFCs”). The District’s water supply system is currently operating at approximately 74% of capacity. Additionally, Porter Special Utility District (“Porter SUD”) and the District have entered into a Wholesale Water Supply Agreement (the “Water Contract”), 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 Contract, Porter SUD will provide water supply capacity which, according to the District’s Engineer, will be sufficient to meet the District’s total projected demand of the Developer’s approximately 130 acres out of approximately 250 total acres within the District that is subject to Porter SUD’s Certificate of Convenience and Necessity. The District has contracted for capacity of up to 230,000 gallons per day which should serve up to approximately 265 ESFCs.

The District’s existing wastewater treatment plant (“WWTP”) has a total of 100,000 gallons per day of treatment capacity. The District is currently expanding its WWTP by adding 150,000 gpd of treatment capacity. Proceeds from the sale of the Bonds will be used, in part, to reimburse the Developer for costs associated with such WWTP expansion improvements. Upon completion of the WWTP expansion, according to the TCEQ’s regulatory flow rates, the total WWTP capacity is anticipated to accommodate approximately 800 ESFCs. The District’s actual flow rate per ESFC is substantially less than the TCEQ’s regulatory flow rate. According to the District’s Engineer, the District has adequate capacity to serve all of the system’s active connections, as well as the additional connections attributable to homes currently under construction in the District.

The natural drainage pattern of the District is generally from south to north. Runoff from the District is conveyed to an unnamed tributary of White Oak Creek. The unnamed tributary is the subject of the Royal Brook Channel Improvements project, which was funded with proceeds of the District’s previously-issued bonds. White Oak Creek discharges into Caney Creek, which ultimately discharges into the East Fork of the San Jacinto River. According to the District’s Engineer, none of the developed land or land planned for future development in the District is located within the 100-year flood plain. Approximately 25 acres of undeveloped land in the District is located within the 100-year flood plain. See “THE SYSTEM.”

SELECTED FINANCIAL INFORMATION

(Unaudited)

8/1/2022 Estimated Taxable Value	\$142,501,263	(a)
2022 Certified Taxable Value	\$128,591,029	(b)

Direct Debt:

Outstanding Bonds (as of August 1, 2022)	\$7,440,000
The Bonds	<u>\$8,100,000</u>
Total Direct Debt	\$15,540,000

See "DISTRICT DEBT"

Estimated Overlapping Debt	<u>\$8,896,777</u>	(c)
Direct and Estimated Overlapping Debt	\$24,436,777	

Percentage of Direct Debt to:

8/1/2022 Estimated Taxable Value	10.91%
2022 Certified Taxable Value	12.08%

See "DISTRICT DEBT"

Percentage of Direct and Estimated Overlapping Debt to:

8/1/2022 Estimated Taxable Value	17.15%
2022 Certified Taxable Value	19.00%

See "DISTRICT DEBT"

2021 Tax Rate Per \$100 of Assessed Value:

Debt Service	\$0.30
Maintenance Tax	<u>\$0.82</u>
Total 2021 Tax Rate	\$1.12 (d)

Cash and Temporary Investment Balances as of August 29, 2022:

General Fund	\$2,813,906	(e)
Debt Service Fund	\$641,279	(f) (g)

- (a) Reflects the Estimated Taxable Value as of August 1, 2022, which was prepared by the Montgomery Central Appraisal District ("MCAD" or the "Appraisal District") and provided to the District for informational purposes only. The estimated values are not binding on MCAD and values resulting from new land development or home building construction in the District subsequent to January 1, 2022, will not be included on the District's tax roll until the January 1, 2023, certified tax roll is prepared by MCAD during the second half of calendar year 2023. The District is authorized by law to levy taxes only against certified values. See "TAX DATA" and "TAXING PROCEDURES."
- (b) Reflects the January 1, 2022 Certified Taxable Value according to data supplied to the District by MCAD, which includes \$14,751,742 of uncertified taxable value that is still in the certification process. Such amount of uncertified value represents MCAD's estimate of the taxable value that will ultimately be certified on the District's tax roll after successful protest. The District is authorized by law to levy taxes only against certified values. See "TAX DATA" and "TAXING PROCEDURES."
- (c) See "DISTRICT DEBT – Estimated Overlapping Debt."
- (d) The Board has authorized the publication of a total tax rate of \$1.12 per \$100 of assessed valuation for the 2022 tax year and intends to set such total tax rate. The exact composition of the total tax rate for the 2022 tax year has not yet been determined.
- (e) Unaudited figure per the District's records. See "THE SYSTEM – Operating History."
- (f) Unaudited figure per the District's records. Neither Texas law nor the District's Bond Order requires the District to maintain any particular balance in the Debt Service Fund. See "TAX DATA – Tax Rate Calculations."
- (g) The cash and investment balance in the Debt Service Fund includes capitalized interest to be funded with proceeds of the Bonds and to be deposited into such fund on the date of delivery of the Bonds. See "USE OF BOND PROCEEDS."

DEBT SERVICE REQUIREMENTS

The following table sets forth the debt service requirements on the District's Outstanding Bonds plus the debt service requirements for the Bonds.

<u>Year</u>	<u>Outstanding Debt Service Requirements</u>	<u>Plus: Debt Service Requirements on the Bonds</u>		<u>Total Debt Service Requirements</u>
		<u>Principal</u>	<u>Interest</u>	
2022	\$241,418	-	-	\$241,418
2023	\$364,543	-	\$348,354	\$712,897
2024	\$434,293	-	\$418,025	\$852,318
2025	\$451,981	\$170,000	\$411,862	\$1,033,843
2026	\$468,731	\$175,000	\$399,356	\$1,043,087
2027	\$460,106	\$185,000	\$386,306	\$1,031,412
2028	\$476,106	\$190,000	\$372,950	\$1,039,056
2029	\$466,731	\$200,000	\$359,300	\$1,026,031
2030	\$481,793	\$210,000	\$346,000	\$1,037,793
2031	\$471,168	\$220,000	\$333,100	\$1,024,268
2032	\$486,005	\$230,000	\$319,600	\$1,035,605
2033	\$476,261	\$240,000	\$305,500	\$1,021,761
2034	\$490,949	\$250,000	\$292,362	\$1,033,311
2035	\$480,199	\$265,000	\$280,131	\$1,025,330
2036	\$518,589	\$275,000	\$267,306	\$1,060,895
2037	\$505,949	\$290,000	\$253,887	\$1,049,836
2038	\$517,512	\$300,000	\$239,875	\$1,057,387
2039	\$503,450	\$315,000	\$225,268	\$1,043,718
2040	\$513,918	\$330,000	\$209,950	\$1,053,868
2041	\$523,636	\$345,000	\$193,918	\$1,062,554
2042	\$532,512	\$360,000	\$177,175	\$1,069,687
2043	\$515,824	\$375,000	\$159,718	\$1,050,542
2044	\$155,700	\$395,000	\$141,431	\$692,131
2045	\$166,959	\$415,000	\$122,193	\$704,152
2046	-	\$430,000	\$102,125	\$532,125
2047	-	\$450,000	\$81,225	\$531,225
2048	-	\$475,000	\$59,256	\$534,256
2049	-	\$495,000	\$36,218	\$531,218
2050	-	<u>\$515,000</u>	<u>\$12,231</u>	<u>\$527,231</u>
TOTALS	\$10,704,333	\$8,100,000	\$6,854,622	\$25,658,955

Maximum Annual Debt Service Requirements (2042)..... \$1,069,687

Requires a \$0.80 debt service tax rate on the August 1, 2022 Estimated Taxable Value of \$142,501,263
at 95% collections..... \$1,083,010

Requires a \$0.88 debt service tax rate on the 2022 Certified Taxable Value of \$128,591,029
at 95% collections..... \$1,075,021

See "TAX DATA – Tax Rate Calculations."

OFFICIAL STATEMENT

relating to

\$8,100,000

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 24
(A political subdivision of the State of Texas, located within Montgomery County, Texas)

UNLIMITED TAX BONDS, SERIES 2022

INTRODUCTION

This Official Statement provides certain information in connection with the issuance of Montgomery County Municipal Utility District No. 24 Unlimited Tax Bonds, Series 2022 (the "Bonds").

The Bonds are issued pursuant to the Constitution and general laws of the State of Texas, particularly Article XVI, Section 59 of the Texas Constitution and Chapters 49 and 54 of the Texas Water Code, as amended, pursuant to an order of the TCEQ, and pursuant to an order (the "Bond Order") adopted by the Board of Directors (the "Board") of Montgomery County Municipal Utility District No. 24 (the "District").

This Official Statement includes descriptions of the Bonds, the Bond Order and certain information about the District and its financial condition. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the District's Bond Counsel upon payment of costs of duplication thereof.

RISK FACTORS

General

The Bonds are obligations of the District and are not obligations of the State of Texas, Montgomery County, the City of Houston, or any other political subdivision. The Bonds are payable from a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District. See "THE BONDS – Sources of and Security for Payment." The investment quality of the Bonds depends on the ability of the District to collect all taxes levied against the taxable property within the District, and, in the event of foreclosure of the District's tax lien, on the marketability of the property and the ability of the District to sell the property at a price sufficient to pay taxes levied by the District and by other overlapping taxing authorities. The District cannot and does not make any representations that over the life of the Bonds the taxable property within the District will accumulate or maintain taxable values sufficient to justify the continued payment of taxes by property owners.

Infectious Disease Outlook (COVID-19)

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

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

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

Marketability

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

Tax Collection Limitations

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

Registered Owners' Remedies

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

Bankruptcy Limitation to Registered Owners' Rights

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

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

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

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

Approval of the Bonds

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

Economic Factors

The Houston metropolitan area has, in the past, experienced slower/negative job growth, increased unemployment, business failures and slow absorption of office space during periods of relatively low oil and natural gas prices. Certain of these factors are showing signs of recurring in the Harris County/Montgomery County area economy. These factors could affect the demand for new residential home construction and commercial development and hence the growth and maintenance of property values in the District. An oversupply of homes, along with a decreased demand in new housing because of general economic conditions or relatively high interest rates, may have an adverse impact on sale prices for homes and, consequently, may materially adversely affect property values or, in some instances, cause builders to abandon homebuilding plans altogether.

The maintenance of taxable values in the District is directly related to the housing and building industry. The housing and building industry has historically been a cyclical industry, affected by short and long-term interest rates, consumer demand, foreclosure rates, availability of mortgage and development funds, and labor conditions and general economic conditions. Currently, building in the Houston area has slowed as a result of general economic conditions and the tightening of criteria for mortgage lending nationwide. A return to relatively high mortgage interest rates similar to those experienced in the past or a decline in mortgage availability may adversely affect the availability and desirability of mortgage financing for new homes, hence reducing demand for homes within the District. Commercial building in the District could be adversely affected by such economic developments. High foreclosure rates may also affect mortgage lenders' willingness to accept risks and potential borrowers' ability to qualify for loans. The inability to qualify for mortgages may negatively affect some sales and the rate of growth of taxable values in the District.

Potential Effects of Oil Price Fluctuation on the Houston Area

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

Dependence on the Energy Industry

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

Landowners/Developers Under No Obligation to the District

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

Maintenance of District Tax Base

The District's 2021 tax rate is \$1.12 per \$100 of assessed valuation. The maintenance of the District's tax base is directly related to the housing industry in general. The housing industry has historically been a cyclical industry, affected by short-term and long-term interest rates, demand for developed property, availability of mortgage and development funds, labor conditions, and general economic conditions. In the 1980s and again in 2007 - 2010 the downturn in the Houston economy and concurrent increases in

unemployment substantially reduced the demand for housing. In many instances, homeowners turned homes back to mortgage companies because of a negative equity position and, consequently, many repossessed homes were resold at substantially reduced prices. The demand for single-family homes in the District, which is approximately 28 miles northeast of the Houston central business district, also could be affected by competition from nearby residential developments. In addition to competition for new home sales from other developments, there are numerous previously-owned homes in more established neighborhoods closer to downtown Houston that have been on the market for an extended period of time.

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

Assuming no further residential building development within the District other than that which has been constructed, the value of such land and improvements currently located and under construction within the District could be a major determinant of the ability of the District to collect, and the willingness of property owners to pay, ad valorem taxes levied by the District. After issuance of the Bonds, the Maximum Annual Debt Service Requirement will be \$1,069,687 (2042). The District's August 1, 2022 Estimated Taxable Value is \$142,501,263. Assuming no increase or decrease from the August 1, 2022 Estimated Taxable Value and no use of other District funds, a debt service tax rate of \$0.80 per \$100 of assessed valuation at 95% collection rate would be necessary to pay the Maximum Annual Debt Service Requirement. The District's 2022 Certified Taxable Value is \$128,591,029 (including \$14,751,742 of uncertified taxable value, which represents MCAD's estimate of the taxable value that will ultimately be certified on the District's tax roll after successful protest). Assuming no increase or decrease from the 2022 Certified Taxable Value and no use of other District funds, a debt service tax rate of \$0.88 per \$100 of assessed valuation at 95% collection rate would be necessary to pay the Maximum Annual Debt Service Requirement. See "TAX DATA – Tax Rate Calculations."

Future Debt

After the issuance of the Bonds, the District will have (i) \$28,460,000 authorized but unissued unlimited tax bonds that may be used for the purposes of financing water, sanitary sewer, or drainage facilities to serve the District, or to refund bonds issued for such purposes, and (ii) \$4,870,000 authorized but unissued unlimited tax bonds designated solely for the purpose of refunding outstanding bonds of the District. All such bonds that will remain authorized but unissued can be issued subject to the approval of the Attorney General of the State of Texas and in the case of new money bonds, subject to the approval of the TCEQ.

The District has the right to issue additional new money bonds as may hereafter be approved by both the Board and the voters of the District, and to issue refunding bonds as approved by the Board. Any such additional new money bonds and refunding bonds would be issued on parity with the Bonds. Any future new money bonds to be issued by the District must also be approved by the TCEQ. According to the Engineer, such bond authorization should be adequate to finance the District's share of development costs to allow for the full development of land within the District. The District has also reserved the right to issue certain other additional bonds, special project bonds, and other obligations described in the Bond Order. All of the remaining bonds described above which have heretofore been authorized by the voters of the District, may be issued by the District from time to time as needed. If additional bonds are issued in the future and property values have not increased proportionately, such issuance might increase gross debt/property valuation ratios and thereby adversely affect the investment quality or security of the Bonds.

Financing Parks and Recreational Facilities

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. Before the District could issue recreational facilities bonds payable from taxes, the following actions would be required: (a) preparation of a detailed park plan; (b) authorization of recreational facilities bonds by the qualified voters in the District; (c) approval of the park project and bonds by the TCEQ; and (d) approval of the bonds by the Attorney General of Texas. Also, the outstanding principal amount of such bonds may not exceed an amount equal to one percent or in certain cases three percent, of the value of the taxable property in the District. The Board has not discussed and presently has no plans to hold an election authorizing the issuance of recreational facilities bonds and authorizing a recreational facilities maintenance tax.

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

Continuing Compliance with Certain Covenants

Failure of the District to comply with certain covenants contained in the Bond Order on a continuing basis prior to the maturity of the Bonds could result in interest on the Bonds becoming taxable retroactively to the date of original issuance. See "TAX MATTERS."

Environmental Regulation and Air Quality

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

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

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

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

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

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

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

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

On June 9, 2021, the EPA and USACE announced plans to further revise the definition of “waters of the United States.” On August 30, 2021, the United States District Court for the District of Arizona issued an order vacating the NWPR while the EPA and USACE make plans to replace it. On November 18, 2021, the EPA and USACE issued a Notice Proposed Rulemaking to put back into place the pre-2015 definition of “waters of the United States,” 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.

Bond Insurance Risk Factors

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

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

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

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

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

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

Severe Weather

The District is located approximately 70 miles from the Texas Gulf Coast. Land located in this area is susceptible to high winds, heavy rain and flooding caused by hurricanes, tropical storms, and other tropical disturbances. If a hurricane (or any other natural disaster) significantly damaged all or part of the improvements within the District, the assessed value of property within the District could be substantially reduced, with a corresponding decrease in tax revenues or necessity to increase the District's tax rate. Further, there can be no assurance that a casualty loss to taxable property within the District will be covered by insurance (or that property owners will even carry flood insurance), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild or repair any damaged improvements within the District. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within the District would be adversely affected.

The greater Houston area has experienced multiple storms exceeding a 0.2% probability of occurrence (i.e., "500-year flood" events) since 2015. If the District were to sustain damage to its facilities as a result of such a storm (or any other severe weather event) requiring substantial repair or replacement, or if substantial damage to taxable property within the District were to occur as a result of a severe weather event, the investment security of the Bonds could be adversely affected.

