OFFICIAL STATEMENT DATED OCTOBER 11, 2022

IN THE OPINION OF BOND COUNSEL, THE BONDS ARE VALID OBLIGATIONS OF WOOD TRACE MUNICIPAL UTILITY DISTRICT NO. 1, OF MONTGOMERY COUNTY, TEXAS AND INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR PURPOSES OF FEDERAL INCOME TAXATION UNDER STATUTES, REGULATIONS, PUBLISHED RULINGS AND COURT DECISIONS EXISTING ON THE DATE OF SUCH OPINION, SUBJECT TO THE MATTERS DESCRIBED UNDER "LEGAL MATTERS" HEREIN, INCLUDING THE ALTERNATIVE MINIMUM TAX ON CERTAIN CORPORATIONS. SEE "LEGAL MATTERS" HEREIN FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.

THE BONDS HAVE BEEN DESIGNATED "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS. SEE "LEGAL MATTERS—QUALIFIED TAX-EXEMPT OBLIGATIONS."

BOOK ENTRY ONLY

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

WOOD TRACE MUNICIPAL UTILITY DISTRICT NO. 1, OF MONTGOMERY COUNTY, TEXAS

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

$2,420,000
UNLIMITED TAX BONDS
SERIES 2022

$5,830,000
UNLIMITED TAX PARK BONDS
SERIES 2022A

Dated Date: November 1, 2022
Interest accrual date: Date of Delivery

Due: March 1, as shown below

The $2,420,000 Unlimited Tax Bonds, Series 2022 (the "Series 2022 Bonds") and the $5,830,000 Unlimited Tax Park Bonds, Series 2022A (the "Series 2022A Park Bonds") (collectively referred herein as the "Bonds") are obligations solely of Wood Trace Municipal Utility District No. 1, of Montgomery County, Texas (the "District"), and are not obligations of the State of Texas, Montgomery County, Texas, or any entity other than the District. THE PURCHASE AND OWNERSHIP OF THE BONDS ARE SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS AND ALL PROSPECTIVE PURCHASERS ARE URGED TO EXAMINE CAREFULLY THIS ENTIRE OFFICIAL STATEMENT WITH RESPECT TO THE INVESTMENT SECURITY OF THE BONDS, INCLUDING PARTICULARLY THE SECTION CAPTIONED "INVESTMENT CONSIDERATIONS."

Principal of the Bonds is payable at maturity or prior redemption at the principal payment office of the paying agent/registrar, initially The Bank of New York Mellon Trust Company, N.A. in Dallas, Texas (the "Paying Agent/Registrar"). Interest on the Bonds accrues from the initial date of delivery (expected to be November 10, 2022) (the "Date of Delivery") and is payable on each March 1 and September 1 (each an "Interest Payment Date") commencing March 1, 2023, until maturity or prior redemption. The Bonds will be issued only in fully registered form and in denominations of $5,000 each or integral multiples thereof. The Bonds mature and are subject to redemption prior to their maturity as shown on the inside cover.

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

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

See "MATURITY SCHEDULES" on the inside cover.

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

The Bonds are offered when, as and if issued by the District, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Schwartz, Page & Harding, L.L.P., Bond Counsel, Houston, Texas. Delivery of the Bonds in book-entry form through DTC is expected on or about November 10, 2022.

MATURITY SCHEDULES

$2,420,000
SERIES 2022 BONDS

Due (March 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Number (b)	Due (March 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Number (b)
2024	$ 125,000	6.00 %	3.350 %	978642 GT7	2027	$ 125,000	6.00 %	3.650 %	978642 GW0
2025	125,000	6.00	3.450	978642 GU4	2028	120,000	6.00	3.750	978642 GX8
2026	125,000	6.00	3.550	978642 GV2	2029	120,000	6.00	3.850	978642 GY6

$240,000 Term Bonds due March 1, 2031 (c), 978642 HA7 (b), 4.00% Interest Rate, 4.000% Yield (a)
$240,000 Term Bonds due March 1, 2033 (c), 978642 HC3 (b), 4.00% Interest Rate, 4.200% Yield (a)
$240,000 Term Bonds due March 1, 2035 (c), 978642 HE9 (b), 4.25% Interest Rate, 4.382% Yield (a)
$240,000 Term Bonds due March 1, 2037 (c), 978642 HG4 (b), 4.25% Interest Rate, 4.450% Yield (a)
$240,000 Term Bonds due March 1, 2039 (c), 978642 HJ8 (b), 4.25% Interest Rate, 4.550% Yield (a)
$480,000 Term Bonds due March 1, 2043 (c), 978642 HN9 (b), 4.50% Interest Rate, 4.600% Yield (a)

$5,830,000
SERIES 2022A PARK BONDS

Due (March 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Number (b)	Due (March 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Number (b)
2024	$ 295,000	6.00 %	3.350 %	978642 HP4	***	***	***	***	*** ***
2025	295,000	5.00	3.450	978642 HQ2	2032	$ 290,000	4.00 %	4.100 %	978642 HX7
2026	295,000	6.00	3.550	978642 HR0	2033	290,000	4.00	4.200	978642 HY5
2027	295,000	6.00	3.650	978642 HS8	***	***	***	***	*** ***
2028	295,000	6.00	3.750	978642 HT6	2038	290,000	4.25	4.500	978642 JD9
2029	295,000	6.00	3.850	978642 HU3	2039	290,000	4.25	4.550	978642 JE7

$ 580,000 Term Bonds due March 1, 2031 (c), 978642 HW9 (b), 4.00% Interest Rate, 4.000% Yield (a)
$ 580,000 Term Bonds due March 1, 2035 (c), 978642 JA5 (b), 4.25% Interest Rate, 4.382% Yield (a)
$ 580,000 Term Bonds due March 1, 2037 (c), 978642 JC1 (b), 4.25% Interest Rate, 4.450% Yield (a)
$1,160,000 Term Bonds due March 1, 2043 (c), 978642 JJ6 (b), 4.50% Interest Rate, 4.600% Yield (a)

(a) Initial yield represents the initial offering yield to the public, which has been established by the Underwriters for offers to the public and which subsequently may be changed.
(b) CUSIP Numbers have been assigned to the Bonds by CUSIP Global Services and are included solely for the convenience of the purchasers of the Bonds. Neither the District nor the Underwriters shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.
(c) The Bonds maturing on or after March 1, 2030 are subject to redemption prior to maturity at the option of the District, in whole or, from time to time in part, on March 1, 2029, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. The Term Bonds (as defined herein) are also subject to mandatory sinking fund redemption as more fully described herein. See “THE BONDS—Redemption Provisions.”

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

All of the summaries of the statutes, resolutions, orders, contracts, audited financial statements, engineering and other related reports set forth in this OFFICIAL STATEMENT are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Schwartz, Page & Harding, L.L.P., Bond Counsel, 1300 Post Oak Boulevard, Suite 2400, Houston, Texas, 77056, for further information.

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

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

Neither the District nor the Underwriters make any representations as to the accuracy, completeness, or adequacy of the information supplied by The Depository Trust Company for use in this OFFICIAL STATEMENT.

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

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Series 2022 Bonds, the District accepted the bid resulting in the lowest net effective interest rate, which bid was tendered by SAMCO Capital Markets, Inc. (the "Series 2022 Bond Underwriter") bearing the interest rates shown on the inside cover hereof, at a price of 98.00% of the par value thereof which resulted in a net effective interest rate of 4.670702%, as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended (the IBA method).

After requesting competitive bids for the Series 2022A Park Bonds, the District accepted the bid resulting in the lowest net effective interest rate, which bid was tendered by SAMCO Capital Markets, Inc. (the "Series 2022A Park Bond Underwriter") bearing the interest rates shown on the inside cover hereof, at a price of 98.05% of the par value thereof which resulted in a net effective interest rate of 4.654035%, as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended (the IBA method).

The Series 2022 Bond Underwriter and the Series 2022A Park Bond Underwriter shall be referred to herein collectively as the "Underwriters."

Prices and Marketability

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

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

Securities Laws

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

OFFICIAL STATEMENT SUMMARY

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

INFECTIOUS DISEASE OUTLOOK (COVID-19)

General... The purchase and ownership of the Bonds is subject to certain investment considerations, including certain factors related to the current COVID-19 pandemic. See "INVESTMENT CONSIDERATIONS—Infectious Disease Outlook (COVID-19)."

THE DISTRICT

Description... The District is a political subdivision of the State of Texas, created by House Bill 2322, Chapter 218, Acts of the 72nd Legislature, Regular Session, 1991, and confirmed at an election in the District on May 5, 2001. The District operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended. The District currently consists of approximately 547 acres of land. See "THE DISTRICT."

Location... The District is located approximately 32 miles northwest of the central downtown business district of the City of Houston and within the boundaries of the Tomball Independent School District. A small portion of the District is located within the extraterritorial jurisdiction of Stagecoach, Texas. The District is bounded on the north by Coe Road and Texas State Highway 249 is located to the east of the District at Decker Prairie Road. See "THE DISTRICT" and "AERIAL LOCATION MAP."

The Developer... Lennar Homes of Texas Land and Construction, Ltd., a Texas limited partnership, d.b.a. Friendswood Development Company (the "Developer") purchased 380 acres of undeveloped land and 217 developed lots in the District from Primewood Investments, LP ("Primewood") in 2013. The Developer is wholly owned by Lennar Corporation ("Lennar"), a publicly traded corporation whose stock is listed on the New York Stock Exchange under the ticker symbol "LEN." Lennar's activities include homebuilding, real estate investments, residential and commercial developments and financial services operations throughout the United States.

Status of Development... Underground utilities and paving are complete for 992 single-family residential lots on approximately 429 acres. As of August 2022, 817 homes were complete and occupied, 114 homes were under construction or in a builder's name and 61 developed lots were available for home construction. According to the Developer, new homes in the District have a sales price ranging from approximately $300,000 to over $700,000.

The remainder of the District is comprised of approximately 75 acres that are not developable (easements, recreation, street rights-of-way and utility sites) and approximately 43 developable acres that have not been provided with utility service. See "THE DISTRICT—Land Use," "—Status of Development," and "—Future Development."

Homebuilders... Homebuilders actively marketing or building homes in the District include Village Builders (Lennar Homes), Drees Customs Homes, and J. Patrick Homes. See "THE DISTRICT—Homebuilding."

Payment Record... The District has previously issued $35,110,000 principal amount of unlimited tax bonds for water, sewer and drainage facilities in seven series, $30,845,000 of which is outstanding (the "Outstanding Bonds") as of the date hereof. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds."

THE BONDS

Description...	The $2,420,000 Unlimited Tax Bonds, Series 2022 (the "Series 2022 Bonds") and the $5,830,000 Unlimited Tax Park Bonds, Series 2022A (the "Series 2022A Park Bonds") (collectively referred herein as the "Bonds") are being issued as fully registered bonds pursuant to separate orders (collectively, the "Bond Orders") authorizing the issuance of each series of the Bonds adopted by the District's Board of Directors (the "Board"). The Series 2022 Bonds are scheduled to mature serially on March 1 in each of the years 2024 through 2029, both inclusive, and as term bonds on March 1 in each of the years 2031, 2033, 2035, 2037, 2039 and 2043 (the "Series 2022 Term Bonds"). The Series 2022A Park Bonds are scheduled to mature serially on March 1 in each of the years 2024 through 2029, both inclusive, 2032, 2033, 2038 and 2039, and as term bonds on March 1 in each of the years 2031, 2035, 2037 and 2043 (the "Series 2022A Park Term Bonds"). The Series 2022 Term Bonds and the Series 2022A Park Term Bonds shall be referred to herein collectively as the "Term Bonds." The Bonds will be issued in denominations of $5,000 or integral multiples of $5,000. Interest on the Bonds accrues from the Date of Delivery, and is payable on March 1, 2023, and on each September 1 and March 1 thereafter, until maturity or prior redemption. See "THE BONDS" and "BOOK-ENTRY-ONLY SYSTEM."
Book-Entry-Only System...	The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each series and maturity of the Bonds and will be deposited with DTC or its designee. See "BOOK-ENTRY-ONLY SYSTEM."
Redemption...	The Bonds maturing on or after March 1, 2030 are subject to redemption prior to maturity at the option of the District, in whole or, from time to time in part, on March 1, 2029, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. The Term Bonds are also subject to mandatory sinking fund redemption as more fully described herein. See "THE BONDS—Redemption Provisions."
Use of Proceeds...	Proceeds of the Bonds will be used to pay for the items shown herein under "USE AND DISTRIBUTION OF BOND PROCEEDS," including twelve (12) months of capitalized interest on the Series 2022A Park Bonds, interest on funds advanced by the Developer (hereinafter defined) and Primewood Investments, LP on behalf of the District; and engineering fees, administrative costs, and certain other costs related to the issuance of the Bonds and operating expenses of the District.
Authority for Issuance...	At elections held within the District on May 10, 2014, voters authorized a total of $102,850,000 principal amount of unlimited tax bonds for purposes of acquiring or constructing water, sewer and drainage facilities, $38,850,000 principal amount of unlimited tax bonds for purposes of parks and recreation facilities, and $141,700,000 principal amount of unlimited tax refunding bonds for the purpose of refunding outstanding bonds. The Series 2022 Bonds are the eighth issue out of such authorization for water, sewer and drainage facilities and the Series 2022A Park Bonds are the first issue out of such authorization for parks and recreation facilities, respectively. After sale of the Bonds, the District will have $65,320,000 principal amount of unlimited tax bonds authorized but unissued for purposes of construction and acquisition of water, sewer and drainage facilities, $33,020,000 principal amount of unlimited tax bonds authorized but unissued for purposes of parks and recreation facilities and $141,700,000 principal amount of unlimited tax refunding bonds authorized but unissued for purposes of refunding outstanding bonds. See "THE BONDS—Authority for Issuance."
Source of Payment...	Principal of and interest on the Bonds are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. The Bonds are obligations of the District and are not obligations of the Montgomery County, the State of Texas or any entity other than the District. See "THE BONDS—Source and Security for Payment."

Municipal Bond Rating and Municipal Bond Insurance...	S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, ("S&P") has assigned a municipal bond rating of "AA" (stable outlook) to the Bonds with the understanding that, upon delivery of the Bonds, a municipal bond insurance policy ensuring the timely payment of the principal of and interest on the Bonds will be issued by Build America Mutual Assurance Company ("BAM"). Moody's Investors Service, Inc. ("Moody's") has assigned an underlying rating of "Baa2" to the Bonds. An explanation of the ratings may be obtained from S&P and Moody's. See "INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance," "MUNICIPAL BOND RATING" and "MUNICIPAL BOND INSURANCE."
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. See "LEGAL MATTERS—Qualified Tax-Exempt Obligations."
Bond Counsel...	Schwartz, Page & Harding, L.L.P., Houston, Texas. See "MANAGEMENT OF THE DISTRICT—District Consultants" and "LEGAL MATTERS."
Financial Advisor...	Masterson Advisors LLC, Houston, Texas. See "MANAGEMENT OF THE DISTRICT—District Consultants" and "PREPARATION OF OFFICIAL STATEMENT."
Disclosure Counsel...	McCall, Parkhurst & Horton L.L.P., Houston, Texas. See "LEGAL MATTERS."
Paying Agent/Registrar...	The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. See "THE BONDS—Method of Payment of Principal and Interest."

INVESTMENT CONSIDERATIONS

The purchase and ownership of the Bonds are subject to special risk factors and all prospective purchasers are urged to examine carefully this entire Official Statement with respect to the investment security of the Bonds, including particularly the section captioned "INVESTMENT CONSIDERATIONS."

FINANCIAL INFORMATION (UNAUDITED)

2022 Taxable Assessed Valuation	$353,451,530	(a)
Estimated Taxable Assessed Valuation as of July 15, 2022	$403,644,699	(b)
Gross Direct Debt Outstanding (the Bonds and the Outstanding Bonds)	$39,095,000	(c)
Estimated Overlapping Debt	14,499,224	(d)
Gross Direct Debt and Estimated Overlapping Debt	$53,594,224	
Ratios of Gross Direct Debt to:		
2022 Taxable Assessed Valuation	11.06%	
Estimated Taxable Assessed Valuation as of July 15, 2022	9.69%	
Ratios of Gross Direct Debt and Estimated Overlapping Debt to:		
2022 Taxable Assessed Valuation	15.16%	
Estimated Taxable Assessed Valuation as of July 15, 2022	13.28%	
Funds Available for Debt Service:		
Debt Service Fund Balance as of August 9, 2022	$2,409,268	(e)
Capitalized Interest from proceeds of the Series 2022A Park Bonds	275,800	(f)
Total Funds Available for Debt Service	$2,685,068	
Funds Available for Operations and Maintenance as of August 9, 2022	$2,805,841	
Funds Available for Capital Projects as of August 9, 2022	$2,361,188	
2022 Debt Service Tax Rate	$0.85	
2022 Maintenance Tax Rate	0.37	
2022 Total Tax Rate	$1.22	
Average Annual Debt Service Requirement (2023-2043)	$2,472,884	
Maximum Annual Debt Service Requirement (2024)	$3,095,675	
Tax Rates Required to Pay Average Annual Debt Service (2023-2043) at a 95% Collection Rate:		
Based upon 2022 Taxable Assessed Valuation	$0.74	(g)
Based upon Estimated Taxable Assessed Valuation as of July 15, 2022	$0.65	(g)
Tax Rates Required to Pay Maximum Annual Debt Service (2024) at a 95% Collection Rate:		
Based upon 2022 Taxable Assessed Valuation	$0.93	(g)
Based upon Estimated Taxable Assessed Valuation as of July 15, 2022	$0.81	(g)
Status of Development as of August 2022 (h):		
Total Completed Homes (817 occupied)	817	
Homes Under Construction or in a Builder's Name	114	
Vacant Developed Lots Available for Construction	61	
Estimated Population	2,860	(i)

(a) The Montgomery Central Appraisal District (the "Appraisal District") has certified $340,261,000 of taxable value as of January 1, 2022. An additional $13,190,530 of taxable value remains uncertified, subject to downward revision prior to certification. The 2022 Taxable Assessed Valuation shown throughout the OFFICIAL STATEMENT represents the certified value plus the uncertified value. See "TAX PROCEDURES."

(b) Provided by the Appraisal District for informational purposes only. Such amounts reflect an estimate of the taxable assessed value within the District on July 15, 2022. Increases in value that occur between January 1, 2022 and July 15, 2022 will be assessed for taxation on January 1, 2023. No tax will be levied on such amount until it is certified by the Appraisal District.

(c) After the issuance of the Bonds. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds."

(d) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Estimated Overlapping Debt."

(e) Neither Texas law or the Bond Resolution requires the District to maintain any minimum balance in the Debt Service Fund. See "THE BONDS—Funds" and "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements."

(f) The District will capitalize $275,800 of interest from Series 2022A Park Bond proceeds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

(g) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements" and "TAX DATA—Tax Adequacy for Debt Service."

(h) See "THE DISTRICT—Land Use" and "—Status of Development."

(i) Based upon 3.5 persons per occupied single-family residence.

OFFICIAL STATEMENT

WOOD TRACE MUNICIPAL UTILITY DISTRICT NO. 1, OF MONTGOMERY COUNTY, TEXAS

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

$2,420,000
UNLIMITED TAX BONDS
SERIES 2022

$5,830,000
UNLIMITED TAX PARK BONDS
SERIES 2022A

This OFFICIAL STATEMENT provides certain information in connection with the issuance by Wood Trace Municipal Utility District No. 1, of Montgomery County, Texas (the "District") of its $2,420,000 Unlimited Tax Bonds, Series 2022 (the "Series 2022 Bonds") and the $5,830,000 Unlimited Tax Park Bonds, Series 2022A (the "Series 2022A Park Bonds") (collectively referred herein as the "Bonds").

The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, the general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas, separate orders authorizing, respectively, the issuance of the Series 2022 Bonds and the Series 2022A Park Bonds (collectively the "Bond Orders") adopted by the Board of Directors of the District (the "Board"), an order of the Texas Commission on Environmental Quality (the "TCEQ") and an election held within the District.

This OFFICIAL STATEMENT includes descriptions, among others, of the Bonds and the Bond Orders, and certain other information about the District, Lennar Homes of Texas Land and Construction Ltd., a Texas limited partnership, d.b.a. Friendswood Development Company (the "Developer"), Primewood Investments, LP ("Primewood"), homebuilding in the District and development activity in the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of certain of the documents may be obtained from Schwartz, Page & Harding, L.L.P., Bond Counsel, 1300 Post Oak Boulevard, Suite 2400, Houston, Texas 77056, upon payment of duplication costs therefor.

THE BONDS

General

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

Description

The Bonds will be dated November 1, 2022, with interest payable on March 1, 2023, and on each September 1 and March 1 thereafter (each an "Interest Payment Date") until the earlier of maturity or redemption. Interest on the Bonds initially accrues from the Date of Delivery, and thereafter, from the most recent Interest Payment Date. The Bonds mature on March 1 of the years and in the principal amounts and accrue interest at the rates shown under "MATURITY SCHEDULE" on the inside cover page hereof. The Bonds are issued in fully registered form only in denominations of $5,000 or any integral multiple of $5,000 for any one maturity. The Bonds will be registered and delivered only to The Depository Trust Company, New York, New York ("DTC"), in its nominee name of Cede & Co., pursuant to the book-entry system described herein ("Registered Owners"). No physical delivery of the Bonds will be made to the purchasers thereof. See "BOOK-ENTRY-ONLY SYSTEM." Interest calculations are based upon a three hundred sixty (360) day year comprised of twelve (12) thirty (30) day months.