Winter Storm Uri

From February 12-19, 2021, the State of Texas experienced a severe winter storm ("Winter Storm Uri") which included prolonged freezing temperatures, heavy snow and freezing rains statewide. Winter Storm Uri led to power outages and potable and non-potable water shortages in many areas of the State, including the District. The federal government issued a Major Disaster Declaration for the State of Texas and has included federal funding for emergency protective measures. The District did not sustain material damage to its infrastructure during Winter Storm Uri. The District is not aware of any interruptions of water or wastewater service as a result of Winter Storm Uri. The District cannot predict the impact of future winter weather events.

Hurricane Harvey

The Houston area, including the area in and around the District in Montgomery County, sustained widespread wind and rain damage and flooding as a result of Hurricane Harvey's landfall along the Texas gulf coast on August 25, 2017, and historic levels of rainfall during the succeeding four days. According to the District's Engineer, the water, sewer, and drainage facilities serving the land within the District did not sustain any significant damage and there was no interruption of water and sewer service to residents of the District during or after the storm. According to representatives of the Developer and the District's Engineer, none of the homes within the District experienced any flooding as a result of Hurricane Harvey.

Specific Flood Type Risks

The District may be subject to the following flood risks:

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

Riverine (or Fluvial) Flooding – 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.

Temporary Tax Exemption for Property Damaged by Disaster

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

Tax Payment Installments After Disaster

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

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

Atlas 14

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

USE OF BOND PROCEEDS

Proceeds from the sale of the Bonds will be used by the District to: (1) reimburse the Developer (hereinafter defined) for advancing funds to construct certain water, wastewater, and drainage facilities serving the District and related land acquisition, engineering, and testing costs; (2) fund certain wastewater treatment plant lease payments and the acquisition of such wastewater treatment plant; (3) fund developer interest related to the advancement of funds for certain construction and land acquisition costs; (4) fund approximately 11 months of capitalized interest on the Bonds; and (5) pay issuance and administrative expenses related to the Bonds.

The Engineer has advised the District that the proceeds listed below should be sufficient for the acquisition of such facilities. The District's present estimate of the use of proceeds of the Bonds as approved by the TCEQ is as follows:

CONSTRUCTION COSTS	Total Amount
<i>Developer Contribution Items</i>	
Drainage Channel, clearing and grubbing	\$55,440
Country Colony, Section 7 – W, WW, D	\$769,895
Royal Brook, Section 9 – W, WW, D	\$135,361
Royal Brook, Phase II, clearing and grubbing	\$189,173
Royal Brook at Kingwood, Section 13 – W, WW, D	\$446,319
WWTP Expansion	\$1,575,500
Water Plant Expansion	\$337,506
Contingencies	\$129,401
Engineering, Technical Services & SWPPP	\$873,709
Land Costs for Drainage Channel	\$235,699
Land Costs for WWTP and Drainage Channel	\$349,183
<i>Total Developer Contribution Items</i>	\$5,097,186
TOTAL CONSTRUCTION COSTS	\$5,097,186 (a)
<i>NON-CONSTRUCTION COSTS</i>	
Legal Fees	\$207,500
Fiscal Agent Fees	\$141,750
Interest Costs:	
Capitalized Interest (approximately 11 months)	\$376,650
Developer Interest	\$823,087
Bond Discount	\$242,419
Bond Issuance Expenses	\$29,416
Bond Application Report	\$45,000
Lease of Interim Wastewater Treatment Plant	\$878,061
District Advance	\$230,000
TCEQ Bond Issuance Fee	\$20,250
Attorney General Fee	\$8,100
Contingency	\$581 (b)
TOTAL NON-CONSTRUCTION COSTS	\$3,002,814
TOTAL BOND ISSUE REQUIREMENT	\$8,100,000

(a) TCEQ rules require, with certain exceptions, that developers contribute to the District's construction program a minimum of 30% of the construction costs of certain system facilities. The District requested a waiver of the 30% developer contribution rule and such waiver was granted by the TCEQ pursuant to such exceptions.

(b) Represents the difference between the estimated and actual Bond Discount. Such funds may be used by the District only in accordance with the TCEQ rules.

THE BONDS

General

The Bonds are dated November 1, 2022. The Bonds will mature on March 1 in the years and in the amounts set forth on the cover page of this Official Statement. Interest on the Bonds is payable on March 1, 2023, and each September 1 and March 1 thereafter until maturity or prior redemption. The Bonds will be issued in denominations of \$5,000 each or integral multiples thereof. The Bond Order authorizes the issuance and sale of the Bonds and prescribes terms, conditions and provisions for the payment of the principal of and interest on the Bonds by the District.

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

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

Authority for Issuance

The Bonds are issued pursuant to the authority of the Bond Order, Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, and an order of the TCEQ. After the issuance of the Bonds, the District will have (i) \$28,460,000 authorized but unissued unlimited tax bonds that may be used for the purposes of financing water, sanitary sewer, or drainage facilities to serve the District, or to refund bonds issued for such purposes, and (ii) \$4,870,000 authorized but unissued unlimited tax bonds designated solely for the purpose of refunding outstanding bonds of the District.

Optional Redemption

The Bonds scheduled to mature on or after March 1, 2028, are subject to redemption prior to scheduled maturity at the option of the District, in whole or from time to time in part, on March 1, 2027, and on any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest from the most recent interest payment date to the redemption date. If fewer than all of the Bonds are redeemed at any time, the District shall determine the maturity or maturities and the amounts thereof to be redeemed. If fewer than all of the Bonds within a maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Bonds are in Book-Entry-Only form) shall select the Bonds to be so redeemed by lot or other random selection method.

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

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

Mandatory Redemption

The Bonds maturing on March 1 in the years 2029, 2031, 2033, 2037, 2041, 2045, and 2050 (the "Term Bonds") shall be subject to annual mandatory sinking fund redemption as shown in the tables below.

\$390,000 Term Bonds, due March 1, 2029

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
March 1, 2028	\$190,000
March 1, 2029 (maturity)	\$200,000

\$430,000 Term Bonds, due March 1, 2031

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
March 1, 2030	\$210,000
March 1, 2031 (maturity)	\$220,000

\$470,000 Term Bonds, due March 1, 2033

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
March 1, 2032	\$230,000
March 1, 2033 (maturity)	\$240,000

\$565,000 Term Bonds, due March 1, 2037

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
March 1, 2036	\$275,000
March 1, 2037 (maturity)	\$290,000

\$990,000 Term Bonds, due March 1, 2041

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
March 1, 2039	\$315,000
March 1, 2040	\$330,000
March 1, 2041 (maturity)	\$345,000

\$1,545,000 Term Bonds, due March 1, 2045

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
March 1, 2042	\$360,000
March 1, 2043	\$375,000
March 1, 2044	\$395,000
March 1, 2045 (maturity)	\$415,000

\$2,365,000 Term Bonds, due March 1, 2050

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
March 1, 2046	\$430,000
March 1, 2047	\$450,000
March 1, 2048	\$475,000
March 1, 2049	\$495,000
March 1, 2050 (maturity)	\$515,000

Notice of Redemption; Partial Redemption

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

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

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

Sources of and Security for Payment

The Bonds are payable from the proceeds of a continuing direct annual ad valorem tax levied, without legal limitation as to rate or amount, against taxable property located within the District. The Bonds are obligations of the District and are not obligations of the State of Texas, Montgomery County, the City of Houston, or any other political subdivision or agency. In the Bond Order the District covenants to levy a tax sufficient in rate and amount to pay principal of and interest on the Bonds when due, full allowance being made for delinquencies and costs of collection, and the District undertakes to collect such tax. The net proceeds from taxes levied for

debt service purposes will be deposited in the District's Debt Service Fund and will be used to pay principal of and interest on the Bonds and on any additional bonds payable from taxes which the District may hereafter issue.

Defeasance

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

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

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

Funds

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

Issuance of Additional Debt

If authorized by the District's voters and with the approval of the TCEQ, the District may issue bonds necessary to provide and maintain improvements for which the District was created. See "THE DISTRICT." After the issuance of the Bonds, the District will have (i) \$28,460,000 authorized but unissued unlimited tax bonds that may be used for the purposes of financing water, sanitary sewer, or drainage facilities to serve the District, or to refund bonds issued for such purposes, and (ii) \$4,870,000 authorized but unissued unlimited tax bonds designated solely for the purpose of refunding outstanding bonds of the District. The Bond Order imposes no limitation on the amount of additional parity bonds which may be issued by the District, and in the Bond Order the District reserves the right to issue additional unlimited tax bonds, unlimited tax and revenue bonds, revenue bonds, and inferior lien bonds. See "RISK FACTORS – Future Debt."

Registration, Transfer, and Exchange

In the event that the Book-Entry-Only System is discontinued, the Bonds are transferable only at the designated principal corporate trust office of the Paying Agent/Registrar upon presentation and surrender of the Bonds accompanied by a duly executed assignment. The Bonds are exchangeable for an equal principal amount of Bonds of the same type, maturity, and interest rate, in any authorized denomination. No service charge will be made for any transfer or exchange, but the District or the Paying Agent/Registrar may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith. Neither the District nor the Paying Agent/Registrar is required to (i) issue, transfer or exchange any Bond during the period beginning at the opening of business 15 calendar days before the date of the first mailing of any notice of redemption of Bonds and ending at the close of business on the date of such mailing or (ii) thereafter to transfer or exchange any Bonds selected for redemption when such redemption is scheduled within 45 calendar days.

Replacement of Mutilated, Lost or Stolen Bonds

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

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

BOOK-ENTRY-ONLY SYSTEM

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

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

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

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

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

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

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

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

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

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

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

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

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

THE DISTRICT

General

The District is a municipal utility district created by Order of the Texas Water Rights Commission (now the TCEQ) in 1974. The rights, powers, privileges, authorities and functions of the District are established by the general laws of the State of Texas pertaining to municipal utility districts, particularly Chapters 49 and 54, Texas Water Code, as amended. The District is subject to the continuing supervision of the TCEQ. The District is empowered to purchase, construct, operate, and maintain all works, improvements, facilities, and plants necessary for the supply of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water. In addition, the District is empowered, if approved by the electorate, the TCEQ and other governmental

entities having jurisdiction, to establish, operate and maintain a fire department, either independently or with certain other districts, and to develop parks and recreational facilities.

The District, as it was originally created, included approximately 300 acres. Since its creation, the District has annexed certain tracts of land and presently includes approximately 334 acres. The District is located in southeastern Montgomery County, approximately 28 miles northeast of the central business district of the City of Houston and approximately 13 miles southeast of the central business district of the City of Conroe. North Lake Houston Drive bisects the District, and Ford Road serves as part of the western boundary. Access to the central business district of the City of Houston is provided via Ford Road, west approximately 2.5 miles to US Highway 59. The District is located entirely within the extraterritorial jurisdiction of the City of Houston.

Summary of Land Uses

A summary of the approximate land use in the District as of August 1, 2022, appears in the following table:

<u>Type of Land Use</u>	<u>Acres</u> (a)
Fully Developed Acres (b)	160
Acres Under Development	0
Additional Developable Acreage (c)	116
Undevelopable Acreage (d)	<u>58</u>
Total Approximate Acreage	334

(a) Approximate amounts, rounded to the nearest acre.

(b) Represents land that is served with water, sewer, drainage, and road facilities. Includes Country Colony, Sections 3 – 7, and Royal Brook at Kingwood, Sections 8, 9, 13, and 24.

(c) Represents additional land in the District available for future development, including the Royal Pines subdivision. According to Starlight Homes, Royal Pines, Sections 1 and 2 are currently in the design phase and expected to contain 103 single-family residential lots and 59 single-family residential lots, respectively. The District makes no representation that such land will ever be developed or that taxable improvements will ever be constructed thereon. See “THE DEVELOPER – Future Development.”

(d) Includes District plant sites, utility and drainage easements, park and recreational facilities, road rights-of-ways, open spaces, and a transportation center owned by Humble Independent School District.

Status of Residential Development

The District is being developed for single-family residential purposes in the subdivisions known as Country Colony and Royal Brook at Kingwood. The residential building development in the District is comprised of detached single-family homes. The following table indicates the approximate status of single-family residential development as of August 1, 2022.

<u>Subdivision/Section</u>	<u>Approximate Acreage</u>	<u>Total Lots</u>	<u>Homes</u>		<u>Vacant Lots</u>
			<u>Complete</u>	<u>Under Construction</u>	
Country Colony, Section 3 (a)	55	218	218	0	0
Country Colony, Section 4 (b)	11	50	50	0	0
Country Colony, Section 5 (b)	13	58	58	0	0
Country Colony, Section 6 (b)	21	97	97	0	0
Country Colony, Section 7 (b)	16	80	80	0	0
Royal Brook at Kingwood, Section 8 (c)	10	32	28	4	0
Royal Brook at Kingwood, Section 9 (c)	11	43	42	0	1
Royal Brook at Kingwood, Section 13 (d)	12	65	0	37	28
Royal Brook at Kingwood, Section 24 (d)	11	43	0	0	43
Acres Under Development	0	N/A	N/A	N/A	N/A
Additional Developable Acreage (e)	116	N/A	N/A	N/A	N/A
Undevelopable Acreage (f)	58	N/A	N/A	N/A	N/A
TOTALS	334	686	573 (g)	41	72

- (a) Represents the original section of the District; development of such section commenced in the 1970's and was built out in the 1990's.
- (b) Homes in Country Colony, Sections 4 – 7 were constructed by Lennar and were sold in the \$180,000 to \$240,000 price range.
- (c) Substantially all of the homes in Royal Brook at Kingwood, Sections 8 and 9 are being constructed by Lennar. Lennar sold 31 lots to TriPointe. Homes in Royal Brook at Kingwood, Sections 8 and 9 were sold and are being marketed in the \$350,000 to \$450,000 price range.
- (d) Homes in Royal Brook at Kingwood, Sections 13 and 24 are being constructed by Lennar and are being marketed in the \$300,000 to \$400,000 price range.
- (e) Represents additional land in the District available for future development, including the Royal Pines subdivision. According to Starlight Homes, Royal Pines, Sections 1 and 2 are currently in the design phase and expected to contain 103 single-family residential lots and 59 single-family residential lots, respectively. The District makes no representation that such land will ever be developed or that taxable improvements will ever be constructed thereon. See "THE DEVELOPER – Future Development."
- (f) See "Summary of Land Uses" herein.
- (g) As of August 1, 2022, there were approximately 564 resident-occupied homes in the District.

Management of the District

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

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Allan L. Griffin, Jr.	President	2024
Kristy L. Tennant	Vice President	2026
Sheila K. Silva	Secretary	2026
Verna G. Bell	Assistant Secretary	2024
George E. Breshears, Jr.	Director	2024

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

Tax Assessor/Collector – The District's Tax Assessor/Collector is Equi-Tax, Inc. who is employed under an annual contract to perform the tax collection functions.

Bookkeeper – The District has contracted with Myrtle Cruz, Inc. for bookkeeping services.

Auditor – The financial statements of the District as of January 31, 2022, and for the year then ended, included in this offering document, have been audited by Mark C. Eyring, CPA, PLLC, independent auditors, as stated in their report appearing herein. See "APPENDIX A" for a copy of the District's January 31, 2022, audited financial statements.

Utility System Operator – The operator of the District's system is Municipal Operations & Consulting, Inc.

Engineer – The consulting engineer for the District is A&S Engineers, Inc.

Financial Advisor – The GMS Group, L.L.C., serves as Financial Advisor to the District, and is paid an hourly fee for certain work performed for the District and a contingent fee to be computed on each separate issuance of the bonds if and when such bonds are delivered.

Legal Counsel – The District employs Young & Brooks, Attorneys at Law as Bond Counsel in connection with issuance of the Bonds. The legal fees to be paid 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 on the sale and delivery of the Bonds. Young & Brooks, Attorneys at Law also act as general counsel for the District on matters other than the issuance of bonds.

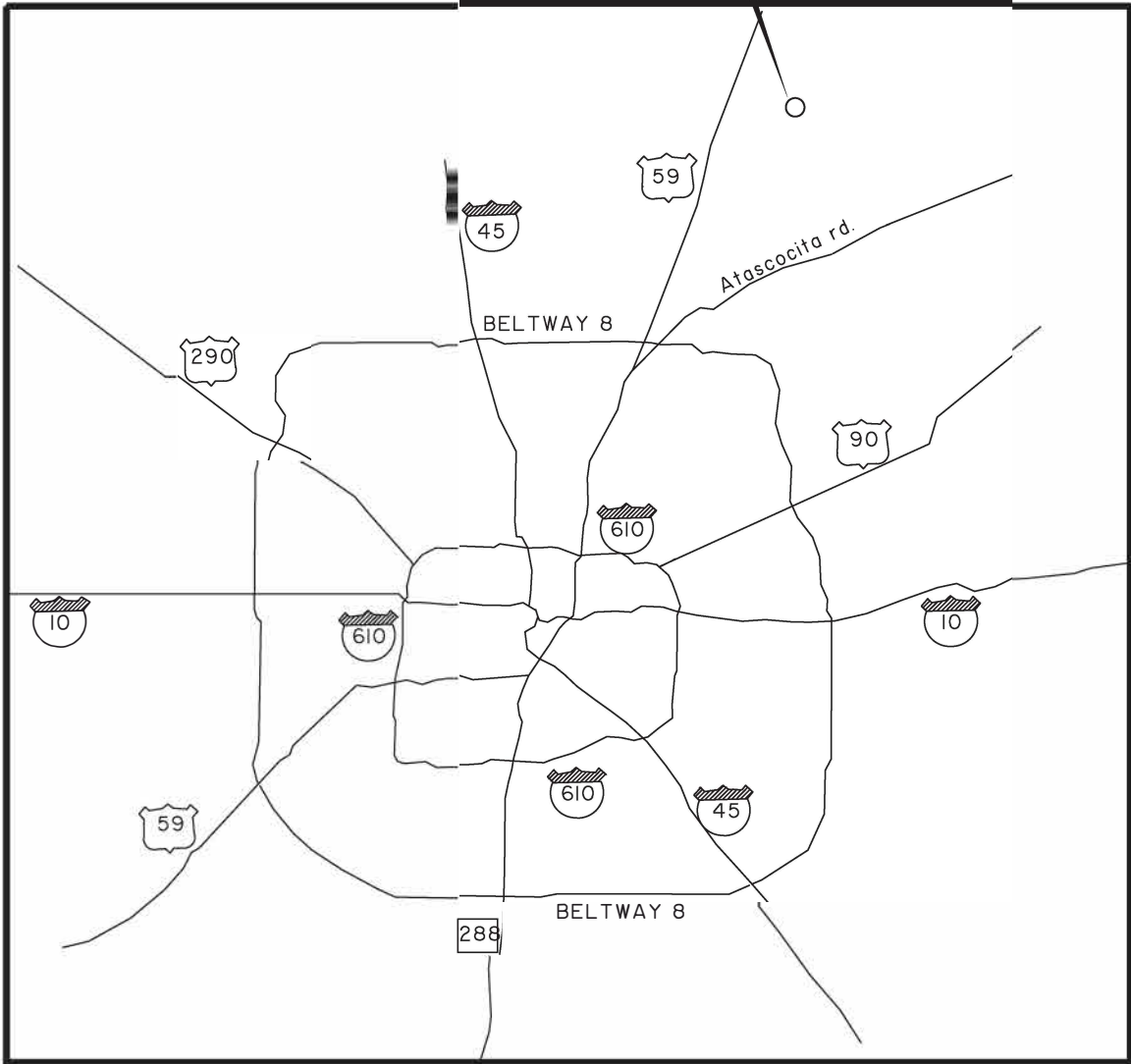
Disclosure Counsel – Allen Boone Humphries Robinson LLP, Houston, Texas, serves as Disclosure Counsel on certain matters related to the sale and delivery of the Bonds, but such advice should not be relied upon by the purchasers as a due diligence undertaking on their behalf. Fees of the Disclosure Counsel will be paid from proceeds of the Bonds; such fees are contingent upon the sale and delivery of such Bonds.

District Investment Policy

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

Location Map

MONTGOMERY COUNTY
MUD No 24



**MONTGOMERY COUNTY
MUNICIPAL UTILITY DISTRICT NO 24**

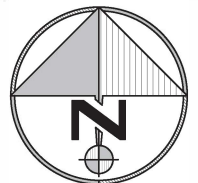
LOCATION MAP

A&S Engineers, Inc.



10377 Stella Link Road
Houston, TX 77025
713 / 942 / 2700

Texas Engineering Registration No. F-000802



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**MONTGOMERY COUNTY MUNICIPAL
UTILITY DISTRICT No. 24**



FORD RD.

N. LAKE HOU. PKWY.



THE SYSTEM

Regulation

The District's water, wastewater and storm drainage facilities have been designed in accordance with accepted engineering practices and the recommendations of certain governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities including, among others, the TCEQ and Montgomery County.

Operation of the District's waterworks and wastewater facilities are subject to regulation by, among others, the United States Environmental Protection Agency, the TCEQ and the Texas Department of Health. In many cases, regulations promulgated by these agencies have become effective only recently and are subject to further development and revision.

Description of the System

- Water Supply -

The District's source of water is provided by one existing well, which has a total capacity of 400 gallons per minute ("gpm") with 125,000 gallons of ground storage tank capacity, hydropneumatic tanks totaling 10,000 gallons of capacity, and booster pumps with a total rated capacity of 1,375 gpm. The District has received a deposit from the Developer and Starlight Homes to fund the expansion of the District's water plant. The expansion improvements to the District's water plant include a new 125,000-gallon ground storage tank, a new 15,000-gallon hydropneumatic tank, and a 950 gpm booster pump. After such water plant expansion improvements are made, according to TCEQ criteria, the District's water supply facilities will have capacity to serve 932 equivalent single-family connections ("ESFCs"). The District's water supply system is currently operating at approximately 74% of capacity. Additionally, Porter Special Utility District ("Porter SUD") and the District have entered into a Wholesale Water Supply Agreement (the "Water Contract"), under the terms and conditions of which Porter SUD has agreed to provide wholesale potable water supply to the District. Subject to certain notification and reservation requirements set forth in the Water Contract, Porter SUD will provide water supply capacity which, according to the District's Engineer, will be sufficient to meet the District's total projected demand of the Developer's approximately 130 acres out of approximately 250 total acres within the District that is subject to Porter SUD's Certificate of Convenience and Necessity. The District has contracted for capacity of up to 230,000 gallons per day which should serve up to approximately 265 ESFCs. The District (or the Developer on behalf of 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 5/8" or 3/4" meter size. The District pays Porter SUD's wholesale water rates, as established from time to time by Porter SUD, per 1,000 gallons of water received from Porter SUD to provide service to the District. Porter SUD's wholesale water rates include a Groundwater Reduction Plan Fee, which is currently \$2.00 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 provides service to the District's customers. Porter SUD is responsible for the cost of operating and maintaining its water supply facilities. Porter SUD's water plants consist of four active water wells with a total capacity of 6,400 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 have been designed to distribute water by Porter SUD and provide for redundancy should one of the water plants be out of service. See "– San Jacinto River Authority and Porter Special Utility District GRP Agreements" herein.

- Lone Star Groundwater Conservation District -

The District is located within the boundaries of the Lone Star Groundwater Conservation District (the "Conservation District") which was created by the Texas Legislature to conserve, protect, and enhance the groundwater resources of Montgomery County. The Conservation District has adopted rules and a regulatory plan for the conservation, preservation, protection, recharge and prevention of waste of groundwater, groundwater reservoirs or their subdivisions, and to control subsidence caused by the withdrawal of groundwater from those groundwater resources or their subdivisions.

The Conservation District requires persons and entities, including the District, that pump groundwater from wells to apply for and obtain permits for the withdrawal of groundwater under terms and conditions provided in the Conservation District's rules. As of February 12, 2008, the Conservation District has adopted Phase II of its District Regulatory Plan. The plan calls for the reduction of groundwater withdrawal throughout Montgomery County to volumes that do not exceed the recharge capabilities of aquifers in the County to prevent the long-term depletion of the aquifers. The regulatory plan allows for the creation of management zones within the County to facilitate conservation of use of groundwater and development of other water resources from surface water or re-use of treated effluent.

Large water users, including the District, were required to prepare and submit a two-part Water Resources Assessment Plan ("WRAP") that identified methods and plans for reduction of groundwater usage through the development of alternate water resources, including the design and construction of infrastructure, facilities to purchase and transport water to affected areas within the County. The initial requirement and deadline for reduction of groundwater use was 30% by January 1, 2015.

The District participated in a joint WRAP prepared by the San Jacinto River Authority ("SJRA"), and the District is in compliance with Conservation District requirements.

In 2010, the District joined the Joint GRP administered by the SJRA. The District is a participant by contract to this countywide, collaborative solution to groundwater reduction. As Administrator of the Joint GRP, SJRA delivers alternative water, namely surface water from Lake Conroe, to its participants. SJRA completed a 24 million gallon per day surface water treatment plant and transmission system as of September 18, 2015. SJRA has begun delivery of treated surface water to meet the initial conversion obligation of January 1, 2016.

The Conservation District currently bills permit holders, including the District, \$0.085 per 1,000 gallons of water pumped from wells to finance the Conservation District's operations. This amount is subject to future increases.

- San Jacinto River Authority GRP and Porter Special Utility District GRP Agreements -

Country Colony, Section 3 (the original section of the District) is the only section in the District that is subject to the SJRA's groundwater reduction planning. The balance of the District (a portion of which is being developed by the Developer) is subject to Porter SUD's groundwater reduction planning.

San Jacinto River Authority GRP Agreement. In response to the Conservation District requirements, the SJRA expressed a willingness to assume responsibility to construct and operate a surface water treatment plant at or near Lake Conroe and a water transmission system to major populated areas of Montgomery County, thus enabling the entire county to comply with the Conservation District requirements.

SJRA offered to enter into a contract for groundwater reduction planning, alternative water supply, and related goods and services (the "GRP Contract") with all large water users in Montgomery County to achieve the goals for reduction of groundwater pumpage for the entire county. Approximately 147 larger volume water users in Montgomery County, including the District, approved and entered into the GRP Contract (collectively the "Participants") and are in compliance with SJRA and Conservation District requirements applicable to groundwater pumpage from the District's well.

Pursuant to the GRP Contract, SJRA has developed, implements, and enforces a groundwater reduction plan ("GRP") covering all Participants to achieve and maintain compliance with the Conservation District requirements. The initial focus of the GRP was the design and construction of a surface water treatment and transmission system (the "Project") to be owned and operated by SJRA for the benefit of all Participants.

The SJRA will design, permit, finance, construct, own, operate, and maintain the Project, and the Project will be constructed in phases. A group compliance approach will be utilized. Certain large volume Participants may be wholly-converted to treated surface water while other users may continue to use groundwater. This approach is expected to minimize overall Project cost, equalize costs for Participants and avoid geographic advantages and disadvantages.

All Participants will pay a monthly groundwater pumpage fee for groundwater pumped from wells. The pumpage fee shall be set so that Participants are neither benefitted nor penalized for utilizing groundwater, and allowances will be made for Participant costs of operating and maintain their wells.

Participants that receive treated surface water from the Project will pay the prevailing rate for water, which rate will be set so the Participants are neither benefitted nor penalized for being required to take water from the Project under the GRP, and allowances will be made for Participant costs of operating on-site water facilities, as well as operating and maintaining their wells. The pumpage fees and water service fees received from the Project will be comparable, so that all Participants will be paying equivalent charges without preference for customers within or outside the areas converted to surface water.

SJRA will issue bonds to finance the capital costs of the Project, and groundwater pumpage fees and water service fees will be used to cover costs of debt service on the bonds. Effective September 1, 2021, the SJRA pumpage fees are \$2.99 per 1,000 gallons of water pumped from wells and the District will pay the pumpage fees based upon the amount of water pumped each month. This amount is subject to future increases. The District passes these pumpage fees and Conservation District fees on to its customers in the District.

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 Certificate of Convenience and Necessity which grants it authority over the provision of water supply service to approximately 250 acres of land in the District. As described above under "Description of the System -Water Supply-," Porter SUD and the District have entered into a Wholesale Water Supply Agreement under the terms and conditions of which Porter SUD has agreed to provide 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 1,000 gallons of water received from Porter SUD to provide service to the District. Porter SUD's wholesale water rates include a Groundwater Reduction Plan Fee, which is currently \$2.00 per 1,000 gallons.

- Wastewater Treatment -

The District's existing wastewater treatment plant ("WWTP") has a total of 100,000 gallons per day ("gpd") of treatment capacity. The District is currently expanding its WWTP by adding 150,000 gpd of treatment capacity. Proceeds from the sale of the Bonds will be used, in part, to reimburse the Developer for costs associated with such WWTP expansion improvements. Upon completion of the WWTP expansion, according to the TCEQ's regulatory flow rates, the total WWTP capacity is anticipated to accommodate approximately 800 ESFCs. The District's actual flow rate per ESFC is substantially less than the TCEQ's regulatory flow rate. According to the District's Engineer, the District has adequate capacity to serve all of the system's active connections, as well as the additional connections attributable to homes currently under construction in the District.

- Drainage System -

The natural drainage pattern of the District is generally from south to north. Runoff from the District is conveyed to an unnamed tributary of White Oak Creek. The unnamed tributary is the subject of the Royal Brook Channel Improvements project, which was funded with proceeds of the District's previously-issued bonds. White Oak Creek discharges into Caney Creek, which ultimately discharges into the East Fork of the San Jacinto River.

According to the District's Engineer, none of the developed land or land planned for future development by the Developer in the District is located within the 100-year flood plain. Approximately 25 acres of undeveloped land in the District is located within the 100-year flood plain.

Operating History

The Bonds are payable from the levy of an ad valorem tax, without legal limitation as to rate or amount, upon all taxable property in the District. The information included in the table below relating to the District's General Fund (water and sewer system operations) is provided for information purposes only.

	FISCAL YEAR ENDING JANUARY 31 (a)				
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
REVENUES					
Property taxes	\$484,962	\$454,787	\$360,677	\$287,593	\$274,746
Water service	\$323,975	\$266,954	\$183,808	\$131,096	\$88,530
Sewer service	\$299,067	\$226,146	\$192,951	\$151,937	\$117,619
Surface water fees	\$45,682	\$42,890	\$89,976	\$40,662	\$38,510
Penalty	\$8,751	\$3,024	\$8,365	\$9,976	\$12,457
Tap connection and inspection fees	\$401,257	\$148,475	\$102,590	\$164,860	\$47,260
Interest on deposits and investments	\$346	\$4,145	\$16,634	\$10,651	\$4,167
Other revenues	\$13,199	\$9,595	\$2,944	\$31,225	\$9,062
TOTAL REVENUES	\$1,577,239	\$1,156,016	\$957,945	\$828,000	\$592,351
EXPENDITURES					
Purchased services	\$106,426	\$17,344	-	-	-
Professional fees	\$130,039	\$99,454	\$75,762	\$80,761	\$66,663
Contracted services	\$64,301	\$51,202	\$44,678	\$43,523	\$41,828
Utilities	\$26,065	\$23,183	\$21,482	\$22,365	\$18,821
Surface water pumpage fees	\$65,414	\$83,011	\$96,281	\$69,828	\$45,538
Repairs and maintenance	\$405,480	\$363,369	\$384,382	\$185,678	\$154,670
Security service	\$27,658	\$28,040	\$27,760	\$21,410	\$21,035
Garbage disposal	\$100,717	\$75,505	\$57,411	\$41,677	\$40,030
Administrative expenditures	\$83,267	\$63,246	\$64,864	\$56,904	\$55,630
Capital outlay	\$215,347	\$80,925	\$69,131	\$131,345	\$17,150
TOTAL EXPENDITURES	\$1,222,714	\$885,279	\$841,751	\$653,491	\$461,365
EXCESS REVENUES / (EXPENDITURES) (b)	<u>\$354,525</u>	<u>\$270,737</u>	<u>\$116,194</u>	<u>\$174,509</u>	<u>\$130,986</u>

(a) Represents information provided in the District's audited financial statements. See "APPENDIX A."

(b) As of August 29, 2022, the District's General Fund had an unaudited cash and investment balance of \$2,813,906. For the fiscal year ending January 31, 2023, the District's General Fund is currently budgeting revenues of approximately \$1,438,000 and expenditures of approximately \$1,367,450.

THE DEVELOPER

Role of a Developer in a Municipal Utility District

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

Description of the Developer

Lennar Homes of Texas Land and Construction, Ltd., d/b/a Friendswood Development Company (the "Developer") is the developer of the land and lots located in Country Colony, Sections 4 – 7, and Royal Brook at Kingwood, Sections 8, 9, 13, and 24. The Developer is a wholly owned subsidiary of its publicly traded parent company, Lennar Corporation, whose stock is listed on the New York Stock Exchange. As a publicly traded company, Lennar Corporation is subject to the information requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith files annual reports, quarterly reports, proxy statements, and periodic statements with the United States Securities and Exchange Commission ("SEC"). Reports, proxy statements, and other information filed by Lennar Corporation can be inspected at the office of the SEC at Judiciary Plaza, Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. Copies of the above reports, proxy statements and other information may also be inspected at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005. The SEC maintains a website at <http://www.sec.gov> that contains reports, proxy information statements, and other information regarding registrants that file electronically with the SEC.