Authority for Issuance

At elections held within the District on May 10, 2014, voters authorized a total of $102,850,000 principal amount of unlimited tax bonds for purposes of acquiring or constructing water, sewer and drainage facilities, $38,850,000 principal amount of unlimited tax bonds for purposes of parks and recreation facilities, and $141,700,000 principal amount of unlimited tax refunding bonds for the purpose of refunding outstanding bonds. The Series 2022 Bonds are the eighth issue out of such authorization for water, sewer and drainage facilities and the Series 2022A Park Bonds are the first issue out of such authorization for parks and recreation facilities. After sale of the Bonds, the District will have $65,320,000 principal amount of unlimited tax bonds authorized but unissued for purposes of construction and acquisition of water, sewer and drainage facilities, $33,020,000 principal amount of unlimited tax bonds authorized but unissued for purposes of parks and recreation facilities, and $141,700,000 principal amount of unlimited tax refunding bonds authorized but unissued for purposes of refunding outstanding bonds. The Bonds are issued by the District pursuant to the terms and provisions of the Bond Orders; Article XVI, Section 59 of the Texas Constitution; Chapters 49 and 54 of the Texas Water Code, as amended, the general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas, and an order of the TCEQ dated September 21, 2022. See "THE BONDS—Issuance of Additional Debt."

Source and Security for Payment

The Bonds, together with the Outstanding Bonds and any additional bonds payable from ad valorem taxes, are secured by and payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property located within the District. See "TAX PROCEDURES." Investment in the Bonds involves certain elements of risk, and all prospective purchasers are urged to examine carefully this OFFICIAL STATEMENT with respect to the investment security of the Bonds. See "INVESTMENT CONSIDERATIONS." The Bonds are obligations solely of the District and are not obligations of Montgomery County, the State of Texas, or any political subdivision or entity other than the District.

Funds

The Bond Orders confirm the establishment of the District's Construction Fund and the District's Bond Fund (the "Bond Fund") created and established pursuant to the orders of the District authorizing the issuance of the Outstanding Bonds. An amount equal to twelve (12) months interest on the Bonds will be deposited from the proceeds from sale of the Series 2022A Park Bonds into the Bond Fund. All remaining proceeds of the Bonds will be deposited in the Construction Fund. The Bond Fund, which constitutes a trust fund for the benefit of the owners of the Outstanding Bonds, the Bonds and any additional tax bonds issued by the District, is to be kept separate from all other funds of the District and is to be used for payment of debt service on the Outstanding Bonds, the Bonds and any of the District's duly authorized additional bonds payable in whole or part from taxes. Amounts on deposit in the Bond Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar, to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Outstanding Bonds, the Bonds and any additional bonds payable in whole or in part from taxes, and to pay any tax anticipation notes issued, together with interest thereon, as such tax anticipation notes become due.

Record Date

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

Redemption Provisions

Mandatory Redemption of the Series 2022 Term Bonds: The Series 2022 Bonds maturing on March 1 in each of the years 2031, 2033, 2035, 2037, 2039 and 2043 (the "Series 2022 Term Bonds") shall be redeemed at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption (the "Redemption Date"), on March 1 in each of the years and in the principal amounts set forth in the following schedule (with each such scheduled principal amount reduced by the principal amount as may have been previously redeemed through the exercise of the District's reserved right of optional redemption, as provided under "Optional Redemption" below):

$240,000 Term Bonds Due March 1, 2031

Mandatory Redemption Date	Principal Amount
2030	$ 120,000
2031 (maturity)	120,000

$240,000 Term Bonds Due March 1, 2033

Mandatory Redemption Date	Principal Amount
2032	$ 120,000
2033 (maturity)	120,000

$240,000 Term Bonds Due March 1, 2035

Mandatory Redemption Date	Principal Amount
2034	$ 120,000
2035 (maturity)	120,000

$240,000 Term Bonds Due March 1, 2037

Mandatory Redemption Date	Principal Amount
2036	$ 120,000
2037 (maturity)	120,000

$240,000 Term Bonds Due March 1, 2039

Mandatory Redemption Date	Principal Amount
2038	$ 120,000
2039 (maturity)	120,000

$480,000 Term Bonds Due March 1, 2043

Mandatory Redemption Date	Principal Amount
2040	$ 120,000
2041	120,000
2042	120,000
2043 (maturity)	120,000

Notice of the mandatory redemption of the Series 2022 Term Bonds will be provided at least thirty (30) calendar days prior to the Redemption Date, with the particular portions of the Series 2022 Term Bonds to be redeemed to be selected by lot or other customary method in accordance with the procedures of DTC, so long as the Bonds are registered in accordance with the Book-Entry-Only System. See "BOOK-ENTRY-ONLY SYSTEM."

Mandatory Redemption of the Series 2022A Park Term Bonds: The Series 2022A Park Term Bonds maturing on March 1 in each of the years 2031, 2035, 2037 and 2043 (the "Series 2022A Park Term Bonds" and, together with the Series 2022 Term Bonds, the "Term Bonds") shall be redeemed at a price equal to the principal amount thereof, plus accrued interest to the Redemption Date, on September 1 in each of the years and in the principal amounts set forth in the following schedule (with each such scheduled principal amount reduced by the principal amount as may have been previously redeemed through the exercise of the District's reserved right of optional redemption, as provided under "Optional Redemption" below):

$580,000 Term Bonds Due March 1, 2031

Mandatory Redemption Date	Principal Amount
2030	$ 290,000
2031 (maturity)	290,000

$580,000 Term Bonds Due March 1, 2035

Mandatory Redemption Date	Principal Amount
2034	$ 290,000
2035 (maturity)	290,000

$580,000 Term Bonds Due March 1, 2037

Mandatory Redemption Date	Principal Amount
2036	$ 290,000
2037 (maturity)	290,000

$1,160,000 Term Bonds Due March 1, 2043

Mandatory Redemption Date	Principal Amount
2040	$ 290,000
2041	290,000
2042	290,000
2043 (maturity)	290,000

Notice of the mandatory redemption of the Series 2022A Park Term Bonds will be provided at least thirty (30) calendar days prior to the Redemption Date, with the particular portions of the Series 2022A Park Term Bonds to be redeemed to be selected by lot or other customary method in accordance with the procedures of DTC, so long as the Bonds are registered in accordance with the Book-Entry-Only System. See "BOOK-ENTRY-ONLY SYSTEM."

Optional Redemption: The District reserves the right, at its option, to redeem the Bonds (including any Term Bonds) maturing on and after March 1, 2030, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of $5,000, on March 1, 2029, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. If fewer than all of the Bonds are to be redeemed, the particular maturity or maturities and the amounts thereof to be redeemed shall be determined by the District. If fewer than all of the Serial Bonds of the same maturity are to be redeemed, the particular Bonds shall be selected by DTC in accordance with its procedures, so long as the Bonds are registered in accordance with the Book-Entry-Only System. See "BOOK-ENTRY-ONLY SYSTEM." If less than all of the entire outstanding principal amount of a Term Bond is to be redeemed, the District will notify the Paying Agent/Registrar of the reductions in the remaining mandatory redemption amounts to result from the optional redemption. Notice of each exercise of the reserved right of optional redemption shall be given at least thirty (30) calendar days prior to the date fixed for redemption, in the manner specified in the Bond Orders.

Effects of Redemption: By the redemption date, due provision shall be made with the Paying Agent/Registrar for payment of the principal of the Bonds (including any Term Bonds) or portions thereof to be redeemed, plus accrued interest to the redemption date. When Bonds have been called for redemption in whole or in part and due provision has been made to redeem the same as herein provided, the Bonds or portions thereof so redeemed shall no longer be regarded as outstanding except for the purpose of receiving payment solely from the funds so provided for redemption, and the rights of the Registered Owners to collect interest which would otherwise accrue after the redemption date on any Bond or portion thereof called for redemption shall terminate on the date fixed for redemption.

Method of Payment of Principal and Interest

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

Registration

Section 149(a) of the Internal Revenue Code of 1986, as amended, requires that all tax-exempt obligations (with certain exceptions that do not include the Bonds) be in registered form in order for the interest payable on such obligations to be excludable from a Beneficial Owner’s income for federal income tax purposes. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. pursuant to the Book-Entry-Only System described herein. One fully-registered Bond will be issued for each maturity of each series of the Bonds and will be deposited with DTC. See “BOOK-ENTRY-ONLY SYSTEM.” So long as any Bonds remain outstanding, the District will maintain at least one paying agent/registrar in the State of Texas for the purpose of maintaining the Register on behalf of the District. All references herein to the Registered Owners of the Bonds shall mean Cede & Co. and not the Beneficial Owners of the Bonds, so long as the Bonds are registered in the name of Cede & Co.

Replacement of Paying Agent/Registrar

Provision is made in the Bond Orders for replacement of the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the District, the new paying agent/registrar shall be required to 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 a duly qualified and competent trust or banking corporation or organization organized and doing business under the laws of the United States of America or of any State thereof, with a combined capital and surplus of at least $25,000,000, which is subject to supervision of or examination by federal or state banking authorities, and which is a transfer agent duly registered with the United States Securities and Exchange Commission.

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

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

Issuance of Additional Debt

The District's voters have authorized the issuance of a total of $102,850,000 in principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sewer and storm drainage facilities and $38,850,000 in principal amount of unlimited tax bonds for the purpose of acquiring or constructing recreational facilities and could authorize additional amounts. Following the issuance of the Bonds, the District will have $65,320,000 principal amount of unlimited tax bonds authorized but unissued for purposes of construction and acquisition of water, sewer and drainage facilities and $33,020,000 principal amount of unlimited tax bonds authorized but unissued for purposes of parks and recreation facilities. The District's voters have also authorized a total of $141,700,000 in principal amount of unlimited tax refunding bonds for the purpose of refunding outstanding bonds of the District, all of which remains authorized but unissued, and could authorize additional amounts. See “Financing Recreational Facilities” herein.

The Bond Orders impose no limitation on the amount of additional parity bonds which may be authorized for issuance by the District’s voters or the amount ultimately issued by the District.

The District also is authorized by statute to engage in fire-fighting activities, including the issuing of bonds payable from taxes for such purpose. Before the District could issue fire-fighting bonds payable from taxes, the following actions would be required: (a) authorization of a detailed master plan and bonds for such purpose by the qualified voters in the District; (b) approval of the master plan and issuance of bonds by the TCEQ; and (c) approval of bonds by the Attorney General of Texas. The District does not provide fire protection service, and the Board has not considered calling such an election at this time. Issuance of bonds for fire-fighting activities could dilute the investment security for the Bonds.

Financing Road Facilities

Section 8228 of the Texas Special District Local Laws Code authorizes the District, pursuant to the provisions of the Texas Constitution, to develop and finance with property taxes certain road facilities following a successful District election to approve the issuance of road bonds payable from taxes. This District has not considered calling such an election at this time. Issuance of bonds for road facilities could dilute the investment security of the Bonds.

Financing Recreational Facilities

Conservation and reclamation districts in certain counties are authorized to develop and finance with property taxes certain recreational facilities after a district election has been successfully held to approve the issuance of bonds payable from taxes and/or a maintenance tax to support recreational facilities.

The District is authorized to issue bonds payable from an ad valorem tax to pay for the development and maintenance of recreational facilities if (i) the District duly adopts a plan for the facilities; (ii) the bonds are authorized at an election; (iii) the bonds payable from any source do not exceed 1% of the value of the taxable property in the District at the time of issuance of the bonds, or, in the event the District meets certain conditions, 3% of the taxable property in the District at the time of issuance of the bonds, but in no event in an amount greater than the estimated cost in the plan; (iv) the District obtains any necessary governmental consents allowing the issuance of such bonds; (v) the issuance of the bonds is approved by the TCEQ in accordance with its rules with respect to same; and (vi) the bonds are approved by the Attorney General of Texas. The District may issue bonds for such purposes payable solely from net operating revenues without an election. In addition, the District is authorized to levy an operation and maintenance tax to support recreational facilities at a rate not to exceed 10 cents per $100 of assessed valuation of taxable property in the District, after such tax is approved at an election. Said maintenance tax is in addition to any other maintenance tax authorized to be levied by the District.

At an election held within the District on May 10, 2014, voters of the District authorized a total of $38,850,000 in principal amount of unlimited tax bonds for the purpose of acquiring or constructing recreational facilities and could authorize additional amounts. After the issuance of the Series 2022A Park Bonds, $33,020,000 principal amount of unlimited tax bonds for the purpose of parks and recreational facilities will remain authorized but unissued. Voters also authorized a maintenance tax not to exceed $0.10 per $100 assessed valuation for maintenance of recreational facilities.

Issuance of bonds for recreational facilities could dilute the investment security for the Bonds.

Consolidation

The District has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its water and wastewater systems with the water and wastewater systems of the district or districts with which it is consolidating, subject to voter approval. In their consolidation agreement, the consolidating districts may agree to assume each other's bonds, notes and other obligations. If each district assumes the other's bonds, notes and other obligations, taxes may be levied uniformly on all taxable property within the consolidated district in payment of same. If the districts do not assume each other's bonds, notes and other obligations, each district's taxes are levied on property in each of the original districts to pay said debts created by the respective original district as if no consolidation had taken place. No representation is made concerning whether the District will consolidate with any other district, but the District currently has no plans to do so.

Remedies in Event of Default

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Orders, or defaults in the observance or performance of any other covenants, conditions, or obligations set forth in the Bond Orders, the Registered Owners have the right to seek a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Orders. Except for mandamus, the Bond Orders do 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. Certain traditional legal remedies may also not be available. See "INVESTMENT CONSIDERATIONS— Registered Owners' Remedies" and "—Bankruptcy Limitation to Registered Owners' Rights."

Defeasance

The Bond Orders provide 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 a commercial bank or trust company designated in the proceedings authorizing such discharge, amounts sufficient to provide for the payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested only in (a) direct noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent; and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The foregoing obligations may be in book entry form, and shall mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds. If any of such Bonds are to be redeemed prior to their respective dates of maturity, provision must have been made for giving notice of redemption as provided in the Bond Orders.

Upon such deposit as described above, such Bonds shall no longer be regarded to be 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 a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Bond Orders do not contractually limit such investments, Registered Owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under Texas law.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by The Depository Trust Company, New York, New York, ("DTC") while the Bonds 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 and the Financial Advisor believe the source of such information to be reliable, but neither of the District or the Financial Advisor take any responsibility for the accuracy or completeness thereof.

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

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a rating of "AA+" from S&P Global Ratings. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

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

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

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

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

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

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

USE AND DISTRIBUTION OF BOND PROCEEDS

The construction costs below were approved by the TCEQ in its order authorizing the issuance of the Bonds. Non-construction costs are based upon either contract amounts or estimates of various costs by LJA Engineering, Inc. (the "Engineer") and Masterson Advisors LLC (the "Financial Advisor"). The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Bonds and agreed-upon procedures are completed by an independent accountant. The surplus funds, if any, may be expended for any lawful purpose for which surplus construction funds may be used, if approved by the TCEQ where required.

SERIES 2022 BONDS

CONSTRUCTION COSTS	
• Construction Costs Approved by the TCEQ	$ 1,766,002
Total Construction Costs	**$ 1,766,002**
NON-CONSTRUCTION COSTS	
• Underwriter's Discount (a)	$ 48,398
• Developer Interest (estimated)	171,835
• Operating Advances	226,146
Total Non-Construction Costs	**$ 446,379**
ISSUANCE COSTS AND FEES	
• Issuance Costs and Professional Fees	$ 159,147
• Bond Application Report Costs	40,000
• State Reglatory Fees	8,470
• Contingency (a)	2
Total Issuance Costs and Fees	**$ 207,619**
TOTAL BOND ISSUE REQUIREMENT	**$ 2,420,000**

(a) The TCEQ approved a maximum Underwriter's Discount of 2.00%. Contingency represents the difference in the estimated and actual amounts of Underwriter's Discount.

SERIES 2022A PARK BONDS

CONSTRUCTION COSTS		
• Construction Costs Approved by the TCEQ…………………………………………	$	4,786,808
Total Construction Costs……………………………………………………………	**$**	**4,786,808**
NON-CONSTRUCTION COSTS		
• Underwriter's Discount (a) ……………………………………………………..………	$	113,591
• Capitalized Interest (a) …………………………………………………..……………		275,800
• Developer Interest (estimated)……………………………………………………….		260,333
Total Non-Construction Costs…………………………………………………………	**$**	**649,724**
ISSUANCE COSTS AND FEES		
• Issuance Costs and Professional Fees………………………………………………	$	304,354
• Bond Application Report Costs………………………………………………………		50,000
• State Reglatory Fees……………………………………………………………………		20,405
• Contingency (a)……………………………………………………………………....		18,709
Total Issuance Costs and Fees…………………………………………………………	**$**	**393,468**
TOTAL BOND ISSUE REQUIREMENT	**$**	**5,830,000**

(a) The TCEQ approved a maximum of $291,500 of capitalized interest which equals twelve (12) months at an estimated interest rate of 5.00% per annum and a maximum Underwriter's Discount of 2.00%. Contingency represents the difference in the estimated and actual amounts of Underwriter's Discount and capitalized interest.

THE DISTRICT

General

The District is a municipal utility district created by House Bill 2322, Chapter 218, Acts of the 72nd Legislature, Regular Session, 1991, under Article XVI, Section 59 of the Texas Constitution, and operates under the provisions of Chapter 49 and Chapter 54 of the Texas Water Code, as amended, and other general statutes of Texas applicable to municipal utility districts. The District is subject to the continuing supervisory jurisdiction of the TCEQ.

The District is empowered, among other things, to finance, purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation and treatment of wastewater; and the control and diversion of storm water. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District may also provide solid waste disposal and collection services. The District is also empowered to establish, operate and maintain fire-fighting facilities, separately or jointly with one or more conservation and reclamation districts, municipalities or other political subdivisions, after approval by the TCEQ and the voters of the District. Additionally, the District may, subject to certain limitations, develop and finance recreational facilities and may also, subject to certain limitations, develop and finance roads. See “THE BONDS—Issuance of Additional Debt,” “Financing Recreational Facilities” and "Financing Road Facilities."

The District is also required to obtain certain TCEQ approvals prior to acquiring, constructing and financing water, sewer, storm drainage, road, recreational, and fire-fighting facilities, as well as voter approval of the issuance of bonds for said purposes. Construction and operation of the District's system is subject to the regulatory jurisdiction of additional State of Texas and local agencies. See “THE SYSTEM.”

Description and Location

The District currently consists of approximately 547 acres of land in northwest Montgomery County. The District is located approximately 32 miles northwest of the central downtown business district of the City of Houston and within the boundaries of the Tomball Independent School District. A small portion of the District is located within the extraterritorial jurisdiction of Stagecoach, Texas. The District is bounded on the north by Coe Road. Texas State Highway 249 is located to the east of the District at Decker Prairie Road. See “AERIAL LOCATION MAP.”

Land Use

Development in the District consists of approximately 429 developed acres of single-family residential development (992 lots). In addition, there are approximately 75 undevelopable acres (easements, recreation, street rights-of-way and utility sites), and approximately 43 developable acres that have not been fully provided with water, sewer and storm drainage facilities. See "Future Development" herein. The following table represents a detailed breakdown of the current acreage and development in the District.

	Approximate Acres	Lots
Single-Family Residential		
Wood Trace, Section One	27	59
Wood Trace, Section Two	42	108
Wood Trace, Section Three	22	48
Wood Trace, Section Four	19	40
Wood Trace, Section Five-A	14	26
Wood Trace, Section Five-B	23	49
Wood Trace, Section Six	36	70
Wood Trace, Section Seven	19	55
Wood Trace, Section Eight-A	22	44
Wood Trace, Section Eight-B	18	48
Wood Trace, Section Nine	18	49
Wood Trace, Section Ten	40	41
Wood Trace, Section Eleven	13	36
Wood Trace, Section Twelve	21	46
Wood Trace, Section Thirteen	30	74
Wood Trace, Section Fourteen	19	40
Wood Trace, Section Fifteen	23	65
Arbor Trace	23	94
Subtotal……………………………………………………	429	992
Future Development …………………………………………………	43	--
Non-Developable (a) ………………………………………………	75	--
Subtotal	118	--
Total…………………………………………………………………	547	992

(a) Includes acreage related to easements, recreation, street rights-of-way and utility sites outside of single-family residential sections as described above.

Status of Development

As of August 2022, approximately 817 homes were complete and occupied,114 homes were under construction or in a builder's name, 61 developed lots were available for home construction. New homes in the District range in sales price from approximately $300,000 to over $700,000. The estimated population in the District is 2,860, based upon 3.5 persons per completed and occupied home.

Homebuilding

Homebuilders actively marketing or building homes in the District include Village Builders (Lennar Homes), Drees Customs Homes, and J. Patrick Homes. Homebuilders in the District contract directly with the Developer and have no obligation to or agreement with the District to construct any homes or other improvements in the District.

Future Development

Approximately 43 developable acres of land in the District are not yet fully served with water, sewer and storm drainage and road facilities necessary for the construction of taxable improvements. While the District anticipates future development of this acreage, there can be no assurances when or if any of such undeveloped land will ultimately be developed. The District anticipates issuing additional bonds to fund water, sewer, storm drainage, and recreational facilities within the District necessary to serve the land at full development. The Engineer has stated that under current development plans, the authorized but unissued bonds remaining following issuance of the Bonds ($65,320,000 for water, sewer, and storm drainage facilities and $33,020,000 for recreational facilities) should be sufficient to finance the construction of facilities to complete the District's water, sewer, storm drainage and recreational system for full development of the District. See "THE SYSTEM."

THE DEVELOPER

Role of a Developer

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

Investors in the Bonds should note that the prior real estate experience of the Developer and its affiliates should not be construed as an indication that further development within the District will occur, or that construction of additional taxable improvements upon property within the District will occur, or that marketing or leasing of taxable improvements constructed upon property within the District will be successful. The District cautions that the development experience of the Developer or its affiliates was gained in different markets and under different circumstances than those that exist in the District, and the prior success of the Developer or its affiliates, if any, is no indication or guarantee that the Developer will be successful in the future development of land within the District.

Lennar Homes of Texas Land and Construction, Ltd.

The principal developer of land within the District is Lennar Homes of Texas Land and Construction, Ltd., a Texas limited partnership, d.b.a. Friendswood Development Company (the "Developer"). The Developer purchased 380 acres of undeveloped land and 217 developed lots in the District from Primewood Investments, LP ("Primewood") in 2013.