Homebuilders

The Developer is also the principal homebuilder in the District. The Developer sold 31 lots in the Royal Brook at Kingwood subdivision to TriPointe Homes (herein "TriPointe" and formerly known as Trendmaker Homes). Homes in the Country Colony subdivision (except for Country Colony, Section 3) were constructed by Lennar and were sold in the \$180,000 to \$240,000 price range. Homes in the Royal Brook at Kingwood subdivision are being constructed by Lennar and TriPointe and are being marketed in the \$300,000 to \$450,000 price range. See "THE DISTRICT – Status of Residential Development."

Future Development

In 2021 TC LB Royal Pines, LP, a Texas limited partnership ("TC LB"), purchased approximately 150 acres from 1992 Guniganti Credit Shelter Trusts for the purpose of developing such land for single-family residential purposes in the subdivision to be known as Royal Pines. TC LB has contracted with Starlight Homes Texas, LLC, a Delaware limited liability company ("Starlight Homes") and a wholly owned subsidiary of Ashton Woods USA, LLC, a privately held limited liability company, to develop the land in the Royal Pines subdivision on behalf of TC LB. Starlight Homes has also contracted to purchase the single-family residential lots from TC LB for homebuilding based upon a predetermined lot takedown schedule.

Approximately 34 acres of the 150 acres owned by TC LB are presently located outside of the District's boundaries. Since the District is located entirely within the extraterritorial jurisdiction of the City of Houston, the City of Houston must consent to the annexation of land to be included within the District's boundaries. The District is in the process of submitting an application to the City of Houston for consent to annex such 34-acre tract. Based on current land plans, the Royal Pines subdivision is expected to contain 452 single-family residential lots at ultimate buildout and Starlight Homes intends to be the sole homebuilder on all of such lots. According to Starlight Homes as of August 1, 2022, Royal Pines, Sections 1 and 2 are in the design phase and expected to contain 103 single-family residential lots and 59 single-family residential lots, respectively. Starlight Homes anticipates that such lots will be available for homebuilding during the fourth quarter of 2023. The District makes no representation that such land will ever be developed or that taxable improvements will ever be constructed thereon.

DISTRICT DEBT
(unaudited)

8/1/2022 Estimated Taxable Value	\$142,501,263	(a)
2022 Certified Taxable Value	\$128,591,029	(b)

Direct Debt:

Outstanding Bonds (as of August 1, 2022)	\$7,440,000
The Bonds	<u>\$8,100,000</u>
Total Direct Debt	\$15,540,000

Estimated Overlapping Debt	<u>\$8,896,777</u>	(c)
Direct and Estimated Overlapping Debt	\$24,436,777	

Percentage of Direct Debt to:

8/1/2022 Estimated Taxable Value	10.91%
2022 Certified Taxable Value	12.08%

Percentage of Direct and Estimated Overlapping Debt to:

8/1/2022 Estimated Taxable Value	17.15%
2022 Certified Taxable Value	19.00%

2021 Tax Rate Per \$100 of Assessed Value:

Debt Service	\$0.30	
Maintenance Tax	<u>\$0.82</u>	
Total 2021 Tax Rate	\$1.12	(d)

Cash and Temporary Investment Balances as of August 29, 2022:

General Fund	\$2,813,906	(e)
Debt Service Fund	\$641,279	(f) (g)

-
- (a) Reflects the Estimated Taxable Value as of August 1, 2022, which was prepared by MCAD and provided to the District for informational purposes only. The estimated values are not binding on MCAD and values resulting from new land development or home building construction in the District subsequent to January 1, 2022, will not be included on the District's tax roll until the January 1, 2023, certified tax roll is prepared by MCAD during the second half of calendar year 2023. The District is authorized by law to levy taxes only against certified values. See "TAX DATA" and "TAXING PROCEDURES."
- (b) Reflects the January 1, 2022 Certified Taxable Value according to data supplied to the District by MCAD, which includes \$14,751,742 of uncertified taxable value that is still in the certification process. Such amount of uncertified value represents MCAD's estimate of the taxable value that will ultimately be certified on the District's tax roll after successful protest. The District is authorized by law to levy taxes only against certified values. See "TAX DATA" and "TAXING PROCEDURES."
- (c) See "Estimated Overlapping Debt" herein.
- (d) The Board has authorized the publication of a total tax rate of \$1.12 per \$100 of assessed valuation for the 2022 tax year and intends to set such total tax rate. The exact composition of the total tax rate for the 2022 tax year has not yet been determined.
- (e) Unaudited figure per the District's records. See "THE SYSTEM – Operating History."
- (f) Unaudited figure per the District's records. Neither Texas law nor the District's Bond Order requires the District to maintain any particular balance in the Debt Service Fund. See "TAX DATA – Tax Rate Calculations."
- (g) The cash and investment balance in the Debt Service Fund includes capitalized interest to be funded with proceeds of the Bonds and to be deposited into such fund on the date of delivery of the Bonds. See "USE OF BOND PROCEEDS."

Estimated Overlapping Debt

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

<u>Taxing Jurisdiction</u>	<u>Outstanding Debt</u>	<u>Overlapping Debt</u>	
		<u>Percent</u>	<u>Amount</u>
New Caney Independent School District	\$561,995,000	1.42%	\$8,005,077
Montgomery County	\$464,200,000	0.14%	\$663,143
Lone Star College System	\$641,405,000	0.04%	\$228,558
Total Estimated Overlapping Debt			\$8,896,777
The District's Direct Debt (a)			\$15,540,000
Total Direct and Estimated Overlapping Debt			\$24,436,777

(a) Includes the Bonds.

TAX DATA

Maintenance Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements. Such tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds and any tax bonds which may be issued in the future. The District's voters have authorized a maintenance tax of up to \$2.00 per \$100.00 of assessed valuation at an election held on May 2, 1998. See "Tax Rate Distribution" below.

Analysis of Tax Base

Based on information provided to the District by its Tax Assessor/Collector, the following table represents the composition of property comprising the District's gross tax roll valuations and the exemptions (including supplemental adjustments made by MCAD) for 2017 through 2022. The District received additional taxable value information from MCAD including an August 1, 2022 Estimated Taxable Value of \$142,501,263. See "DISTRICT DEBT."

<u>Year</u>	<u>Type of Property</u>			<u>Gross Valuations</u>	<u>Exemptions</u>	<u>Taxable Valuation</u>	
	<u>Land</u>	<u>Improvements</u>	<u>Personal Property</u>				
8/1/2022						\$142,501,263	(a)
2022	\$26,390,670	\$99,138,100	\$1,149,254	\$126,678,024	\$12,838,737	\$113,839,287	(b)
2021	\$18,831,040	\$67,286,460	\$859,954	\$86,977,454	\$2,031,907	\$84,945,547	
2020	\$16,677,360	\$50,218,250	\$786,642	\$67,682,252	\$1,198,468	\$66,483,784	
2019	\$12,452,440	\$43,912,430	\$619,520	\$56,984,390	\$1,038,789	\$55,945,601	
2018	\$7,609,560	\$25,765,060	\$418,761	\$33,793,381	\$1,617,775	\$32,175,606	
2017	\$2,589,730	\$22,710,450	\$365,430	\$25,665,610	\$658,944	\$25,006,666	

(a) Reflects the Estimated Taxable Value as of August 1, 2022, which was prepared by MCAD and provided to the District for informational purposes only. The estimated values are not binding on MCAD and values resulting from new land development or home building construction in the District subsequent to January 1, 2022, will not be included on the District's tax roll until the January 1, 2023, certified tax roll is prepared by MCAD during the second half of calendar year 2023. The District is authorized by law to levy taxes only against certified values. See "TAXING PROCEDURES."

(b) Reflects only the portion of the January 1, 2022 Certified Taxable Value that is presently certified on the District's tax roll and excludes \$14,751,742 of uncertified taxable value that is still in the certification process; such amount of uncertified value represents MCAD's estimate of the taxable value that will ultimately be certified on the District's tax roll after successful protest. The District is authorized by law to levy taxes only against certified values. See "TAXING PROCEDURES."

Tax Distribution

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Debt Service	\$0.300	\$0.390	\$0.300	\$0.000	\$0.000
Maintenance/Operation	<u>\$0.820</u>	<u>\$0.730</u>	<u>\$0.820</u>	<u>\$1.125</u>	<u>\$1.150</u>
Total	\$1.120	\$1.120	\$1.120	\$1.125	\$1.150

Principal Taxpayers

The list of principal taxpayers for 2022 and the other information in this table was provided by MCAD based on certified tax rolls provided net of any exemptions. Such data does not reflect any corrections subsequent to action of the Appraisal District.

<u>Taxpayer</u>	<u>Type of Property</u>	<u>2022 Valuation</u>	<u>% of Total</u> (a)
Upward America Central Property Owner LP	Land	\$3,378,200	2.63%
Friendswood Development Company LLC (b)	Land	\$1,665,650	1.30%
Hudson SFR Property Holdings II LLC	Land	\$1,628,090	1.27%
TC LB Royal Pines LC (c)	Land	\$1,152,590	0.90%
Centerpoint Energy Hou Elec	Personal Property	\$1,060,230	0.82%
Lennar Homes of Texas Land & Construction Ltd (b)	Land & Improvement	\$919,790	0.72%
Progress Residential Borrower 6 LLC	Land	\$809,850	0.63%
Homeowner	Land & Improvement	\$472,150	0.37%
Homeowner	Land & Improvement	\$469,270	0.36%
Homeowner	Land & Improvement	<u>\$467,700</u>	<u>0.36%</u>
	TOTALS	\$12,023,520	9.35%

(a) The 2022 Certified Taxable Value used in the calculations above includes \$14,751,742 of uncertified taxable value that is still in the certification process. Such amount of uncertified value represents MCAD's estimate of the taxable value that will ultimately be certified on the District's tax roll after successful protest. The District is authorized by law to levy taxes only against certified values. See "TAXING PROCEDURES."

(b) Represents entities owned or controlled by the Developer. See "THE DEVELOPER – Description of the Developer."

(c) See "THE DEVELOPER – Future Development."

Levy and Collection

The following table sets forth the historical tax information collection experience of the District for the years 2017 through 2021. Such table has also been prepared based upon information from District records. Reference is made to such records for further and complete information.

<u>Tax Year</u>	<u>Taxable Valuation</u> (a)	<u>Tax Rate</u> (b)	<u>Tax Levy</u>	<u>Cumulative Tax Collections</u> (c)	<u>Tax Year Ended September 30</u>
2021	\$84,945,547	\$1.120	\$951,390	98.0%	2022
2020	\$66,483,784	\$1.120	\$744,618	99.3%	2021
2019	\$55,945,601	\$1.120	\$626,591	99.8%	2020
2018	\$32,175,606	\$1.125	\$361,976	99.6%	2019
2017	\$25,006,666	\$1.150	\$287,577	99.6%	2018

(a) See "Analysis of Tax Base" herein.

(b) See "Tax Distribution" herein.

(c) Represents cumulative collections as of August 31, 2022.

Tax Rate Calculations

The calculations shown below are solely for the purpose of illustration, reflect no net revenues of the System, no transfers of surplus funds from the District’s Operating Fund to the Debt Service Fund, and no increase or decrease in assessed valuation over the August 1, 2022 Estimated Taxable Valuation and the 2022 Certified Taxable Valuation. The calculations utilize a tax rate adequate to service the District’s total debt service requirements after issuance of the Bonds.

Maximum Debt Service Requirements (2042).....	\$1,069,687
Requires a \$0.80 debt service tax rate on the August 1, 2022 Estimated Taxable Value at 95% collections	\$1,083,010
Requires a \$0.88 debt service tax rate on the 2022 Certified Taxable Value at 95% collections.....	\$1,075,021 (a)

(a) The 2022 Certified Taxable Value used in the calculation above includes \$14,751,742 of uncertified taxable value that is still in the certification process. Such amount of uncertified value represents MCAD’s estimate of the taxable value that will ultimately be certified on the District’s tax roll after successful protest. The District is authorized by law to levy taxes only against certified values. See “TAXING PROCEDURES.”

Estimated Overlapping Taxes

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

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

<u>Taxing Jurisdictions</u>	<u>2021 Tax Rate Per \$100 Assessed Valuation</u>
Montgomery County	\$0.408300
Montgomery County Hospital District	\$0.056700
New Caney ISD	\$1.460300
Lone Star College System	\$0.107800
Emergency Service Dist. No. 6	\$0.100000
Overlapping Taxes	\$2.133100
 The District (a)	 \$1.120000
Direct & Overlapping Tax Rate	\$3.253100

(a) The Board has authorized the publication of a total tax rate of \$1.12 per \$100 of assessed valuation for the 2022 tax year and intends to set such total tax rate. The exact composition of the total tax rate for the 2022 tax year has not yet been determined.

TAXING PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in an amount sufficient to pay the principal and interest on the Bonds, and any additional bonds payable from taxes that the District may hereafter issue (see "RISK FACTORS – Future Debt") and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Order to levy such a tax from year to year as described more fully in this Official Statement under the caption "THE BONDS – Sources of and Security for Payment." Under Texas law, the Board may also levy and collect an annual ad valorem tax for the operation and maintenance of the District and its water and wastewater system (see "TAX DATA – Maintenance Tax") and for the payment of certain contractual obligations, if authorized by the voters in the District.

Tax Code and County-Wide Appraisal District

Title 1 of the Texas Tax Code (the "Property Tax Code") specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Property Tax Code are complex and are not fully summarized here. The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units in a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district. The Montgomery Central Appraisal District (the "Appraisal District") has the responsibility for appraising property for all taxing units within Montgomery County, including the District. Such appraisal values are subject to review and change by the Montgomery County Appraisal Review Board (the "Appraisal Review Board").

Property Subject to Taxation by the District

General. Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes, and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; certain goods, wares, and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites, and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years or older and of certain disabled persons, to the extent deemed advisable by the Board. The District has not previously granted a residential homestead exemption for disabled and for over-65 individuals. The District may be required to offer such an exemption if a majority of voters approve it at an election. The District would be required to call such an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax-supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, to between \$5,000 and \$12,000 depending on the disability rating of the veteran. A veteran who receives a disability rating of 100% is entitled to an exemption for the full amount of the veteran's residence homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if (i) the residence homestead was donated by a charitable organization at no cost to the disabled veteran, or (ii) the residence was donated by a charitable organization at some cost to the disabled veteran if such cost is less than or equal to fifty percent (50%) of the total good faith estimate of the market value of the residence as of the date the donation is made. Also, the surviving spouse of (i) a member of the armed forces, or (ii) a first responder as defined under Texas law, who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. Also, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the spouse.

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

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

Tax Abatement

Montgomery County may designate all or part of the area within the District as a reinvestment zone. The District, at its option and discretion, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement, which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable

taxing jurisdictions, including the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. The terms of all tax abatement agreements must be substantially the same.

Valuation of Property for Taxation

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

The Property Tax Code permits land designated for agricultural use, open space, or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its market value. The Property Tax Code permits, under certain circumstances, that residential real property inventory held by a person in the trade or business are valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use, open space, or timberland designation or residential real property inventory designation must apply for the designation, and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. If a landowner of qualified open-space land is a member of the U.S. armed forces, subject to certain conditions, the appraisal of the land as qualified open-space land does not change while the landowner is deployed or stationed outside of Texas. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it for another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three (3) years for agricultural use and taxes for the previous five (5) years for open space land and timberland.

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

District and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units (such as the District) may appeal orders of the Appraisal Review Board by filing a timely petition for review in State district court. In such event, the value of the property in question will be determined by the court or by a jury if requested by any party. Additionally, taxing units may bring suit against the Appraisal District to compel compliance with the Property Tax Code.

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

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes, and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of 6% of the amount of the tax for the first calendar month it is delinquent, plus 1% for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of 12% regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. The delinquent tax accrues interest at a rate of 1% for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, which may be rejected by taxing units. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties and interest, if the person requests an installment agreement and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) 65

years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continue to accrue during the period of deferral.

Rollback of Operation and Maintenance Tax Rate

Chapter 49 of the Texas Water Code, as amended, classifies districts differently based on the current operation and maintenance tax rate or on the percentage of build-out that the District has completed. Districts that have adopted an operation and maintenance tax rate for the current year that is 2.5 cents or less per \$100 of taxable value are classified as "Low Tax Rate Districts." Districts that have financed, completed, and issued bonds to pay for all improvements and facilities necessary to serve at least 95% of the projected build-out of the district are classified as "Developed Districts." Districts that do not meet either of the classifications previously discussed are classified herein as "Developing Districts." The impact each classification has on the ability of a district to increase its maintenance and operations tax rate pursuant to SB 2 is described for each classification below.

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

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

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

The District. A determination as to a district's status as a Low Tax Rate District, Developed District, or Developing District is made on an annual basis, at the time a district sets its tax rate. The District is designated as a Developing District for the 2022 tax year. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new rollback election calculation.

District's Rights in the Event of Tax Delinquencies

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

Except with respect to owners of residential homestead property who are: (i) 65 years of age or older or under a disability as described above and who have filed an affidavit as required by law; and (ii) owners of residential homesteads who have entered into an installment agreement with the District for payment of delinquent taxes as described above and who are not in default under said

agreement, at any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, or by taxpayer redemption rights (a taxpayer may redeem property that is a residence homestead or was designated for agricultural use within two years after the deed issued at foreclosure is filed of record and may redeem all other property within six months after the deed issued at foreclosure is filed of record) or by bankruptcy proceedings which restrict the collection of taxpayer debt. The District's ability to foreclose its tax lien or collect penalties and interest may be limited on property owned by a financial institution which is under receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act, 12 U.S.C. 1825, as amended. Generally, the District's tax lien and a federal tax lien are on par with the ultimate priority being determined by applicable federal law. See "RISK FACTORS – Tax Collection Limitations."

ANNEXATION AND CONSOLIDATION

Annexation

The District is located within the extraterritorial jurisdiction of the City of Houston, Texas. Texas law provides that under certain circumstances, land within the District may be annexed by the City of Houston without the consent of the District, which annexation could modify the sources of and security for payment of the Bonds. If the entire District is so annexed, the City of Houston must assume the District's assets and obligations (including the Bonds) and abolish the District. No representation is made that the City of Houston will ever annex all or part of the territory within the District and assume payment of the Bonds. Moreover, no representation is made concerning the ability of the City of Houston to make debt service payments should assumption of the Bonds occur.

Consolidation

A district (such as the District) has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its assets, such as cash and the utility system, with the water and wastewater systems of districts with which it is consolidating as well as its liabilities (which would include the Bonds). No representation is made concerning the likelihood of consolidation.

LEGAL MATTERS

Legal Opinion

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

Legal Review

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

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

No-Litigation Certificate

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

TAX MATTERS

Opinion

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

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

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

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

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

Federal Income Tax Accounting Treatment of Original Issue Discount

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

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

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

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

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

Collateral Federal Income Tax Consequences

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

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

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

Interest on the Bonds may be includable in a corporation's "adjusted financial statement income" determined under section 56A of the Code to calculate the alternative minimum tax imposed on certain corporations by section 55 of the Code.

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

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

State, Local, and Foreign Taxes

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

Information Reporting and Backup Withholding

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

Qualified Tax-Exempt Obligations for Financial Institutions

Section 265(a) of the Code provides, in pertinent part, that interest paid or incurred by a taxpayer, including a "financial institution," on indebtedness incurred or continued to purchase or carry tax-exempt obligations is not deductible in determining the taxpayer's taxable income. Section 265(b) of the Code provides an exception to the disallowance of such deduction for any interest expense paid or incurred on indebtedness of a taxpayer that is a "financial institution" allocable to tax-exempt obligations, other than "private activity bonds," that are designated by a "qualified small issuer" as "qualified tax-exempt obligations." A "qualified small issuer" is any governmental issuer (together with any "on-behalf of" and "subordinate" issuers) who issues no more than \$10,000,000 of tax-exempt obligations during the calendar year. Section 265(b)(5) of the Code defines the term "financial institution" as any "bank"

described in Section 585(a)(2) of the Code, or any person accepting deposits from the public in the ordinary course of such person's trade or business that is subject to federal or state supervision as a financial institution. Notwithstanding the exception to the disallowance of the deduction of interest on indebtedness related to "qualified tax-exempt obligations" provided by Section 265(b) of the Code, Section 291 of the Code provides that the allowable deduction to a "bank," as defined in Section 585(a)(2) of the Code, for interest on indebtedness incurred or continued to purchase "qualified tax-exempt obligations" shall be reduced by twenty-percent (20%) as a "financial institution preference item."

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

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide certain updated financial information and operating data annually. The information to be updated with respect to the District includes the quantitative financial information and operating data of the general type included in the District's audited financial statements and supplemental schedules as found in this Official Statement under the headings "SELECTED FINANCIAL INFORMATION," "TAX DATA," to the extent available, and "APPENDIX A – ANNUAL FINANCIAL REPORT." The District will update and provide this information within six months after the end of each of its fiscal years ending in and after 2023.

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

Event Notices

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

Availability of Information

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

Limitations and Amendments

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

The District may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if but only if (1) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (2) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the Registered Owners and beneficial owners of the Bonds. The District also may amend or repeal the agreement in the Bond Order if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction determines that such provisions are invalid or unenforceable, but only to the extent that its right to do so would not prevent the Underwriter from lawfully purchasing the Bonds in the initial offering. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating so provided.

Compliance with Prior Undertakings

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

OFFICIAL STATEMENT

Sources of Information

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

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

Financial Advisor

The GMS Group, L.L.C. is employed as the Financial Advisor to the District to render certain professional services, including advising the District on a plan of financing and preparing the Official Statement, the Official Notice of Sale, and the Official Bid Form for the sale of the Bonds. In its capacity as Financial Advisor, The GMS Group, L.L.C. has compiled and edited this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to the District and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

Consultants

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

Engineer – The information contained in this Official Statement relating to engineering matters generally and to the description of the System, and, in particular, that engineering related information included in the sections entitled "THE SYSTEM," "USE OF BOND PROCEEDS," certain information included in the section entitled "RISK FACTORS – Hurricane Harvey," and certain engineering matters included in "THE DISTRICT – General," "– Summary of Land Uses," and "– Status of Residential Development" (except for house count data which has been provided by the Developer) has been provided by A&S Engineers, Inc., and has been included in reliance upon the authority of such firm as an expert in the field of civil engineering.

Tax Collector – The information contained in this Official Statement relating to the assessed valuation of property and, in particular, such information contained in the section captioned "TAX DATA," has been provided by the Montgomery Central Appraisal District and by Equi-Tax, Inc., the District's Tax Assessor/Collector, in reliance upon their authority as experts in the field of tax assessing and appraising.

Auditors – The financial statements of the District as of January 31, 2022, and for the year then ended, included in this offering document, have been audited by Mark C. Eyring, CPA, PLLC, independent auditors, as stated in their report appearing herein. See "APPENDIX A" for a copy of the District's January 31, 2022, audited financial statements.

Updating of Official Statement

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

Continuing Availability of Financial Information

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

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

Certification as to Official Statement

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

This Official Statement was approved by the Board of Directors of Montgomery County Municipal Utility District No. 24 as of the date shown on the cover page.

APPENDIX A

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT No. 24
MONTGOMERY COUNTY, TEXAS
ANNUAL FINANCIAL REPORT

JANUARY 31, 2022

MONTGOMERY COUNTY
MUNICIPAL UTILITY DISTRICT NO. 24
MONTGOMERY COUNTY, TEXAS
ANNUAL AUDIT REPORT
JANUARY 31, 2022

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Mark C. Eyring, CPA, PLLC

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June 6, 2022

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Montgomery County Municipal
Utility District No. 24
Montgomery County, Texas

Opinions

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Montgomery County Municipal Utility District No. 24 as of and for the year ended January 31, 2022, and the related notes to the financial statements, which collectively comprise Montgomery County Municipal Utility District No. 24's basic financial statements as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Montgomery County Municipal Utility District No. 24, as of January 31, 2022, and the respective changes in financial position and, where applicable, cash flows there of for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Montgomery County Municipal Utility District No. 24, and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Montgomery County Municipal Utility District No. 24's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

INDEPENDENT AUDITOR'S REPORT (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, I: exercise professional judgment and maintain professional skepticism throughout the audit.; identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.; obtain an understanding of internal control relevant to the audit 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 Montgomery County Municipal Utility District No. 24's internal control. Accordingly, no such opinion is expressed.; evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.; conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Montgomery County Municipal Utility District No. 24's ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that I identified during the audit.

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 is the responsibility of management and, 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. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

INDEPENDENT AUDITOR'S REPORT (Continued)**Supplementary Information**

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Montgomery County Municipal Utility District No. 24's basic financial statements. The supplementary information on Pages 25 to 41 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Except for the portion marked "unaudited," the information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The supplementary information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it. The accompanying supplementary information includes financial data excerpted from prior year financial statements which were audited by my firm.

A handwritten signature in dark ink, appearing to read "M. A. J.", is located in the lower right quadrant of the page.

Management's Discussion and Analysis

Using this Annual Report

Within this section of the Montgomery County Municipal Utility District No. 24 (the "District") annual report, the District's Board of Directors provides narrative discussion and analysis of the financial activities of the District for the fiscal year ended January 31, 2022.

The annual report consists of a series of financial statements plus additional supplemental information to the financial statements as required by its state oversight agency, the Texas Commission on Environmental Quality. In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities which engage in a single governmental program. In the District's case, the single governmental program is provision of water and sewer services. Other activities, such as garbage collection and security service, are minor activities and are not budgeted or accounted for as separate programs. The financial statements of special-purpose governments combine two types of financial statements into one statement. These two types of financial statements are the government-wide financial statements and the fund financial statements. The fund financial statements are presented on the left side of the statements, a column for adjustments is to the right of the fund financial statements, and the government-wide financial statements are presented to the right side of the adjustments column. The following sections describe the measurement focus of the two types of statements and the significant differences in the information they provide.

Government-Wide Financial Statements

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

The difference between the District's total assets and total liabilities is labeled as *net position* and this difference is similar to the total owners' equity presented by a commercial enterprise.

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

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

Fund Financial Statements

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

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

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

Because the focus of the government-wide and fund financial statements are different, there are significant differences between the totals presented in these financial statements. For this reason, there is an analysis in Note 3 of the notes to the financial statements that reconciles the total fund balances to the amount of net position presented in the governmental activities column on the statement of net position. Also, there is an analysis in Note 3 of the notes to the financial statements that reconciles the total change in fund balances for all governmental funds to the change in net position as reported in the governmental activities column in the statement of activities.

Financial Analysis of the District as a Whole

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

Management has financial objectives for each of the District's funds. The financial objective for the General Fund is to keep the fund's expenditures as low as possible while ensuring that revenues are adequate to cover expenditures and maintaining the fund balance that Management believes is prudent. Management believes that these financial objectives were met during the fiscal year.

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

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

Summary of Net Position

	<u>2022</u>	<u>2021*</u>	<u>Change</u>
Current and other assets	\$ 3,272,833	\$ 2,614,293	\$ 658,540
Capital assets	11,885,680	9,097,499	2,788,181
Total assets	<u>15,158,513</u>	<u>11,711,792</u>	<u>3,446,721</u>
Long-term liabilities	13,101,270	10,146,685	2,954,585
Other liabilities	452,286	393,799	58,487
Total liabilities	<u>13,553,556</u>	<u>10,540,484</u>	<u>3,013,072</u>
Total deferred inflows of resources	<u>952,116</u>	<u>741,807</u>	<u>210,309</u>
Net position:			
Invested in capital assets, net of related debt	(1,283,531)	(1,117,990)	(165,541)
Restricted	571,787	561,247	10,540
Unrestricted	1,364,585	986,244	378,341
Total net position	<u>\$ 652,841</u>	<u>\$ 429,501</u>	<u>\$ 223,340</u>

Summary of Changes in Net Position

	<u>2022</u>	<u>2021</u>	<u>Change</u>
Revenues:			
Property taxes, including related penalty and interest	\$ 756,784	\$ 632,915	\$ 123,869
Charges for services	1,078,732	697,084	381,648
Other revenues	13,883	9,331	4,552
Total revenues	<u>1,849,399</u>	<u>1,339,330</u>	<u>510,069</u>
Expenses:			
Service operations	1,371,263	1,065,376	305,887
Debt service	254,796	383,825	(129,029)
Total expenses	<u>1,626,059</u>	<u>1,449,201</u>	<u>176,858</u>
Change in net position	223,340	(109,871)	333,211
Net position, beginning of year	<u>429,501</u>	<u>539,372</u>	<u>(109,871)</u>
Net position, end of year	<u>\$ 652,841</u>	<u>\$ 429,501</u>	<u>\$ 223,340</u>

*Restated. See Note 11 of the Notes to the Financial Statements.

Financial Analysis of the District's Funds

The District's combined fund balances as of the end of the fiscal year ended January 31, 2022, were \$1,999,143, an increase of \$395,668 from the prior year.

The General Fund balance increased by \$378,025, in accordance with the District's financial plan.

The Debt Service Fund balance increased by \$17,793, in accordance with the District's financial plan.

The Capital Projects Fund balance decreased by \$150, due to authorized expenditures.

General Fund Budgetary Highlights

The Board of Directors did not amend the budget during the fiscal year. The District's budget is primarily a planning tool. Accordingly, actual results varied from the budgeted amounts. A comparison of actual to budgeted amounts is presented on Page 23 of this report. The budgetary fund balance as of January 31, 2022, was expected to be \$968,355 and the actual end of year fund balance was \$1,343,030.

Capital Asset and Debt Administration

Capital Assets

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

	<u>Capital Assets (Net of Accumulated Depreciation)</u>		
	<u>2022</u>	<u>2021*</u>	<u>Change</u>
Land	\$ 11,302	\$ 11,302	\$ 0
Construction in progress	5,902,566	2,986,083	2,916,483
Water facilities	1,856,947	1,909,365	(52,418)
Sewer facilities	1,084,499	1,080,493	4,006
Drainage facilities	3,030,366	3,110,256	(79,890)
Totals	<u>\$ 11,885,680</u>	<u>\$ 9,097,499</u>	<u>\$ 2,788,181</u>

*Restated. See Note 11 of the Notes to the Financial Statements.

Changes to capital assets during the fiscal year ended January 31, 2022, are summarized as follows:

Additions:		
Wastewater system improvements		\$ 58,910
Utilities constructed by developer		<u>2,916,483</u>
Total additions to capital assets		2,975,393
Decreases:		
Decrease in estimated value of reimbursable developer costs		
Depreciation		<u>(187,212)</u>
Net change to capital assets		<u>\$ 2,788,181</u>

Debt

Changes in the bonded debt position of the District during the fiscal year ended January 31, 2022, are summarized as follows:

Bonded debt payable, beginning of year	\$ 7,440,000
Bonds paid	<u>0</u>
Bonded debt payable, end of year	<u>\$ 7,440,000</u>

At January 31, 2022, the District had \$36,560,000 of bonds authorized but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage system within the District.

As further described in Note 5 of the notes to the financial statements, a developer within the District has advanced funds for operations and for improvements to the District's system. As of January 31, 2022, the cumulative amount of developer advances for these purposes was \$253,500.

As further described in Note 5 of the notes to the financial statements, a developer within the District is currently constructing certain underground facilities within the District's boundaries. The District has agreed to reimburse the developer for these construction and related engineering costs plus interest not to exceed the interest rate of the applicable District bond issue. These amounts are to be reimbursed from the proceeds of a future bond issue to the extent approved by the Texas Commission on Environmental Quality. The developer's engineer stated that cost of the construction in progress at January 31, 2022, was \$4,904,566.

RELEVANT FACTORS AND WATER SUPPLY ISSUES

Property Tax Base

The District's tax base increased approximately \$18,430,000 for the 2021 tax year (approximately 28%) due to the addition of new houses to the tax base and the increase of the average assessed valuations on existing property.

Relationship to 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 ordinance consenting to the creation of the District. In addition, the District may be annexed by the City of Houston. If the District is annexed, the City will assume the District's assets and obligations (including the bonded indebtedness) and dissolve the District within ninety (90) days.

The District is authorized to enter into a strategic partnership agreement with the City of Houston to provide the terms and conditions under which 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 would be annexed for limited purposes by the City. The terms of any such agreement would be determined by the City and the District.

The District is not aware of any plans regarding annexation or a strategic partnership with the City of Houston.