The Developer is wholly owned by Lennar Corporation ("Lennar"), a publicly traded corporation whose stock is listed on the New York Stock Exchange under the ticker symbol "LEN." Lennar Corporation's activities include homebuilding, real estate investments, residential and commercial developments and financial services operations throughout the United States.

Acquisition and Development Financing

All funds required by the Developer for home construction, development activities and payment of taxes are provided by Lennar or its subsidiaries. The ability of the Developer to continue development activity within the District is dependent upon its continued receipt of funds from Lennar or its subsidiaries. Lennar or its subsidiaries are not legally obligated to continuing providing funds for development of the District or to provide funds to pay taxes on the Developer's taxable property within the District or to pay any other obligations of the Developer. The Developer has stated that there are no liens securing third party indebtedness against the land or lots in the District owned by the Developer.

MANAGEMENT OF THE DISTRICT

Board of Directors

The District is governed by the Board, consisting of five (5) directors, which has control over and management supervision of all affairs of the District. Directors are elected to four-year staggered terms and elections are held in May in even numbered years. None of the five Board members resides within the District; however, all of the Board members own land within the District, subject to a Deed of Trust in favor of the Developer. The current members and officers of the Board, along with their titles and terms, are listed as follows:

Name	District Board Title	Term Expires
Mercedes C. Burns	President	May 2024
Elias (Lee) Hinojosa	Vice President	May 2024
J. Art Nicholson	Secretary	May 2026
Dexter Braband	Assistant Secretary	May 2024
David Ambrose	Assistant Secretary	May 2026

District Consultants

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

Bond Counsel and General Counsel: Schwartz, Page & Harding, L.L.P. ("Bond Counsel") serves as Bond Counsel to the District. The fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds. In addition, Schwartz, Page & Harding, L.L.P. serves as general counsel to the District on matters other than the issuance of bonds.

Disclosure Counsel: McCall, Parkhurst & Horton L.L.P., Houston, Texas, serves as Disclosure Counsel to the District. The fees to be paid to Disclosure Counsel for services rendered in connection with the issuance of the Bonds are contingent on the issuance, sale and delivery of the Bonds.

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

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

Auditor: The District's financial statements as of August 31, 2021, and for the year then ended, included in this offering document, have been audited by BKD, LLP, independent auditors, as stated in their report appearing herein. See "APPENDIX A" for a copy of the District's August 31, 2021, audited financial statements. The District has engaged FORVIS, LLP (formerly known as BKD, LLP) to audit the District's financial statements for the fiscal year ended August 31, 2022.

Bookkeeper: The District has contracted with Municipal Accounts & Consulting, L.P. (the "Bookkeeper") for bookkeeping services.

Utility System Operator: Water District Management Company, Inc. operates the water and wastewater systems and plants of the District.

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

Tax Assessor/Collector: The District has appointed an independent tax assessor/collector to perform the tax collection function. Bob Leared Interests, Inc. (the "Tax Assessor/Collector") has been employed by the District to serve in this capacity.

THE SYSTEM

According to the Engineer, the District's improvements have been designed and the corresponding plans prepared in accordance with accepted engineering practices and specifications and, as and if required for the particular improvements, the approval and permitting requirements of the TCEQ and Montgomery County, as applicable.

Surface Water Conversion

The District is located within the boundaries of the Lone Star Groundwater Conservation District ("Conservation District"), a county-wide regulatory agency that was created by the Texas legislature. The Conservation District was created to provide a regional entity to acquire surface water and build the necessary facilities to convert from groundwater to surface water in order to meet the future needs of Montgomery County. The Conservation District has adopted a regulatory plan which requires ground water users within Montgomery County to reduce ground water usage by 30% by January 1, 2016. In order to comply with said requirement, the San Jacinto River Authority ("SJRA") entered into a contract with the Conservation District to develop an overall groundwater reduction plan ("GRP"). In turn, the District entered into a contract with SJRA pursuant to which the District is included in the SJRA's GRP. Based on the SJRA's "Joint Water Reduction Plan" dated March 2011, the District is not part of the 2016 conversion area, but it is anticipated that surface water will be brought to the District as part of a future conversion. The SJRA instituted a groundwater pumpage fee commencing August 1, 2010. Said fee is currently $2.73 per 1,000 gallons of water pumped by the District from its well. The amount billed per 1,000 gallons by the SJRA is subject to further increase in future years.

Water Supply

The District's existing water supply is provided by a water plant consisting of a 1,000 gallon per minute ("gpm") water well, a 700 gallon per minute ("gpm") water well, a 300,000 gallon ground storage tank, a 15,000 gallon pressure tank and four booster pumps with 4,400 gpm of capacity and a generator. The District's current water plant is capable of serving 750 equivalent single-family connections. Pressure tank capacity is the limiting factor on the number of connections the District can serve. The purpose of a pressure tank is to reduce the frequency with which the booster pumps turn off and on. The direct purpose a pressure tank is not to maintain pressure in the system. The District's ability to provide adequate pressure to operate the water distribution system is not impaired by the current pressure tank capacity. A portion of the proceeds of the Series 2022 Bonds will fund an additional 15,000 gallon pressure tank increasing the District's water plant capacity to adequately serve 1,500 equivalent single-family connections. Public bids for the additional pressure tank were received by the District Engineer on September 8, 2022 and expected operational date is January 31, 2023. As of August 2022, the District was serving 931 active connections (including 817 completed homes and 114 homes under construction or in a builder's name).

Wastewater Treatment

The District's wastewater is treated by a 135,000 gallon per day ("gpd") wastewater treatment plant. This wastewater treatment plant will adequately serve 574 equivalent single-family connections based on a 235 gpd permitted design criteria. The expansion of the District's wastewater treatment plant to 270,000 gallon per day ("gpd") is anticipated to be operational in November of 2022. The most recent available flow data at the existing wastewater treatment plant is under the currently permitted amount of 135,000 gallons per day since the flow per equivalent single-family connection has been significantly less than the designed criteria of 235 gallons per day. The expanded wastewater treatment plant will adequately serve 1,148 equivalent single-family connections based on a 235 gpd permitted design criteria. As of August 2022, the District was serving 931 active connections (including 817 completed homes and 114 homes under construction or in a builder's name). Full build out of the District will require expansion of the District's facilities.

Internal Water Distribution, Wastewater Collection and Storm Drainage Facilities

Water distribution, wastewater collection, storm drainage facilities and related paving have been constructed in the District to serve 992 single-family residential lots. See "THE DISTRICT—Land Use," "—Status of Development," and "—Future Development."

100-Year Flood Plain

"Flood Insurance Rate Map" or "FIRM" means an official map of a community on which the Federal Emergency Management Agency (FEMA) has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100-year flood plain, is depicted on these maps. The "100-year flood plain" (or 1% chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rain storm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes must be built above the 100-year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. An engineering or regulatory determination that an area is above the 100-year flood plain is not an assurance that homes built in such area will not be flooded, and a number of neighborhoods in the greater Houston area that are above the 100-year flood plain have flooded multiple times in the last several years.

Decker Branch Tributary, Decker Branch Tributary No. 1 and Goodson's Branch Tributary run through the District and approximately 103 acres adjacent to these branches are officially within the 100-year floodplain according to the Federal Emergency Management Agency ("FEMA"). Improvements along these branches are proposed or are currently in place which reduce the 100-year flooding possibility in these areas. Areas within the District which are proposed for development are currently located within the flood plain according to FEMA. The aforementioned improvements and future letters of map revision propose to remove these areas from the effective flood plain. None of the currently developed residential lots in the District are within the 100-year flood plain according to the Engineer. See "THE DISTRICT—Land Use" and "INVESTMENT CONSIDERATIONS—Severe Weather Events."

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

Water and Wastewater Operations

The Bonds are payable solely from the levy of an ad valorem tax, without legal limitation as to rate or amount, upon all taxable property in the District. Net revenue from operations of the District's water and wastewater system, if any, is available for any legal purpose, including, upon Board action, the payment of debt service on the Bonds. It is anticipated that no significant operation revenues will be used for debt service on the Bonds in the foreseeable future.

The following statement sets forth in condensed form the General Operating Fund for the District as shown in the District's audited financial statements for the fiscal years ended August 31, 2018 through August 31, 2021, and an unaudited summary for the fiscal year ended August 31, 2022, prepared by the Bookkeeper. Accounting principles customarily employed in the determination of net revenues have been observed and, in all instances, exclude depreciation. Reference is made to "APPENDIX A" for further and complete information.

		Fiscal Year Ended August 31			
	9/1/2021 to 8/31/2022 (a)	2021	2020	2019	2018
Revenues					
Property Taxes	$ 917,841	$ 746,144	$ 764,630	$ 838,179	$ 558,192
Service Revenues	753,806	619,342	468,206	372,631	323,481
Regional Water Fee	359,041	246,926	260,257	211,677	196,173
Penalty and Interest	6,491	5,520	4,335	3,155	2,853
Tap Connections & Inspection Fees	280,730	300,645	114,312	96,348	138,967
Investment and other income	27,000	11,179	31,326	28,807	10,701
Total Revenues	$ 2,344,909	$ 1,929,756	$ 1,643,066	$ 1,550,797	$ 1,230,367
Expenditures					
Professional Fees	$ 120,524	$ 123,525	$ 192,285	$ 177,836	$ 118,573
Regional Water Authority Fees	448,488	263,066	269,705	202,617	197,641
Contracted Services	358,250	271,142	204,600	117,628	94,672
Utilities	117,764	111,138	103,523	105,586	103,263
Repairs and Maintenance	420,023	367,746	315,538	249,179	168,790
Other Expenditures	70,868	74,146	61,682	56,826	64,481
Tap Connections	144,410	113,600	61,570	33,730	44,526
Debt Service, Debt Issuance Costs	-	60,845	56,250	-	-
Capital Outlay	94,586	311,531	41,909	-	83,541
Total Expenditures	$ 1,774,914	$ 1,696,739	$ 1,307,062	$ 943,402	$ 875,487
NET REVENUES	$ 569,995	$ 233,017	$ 336,004	$ 607,395	$ 354,880
Other Financing Sources					
Interfnd Transfers In	$ 71,745	$ 52,085	$ -	$ -	$ 6,468
General Operating Fund Balance					
Beginning of Year	$ 2,022,326	$ 1,737,224	$ 1,401,220	$ 793,825	$ 432,477
End of Year	$ 2,664,066	$ 2,022,326	$ 1,737,224	$ 1,401,220	$ 793,825

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

FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)

2022 Taxable Assessed Valuation	$353,451,530	(a)
Estimated Taxable Assessed Valuation as of July 15, 2022	$403,644,699	(b)
Gross Direct Debt Outstanding (the Bonds and the Outstanding Bonds)	$39,095,000	(c)
Estimated Overlapping Debt	14,499,224	(d)
Gross Direct Debt and Estimated Overlapping Debt	$53,594,224	
Ratios of Gross Direct Debt to:		
2022 Taxable Assessed Valuation	11.06%	
Estimated Taxable Assessed Valuation as of July 15, 2022	9.69%	
Ratios of Gross Direct Debt and Estimated Overlapping Debt to:		
2022 Taxable Assessed Valuation	15.16%	
Estimated Taxable Assessed Valuation as of July 15, 2022	13.28%	
Funds Available for Debt Service:		
Debt Service Fund Balance as of August 9, 2022	$2,409,268	(e)
Capitalized Interest from proceeds of the Series 2022A Park Bonds	275,800	(f)
Total Funds Available for Debt Service	$2,685,068	
Funds Available for Operations and Maintenance as of August 9, 2022	$2,805,841	
Funds Available for Capital Projects as of August 9, 2022	$2,361,188	

(a) The Montgomery Central Appraisal District (the "Appraisal District") has certified $340,261,000 of taxable value as of January 1, 2022. An additional $13,190,530 of taxable value remains uncertified, subject to downward revision prior to certification. The 2022 Taxable Assessed Valuation shown throughout the OFFICIAL STATEMENT represents the certified value plus the uncertified value. See "TAX PROCEDURES."

(b) Provided by the Appraisal District for informational purposes only. Such amounts reflect an estimate of the taxable assessed value within the District on July 15, 2022. Increases in value that occur between January 1, 2022 and July 15, 2022 will be assessed for taxation on January 1, 2023. No tax will be levied on such amount until it is certified by the Appraisal District.

(c) After the issuance of the Bonds. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds."

(d) See "Estimated Overlapping Debt" herein.

(e) Neither Texas law or the Bond Resolution requires the District to maintain any minimum balance in the Debt Service Fund. See "THE BONDS—Funds" and "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements."

(f) The District will capitalize $275,800 of interest from Series 2022A Park Bond proceeds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

Investments of the District

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

Debt Service Requirements

The following sets forth the debt service on the Outstanding Bonds and the Bonds. The schedule does not reflect the fact that $275,800 of interest will be capitalized from Series 2022A Park Bond proceeds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

Year	Outstanding Bonds Debt Service Requirements	Plus: The Series 2022 Utility Bonds Principal	Plus: The Series 2022 Utility Bonds Interest	Plus: The Series 2022A Park Bonds Principal	Plus: The Series 2022A Park Bonds Interest	Total Debt Service Requirements
2023	$ 2,325,412.50		$ 93,605.00		$ 222,938.33	$ 2,641,955.83
2024	2,296,675.00	$ 125,000	112,050.00	$ 295,000	266,950.00	3,095,675.00
2025	2,267,375.00	125,000	104,550.00	295,000	250,725.00	3,042,650.00
2026	2,237,975.00	125,000	97,050.00	295,000	234,500.00	2,989,525.00
2027	2,200,815.00	125,000	89,550.00	295,000	216,800.00	2,927,165.00
2028	2,168,020.00	120,000	82,200.00	295,000	199,100.00	2,864,320.00
2029	2,139,528.75	120,000	75,000.00	295,000	181,400.00	2,810,928.75
2030	2,104,716.25	120,000	69,000.00	290,000	166,750.00	2,750,466.25
2031	2,074,363.75	120,000	64,200.00	290,000	155,150.00	2,703,713.75
2032	2,043,366.25	120,000	59,400.00	290,000	143,550.00	2,656,316.25
2033	2,006,150.00	120,000	54,600.00	290,000	131,950.00	2,602,700.00
2034	1,972,537.50	120,000	49,650.00	290,000	119,987.50	2,552,175.00
2035	1,933,525.00	120,000	44,550.00	290,000	107,662.50	2,495,737.50
2036	1,898,053.13	120,000	39,450.00	290,000	95,337.50	2,442,840.63
2037	1,856,281.25	120,000	34,350.00	290,000	83,012.50	2,383,643.75
2038	1,818,781.25	120,000	29,250.00	290,000	70,687.50	2,328,718.75
2039	1,785,093.75	120,000	24,150.00	290,000	58,362.50	2,277,606.25
2040	1,745,593.75	120,000	18,900.00	290,000	45,675.00	2,220,168.75
2041	965,281.25	120,000	13,500.00	290,000	32,625.00	1,421,406.25
2042	943,743.75	120,000	8,100.00	290,000	19,575.00	1,381,418.75
2043	922,206.25	120,000	2,700.00	290,000	6,525.00	1,341,431.25
Total	$39,705,494.38	$ 2,420,000	$ 1,165,805.00	$ 5,830,000	$ 2,809,263.33	$ 51,930,562.71

Average Annual Debt Service Requirements (2023-2043) $2,472,884
Maximum Annual Debt Service Requirement (2024) $3,095,675

Outstanding Bonds

The District has previously issued $35,110,000 principal amount of unlimited tax bonds in seven issues, of which $30,845,000 principal amount is outstanding as of the date hereof (the "Outstanding Bonds").

Series	Original Principal Amount	Currently Outstanding Bonds
2016	$ 3,670,000	$ 3,035,000
2017	3,900,000	2,940,000
2017A	3,460,000	2,700,000
2018	3,580,000	3,060,000
2019	8,000,000	7,000,000
2020	4,400,000	4,010,000
2021	8,100,000	8,100,000
Total	$ 35,110,000	$ 30,845,000

Estimated Overlapping Debt

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

Taxing Jurisdiction	Outstanding Bonds	As of	Overlapping Percent	Overlapping Amount
Lone Star College System……………………	$ 643,940,000	7/31/2022	0.10%	$ 643,940
Montgomery County………………………	464,200,000	7/31/2022	0.41%	1,903,220
Tomball Independent School District……..	660,335,000	7/31/2022	1.81%	11,952,064
Total Estimated Overlapping Debt………………………………………………………………………				$ 14,499,224
The District's Total Direct Debt (a)……………………………………………………………………				39,095,000
Total Direct and Estimated Overlapping Debt……………………………………………………………				$ 53,594,224
Direct and Esimated Overlapping Debt as a Percentage of:				
2022 Taxable Assessed Valuation……………………………………………………………………				15.16%
Estimated Taxable Assessed Valuation as of July 15, 2022………………….....................………				13.28%

(a) Includes the Bonds and the Outstanding Bonds.

Overlapping Taxes

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

Set forth below are all of the taxes levied for the 2021 tax year by all taxing jurisdictions overlapping the District and the 2022 tax rate of the District. None of the jurisdictions below have set a tax rate for the 2022 tax year as of the date hereof. 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.

	2021 Tax Rate per $100 of Taxable Assessed Valuation
Montgomery County……………………………………	$ 0.40830
Montgomery County Hospital Ditrict…………………	0.05670
Tomball Independent School District…………………	1.25000
Montgomery County ESD No. 10………………………	0.09870
Lone Star College System………………………………	0.10780
Total Overlapping Tax Rate……………………………	$ 1.92150
The District………………………………………………	1.22000
Total Tax Rate……………………………………………	$ 3.14150

TAX DATA

Debt Service Tax

The Board covenants in the Bond Orders to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Bonds. See "Tax Rate Distribution" and "Tax Roll Information" below and "TAX PROCEDURES."

Maintenance and Operations Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for the operation and maintenance of the District, if such a maintenance tax is authorized by the District's voters. A maintenance tax election was held on May 10, 2014, and voters of the District authorized, among other things, the Board to levy a maintenance tax at a rate not to exceed $1.50 per $100 taxable assessed valuation for general operations and maintenance costs. At the same election, voters authorized the Board to levy a maintenance tax for operations and maintenance costs of recreational facilities at a rate not to exceed $0.10 per $100 taxable assessed valuation. A maintenance tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds. See "Debt Service Tax" above.

Tax Rate Distribution

	2018	2019	2020	2021	2022
Debt Service	$ 0.74	$ 0.88	$ 0.94	$ 0.90	$ 0.85
Maintenance and Operations	0.61	0.47	0.39	0.38	0.37
Total	$ 1.35	$ 1.35	$ 1.33	$ 1.28	$ 1.22

Historical Tax Collections

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

Tax Year	Certified Taxable Assessed Valuation (a)	Tax Rate	Total Tax Levy	Total Collections as of August 31, 2022 (b)	
				Amount	Percent
2017	$ 91,234,902	$ 1.35	$ 1,231,672	$ 1,231,672	100.00%
2018	136,972,600	1.35	1,849,131	1,849,131	100.00%
2019	163,783,235	1.35	2,211,075	2,211,075	100.00%
2020	191,685,429	1.33	2,549,417	2,549,417	100.00%
2021	241,411,093	1.28	3,090,062	3,078,136	99.61%
2022	340,261,000	1.22	4,151,184	(c)	(c)

(a) As certified by the Appraisal District. See "Tax Roll Information" herein.
(b) Reflects unaudited collections.
(c) In process of collection. Taxes for 2022 are due by January 31, 2023.

Tax Roll Information

The District's assessed value as of January 1 of each year is used by the District in establishing its tax rate (see "TAX PROCEDURES—Valuation of Property for Taxation"). The following represents the composition of property comprising the 2018 through 2022 Taxable Assessed Valuations. Breakdowns of the uncertified portion ($13,190,530) of the 2022 Taxable Assessed Valuation, and the Estimated Taxable Assessed Valuation as of July 15, 2022, of $403,644,699 are not available from the Appraisal District.

Tax Year	Type of Property: Land	Type of Property: Improvements	Type of Property: Personal Property	Gross Assessed Valuations	Defrements and Exemptions (a)	Uncertified Value	Net Assessed Valuations
2018	$ 42,710,280	$ 95,881,060	$ 1,299,271	$ 139,890,611	$ (2,918,011)	$ -	$ 136,972,600
2019	44,468,360	121,834,180	1,664,943	167,967,483	(4,184,248)	-	163,783,235
2020	49,219,330	146,641,200	1,468,184	197,328,714	(5,643,285)	-	191,685,429
2021	58,998,950	187,950,520	900,168	247,849,638	(6,438,545)	-	241,411,093
2022	81,627,040	296,106,840	1,149,516	378,883,396	(38,622,396)	13,190,530	353,451,530

(a) See "TAX PROCEDURES—Property Subject to Taxation by the District."

Principal Taxpayers

The following table represents the principal taxpayers, the taxable assessed value of such property and such property's assessed value as a percentage of the certified portion of the 2022 Taxable Assessed Valuation ($340,261,000), which represents certified ownership as of January 1, 2022. Principal taxpayer lists related to the uncertified portion of the 2022 Taxable Assessed Valuation ($13,190,530), and the Estimated Taxable Assessed Valuation as of July 15, 2022 are not available.

Taxpayer	2022 Certified Taxable Assessed Valuation	% of 2022 Certified Taxable Assessed Valuation
Lennar Homes of Texas (a)	$ 9,304,080	2.73%
Primewood Investments LP	5,757,800	1.69%
Drees Custom Homes LP (b)	2,724,890	0.80%
J Patrick Homes (b)	1,403,460	0.41%
8254 LLC	841,000	0.25%
Individual	793,930	0.23%
Individual	784,110	0.23%
Individual	780,520	0.23%
Individual	770,000	0.23%
Individual	765,280	0.22%
Total	$ 23,925,070	7.03%

(a) See "THE DEVELOPER."
(b) See "THE DISTRICT—Homebuilding."