Water Supply Issues

The District is within the boundaries of the Lone Star Groundwater Conservation District ("LSGCD"). The LSGCD was created by the Legislature of the State of Texas in Acts 2001, 77th Legislature, Regular Session. The LSGCD is a political subdivision of the State of Texas, governed by an appointed nine member board of directors. The purpose of the LSGCD is to provide for the conservation, preservation, protection, recharging, and prevention of waste of groundwater, and of groundwater reservoirs or their subdivisions, and the control of subsidence caused by the withdrawal of water from those groundwater reservoirs or their subdivisions, consistent with the objectives of Section 59, Article XVI, Texas Constitution. Rule 8.1 of the rules of the LSGCD authorizes the board of directors of the LSGCD to establish by resolution a regulatory water use fee to accomplish the purposes of the LSGCD. In accordance with this rule, as of January 31, 2022, the LSGCD had established a regulatory water use fee of \$0.085 per 1,000 gallons of water pumped from each regulated well.

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

The LSGCD established a regulatory target in its District Regulatory Plan (DRP) Phase I to reduce groundwater withdrawals from the aquifer in Montgomery County to 64,000 acre-feet per year by January 2016. The LSGCD District Regulatory Plan (DRP) Phase II (A) required large volume groundwater users (LVGU) to submit a Water Resource Assessment Plan (WRAP), which included identification of new water supply sources to meet projected water demands by March of 2009. SJRA prepared and submitted a joint plan on behalf of 201 large volume groundwater users to reduce groundwater withdrawal and encourage the conjunctive use of surface water with ground water supplies to meet the LSGCD regulations. In November 2009, the LSGCD adopted final regulations that require certain groundwater users to prepare and submit a Groundwater Reduction Plan by April 1, 2010, outlining how the user intends to meet the 2016 deadline for conversion to surface water supplies. The SJRA responded to this regulatory requirement with the development of a long-term countywide approach that will provide a compliance solution for all users in the county who choose to join. Any large volume groundwater user in the county may join the SJRA's Joint Groundwater Reduction Plan (GRP) by executing a GRP Contract and paying the required monthly GRP Pumpage Fee. The District has executed a GRP Contract with the SJRA. At January 31, 2022, the GRP Pumpage Fee was set at \$2.88 per thousand gallons of groundwater pumped by the participating entity and is billed monthly. It is anticipated that this fee will increase each year as costs are incurred for design and construction of the necessary infrastructure to deliver surface water.

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

On February 6, 2017, the District entered into a Wholesale Water Supply Agreement with Porter Special Utility District ("Porter SUD") to provide water to certain property within or to be annexed into the District and within the boundaries of Porter SUD and the Porter SUD CCN.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 24

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET

JANUARY 31, 2022

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>	<u>Adjustments (Note 3)</u>	<u>Statement of Net Position</u>
ASSETS						
Cash, including interest-bearing accounts, Note 7	\$ 323,765	\$ 81,936	\$ 33,320	\$ 439,021	\$	\$ 439,021
Temporary investments, at cost, Note 7	1,715,555	346,706	501,028	2,563,289		2,563,289
Receivables:						
Property taxes	127,317	41,010		168,327		168,327
Accrued penalty and interest on property taxes				0	13,948	13,948
Service accounts	59,102			59,102		59,102
Other	5,646			5,646		5,646
Prepaid lease expense, Note 11	23,500			23,500		23,500
Maintenance taxes collected not yet transferred from other fund	88,360			88,360	(88,360)	0
Capital assets, net of accumulated depreciation, Note 4:						
Capital assets not being depreciated				0	5,913,868	5,913,868
Depreciable capital assets				0	5,971,812	5,971,812
Total assets	<u>\$2,343,245</u>	<u>\$ 469,652</u>	<u>\$ 534,348</u>	<u>\$ 3,347,245</u>	<u>11,811,268</u>	<u>15,158,513</u>
LIABILITIES						
Accounts payable	\$ 45,189	\$ 2,179	\$	\$ 47,368		47,368
Construction contracts payable	149,626			149,626		149,626
Accrued interest payable				0	100,591	100,591
Customer deposits	86,760			86,760		86,760
Maintenance taxes collected not yet transferred to other fund		88,360		88,360	(88,360)	0
Long-term liabilities, Note 5:						
Due within one year				0	67,941	67,941
Due in more than one year				0	13,101,270	13,101,270
Total liabilities	<u>281,575</u>	<u>90,539</u>	<u>0</u>	<u>372,114</u>	<u>13,181,442</u>	<u>13,553,556</u>
DEFERRED INFLOWS OF RESOURCES						
Property tax revenues	<u>718,640</u>	<u>257,348</u>	<u>0</u>	<u>975,988</u>	<u>(23,872)</u>	<u>952,116</u>
FUND BALANCES / NET POSITION						
Fund balances:						
Assigned to:						
Debt service		121,765		121,765	(121,765)	0
Capital projects			534,348	534,348	(534,348)	0
Unassigned	1,343,030			1,343,030	(1,343,030)	0
Total fund balances	<u>1,343,030</u>	<u>121,765</u>	<u>534,348</u>	<u>1,999,143</u>	<u>(1,999,143)</u>	<u>0</u>
Total liabilities, deferred inflows, and fund balances	<u>\$2,343,245</u>	<u>\$ 469,652</u>	<u>\$ 534,348</u>	<u>\$ 3,347,245</u>		
Net position:						
Invested in capital assets, net of related debt, Note 4					(1,283,531)	(1,283,531)
Restricted for debt service					37,439	37,439
Restricted for capital projects					534,348	534,348
Unrestricted, Note 5					1,364,585	1,364,585
Total net position					<u>\$ 652,841</u>	<u>\$ 652,841</u>

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

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 24

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

FOR THE YEAR ENDED JANUARY 31, 2022

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments (Note 3)	Statement of Activities
REVENUES						
Property taxes	\$ 484,962	\$ 258,559	\$	\$ 743,521	\$ 1,045	\$ 744,566
Water service	323,975			323,975		323,975
Sewer service	299,067			299,067		299,067
Surface water fees, Note 9	45,682			45,682		45,682
Penalty and interest	8,751	10,738		19,489	1,480	20,969
Tap connection and inspection fees	401,257			401,257		401,257
Interest on deposits and investments	346	200	138	684		684
Other revenues	13,199			13,199		13,199
Total revenues	1,577,239	269,497	138	1,846,874	2,525	1,849,399
EXPENDITURES / EXPENSES						
Service operations:						
Purchased services	104,426			104,426		104,426
Professional fees	130,039	2,582		132,621		132,621
Contracted services	64,301	12,687		76,988		76,988
Utilities	26,065			26,065		26,065
Surface water pumpage fees, Note 9	65,414			65,414		65,414
Repairs, maintenance and other operating expenditures	405,480			405,480		405,480
Security service	27,658			27,658		27,658
Garbage disposal	100,717			100,717		100,717
Administrative expenditures	83,267	4,690	288	88,245		88,245
Depreciation				0	187,212	187,212
Capital outlay / non-capital outlay	215,347			215,347	(58,910)	156,437
Debt service:						
Interest and fees		231,745		231,745	23,051	254,796
Total expenditures / expenses	1,222,714	251,704	288	1,474,706	151,353	1,626,059
Excess (deficiency) of revenues over expenditures	354,525	17,793	(150)	372,168	(148,828)	223,340
OTHER FINANCING SOURCES (USES)						
Developer operating advances, Note 5	23,500	0		23,500	(23,500)	0
Total other financing sources (uses)	23,500	0	0	23,500	(23,500)	0
Net change in fund balances / net position	378,025	17,793	(150)	395,668	(172,328)	223,340
Beginning of year	965,005	103,972	534,498	1,603,475	(1,173,974)	429,501
End of year	\$ 1,343,030	\$ 121,765	\$ 534,348	\$ 1,999,143	\$ (1,346,302)	\$ 652,841

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

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 24NOTES TO THE FINANCIAL STATEMENTSJANUARY 31, 2022

NOTE 1: REPORTING ENTITY

Montgomery County Municipal Utility District No. 24 (the "District") was created by an order of the Texas Water Rights Commission (now the Texas Commission on Environmental Quality), and operates in accordance with Texas Water Code Chapters 49 and 54. The District is a political subdivision of the State of Texas, governed by an elected five member Board of Directors. The Board of Directors held its first meeting on January 9, 1975, and the first bonds were sold on June 27, 1978. The District is subject to the continuing supervision of the Texas Commission on Environmental Quality.

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

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

Basic Financial Statements

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Basis of Accounting

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

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

Interfund Activity

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

Receivables

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

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

Capital Assets

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Plant and equipment	10-45 years
Underground lines	45 years

Long-term Liabilities

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

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

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

Reconciliation of year end fund balances to net position:

Total fund balances, end of year		\$ 1,999,143
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Total capital assets, net		11,885,680
Some long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:		
Bonds payable	\$ (7,440,000)	
Issuance discount (to be amortized as interest expense)	196,855	
Lease-purchase agreement	(768,000)	
Due to developer for operating advances	(253,500)	
Due to developer for construction	<u>(4,904,566)</u>	(13,169,211)
Some receivables that do not provide current financial resources are not reported as receivables in the funds:		
Accrued penalty and interest on property taxes receivable	13,948	
Uncollected property taxes	<u>23,872</u>	37,820
Some liabilities that do not require the use of current financial resources are not reported as liabilities in the funds:		
Accrued interest		<u>(100,591)</u>
Net position, end of year		<u>\$ 652,841</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Total net change in fund balances		\$ 395,668
<p>The funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:</p>		
Capital outlay	\$ 58,910	
Depreciation	<u>(187,212)</u>	(128,302)
<p>The issuance of long-term debt (bonds payable) provides current financial resources to the funds, while the repayment of the principal of long-term debt consumes the current financial resources of the funds. Neither transaction, however, has any effect on net position. The effect of these differences in the treatment of long-term debt:</p>		
Developer operating advances		(23,500)
<p>The funds report the effect of bond premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of these items:</p>		
Issuance discount		(13,739)
<p>Some revenues reported in the statement of activities do not provide current financial resources and therefore are not reported as revenues in the funds:</p>		
Accrued penalty and interest on property taxes receivable	1,480	
Uncollected property taxes	<u>1,045</u>	2,525
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds:</p>		
Accrued interest		<u>(9,312)</u>
Change in net position		<u>\$ 223,340</u>

NOTE 4: CAPITAL ASSETS

At January 31, 2022, "Invested in capital assets, net of related debt" was \$(1,283,531). This amount was negative because not all expenditures from bond proceeds were for the acquisition of capital assets and not all assets have been constructed or acquired at that date. In addition, some expenditures from bond proceeds were for the acquisition of capital assets beneath the capitalization threshold of \$5,000 (see Note 2) and some authorized expenditures were not for capital assets.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Capital asset activity for the fiscal year ended January 31, 2022, was as follows:

	<u>Beginning Balance*</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 11,302	\$	\$	\$ 11,302
Construction in progress	<u>2,986,083</u>	<u>2,916,483</u>		<u>5,902,566</u>
Total capital assets not being depreciated	<u>2,997,385</u>	<u>2,916,483</u>	<u>0</u>	<u>5,913,868</u>
Depreciable capital assets:				
Water system	2,452,202			2,452,202
Sewer system	1,774,082	58,910		1,832,992
Drainage system	<u>3,595,003</u>			<u>3,595,003</u>
Total depreciable capital assets	<u>7,821,287</u>	<u>58,910</u>	<u>0</u>	<u>7,880,197</u>
Less accumulated depreciation for:				
Water system	(542,837)	(52,418)		(595,255)
Sewer system	(693,589)	(54,904)		(748,493)
Drainage system	<u>(484,747)</u>	<u>(79,890)</u>		<u>(564,637)</u>
Total accumulated depreciation	<u>(1,721,173)</u>	<u>(187,212)</u>	<u>0</u>	<u>(1,908,385)</u>
Total depreciable capital assets, net	<u>6,100,114</u>	<u>(128,302)</u>	<u>0</u>	<u>5,971,812</u>
Total capital assets, net	<u>\$ 9,097,499</u>	<u>\$ 2,788,181</u>	<u>\$ 0</u>	<u>\$ 11,885,680</u>
Changes to capital assets:				
Capital outlay		\$ 58,910	\$	
Increase in liability to developer for construction		2,916,483		
Depreciation expense for the fiscal year		<u>(187,212)</u>		
Net increases / decreases to capital assets		<u>\$ 2,788,181</u>	<u>\$ 0</u>	

*Restated. See Note 11 of the Notes to the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 5: LONG-TERM LIABILITIES AND CONTINGENT LIABILITIES

Long-term liability activity for the fiscal year ended January 31, 2022 was as follows:

	<u>Beginning Balance*</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Bonds payable	\$ 7,440,000	\$	\$	\$ 7,440,000	\$ 0
Less deferred amounts:					
For issuance (discounts) premiums	<u>(210,594)</u>	<u> </u>	<u>(13,739)</u>	<u>(196,855)</u>	<u>(14,602)</u>
Total bonds payable	<u>7,229,406</u>	<u>0</u>	<u>(13,739)</u>	<u>7,243,145</u>	<u>(14,602)</u>
Lease-purchase agreement, Note 11	<u>768,000</u>	<u>0</u>	<u>0</u>	<u>768,000</u>	<u>82,543</u>
Due to developer for operating advances (see below)	230,000	23,500		253,500	-----
Due to developer for construction (see below)	<u>1,988,083</u>	<u>2,916,483</u>		<u>4,904,566</u>	-----
Total due to developer	<u>2,218,083</u>	<u>2,939,983</u>	<u>0</u>	<u>5,158,066</u>	<u>0</u>
Total long-term liabilities	<u>\$ 10,215,489</u>	<u>\$ 2,939,983</u>	<u>\$ (13,739)</u>	<u>\$ 13,169,211</u>	<u>\$ 67,941</u>

*Restated. See Note 11 of the Notes to the Financial Statements.

As of January 31, 2022, the debt service requirements on the bonds outstanding were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$	\$ 241,419	\$ 241,419
2024	125,000	239,545	364,545
2025	200,000	234,294	434,294
2026	225,000	226,981	451,981
2027	250,000	218,732	468,732
2028 - 2032	1,400,000	955,907	2,355,907
2033 - 2037	1,750,000	701,998	2,451,998
2038 - 2042	2,175,000	389,468	2,564,468
2043 - 2046	<u>1,315,000</u>	<u>55,997</u>	<u>1,370,997</u>
	<u>\$ 7,440,000</u>	<u>\$ 3,264,341</u>	<u>\$ 10,704,341</u>

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

Bonds voted	\$ 44,000,000
Bonds approved for sale and sold	7,440,000
Bonds voted and not issued	36,560,000
Refunding bonds voted	5,000,000
Refunding bonds sold	130,000
Refunding bonds voted and not issued	4,870,000

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The bond issues payable at January 31, 2022, were as follows:

	<u>Series 2019</u>	<u>Series 2020</u>
Amounts outstanding, January 31, 2022	\$5,025,000	\$2,415,000
Interest rates	3.00% to 3.75%	2.00% to 4.50%
Maturity dates, serially beginning/ending	March 1, 2023/2043	March 1, 2024/2045
Interest payment dates	March 1/September 1	March 1/September 1
Callable dates	March 1, 2023*	March 1, 2025*

*Or any date thereafter at the option of the District, in whole or in part, at a price of par value plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption.

Developer Construction Commitments and Liabilities

A developer within the District has advanced funds for operations and for improvements to the District's system. With certain conditions, any funds advanced to the District are to be repaid to the developer, with interest, from a future bond issue to the extent approved by the Texas Commission on Environmental Quality. As of January 31, 2022, the cumulative amount of developer advances for these purposes was \$253,500. The amount of operating advances has been recorded as a decrease in "Unrestricted net position" in the government-wide financial statements. Without this decrease, "Unrestricted net position" would have a balance of \$1,618,085.

A developer within the District is currently constructing certain underground facilities within the District's boundaries. The District has agreed to reimburse the developer for these construction and related engineering costs plus interest not to exceed the interest rate of the applicable District bond issue. These amounts are to be reimbursed from the proceeds of a future bond issue to the extent approved by the Texas Commission on Environmental Quality. The developer's engineer stated that cost of the construction in progress at January 31, 2022, was \$4,904,566.

NOTE 6: PROPERTY TAXES

The Montgomery Central Appraisal District has the responsibility for appraising property for all taxing units within the county as of January 1 of each year, subject to review and change by the county Appraisal Review Board. The appraisal roll, as approved by the Appraisal Review Board, must be used by the District in establishing its tax roll and tax rate. The District's taxes are usually levied in the fall, are due when billed and are not delinquent until after the following January 31. On January 1 of each year, a statutory tax lien attaches to property to secure the payment of all taxes, penalties and interest ultimately imposed for the year on the property.

At an election held May 2, 1998, the voters within the District authorized a maintenance tax not to exceed \$2.00 per \$100 valuation on all property subject to taxation within the District. This maintenance tax is being used by the General Fund to pay expenditures of operating the District.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

On October 4, 2021, the District levied the following ad valorem taxes for the 2021 tax year and the 2023 fiscal year on the adjusted taxable valuation of \$85,010,371:

	<u>Rate</u>	<u>Amount</u>
Debt service	\$ 0.3000	\$ 255,031
Maintenance	<u>0.8200</u>	<u>697,085</u>
	<u>\$ 1.1200</u>	<u>\$ 952,116</u>

A reconciliation of the tax levy to property tax revenues on the Statement of Activities is as follows:

2021 tax year total property tax levy	\$ 952,116
2021 tax year total property tax levy deferred to 2023 fiscal year	(952,116)
2020 tax year total property tax levy deferred to 2022 fiscal year	741,752
Appraisal district adjustments to prior year taxes	<u>2,814</u>
Statement of Activities property tax revenues	<u>\$ 744,566</u>

NOTE 7: DEPOSITS AND TEMPORARY INVESTMENTS

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

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

In accordance with state statutes and the District's investment policies, the District requires that insurance or security be provided by depositories for all funds held by them. At the balance sheet date, the District's deposits were covered by federal insurance.

At the balance sheet date the carrying value and market value of the investments in TexPool was \$2,563,289.

Deposits and temporary investments restricted by contracts and state statutes and Bond Orders:

Debt Service Fund

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

Cash	\$ 81,936
Temporary investments	<u>346,706</u>
	<u>\$ 428,642</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Capital Projects Fund

For construction of capital assets:

Cash	\$ 33,320
Temporary investments	<u>501,028</u>
	<u>\$ 534,348</u>

NOTE 8: RISK MANAGEMENT

The District is exposed to various risks of loss related to: torts; theft of, damage to, and destruction of assets; errors and omissions; personal injuries and natural disasters. Significant losses are covered by insurance as described below. There were no significant reductions in insurance coverage from the prior fiscal year. There have been no settlements which have exceeded the insurance coverage for each of the past three fiscal years.

At January 31, 2022, the District had physical damage and boiler and machinery coverage of \$2,231,015, comprehensive general liability coverage with a per occurrence limit of \$1,000,000 and \$3,000,000 general aggregate, pollution liability coverage of \$1,000,000, umbrella liability coverage of \$1,000,000, worker’s compensation coverage of \$1,000,000, consultant’s crime coverage of \$25,000 and a tax assessor-collector bond of \$10,000.

NOTE 9: GROUNDWATER CONSERVATION DISTRICT

The District is within the boundaries of the Lone Star Groundwater Conservation District ("LSGCD"). The LSGCD was created by the Legislature of the State of Texas in Acts 2001, 77th Legislature, Regular Session. The LSGCD is a political subdivision of the State of Texas, governed by an appointed nine member board of directors. The purpose of the LSGCD is to provide for the conservation, preservation, protection, recharging, and prevention of waste of groundwater, and of groundwater reservoirs or their subdivisions, and the control of subsidence caused by the withdrawal of water from those groundwater reservoirs or their subdivisions, consistent with the objectives of Section 59, Article XVI, Texas Constitution. Rule 8.1 of the rules of the LSGCD authorizes the board of directors of the LSGCD to establish by resolution a regulatory water use fee to accomplish the purposes of the LSGCD. In accordance with this rule, as of January 31, 2022, the LSGCD had established a regulatory water use fee of \$0.085 per 1,000 gallons of water pumped from each regulated well.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The LSGCD established a regulatory target in its District Regulatory Plan (DRP) Phase I to reduce groundwater withdrawals from the aquifer in Montgomery County to 64,000 acre-feet per year by January 2016. The LSGCD District Regulatory Plan (DRP) Phase II (A) required large volume groundwater users (LVGU) to submit a Water Resource Assessment Plan (WRAP), which included identification of new water supply sources to meet projected water demands by March of 2009. SJRA prepared and submitted a joint plan on behalf of 201 large volume groundwater users to reduce groundwater withdrawal and encourage the conjunctive use of surface water with ground water supplies to meet the LSGCD regulations. In November 2009, the LSGCD adopted final regulations that require certain groundwater users to prepare and submit a Groundwater Reduction Plan by April 1, 2010, outlining how the user intends to meet the 2016 deadline for conversion to surface water supplies. The SJRA responded to this regulatory requirement with the development of a long-term countywide approach that will provide a compliance solution for all users in the county who choose to join. Any large volume groundwater user in the county may join the SJRA's Joint Groundwater Reduction Plan (GRP) by executing a GRP Contract and paying the required monthly GRP Pumpage Fee. The District has executed a GRP Contract with the SJRA. The GRP Pumpage Fee is currently set at \$2.88 per thousand gallons of groundwater pumped by the participating entity and is billed monthly. It is anticipated that this fee will increase each year as costs are incurred for design and construction of the necessary infrastructure to deliver surface water.

The District's combined well regulatory water use fees and GRP pumpage fees payable to the LSGCD and SJRA for the fiscal year ended January 31, 2022, were \$65,414. The District billed its customers \$45,682 during the fiscal year to pay for the fees charged by the LSGCD and SJRA.

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

NOTE 10: CONTRACT WITH OTHER DISTRICT

On February 6, 2017, the District entered into a Wholesale Water Supply Agreement with Porter Special Utility District ("Porter SUD") to provide water to certain property within or to be annexed into the District and within the boundaries of Porter SUD and the Porter SUD CCN. The District did not pay \$104,426 for water received from Porter SUD during the fiscal year ended January 31, 2022.

NOTE 11: LEASE OF INTERIM WASTEWATER TREATMENT PLANT

On September 25, 2020, the District and AUC Group, Inc. entered into an agreement for the lease of a 150,000 gpd Pre-Packaged Sewer Treatment Plant (the "Leased STP"). The term of the lease is 60 months and may be extended by 30 day periods. The lease payments are \$11,750 per month for the initial 60 months and \$9,250 thereafter. The District has the option to purchase the Leased STP beginning in the 24th month at the residual price, as per the agreement. The residual price at the end of the 60 month term is \$280,846 based upon a total cost of \$768,000 at 8.0% interest per annum. The Leased STP was not operational at January 31, 2022. At that date the District had prepaid the last month's payment as a deposit and one month's lease payment in the total amount of \$23,500.

During the year ended January 31, 2022, it was determined that the District was likely to exercise the purchase option on the Leased STP. The District adjusted the beginning of year capital assets and long-term liabilities to properly state the financial position of the District. The effect of these adjustments was to increase both capital assets and long-term liabilities by \$768,000.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

At January 31, 2022, the lease payments due were as follows:

<u>Due During Fiscal Years Ending January 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 82,543	\$ 58,457	\$ 141,000
2024	89,395	51,605	141,000
2025	96,814	44,186	141,000
2026	104,850	36,150	141,000
2027	394,398	27,448	421,846
	<u>\$ 768,000</u>	<u>\$ 217,846</u>	<u>\$ 985,846</u>

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 24

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE, BUDGET AND ACTUAL, GENERAL FUND

FOR THE YEAR ENDED JANUARY 31, 2022

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 468,000	\$ 468,000	\$ 484,962	\$ 16,962
Water service	280,000	280,000	323,975	43,975
Sewer service	220,000	220,000	299,067	79,067
Surface water fees	65,000	65,000	45,682	(19,318)
Penalty	5,000	5,000	8,751	3,751
Tap connection and inspection fees	70,000	70,000	401,257	331,257
Interest on deposits and investments	1,000	1,000	346	(654)
Other revenues	0	0	13,199	13,199
TOTAL REVENUES	<u>1,109,000</u>	<u>1,109,000</u>	<u>1,577,239</u>	<u>468,239</u>
EXPENDITURES				
Service operations:				
Purchased services	45,000	45,000	104,426	59,426
Professional fees	102,675	102,675	130,039	27,364
Contracted services	56,500	56,500	64,301	7,801
Utilities	30,000	30,000	26,065	(3,935)
Surface water pumpage fees	120,000	120,000	65,414	(54,586)
Repairs, maintenance and other operating expenditures	497,000	497,000	405,480	(91,520)
Security service	36,500	36,500	27,658	(8,842)
Garbage disposal	82,000	82,000	100,717	18,717
Administrative expenditures	80,975	80,975	83,267	2,292
Capital outlay	55,000	55,000	215,347	160,347
TOTAL EXPENDITURES	<u>1,105,650</u>	<u>1,105,650</u>	<u>1,222,714</u>	<u>117,064</u>
EXCESS REVENUES (EXPENDITURES)	3,350	3,350	354,525	351,175
OTHER FINANCING SOURCES (USES)				
Operating advances by developer	0	0	23,500	23,500
TOTAL OTHER FINANCIAL SOURCES (USES)	<u>0</u>	<u>0</u>	<u>23,500</u>	<u>23,500</u>
EXCESS SOURCES (USES)	3,350	3,350	378,025	374,675
FUND BALANCE, BEGINNING OF YEAR	<u>965,005</u>	<u>965,005</u>	<u>965,005</u>	<u>0</u>
FUND BALANCE, END OF YEAR	<u>\$ 968,355</u>	<u>\$ 968,355</u>	<u>\$ 1,343,030</u>	<u>\$ 374,675</u>

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

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 24
SCHEDULE OF TEXAS SUPPLEMENTARY INFORMATION
REQUIRED BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY
JANUARY 31, 2022

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

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

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 24

SCHEDULE OF SERVICES AND RATES

JANUARY 31, 2022

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

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

2. Retail Service Providers

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

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1000 Gallons Over Minimum</u>	<u>Usage Levels</u>
WATER:	\$34.50	10,000	N	\$1.50	Over 10,000
WASTEWATER:	\$49.50		Y		
SURCHARGE:	\$3.26 per 1,000 gallons of water used – surface water fees 0.50 % of monthly billing – TCEQ assessment fees.				

District employs winter averaging for wastewater usage: Yes No

Total charges per 10,000 gallons usage: Water: \$34.50 Wastewater: \$49.50 Surcharge: \$33.02

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 24

SCHEDULE OF SERVICES AND RATES (Continued)

JANUARY 31, 2022

b. Water and Wastewater Retail Connections (unaudited):

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC* Factor</u>	<u>Active ESFCs</u>
Unmetered	0	0	1.0	0
< or = 3/4"	569	559	1.0	559
1"	0	0	2.5	0
1-1/2"	1	1	5.0	5
2"	7	7	8.0	56
3"	0	0	15.0	0
4"	0	0	25.0	0
6"	0	0	50.0	0
8"	1	1	80.0	80
10"	0	0	115.0	0
Total Water	<u>578</u>	<u>568</u>		<u>700</u>
Total Wastewater	<u>571</u>	<u>561</u>	1.0	<u>561</u>

*Single family equivalents

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

Gallons pumped into system (unaudited): 39,983
 Gallons billed to customers (unaudited): 38,163

Water Accountability Ratio
 (Gallons billed/ gallons pumped): 95%

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

Does the District have Debt Service standby fees? Yes No

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

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

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

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 24

EXPENDITURES

FOR THE YEAR ENDED JANUARY 31, 2022

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
CURRENT				
Purchased services	\$ 104,426	\$ 0	\$ 0	\$ 104,426
Professional fees:				
Auditing	10,950			10,950
Legal	76,316	2,582		78,898
Engineering	41,473			41,473
Financial advisor	1,300			1,300
	<u>130,039</u>	<u>2,582</u>	<u>0</u>	<u>132,621</u>
Contracted services:				
Bookkeeping	19,894			19,894
Operation and billing	44,407			44,407
Tax assessor-collector		6,150		6,150
Central appraisal district		6,537		6,537
	<u>64,301</u>	<u>12,687</u>	<u>0</u>	<u>76,988</u>
Utilities	<u>26,065</u>	<u>0</u>	<u>0</u>	<u>26,065</u>
Surface water pumpage fees	<u>65,414</u>	<u>0</u>	<u>0</u>	<u>65,414</u>
Repairs, maintenance and other operating expenditures:				
Repairs and maintenance	330,128			330,128
Sludge hauling	16,283			16,283
Chemicals	3,433			3,433
Laboratory costs	46,093			46,093
Regulatory assessment fee	2,943			2,943
Reconnection costs	6,600			6,600
	<u>405,480</u>	<u>0</u>	<u>0</u>	<u>405,480</u>
Security service	<u>27,658</u>	<u>0</u>	<u>0</u>	<u>27,658</u>
Garbage disposal	<u>100,717</u>	<u>0</u>	<u>0</u>	<u>100,717</u>
Administrative expenditures:				
Director's fees	22,625			22,625
Office supplies and postage	16,220	100		16,320
Insurance	16,421			16,421
Permit fees	6,272			6,272
Other	21,729	4,590	288	26,607
	<u>83,267</u>	<u>4,690</u>	<u>288</u>	<u>88,245</u>

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 24

EXPENDITURES (Continued)

FOR THE YEAR ENDED JANUARY 31, 2022

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
CAPITAL OUTLAY				
Authorized expenditures	\$ 58,910	\$	\$	\$ 58,910
Tap connection costs	156,437			156,437
	<u>215,347</u>	<u>0</u>	<u>0</u>	<u>215,347</u>
DEBT SERVICE				
Interest and fees:				
Interest		230,245		230,245
Paying agent fees		1,500		1,500
	<u>0</u>	<u>231,745</u>	<u>0</u>	<u>231,745</u>
TOTAL EXPENDITURES	<u>\$ 1,222,714</u>	<u>\$ 251,704</u>	<u>\$ 288</u>	<u>\$ 1,474,706</u>

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 24

ANALYSIS OF CHANGES IN DEPOSITS AND TEMPORARY INVESTMENTS
ALL GOVERNMENTAL FUND TYPES

FOR THE YEAR ENDED JANUARY 31, 2022

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
SOURCES OF DEPOSITS AND TEMPORARY INVESTMENTS				
Cash receipts from revenues excluding maintenance taxes	\$ 1,266,650	\$ 277,722	\$ 138	\$ 1,544,510
Maintenance tax receipts		686,794		686,794
Transfer of maintenance taxes	652,317			652,317
Developer operating advances	23,500			23,500
Increase in customer and other deposits	9,475			9,475
Overpayments from taxpayers		<u>4,287</u>		<u>4,287</u>
TOTAL DEPOSITS AND TEMPORARY INVESTMENTS PROVIDED	<u>1,951,942</u>	<u>968,803</u>	<u>138</u>	<u>2,920,883</u>
APPLICATIONS OF DEPOSITS AND TEMPORARY INVESTMENTS				
Cash disbursements for:				
Current expenditures	1,162,896	22,279	2,538	1,187,713
Capital outlay	215,347			215,347
Debt service		231,745		231,745
Transfer of maintenance taxes		652,317		652,317
Refund of taxpayer overpayments		<u>5,457</u>		<u>5,457</u>
TOTAL DEPOSITS AND TEMPORARY INVESTMENTS APPLIED	<u>1,378,243</u>	<u>911,798</u>	<u>2,538</u>	<u>2,292,579</u>
INCREASE (DECREASE) IN DEPOSITS AND TEMPORARY INVESTMENTS	573,699	57,005	(2,400)	628,304
DEPOSITS AND TEMPORARY INVESTMENTS BALANCES, BEGINNING OF YEAR	<u>1,465,621</u>	<u>371,637</u>	<u>536,748</u>	<u>2,374,006</u>
DEPOSITS AND TEMPORARY INVESTMENTS BALANCES, END OF YEAR	<u>\$ 2,039,320</u>	<u>\$ 428,642</u>	<u>\$ 534,348</u>	<u>\$ 3,002,310</u>

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 24SCHEDULE OF TEMPORARY INVESTMENTSJANUARY 31, 2022

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Year End Balance</u>	<u>Accrued Interest Receivable</u>
GENERAL FUND				
TexPool				
No. 2575400001	Market	On demand	<u>\$ 1,715,555</u>	<u>\$ 0</u>
DEBT SERVICE FUND				
TexPool				
No. 2575400002	Market	On demand	<u>\$ 346,706</u>	<u>\$ 0</u>
CAPITAL PROJECTS FUND				
TexPool				
No. 2575400003	Market	On demand	<u>\$ 501,028</u>	<u>\$ 0</u>
Total – All Funds			<u>\$ 2,563,289</u>	<u>\$ 0</u>

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 24

TAXES LEVIED AND RECEIVABLE

FOR THE YEAR ENDED JANUARY 31, 2022

	<u>Maintenance Taxes</u>	<u>Debt Service Taxes</u>
RECEIVABLE, BEGINNING OF YEAR	\$ 115,192	\$ 51,783
Additions and corrections to prior year taxes	<u>1,834</u>	<u>980</u>
Adjusted receivable, beginning of year	117,026	52,763
2021 ADJUSTED TAX ROLL	<u>697,085</u>	<u>255,031</u>
Total to be accounted for	814,111	307,794
Tax collections: Current tax year	(591,324)	(216,338)
Prior tax years	<u>(95,470)</u>	<u>(50,446)</u>
RECEIVABLE, END OF YEAR	<u>\$ 127,317</u>	<u>\$ 41,010</u>
RECEIVABLE, BY TAX YEAR		
2011 and prior	\$ 8,702	\$
2012	1,017	
2013	1,103	
2014	1,107	
2015	1,137	
2016	1,203	
2017	1,256	
2018	1,352	
2019	1,089	399
2020	3,590	1,918
2021	<u>105,761</u>	<u>38,693</u>
RECEIVABLE, END OF YEAR	<u>\$ 127,317</u>	<u>\$ 41,010</u>

Fiscal year 2022 General Fund property tax revenue of \$484,962 under the modified accrual basis of accounting is comprised of prior tax year collections of \$95,470 during fiscal year 2022 and 2020 tax year collections of \$389,492 during fiscal year 2021.