Tax Adequacy for Debt Service

The tax rate calculations set forth below are presented to indicate the tax rates per $100 appraised valuation which would be required to meet average annual and maximum debt service requirements if no growth in the District's tax base occurred beyond the 2022 Taxable Assessed Valuation of $353,451,530 (comprised of $340,261,000 of certified value and $13,190,530 of uncertified value) and the Estimated Taxable Assessed Valuation as of July 15, 2022 of $403,644,699. The calculations contained in the following table merely represent the tax rates required to pay principal of and interest on the Bonds and the Outstanding Bonds when due, assuming no further increase or any decrease in taxable values in the District, collection of ninety-five percent (95%) of taxes levied, the sale of no additional bonds, and no other funds available for the payment of debt service. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements."

Average Annual Debt Service Requirement (2023-2043)	$2,472,884
$0.74 Tax Rate on 2022 Taxable Assessed Valuation	$2,484,764
$0.65 Tax Rate on Estimated Taxable Assessed Valuation as of July 15, 2022	$2,492,506
Maximum Annual Debt Service Requirement (2024)	$3,095,675
$0.93 Tax Rate on 2022 Taxable Assessed Valuation	$3,122,744
$0.81 Tax Rate on Estimated Taxable Assessed Valuation as of July 15, 2022	$3,106,046

No representations or suggestions are made that the uncertified portion of the 2022 Taxable Assessed Valuation or the Estimated Taxable Assessed Valuation as of July 15, 2022 will not be adjusted downward once certified, and no person should rely upon such amounts or their inclusion herein as assurance of their attainment. See "TAX PROCEDURES."

TAX PROCEDURES

Property Tax Code and County-Wide Appraisal District

The Texas Tax Code (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 a single appraisal district with the responsibility for recording and appraising property for all taxing units within a county and a single appraisal review board with the 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 wholly 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"). Under certain circumstances, taxpayers and taxing units (such as the District) may appeal the orders of the Appraisal Review Board by filing a 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. Absent any such appeal, the appraisal roll, as prepared by the Appraisal District and approved by the Appraisal Review Board, must be used by each taxing jurisdiction in establishing its tax roll and tax rate. The District is eligible, along with all other conservation and reclamation districts within Montgomery County, to participate in the nomination of and vote for a member of the Board of Directors of the Appraisal District.

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property and tangible personal property in the District is subject to taxation by the District; however, it is expected that no effort will be made by the District to collect taxes on personal property other than on personal property rendered for taxation, business inventories and the property of privately-owned utilities. Principal categories of exempt property include: 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; farm products owned by the producer; all oil, gas and mineral interests owned by an institution of higher education; certain property owned by exclusively charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; solar and wind-powered energy devices; 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 or under a disability for purposes of payment of disability insurance benefits under the Federal Old-Age Survivors and Disability Insurance Act to the extent deemed advisable by the Board. The District would be required to call an election on such residential homestead exemption upon petition by at least twenty percent (20%) of the number of qualified voters who voted in the District's preceding election and would be required to offer such an exemption if a majority of voters approve it at such election. For the 2022 tax year, the District has granted an exemption of $10,000 of assessed valuation for persons 65 years of age and older and to individuals who are under a disability for purposes of payment of disability insurance benefits under the Federal Old-Age Survivors and Disability Insurance Act. The District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between $5,000 and $12,000 of assessed valuation depending upon the disability rating of the veteran, if such rating is less than 100%. A veteran who receives a disability rating of 100% is entitled to an exemption for the full value 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 a member of the armed forces or a first responder (as defined under Texas law) who was (i) killed in action, or (ii) fatally injured in the line of duty, is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

A "Freeport Exemption" applies to goods, wares, merchandise, other tangible personal property and ores, other than oil, natural gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining oil 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 certain tangible personal property, as defined by the Property Tax Code, acquired in or imported into Texas for storage purposes and which is stored under a contract of bailment by a public warehouse operator at one or more 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. The exemption excludes oil, natural gas, petroleum products, aircraft and certain special inventory including dealer's motor vehicles, dealer's vessel and outboard motor vehicle, dealer's heavy equipment and retail manufactured housing inventory. The exemption applies to covered property if it 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. 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. However, taxing units who took official action as allowed by prior law before October 1, 2011, to tax goods-in-transit property, and who pledged such taxes for the payment of debt, may continue to impose taxes against the goods-in-transit property until the debt is discharged without further action, if cessation of the imposition would impair the obligations of the contract by which the debt was created. 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.

General Residential Homestead Exemption

Texas law 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, but not less than $5,000 if any exemption is granted, from ad valorem taxation. The law provides, however, that 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. For the 2022 tax year, the District has not granted a general residential homestead exemption.

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. Assessments under the Property Tax Code are to be based upon one hundred percent (100%) of market value. The appraised value of residential homestead property may be limited to the lesser of the market value of the property, or the sum of the appraised value of the property for the last year in which it was appraised, plus ten percent (10%) of such appraised value multiplied by the number of years since the last appraisal, plus the market value of all new improvements to the property. Once an appraisal roll is prepared and approved by the Appraisal Review Board, it is used by the District in establishing its tax rate. The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraised values. The plan must provide for appraisal of all real property by 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 Property Tax Code provides for a temporary exemption from ad valorem taxation of a portion of the appraised value of certain property that is at least 15% damaged by a disaster and located within an area declared to be a disaster area by the governor of the State of Texas. This temporary exemption is automatic if the disaster is declared prior to a taxing unit, such as the District, adopting its tax rate for the tax year. A taxing unit, such as the District, may authorize the exemption at its discretion if the disaster is declared after the taxing unit has adopted its tax rate for the tax year. The amount of the exemption is based on the percentage of damage and is prorated based on the date of the disaster. Upon receipt of an application submitted within the eligible timeframe by a person who qualifies for a temporary exemption under the Property Tax Code, the Appraisal District is required to complete a damage assessment and assign a damage assessment rating to determine the amount of the exemption. The temporary exemption amounts established in the Property Tax Code range from 15% for property less than 30% damaged to 100% for property that is a total loss. Any such temporary exemption granted for disaster-damaged property expires on January 1 of the first year in which the property is reappraised.

District and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units, including the District, may appeal orders of the Appraisal Review Board by filing a petition for review in district court within forty-five (45) days after notice is received that a final order has been entered. In such event, the property value in question may be determined by the court, or by a jury, if requested by any party. Additionally, taxing units may bring suit against the Appraisal District to comply with the Property Tax Code. The District may challenge the exclusion of property from the appraisal rolls or the grant, in whole or in part, of an exemption.

Texas law provides for notice and hearing procedures prior to the adoption of an ad valorem tax rate by the District. Additionally, under certain circumstances, an election would be required to determine whether to approve the adopted total tax rate. See "Rollback of Operation and Maintenance Tax Rate." 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.

Agricultural, Open Space, Timberland and Inventory Deferment

The Property Tax Code permits land designated for agricultural use (including wildlife management), open space, or timberland to be appraised at its value based on the land's capacity to produce agriculture or timber products rather than at its fair market value. The Property Tax Code permits, under certain circumstances, that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of any of such designations must apply for the designation, and the Appraisal District is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions and not as to others. If a claimant receives the 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 for the three (3) years prior to the loss of the designation for agricultural, timberland or open space land. According to the District's Tax Assessor/Collector, as of January 1, 2022, no land within the District was designated for agricultural use, open space, inventory deferment, or timberland.

Tax Abatement

Montgomery County may designate all or part of the District as a reinvestment zone, and the District and Montgomery County may thereafter, enter into tax abatement agreements with the owners of property within the zone. The tax abatement agreements may exempt from ad valorem tax, by the applicable taxing jurisdictions, and by 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 a comprehensive plan. According to the District's Tax Assessor/Collector, to date, none of the area within the District has been designated as a reinvestment zone.

Levy and Collection of Taxes

The District is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. The District adopts its tax rate each year after it receives a tax roll certified by the Appraisal District. Taxes are due upon receipt of a bill therefor and become delinquent after January 31 of the following year or 30 days after the date billed, whichever is later, or, if billed after January 10, they are delinquent on the first day of the month next following the 21st day after such taxes are billed. A delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month the tax remains unpaid beginning the first calendar month it is delinquent. A delinquent tax also incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent plus a one percent (1%) penalty 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. However, a tax delinquent on July 1 incurs a total penalty of twelve percent (12%) of the amount of the delinquent tax without regard to the number of months the tax has been delinquent, which penalty remains at such rate without further increase. If the tax is not paid by July 1, an additional penalty of up to the amount of the compensation specified in the District's contract with its delinquent tax collection attorney, but not to exceed twenty percent (20%) of the total tax, penalty and interest, may, under certain circumstances, be imposed by the District. With respect to personal property taxes that become delinquent on or after February 1 of a year and that remain delinquent sixty (60) days after the date on which they become delinquent, as an alternative to the penalty described in the foregoing sentence, an additional penalty on personal property of up to the amount specified in the District's contract with its delinquent tax attorney, but not to exceed twenty percent (20%) of the total tax, penalty and interest, may, under certain circumstances, be imposed by the District prior to July 1. The District's contract with its delinquent tax collection attorney currently specifies a twenty percent (20%) additional penalty. The District may waive penalties and interest on delinquent taxes only for the items specified in the Texas Property Tax Code. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency of taxes under certain circumstances. The owner of a residential homestead property who is (i) a person sixty-five (65) years of age or older, (ii) under a disability for purpose of payment of disability insurance benefits under the Federal Old Age Survivors and Disability Insurance Act, or (iii) qualifies as a disabled veteran under Texas law, is also entitled by law to pay current taxes on a residential homestead in installments or to defer the payment of taxes without penalty during the time of ownership. Additionally, a person who is delinquent on taxes for a residential homestead is entitled to an agreement with the District to pay such taxes in installments over a period of between 12 and 36 months (as determined by the District) when such person has not entered into another installment agreement with respect to delinquent taxes with the District in the preceding 24 months.

Rollback of Operation and Maintenance Tax Rate

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

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 in the district, subject to certain homestead exemptions, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a 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 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.

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 in the district, subject to certain homestead exemptions, plus any unused increment rates, as calculated and described in Section 26.013 of the Tax Code, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Developed District is the current year's debt service and contract tax rate plus 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 can be classified as Developing Districts. The qualified voters of these districts, upon the Developing District's adoption of a total tax rate that would impose more than 1.08 times the amount of the total tax imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead in the district, subject to certain homestead exemptions, are authorized to petition for an election to reduce the operation and maintenance tax rate. If an election is called and passes, the total tax rate for Developing Districts is the current year's debt service and contract tax rate plus 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 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.

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

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property against which the tax is levied. In addition, on January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of other such taxing units. See "ESTIMATED OVERLAPPING DEBT STATEMENT." 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. Further, personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalties, and interest.

Except with respect to (i) owners of residential homestead property who are sixty-five (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 (2) years after the deed issued at foreclosure is filed of record and may redeem all other property within six (6) 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 "INVESTMENT CONSIDERATIONS—Tax Collection Limitations."

INVESTMENT CONSIDERATIONS

General

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

Infectious Disease Outlook (COVID-19)

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

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

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

Potential Effects of Oil Price Volatility on the Houston Area

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

Extreme Weather Events

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

The greater Houston area has experienced multiple storms exceeding a 0.2% probability (i.e. "500-year flood" events) since 2015, including Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 26, 2017, and brought historic levels of rainfall during the successive four days. According to the District's Operator, the District's water and wastewater system did not sustain any material damage and there was no interruption of water and sewer service as a result of Hurricane Harvey. Further, the District did not receive reports of homes within the District that experienced structural flooding or other material damage as a result of Hurricane Harvey.

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

Specific Flood Type Risks

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

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

Credit Markets and Liquidity in the Financial Markets

Interest rates and the availability of mortgage and development funding have a direct impact on the construction activity, particularly short-term interest rates at which developers are able to obtain financing for development costs. Interest rate levels may affect the ability of a landowner with undeveloped property to undertake and complete construction activities within the District. Because of the numerous and changing factors affecting the availability of funds, the District is unable to assess the future availability of such funds for continued construction within the District. In addition, since the District is located approximately 32 miles from the central downtown business district of the City of Houston, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the Houston metropolitan and regional economies and the national financial and credit markets. A downturn in the economic conditions of the City of Houston or the nation could adversely affect development and home-building plans in the District and restrain the growth or reduce the value of the District's property tax base.

Competition

The demand for and construction of single-family homes in the District, which is approximately 32 miles from downtown Houston, could be affected by competition from other residential developments, including other residential developments located in the northern portion of the Houston area market. In addition to competition for new home sales from other developments, there are numerous previously-owned homes in the area of the District. Such homes could represent additional competition for new homes proposed to be sold within the District.

The competitive position of the builders in the sale of single-family residential houses within the District is affected by most of the factors discussed in this section. Such a competitive position directly affects the growth and maintenance of taxable values in the District and tax revenues to be received by the District. The District can give no assurance that building and marketing programs in the District by the Developer will be implemented or, if implemented, will be successful.

Landowner Obligation to the District

There are no commitments from or obligations of the Developer or any landowner to the District to proceed at any particular rate or according to any specified plan with the development of land or the construction of improvements in the District, and there is no restriction on any landowner's right to sell its land. Failure to construct taxable improvements on developed tracts of land or developed lots would restrict the rate of growth of taxable values in the District. The District cannot and does not make any representations that over the life of the Bonds the District will increase or maintain its taxable value.

Possible Impact on District Tax Rates

Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of owners of property within the District to pay their taxes. The District's 2022 Taxable Assessed Valuation is $353,451,530 ($340,261,000 certified plus $13,190,530 uncertified). After issuance of the Bonds, the maximum annual debt service requirement will be $3,095,675 (2024), and the average annual debt service requirement will be $2,472,884 (2023-2043 inclusive). Assuming no increase or decrease from the 2022 Taxable Assessed Valuation of $353,451,530, the issuance of no additional debt, and no other funds available for the payment of debt service, tax rates of $0.93 and $0.74, per $100 of taxable assessed valuation at a ninety-five percent (95%) collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirement, respectively. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements."

The Estimated Taxable Assessed Valuation as of July 15, 2022 is $403,644,699, which reduces the above tax calculations to $0.81 and $0.65 per $100 of taxable assessed valuation, respectively, at a ninety-five percent (95%) collection rate. No representation or suggestion is made that the 2022 Taxable Assessed Valuation will not be adjusted downward or that the Estimated Taxable Assessed Valuation as of July 15, 2022 will be the amount finally certified by the Appraisal District and no person should rely upon such amounts or their inclusion herein as assurance of their attainment. See "TAX PROCEDURES."

Tax Collection Limitations and Foreclosure Remedies

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

Registered Owners' Remedies

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Orders, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Orders, the Registered Owners have the right to seek a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Orders. Except for mandamus, the Bond Orders do not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners.

Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages so that in the absence of other waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the Bond Orders may not be reduced to a judgment for money damages. Even if a judgment against the District for money damages could be obtained, it could not be enforced by direct levy and execution against the District's property. Further, the Beneficial 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 Beneficial 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

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

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

If the District decides in the future to proceed voluntarily under the federal Bankruptcy Code, the District could develop and file a plan for the adjustment of its debts. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect the Registered Owners by reducing or eliminating the interest rate or the principal amount, modifying or abrogating collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of such Beneficial Owner's claim against the District.

A district may not be placed into bankruptcy involuntarily.

Environmental and Air Quality Regulations

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

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

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

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

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

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

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

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

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

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

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

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

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

The District is subject to the TCEQ's General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the "MS4 Permit"), which was issued by the TCEQ on January 24, 2019. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. The District has applied for coverage under the MS4 Permit and is awaiting final approval from the TCEQ. In order to maintain compliance with the MS4 Permit, the District continues to develop, implement, and maintain the required plans, as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff. Costs associated with these compliance activities could be substantial in the future. Operations of utility districts, including the District, are also potentially subject to requirements and restrictions under the CWA regarding the use and alteration of wetland areas that are within the "waters of the United States." The District must obtain a permit from the United States Army Corps of Engineers ("USACE") if operations of the District require that wetlands be filled, dredged, or otherwise altered.

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

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

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

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

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

Due to existing and possible future litigation, 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.

Future Debt

The District's voters have authorized the issuance of a total of $102,850,000 in principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sewer and storm drainage facilities. After issuance of the Series 2022 Bonds, $65,320,000 in principal amount of unlimited tax bonds for water, sewer and storm drainage facilities will remain authorized but unissued. The District's voters have also authorized a total of $38,850,000 in principal amount of unlimited tax bonds for acquiring or constructing recreational facilities. After issuance of the Series 2022A Park Bonds, $33,020,000 in principal amount of unlimited tax bonds for recreational facilities will remain authorized but unissued. A total of $141,700,000 in principal amount of unlimited tax refunding bonds has been authorized by the District for the purpose of refunding outstanding bonds of the District, all of which remains authorized but unissued. See "THE BONDS—Issuance of Additional Debt." The District's voters could authorize additional unlimited tax bonds for water, sewer, and storm drainage facilities, and recreational facilities, and for refunding outstanding bonds of the District. The principal amount of bonds issued to finance recreational facilities may not exceed 1%, or in the event the District meets certain conditions, 3%, of either the District's certified value or an estimate of value as provided by a certificate of the Appraisal District. The issuance of bonds for road facilities, if approved by the voters, is currently not subject to approval by the TCEQ. The issuance of additional obligations may increase the District's tax rate and adversely affect the security for, and the investment quality and value of the Bonds.

The principal developer of land within the District is Lennar Homes of Texas Land and Construction, Ltd., a Texas limited partnership, d.b.a. Friendswood Development Company (the "Developer"). See "INVESTMENT CONSIDERATIONS—Dependence on Major Taxpayers and the Developer." The Developer purchased 380 acres of undeveloped land and 217 developed lots in the District from Primewood Investments, LP ("Primewood") in 2013. As part of the acquisition, Primewood retained the right to a portion of future bond proceeds. Primewood is not currently entitled to any funds for recreational facilities. After issuance of the Bonds, the District will owe funds to the Developer in an amount of approximately $3,753,677 plus interest for advances made for engineering and construction of recreational facilities and will not owe any funds to the Developer related to advances made for the engineering and construction of water, sewer, and storm drainage facilities. The District intends to issue additional bonds in order to fully reimburse the Developer and Primewood and to provide facilities to the remainder of the undeveloped but developable land (approximately 43 acres). In addition, future changes in health or environmental regulations could require the construction and financing of additional improvements without any corresponding increases in value of the taxable property in the District. The District does not employ any formula with respect to appraised valuations, tax collections or otherwise to limit the amount of parity bonds which it may issue. See "THE BONDS—Issuance of Additional Debt," "—Financing Recreational Facilities," and "—Financing Road Facilities."

Risk Factors Related to the Purchase of Municipal Bond Insurance

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

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

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

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

Marketability

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

Future and Proposed Legislation

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

Continuing Compliance with Certain Covenants

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

NO MATERIAL ADVERSE CHANGE

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

NO-LITIGATION CERTIFICATE

With the delivery of the Bonds, the President or Vice President and Secretary of the Board will, on behalf of the District, execute and deliver to the Underwriters a certificate dated as of the date of delivery, to the effect that no litigation of any nature of which the District has notice is pending against or, to the knowledge of the District's certifying officers, threatened against the District, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the authorization, execution or delivery of the Bonds; affecting the provision made for the payment of or security for the Bonds; in any manner questioning the authority or proceedings for the authorization, execution or delivery of the Bonds; or affecting the validity of the Bonds, the corporate existence or boundaries of the District or the title of the then present officers and directors of the Board.

MUNICIPAL BOND RATING

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, ("S&P") has assigned a municipal bond rating of "AA" (stable outlook) with the understanding that, upon delivery of the Bonds, a municipal bond insurance policy ensuring the timely payment of the principal of and interest on the Bonds will be issued by Build America Mutual Assurance Company ("BAM"). Moody's Investors Service, Inc. ("Moody's") has assigned an underlying rating of "Baa2" to the Bonds. An explanation of the ratings may be obtained from S&P and Moody's. See "INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance" and "MUNICIPAL BOND INSURANCE."

There is no assurance that such ratings will continue for any given period of time or that they will not be revised or withdrawn entirely by S&P or Moody's, if in their judgment, circumstances so warrant. Any such revisions or withdrawal of the ratings may have an adverse effect on the market price of the Bonds.

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

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

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

Build America Mutual Assurance Company

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

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

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

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

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of 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 "MUNICIPAL BOND INSURANCE."

Additional Information Available from BAM

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

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

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

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

LEGAL MATTERS

Legal Opinions

The District will furnish to the Underwriters a transcript of certain certified proceedings incident to the issuance and authorization of the Bonds, including a certified copy of the approving legal 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 Attorney General has examined a transcript of proceedings authorizing the issuance of the Bonds, and that based upon such examination, the Bonds are valid and binding obligations of the District payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. The District will also furnish the approving legal opinion of Schwartz, Page & Harding, L.L.P., Houston, Texas, Bond Counsel, to the effect that, based upon an examination of such transcript, the Bonds are valid and binding obligations of the District under the Constitution and laws of the State of Texas, except to the extent that enforcement of the rights and remedies of the Registered Owners of the Bonds 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 and to the effect that interest on the Bonds is excludable from gross income for federal income tax purposes under the statutes, regulations, published rulings and court decisions existing on the date of such opinion, assuming compliance by the District with certain covenants relating to the use and investment of the proceeds of the Bonds. See "Tax Exemption" below. The legal opinion of Bond Counsel will further state that the Bonds are payable, both as to principal and interest, from the levy of ad valorem taxes, without legal limitation as to rate or amount, upon all taxable property within the District. Bond Counsel's opinion will also address the matters described below.

In addition to serving as Bond Counsel, Schwartz, Page & Harding, L.L.P., also serves as counsel to the District on matters not related to the issuance of bonds. The legal fees to be paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are based upon a percentage of bonds actually issued, sold and delivered, and, therefore, such fees are contingent upon the sale and delivery of the Bonds. Certain legal matters will be passed upon for the District by McCall, Parkhurst & Horton L.L.P., Houston, Texas, as Disclosure Counsel.

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

Legal Review

In its capacity as Bond Counsel, Schwartz, Page & Harding, L.L.P., has reviewed the information appearing in this Official Statement under the captioned sections "THE BONDS," "THE DISTRICT - General," "Management of the District - Bond Counsel and General Counsel," "TAX PROCEDURES," and "LEGAL MATTERS" solely to determine whether such information fairly summarizes the law and documents referred to therein. Such firm has not independently verified factual information contained in this Official Statement, nor has such firm 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 such firm'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 of the other information contained herein.

Tax Exemption

On the date of initial delivery of the Bonds, 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, as amended (the "Code"). Except as stated above, Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the ownership of, receipt of interest on or disposition of the Bonds.

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

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

Qualified Tax-Exempt Obligations

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 will covenant 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 aforementioned dollar limitation and the Bonds would not be "qualified tax-exempt obligations."**

Collateral Federal Income Tax Consequences

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

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences. The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, including financial institutions, life insurance and property and casualty insurance companies, owners of interests in a FASIT, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, 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 individuals allowed an earned income credit. THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIFIC 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 certain corporation's "adjusted financial statement income" determined under Section 56A of the Code to calculate the alternative minimum tax imposed 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.

Tax Accounting Treatment of Original Issue Discount and Premium Bonds

The initial public offering price to be paid for one or more maturities of the Bonds is less than the principal amount thereof or one or more periods for the payment of interest on the Bonds may not be equal to the accrued period or be in excess of one year (the "Original Issue Discount Bonds"). 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 constitutes original issue discount with respect to such Original Issue Discount Bond in the hands of any owner who has purchased such Original Issue Discount Bond in the initial public offering of the Bonds. 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, such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Bond continues to be owned by such owner. See "Tax Exemption" herein for a discussion of certain collateral federal tax consequences.

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 amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Bond.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. ALL OWNERS OF ORIGINAL ISSUE DISCOUNT BONDS SHOULD CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE DETERMINATION FOR FEDERAL, STATE AND LOCAL INCOME TAX PURPOSES OF INTEREST ACCRUED UPON REDEMPTION, SALE OR OTHER DISPOSITION OF SUCH 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.

The initial public offering price to be paid for certain maturities of the Bonds is greater than the amount payable on such Bonds at maturity (the "Premium Bonds"). An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such initial purchaser must be reduced each year by the amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity. PURCHASERS OF THE PREMIUM BONDS SHOULD CONSULT WITH THEIR OWN TAX ADVISORS WITH RESPECT TO THE DETERMINATION OF AMORTIZABLE BOND PREMIUM WITH RESPECT TO THE PREMIUM BONDS FOR FEDERAL INCOME TAX PURPOSES AND WITH RESPECT TO THE STATE AND LOCAL TAX CONSEQUENCES OF OWNING PREMIUM BONDS.

PREPARATION OF OFFICIAL STATEMENT

Sources and Compilation of Information

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

Financial Advisor

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

Consultants

In approving this OFFICIAL STATEMENT, the District has relied upon the following consultants. Each consultant has agreed to the use of information provided by such firms.

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

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

Auditor: The District’s financial statements as of August 31, 2021, and for the year then ended, included in this offering document, have been audited by BKD, LLP, independent auditors, as stated in their report appearing herein. See “APPENDIX A” for a copy of the District’s August 31, 2021, audited financial statements.

Bookkeeper: The information related to the unaudited summary of the District’s General Operating Fund as it appears in “THE SYSTEM—Water and Wastewater Operations” has been prepared by Municipal Accounts & Consulting, L.P. and is included herein in reliance upon the authority of such firm as experts in tracking and manage the various funds of municipal utility districts.

Updating the Official Statement

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

Certification of Official Statement

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

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this OFFICIAL STATEMENT under the headings "THE SYSTEM," "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements," "TAX DATA" and "APPENDIX A" (Independent Auditor's Report and Financial Statements and Supplemental Schedules). The District will update and provide this information within six (6) months after the end of each fiscal year ending in or after 2022.

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

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

Specified Event Notices

The District will provide timely notices of certain events to the MRSB, 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-exempt status of the Bonds, or other events affecting the tax-exempt status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of CFR § 240.15c2-12 (the “Rule”); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of 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 to a decision to purchase or sell Bonds; (15) incurrence of a financial obligation of the District or other obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person, any of which reflect financial difficulties. The terms “financial obligation” and “material” when used in this paragraph shall have the meanings ascribed to them under federal securities laws.

Neither the Bonds nor the Bond Orders make any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under “Annual Reports.”

Availability of Information from the MSRB

The District has agreed to provide the foregoing information only to the MSRB. The MSRB makes the information available to the public without charge through its Electronic Municipal Market Access (“EMMA”) internet portal 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 the changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and Beneficial Owners of the Bonds. The District may amend or repeal the agreement in the Bond Orders if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction determines that such provisions are invalid or unenforceable, but only to the extent that its right to do so would not prevent the Underwriters from lawfully purchasing the Bonds in the initial offering. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under “Annual Reports” an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance With Prior Undertakings

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

MISCELLANEOUS

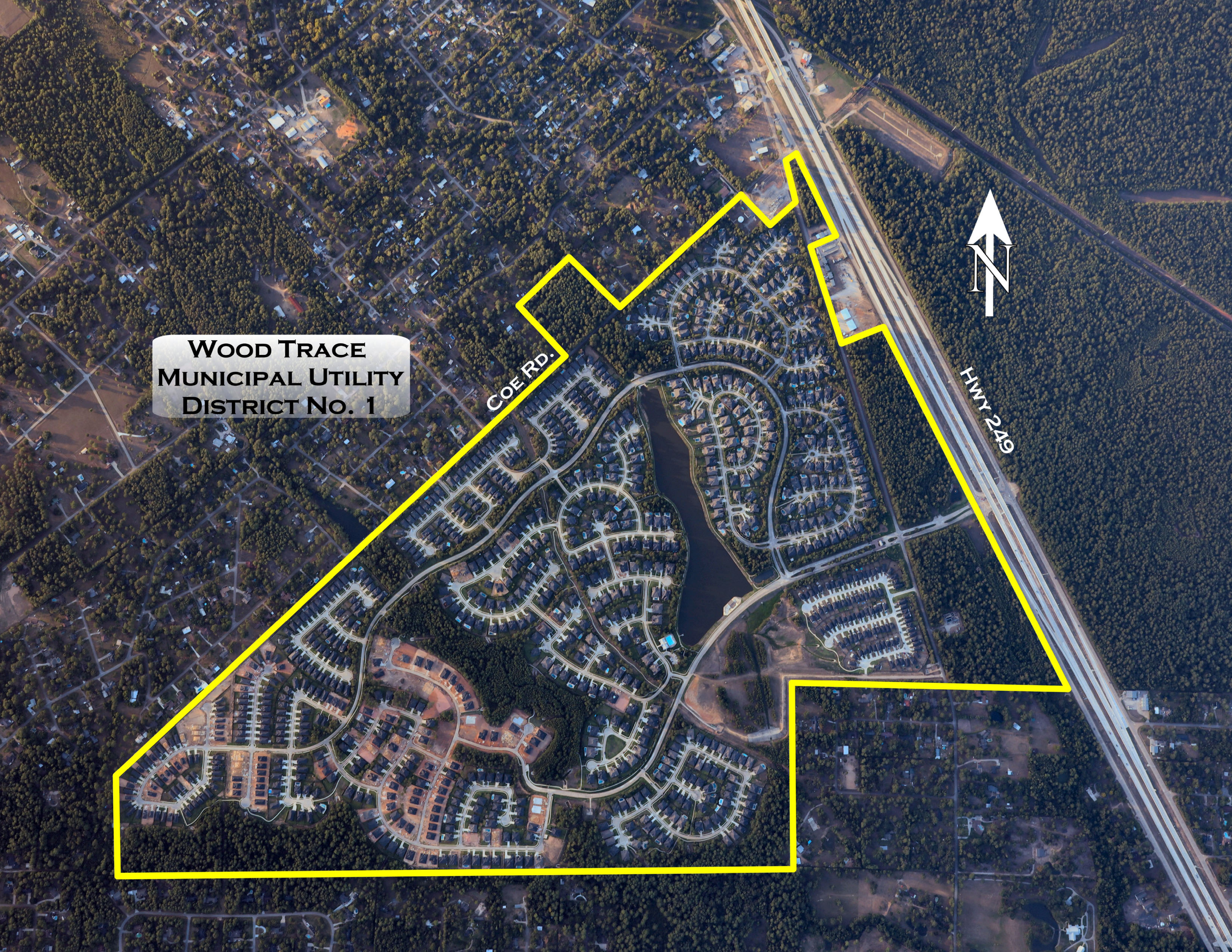
All estimates, statements and assumptions in this OFFICIAL STATEMENT and the APPENDICES hereto have been made on the basis of the best information available and are believed to be reliable and accurate. Any statements in this OFFICIAL STATEMENT involving matters of opinion or estimates, whether or not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

/s/ Elias Hinojosa
Vice President, Board of Directors

ATTEST:

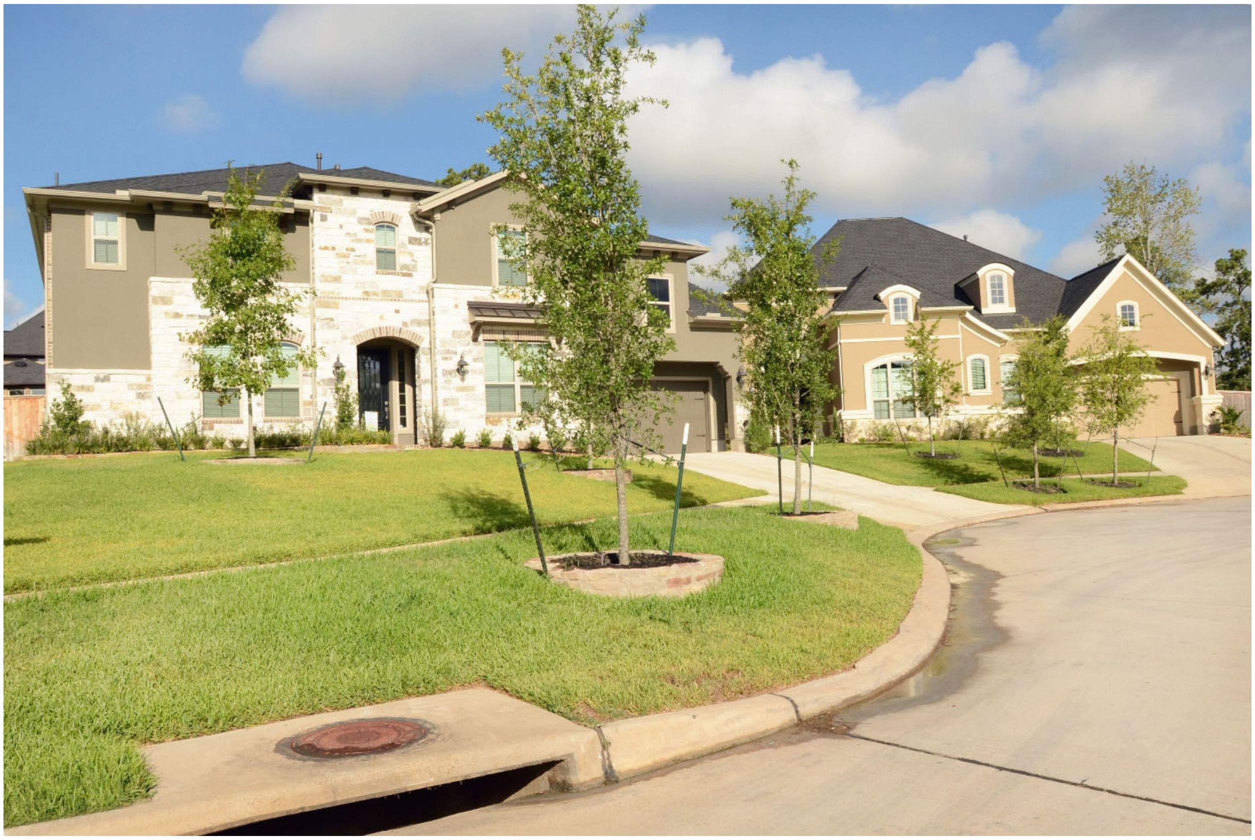
/s/ J. Art Nicholson
Secretary, Board of Directors

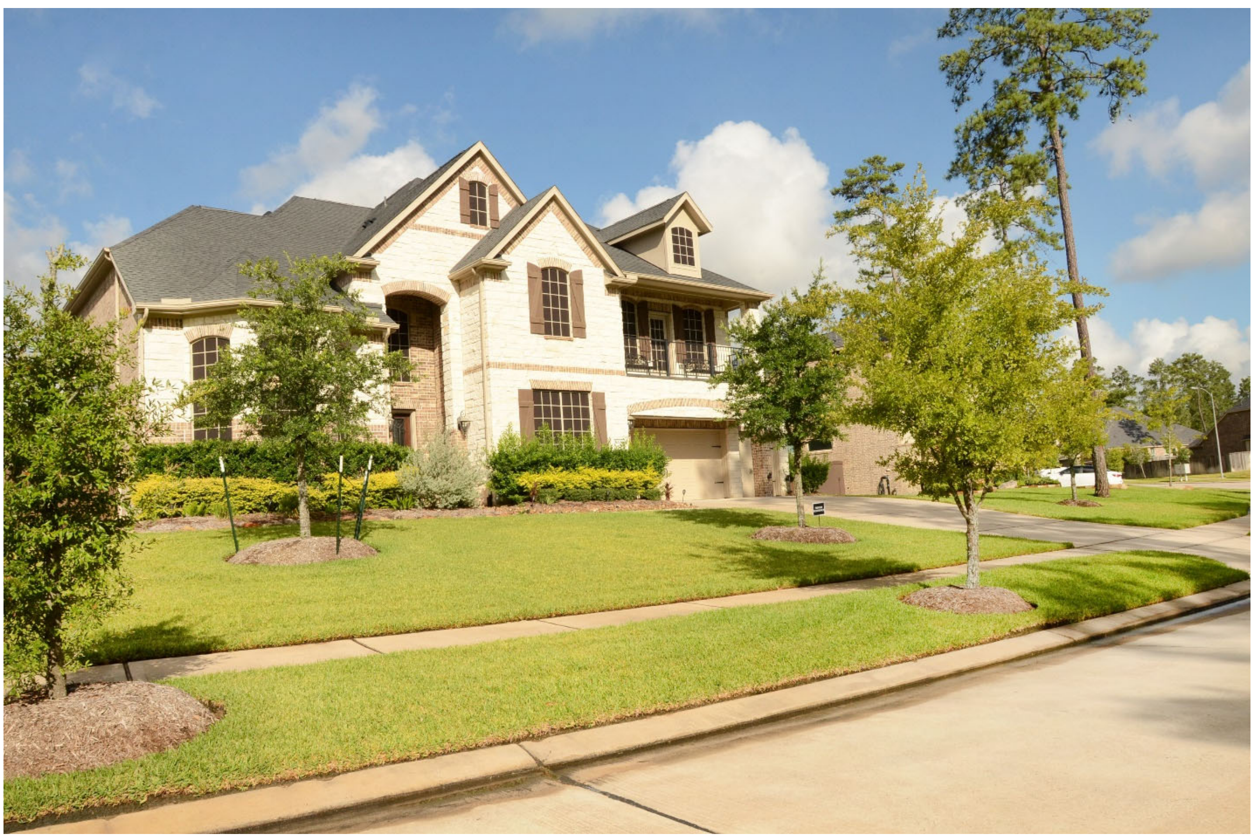
AERIAL LOCATION MAP
(Approximate boundaries as of August 2022)

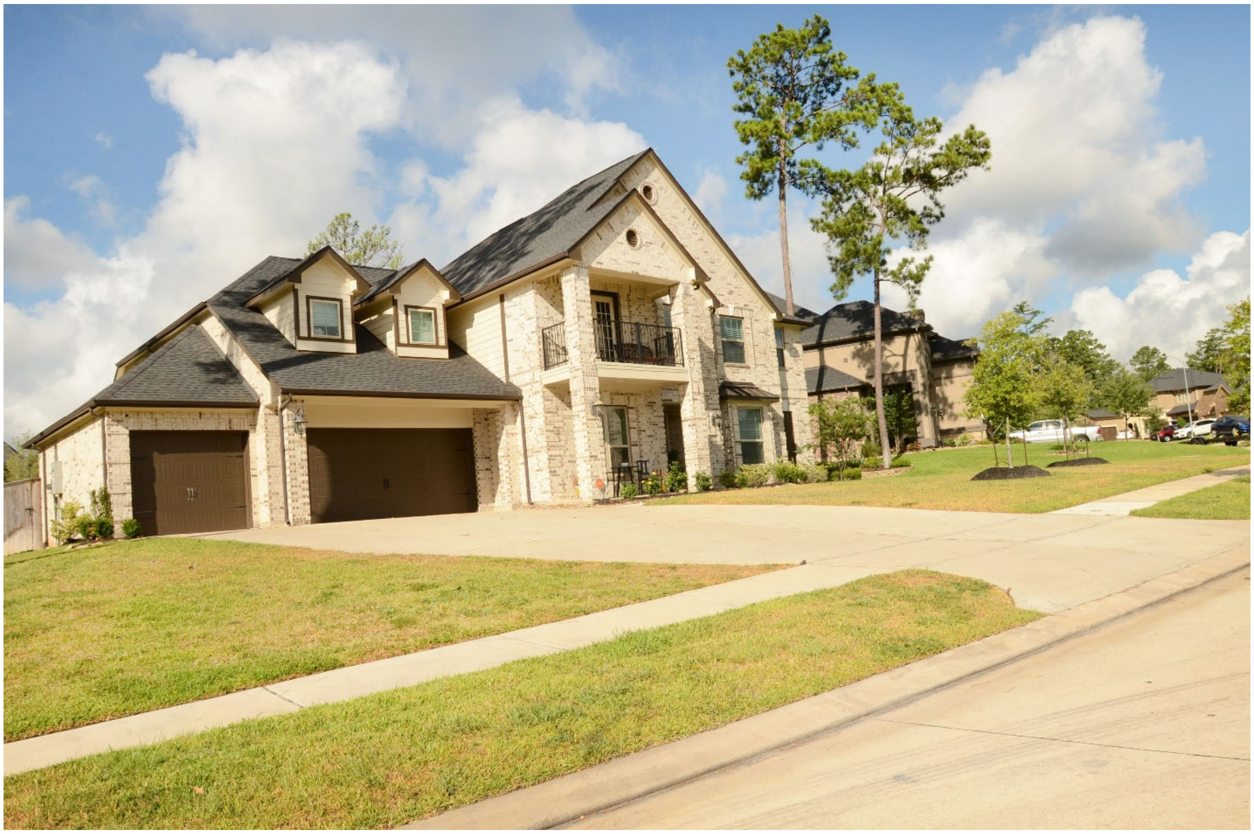


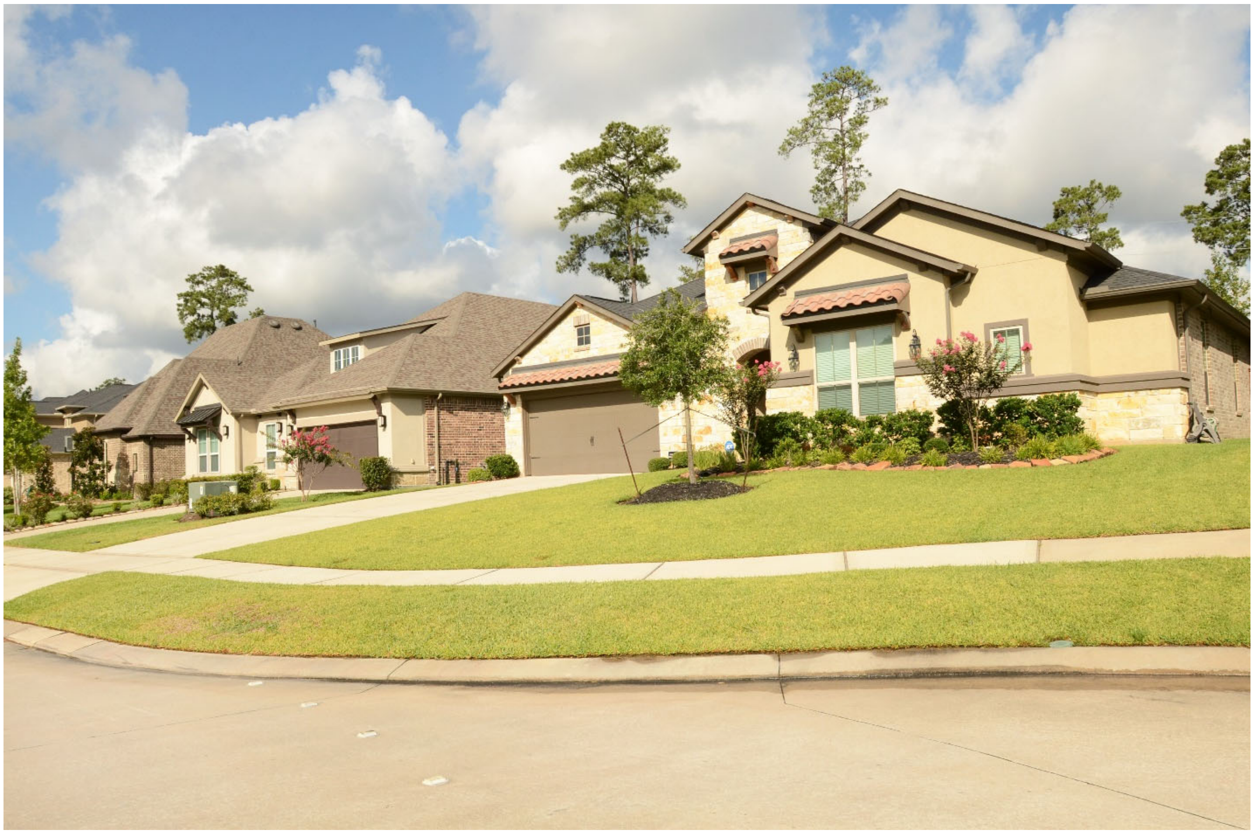
Wood Trace
Municipal Utility
District No. 1
Coe Rd.
Hwy 249
N

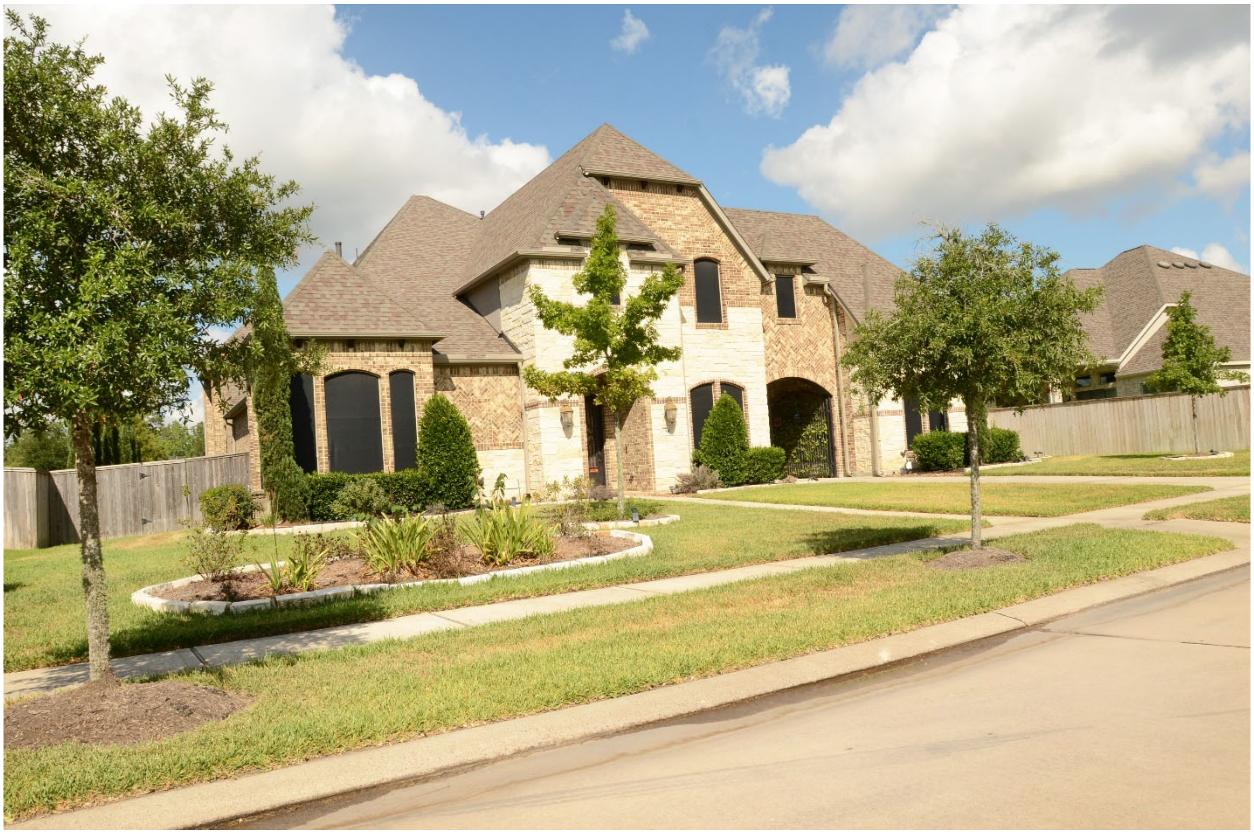
PHOTOGRAPHS OF THE DISTRICT
(Taken August 2022)

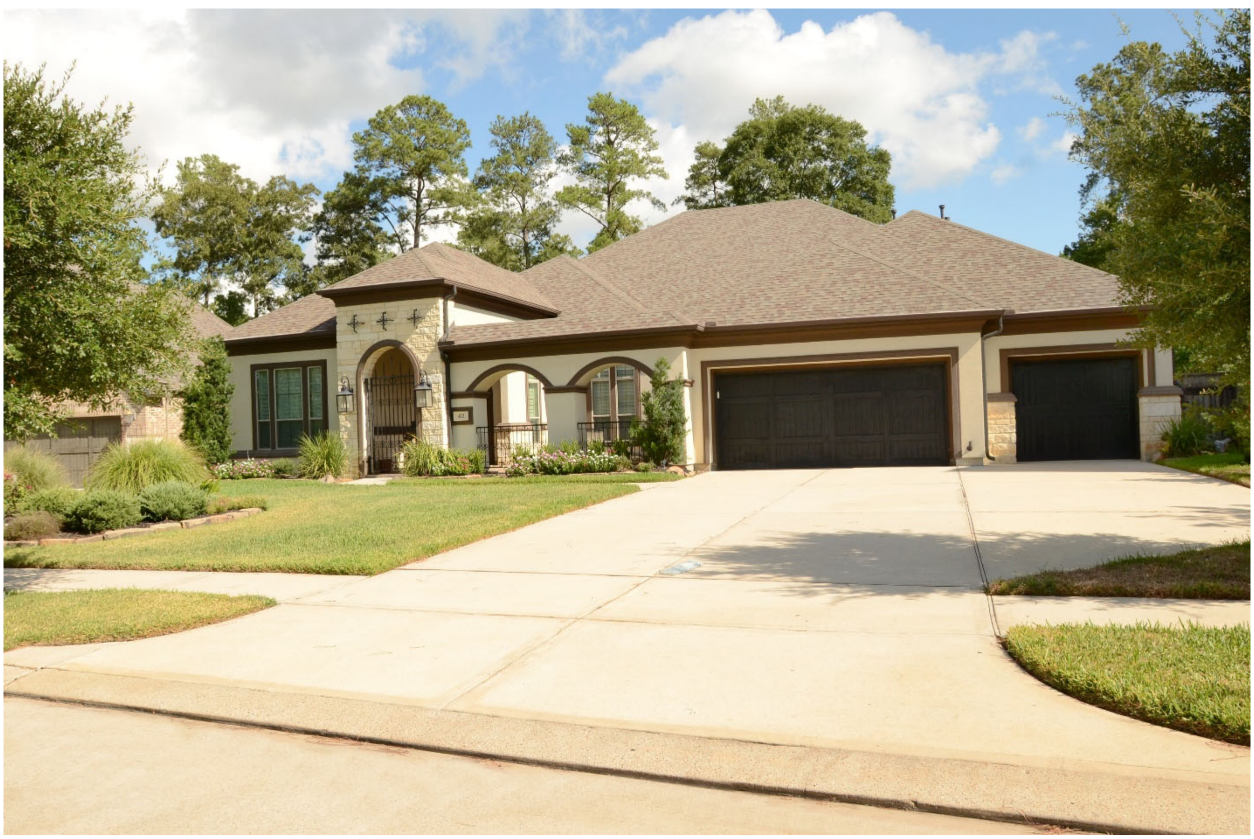


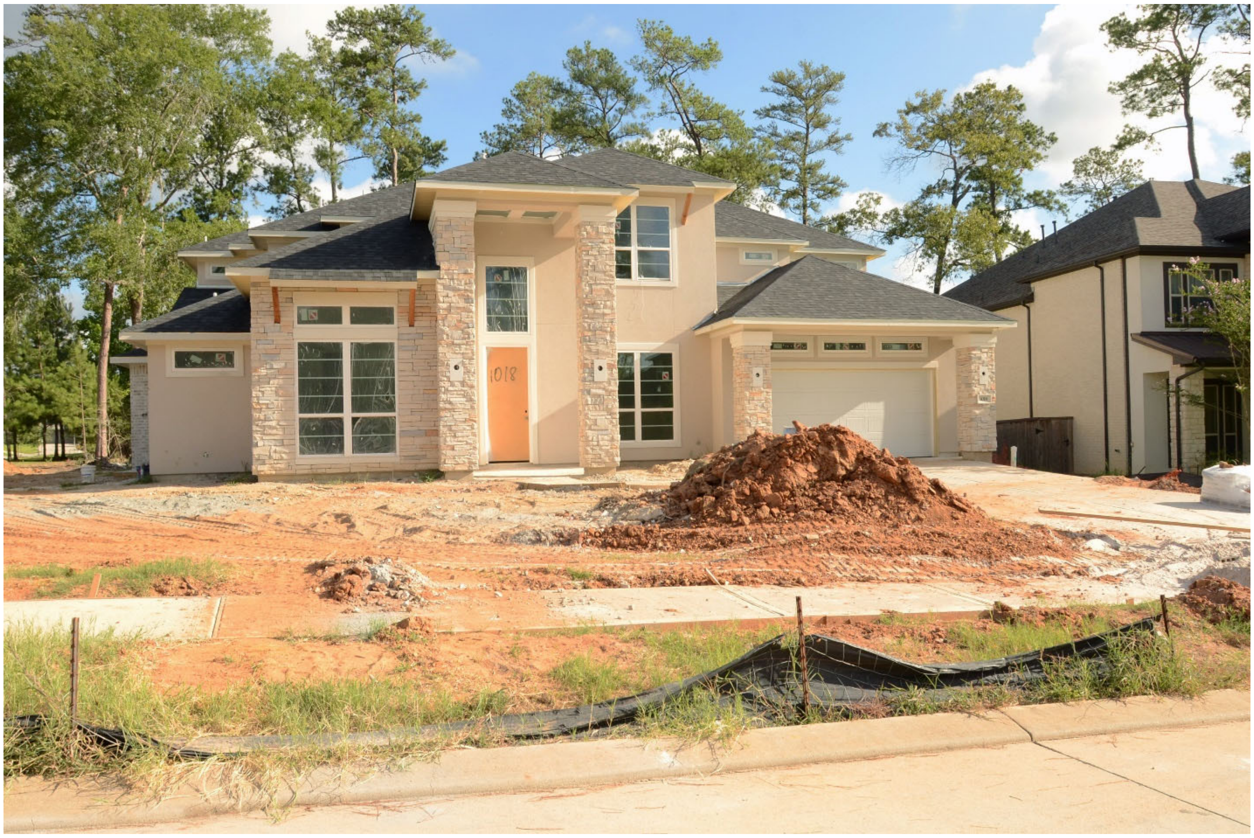








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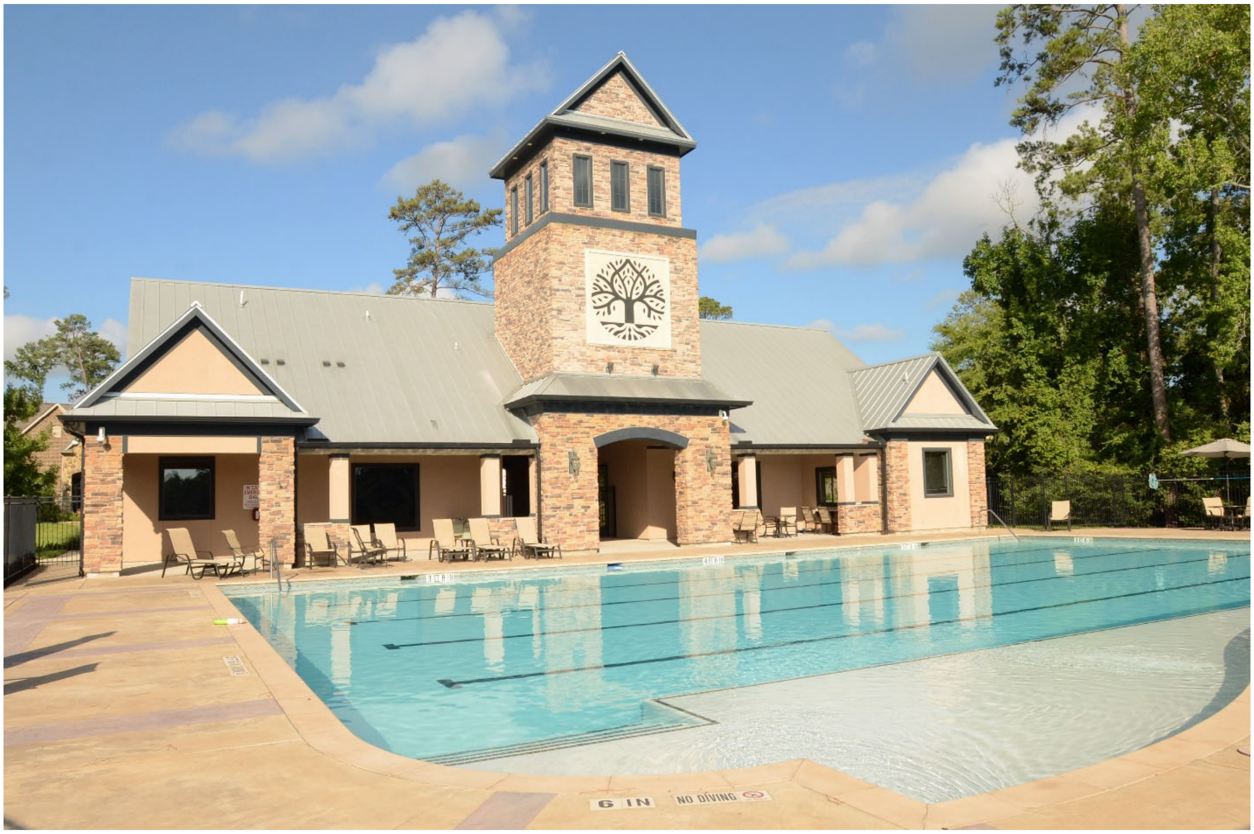
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APPENDIX A

Independent Auditor's Report and Financial Statements of the District for the year ended August 31, 2021

The information contained in this appendix includes the audited financial statements of Wood Trace Municipal Utility District No. 1, of Montgomery County, Texas and certain supplemental information for the fiscal year ended August 31, 2021.

Wood Trace Municipal Utility District No. 1, of Montgomery County, Texas

Independent Auditor's Report and Financial Statements

August 31, 2021

BKD
CPAs & Advisors

Wood Trace Municipal Utility District No. 1, of Montgomery County, Texas

August 31, 2021

Contents

BKD
CPAs & Advisors

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Independent Auditor's Report

Board of Directors
Wood Trace Municipal Utility District No. 1,
of Montgomery County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Wood Trace Municipal Utility District No. 1, of Montgomery County, Texas (the District), as of and for the year ended August 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund of the District as of August 31, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

BKD, LLP

Houston, Texas
January 9, 2022

Overview of the Financial Statements

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

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

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

Governmental Funds

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

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

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

Notes to Financial Statements

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

Financial Analysis of the District as a Whole

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

Summary of Net Position

	2021	2020
Current and other assets	$ 3,365,831	$ 2,541,653
Capital assets	20,170,841	17,630,679
Total assets	$ 23,536,672	$ 20,172,332
Long-term liabilities	$ 26,644,517	$ 24,206,172
Other liabilities	487,680	283,889
Total liabilities	27,132,197	24,490,061
Net position:		
Net investment in capital assets	(5,587,850)	(5,706,049)
Restricted	529,020	510,862
Unrestricted	1,463,305	877,458
Total net position	$ (3,595,525)	$ (4,317,729)

The total net position of the District increased by $722,204, or about 17 percent. The majority of the increase in net position is related to tax revenues intended to pay principal on the District's bonded indebtedness, which is shown as long-term liabilities in the government-wide financial statements. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Summary of Changes in Net Position

	2021	2020
Revenues:		
Property taxes	$ 2,554,552	$ 2,200,390
Charges for services	866,268	728,463
Other revenues	333,362	182,041
Total revenues	3,754,182	3,110,894

Summary of Changes in Net Position (Continued)

	2021	2020
Expenses:		
Services	$ 1,396,777	$ 1,293,852
Depreciation	551,506	530,570
Debt service	1,083,695	1,174,359
Total expenses	3,031,978	2,998,781
Change in net position	722,204	112,113
Net position, beginning of year	(4,317,729)	(4,429,842)
Net position, end of year	$ (3,595,525)	$ (4,317,729)

Financial Analysis of the District's Funds

The District's combined fund balances as of the end of the fiscal year ended August 31, 2021, were $2,865,025, an increase of $609,886 from the prior year.

The general fund's fund balance increased by $285,102, primarily due to property tax and service revenues exceeding service operations expenditures, as well as due to a transfer from the capital projects fund.

The debt service fund's fund balance increased by $2,523, primarily due to property tax revenues and proceeds received from a current year bond sale exceeding bond principal and interest requirements.

The capital projects fund's fund balance increased by $322,261 due to net proceeds received from a current year bond sale exceeding capital outlay expenditures, debt issuance costs and repayment to developers for advances.

General Fund Budgetary Highlights

There were several differences between the final budgetary amounts and actual amounts. The major differences between budget and actual were due to sewer service revenues, tap connection and inspection fees revenues and related expenditures, and contracted services and repairs and maintenance expenditures being greater than anticipated, as well as professional fees and capital outlay expenditures being less than anticipated. In addition, debt issuance costs and interfund transfers in were not budgeted. The fund balance as of August 31, 2021, was expected to be $1,758,091 and the actual end-of-year fund balance was $2,022,326.

Capital Assets and Related Debt

Capital Assets

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

Capital Assets (Net of Accumulated Depreciation)

	2021	2020
Land and improvements	$ 4,481,021	$ 4,252,355
Construction in progress	10,900	-
Water facilities	3,961,037	3,626,214
Wastewater facilities	5,144,245	4,251,475
Drainage facilities	6,573,638	5,500,635
Total capital assets	$ 20,170,841	$ 17,630,679

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

Construction in progress related to wastewater treatment plant expansion and lift station No. 1 expansion	$ 10,900
Additional engineering related to Woodtrace, Sections 11-16, clearing and grubbing and detention excavation to serve Woodtrace, Section 16	11,598
Rehabilitation related to Decker Lake, Decker Dry Detention and Goodson Dry Detention Dams	217,068
Additional engineering and developer interest related to water, sewer and drainage facilities to serve Woodtrace, Sections 8A, 8B and 9	412,961
Water, sewer and drainage facilities to serve Arbor Trace and Woodtrace, Sections 11 and 12	2,691,680
Hydropneumatic tank recoating	50,000
Replace blower No. 2 at the wastewater treatment plant	9,255
Total additions to capital assets	$ 3,403,462

Debt

The changes in the debt position of the District during the fiscal year ended August 31, 2021, are summarized as follows.

Long-term debt payable, beginning of year	$	24,206,172
Increases in long-term debt		7,003,680
Decreases in long-term debt		(4,565,335)
Long-term debt payable, end of year	$	26,644,517

At August 31, 2021, the District had $75,840,000 of unlimited tax bonds authorized, but unissued, for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District and $38,850,000 of unlimited tax bonds authorized, but unissued, for recreational facilities.

The District's bonds carry an underlying rating of "Baa3" from Moody's Investors Service, Inc. The Series 2018 and Series 2020 bonds carry a "AA" rating from Standard & Poor's by virtue of bond insurance issued by Build America Mutual Assurance Company. The Series 2019 bonds carry a "AA" rating from Standard & Poor's and a "A2" rating from Moody's Investors Service, Inc. by virtue of bond insurance issued by Assured Guaranty Municipal Corp.

Developers of the District have constructed facilities on behalf of the District. The District's engineer estimates reimbursable costs for completed projects are $2,842,014. The District has agreed to reimburse the developers for these construction costs, plus interest, to the extent approved by the Commission from the proceeds of future bond sales. These amounts have been recorded in the financial statements as long-term liabilities.

Other Relevant Factors

Contingencies

A developer of the District is constructing facilities within the boundaries of the District. The District has agreed to reimburse the developer for these costs, plus interest, from the proceeds of future bond sales to the extent approved by the Commission. The District's engineer has stated current construction contract amounts are approximately $2,323,000. This amount has not been recorded in the financial statements since the facilities are not complete or operational.

Subsequent Event

On August 10, 2021, the District awarded the sale of its Unlimited Tax Bonds, Series 2021, in the amount of $8,100,000 at a net effective interest rate of approximately 2.232 percent. The bonds, which closed and funded on September 16, 2021, were sold to reimburse the developer for construction projects within the District.

Wood Trace Municipal Utility District No. 1, of Montgomery County, Texas

Statement of Net Position and Governmental Funds Balance Sheet

August 31, 2021

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash	$ 193,629	$ 24,157	$ 100	$ 217,886	$ -	$ 217,886
Certificates of deposit	1,775,000	240,000	-	2,015,000	-	2,015,000
Short-term investments	365,660	267,797	340,176	973,633	-	973,633
Receivables:						
Property taxes	4,124	9,002	-	13,126	-	13,126
Service accounts	140,910	-	-	140,910	-	140,910
Accrued interest	4,265	8	-	4,273	-	4,273
Interfund receivable	22,621	-	-	22,621	(22,621)	-
Due from others	-	1,003	-	1,003	-	1,003
Capital assets (net of accumulated depreciation):						
Land and improvements	-	-	-	-	4,481,021	4,481,021
Construction in progress	-	-	-	-	10,900	10,900
Infrastructure	-	-	-	-	15,678,920	15,678,920
Total assets	$ 2,506,209	$ 541,967	$ 340,276	$ 3,388,452	$ 20,148,220	$ 23,536,672

Wood Trace Municipal Utility District No. 1, of Montgomery County, Texas

Statement of Net Position and Governmental Funds Balance Sheet (Continued)

August 31, 2021

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Liabilities						
Accounts payable	$ 147,609	$ 6,891	$ 1,030	$ 155,530	$ -	$ 155,530
Customer deposits	292,150	-	-	292,150	-	292,150
Unearned tap connection fees	40,000	-	-	40,000	-	40,000
Interfund payable	-	22,621	-	22,621	(22,621)	-
Long-term liabilities:						
Due within one year	-	-	-	-	1,115,000	1,115,000
Due after one year	-	-	-	-	25,529,517	25,529,517
Total liabilities	479,759	29,512	1,030	510,301	26,621,896	27,132,197
Deferred Inflows of Resources						
Deferred property tax revenues	4,124	9,002	0	13,126	(13,126)	0
Fund Balances/Net Position						
Fund balances:						
Restricted:						
Unlimited tax bonds	-	503,453	-	503,453	(503,453)	-
Water, sewer and drainage	-	-	339,246	339,246	(339,246)	-
Unassigned	2,022,326	-	-	2,022,326	(2,022,326)	-
Total fund balances	2,022,326	503,453	339,246	2,865,025	(2,865,025)	0
Total liabilities, deferred inflows of resources and fund balances	$ 2,506,209	$ 541,967	$ 340,276	$ 3,388,452		
Net position:						
Net investment in capital assets					(5,587,850)	(5,587,850)
Restricted for debt service					512,455	512,455
Restricted for capital projects					16,565	16,565
Unrestricted					1,463,305	1,463,305
Total net position					$ (3,595,525)	$ (3,595,525)

Wood Trace Municipal Utility District No. 1, of Montgomery County, Texas

Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances

Year Ended August 31, 2021

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues						
Property taxes	$ 746,144	$ 1,797,907	$ -	$ 2,544,051	$ 10,501	$ 2,554,552
Water service	287,175	-	-	287,175	-	287,175
Sewer service	332,167	-	-	332,167	-	332,167
Regional water fee	246,926	-	-	246,926	-	246,926
Penalty and interest	5,520	11,857	-	17,377	-	17,377
Tap connection and inspection fees	300,645	-	-	300,645	-	300,645
Investment income	11,129	3,798	349	15,276	-	15,276
Other income	50	14	-	64	-	64
Total revenues	1,929,756	1,813,576	349	3,743,681	10,501	3,754,182
Expenditures/Expenses						
Service operations:						
Regional water authority fee	263,066	-	-	263,066	-	263,066
Professional fees	123,525	376	-	123,901	9,830	133,731
Contracted services	271,142	29,253	-	300,395	35	300,430
Utilities	111,138	-	-	111,138	-	111,138
Repairs and maintenance	367,746	-	-	367,746	24,308	392,054
Other expenditures	74,146	8,576	36	82,758	-	82,758
Tap connections	113,600	-	-	113,600	-	113,600
Capital outlay	311,531	-	3,326,755	3,638,286	(3,638,286)	-
Depreciation	-	-	-	-	551,506	551,506
Debt service:						
Principal retirement	-	1,115,000	-	1,115,000	(1,115,000)	-
Interest and fees	-	701,138	-	701,138	51,325	752,463
Debt issuance costs	60,845	-	270,387	331,232	-	331,232
Total expenditures/expenses	1,696,739	1,854,343	3,597,178	7,148,260	(4,116,282)	3,031,978
Excess (Deficiency) of Revenues Over Expenditures	233,017	(40,767)	(3,596,829)	(3,404,579)	4,126,783	

Wood Trace Municipal Utility District No. 1, of Montgomery County, Texas

Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances (Continued)

Year Ended August 31, 2021

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Other Financing Sources (Uses)						
Interfund transfers in (out)	$ 52,085	$ 4,165	$ (56,250)	$ -	$ -	
Repayment of developer advances	-	-	(297,535)	(297,535)	297,535	
General obligation bonds issued	-	39,125	4,360,875	4,400,000	(4,400,000)	
Discount on debt issued	-	-	(88,000)	(88,000)	88,000	
Total other financing sources	52,085	43,290	3,919,090	4,014,465	(4,014,465)	
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	285,102	2,523	322,261	609,886	(609,886)	
Change in Net Position					722,204	$ 722,204
Fund Balances/Net Position						
Beginning of year	1,737,224	500,930	16,985	2,255,139	-	(4,317,729)
End of year	$ 2,022,326	$ 503,453	$ 339,246	$ 2,865,025	$ 0	$ (3,595,525)

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

Wood Trace Municipal Utility District No. 1, of Montgomery County, Texas (the District), was created by House Bill 2322, Chapter 218, Acts of the 72nd Texas Legislature, effective May 29, 1991, in accordance with the Texas Water Code, Chapter 54. The District operates in accordance with Chapters 49 and 54 of the Texas Water Code and is subject to the continuing supervision of the Commission. The principal functions of the District are to finance, construct, own and operate waterworks, wastewater and drainage facilities and to provide such facilities and services to the customers of the District. Section 8228 of the Texas Special District Local Laws Code authorizes the District, pursuant to the provisions of the Texas Constitution, to develop and finance with property taxes certain road facilities following a successful District election to approve the issuance of road bonds payable from taxes.

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

Reporting Entity

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

Government-wide and Fund Financial Statements

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

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

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

The District presents the following major governmental funds:

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

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

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

Fund Balances – Governmental Funds

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

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

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

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

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

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

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

Measurement Focus and Basis of Accounting

Government-wide Financial Statements

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

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

Fund Financial Statements

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

Deferred Outflows and Inflows of Resources

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

Interfund Transactions

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

Pension Costs

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

Use of Estimates

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

Investments and Investment Income

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

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

Property Taxes

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

In the governmental funds, property taxes are initially recorded as receivables and deferred inflows of resources at the time the tax levy is billed. Revenues recognized during the fiscal year ended August 31, 2021, include collections during the current period or within 60 days of year-end related to the 2020 and prior years' tax levies.

In the government-wide statement of net position, property taxes are considered earned in the budget year for which they are levied. For the District's fiscal year ended August 31, 2021, the 2020 tax levy is considered earned during the current fiscal year. In addition to property taxes levied, any delinquent taxes are recorded net of amounts considered uncollectible.

Capital Assets

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

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

	Years
Water production and distribution facilities	10-45
Wastewater collection and treatment facilities	10-45
Drainage facilities	10-45

Debt Issuance Costs

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

Long-term Obligations

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

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

Net Position/Fund Balances

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

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

The components of unrestricted net position at August 31, 2021, are as follows:

General fund, unrestricted fund balance including deferred taxes	$	2,026,450
Operating advances due to developer		(563,145)
Total	$	1,463,305

Reconciliation of Government-wide and Fund Financial Statements

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

Capital assets used in governmental activities are not financial resources and are not reported in the funds.	$	20,170,841
Property tax revenue recognition and the related reduction of deferred inflows of resources are subject to availability of funds in the fund financial statements.		13,126
Long-term debt obligations are not due and payable in the current period and are not reported in the funds.		(26,644,517)
Adjustment to fund balances to arrive at net position.	$	(6,460,550)

Wood Trace Municipal Utility District No. 1, of Montgomery County, Texas
Notes to Financial Statements
August 31, 2021

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

Change in fund balances.	$	609,886
Governmental funds report capital outlays as expenditures. However, for government-wide financial statements, the cost of capitalized assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay expenditures exceeded depreciation and noncapitalized costs in the current year.		3,052,607
Governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		88,000
Governmental funds report proceeds from the sale of bonds because they provide current financial resources to governmental funds. Principal payments on debt are recorded as expenditures. None of these transactions, however have any affect on net position.		(3,285,000)
Governmental funds report developer advances as other financing sources or uses as amounts are received or paid. However, for government-wide financial statements, these amounts are recorded as an increase or decrease in amount due to developer.		297,535
Revenues that do not provide current financial resources are not reported as revenues for the funds but are reported as revenues in the statement of activities.		10,501
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		(51,325)
Change in net position of governmental activities.	$	722,204

Note 2: Deposits, Investments and Investment Income

Deposits

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

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

At August 31, 2021, none of the District's bank balances were exposed to custodial credit risk.

Investments

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

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

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

At August 31, 2021, the District had the following investments and maturities:

		Maturities in Years			
Type	Fair Value	Less Than 1	1-5	6-10	More Than 10
Texas CLASS	$ 973,633	$ 973,633	$ 0	$ 0	$ 0

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

Credit Risk. Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At August 31, 2021, the District's investments in Texas CLASS were rated "AAAm" by Standard & Poor's.

Summary of Carrying Values

The carrying values of deposits and investments shown previously are included in the balance sheet at August 31, 2021, as follows:

Carrying value:		
Deposits	$	2,232,886
Investments		973,633
Total	$	3,206,519

Included in the following statement of net position captions:

Cash	$	217,886
Certificates of deposit		2,015,000
Short-term investments		973,633
Total	$	3,206,519

Investment Income

Investment income of $15,276 for the year ended August 31, 2021, consisted of interest income.

Fair Value Measurements

The District has the following recurring fair value measurements as of August 31, 2021:

- Pooled investments of $973,633 are valued at fair value per share of the pool's underlying portfolio.

Wood Trace Municipal Utility District No. 1, of Montgomery County, Texas

Notes to Financial Statements

August 31, 2021

Note 3: Capital Assets

A summary of changes in capital assets for the year ended August 31, 2021, is presented as follows:

Governmental Activities	Balances, Beginning of Year	Additions	Retire-ments	Balances, End of Year
Capital assets, non-depreciable:				
Land and improvements	$ 4,252,355	$ 228,666	$ -	$ 4,481,021
Construction in progress	-	10,900	-	10,900
Total capital assets, non-depreciable	4,252,355	239,566	0	4,491,921
Capital assets, depreciable:				
Water production and distribution facilities	6,080,847	537,825	-	6,618,672
Wastewater collection and treatment facilities	5,511,073	1,065,468	-	6,576,541
Drainage facilities	6,526,633	1,560,603	(311,794)	7,775,442
Total capital assets, depreciable	18,118,553	3,163,896	(311,794)	20,970,655
Less accumulated depreciation:				
Water production and distribution facilities	(2,454,633)	(203,002)	-	(2,657,635)
Wastewater collection and treatment facilities	(1,259,598)	(172,698)	-	(1,432,296)
Drainage facilities	(1,025,998)	(175,806)	-	(1,201,804)
Total accumulated depreciation	(4,740,229)	(551,506)	0	(5,291,735)
Total governmental activities, net	$ 17,630,679	$ 2,851,956	$ (311,794)	$ 20,170,841

Note 4: Long-term Liabilities

Changes in long-term liabilities for the year ended August 31, 2021, were as follows:

Governmental Activities	Balances, Beginning of Year	Increases	Decreases	Balances, End of Year	Amounts Due in One Year
Bonds payable:					
General obligation bonds	$ 20,575,000	$ 4,400,000	$ 1,115,000	$ 23,860,000	$ 1,115,000
Less discounts on bonds	552,550	88,000	19,908	620,642	-
	20,022,450	4,312,000	1,095,092	23,239,358	1,115,000
Due to developers - construction	3,323,042	2,691,680	3,172,708	2,842,014	-
Due to developers - advances	860,680	-	297,535	563,145	-
Total governmental activities long-term liabilities	$ 24,206,172	$ 7,003,680	$ 4,565,335	$ 26,644,517	$ 1,115,000

General Obligation Bonds

	Series 2016	Series 2017
Amounts outstanding, August 31, 2021	$3,135,000	$3,105,000
Interest rates	2.00% to 4.00%	2.00% to 4.00%
Maturity dates, serially beginning/ending	September 1, 2022/2040	September 1, 2022/2040
Interest payment dates	March 1/September 1	March 1/September 1
Callable dates*	September 1, 2022	September 1, 2023

	Series 2017A	Series 2018
Amounts outstanding, August 31, 2021	$2,850,000	$3,230,000
Interest rates	2.00% to 4.00%	3.00% to 3.75%
Maturity dates, serially beginning/ending	September 1, 2022/2040	September 1, 2022/2040
Interest payment dates	March 1/September 1	March 1/September 1
Callable dates*	September 1, 2023	September 1, 2024

	Series 2019	Series 2020
Amounts outstanding, August 31, 2021	$7,335,000	$4,205,000
Interest rates	2.00% to 2.75%	1.00% to 2.00%
Maturity dates, serially beginning/ending	September 1, 2022/2043	September 1, 2022/2043
Interest payment dates	March 1/September 1	March 1/September 1
Callable dates*	September 1, 2024	September 1, 2025

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

Annual Debt Service Requirements

The District has been paying the amount due September 1 within the fiscal year preceding this due date and the following schedule has been prepared assuming that this practice will be followed in future years. The schedule shows the annual debt service requirements to pay principal and interest on general obligation bonds outstanding at August 31, 2021:

Year	Principal	Interest	Total
2022	$ 1,115,000	$ 675,469	$ 1,790,469
2023	1,120,000	650,094	1,770,094
2024	1,125,000	624,156	1,749,156
2025	1,130,000	597,656	1,727,656
2026	1,140,000	571,006	1,711,006
2027-2031	5,770,000	2,398,100	8,168,100
2032-2036	5,970,000	1,557,029	7,527,029
2037-2041	5,450,000	601,126	6,051,126
2042-2043	1,040,000	38,625	1,078,625
Total	$ 23,860,000	$ 7,713,261	$ 31,573,261

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

Water, sanitary sewer and drainage facilities bonds voted	$ 102,850,000
Water, sanitary sewer and drainage facilities bonds sold	27,010,000
Recreational facilities bonds voted	38,850,000
Refunding bonds authorization voted	141,700,000

Due to Developers

Developers of the District have constructed facilities on behalf of the District. The District's engineer estimates reimbursable costs for completed projects are $2,842,014. The District has agreed to reimburse the developers for these construction costs, plus interest, to the extent approved by the Commission from the proceeds of future bond sales. These amounts have been recorded in the financial statements as long-term liabilities.

Since inception, the developers have advanced $2,072,436 to the District for operations, of which $1,509,291 has been repaid to the developers. These amounts have been recorded in the financial statements as long-term liabilities.

Note 5: Significant Bond Orders and Commission Requirements

A. The Bond Orders require that the District levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due. During the year ended August 31, 2021, the District levied an ad valorem debt service tax at the rate of $0.9400 per $100 of assessed valuation, which resulted in a tax levy of $1,801,937 on the taxable valuation of $191,695,429 for the 2020 tax year. The interest and principal requirements paid from tax revenues and available debt service fund resources were $1,815,431.

B. In accordance with the Series 2019 Bond Order, a portion of the bond proceeds was deposited into the debt service fund and reserved for the payment of bond interest during the construction period. This bond interest reserve is reduced as the interest is paid. During the current year, the bond interest reserve balance of $8,031 was fully utilized.

Note 6: Maintenance Taxes

At an election held May 10, 2014, voters authorized a maintenance tax not to exceed $1.50 per $100 of assessed valuation on all property within the District subject to taxation. During the year ended August 31, 2021, the District levied an ad valorem maintenance tax at the rate of $0.3900 per $100 of assessed valuation, which resulted in a tax levy of $747,612 on the taxable valuation of $191,695,429 for the 2020 tax year. The maintenance tax is being used by the general fund to pay expenditures of operating the District.

Note 7: Regional Water Authority

The District is within the boundaries of the Lone Star Groundwater Conservation District (the Conservation District), which was created by the Texas Legislature. The Conservation District was created to provide a regional entity to acquire surface water and build the necessary facilities to convert from groundwater to surface water in order to meet conversion requirements mandated by the Harris-Galveston Subsidence District, which regulates groundwater withdrawal.

Note 8: Groundwater Reduction Agreement

The District has entered into a Contract for Groundwater Reduction Planning, Alternative Water Supply and Related Goods and Services (GRP Contract) with the San Jacinto River Authority (the Authority) in order to meet the Conservation District's requirements. As a participant in the Authority's Groundwater Reduction Plan, the District has complied with all current Conservation District requirements for surface water conversion and is obligated to pay to the Authority a groundwater withdrawal fee for all groundwater produced and used by the District and will be required to pay a water purchase fee for any water actually purchased from the Authority in the future. As of August 31, 2021, the Authority was billing the District $2.73 per 1,000 gallons of water pumped. This amount is subject to future increases.

Note 9: Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District participates, along with other entities, in the Texas Municipal League's Intergovernmental Risk Pool (the Pool). The Pool purchases commercial insurance at group rates for participants in the Pool. The District has no additional risk or responsibility to the Pool, outside of payment of insurance premiums. The District has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts in the past three fiscal years.

Note 10: Contingencies

A developer of the District is constructing facilities within the boundaries of the District. The District has agreed to reimburse the developer for these costs, plus interest, from the proceeds of future bond sales to the extent approved by the Commission. The District's engineer has stated current construction contract amounts are approximately $2,323,000. This amount has not been recorded in the financial statements since the facilities are not complete or operational.

Note 11: Subsequent Event

On August 10, 2021, the District awarded the sale of its Unlimited Tax Bonds, Series 2021, in the amount of $8,100,000 at a net effective interest rate of approximately 2.232 percent. The bonds, which closed and funded on September 16, 2021, were sold to reimburse the developer for construction projects within the District.

Note 12: Uncertainties

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

Required Supplementary Information

Wood Trace Municipal Utility District No. 1, of Montgomery County, Texas

Budgetary Comparison Schedule – General Fund

Year Ended August 31, 2021

	Original Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property taxes	$ 733,824	$ 746,144	$ 12,320
Water service	258,400	287,175	28,775
Sewer service	262,100	332,167	70,067
Regional water fee	273,200	246,926	(26,274)
Penalty and interest	4,000	5,520	1,520
Tap connection and inspection fees	97,981	300,645	202,664
Investment income	13,588	11,129	(2,459)
Other income	1,000	50	(950)
Total revenues	1,644,093	1,929,756	285,663
Expenditures			
Service operations:			
Purchased services	5,000	-	5,000
Regional water authority fee	273,200	263,066	10,134
Professional fees	171,000	123,525	47,475
Contracted services	225,050	271,142	(46,092)
Utilities	109,000	111,138	(2,138)
Repairs and maintenance	332,151	367,746	(35,595)
Other expenditures	68,825	74,146	(5,321)
Tap connections	39,000	113,600	(74,600)
Capital outlay	400,000	311,531	88,469
Debt service, debt issuance costs	-	60,845	(60,845)
Total expenditures	1,623,226	1,696,739	(73,513)
Excess of Revenues Over Expenditures	20,867	233,017	212,150
Other Financing Sources			
Interfund transfer in	-	52,085	52,085
Excess of Revenues and Transfers In Over Expenditures and Transfers Out	20,867	285,102	264,235
Fund Balance, Beginning of Year	1,737,224	1,737,224	-
Fund Balance, End of Year	$ 1,758,091	$ 2,022,326	$ 264,235

Wood Trace Municipal Utility District No. 1,
of Montgomery County, Texas
Notes to Required Supplementary Information
August 31, 2021

Budgets and Budgetary Accounting

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

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

Other Information

Wood Trace Municipal Utility District No. 1,
of Montgomery County, Texas
Other Schedules Included Within This Report
August 31, 2021

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

[X] Notes Required by the Water District Accounting Manual
See "Notes to Financial Statements," Pages 13-26

[X] Schedule of Services and Rates

[X] Schedule of General Fund Expenditures

[X] Schedule of Temporary Investments

[X] Analysis of Taxes Levied and Receivable

[X] Schedule of Long-term Debt Service Requirements by Years

[X] Changes in Long-term Bonded Debt

[X] Comparative Schedule of Revenues and Expenditures – General Fund and Debt Service Fund – Five Years

[X] Board Members, Key Personnel and Consultants

Wood Trace Municipal Utility District No. 1, of Montgomery County, Texas

Schedule of Services and Rates

Year Ended August 31, 2021

1. Services provided by the District:

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

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

___ Other ______

2. Retail service providers

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

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate Per 1,000 Gallons Over Minimum	Usage Levels		
Water:	$ 13.00	5,000	N	$ 1.50	5,001	to	10,000
				$ 2.50	10,001	to	15,000
				$ 3.25	15,001	to	20,000
				$ 4.00	20,001	to	30,000
				$ 4.75	30,001	to	No limit
Wastewater:	$ 40.33	0	Y				
Regional water fee:	$ 2.80	1	N	$ 2.80	1	to	No limit

Does the District employ winter averaging for wastewater usage? Yes ___ No X

Total charges per 10,000 gallons usage (including fees): Water $ 48.50 Wastewater $ 40.33

b. Water and wastewater retail connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC*
Unmetered	-	-	x1.0	-
≤ 3/4"	721	720	x1.0	720
1"	25	25	x2.5	63
1 1/2"	-	-	x5.0	-
2"	16	16	x8.0	128
3"	-	-	x15.0	-
4"	-	-	x25.0	-
6"	-	-	x50.0	-
8"	-	-	x80.0	-
10"	-	-	x115.0	-
Total water	762	761		911
Total wastewater	763	753	x1.0	753

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

Gallons pumped into the system:	96,361
Gallons billed to customers:	89,156
Water accountability ratio (gallons billed/gallons pumped):	92.52%

*"ESFC" means equivalent single-family connections

Wood Trace Municipal Utility District No. 1, of Montgomery County, Texas
Schedule of General Fund Expenditures
Year Ended August 31, 2021

Personnel (including benefits)		$ -
Professional Fees		
Auditing	$ 16,400	
Legal	69,962	
Engineering	37,163	
Financial advisor	-	123,525
Purchased Services for Resale		
Bulk water and wastewater service purchases		-
Regional Water Fee		263,066
Contracted Services		
Bookkeeping	25,518	
Appraisal district	-	
Tax collector	-	
Security	-	
Other contracted services	92,047	117,565
Utilities		111,138
Repairs and Maintenance		367,746
Administrative Expenditures		
Directors' fees	8,250	
Office supplies	4,096	
Insurance	16,745	
Other administrative expenditures	45,055	74,146
Capital Outlay		
Capitalized assets	287,223	
Expenditures not capitalized	24,308	311,531
Tap Connection Expenditures		113,600
Solid Waste Disposal		153,577
Fire Fighting		-
Parks and Recreation		-
Other Expenditures		60,845
Total expenditures		$ 1,696,739

Wood Trace Municipal Utility District No. 1, of Montgomery County, Texas

Schedule of Temporary Investments

August 31, 2021

	Interest Rate	Maturity Date	Face Amount	Accrued Interest Receivable
General Fund				
Certificates of deposit				
No. 5000019843	0.20%	04/15/22	$ 150,000	$ 113
No. 91300011953265	0.48%	05/20/22	150,000	203
No. 12297	0.50%	02/10/22	125,000	346
No. 440010423	0.30%	03/04/22	150,000	222
No. 4191331	0.35%	12/08/21	150,000	383
No. 2000000182	0.60%	09/07/21	125,000	734
No. 36001644	0.55%	10/20/21	200,000	946
No. 3216000513	0.25%	06/09/22	150,000	85
No. 30030100	0.30%	08/11/22	150,000	27
No. 6000039310	0.75%	11/26/21	150,000	857
No. 2004607	0.25%	07/29/22	150,000	34
No. 6002400306	0.40%	01/13/22	125,000	315
Texas CLASS	0.04%	Demand	365,660	-
			2,140,660	4,265
Debt Service Fund				
Certificate of deposit				
No. 36000659	0.25%	08/26/22	240,000	8
Texas CLASS	0.04%	Demand	267,797	-
			507,797	8
Capital Projects Fund				
Texas CLASS	0.04%	Demand	340,176	0
Totals			$ 2,988,633	$ 4,273

Wood Trace Municipal Utility District No. 1, of Montgomery County, Texas

Analysis of Taxes Levied and Receivable

Year Ended August 31, 2021

	Maintenance Taxes	Debt Service Taxes
Receivable, Beginning of Year	$ 914	$ 1,711
Additions and corrections to prior years' taxes	1,742	3,261
Adjusted receivable, beginning of year	2,656	4,972
2020 Original Tax Levy	733,094	1,766,945
Additions and corrections	14,518	34,992
Adjusted tax levy	747,612	1,801,937
Total to be accounted for	750,268	1,806,909
Tax collections: Current year	(745,230)	(1,796,196)
Prior years	(914)	(1,711)
Receivable, end of year	$ 4,124	$ 9,002
Receivable, by Years		
2020	$ 2,382	$ 5,741
2019	1,742	3,261
Receivable, end of year	$ 4,124	$ 9,002

Wood Trace Municipal Utility District No. 1, of Montgomery County, Texas

Analysis of Taxes Levied and Receivable (Continued)

Year Ended August 31, 2021

	2020	2019	2018	2017
Property Valuations				
Land	$ 49,219,330	$ 44,468,360	$ 42,710,280	$ 28,537,290
Improvements	146,641,200	121,503,800	95,881,050	62,645,070
Personal property	1,468,184	1,664,943	1,299,271	864,471
Exemptions	(5,633,285)	(4,184,248)	(2,456,833)	(780,419)
Total property valuations	$ 191,695,429	$ 163,452,855	$ 137,433,768	$ 91,266,412
Tax Rates per $100 Valuation				
Debt service tax rates	$ 0.9400	$ 0.8800	$ 0.7400	$ 0.7400
Maintenance tax rates*	0.3900	0.4700	0.6100	0.6100
Total tax rates per $100 valuation	$ 1.3300	$ 1.3500	$ 1.3500	$ 1.3500
Tax Levy	$ 2,549,549	$ 2,206,614	$ 1,855,356	$ 1,232,098
Percent of Taxes Collected to Taxes Levied**	99%	99%	100%	100%

*Maximum tax rate approved by voters: $1.50 on May 10, 2014
**Calculated as taxes collected for a tax year divided by taxes levied for that tax year.

Wood Trace Municipal Utility District No. 1, of Montgomery County, Texas

Schedule of Long-term Debt Service Requirements by Years

August 31, 2021

	Series 2016		
Due During Fiscal Years Ending August 31	Principal Due September 1	Interest Due March 1, September 1	Total
2022	$ 100,000	$ 117,869	$ 217,869
2023	105,000	114,869	219,869
2024	110,000	111,718	221,718
2025	115,000	108,419	223,419
2026	125,000	104,968	229,968
2027	130,000	100,906	230,906
2028	135,000	96,356	231,356
2029	145,000	91,463	236,463
2030	150,000	86,025	236,025
2031	160,000	80,400	240,400
2032	170,000	74,400	244,400
2033	175,000	67,600	242,600
2034	185,000	60,600	245,600
2035	195,000	53,200	248,200
2036	205,000	45,400	250,400
2037	215,000	37,200	252,200
2038	225,000	28,600	253,600
2039	240,000	19,600	259,600
2040	250,000	10,000	260,000
Totals	$ 3,135,000	$ 1,409,593	$ 4,544,593

The District pays the amount due September 1 prior to that date. This schedule shows the amounts due within the fiscal year assuming the practice will continue in the future.

Wood Trace Municipal Utility District No. 1, of Montgomery County, Texas

Schedule of Long-term Debt Service Requirements by Years (Continued)

August 31, 2021

	Series 2017		
Due During Fiscal Years Ending August 31	Principal Due September 1	Interest Due March 1, September 1	Total
2022	$ 165,000	$ 109,350	$ 274,350
2023	165,000	105,225	270,225
2024	165,000	100,688	265,688
2025	165,000	95,737	260,737
2026	165,000	90,788	255,788
2027	165,000	85,590	250,590
2028	165,000	80,145	245,145
2029	165,000	74,535	239,535
2030	165,000	68,760	233,760
2031	165,000	62,820	227,820
2032	165,000	56,798	221,798
2033	165,000	50,775	215,775
2034	165,000	44,587	209,587
2035	160,000	38,400	198,400
2036	160,000	32,000	192,000
2037	160,000	25,600	185,600
2038	160,000	19,200	179,200
2039	160,000	12,800	172,800
2040	160,000	6,400	166,400
Totals	$ 3,105,000	$ 1,160,198	$ 4,265,198

The District pays the amount due September 1 prior to that date. This schedule shows the amounts due within the fiscal year assuming the practice will continue in the future.

Wood Trace Municipal Utility District No. 1, of Montgomery County, Texas

Schedule of Long-term Debt Service Requirements by Years (Continued)

August 31, 2021

Due During Fiscal Years Ending August 31	Series 2017A Principal Due September 1	Series 2017A Interest Due March 1, September 1	Series 2017A Total
2022	$ 150,000	$ 97,875	$ 247,875
2023	150,000	93,375	243,375
2024	150,000	88,875	238,875
2025	150,000	84,375	234,375
2026	150,000	79,875	229,875
2027	150,000	75,375	225,375
2028	150,000	70,875	220,875
2029	150,000	66,188	216,188
2030	150,000	61,312	211,312
2031	150,000	56,250	206,250
2032	150,000	51,000	201,000
2033	150,000	45,750	195,750
2034	150,000	40,313	190,313
2035	150,000	34,875	184,875
2036	150,000	29,250	179,250
2037	150,000	23,625	173,625
2038	150,000	18,000	168,000
2039	150,000	12,000	162,000
2040	150,000	6,000	156,000
Totals	$ 2,850,000	$ 1,035,188	$ 3,885,188

The District pays the amount due September 1 prior to that date. This schedule shows the amounts due within the fiscal year assuming the practice will continue in the future.

Wood Trace Municipal Utility District No. 1,
of Montgomery County, Texas
Schedule of Long-term Debt Service Requirements by Years (Continued)
August 31, 2021

Due During Fiscal Years Ending August 31	Series 2018 Principal Due September 1	Series 2018 Interest Due March 1, September 1	Series 2018 Total
2022	$ 170,000	$ 106,675	$ 276,675
2023	170,000	101,575	271,575
2024	170,000	96,475	266,475
2025	170,000	91,375	261,375
2026	170,000	86,275	256,275
2027	170,000	81,175	251,175
2028	170,000	76,075	246,075
2029	170,000	70,975	240,975
2030	170,000	65,450	235,450
2031	170,000	59,925	229,925
2032	170,000	54,400	224,400
2033	170,000	48,875	218,875
2034	170,000	42,925	212,925
2035	170,000	36,975	206,975
2036	170,000	31,025	201,025
2037	170,000	25,075	195,075
2038	170,000	18,913	188,913
2039	170,000	12,750	182,750
2040	170,000	6,375	176,375
Totals	$ 3,230,000	$ 1,113,288	$ 4,343,288

The District pays the amount due September 1 prior to that date. This schedule shows the amounts due within the fiscal year assuming the practice will continue in the future.

Wood Trace Municipal Utility District No. 1, of Montgomery County, Texas

Schedule of Long-term Debt Service Requirements by Years (Continued)

August 31, 2021

	Series 2019		
Due During Fiscal Years Ending August 31	Principal Due September 1	Interest Due March 1, September 1	Total
2022	$ 335,000	$ 167,400	$ 502,400
2023	335,000	160,700	495,700
2024	335,000	154,000	489,000
2025	335,000	147,300	482,300
2026	335,000	140,600	475,600
2027	335,000	133,900	468,900
2028	335,000	127,200	462,200
2029	335,000	120,500	455,500
2030	335,000	113,800	448,800
2031	335,000	107,100	442,100
2032	335,000	100,400	435,400
2033	335,000	93,281	428,281
2034	335,000	85,744	420,744
2035	335,000	78,206	413,206
2036	335,000	70,250	405,250
2037	330,000	61,875	391,875
2038	330,000	53,625	383,625
2039	330,000	44,963	374,963
2040	330,000	36,300	366,300
2041	330,000	27,225	357,225
2042	330,000	18,150	348,150
2043	330,000	9,075	339,075
Totals	$ 7,335,000	$ 2,051,594	$ 9,386,594

The District pays the amount due September 1 prior to that date. This schedule shows the amounts due within the fiscal year assuming the practice will continue in the future.

Wood Trace Municipal Utility District No. 1, of Montgomery County, Texas

Schedule of Long-term Debt Service Requirements by Years (Continued)

August 31, 2021

	Series 2020		
Due During Fiscal Years Ending August 31	Principal Due September 1	Interest Due March 1, September 1	Total
2022	$ 195,000	$ 76,300	$ 271,300
2023	195,000	74,350	269,350
2024	195,000	72,400	267,400
2025	195,000	70,450	265,450
2026	195,000	68,500	263,500
2027	190,000	64,600	254,600
2028	190,000	60,800	250,800
2029	190,000	57,000	247,000
2030	190,000	53,200	243,200
2031	190,000	49,400	239,400
2032	190,000	45,600	235,600
2033	190,000	41,800	231,800
2034	190,000	38,000	228,000
2035	190,000	34,200	224,200
2036	190,000	30,400	220,400
2037	190,000	26,600	216,600
2038	190,000	22,800	212,800
2039	190,000	19,000	209,000
2040	190,000	15,200	205,200
2041	190,000	11,400	201,400
2042	190,000	7,600	197,600
2043	190,000	3,800	193,800
Totals	$ 4,205,000	$ 943,400	$ 5,148,400

The District pays the amount due September 1 prior to that date. This schedule shows the amounts due within the fiscal year assuming the practice will continue in the future.

Wood Trace Municipal Utility District No. 1, of Montgomery County, Texas

Schedule of Long-term Debt Service Requirements by Years (Continued)

August 31, 2021

	All Requirements For All Series		
Due During Fiscal Years Ending August 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2022	$ 1,115,000	$ 675,469	$ 1,790,469
2023	1,120,000	650,094	1,770,094
2024	1,125,000	624,156	1,749,156
2025	1,130,000	597,656	1,727,656
2026	1,140,000	571,006	1,711,006
2027	1,140,000	541,546	1,681,546
2028	1,145,000	511,451	1,656,451
2029	1,155,000	480,661	1,635,661
2030	1,160,000	448,547	1,608,547
2031	1,170,000	415,895	1,585,895
2032	1,180,000	382,598	1,562,598
2033	1,185,000	348,081	1,533,081
2034	1,195,000	312,169	1,507,169
2035	1,200,000	275,856	1,475,856
2036	1,210,000	238,325	1,448,325
2037	1,215,000	199,975	1,414,975
2038	1,225,000	161,138	1,386,138
2039	1,240,000	121,113	1,361,113
2040	1,250,000	80,275	1,330,275
2041	520,000	38,625	558,625
2042	520,000	25,750	545,750
2043	520,000	12,875	532,875
Totals	$ 23,860,000	$ 7,713,261	$ 31,573,261

Wood Trace Municipal Utility District No. 1, of Montgomery County, Texas

Changes in Long-term Bonded Debt

Year Ended August 31, 2021

	Bond		
	Series 2016	**Series 2017**	**Series 2017A**
Interest rates	2.00% to 4.00%	2.00% to 4.00%	2.00% to 4.00%
Dates interest payable	March 1/ September 1	March 1/ September 1	March 1/ September 1
Maturity dates	September 1, 2022/2040	September 1, 2022/2040	September 1, 2022/2040
Bonds outstanding, beginning of current year	$ 3,230,000	$ 3,270,000	$ 3,000,000
Bonds sold during current year	-	-	-
Retirements, principal	95,000	165,000	150,000
Bonds outstanding, end of current year	$ 3,135,000	$ 3,105,000	$ 2,850,000
Interest paid during current year	$ 120,719	$ 113,062	$ 102,375

Paying agent's name and address:

Series 2016 - The Bank of New York Mellon Trust Company, N.A., Dallas, Texas
Series 2017 - The Bank of New York Mellon Trust Company, N.A., Dallas, Texas
Series 2017A - The Bank of New York Mellon Trust Company, N.A., Dallas, Texas
Series 2018 - The Bank of New York Mellon Trust Company, N.A., Dallas, Texas
Series 2019 - The Bank of New York Mellon Trust Company, N.A., Dallas, Texas
Series 2020 - The Bank of New York Mellon Trust Company, N.A., Dallas, Texas

Bond authority:	**Tax Bonds**	**Recreational Facilities Bonds**	**Refunding Bonds**
Amount authorized by voters	$ 102,850,000	$ 38,850,000	$ 141,700,000
Amount of authorization issued	$ 27,010,000	$ -	$ -
Remaining authorization to be issued	$ 75,840,000	$ 38,850,000	$ 141,700,000

Debt service fund cash and temporary investment balances as of August 31, 2021:	$ 531,954
Average annual debt service payment (principal and interest) for remaining term of all debt:	$ 1,435,148

Issues

Series 2018		Series 2019		Series 2020		Totals	
3.00% to 3.75%		2.00% to 2.75%		1.00% to 2.00%			
March 1/ September 1		March 1/ September 1		March 1/ September 1			
September 1, 2022/2040		September 1, 2022/2043		September 1, 2022/2043			
$	3,405,000	$	7,670,000	$	-	$	20,575,000
	-		-		4,400,000		4,400,000
	175,000		335,000		195,000		1,115,000
$	3,230,000	$	7,335,000	$	4,205,000	$	23,860,000
$	111,925	$	174,100	$	78,250	$	700,431

Wood Trace Municipal Utility District No. 1, of Montgomery County, Texas

Comparative Schedule of Revenues and Expenditures – General Fund

Five Years Ended August 31,

	Amounts				
	2021	2020	2019	2018	2017
General Fund					
Revenues					
Property taxes	$ 746,144	$ 764,630	$ 838,179	$ 558,192	$ 494,158
Water service	287,175	230,305	183,093	170,266	116,539
Sewer service	332,167	237,901	189,538	153,215	97,006
Regional water fee	246,926	260,257	211,677	196,173	158,356
Penalty and interest	5,520	4,335	3,155	2,853	1,590
Tap connection and inspection fees	300,645	114,312	96,348	138,967	131,074
Investment income	11,129	28,616	27,553	10,522	2,994
Other income	50	2,710	1,254	179	824
Total revenues	1,929,756	1,643,066	1,550,797	1,230,367	1,002,541
Expenditures					
Service operations:					
Regional water authority fee	263,066	269,705	202,617	197,641	146,935
Professional fees	123,525	192,285	177,836	118,573	218,953
Contracted services	271,142	204,600	117,628	94,672	70,013
Utilities	111,138	103,523	105,586	103,263	55,897
Repairs and maintenance	367,746	315,538	249,179	168,790	131,853
Other expenditures	74,146	61,682	56,826	64,481	47,626
Tap connections	113,600	61,570	33,730	44,526	37,229
Capital outlay	311,531	41,909	-	83,541	61,801
Debt service, debt issuance costs	60,845	56,250	-	-	1,066
Total expenditures	1,696,739	1,307,062	943,402	875,487	771,373
Excess of Revenues Over Expenditures	233,017	336,004	607,395	354,880	231,168
Other Financing Sources					
Interfund transfers in	52,085	-	-	6,468	12,770
Excess of Revenues and Transfers In Over Expenditures and Transfers Out	285,102	336,004	607,395	361,348	243,938
Fund Balance, Beginning of Year	1,737,224	1,401,220	793,825	432,477	188,539
Fund Balance, End of Year	$ 2,022,326	$ 1,737,224	$ 1,401,220	$ 793,825	$ 432,477
Total Active Retail Water Connections	761	599	479	408	324
Total Active Retail Wastewater Connections	753	572	451	384	309

Percent of Fund Total Revenues				
2021	**2020**	**2019**	**2018**	**2017**
38.6 %	46.5 %	54.0 %	45.4 %	49.3 %
14.9	14.0	11.8	13.8	11.6
17.2	14.5	12.2	12.5	9.7
12.8	15.8	13.7	15.9	15.8
0.3	0.3	0.2	0.2	0.1
15.6	7.0	6.2	11.3	13.1
0.6	1.7	1.8	0.9	0.3
0.0	0.2	0.1	0.0	0.1
100.0	100.0	100.0	100.0	100.0
13.6	16.4	13.1	16.1	14.7
6.4	11.7	11.4	9.6	21.8
14.1	12.5	7.6	7.7	6.9
5.7	6.3	6.8	8.4	5.6
19.1	19.2	15.1	13.7	13.2
3.8	3.8	4.6	5.3	4.7
5.9	3.8	2.2	3.6	3.7
16.1	2.5	-	6.8	6.2
3.2	3.4	-	-	0.1
87.9	79.6	60.8	71.2	76.9
12.1 %	20.4 %	39.2 %	28.8 %	23.1 %

Wood Trace Municipal Utility District No. 1,
of Montgomery County, Texas
Comparative Schedule of Revenues and Expenditures – Debt Service Fund
Five Years Ended August 31,

	Amounts				
	2021	2020	2019	2018	2017
Debt Service Fund					
Revenues					
Property taxes	$ 1,797,907	$ 1,433,418	$ 1,016,807	$ 676,690	$ 458,861
Penalty and interest	11,857	8,817	7,450	3,593	3,330
Investment income	3,798	19,106	18,170	10,961	2,269
Other income	14	30	12	5	-
Total revenues	1,813,576	1,461,371	1,042,439	691,249	464,460
Expenditures					
Current:					
Professional fees	376	1,268	141	1,121	-
Contracted services	29,253	26,643	24,291	15,143	14,525
Other expenditures	8,576	4,357	4,154	6,711	5,085
Debt service:					
Principal retirement	1,115,000	915,000	405,000	395,000	215,000
Interest and fees	701,138	635,700	457,984	339,671	174,245
Total expenditures	1,854,343	1,582,968	891,570	757,646	408,855
Excess (Deficiency) of Revenues Over Expenditures	(40,767)	(121,597)	150,869	(66,397)	55,605
Other Financing Sources (Uses)					
Interfund transfers in (out)	4,165	-	-	-	(12,770)
General obligation bonds issued	39,125	180,700	-	111,575	125,662
Total other financing sources	43,290	180,700	0	111,575	112,892
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	2,523	59,103	150,869	45,178	168,497
Fund Balance, Beginning of Year	500,930	441,827	290,958	245,780	77,283
Fund Balance, End of Year	$ 503,453	$ 500,930	$ 441,827	$ 290,958	$ 245,780

Percent of Fund Total Revenues

2021	2020	2019	2018	2017
99.1 %	98.1 %	97.5 %	97.9 %	98.8 %
0.7	0.6	0.7	0.5	0.7
0.2	1.3	1.8	1.6	0.5
0.0	0.0	0.0	0.0	-
100.0	100.0	100.0	100.0	100.0
0.0	0.1	0.0	0.2	-
1.6	1.8	2.3	2.2	3.1
0.5	0.3	0.4	1.0	1.1
61.5	62.6	38.9	57.1	46.3
38.7	43.5	43.9	49.1	37.5
102.3	108.3	85.5	109.6	88.0
(2.3) %	(8.3) %	14.5 %	(9.6) %	12.0 %

Wood Trace Municipal Utility District No. 1, of Montgomery County, Texas

Board Members, Key Personnel and Consultants

Year Ended August 31, 2021

Complete District mailing address:	Wood Trace Municipal Utility District No. 1 c/o Schwartz, Page & Harding, L.L.P. 1300 Post Oak Boulevard, Suite 2400 Houston, Texas 77056	
District business telephone number:	713.623.4531	
Submission date of the most recent District Registration Form (TWC Sections 36.054 and 49.054):		September 12, 2018
Limit on fees of office that a director may receive during a fiscal year:		$ 7,200

Board Members	Term of Office Elected & Expires	Fees*	Expense Reimbursements	Title at Year-end
Mercedes C. Burns	Elected 05/20-05/24	$ 1,800	$ 0	President
Elias Hinojosa	Elected 05/20-05/24	1,200	0	Vice President
James Art Nicholson	Elected 05/18-05/22	1,800	0	Secretary
David Ambrose	Appointed 09/18-05/22	1,800	0	Assistant Secretary
Dexter Braband	Elected 05/20-05/24	1,650	45	Assistant Secretary

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

Wood Trace Municipal Utility District No. 1, of Montgomery County, Texas

Board Members, Key Personnel and Consultants (Continued)

Year Ended August 31, 2021

Consultants	Date Hired	Fees and Expense Reimbursements	Title
BKD, LLP	11/06/03	$ 31,500	Auditor
Bob Leared Interests	03/15/01	19,056	Tax Assessor/ Collector
LJA Engineering, Inc.	10/23/13	92,103	Engineer
Masterson Advisors LLC	05/08/18	91,917	Financial Advisor
Montgomery Central Appraisal District	Legislative Action	20,767	Appraiser
Municipal Accounts & Consulting, L.P.	03/15/01	30,864	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	04/04/02	376	Delinquent Tax Attorney
Schwartz, Page & Harding, L.L.P.	03/15/01	81,043 121,349	General Counsel Bond Counsel
Water District Management Company, Inc.	04/03/09	535,273	Operator

Investment Officers			
Mark M. Burton and Ghia Lewis	03/26/03	N/A	Bookkeepers

APPENDIX B

Specimen Municipal Bond Insurance Policy

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

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)