Fiscal year 2022 Debt Service Fund property tax revenue of \$258,559 under the modified accrual basis of accounting is comprised of prior tax year collections of \$50,446 during fiscal year 2022 and 2020 tax year collections of \$208,113 during fiscal year 2021.

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 24

TAXES LEVIED AND RECEIVABLE (Continued)

FOR THE YEAR ENDED JANUARY 31, 2022

ADJUSTED PROPERTY VALUATIONS AS OF JANUARY 1 OF TAX YEAR	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Land	\$ 18,831,040	\$ 16,677,360	\$ 12,452,440	\$ 7,609,560
Improvements	67,286,460	50,218,250	43,912,430	25,765,060
Personal property	859,954	786,642	619,520	418,761
	<u>(1,967,083)</u>	<u>(1,198,468)</u>	<u>(1,038,789)</u>	<u>(1,617,775)</u>
 TOTAL PROPERTY VALUATIONS	 <u>\$ 85,010,371</u>	 <u>\$ 66,483,784</u>	 <u>\$ 55,945,601</u>	 <u>\$ 32,175,606</u>
 TAX RATES PER \$100 VALUATION				
Debt service tax rates	\$ 0.30000	\$ 0.39000	\$ 0.30000	\$ 0.00000
Maintenance tax rates*	<u>0.82000</u>	<u>0.73000</u>	<u>0.82000</u>	<u>1.12500</u>
 TOTAL TAX RATES PER \$100 VALUATION	 <u>\$ 1.12000</u>	 <u>\$ 1.12000</u>	 <u>\$ 1.12000</u>	 <u>\$ 1.12500</u>
 TAX ROLLS	 <u>\$ 952,116</u>	 <u>\$ 744,618</u>	 <u>\$ 626,591</u>	 <u>\$ 361,976</u>
 PERCENT OF TAXES COLLECTED TO TAXES LEVIED	 <u>84.8 %</u>	 <u>99.3 %</u>	 <u>99.8 %</u>	 <u>99.6 %</u>

*Maximum tax rate approved by voters on May 2, 1998: \$2.00

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 24

LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS

JANUARY 31, 2022

Due During Fiscal Years Ending January 31	Series 2019		
	Principal Due March 1	Interest Due March 1, September 1	Total
2023	\$	\$ 174,375	\$ 174,375
2024	125,000	172,501	297,501
2025	150,000	168,375	318,375
2026	150,000	163,875	313,875
2027	175,000	159,000	334,000
2028	175,000	153,750	328,750
2029	200,000	148,125	348,125
2030	200,000	142,125	342,125
2031	200,000	136,000	336,000
2032	200,000	129,625	329,625
2033	225,000	122,578	347,578
2034	225,000	114,844	339,844
2035	250,000	106,531	356,531
2036	250,000	97,781	347,781
2037	275,000	88,422	363,422
2038	275,000	78,281	353,281
2039	300,000	67,500	367,500
2040	300,000	56,250	356,250
2041	325,000	44,531	369,531
2042	325,000	32,344	357,344
2043	350,000	19,688	369,688
2044	350,000	6,562	356,562
TOTALS	<u>\$ 5,025,000</u>	<u>\$ 2,383,063</u>	<u>\$ 7,408,063</u>

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 24
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)
JANUARY 31, 2022

Due During Fiscal Years Ending January 31	Series 2020		
	Principal Due March 1	Interest Due March 1, September 1	Total
2023	\$	\$ 67,044	\$ 67,044
2024		67,044	67,044
2025	50,000	65,919	115,919
2026	75,000	63,106	138,106
2027	75,000	59,732	134,732
2028	75,000	56,356	131,356
2029	75,000	52,982	127,982
2030	75,000	49,606	124,606
2031	100,000	45,794	145,794
2032	100,000	41,544	141,544
2033	100,000	38,419	138,419
2034	100,000	36,419	136,419
2035	100,000	34,418	134,418
2036	100,000	32,418	132,418
2037	125,000	30,168	155,168
2038	125,000	27,668	152,668
2039	125,000	25,012	150,012
2040	125,000	22,200	147,200
2041	125,000	19,388	144,388
2042	150,000	16,294	166,294
2043	150,000	12,825	162,825
2044	150,000	9,263	159,263
2045	150,000	5,700	155,700
2046	165,000	1,959	166,959
TOTALS	<u>\$ 2,415,000</u>	<u>\$ 881,278</u>	<u>\$ 3,296,278</u>

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 24
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)
JANUARY 31, 2022

Annual Requirements for All Series			
Due During Fiscal Years Ending January 31	Total Principal Due	Total Interest Due	Total
2023	\$	\$ 241,419	\$ 241,419
2024	125,000	239,545	364,545
2025	200,000	234,294	434,294
2026	225,000	226,981	451,981
2027	250,000	218,732	468,732
2028	250,000	210,106	460,106
2029	275,000	201,107	476,107
2030	275,000	191,731	466,731
2031	300,000	181,794	481,794
2032	300,000	171,169	471,169
2033	325,000	160,997	485,997
2034	325,000	151,263	476,263
2035	350,000	140,949	490,949
2036	350,000	130,199	480,199
2037	400,000	118,590	518,590
2038	400,000	105,949	505,949
2039	425,000	92,512	517,512
2040	425,000	78,450	503,450
2041	450,000	63,919	513,919
2042	475,000	48,638	523,638
2043	500,000	32,513	532,513
2044	500,000	15,825	515,825
2045	150,000	5,700	155,700
2046	165,000	1,959	166,959
TOTALS	\$ 7,440,000	\$ 3,264,341	\$ 10,704,341

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 24

ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT

FOR THE YEAR ENDED JANUARY 31, 2022

	<u>(1)</u>	<u>(2)</u>	<u>Totals</u>
Bond Series:	2019	2020	
Interest Rate:	3.00% to 3.75%	2.00% to 4.50%	
Dates Interest Payable:	March 1/ September 1	March 1/ September 1	
Maturity Dates:	March 1, 2023/2043	March 1, 2024/2045	
Bonds Outstanding at Beginning of Current Year	\$ 5,025,000	\$ 2,415,000	\$ 7,440,000
Less Retirements	<u>0</u>	<u>0</u>	<u>0</u>
Bonds Outstanding at End of Current Year	<u>\$ 5,025,000</u>	<u>\$ 2,415,000</u>	<u>\$ 7,440,000</u>
Current Year Interest Paid:	<u>\$ 174,375</u>	<u>\$ 55,870</u>	<u>\$ 230,245</u>

Bond Descriptions and Original Amount of Issue

(1) Montgomery County Municipal Utility District No. 24 Unlimited Tax Bonds, Series 2019 (\$5,025,000)

(2) Montgomery County Municipal Utility District No. 24 Unlimited Tax Bonds, Series 2020 (\$2,415,000)

Paying Agent/Registrar

(1) (2) The Bank of New York Mellon Trust Company, N.A., Dallas, Texas

<u>Bond Authority</u>	<u>Tax Bonds</u>	<u>Other Bonds</u>	<u>Refunding Bonds</u>
Amount Authorized by Voters:	\$ 44,000,000	\$ 0	\$ 5,000,000
Amount Issued:	7,440,000		130,000
Remaining to be Issued:	36,560,000		4,870,000

Net Debt Service Fund deposits and investments balances as of January 31, 2022:	\$121,765
Average annual debt service payment for remaining term of all debt:	446,014

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 24
COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES,
GENERAL FUND
FOR YEARS ENDED JANUARY 31

	AMOUNT					PERCENT OF TOTAL REVENUES				
	2022	2021	2020	2019	2018	2022	2021	2020	2019	2018
REVENUES										
Property taxes	\$ 484,962	\$ 454,787	\$ 360,677	\$ 287,593	\$ 274,746	30.8 %	39.3 %	37.7 %	34.8 %	46.4 %
Water service	323,975	266,954	183,808	131,096	88,530	20.5	23.1	19.2	15.8	14.9
Sewer service	299,067	226,146	192,951	151,937	117,619	19.0	19.6	20.1	18.3	19.9
Surface water fees	45,682	42,890	89,976	40,662	38,510	2.9	3.7	9.4	4.9	6.5
Penalty	8,751	3,024	8,365	9,976	12,457	0.6	0.3	0.9	1.2	2.1
Tap connection and inspection fees	401,257	148,475	102,590	164,860	47,260	25.4	12.8	10.7	19.9	8.0
Interest on deposits and investments	346	4,145	16,634	10,651	4,167	0.0	0.4	1.7	1.3	0.7
Other revenues	13,199	9,595	2,944	31,225	9,062	0.8	0.8	0.3	3.8	1.5
TOTAL REVENUES	<u>1,577,239</u>	<u>1,156,016</u>	<u>957,945</u>	<u>828,000</u>	<u>592,351</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
EXPENDITURES										
Current:										
Purchased services	104,426	17,344	0	0	0	6.6	1.5	0.0	0.0	0.0
Professional fees	130,039	99,454	75,762	80,761	66,663	8.2	8.6	7.9	9.8	11.2
Contracted services	64,301	51,202	44,678	43,523	41,828	4.1	4.4	4.7	5.3	7.1
Utilities	26,065	23,183	21,482	22,365	18,821	1.7	2.0	2.2	2.7	3.2
Surface water pumpage fees	65,414	83,011	96,281	69,828	45,538	4.1	7.2	10.1	8.4	7.7
Repairs, maintenance and other operating expenditures	405,480	363,369	384,382	185,678	154,670	25.6	31.5	40.1	22.3	26.0
Security service	27,658	28,040	27,760	21,410	21,035	1.8	2.4	2.9	2.6	3.6
Garbage disposal	100,717	75,505	57,411	41,677	40,030	6.4	6.5	6.0	5.0	6.8
Administrative expenditures	83,267	63,246	64,864	56,904	55,630	5.3	5.5	6.8	6.9	9.4
Capital outlay	215,347	80,925	69,131	131,345	17,150	13.7	7.0	7.2	15.9	2.9
TOTAL EXPENDITURES	<u>1,222,714</u>	<u>885,279</u>	<u>841,751</u>	<u>653,491</u>	<u>461,365</u>	<u>77.5</u>	<u>76.6</u>	<u>87.9</u>	<u>78.9</u>	<u>77.9</u>
EXCESS REVENUES (EXPENDITURES)	<u>\$ 354,525</u>	<u>\$ 270,737</u>	<u>\$ 116,194</u>	<u>\$ 174,509</u>	<u>\$ 130,986</u>	<u>22.5 %</u>	<u>23.4 %</u>	<u>12.1 %</u>	<u>21.1 %</u>	<u>22.1 %</u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>568</u>	<u>459</u>	<u>382</u>	<u>338</u>	<u>241</u>					
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>561</u>	<u>453</u>	<u>376</u>	<u>333</u>	<u>239</u>					

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 24
COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES,
DEBT SERVICE FUND
FOR YEARS ENDED JANUARY 31

	AMOUNT					PERCENT OF TOTAL REVENUES				
	2022	2021	2020*	2019	2018	2022	2021	2020	2019	2018
REVENUES										
Property taxes	\$ 258,559	\$ 166,248	\$ 0			95.9 %	96.6 %	0.0 %	%	%
Penalty and interest	10,738	4,581	3,800			4.0	2.7	66.4		
Accrued interest on bonds received at date of sale	0	745	484			0.0	0.4	25.2		
Interest on deposits and investments	200	543	1,446			0.1	0.3	8.4		
TOTAL REVENUES	269,497	172,117	5,730	0	0	100.0	100.0	100.0	0.0	0.0
EXPENDITURES										
Current:										
Professional fees	2,582	1,056	1,357			1.0	0.6	23.7		
Contracted services	12,687	8,697	7,454			4.7	5.1	130.1		
Other expenditures	4,690	3,178	2,682			1.7	1.8	46.8		
Debt service:										
Principal retirement	0	0	0			0.0	0.0	0.0		
Interest and fees	231,745	174,375	58,875			86.0	101.3	1027.5		
TOTAL EXPENDITURES	251,704	187,306	70,368	0	0	93.4	108.8	1228.1	0.0	0.0
EXCESS REVENUES (EXPENDITURES)	\$ 17,793	\$ (15,189)	\$ (64,638)	\$ 0	\$ 0	6.6 %	(8.8) %	(1128.1) %	0.0 %	0.0 %

*First year of financial activity

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 24BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTSJANUARY 31, 2022

Complete District Mailing Address: Montgomery County Municipal Utility District No. 24
c/o Young & Brooks
10000 Memorial Drive, Suite 260
Houston, Texas 77024

District Business Telephone No.: 713-951-0800

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

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

BOARD MEMBERS

<u>Name and Address</u>	<u>Term of Office (Elected/ Appointed)</u>	<u>Fees of Office Paid</u>	<u>Expense Reimb.</u>	<u>Title at Year End</u>
Allan L. Griffin, Jr. 19331 Kanawha Drive Porter, Texas 77365	Elected 5/02/20- 5/04/24	\$ 6,150	\$ 1,725	President/ Investment Officer
Kristy L. Tennant 3206 Crossman Street Porter, Texas 77365	Elected 5/05/18- 5/07/22	3,600	1,862	Vice President
Sheila K. Silva 3222 Crossman Street Porter, Texas 77365	Elected 5/05/18- 5/07/22	6,275	2,046	Secretary
Verna G. Bell P.O. Box 370 Porter, Texas 77365	Elected 5/02/20- 5/04/24	4,500	685	Assistant Secretary
George E. Breshears, Jr. 3226 Crossman Street New Caney, Texas 77357	Appointed 8/30/21- 5/04/24	1,050	579	Director

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 24
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS (Continued)

JANUARY 31, 2022

CONSULTANTS

<u>Name and Address</u>	<u>Date Hired</u>	<u>Fees and Expense Reimbursements</u>	<u>Title at Year End</u>
Young & Brooks 10000 Memorial Drive, Suite 260 Houston, Texas 77024	1/09/75	\$ 78,898	Attorney
Myrtle Cruz, Inc. 3401 Louisiana, Suite 400 Houston, Texas 77002	8/10/78	22,343	Bookkeeper
Municipal Operations & Consulting, Inc. 27316 Spectrum Way Oak Ridge, Texas 77385	11/01/09	345,269	Operator
A & S Engineers, Inc. 10377 Stella Link Road Houston, Texas 77025	2/06/17	41,473	Engineer
Equi-Tax, Inc. P.O. Box 73109 Houston, Texas 77273	1/01/76	8,134	Tax Assessor- Collector
Montgomery Central Appraisal District P.O. Box 2233 Conroe, Texas 77305	Legislative Action	6,537	Central Appraisal District
The GMS Group, L.L.C. 5075 Westheimer, Suite 1175 Houston, Texas 77056	9/23/95	1,300	Financial Advisor
Mark C. Eyring, CPA, PLLC 12702 Century Drive, Suite C2 Stafford, Texas 77477	Prior to 1992	10,950	Independent Auditor

See accompanying independent auditor's report.

APPENDIX B

SPECIMEN MUNICIPAL BOND INSURANCE POLICY



BAM

**MUNICIPAL BOND
INSURANCE POLICY**

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

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

Effective Date: _____

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

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

SPECIAL MEMBER

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

1 World Financial Center, 27th floor

200 Liberty Street

New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN