

OFFICIAL STATEMENT DATED OCTOBER 27, 2022

IN THE OPINION OF BOND COUNSEL, THE BONDS ARE VALID OBLIGATIONS OF HARRIS-MONTGOMERY COUNTIES MUNICIPAL UTILITY DISTRICT NO. 386, 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 NOT BEEN DESIGNATED “QUALIFIED TAX-EXEMPT OBLIGATIONS” FOR FINANCIAL INSTITUTIONS. SEE “LEGAL MATTERS—NOT QUALIFIED TAX-EXEMPT OBLIGATIONS.”

NEW ISSUE-BOOK-ENTRY-ONLY

Rating: Moody’s “Aa3”

See “MUNICIPAL BOND RATING” herein.

\$22,100,000

HARRIS-MONTGOMERY COUNTIES MUNICIPAL UTILITY DISTRICT NO. 386 *(A political subdivision of the State of Texas located within Harris and Montgomery Counties)*

UNLIMITED TAX BONDS SERIES 2022

Dated Date: November 1, 2022

Due: September 1, as shown below

Interest Accrual Date: Date of Delivery

The \$22,100,000 Unlimited Tax Bonds, Series 2022 (the “Bonds”) are being issued by Harris-Montgomery Counties Municipal Utility District No. 386 (the “District”). Principal of the Bonds is payable at maturity or prior redemption. Interest on the Bonds accrues from the initial date of delivery of the Bonds to the Underwriter (hereafter defined) (expected to be November 29, 2022) (the “Date of Delivery”), and is initially payable on March 1, 2023. Thereafter, interest on the Bonds accrues from the most recent interest payment date and is payable on each March 1 and September 1 until maturity or prior redemption. The Bonds will be issued only in fully registered form in denominations of \$5,000 each or integral multiples thereof. The Bonds mature and are subject to redemption prior to their maturity as shown below.

The Bonds will be registered and delivered only in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository for the Bonds. Beneficial Owners (as 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/registrars, initially The Bank of New York Mellon Trust Company, N.A. in Dallas, Texas (the “Paying Agent/Registrar”), directly to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the Beneficial Owners. See “BOOK-ENTRY-ONLY SYSTEM.”

MATURITY SCHEDULE

Principal	Maturity	CUSIP	Interest	Initial	Principal	Maturity	CUSIP	Interest	Initial
Amount	(September 1)	Number(b)	Rate	Reoffering Yield(c)	Amount	(September 1)	Number(b)	Rate	Reoffering Yield(c)
\$ 880,000	2023	41456P MY0	4.00 %	3.75 %	\$ 885,000	2032 (a)	41456P NH6	4.00 %	4.40 %
885,000	2024	41456P MZ7	4.00	3.80	885,000	2033 (a)	41456P NJ2	4.25	4.50
885,000	2025	41456P NA1	4.00	3.85	885,000	2034 (a)	41456P NK9	4.25	4.60
885,000	2026	41456P NB9	4.00	3.90	885,000	2035 (a)	41456P NL7	4.50	4.70
885,000	2027	41456P NC7	4.00	3.95	885,000	2036 (a)	41456P NM5	5.00	4.60
885,000	2028	41456P ND5	5.00	4.00	885,000	2037 (a)	41456P NN3	5.00	4.70
885,000	2029	41456P NE3	5.00	4.05	885,000	2038 (a)	41456P NP8	5.00	4.80
885,000	2030 (a)	41456P NF0	4.00	4.20	885,000	2039 (a)	41456P NQ6	5.00	4.90
885,000	2031 (a)	41456P NG8	4.00	4.30					

\$1,770,000 Term Bonds due September 1, 2041 (a), 41456P NS2 (b), 5.00% Interest Rate, 5.02% Yield (c)

\$1,770,000 Term Bonds due September 1, 2043 (a), 41456P NU7 (b), 5.00% Interest Rate, 5.05% Yield (c)

\$1,760,000 Term Bonds due September 1, 2045 (a), 41456P NW3 (b), 5.00% Interest Rate, 5.10% Yield (c)

\$1,760,000 Term Bonds due September 1, 2047 (a), 41456P NY9 (b), 5.00% Interest Rate, 5.15% Yield (c)

- (a) Bonds maturing on or after September 1, 2030, are subject to redemption at the option of the District prior to their maturity dates in whole, or from time to time, in part, on September 1, 2029, or on any date thereafter, at a price of par plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. The Term Bonds (as defined herein) are also subject to mandatory sinking fund redemption as more fully described herein. See “THE BONDS—Redemption Provisions.”
- (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 Underwriter shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.
- (c) Initial Reoffering Yield represents the initial offering yield to the public, which will be established by the Underwriter for offers to the public and which subsequently may be changed.

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 obligations solely of the District and are not obligations of the State of Texas, Harris County, Montgomery County, the City of Houston, The Woodlands Township, or any entity other than the District. **INVESTMENT IN THE BONDS IS SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS DESCRIBED HEREIN. See “INVESTMENT CONSIDERATIONS.”**

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., Houston, Texas, Bond Counsel. Delivery of the Bonds in book-entry form through the facilities of DTC is expected on or about November 29, 2022.

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

This OFFICIAL STATEMENT is not to be used in 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, upon payment of the costs of duplication thereof.

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

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

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District accepted the bid resulting in the lowest net effective interest rate, which bid was tendered by SAMCO Capital Markets, Inc. (the "Underwriter"), paying the interest rates shown on the cover page hereof, at a price of 99.0145% of the principal amount thereof, which resulted in a net effective interest rate of 4.878464% as calculated pursuant to Chapter 1204, Texas Government Code, as amended (the IBA method).

Prices and Marketability

Information concerning initial reoffering yields or prices is the responsibility of the Underwriter.

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

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

Securities Laws

No registration statement relating to the offer and sale of the Bonds has been filed with the Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein 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 was created pursuant to Article XVI, Section 59, Texas Constitution, by Senate Bill No. 1775, passed by the 77th Texas Legislature, Regular Session, 2001, Chapter 1381, codified as Chapter 8272, Special District Local Laws Code, as amended, and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended. The District is comprised of approximately 3,713 acres and is located primarily within Harris County (approximately 3,305 acres) with a small portion (approximately 408 acres) located within Montgomery County.

Defined Area...

Pursuant to the provisions of Subchapter J of Chapter 54 of the Texas Water Code, as amended, the District is authorized to define areas or designate certain property within the District to pay for improvements, facilities, or services that primarily benefit that area. On November 2, 2021, the District approved the creation of “The Enclave at the Woodlands Defined Area” encompassing approximately 50 acres within the District (the “Defined Area”).

At an election held on November 2, 2021, the voters within the Defined Area authorized \$10,220,000 principal amount of unlimited tax bonds to finance water, wastewater and drainage improvements solely within the Defined Area, \$7,060,000 principal amount of unlimited tax bonds for the further purpose of refunding those bonds, the levy of an unlimited tax in payment of such bonds within the Defined Area and the levy of a maximum \$1.00 operation and maintenance tax for facilities within the Defined Area. Any debt issued by the Defined Area will be the sole obligation of the Defined Area.

Land in the Defined Area is jointly owned by Tri Pointe Homes Texas, Inc. and Toll Southwest, LLC (“Tri Pointe/Toll”). Tri Pointe/Toll expects to complete the construction of 148 single-family residential lots in the Defined Area in November 2022 and market the subdivision as Enclave at The Woodlands. Home construction will commence upon completion of the lots. The District has authorized the publication of an initial tax rate of \$0.54 per \$100 of assessed valuation in the Defined Area for 2022 and expects to adopt such rate in October 2022 with the entire amount allocated to maintenance. Properties in the Defined Area will be subject to a total tax rate comprised of the District’s total tax rate plus the Defined Area total tax rate. The District has authorized the publication of a total tax rate for 2022 in the amount of \$0.45; therefore, the total tax rate in the Defined Area is expected to be \$0.99 per \$100 assessed valuation. See “THE DEFINED AREA.”

Location...

The District is located approximately 27 miles north of the central business district of the City of Houston, Texas and approximately 13 miles south of the City of Conroe, with portions of the District in Harris County and Montgomery County. The District is accessible via Interstate Highway 45 and Woodlands Parkway to Gosling Road, to Farm-to-Market 2978 or Kuykendahl Road. The District is located within the extraterritorial jurisdiction of the City of Houston. The Harris County portion of the District is bordered on the north by Spring Creek and on the south by Augusta Pines, on the east by Gosling Road and on the west by Spring Creek. The Harris County portion of the District lies entirely within Tomball Independent School District. The Montgomery County portion of the District lies entirely within Magnolia Independent School District. The Montgomery County portion of the District is bordered on the north by Woodlands Parkway, on the south by Spring Creek and on the west by Farm-to-Market 2978. See “THE DISTRICT—General” and “—Description and Location.” See “THE DISTRICT” and “AERIAL PHOTOGRAPH OF THE DISTRICT.”

<i>The Woodlands...</i>	The District is a part of an approximate 28,000-acre community known as The Woodlands. Formal opening of The Woodlands occurred in 1974. Since inception, approximately 48,430 residential units and approximately 36 million square feet of commercial, retail, industrial, research technology and institutional facilities have been constructed. The Woodlands currently has an estimated population of 120,000 and an estimated 2,389 employers provide employment for over 63,000 people.
<i>The Developers...</i>	The developers of the District are The Woodlands Land Development Company, L.P. (“Woodlands Land”), a limited partnership whose partners are owned by TWC Land Development, LLC and The Howard Hughes Corporation, and in the Defined Area, a joint development between Tri Pointe Homes Texas, Inc. and Toll Southwest, LLC (“Tri Pointe/Toll”). Woodlands Land and Tri Pointe/Toll are collectively referred to herein as the “Developers.” Woodland Land has substantially completed its development activity within the District and Tri Pointe/Toll expects to complete its development activity in the District in November of 2022. See “THE DEVELOPERS.”
<i>Status of Development...</i>	<p>Approximately 2,539 acres (6,325 lots) have been developed as the single-family subdivisions of Village of Creekside Park, Creekside Park West, Creekside Carlton Woods, Village of Sterling Ridge, and Enclave at The Woodlands. Enclave at The Woodlands is within the Defined Area. As of August 25, 2022, the District contained 6,081 completed homes (6,064 occupied), 30 homes under construction or in a builder’s name and 214 vacant developed lots. The market value of homes in the District ranges from approximately \$140,000 to in excess of \$1,000,000.</p> <p>Approximately 165 acres have been developed for commercial development. Commercial development in the District consists of the Broadmoor at Creekside Park, a 112-bed continuing care facility, First Bank of Conroe, a Walgreens, a 99,202 square foot HEB grocery store, a movie theater, various other retail establishments and The Village Center, a mixed-use development consisting of approximately 23,000 square feet of office space, 47,000 square feet of retail space and 4,700 square feet of restaurant space. In addition, there are 2 apartment complexes on approximately 28 acres consisting of 479 units. Tomball Independent School District owns approximately 40 acres where three elementary schools have been completed and approximately 39 acres where a junior high school is located. Lone Star College System owns an 11-acre site, where campus facilities have been completed. All of the school and campus facilities are exempt from ad valorem taxation. Additionally, approximately 19 acres consists of two churches and a fire station, all of which are exempt from ad valorem taxation.</p> <p>The remaining acreage within the District is comprised of approximately 22 undeveloped but developable acres, approximately 786 undevelopable acres and 64 acres of parks and recreation. See “THE DISTRICT—Status of Development.”</p>
<i>The Builders...</i>	Homebuilders in the District include Westin Homes, Tri Pointe Homes, Coventry Homes, Darling Homes, M/I Homes, J Kyle Homes, Shea Homes, Taylor Morrison, Toll Brothers, Partners in Building, and several custom homebuilders. See “THE DISTRICT—Homebuilding.”
<i>Payment Record...</i>	The District has previously issued nine series of unlimited tax bonds in the aggregate initial principal amount of \$179,050,000 for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities and four series of unlimited tax refunding bonds in the principal amount of \$75,055,000, of which a total of \$132,255,000 in principal amount collectively remains outstanding (the “Outstanding Bonds”) as the date of the OFFICIAL STATEMENT. The District has not defaulted on any debt service payments related to its previously issued debt. See “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds.”

THE BONDS

<i>Description...</i>	The \$22,100,000 Unlimited Tax Bonds, Series 2022 (the “Bonds”) are being issued as fully registered bonds pursuant to an order (the “Bond Order”) authorizing the issuance of the Bonds adopted by the District’s Board of Directors. The Bonds are scheduled to mature serially on September 1 in the years 2023 through 2039, both inclusive, and as term bonds on September 1 in each of the years 2041, 2043, 2045 and 2047 (the “Term Bonds”). The Bonds will be issued in book-entry form only 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. Thereafter, interest on the Bonds accrues from the most recent interest payment date and is payable on each March 1 and September 1 until maturity or prior redemption. See “THE BONDS.”
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<i>Book-Entry-Only System...</i>	The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each maturity of the Bonds and will be deposited with DTC or its designee. See “BOOK-ENTRY-ONLY SYSTEM.”
<i>Redemption...</i>	Bonds maturing on or after September 1, 2030, are subject to redemption at the option of the District in whole, or from time to time in part, prior to their maturity dates on September 1, 2029, or on any date thereafter, at a price of par plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. The Term Bonds are also subject to mandatory sinking fund redemption as more fully described herein. See “THE BONDS—Redemption Provisions.”
<i>Use of Proceeds...</i>	Proceeds of the Bonds will be used to pay for engineering and construction costs shown herein under “USE AND DISTRIBUTION OF BOND PROCEEDS.” In addition, Bond proceeds will be used to pay engineering fees and administrative costs and certain other costs related to the issuance of the Bonds.
<i>Authority for Issuance...</i>	The Bonds are the tenth series of bonds issued out of an aggregate of \$282,000,000 principal amount of unlimited tax bonds authorized by the District’s voters for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities in the District. The Bonds are issued by the District pursuant to said voter authorization and to the terms and provisions of the Bond Order; an order of the Texas Commission on Environmental Quality (the “TCEQ”), Article XVI, Section 59 of the Texas Constitution; and the general laws of the State of Texas, including, without limitation, Chapters 49 and 54 of the Texas Water Code, as amended. See “THE BONDS—Authority for Issuance,” “—Issuance of Additional Debt” and “INVESTMENT CONSIDERATIONS—Future Debt.”
<i>Source of Payment...</i>	Principal of and interest on the Bonds and the Outstanding 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 State of Texas, Harris County, Montgomery County, the City of Houston, The Woodlands Township, or any entity other than the District. See “THE BONDS—Source and Security for Payment.”
<i>Municipal Bond Rating...</i>	Moody’s Investors Service (“Moody’s”) has assigned a credit rating of “Aa3” on the Bonds. An explanation of the rating may be obtained from Moody’s, 7 World Trade Center, 250 Greenwich Street, New York, New York 10007. The fee associated with the rating assigned to the District by Moody’s will be paid by the District. See “MUNICIPAL BOND RATING.”
<i>Not Qualified Tax-Exempt Obligations...</i>	The District has not 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—Not Qualified Tax-Exempt Obligations.”
<i>Bond Counsel...</i>	Schwartz, Page & Harding, L.L.P., Houston, Texas. See “MANAGEMENT OF THE DISTRICT—District Consultants” and “LEGAL MATTERS.”
<i>Financial Advisor...</i>	Masterson Advisors LLC, Houston, Texas. See “MANAGEMENT OF THE DISTRICT—District Consultants.”
<i>Disclosure Counsel...</i>	McCall, Parkhurst & Horton L.L.P., Houston, Texas. See “MANAGEMENT OF THE DISTRICT—District Consultants.”
<i>Paying Agent/Registrar...</i>	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 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.”

SELECTED FINANCIAL INFORMATION (UNAUDITED)

2022 Taxable Assessed Valuation.....	\$4,078,989,424	(a)
Gross Direct Debt Outstanding (including the Bonds).....	\$154,355,000	(b)
Estimated Overlapping Debt	<u>207,924,658</u>	(c)
Gross Direct Debt and Estimated Overlapping Debt.....	\$362,279,658	
Ratios of Gross Direct Debt to:		
2022 Taxable Assessed Valuation	3.78%	
Ratios of Gross Direct Debt and Estimated Overlapping Debt to:		
2022 Taxable Assessed Valuation	8.88%	
Funds Available for Debt Service as of September 22, 2022	\$7,873,710	(d)
Funds Available for Operations and Maintenance as of September 22, 2022	\$14,641,937	
Funds Available for Construction as of September 22, 2022	\$384,167	
District 2022 Debt Service Tax Rate.....	\$0.325	
District 2022 Maintenance and Operations Tax Rate.....	<u>0.125</u>	
2022 Total Tax Rate.....	\$0.450	
Defined Area 2022 Tax Rate (All Maintenance and Operations)	\$0.54	
Total Defined Area Tax Rate	\$0.99	
Average Annual Debt Service Requirement (2023-2047).....	\$ 8,228,840	(e)
Maximum Annual Debt Service Requirement (2029).....	\$13,361,800	(e)
Tax Rate Required to Pay Average Annual Debt Service (2023-2047) at a 95% Collection Rate		
2022 Taxable Assessed Valuation	\$0.22	(f)
Tax Rate Required to Pay Maximum Annual Debt Service (2029) at a 95% Collection Rate		
2022 Taxable Assessed Valuation	\$0.35	(f)
Status of Development as of August 25, 2022 (g):		
Completed Homes (6,064 occupied).....	6,081	
Homes under construction or in the name of the builder	30	
Lots available for construction.....	214	
Multi-Family (2 communities).....	479	
Commercial.....	32	
Estimated population	22,182	(h)
(a) The District is located in both Harris County and Montgomery County. The Harris County Appraisal District ("HCAD") has certified \$3,597,307,551 of taxable value for 2022 and an additional \$170,919,751 remains uncertified and the Montgomery Central Appraisal District ("MCAD") has certified \$303,218,559 of taxable value for 2022 and an additional \$7,543,563 remains uncertified. Uncertified value is subject to downward revision prior to certification. HCAD and the MCAD are collectively referred to herein as the "Appraisal Districts."		
(b) After the issuance of the Bonds. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds."		
(c) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Estimated Overlapping Debt," and "—Overlapping Taxes."		
(d) Neither Texas Law nor the Bond Order requires the District to maintain any particular balance in the Debt Service Fund. See "THE BONDS—Funds" and "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements."		
(e) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements."		
(f) See "TAX DATA—Tax Adequacy for Debt Service."		
(g) See "THE DISTRICT—Status of Development."		
(h) Based upon 3.5 persons per occupied single-family residence and 2 persons per multi-family unit.		

OFFICIAL STATEMENT

HARRIS-MONTGOMERY COUNTIES MUNICIPAL UTILITY DISTRICT NO. 386 *(A political subdivision of the State of Texas located within Harris and Montgomery Counties)*

\$22,100,000 **UNLIMITED TAX BONDS** **SERIES 2022**

This OFFICIAL STATEMENT provides certain information in connection with the issuance by Harris-Montgomery Counties Municipal Utility District No. 386 (the “District”) of its \$22,100,000 Unlimited Tax Bonds, Series 2022 (the “Bonds”).

The Bonds are issued pursuant to Article XVI Section 59 of the Texas Constitution, the general laws of the State of Texas, including, without limitation, Chapters 49 and 54 of the Texas Water Code, as amended, an order of the Texas Commission on Environmental Quality (the “TCEQ”) authorizing the sale of the Bonds, an election held within the District, and an order authorizing the issuance of the Bonds (the “Bond Order”) adopted by the Board of Directors of the District (the “Board”).

This OFFICIAL STATEMENT includes descriptions, among others, of the Bonds and the Bond Order, and certain other information about the District, The Woodlands Land Development Company, L.P. (the “Woodlands Land”), Tri Pointe Homes Texas, Inc./Toll Southwest LLC (“Tri Pointe/Toll”), 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 Order. The Bond Order authorizes the issuance and sale of the Bonds and prescribes the terms, conditions and provisions for the payment of the principal of and interest on the Bonds by the District.

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. Interest calculations are based upon a three hundred sixty (360) day year comprised of twelve (12) thirty (30) day months. The Bonds mature on September 1 of the years and in the amounts, and accrue interest at the rates, shown under “MATURITY SCHEDULE” on the 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 initially 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-only system described herein. No physical delivery of the Bonds will be made to the purchasers thereof. See “BOOK-ENTRY-ONLY SYSTEM.”

Authority for Issuance

At elections held within the District on November 8, 2005 and November 7, 2006, voters in the District authorized a total of \$282,000,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring water, sanitary sewer and drainage facilities. The Bonds represent the tenth issuance from said authorization and after issuance of the Bonds, a total of \$80,850,000 in principal amount of unlimited tax bonds for water, sanitary sewer and drainage facilities will remain authorized but unissued. See “Issuance of Additional Debt” herein.

The Bonds are issued by the District pursuant to the terms and provisions of the Bond Order; Article XVI, Section 59 of the Texas Constitution; the general laws of the State of Texas, including, without limitation, Chapters 49 and 54 of the Texas Water Code, as amended; and an order of the TCEQ. At the above-described election, voters of the District also authorized a total of \$11,500,000 in principal amount of bonds for the purpose of acquiring or constructing recreational facilities. No unlimited tax bonds have been issued from said authorization. See “Financing Recreational Facilities” below.

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

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 “TAXING 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 the State of Texas, Harris County, Montgomery County, the City of Houston, The Woodlands Township or any political subdivision or entity other than the District.

Funds

The Bond Order confirms the establishment of the District’s Construction Fund (the “Construction Fund”) and the District’s Bond Fund (the “Bond Fund”) created and established pursuant to the order of the District authorizing the issuance of the Outstanding Bonds. The 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 (as hereinafter defined), 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: The Bonds maturing on September 1 in each of the years 2041, 2043, 2045 and 2047 (the “Term Bonds”) shall be redeemed, at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption, on September 1 in each of the years and in the principal amounts set forth in the following schedule (with each such scheduled principal amount reduced by the principal amount as may have been previously redeemed through the exercise of the District’s reserved right of optional redemption, as provided under “Optional Redemption” herein):

\$1,770,000 Term Bonds		\$1,770,000 Term Bonds	
Due September 1, 2041		Due September 1, 2043	
Mandatory	Principal	Mandatory	Principal
Redemption Date	Amount	Redemption Date	Amount
2040	\$ 885,000	2042	\$ 885,000
2041 (maturity)	885,000	2043 (maturity)	885,000

\$1,760,000 Term Bonds		\$1,760,000 Term Bonds	
Due September 1, 2045		Due September 1, 2047	
Mandatory	Principal	Mandatory	Principal
Redemption Date	Amount	Redemption Date	Amount
2044	\$ 880,000	2046	\$ 880,000
2045 (maturity)	880,000	2047 (maturity)	880,000

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

Optional Redemption: The District reserves the right, at its option, to redeem the Bonds maturing on or after September 1, 2030, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of \$5,000, on September 1, 2029, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon through the date fixed for redemption of such Bonds (the “Redemption Date”). 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 by the Paying Agent/Registrar at least thirty (30) calendar days prior to the Redemption Date, in the manner specified in the Bond Order.

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 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 (hereafter defined) to collect interest which would otherwise accrue after the Redemption Date on any Bond or portion thereof called for redemption shall terminate on the Redemption Date.

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 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, the registry books reflecting the names and addresses of the holders of the Bonds (the “Registered Owners”) and the maturities, principal amounts, and such other information as necessary to identify the Bonds registered in the name of such Registered Owners. 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. See “BOOK-ENTRY-ONLY SYSTEM.”

Replacement of Paying Agent/Registrar

Provision is made in the Bond Order for replacement of the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the District, the new paying agent/registrar shall 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 \$282,000,000 in principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities, \$11,500,000 in principal amount of unlimited tax bonds for recreational facilities, and \$293,500,000 in principal amount of unlimited tax bonds for refunding outstanding bonds of the District, and could authorize additional amounts. After issuance of the Bonds, \$80,850,000 in principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities, \$11,500,000 in principal amount of bonds for the purpose of acquiring or constructing recreational facilities, and \$290,825,000 in principal amount of unlimited tax refunding bonds will remain authorized but unissued. The District's voters could authorize additional amounts.

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

At an election held on November 2, 2021, the voters within the Defined Area authorized \$10,220,000 principal amount of unlimited tax bonds to finance water, wastewater and drainage improvements solely within the Defined Area, \$7,060,000 principal amount of unlimited tax bonds for the further purpose of refunding those bonds, the levy of an unlimited tax in payment of such bonds within the Defined Area and the levy of a maximum \$1.00 operation and maintenance tax for facilities within the Defined Area. Any debt issued by the Defined Area will be the sole obligation of the Defined Area.

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

Financing Fire-Fighting Activities

The District is authorized by statute to engage in fire-fighting activities, including the issuance 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 seeking TCEQ approval or calling such an election at this time. Issuance of bonds for fire-fighting activities could dilute the investment security for 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 value 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 November 8, 2005, voters in the District authorized \$11,500,000 in principal amount of unlimited tax bonds for the purpose of acquiring or constructing recreational facilities to serve the District. The District has not issued any bonds pursuant to such authorization.

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

Financing Road Facilities

Pursuant to Chapter 54 of the Water Code, a municipal utility district may petition the TCEQ for the power to issue bonds supported by property taxes to finance roads. Before the District could issue such bonds, the District would be required to receive a grant of such power from the TCEQ. Authorization from the District's voters to issue such bonds, and approval of the bonds by the Attorney General of Texas. The District has not considered filing an application to the TCEQ for "road powers" or calling such an election at this time. Issuance of bonds for roads could dilute the investment security for the Bonds.

Annexation and Incorporation

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston, the District may be annexed for full purposes by the City of Houston, subject to compliance by the City of Houston with various requirements of Chapter 43 of the Texas Local Government Code, as amended. Such requirements may include the requirement that the City of Houston hold an election in the District whereby the qualified voters of the District approve the proposed annexation. If the District is annexed, the City of Houston must assume the District's assets and obligations (including the Bonds and the Outstanding Bonds) and abolish the District within ninety (90) days of the date of annexation. Annexation of territory by the City of Houston is a policy-making matter within the discretion of the Mayor and City Council of the City of Houston, and, therefore, the District makes no representation that the City of Houston will ever annex the District and assume its debt. Moreover, no representation is made concerning the ability of the City of Houston to make debt service payments should annexation occur.

In addition, the District is located entirely within The Woodlands Township (the "Township"), a political subdivision of the State of Texas which overlaps substantially all of the territory of The Woodlands. The Township has entered into agreements with the City of Houston and the City of Conroe pursuant to which the Township may request, prior to November 16, 2057, that the area of the Township be excluded from the extraterritorial jurisdiction of either or both cities, and may thereafter be incorporated as a municipality or may adopt a new form of local government. In the event of incorporation of the Township, the incorporated municipality may dissolve the District and if dissolved, must assume the assets, obligations and liabilities of the District, including the Bonds. No representation is made concerning the eventual likelihood of incorporation of the Township, the dissolution of the District, or the ability of the incorporated municipality to make debt service payments should incorporation and dissolution occur.

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 Order, or defaults in the observance or performance of any other covenants, conditions, or obligations set forth in the Bond Order, the Registered Owners have the right to seek a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Order. Except for mandamus, the Bond Order does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners. Certain traditional legal remedies may also not be available. See "INVESTMENT CONSIDERATIONS—Registered Owners' Remedies."

Defeasance

The Bond Order provides that the District may discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal, interest and redemption price thereon in any manner permitted by law. Under current Texas law, such discharge may be accomplished either (i) by depositing with the Comptroller of Public Accounts of the State of Texas a sum of money equal to the principal of, premium, if any, and all interest to accrue on the Bonds to maturity or redemption or (ii) by depositing with any place of payment (paying agent) for obligations of the District payable from revenues or from ad valorem taxes or both, or 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 Order.

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 Order does 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

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

The District cannot and does not give any assurances that DTC, DTC Direct Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) Bonds representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) prepayment or other notices sent to DTC or Cede & Co., its nominee, as the Registered Owner of the Bonds, or that they will do so on a timely basis or that DTC, DTC Direct Participants or DTC Indirect Participants will act in the manner described in this OFFICIAL STATEMENT. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedure" of DTC to be followed in dealing with DTC Direct Participants is on file with DTC.

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

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

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

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

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

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

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

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

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

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

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 IDS Engineering Group. 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 auditor. 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.

I. CONSTRUCTION COSTS

• Construction Costs Approved by the TCEQ.....	\$ 20,850,000
Total Construction Costs.....	\$ 20,850,000

II. NON-CONSTRUCTION COSTS

• Underwriter's Discount (a).....	\$ 217,792
Total Non-Construction Costs.....	\$ 217,792

III. ISSUANCE COSTS AND FEES

• Issuance Costs and Professional Fees.....	\$ 743,250
• State Regulatory Fees.....	64,750
• Contingency (a).....	224,208
Total Issuance Costs and Fees.....	\$ 1,032,208
TOTAL BOND ISSUE.....	\$ 22,100,000

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

THE WOODLANDS

The District is a part of an approximate 28,000-acre community known as The Woodlands. Formal opening of The Woodlands occurred in 1974. Since inception, approximately 48,430 residential units and approximately 36 million square feet of commercial, retail, industrial, research technology and institutional facilities have been constructed. The Woodlands currently has an estimated population of 120,000 and an estimated 2,389 employers provide employment for over 63,000 people.

THE DISTRICT

General

The District is a municipal utility district created pursuant to Article XVI, Section 59, Texas Constitution, by Senate Bill No. 1775, passed by the 77th Texas Legislature, Regular Session, 2001, Chapter 1381, codified as Chapter 8272, Special District Local Laws Code, as amended. The District operates pursuant to the provisions of Article XVI, Section 59, Texas Constitution, Chapters 49 and 54, Texas Water Code, as amended, and various general laws of the State applicable to municipal utility districts. The District, which lies within the extraterritorial jurisdiction of the City of Houston, 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, independently or 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 the granting of road powers by the TCEQ and certain limitations, develop and finance roads. See “THE BONDS—Issuance of Additional Debt” and “—Financing Recreational Facilities.”

The District is required to observe certain requirements of the City of Houston which limit the purposes for which the District may sell bonds to finance the acquisition, construction, and improvement of waterworks, wastewater, and drainage, recreational, road and fire-fighting facilities and the refunding of outstanding debt obligations; limit the net effective interest rate on such bonds and other terms of such bonds; require approval by the City of Houston of District construction plans; and permit connections only to lots and reserves described in a plat that has been approved by the City of Houston and filed in the real property records of Harris County or Montgomery County, as applicable. The District is also required to obtain certain TCEQ approvals prior to acquiring, constructing and financing water, sanitary sewer and drainage, 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 drainage system is subject to the regulatory jurisdiction of additional State of Texas and local agencies. See “THE SYSTEM.”

Defined Area

Pursuant to the provisions of Subchapter J of Chapter 54 of the Texas Water Code, as amended, the District is authorized to define areas or designate certain property within the District to pay for improvements, facilities, or services that primarily benefit that area. On November 2, 2021, the District approved the creation of “The Enclave at the Woodlands Defined Area” encompassing approximately 50 acres within the District (the “Defined Area”).

At an election held on November 2, 2021, the voters within the Defined Area authorized \$10,220,000 principal amount of unlimited tax bonds to finance water, wastewater and drainage improvements solely within the Defined Area, \$7,060,000 principal amount of unlimited tax bonds for the further purpose of refunding those bonds, the levy of an unlimited tax in payment of such bonds within the Defined Area and the levy of a maximum \$1.00 operation and maintenance tax for facilities within the Defined Area. Any debt issued by the Defined Area will be the sole obligation of the Defined Area.

Land in the Defined Area is jointly owned by Tri Pointe Homes Texas, Inc. and Toll Southwest, LLC (“Tri Pointe/Toll”). Tri Pointe/Toll expects to complete the construction of 148 single-family residential lots in the Defined Area in November of 2022 and market the subdivision as Enclave at The Woodlands. Home construction will commence upon completion of the lots. The District has authorized the publication of an initial tax rate of \$0.54 per \$100 of assessed valuation in the Defined Area for 2022 and expects to adopt such rate in October 2022 with the entire amount allocated to maintenance. Properties in the Defined Area will pay a total tax rate comprised of the District’s total tax rate plus the Defined Area total tax rate. The District has authorized the publication of a total tax rate for 2022 in the amount of \$0.45; therefore, the total tax rate in the Defined Area is expected to be \$0.99 per \$100 assessed valuation.

Description and Location

The District currently includes approximately 3,713 acres of land.

The District is located primarily within Harris County (approximately 3,305 acres) with a small portion located within Montgomery County (approximately 408 acres), approximately 27 miles north of the central business district of the City of Houston, Texas and approximately 13 miles south of the City of Conroe. The District is accessible via Interstate Highway 45 and Woodlands Parkway to Gosling Road, to Farm-to-Market 2978 or Kuykendahl Road. The Harris County portion of the District is bordered on the north by Spring Creek and on the south by Augusta Pines, on the east by Gosling Road and on the west by Spring Creek. The Harris County portion of the District lies entirely within the Tomball Independent School District and the Montgomery County portion of the District is located within the Magnolia Independent School District. The Montgomery County portion of the District is bordered on the north by Woodlands Parkway, on the south by Spring Creek and on the west by Farm-to-Market 2978.

Status of Development

Of the approximate 3,713 acres of land within the District, approximately 2,539 acres (6,325 lots) have been developed as the single-family subdivisions of Village of Creekside Park, Creekside Park West, Creekside Carlton Woods, Village of Sterling Ridge. Enclave at The Woodlands is located in the Defined Area. As of August 25, 2022, the District contained 6,081 completed homes (6,064 occupied), 30 homes under construction or in a builder's name and 214 vacant, developed lots. The market value of homes in the District ranges from approximately \$140,000 to in excess of \$1,000,000.

Approximately 165 acres within the District have been developed for commercial use. Commercial development in the District consists of the Broadmoor at Creekside Park, a 112-bed continuing care facility, First Bank of Conroe, a Walgreens, a 99,202 square foot HEB grocery store, a movie theater, various other retail establishments and The Village Center, a mixed-use development consisting of approximately 23,000 square feet of office space, 47,000 square feet of retail space and 4,700 square feet of restaurant space. In addition, there are 2 apartment complexes on approximately 28 acres consisting of 479 units.

Tomball Independent School District owns approximately 40 acres where three elementary schools have been completed and approximately 39 acres where a junior high school has been constructed. Lone Star College System owns a 11-acre site, where campus facilities have been completed. The land owned by the Tomball Independent School District and Lone Star Consolidated Independent School District is not subject to ad valorem taxation by the District. Additionally, approximately 19 acres consists of two churches and a fire station, all of which are exempt from ad valorem taxation.

The remaining acreage within the District is comprised of approximately 22 undeveloped but developable acres, approximately 786 undevelopable acres, and 64 acres of parks and recreation. The estimated population in the District as of August 25, 2022 is 22,182 based upon 3.5 persons per occupied single-family residence and 2 persons per multi-family unit.

Homebuilding

Homebuilders include Westin Homes, Tri Pointe Homes, Coventry Homes, Darling Homes, M/I Homes, J Kyle Homes, Shea Homes, Taylor Morrison, Partners in Building, Toll Brothers and several custom homebuilders.

THE DEVELOPERS

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 developers or their affiliates was gained in different markets and under different circumstances than those that exist in the District, and the prior success of the developers or their affiliates, if any, is no indication or guarantee that the developers will be successful in the future development of land within the District. Woodlands Land and Tri Pointe/Toll (each as defined below) are collectively referred to herein as the "Developers."

The Woodlands Land Development Company, L.P.

The primary developer of The Woodlands, including the District, is The Woodlands Land Development Company, L.P. (the “Woodlands Land”), a limited partnership whose partners are wholly owned by TWC Land Development, LLC and The Howard Hughes Corporation, a Delaware corporation (“HHC”). HHC is a public company whose stock is traded on the New York Stock Exchange under the symbol HHC.

While The Howard Hughes Corporation indirectly owns Woodlands Land, it is not responsible for Woodlands Land’s obligations. According to representatives of Woodlands Land, it is a stand-alone, locally operated and managed company.

Woodlands Land has substantially completed all of its development activity within the District. Woodlands Land is under no obligation to develop its property in the District and may sell its property to another party or parties at any time. Neither Woodlands Land nor any affiliate of Woodlands Land has guaranteed payment of the Bonds.

Tri Pointe Homes Texas, Inc./Toll Southwest LLC

Pursuant to a Joint Development Agreement between Tri Pointe Homes Texas Inc. and Toll Southwest LLC (defined herein as “Tri Pointe/Toll”), Tri Pointe/Toll has developed approximately 50 acres in the District. Such acreage comprises the Defined Area where 148 lots are under construction and are expected to be completed in November of 2022. See “DEFINED AREA.” Tri Pointe/Toll does not own any additional developable land in the District.

Litigation

In May 2018, a lawsuit was filed in Harris County, Texas on behalf of 521 homeowners in the District against The Woodlands Land Development Company LP, The Howard Hughes Corporation, LJA Engineering Inc., and James R. Bowles alleging that the design of the Timarron and Timarron Lakes subdivisions within the District ignored the flood plain history and allowed homes to be built at inadequate elevations. The lawsuit is styled Jason Alexander et al v. The Woodlands Land Development Company, et al. The District is not a party to the lawsuit. See “INVESTMENT CONSIDERATIONS—Flooding within the District’s Boundaries, Including Events Related to Hurricane Harvey.”

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. All of the Board members reside within the District. The current members and officers of the Board, along with their titles and terms, are listed as follows:

<u>Name</u>	<u>District Board Title</u>	<u>Term Expires</u>
F. Emil Jacobs	President	May 2024
Christopher Boyer	Vice President	May 2026
Anthony J. Compofelice	Secretary/Treasurer	May 2024
Eric Politte	Assistant Vice President	May 2024
Penny L. Prater	Assistant Secretary/Treasurer	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.

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.

Engineers: The District’s consulting engineers are IDS Engineering Group and LJA Engineering, Inc. (collectively, the “Engineers”). The Engineers have also been employed by the Developers in connection with certain planning activities and the design of certain streets and related improvements within the District.

Auditor: The District’s financial statements for the year ended March 31, 2022, were audited by Knox Cox & Company, L.L.P., Certified Public Accountants. See “APPENDIX A” for a copy of the District’s March 31, 2022, financial statements.

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

Utility System Operator: The District’s Operator is Municipal District Services, LLC.

Tax Appraisal: The Harris County Appraisal District and the Montgomery Central Appraisal District have the responsibility of appraising all property within their respective boundaries within the District. The Harris County Appraisal District and the Montgomery Central Appraisal District are referred to herein as the “Appraisal Districts.” See “TAXING PROCEDURES.”

Tax Assessor/Collector: The District’s Tax Assessor/Collector is Ad Valorem Appraisals, Inc. (the “Tax Assessor/Collector”). The Tax Assessor/Collector applies the District’s tax levy to tax rolls prepared by the Appraisal Districts and bills and collects such levy.

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

THE SYSTEM

Harris County

The District has entered into a long-term agreement with Harris County Municipal Utility District No. 387 (“HCMUD 387”) for provision of financing, operation and maintenance of master water and sanitary sewer facilities to serve the Harris County portion of the District. HCMUD 387 operates the central water plants, wastewater treatment plants and major water distribution and wastewater transportation facilities which serve the developed portions of the District within Harris County.

Water Supply and Distribution: The central water supply facilities presently consist of Water Plant No. 1, Water Plant No. 2, and Water Plant No. 3. Water Plant No. 1 consists of two 1,000 gallons per minute (“gpm”) water wells, two 500,000 gallon ground storage tanks, booster pump station with installed capacity of 5,500 gpm, two 15,000 gallon pressure tanks, chlorination facilities and related appurtenances. Water Plant No. 2 consists of two 1,000 gpm water wells, two 500,000 gallon ground storage tanks, booster pump station with installed capacity of 5,500 gpm, two 15,000 gallon pressure tanks, chlorination facilities and related appurtenances. Water Plant No. 3 consists of one 1,500 gpm water well, one 1,300 gpm water well, two 500,000 gallon ground storage tanks, booster pump station with installed capacity of 7,000 gpm, three 15,000 gallon pressure tanks, chlorination facilities and related appurtenances. The central water distribution facilities originating at the three plants consist of a looped network of mains and secondary feeders ranging from 4 to 16 inches in diameter. The District has paid for and purchased 8,000 equivalent single-family connections (“ESFCs”) of water capacity from HCMUD 387 to serve the Harris County portion of the District. According to the District Operator, as of August 25, 2022, the District was serving 5,579 active connections in Harris County (including 5,272 completed homes and 30 homes under construction or in a builder’s name).

Wastewater Collection and Treatment: A central sanitary sewer system is located on the eastern side of the District on Gosling Road, with total capacity of 1.8 million gallons per day (“MGD”) (approximately 8,000 ESFCs) with provisions to increase the capacity to 3.0 MGD. The wastewater collection system within the District consists of a network of collection lines which transports wastewater to the treatment facilities. The District has previously paid for and purchased 8,000 ESFCs of sanitary sewer capacity from HCMUD 387 to serve the Harris County portion of the District. As of August 25, 2022, the District was serving 5,579 active connections in Harris County (including 5,272 completed homes and 30 homes under construction or in a builder’s name).

Harris/Galveston Subsidence District: The Harris County portion of the District is located within the boundaries of Area 3 of the Harris-Galveston Subsidence District (the “Subsidence District”), the entity which regulates groundwater withdrawal in Harris and Galveston Counties. HCMUD 387’s ability to pump groundwater from its wells is subject to annual permits issued by the Subsidence District. On April 14, 1999, the Subsidence District adopted a Regulatory Plan (the “Regulatory Plan”) to reduce groundwater withdrawal through conversion to surface water use by the areas within the Subsidence District’s boundaries. Under the Regulatory Plan, areas within Area 3 of the Subsidence District’s boundaries were required to convert to 30% surface water by 2010, and must convert to 60% surface water by 2025 and 80% surface water by 2035. Water permittees, including HCMUD 387, are required to adopt and implement a groundwater reduction plan to meet the schedule for surface water conversion.

The Harris County portion of the District is also located within the boundaries of the North Harris County Regional Water Authority (the “Water Authority”). The Water Authority was created to accomplish the conversion to surface water by entities within the Subsidence District’s Area 3 in accordance with the Subsidence District’s Regulatory Plan. To implement the required conversion to surface water in accordance with the Subsidence District’s Regulatory Plan, the Water Authority has adopted a ground water reduction plan providing for the design, construction and operation of a network of surface water transmission lines, storage tanks, and pumping stations to transport and distribute surface water to the areas within the Water Authority’s boundaries (the “Surface Water Facilities”). The Water Authority has also contracted with the City of Houston to secure a long-term supply of surface water. To obtain funding to accomplish its purposes, the Water Authority is currently assessing a groundwater pumpage fee in the amount of \$5.06 per 1,000 gallons of water which applies to certain water well permittees in its boundaries, including HCMUD 387. The Water Authority has sold its Senior Lien Revenue Bonds to finance costs related to the design, acquisition and construction of Phase 1 of the Surface Water Facilities and to refinance a portion of bonds previously sold. The Water Authority bonds are secured by revenues of the Water Authority, including the groundwater pumpage fee. The groundwater pumpage fee is expected to increase in the future.

HCMUD 387 is required to pay for its share of the cost to acquire, design, construct and operate the Surface Water Facilities, which cost will be passed through to the District pursuant to its agreement with HCMUD 387. The District’s share of the cost of the Surface Water Facilities is being paid through the pumpage fee. For future phases of the Surface Water Facilities, current rules of the Water Authority allow HCMUD 387 to elect to pay for its share of the costs of the Surface Water Facilities through upfront capital contributions, which may be financed by either HCMUD 387 or the District through the issuance of bonds.

Storm Drainage: The land within the District and in Harris County generally drains north and northwest, through a series of natural drainage ways thence to Spring Creek.

Montgomery County

General: The revised general plan of Woodlands Land contemplates the establishment of central or regional systems whereby sanitary sewage would be collected and treated within three identifiable regions. The San Jacinto River Authority (“SJRA”) has entered into a long-term cooperative agreement with the Woodlands Land for the planning, financing, construction, ownership, operation and maintenance of the water supply and sanitary sewage treatment facilities serving The Woodlands, including the Montgomery County portion of the District. The SJRA owns the existing central water plants, wastewater treatment plants and major water distribution and wastewater transportation facilities which serve the developed portions of The Woodlands, including the Montgomery County portion of the District. The District and neighboring Montgomery County Municipal Utility District Nos. 6, 7, 36, 39, 40, 46, 47, 60, and 67, The Woodlands MUD 2, and Metro Center MUD have entered into agreements with SJRA for the financing, construction, and operation of central water supply and wastewater treatment facilities for all twelve districts. Under these agreements, each district, as a customer of SJRA, has made or will make or finance capital payments to SJRA proportionate to the costs of facilities construction and its ultimate service needs, and each makes payments to SJRA for operation and maintenance expenses in proportion to its volume of usage. These payments were based on estimated unit costs for such capacities and are made subject to such adjustments as may be necessary at the time when a periodic accounting for such costs can be made.

Water Supply and Distribution: Water for the Montgomery County portion of the District is supplied from ground water wells located within The Woodlands and surface water from Lake Conroe.

The central water supply facilities within The Woodlands presently consist of Water Plant Nos. 1, 2, 3, 4, and 5 and six elevated storage tanks (EST Nos. 1, 2, 3, 4, 5, and 7). The central water distribution facilities originating at the five water plants consist of a looped network of mains and secondary feeders sized to supply peak day demands and emergency requirements. Water distribution within the participant districts is accomplished through a looped network of mains, secondary feeders, and neighborhood distribution lines.

According to the Fifth Supplemental Agreement between the District and SJRA, the District has purchased 1,294 single-family dwelling units equivalents (“SFDUE’s”) of water capacity from SJRA to serve the Montgomery County portion of the District. According to the District Operator, as of August 25, 2022, the District was serving 807 active connections in Montgomery County (including 792 completed homes).

Sixth and Final Accounting: SJRA provides a periodic accounting to each customer district showing the actual and projected future unit cost of purchasing capacities in SJRA’s Systems and the amounts payable to SJRA for reserved capacities in SJRA’s Systems. Each customer district is then responsible for issuing its bonds, utilizing other district revenues or participating in a joint bond issue with other similarly situated districts to secure sufficient funds to make such payments to SJRA. Based upon the sixth and final accounting, it has been determined that certain customer districts (including the District) will not need to purchase additional capacity to serve ultimate development within their boundaries (including the Montgomery County portion of the District).

Lone Star Groundwater Conservation District: The Montgomery County portion of the District is included in the boundaries of the Lone Star Groundwater Conservation District (“LSGCD”), a Montgomery County-wide regulatory agency. LSGCD has adopted a regulatory plan which requires groundwater users within Montgomery County to reduce groundwater usage by thirty percent (30%) by January 1, 2016. In order to meet the requirements of the LSGCD, the District and SJRA were required to partially convert to surface water sources by such date. SJRA has created separate non-profit operating divisions, including the SJRA’s Groundwater Reduction Plan Division (the “SJRA GRP Division”) and the SJRA’s Woodlands Division (the “SJRA Woodlands Division”), to implement a groundwater reduction plan and treated surface water system for substantially all of Montgomery County, including the Montgomery County portion of the District. In order to comply with the January 1, 2016 conversion date set forth in LSGCD’s regulatory plan, blended ground and surface water are now being delivered to groundwater users within Montgomery County, including the Montgomery County portion of the District. The direct costs to the SJRA GRP Division for the first phase of such conversion to surface water sources were approximately \$552,000,000, which are paid for through pumpage fees charged to the participants, including the SJRA Woodlands Division. Effective as of September 1, 2022, the SJRA GRP Division began charging the SJRA Woodlands Division a fee and such fees are currently \$2.99 per 1,000 gallons of groundwater pumped and \$3.41 per 1,000 gallons of surface water delivered. The SJRA Woodlands Division passes through a blended surface water conversion fee rate to the District of \$3.20 per 1,000 gallons of water delivered to the District.

Wastewater Collection and Treatment: A central sanitary sewage treatment plant exists in each of the three regions within The Woodlands. This plan is in general conformity with the Water Quality Management Plan developed by the Houston-Galveston Area Council (“H-GAC”) for the Lake Houston area as part of its overall conceptual study of regional sanitary sewage systems for the eight county H-GAC area. The plan adheres to the objectives of the H-GAC plan for the regional system and, at the same time, provides additional flexibility necessary to meet future changes in the service area and the final implementation of a regional plan. The sanitary sewage load for full development has been recently estimated at 12.8 MGD for the three central plants. The first central wastewater treatment plant of SJRA (“WWTP1”) is located adjacent to MCMUD 6 along Sawdust Road and currently has capacity of 7.8 MGD. The second wastewater treatment plant (“WWTP2”) is located west of the intersection of Gosling Road and Research Forest Drive. WWTP2 has a permitted capacity of 6.0 MGD with provisions to increase to 7.8 MGD. The third wastewater treatment plant (“WWTP3”) is located in MCMUD 39 and has a permitted capacity of 900,000 gallons per day. This collection system empties wastewater into trunk sewers, a part of the SJRA central system, which transports wastewater to the treatment facilities.

According to the Fifth Supplemental Agreement between the District and SJRA, the District has purchased 1,294 SFDUE's of sanitary sewer capacity from SJRA to serve the Montgomery County portion of the District. According to the District Operator, as of August 25, 2022, the District was serving 807 active connections in Montgomery County (including 792 completed homes).

Storm Drainage: The land within the District and in Montgomery County drains through a series of designated channels out falling into Dry Creek, then ultimately into Spring Creek.

Internal Water Distribution, Wastewater Collection and Storm Drainage Facilities

Water distribution, wastewater collection, and storm drainage facilities have been constructed in the District to serve 6,325 single-family residential lots (including 148 single-family residential lots in the Defined Area), two apartment communities (479 units), approximately 165 acres of commercial development and approximately 90 acres of school and college sites. Additionally, approximately 19 acres consists of two churches and a fire station, all of which are exempt from ad valorem taxation. See "THE DISTRICT," "—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. There is currently developable acreage within the District officially within the 100-year flood plain according to the Federal Emergency Management ("FEMA") Flood Insurance Rate Maps and the Engineer. Approximately 23 lots in Creekside Park are partially within the mapped 100-year flood plain. Pad sites on these lots were filled and removed from the 100-year floodplain via LOMR-F. The remainder of the lot areas that remained after the pad sites were filled are either partially or fully within the mapped 100-year flood plain. The land within the District and in Harris County generally drains north and northwest, through a series of natural drainage ways thence to Spring Creek. The land within the District and in Montgomery County drains through a series of designated channels out falling into Dry Creek, then ultimately into Spring Creek. Water surface elevations in Spring Creek adjacent to the District exceeded the 100-year flood elevations during the significant rainfall event in May of 2016 and Hurricane Harvey in 2017. The District is aware of structural flooding in approximately 6 homes in 2016 and approximately 300 homes in 2017 due to Hurricane Harvey. The drainage facilities in the sections which these homes were located were designed based on local regulatory requirements. See "INVESTMENT CONSIDERATIONS—Flooding within the District's Boundaries; Including Events Related to Hurricane Harvey."

Atlas 14

In 2018, the National Weather Service completed a rainfall study known as NOAA Atlas 14, Volume 11 Precipitation-Frequency Atlas of the United States ("Atlas 14"). Floodplain boundaries within the District may be redrawn based upon the Atlas 14 study, which is based upon a higher statistical rainfall amount, resulting in interim floodplain regulations applying to a larger number of properties and consequently leaving less developable property within the District. 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.

Waterworks and Sewer System Operating Statement

The Outstanding Bonds and 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 revenues from operations of the District's system, if any, are available for any legal purpose, including, upon Board action, the payment of debt service on the Bonds and the Outstanding Bonds. It is anticipated that no significant operation revenues will be used for debt service on the Bonds or the Outstanding 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 March 31, 2018 through March 31, 2022. Such figures are included for informational purposes only. 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				
	<u>3/31/2022</u>	<u>3/31/2021</u>	<u>3/31/2020</u>	<u>3/31/2019</u>	<u>3/31/2018</u>
Revenues:					
Property Taxes	\$ 5,922,260	\$ 5,175,918	\$ 4,670,663	\$ 2,348,217	\$ 1,791,011
Service Revenues	7,443,221	7,819,619	6,774,749	5,835,224	5,571,745
Penalty and Interest	117,408	33,011	65,335	57,038	54,046
Tap Connection and Sewer Inspection	393,392	291,338	904,366	536,360	604,868
Investment Income and Other	<u>67,367</u>	<u>149,403</u>	<u>301,133</u>	<u>484,311</u>	<u>177,770</u>
Total Revenue	\$ 13,943,648	\$ 13,469,289	\$ 12,716,246	\$ 9,261,150	\$ 8,199,440
Expenditures:					
Current Expenditures	\$ 10,247,235	\$ 12,979,376	\$ 10,046,790	\$ 8,200,991	\$ 8,698,123
Capital Outlay	<u>-</u>	<u>801</u>	<u>212,052</u>	<u>69,661</u>	<u>121,221</u>
Total Expenditures	\$ 10,247,235	\$ 12,980,177	\$ 10,258,842	\$ 8,270,652	\$ 8,819,344
NET REVENUES	<u>\$ 3,696,413</u>	<u>\$ 489,112</u>	<u>\$ 2,457,404</u>	<u>\$ 990,498</u>	<u>\$ (619,904)</u>
Other Financing Sources	\$ -	\$ -	\$ -	\$ 9,500	\$ 45,000
General Operating Fund Balance (Beginning of Year)	\$ 12,950,566	\$ 12,461,454	\$ 10,004,050	\$ 9,004,052	\$ 9,578,956
General Operating Fund Balance (End of Year)	\$ 16,646,979	\$ 12,950,566	\$ 12,461,454	\$ 10,004,050	\$ 9,004,052

FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)

2022 Taxable Assessed Valuation.....	\$4,078,989,424	(a)
Gross Direct Debt Outstanding (including the Bonds).....	\$154,355,000	(b)
Estimated Overlapping Debt	207,924,658	(c)
Gross Direct Debt and Estimated Overlapping Debt.....	\$362,279,658	
Ratios of Gross Direct Debt to:		
2022 Taxable Assessed Valuation	3.78%	
Ratios of Gross Direct Debt and Estimated Overlapping Debt to:		
2022 Taxable Assessed Valuation	8.88%	
Funds Available for Debt Service as of September 22, 2022	\$7,873,710	(d)
Funds Available for Operations and Maintenance as of September 22, 2022	\$14,641,937	
Funds Available for Construction as of September 22, 2022	\$384,167	

- (a) The District is located in both Harris County and Montgomery County. The Harris County Appraisal District ("HCAD") has certified \$3,597,307,551 of taxable value for 2022 and an additional \$170,919,751 remains uncertified and the Montgomery Central Appraisal District ("MCAD") has certified \$303,218,559 of taxable value for 2022 and an additional \$7,543,563 remains uncertified. Uncertified value is subject to downward revision prior to certification. HCAD and the MCAD are collectively referred to herein as the "Appraisal Districts."
- (b) After the issuance of the Bonds. See "—Outstanding Bonds" herein.
- (c) See "—Estimated Overlapping Debt," and "—Overlapping Taxes" herein.
- (d) Neither Texas Law nor the Bond Order requires the District to maintain any particular balance in the Debt Service Fund. See "THE BONDS—Funds" and "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements."

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 owning long term securities or derivative products in the District's investment portfolio.

Outstanding Bonds

The District has previously issued nine series of unlimited tax bonds for acquiring or constructing water, sanitary sewer, and drainage facilities and four series of unlimited tax refunding bonds. The following table lists the original principal amount of such bonds by series and the principal amount of such bonds that remain outstanding (the "Outstanding Bonds") as of the date hereof.

Series	Original Principal Amount	Outstanding Bonds
2009	\$ 21,230,000	\$ -
2010	29,775,000	-
2011	20,400,000	-
2012	23,260,000	-
2014	24,785,000	18,945,000
2014A	28,470,000	22,495,000
2015 (a)	15,855,000	15,015,000
2015A	9,150,000	6,570,000
2016 (a)	25,570,000	18,975,000
2017 (a)	15,520,000	14,350,000
2018	10,800,000	8,920,000
2020	11,180,000	9,835,000
2020A (a)	18,110,000	17,150,000
Total	\$ 254,105,000	\$ 132,255,000

- (a) Unlimited Tax Refunding Bonds.

Debt Service Requirements

The following sets forth the debt service on the Outstanding Bonds and the Bonds. See “USE AND DISTRIBUTION OF BOND PROCEEDS.”

Year	Outstanding Debt Service	Plus: Debt Service on the Bonds			Total Debt Service
		Principal	Interest	Total	
2023	\$ 11,374,800.00	\$ 880,000	\$ 768,060.00	\$ 1,648,060.00	\$ 13,022,860.00
2024	11,418,287.50	885,000	981,350.00	1,866,350.00	13,284,637.50
2025	11,490,712.50	885,000	945,950.00	1,830,950.00	13,321,662.50
2026	11,540,512.50	885,000	910,550.00	1,795,550.00	13,336,062.50
2027	11,589,056.25	885,000	875,150.00	1,760,150.00	13,349,206.25
2028	11,636,875.00	885,000	839,750.00	1,724,750.00	13,361,625.00
2029	11,681,300.00	885,000	795,500.00	1,680,500.00	13,361,800.00
2030	11,715,837.50	885,000	751,250.00	1,636,250.00	13,352,087.50
2031	11,731,168.75	885,000	715,850.00	1,600,850.00	13,332,018.75
2032	11,773,443.75	885,000	680,450.00	1,565,450.00	13,338,893.75
2033	11,793,006.25	885,000	645,050.00	1,530,050.00	13,323,056.25
2034	11,805,868.75	885,000	607,437.50	1,492,437.50	13,298,306.25
2035	8,156,856.25	885,000	569,825.00	1,454,825.00	9,611,681.25
2036	6,743,200.00	885,000	530,000.00	1,415,000.00	8,158,200.00
2037	5,191,418.75	885,000	485,750.00	1,370,750.00	6,562,168.75
2038	3,379,350.00	885,000	441,500.00	1,326,500.00	4,705,850.00
2039	3,354,825.00	885,000	397,250.00	1,282,250.00	4,637,075.00
2040	1,366,443.75	885,000	353,000.00	1,238,000.00	2,604,443.75
2041	962,456.25	885,000	308,750.00	1,193,750.00	2,156,206.25
2042	471,700.00	885,000	264,500.00	1,149,500.00	1,621,200.00
2043	462,800.00	885,000	220,250.00	1,105,250.00	1,568,050.00
2044	453,900.00	880,000	176,000.00	1,056,000.00	1,509,900.00
2045	-	880,000	132,000.00	1,012,000.00	1,012,000.00
2046	-	880,000	88,000.00	968,000.00	968,000.00
2047	-	880,000	44,000.00	924,000.00	924,000.00
Total	\$ 170,093,818.75	\$ 22,100,000	\$ 13,527,172.50	\$ 35,627,172.50	\$ 205,720,991.25

Average Annual Debt Service Requirements (2023-2047) \$ 8,228,840
Maximum Annual Debt Service Requirement (2029)..... \$13,361,800

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	Amount
Harris County (a)	\$ 1,863,542,125	8/31/2022	0.47%	\$ 8,758,648
Montgomery County	464,200,000	8/31/2022	0.36%	1,671,120
Harris County Flood Control District	584,900,000	8/31/2022	0.47%	2,749,030
Harris County Hospital District	76,385,000	8/31/2022	0.47%	359,010
Harris County Department of Education	20,185,000	8/31/2022	0.47%	94,870
Port of Houston Authority	469,434,397	8/31/2022	0.47%	2,206,342
Tomball Independent School District	685,985,000	8/31/2022	25.67%	176,092,350
Magnolia Independent School District	128,450,000	8/31/2022	3.17%	4,071,865
Lone Star College System	641,405,000	8/31/2022	1.33%	8,530,687
The Woodlands Township	22,620,000	8/31/2022	14.99%	3,390,738
Total Estimated Overlapping Debt.....				\$ 207,924,658
Direct Debt.....	154,355,000 (b)		100.00%	154,355,000
Total Direct and Estimated Overlapping Debt.....				\$ 362,279,658

- (a) Excludes the Harris County Toll Road Unlimited Tax Bonds in the principal amount of \$151,335,000. Historically, Harris County has provided for payment of such debt service from toll road revenues and certain other funds and, no ad valorem tax revenue has been required to pay debt service on such bonds.
- (b) 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 2022 tax year by all overlapping taxing jurisdictions. No recognition is given to local assessments for civic association dues, fire department contributions, solid waste disposal charges or any other levy of entities other than political subdivisions.

	<u>Tax Rate per \$100 of Assessed Valuation</u>	
	<u>Harris County</u>	<u>Montgomery County</u>
The District (a).....	\$ 0.450000	\$ 0.450000
Magnolia Independent School District.....	-	1.147200
Tomball Independent School District.....	1.230000	-
Harris County (including Harris County Flood Control District, Harris County Hospital District, Harris County Department of Education, and the Port of Houston Authority).....	0.535121	-
Montgomery County.....	-	0.374200
Montgomery County Hospital District.....	-	0.502000
The Woodlands Township.....	0.185000	0.185000
Lone Star College System.....	0.107800	0.107800
Harris County ESD No. 11.....	<u>0.029340</u>	<u>0.029340</u>
Total Tax Rate.....	\$ 2.537261	\$ 2.795540

- (a) The District levied a 2022 maintenance tax rate of \$0.54 upon all property located within the Defined Area. The Defined Area is located wholly within Harris County.

TAX DATA

Debt Service Tax

The Board covenants in the Bond Order to levy and assess, for each year that all or any part of the Bonds and the Outstanding Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Bonds and the Outstanding Bonds. See “Tax Rate Distribution” and “Tax Roll Information” below, and “TAXING 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 November 7, 2006, and voters of the District authorized, among other things, the Board to levy a maintenance tax at a rate not to exceed \$1.25 per \$100 of taxable assessed valuation for general operations and maintenance costs. 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 Exemptions

For the tax year 2022, the District has adopted an exemption of \$20,000 of the appraised value of residential homesteads of individuals who are sixty-five (65) years of age or older or who are under a disability for purposes of disability benefits. See “TAXING PROCEDURES—Property Subject to Taxation by the District.”

Tax Rate Distribution

<u>The District</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Debt Service Tax	\$0.325	\$0.320	\$0.320	\$0.330	\$0.380
Maintenance Tax	<u>0.125</u>	<u>0.170</u>	<u>0.170</u>	<u>0.160</u>	<u>0.085</u>
Total District Tax Rate	\$0.450	\$0.490	\$0.490	\$0.490	\$0.465
<u>Defined Area</u>	<u>2022</u>				
Maintenance Tax	\$0.540				

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.

<u>Tax Year</u>	<u>Certified Taxable Assessed Valuation (a)</u>	<u>Tax Rate</u>	<u>Total Tax Levy</u>	<u>Total Collections As of 8/31/2022 (b)</u>	
				<u>Amount</u>	<u>Percent</u>
2017	\$ 2,736,989,620	\$ 0.465	\$ 12,727,002	\$ 12,722,323	99.96%
2018	2,816,344,747	0.465	13,097,332	13,089,373	99.94%
2019	3,001,079,689	0.490	14,705,692	14,694,102	99.92%
2020	3,148,009,199	0.490	15,428,468	15,411,099	99.89%
2021	3,468,625,340	0.490	16,955,850	16,825,363	99.23%
2022	4,078,989,424	0.450	18,355,452	(c)	(c)

- (a) As certified by the Appraisal Districts. See “Tax Roll Information” herein.
 (b) Unaudited.
 (c) In process of collections. Taxes for 2022 are due by January 31, 2023.

Tax Roll Information

The District's taxable assessed value as of January 1 of each year is used by the District in establishing its tax rate. See "TAXING PROCEDURES—Valuation of Property for Taxation." The following represents the composition of property comprising the 2018 through 2022 Taxable Assessed Valuations. The District is located in both Harris County and Montgomery County. The Harris County Appraisal District ("HCAD") has certified \$3,597,307,551 of taxable value and an additional \$170,919,751 remains uncertified and the Montgomery Central Appraisal District ("MCAD") has certified \$303,218,559 of taxable value and an additional \$7,543,563 remains uncertified. The uncertified amount is subject to downward adjustment prior to certification. A breakdown of the uncertified portions (\$178,463,314) of the 2022 Taxable Assessed Valuation, are subject to review and downward revision and not included herein. See "TAXING PROCEDURES" and "INVESTMENT CONSIDERATIONS—Flooding within the District's Boundaries, Including Events Related to Hurricane Harvey."

Tax Year	Type of Property			Gross Assessed Valuation	Deferments and Exemptions	Uncertified Value	Net Assessed Valuation
	Land	Improvements	Personal Property				
2018	\$ 710,912,725	\$ 2,209,873,469	\$ 34,592,619	\$ 2,955,378,813	\$ (139,034,066)	\$ -	\$ 2,816,344,747
2019	742,800,929	2,390,423,599	36,752,448	3,169,976,976	(168,897,287)	-	3,001,079,689
2020	746,243,002	2,526,510,375	32,220,406	3,304,973,783	(156,964,584)	-	3,148,009,199
2021	757,848,166	2,862,348,459	29,618,184	3,649,814,809	(181,189,469)	-	3,468,625,340
2022	869,888,643	3,522,383,112	24,740,486	4,417,012,241	(516,486,131)	178,463,314	4,078,989,424

Principal Taxpayers

The following table represents the principal taxpayers, the taxable assessed value of such property, and such property's taxable assessed value as a percentage of the certified portions (\$3,900,526,110) of the 2022 Taxable Assessed Valuation of \$4,078,989,424. This represents ownership as of January 1, 2022. Complete and accurate principal taxpayers list related to the uncertified portions (\$178,463,314) of the 2022 Taxable Assessed Valuation are not available.

Taxpayer	2022 Certified Taxable Assessed Valuation	% of 2022 Certified Taxable Assessed Valuation
CS Apartments Holding Company LLC	\$ 50,340,876	1.29%
CS Apartments II Holding Co LLC	48,957,923	1.26%
Woodlands Land Development Co LP (a)	26,993,875	0.69%
CSPV Holdings LLC	24,637,773	0.63%
HEB Grocery Company LP	21,972,901	0.56%
Creeside Park West Holdings LLC	18,762,860	0.48%
First Creekside Capital Funding LLC	11,933,072	0.31%
CW Operating Company Inc.	10,853,451	0.28%
Creeside 2012 Commercial LLC	9,744,479	0.25%
Taylor Morrison of Texas Inc. (b)	6,635,546	0.17%
Total	\$ 230,832,756	5.92%

(a) See "THE DEVELOPERS."

(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 of taxable assessed valuation which would be required to meet average annual and maximum annual debt service requirements on the Bonds and the Outstanding Bonds if no growth in the District's tax base occurred beyond the 2022 Taxable Assessed Valuation of \$4,078,989,424 (\$3,900,526,110 of certified value plus \$178,463,314 of uncertified value). 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 the taxable value 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" and "INVESTMENT CONSIDERATIONS—Possible Impact on District Tax Rates."

Average Annual Debt Service Requirement (2023-2047)	\$8,228,840
\$0.22 Tax Rate on the 2022 Taxable Assessed Valuation	\$8,525,088
Maximum Annual Debt Service Requirement (2029).....	\$13,361,800
\$0.35 Tax Rate on the 2022 Taxable Assessed Valuation	\$13,562,640

No representation or suggestion is made that the uncertified portions of the 2022 Taxable Assessed Valuation will not be adjusted downward prior to being certified as taxable value of the Appraisal District, and no person should rely upon such amounts or their inclusion herein as assurance of their attainment. See "TAXING PROCEDURES."

TAXING PROCEDURES

Property Tax Code and County-Wide Appraisal Districts

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 District is located in both Harris County and Montgomery County. The Harris County Appraisal District has the responsibility for appraising property in the District located in Harris County and the Montgomery Central Appraisal District has the responsibility for appraising property within the District located in Montgomery County. The Harris County Appraisal District and the Montgomery Central Appraisal District are collectively referred to herein as the "Appraisal Districts." Such appraisal values are subject to review and change by the Harris County Appraisal Review Board and the Montgomery Central Appraisal Review Board (the "Appraisal Review Boards"), as applicable. Under certain circumstances, taxpayers and taxing units (such as the District) may appeal the orders of the Appraisal Review Boards 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 either the Harris County Appraisal District or the Montgomery Central Appraisal District, as applicable and approved by the applicable Appraisal Review Boards, 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 Harris County and Montgomery County, to participate in the nomination of and vote for a member of each of the Board of Directors of each county's 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 certain 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 granted an exemption of \$20,000 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 (i) a member of the armed forces or, (ii) 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 “TAXING PROCEDURES—Rollback of Operations 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 Districts 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 upon 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, 190.1718 acres of land within the District were designated for agricultural use or timberland.

Tax Abatement

The City of Houston, Harris County, Montgomery County and The Woodlands Township may designate all or part of the District as a reinvestment zone, and, under certain circumstances, the District, Harris County, Montgomery County, The Woodlands Township, and (if it were to annex the area) the City of Houston 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 Districts. Taxes are due upon receipt of a bill therefor, and become delinquent after January 31 of the following year or thirty (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 a 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 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. For tax year 2022, the District has been designated as a "Developing District." The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property 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 "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Overlapping Taxes." A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien. 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 and Foreclosure Remedies."

INVESTMENT CONSIDERATIONS

General

The Bonds are obligations solely of the District and are not obligations of the State of Texas, Harris County, Montgomery County, the City of Houston, The Woodlands Township 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 executive order of the Governor for any business or other establishment in the State. The Governor retains the right to impose additional restrictions on activities if needed in order to mitigate the effects of COVID-19. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at <https://gov.texas.gov/>. Neither the information on, nor accessed through, such website of the Governor is incorporated by reference into this OFFICIAL STATEMENT.

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

Potential Effects of Oil Price Fluctuations on the Houston Area

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

Litigation

In May 2018, a lawsuit was filed in Harris County, Texas, and subsequently amended, on behalf of 521 homeowners in the District against The Woodlands Land Development Company LP, The Howard Hughes Corporation, LJA Engineering Inc., and James R. Bowles alleging that the design of the Timarron and Timarron Lakes subdivisions within the District ignored the flood plain history and allowed homes to be built at inadequate elevations. The lawsuit is styled Jason Alexander et al v. The Woodlands Land Development Company, et al. The District is not a party to the lawsuit. See “INVESTMENT CONSIDERATIONS—Flooding within the District’s Boundaries, Including Events Related to Hurricane Harvey.”

Flooding within the District’s Boundaries, Including Events Related to Hurricane Harvey

2016 Weather Event: According to the Engineer, the District was impacted by flood waters resulting from significant rainfall events in the Spring Creek watershed on May 26 and 27, 2016. According to flood gauge data published by the Harris County Flood Control District, the flood water elevations in Spring Creek at Kuykendahl Road within the District were approximately three (3) feet six (6) inches higher than the 100-Year Flood Elevation defined by the Federal Emergency Management Agency Flood Insurance Rate Maps. The flood water caused street flooding within the District and the temporary closure of Kuykendahl Road and Gosling Road, the major north-south thoroughfares through the District, as well as Creekside Forest Drive and Creekside Green Drive, the local east-west collector roadways serving the District. These roadways were reopened on May 29, 2016.

The flood waters also caused the failure of Water Plant No. 2 and Sanitary Sewer Lift Station No. 2, both operated by HCMUD 387 and used to provide service to the District. See “THE SYSTEM—Harris County.” These facilities were repaired and in full operation on or before June 8, 2016. Water and wastewater service in the District was maintained during and after the flood event.

According to the HHC, the flood waters caused structural flooding of approximately 6 of 4,557 completed homes at that time during this 2016 weather event within the District.

2017 Hurricane Harvey: The Houston area, including Montgomery County, sustained widespread rain damage and flooding as a result of Hurricane Harvey’s landfall along the Texas Gulf Coast on August 25, 2017, and historic levels of rainfall during the succeeding four days. The District is located approximately 70 miles from the Texas Gulf Coast. Accordingly, like other coastal areas, land located in the District is susceptible to hurricanes, tropical storms, and other tropical disturbances.

According to the Engineer and Operator, flood waters during the Hurricane Harvey event caused the failure of Water Plant No. 2 and Sanitary Sewer Lift Station No. 4 operated by HCMUD 387. See “THE SYSTEM—Harris County.” Repairs to Water Plant No. 2 and Lift Station No. 4 by HCMUD 387 were completed in the fourth quarter of 2017. Equipment at Lift Stations Nos. 1 and 5 and the Wastewater Treatment Plant was also damaged by the flood waters with repairs completed soon after event. Water and wastewater service in the District was maintained during and after the flood event. According to the HHC and the Operator, the flood waters caused structural flooding of approximately 300 of 4,557 completed homes during Hurricane Harvey event within the District.

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 27 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 and 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, multi-family and commercial development in the District, which is 27 miles from downtown Houston, could be affected by competition from other residential and commercial 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 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 Developers and builders will be implemented or, if implemented, will be successful.

Tax Collections Limitations and Foreclosure Remedies

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

Registered Owners' Remedies

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

Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages, so that in the absence of other waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the Bond Order may not be reduced to a judgment for money damages. If such a judgment against the District were obtained, it could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may further be limited by a State of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District.

Bankruptcy Limitation to Registered Owners' Rights

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

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

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

A district may not be forced into bankruptcy involuntarily.

Future Debt

The District's voters have authorized the issuance of a total of \$282,000,000 in principal amount of unlimited tax bonds for constructing or acquiring water, sanitary sewer and drainage facilities. After issuance of the Bonds, \$80,850,000 in principal amount of such unlimited tax bonds for water, sanitary sewer and drainage facilities will remain authorized but unissued. The District's voters have authorized a total of \$11,500,000 in principal amount of unlimited tax bonds for the purpose of acquiring or constructing recreational facilities, all of which remains authorized but unissued. In addition, the District's voters have also authorized a total of \$293,500,000 in principal amount of unlimited tax bonds for the purposes of refunding outstanding bonds of the District, of which \$290,825,000 in principal amount for such purposes remains authorized but unissued. See "THE BONDS—Issuance of Additional Debt." The District's voters could authorize additional amounts. The issuance of additional bonds for water, sanitary sewer, drainage and recreational facilities is subject to approval by the TCEQ pursuant to its rules regarding issuance and feasibility of bonds. 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.

According to Woodlands Land, the District owes approximately \$10,000,000 plus interest for recreational facilities. The principal amount of bonds issued to finance recreational facilities may 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 value of the taxable property in the District at the time of issuance of the bonds.

According to Tri Pointe/Toll, the District owes approximately \$12,300,000 plus interest in construction costs related to water, sanitary sewer and drainage facilities in the Defined Area. Pursuant to an agreement between Tri Pointe/Toll and the District, a portion of such amount may be financed with additional bonds of the District and the balance will be financed with bonds issued by the Defined Area.

In addition, future changes in health or environmental regulations could require the construction and financing of additional improvements without any corresponding increases in taxable value in the District. 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," "—Financing Fire-Fighting Activities," and "—Financing Road Facilities" and "THE DISTRICT—Defined Area."

Marketability of the Bonds

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

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.

The HGB Area is currently designated as a severe ozone nonattainment area under the 1997 Ozone Standards. 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 has 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's stormwater discharges currently maintain permit coverage through the Municipal Separate Storm System Permit (the "Current Permit") issued to the Storm Water Management Joint Task Force consisting of Harris County, Harris County Flood Control District, the City of Houston, and the Texas Department of Transportation. In the event that at any time in the future the District is not included in the Current Permit, it may be required to seek independent coverage under the TCEQ's General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the "MS4 Permit"), which authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. If the District's inclusion in the MS4 Permit were required at a future date, the District could incur substantial costs to develop, implement, and maintain the necessary plans as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff in order to comply with the MS4 Permit.

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

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

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

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

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

Continuing Compliance with Certain Covenants

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

LEGAL MATTERS

Legal Opinions

The District will furnish to the Underwriter 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—District Consultants—Bond Counsel and General Counsel," "TAXING 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.

Not Qualified Tax-Exempt Obligations

The District has **not** designated the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b) of the Code.

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.

NO MATERIAL ADVERSE CHANGE

The obligations of the Underwriter 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 condition (financial or otherwise) of the District subsequent to the date of sale from that set forth or contemplated in the Official Statement, as it may have been supplemented or amended through the date of the sale.

NO-LITIGATION CERTIFICATE

With the delivery of the Bonds, the President or Vice President and Secretary or Assistant Secretary of the Board will, on behalf of the District, execute and deliver to the Underwriter 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

Moody's Investors Service ("Moody's") has assigned a credit rating of "Aa3" to the Bonds. An explanation of the rating may be obtained from Moody's, 7 World Trade Center, 250 Greenwich Street, New York, New York 10007. The rating fees of Moody's will be paid by the District.

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

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:

Appraisal Districts: The information contained in this OFFICIAL STATEMENT relating to the Assessed Valuations of the District have been provided by Harris County Appraisal District and Montgomery Central Appraisal District and has been included herein in reliance upon the authority of such entity as experts in assessing the values of property in Harris County and Montgomery County, as applicable.

Tax Assessor/Collector: The information contained in this OFFICIAL STATEMENT relating to the breakdown of the District's historical assessed value and principal taxpayers, including particularly such information contained in the section entitled "TAX DATA" and "TAXING PROCEDURES" has been provided by Ad Valorem Appraisals, Inc. and is included herein in reliance upon the authority of said firm as experts in collecting taxes.

Engineer: The information contained in this OFFICIAL STATEMENT relating to engineering and to the description of the District's water, wastewater, and storm drainage system, and, in particular that information in the sections entitled "THE DISTRICT" and "THE SYSTEM" (as it relates to District facilities) has been provided by the IDS Engineering Group, included herein in reliance upon the authority of said firm as experts in the field of engineering.

Auditor: The District's financial statements for the year ended March 31, 2022, were audited by Knox Cox & Company, L.L.P., Certified Public Accountants. See "APPENDIX A" for a copy of the District's March 31, 2022, financial statements.

Updating the Official Statement

If subsequent to the date of the OFFICIAL STATEMENT, the District learns, through the ordinary course of business and without undertaking any investigation or examination for such purposes, or is notified by the Underwriter, of any adverse event which causes the OFFICIAL STATEMENT to be materially misleading, and unless the Underwriter elect to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Underwriter an appropriate amendment or supplement to the OFFICIAL STATEMENT satisfactory to the Underwriter, provided, however, that the obligation of the District to the Underwriter to so amend or supplement the OFFICIAL STATEMENT will terminate when the District delivers the Bonds to the Underwriter, unless the Underwriter 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 Order, the District has made the following agreement for the benefit of the registered and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (the "MSRB").

Annual Reports

The District will provide annually to the MSRB certain updated financial information and operating data. The information to be updated includes all quantitative financial information and operating data of the general type included in this OFFICIAL STATEMENT under the headings "THE SYSTEM," "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)," (except "Estimated Overlapping Debt" and "Overlapping Taxes"), "TAX DATA," (most of which information is contained in the District's annual audited financial statements) and in "APPENDIX A." The District will update and provide this information within six (6) months after the end of each fiscal year ending in and after 2023.

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 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 Order 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 March 31. Accordingly, it must provide updated information by September 30 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 MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax-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 Order makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, 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 an internet portal at www.emma.msrb.org.

Limitations and Amendments

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

The District may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or operations of the District, but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule, taking into account any amendments and interpretations of the Rule to the date of such amendment, as well as changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent or any person unaffiliated with the District (such as a nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of the Bonds. The District may also amend or repeal the agreement if the SEC amends or repeals the applicable provisions of such Rule or a court of final jurisdiction determines that such provisions are invalid but in either case, only to the extent that its right to do so would not prevent the Underwriter from lawfully purchasing the Bonds in the offering described herein. 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 reason 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.

This OFFICIAL STATEMENT was approved by the Board of Directors of Harris-Montgomery Counties Municipal Utility District No. 386, as of the date shown on the cover page.

/s/ F. Emil Jacobs
Harris-Montgomery Counties Municipal
Utility District No. 386
President, Board of Directors

ATTEST:

/s/ Anthony J. Compofelice
Harris-Montgomery Counties Municipal
Utility District No. 386
Secretary, Board of Directors

AERIAL PHOTOGRAPH OF THE DISTRICT
(Taken September 2022)



**HARRIS-MONTGOMERY
COUNTY MUNICIPAL
UTILITY DISTRICT No. 386**

**HARRIS-MONTGOMERY
COUNTY MUNICIPAL
UTILITY DISTRICT No. 386**

FM 2978



PHOTOGRAPHS OF THE DISTRICT
(Taken September 2022)















APPENDIX A

Auditor's Report and Financial Statements of the District for the year ended March 31, 2022

The information contained in this appendix includes the audited financial statements of Harris-Montgomery Counties Municipal Utility District No. 386 and certain supplemental information for the fiscal year ended March 31, 2022.

Harris-Montgomery Counties
Municipal Utility District No. 386

HARRIS & MONTGOMERY COUNTIES, TEXAS

FINANCIAL REPORT

March 31, 2022

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Certified Public Accountants

8410 Highway 90A, Suite 150 | Sugar Land, Texas 77478
main: 346-772-2860 | fax: 346-772-2853

Independent Auditors' Report

Board of Directors
Harris-Montgomery Counties Municipal Utility District No. 386
Harris-Montgomery Counties, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Harris-Montgomery Counties Municipal Utility District No. 386, as of and for the year ended March 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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 March 31, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements sections of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess risk risks of material misstatement of the financial statements, whether due to fraud or error and perform audit procedures responsive to those risks. Such procedures including examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion.
- Evaluate 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.
- Conclude whether, in our judgment, there are conditions or events considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 7 and page 28 to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Texas Supplementary Information (TSI) listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. This information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. This information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Sugar Land, Texas
July 11, 2022

Management's Discussion and Analysis

As management of Harris-Montgomery Counties Municipal Utility District No. 386 (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended March 31, 2022.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$35,229,906 (net position).
- As of March 31, 2022, the District's governmental funds reported an ending fund balance of \$33,893,561.
- The District's cash and temporary investments at March 31, 2022 was \$33,507,065, representing a increase of \$2,506,386 from March 31, 2021.
- The District had revenues of \$25,172,433 and a change in net position of \$7,152,608 for the year ended March 31, 2022.
- At the end of the fiscal year, unassigned fund balance for the General Fund was \$15,558,346.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., depreciation and earned but unused vacation leave).

The government-wide financial statements present functions of the District that are provided from funding sources (governmental activities). The government-wide financial statements can be found on pages 10-13 of this report.

FUND FINANCIAL STATEMENTS

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the District consist solely of the General Fund, the Capital Projects Fund and the Debt Service Fund.

Governmental Funds - Governmental funds are used to account for essentially the same function reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented in the governmental funds with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide an adjustments column to facilitate this comparison between the governmental funds and *governmental activities*. The basic governmental fund financial statements can be found on pages 10-13 of this report.

NOTES TO THE FINANCIAL STATEMENTS

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 15 through 30 of this report.

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's General Fund budget. Required supplementary information can be found on page 32 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$35,229,906 as of March 31, 2022, of which \$16,819,927 is unrestricted and available for future operations.

SUMMARY OF STATEMENT OF NET POSITION

	Governmental Activities	
	2022	2021
Current and other assets	\$ 36,373,278	\$ 33,098,932
Capital assets, net	139,342,887	142,263,031
Total Assets	175,716,165	175,361,963
Deferred Outflows of Resources	3,405,894	3,639,575
Long-term liabilities	132,255,000	139,035,000
Other liabilities	11,637,153	11,889,240
Total Liabilities	143,892,153	150,924,240
Net Position:		
Net investment in capital assets	1,207,331	(2,395,901)
Restricted	17,202,648	17,268,830
Unrestricted	16,819,927	13,204,369
Total Net Position	\$ 35,229,906	\$ 28,077,298

Net position of the District, all of which relate to governmental activities, increased by \$7,152,608. Key elements of the increase are as follows:

CHANGES IN NET POSITION

	Governmental Activities	
	2022	2021
Revenues		
Water and sewer charges	\$ 7,443,221	\$ 7,799,619
Property taxes, penalties and interest	17,244,299	15,570,549
Tap connection and inspection fees	393,392	291,338
Investment income and other	91,521	243,385
Total Revenues	<u>25,172,433</u>	<u>23,904,891</u>
Expenses		
Purchased services	7,998,629	8,721,298
Professional fees	273,392	284,437
Contracted services	445,953	439,375
Repairs and maintenance	1,048,966	3,516,476
Tap connections and inspections	232,867	198,387
Administration and other	454,178	342,324
Interest and fiscal charges on long-term debt	4,645,696	5,568,017
Depreciation and amortization	2,920,144	2,713,873
Total Expenses	<u>18,019,825</u>	<u>21,784,187</u>
Change in Net Position	7,152,608	2,120,704
Net position, beginning	<u>28,077,298</u>	<u>25,956,594</u>
Net Position, Ending	<u><u>\$ 35,229,906</u></u>	<u><u>\$ 28,077,298</u></u>

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As previously noted, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District's governmental funds are discussed below:

Governmental Funds - The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, fund balances may serve as a useful measure of a government's net resources available for spending for program purposes at the end of the fiscal year.

As of March 31, 2022, the District's governmental funds reported an ending fund balance of \$33,893,561.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - The District's investment in capital assets as of March 31, 2022 amounts to \$139,342,887 (net of accumulated depreciation). This investment in capital assets includes capacity rights and water and wastewater infrastructure.

CAPITAL ASSETS SCHEDULE (Net of Depreciation)

	Governmental Activities	
	2022	2021
Capacity rights	\$ 43,843,900	\$ 43,843,900
Infrastructure	95,498,987	98,419,131
Total Capital Assets, Net	\$ 139,342,887	\$ 142,263,031

The District has contractual commitments on various open and closed projects for the construction of facilities within the District.

LONG-TERM DEBT

As of March 31, 2022, the District has a total bonded debt outstanding of \$139,035,000. Interest expense for the 2022 fiscal year totaled \$4,645,696 on this bonded debt. These outstanding bonds have maturities ranging from fiscal year 2022 to fiscal year 2045. Additional information on the District's long-term debt can be found in Note 10 in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Economic Factors

- Unassigned fund balance in the General Fund increased to \$16,950,566 from a balance of \$12,950,566. An increase in fund balance of \$1,481,491 was projected.

In March 2020, the Governor of the State of Texas declared a State of Disaster in Texas due to the outbreak of a novel coronavirus (COVID-19). The District is continuing to provide services to customers and residents of the District while addressing the impact of the outbreak. The District is continuously evaluating the budget and operations.

REQUESTS FOR INFORMATION

The financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Harris-Montgomery Counties Municipal Utility District No. 386, c/o Schwartz, Page & Harding, L.L.P., 1300 Post Oak Blvd., Suite 2400, Houston, Texas 77056.

FINANCIAL STATEMENTS

Harris-Montgomery Counties **Municipal Utility District No. 386**

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS **BALANCE SHEET**

March 31, 2022

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<u>Assets</u>			
Cash	\$ 716,585	\$ 476,221	\$ 260
Temporary investments	15,505,698	16,424,261	384,040
Receivables:			
Property taxes	172,948	340,366	
Customer service accounts	215,615		
Accrued interest	3,702	2,611	
Intergovernmental advance	1,039,276		
Other	3,062		
Prepayments	1,088,633		
Interfund receivables		1,323	
Capital assets, net of accumulated depreciation:			
Capacity rights			
Infrastructure			
Total Assets	<u>18,745,519</u>	<u>17,244,782</u>	<u>384,300</u>
Deferred Outflows of Resources -Charges from refunding			
Total Assets and Deferred Outflows of Resources	<u><u>\$ 18,745,519</u></u>	<u><u>\$ 17,244,782</u></u>	<u><u>\$ 384,300</u></u>
<u>Liabilities and Fund Balances/Net Position</u>			
<u>Liabilities</u>			
Accounts payable and accrued liabilities	\$ 210,040	\$ 42,134	\$
Accrued interest payable			
Customer deposits	1,130,719		
Other	5,936		
Internal payables	1,323		
Due to other governments	577,574		
Unamortized bond premium			
Current portion of long-term debt			
Noncurrent liabilities due in more than one year			
Total Liabilities	<u>1,925,592</u>	<u>42,134</u>	
Deferred Inflows of Resources -Advance of Tax revenue	<u>172,948</u>	<u>340,366</u>	
<u>Fund Balances/Net Position</u>			
Fund Balances:			
Nonspendable	1,088,633		
Restricted for:			
Capital projects			384,300
Debt service		16,862,282	
Unrestricted and Unassigned:			
Unassigned	15,558,346		
Total Fund Balances	<u>16,646,979</u>	<u>16,862,282</u>	<u>384,300</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u><u>\$ 18,745,519</u></u>	<u><u>\$ 17,244,782</u></u>	<u><u>\$ 384,300</u></u>
Net Position:			
Net investment in capital assets			
Restricted for Debt Service			
Unrestricted			
Total Net Position			

See Notes to Financial Statements.

Exhibit B(1)

Total	Adjustments (Note 2)	Statement of Net Position
\$ 1,193,066	\$	\$ 1,193,066
32,313,999		32,313,999
513,314		513,314
215,615		215,615
6,313		6,313
1,039,276		1,039,276
3,062		3,062
1,088,633		1,088,633
1,323	(1,323)	
	43,843,900	43,843,900
	95,498,987	95,498,987
36,374,601	139,341,564	175,716,165
	3,405,894	3,405,894
<u>\$ 36,374,601</u>	<u>\$ 142,747,458</u>	<u>\$ 179,122,059</u>
\$ 252,174	\$	\$ 252,174
	377,829	377,829
1,130,719		1,130,719
5,936		5,936
1,323	(1,323)	
577,574		577,574
	2,512,921	2,512,921
	6,780,000	6,780,000
	132,255,000	132,255,000
1,967,726	141,924,427	143,892,153
513,314	(513,314)	
1,088,633		
384,300	(384,300)	
16,862,282	(16,862,282)	
15,558,346	(15,558,346)	
33,893,561	(32,804,928)	
<u>\$ 36,374,601</u>		
	1,207,331	1,207,331
	17,202,648	17,202,648
	16,819,927	16,819,927
	<u>\$ 35,229,906</u>	<u>\$ 35,229,906</u>

Harris-Montgomery Counties **Municipal Utility District No. 386**

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

For the Year Ended March 31, 2022

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<u>Revenues</u>			
Water service	\$ 1,774,132	\$	\$
Sewer service	1,296,642		
Surface water conversion	4,372,447		
Property taxes	5,922,260	11,318,333	
Penalties and interest	117,408	128,053	
Tap connection and inspection fees	393,392		
Investment earnings	18,873	23,805	313
Other revenue	48,494	36	
Total Revenues	13,943,648	11,470,227	313
<u>Expenditures/Expenses</u>			
Current:			
Purchased services	7,998,629		
Professional fees	273,392		
Contracted services	245,491	200,462	
Repairs and maintenance	1,048,966		
Tap connections and inspections	232,867		
Administration and other	447,890	1,122	5,166
Debt service:			
Interest		4,633,925	
Principal		6,540,000	
Depreciation and amortization			
Total Expenditures/Expenses	10,247,235	11,375,509	5,166
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,696,413	94,718	(4,853)
Change in Fund Balances/Net Position	3,696,413	94,718	(4,853)
Fund Balances/Net Position - Beginning	12,950,566	16,767,564	389,153
Fund Balances/Net Position - Ending	\$ 16,646,979	\$ 16,862,282	\$ 384,300

See Notes to Financial Statements.

Exhibit B(2)

Total	Adjustments (Note 2)	Statement of Activities
\$ 1,774,132	\$	\$ 1,774,132
1,296,642		1,296,642
4,372,447		4,372,447
17,240,593	(241,755)	16,998,838
245,461		245,461
393,392		393,392
42,991		42,991
48,530		48,530
<u>25,414,188</u>	<u>(241,755)</u>	<u>25,172,433</u>
7,998,629		7,998,629
273,392		273,392
445,953		445,953
1,048,966		1,048,966
232,867		232,867
454,178		454,178
4,633,925	11,771	4,645,696
6,540,000	(6,540,000)	
	<u>2,920,144</u>	<u>2,920,144</u>
<u>21,627,910</u>	<u>(3,608,085)</u>	<u>18,019,825</u>
3,786,278	(3,786,278)	
3,786,278	3,366,330	7,152,608
30,107,283	(2,029,985)	28,077,298
<u>\$ 33,893,561</u>	<u>\$ 1,336,345</u>	<u>\$ 35,229,906</u>

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Harris-Montgomery Counties

Municipal Utility District No. 386

Exhibit B(3)

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the District conform with generally accepted accounting principles. The following is a summary of the most significant policies:

A. Reporting Entity

Harris-Montgomery Counties Municipal Utility District No. 386 (the "District") was created by Senate Bill No. 1775 passed by the 77th Texas Legislature, Regular Session, 2001, Chapter 1381, codified as Chapter 8272, Special District Local Laws Code, as amended. Pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code, the District is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water, sanitary sewer service, storm sewer drainage, irrigation, solid waste collection and disposal, including recycling, parks and recreational facilities for the residents of the District. The District is also empowered to contract for or employ its own peace officers with powers to make arrests and, subject to the provisions of Texas Water Code, Section 49.351 et seq., including the approval of a fire plan by the Texas Commission on Environmental Quality and the voters within the District, to establish, operate and maintain a fire department to perform all fire-fighting activities within the District. The Board of Directors held its first meeting on June 26, 2003.

The District is a political subdivision of the State of Texas governed by an elected five member board and is considered a primary government. As required by generally accepted accounting principles, these general purpose financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the District's financial reporting entity. Based on these considerations, no other entities, organizations, or functions have been included in the District's financial reporting entity. Additionally, as the District is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations, or functions in the District's financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the District is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the District's financial reporting entity status is that of a primary government are that it has a separately elected governing body; it is legally separate; and it is fiscally independent of other state and local governments. Although not considered significant in the District's reporting entity evaluation, other prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable; and considerations pertaining to other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Harris-Montgomery Counties

Municipal Utility District No. 386

Exhibit B(3)

NOTES TO FINANCIAL STATEMENTS

The District's primary activities include construction, maintenance, and operation of water and sewer system facilities and debt service on bonds issued to construct the facilities, if applicable.

B. Financial Statement Presentation

In June 1999, GASB issued Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. This statement, known as the "Reporting Model" statement, affects the way the District prepares and presents financial information. State and local governments traditionally have used a financial reporting model substantially different from the one used to prepare private-sector financial information.

GASB Statement No. 34 establishes new requirements and a new reporting model for the annual financial reports of state and local governments. The Statement was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions.

Some of the significant changes of GASB Statement No. 34 include the following:

Management's Discussion and Analysis - GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "management's discussion and analysis" (MD&A). This analysis is similar to the analysis that private sector companies provide in their annual reports.

Government-wide Financial Statements - The reporting model includes financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities, but also capital assets and long-term liabilities (such as buildings and infrastructure and general obligation debt). Accrual accounting reports all of the revenues and costs of providing services each year, not just those received or paid in the current or soon thereafter, as is the case with the modified accrual basis of accounting. Governments report all capital assets, including infrastructure, in the government-wide Statement of Net Assets and report related depreciation expense, the cost of "using up" capital assets, in the Statement of Activities. The net assets of a government are broken down into three categories: 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

Fund Financial Statements - These statements focus on the District's major funds and are prepared using the modified basis of accounting.

C. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all the non-fiduciary activities of the primary government and its component units, as applicable. The effect of interfund activity has been removed from

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these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable. The District had no business-type activities or component units as of and for the year ended March 31, 2022.

The governmental funds financial statements consist of the balance sheet and statement of revenues, expenditures and changes in fund balance. These financial statements have been adjusted to arrive at the government-wide financial statement balances (statement of net assets and statement of activities). Major individual governmental funds are reported as separate columns in the fund financial statements.

D. Measurement Focus and Basis of Accounting

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

Governmental funds financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if they are collected within 60 days of the end of the current fiscal period. Revenues accrued include interest earned on investments and income from District operations. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service requirements, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The accounting system is organized on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which comprise its assets, liabilities, fund equity or deficit, revenues and expenditures.

The District reports the following governmental funds:

General Fund

The General Fund is used to account for the operations of the District's water and sewer system and all other financial transactions not properly includable in other funds. The principal sources of revenue are related to water and sewer service operations and property taxes. Expenditures include all costs associated with the daily operations of the District.

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Debt Service Fund

The Debt Service Fund is used to account for the payment of interest and principal on the District's general long-term debt. The primary source of revenue for debt service is property taxes pursuant to requirements of the District's bond resolutions.

Capital Projects Fund

The Capital Projects Fund is used to account for the expenditure of bond proceeds for the construction of the District's water and sewer facilities.

E. Budget

An unappropriated budget is adopted for the General Fund. The budget is prepared using the same method of accounting as for financial reporting and serves as a planning tool. Encumbrance accounting is not utilized.

F. Investments

The District classifies investments that have a remaining maturity of one year or less at the date of purchase as "money market investments" in accordance with Governmental Accounting Standards Board Statement No. 31, "Accounting and Reporting for Certain Investments and External Investment Pools" (Statement No. 31). Statement No. 31 defines "money market investments" as short-term, highly liquid debt instruments including commercial paper, banker's acceptances and U.S. Treasury and agency obligations. The District values its "money market investments" at cost, which is considered to approximate market value. The District's certificates of deposit, if any, are recorded at cost in accordance with Statement No. 31.

In December 2015, GASB issued Statement No. 79 titled "Certain External Investment Pools and Pool Participants" in response to the Securities and Exchange Commission's amendments in 2014 to regulations that apply to money market funds. Statement No. 79 addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. If the external investment pool meets the criteria in Statement No. 79 and measures all of its investments at amortized cost, the pool's participants also should measure their investments in that external investment pool at amortized cost for financial reporting purposes.

G. Capital Assets

Capital assets, which include infrastructure assets are reported in the government-wide financial statements. Capital assets, other than infrastructure items, are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Description</u>	<u>Estimated Useful Life</u>
Capacity rights	N/A
Water system	40 years
Wastewater system	40 years
Engineering	40 years

H. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net assets. Bond premiums or discounts, as well as issuance costs, are deferred and amortized over the life of the bonds.

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

I. Fund Equity

The Governmental Accounting Standards Board has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB 54 requires the fund balance amounts to be properly reported within one of the following fund balance categories:

Nonspendable:

To indicate fund balance associated with inventories, prepaids, long-term loans and notes receivable and property held for resale (unless the proceeds are restricted, committed or assigned).

Restricted:

To indicate fund balance that can be spent only for the specific purposes stipulated by constitution, external resource providers or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers. When restricted and unrestricted fund balance exists for the same purpose, restricted fund balance will be used first.

Committed:

To indicate fund balance that can be used only for the specific purposes determined by a formal action of the Board of Directors (the District's highest level of decision-making

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authority). Commitments may be changed or lifted only by the Board of Directors taking the same formal action that imposed the constraint originally.

Assigned:

To indicate fund balance to be used for specific purposes but do meet the criteria to be classified as restricted or committed.

Unassigned:

To indicate the residual classification of fund balance in the General Fund and includes all spendable amounts not contained in the other classifications.

GASB 54 requires disclosure of any formally adopted minimum fund balance policies. The District does not currently have any such policies.

J. Date of Management's Review

In preparing the financial statements, the District has evaluated events and transactions for potential recognition or disclosure through July 11, 2022, the date that the financial statements were available to be issued.

K. Use of Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position

The governmental fund balance sheet includes an adjustments column to arrive at the government-wide statement of net position balances. Amounts reported in the statement of net position are different because:

Total fund balances - governmental funds	\$	33,893,561
Capital assets used in governmental activities are not financial resources and are not reported in the funds.		139,342,887
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.		3,405,894
Property tax revenue recognition and the related reduction of deferred inflows of resources are subject to availability of funds in the fund financial statements		513,314
Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported in the funds.		(141,925,750)
Net Position of Governmental Activities	\$	<u>35,229,906</u>

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B. Explanation of certain differences between the governmental fund statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures and changes in fund balances includes an adjustments column to arrive at changes in net assets as reported in the government-wide statement of activities. Amounts reported in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$	3,786,278
Governmental funds report capital outlays as expenditures.		
However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay expense in the current fiscal year.		(2,920,144)
The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		6,528,229
Revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(241,755)
Change in Net Position of Governmental Activities	\$	<u>7,152,608</u>

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NOTE 3 - CASH AND TEMPORARY INVESTMENTS

Cash consists of interest bearing checking accounts and temporary investments consist of Texas CLASS and certificates of deposit.

The carrying amounts for cash and temporary investment balances, which approximate fair values, by fund at March 31, 2022, are as follows:

	Checking	CD's	Texas CLASS	Total
General	\$ 716,585	\$ 2,640,000	\$ 12,865,698	\$ 16,222,283
Debt Service	476,221	2,640,000	13,784,261	16,900,482
Capital Projects	260		384,040	384,300
	<u>\$ 1,193,066</u>	<u>\$ 5,280,000</u>	<u>\$ 27,033,999</u>	<u>\$ 33,507,065</u>

Custodial Credit Risk - Deposits

For deposits, this is the risk that in the event of bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. Collateral is required for all bank deposits at 100% of deposits not covered by federal depository insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts. Collateral pledged to cover the District's deposits is required to be held in the District's name by the trust department of a bank other than the pledging bank (the District's agent). Collateral securities must bear a Baa-1 or better rating to qualify for use in securing uninsured depository balances. Deposits at year-end are representative of the types of deposits maintained by the District during the year.

The District's deposits in banks at year-end were entirely covered by federal depository insurance or by acceptable collateral held by the District's agent in the District's name.

Investments

At year-end, the Districts investment balances were as follows:

	Fair Value	Fair Value Level	Weighted Average Maturity (Days)
Certificates of Deposit	\$ 5,280,000	2	133
Texas CLASS	27,033,999	1	77
Total Investments	<u>\$ 32,313,999</u>		

Governmental accounting standards establish the following hierarchy of inputs used to measure fair value: Level 1 inputs are based on quoted prices in active markets, Level 2 inputs are based on significant other observable inputs, and Level 3 inputs are based on significant unobservable inputs.

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Investment Policies

The District has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, Texas Government Code. The investments of the District are in compliance with its investment policy.

Applicable state laws and regulations allow the District to invest its funds in direct or indirect obligations of the United States, the State, or any county, city, school district, or other political subdivision of the State. Funds may also be placed in certificates of deposit of state or national banks or savings and loan associations (depository institutions) domiciled within the State. Related state statutes and provisions included in the District's bond resolutions require that all funds invested in depository institutions be guaranteed by federal depository insurance and/or be secured in the manner provided by law for the security of public funds. Balances in checking accounts in depository institutions were entirely guaranteed by federal depository insurance or security as provided by statutes and bond provisions at March 31, 2022.

Investment Pools

The District participates in Texas Cooperative Liquid Assets Securities System ("Texas CLASS"), an external investment pool that is not registered with the Security and Exchange Commission. Texas CLASS is supervised by the Board of Trustees, each of whom is elected by the Participants. The Board of Trustees supervises the Trust and acts as a liaison between Participants, the Custodian and the Program Administrator. Wells Fargo Bank, NA serves as Custodian of the Trust. Public Trust Advisors, LLC serves as Program Administrator. Texas CLASS use amortized cost (which excludes unrealized gains and losses) to compute share price. An external investment pool qualifies for amortized cost reporting if it transacts with its participants at a stable net asset value per share and meets various portfolio maturity, quality, diversification liquidity and pricing requirements. There are no limitations or restriction on withdrawal from the investment pool. The District's investment in Texas CLASS is measured using published fair value per share (level 1 inputs).

Interest Rate Risk

In accordance with its investment policy, the District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than two years to meet cash requirements for ongoing operation.

Credit Risk - Investments

In accordance with its investment policy, the District minimized credit risk losses due to default of a security issuer or backer, by limiting investments to the safest types of securities. As of March 31, 2022, Texas CLASS is rated AAAM by Standard and Poor's.

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NOTE 4 - PROPERTY TAXES

The voters of the District have authorized the District's Board of Directors to levy maintenance taxes annually for use in financing general operations limited in the maximum amount of \$1.25 and \$1.00 per \$100 of assessed value for the District and the Enclave at the Woodlands Defined Area, respectively. The District's bond authorized resolution requires that ad valorem taxes be levied for use in paying interest and principal on long-term debt following the issuance of bonds and for use in paying the cost of assessing and collecting taxes. Taxes levied for debt service requirements are without limitation as to rate or amount.

All property values for the land located within Harris County are determined by the Harris County Appraisal District. All property values for the land located within Montgomery County are determined by the Montgomery Central Appraisal District. A tax lien attaches to all properties within the District on January 1st of each year. Taxes are generally levied on October 1 and are due upon receipt of the tax bill by the property owner. Penalties and interest are charged if taxes are not paid by the succeeding January 31st. There is an additional twenty percent penalty charged on accounts delinquent after July 1st of each year which generally is payable to the District's delinquent tax attorney.

Property taxes are levied for operations and maintenance and debt service. For the 2021 tax year, the District levied a tax rate of \$0.49 per \$100 of assessed valuation of which \$0.32 was allocated to debt service and \$0.17 to operations and maintenance. The resulting tax levy was \$17,020,121 on the adjusted taxable valuation of \$3,473,494,191 for the 2021 tax year. See note 12, in the current year the District did not levy a defined area tax.

Property taxes receivable at March 31, 2022, consisted of the following:

	General Fund	Debt Service Fund	Total
2021 Levy	\$ 156,529	\$ 294,643	\$ 451,172
2020 Levy	8,401	15,813	24,214
2019 Levy	4,613	9,514	14,127
2018 & Prior	3,405	20,396	23,801
	<u>\$ 172,948</u>	<u>\$ 340,366</u>	<u>\$ 513,314</u>

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NOTE 5 - RECEIVABLES

Receivables as of year-end for the government's individual major funds are as follows:

	<u>General</u>	<u>Debt Service</u>	<u>Total</u>
Receivables:			
Property taxes	\$ 172,948	\$ 340,366	\$ 513,314
Customer service accounts	215,615		215,615
Accrued interest	3,702	2,611	6,313
Intergovernmental advance	1,039,276		1,039,276
Other	3,062		3,062
Total Receivables	<u>\$ 1,434,603</u>	<u>\$ 342,977</u>	<u>\$ 1,777,580</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable - General Fund	\$ 172,948	\$
Delinquent property taxes receivable - Debt Service Fund	340,366	
Total Deferred Revenue for Governmental Funds	<u>\$ 513,314</u>	<u>\$</u>

NOTE 6 – DEFERRED CHARGES FROM REFUNDING

A summary of changes in the deferred charges from refunding follows:

	<u>Original Deferred Charge</u>	<u>Balance at Apr. 1, 2021</u>	<u>Current Year Interest</u>	<u>Balance at Mar. 31, 2022</u>
Refunding Bonds				
Series 2015	\$ 1,243,684	\$ 1,036,404	\$ 51,820	\$ 984,584
Series 2016	2,462,681	1,836,949	130,780	1,706,169
Series 2017	970,549	766,222	51,081	715,141
Total	<u>\$ 4,676,914</u>	<u>\$ 3,639,575</u>	<u>\$ 233,681</u>	<u>\$ 3,405,894</u>

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NOTE 7 – UNAMORTIZED BOND PREMIUM (DISCOUNT)

A summary of changes in the unamortized bond premium follows:

	Original Bond Premium (Discount)	Balance at Apr. 1, 2021	Current Year Amortization	Balance at Mar. 31, 2022
Unlimited Tax Bonds				
Series 2014	\$ 375,928	\$ 250,616	\$ 15,664	\$ 234,952
Series 2014A	(248,984)	(181,952)	(9,576)	(172,376)
Series 2015R	392,552	280,392	14,758	265,634
Series 2016R	2,994,625	2,204,377	166,368	2,038,009
Series 2017R	547,019	418,309	32,177	386,132
Series 2018	(288,627)	(252,549)	(13,119)	(239,430)
Total	<u><u>\$ 3,772,513</u></u>	<u><u>\$ 2,719,193</u></u>	<u><u>\$ 206,272</u></u>	<u><u>\$ 2,512,921</u></u>

NOTE 8 - CAPITAL ASSETS

A summary of changes in capital assets for the year ended March 31, 2022, follows:

	Balance Apr. 1, 2021	Increases	(Decreases)	Balance Mar. 31, 2022
Governmental Activities:				
Non-depreciable Assets:				
Capacity rights	\$ 43,843,900	\$	\$	\$ 43,843,900
Construction in progress				
Total Non-depreciable Assets	<u>43,843,900</u>			<u>43,843,900</u>
Depreciable Assets:				
Infrastructure	123,083,188			123,083,188
Total Depreciable Assets	<u>123,083,188</u>			<u>123,083,188</u>
Less Accumulated Depreciation	<u>(24,664,057)</u>	<u>(2,920,144)</u>		<u>(27,584,201)</u>
Totals	<u><u>\$ 142,263,031</u></u>	<u><u>\$ (2,920,144)</u></u>	<u><u>\$</u></u>	<u><u>\$ 139,342,887</u></u>

Depreciation expense for the year ended March 31, 2022 totaled \$2,920,144.

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NOTE 9 - LONG-TERM DEBT

Long-term debt consists of bonds payable. Payments of principal and interest on the bonds are to be provided from tax levies on properties within the District. Investment income realized by the Debt Service Fund from investment of funds will be used to pay outstanding bond principal and interest.

The following is a summary of changes in bonds payable for the year ended March 31, 2022:

Bonds payable, April 1, 2021	\$ 145,575,000
Bond additions	
Bonds defeased	
Bond retirements	(6,540,000)
Bonds Payable, March 31, 2022	<u><u>\$ 139,035,000</u></u>

Bonds payable at March 31, 2022, are comprised of the following individual issues:

Series	Amount Outstanding	Interest Rate	Date Serially Begin/End	Maturity Interest Dates
2014	\$19,800,000	3.000- 4.125%	September 1 2018/2037	March 1/ Sept. 1
2014A	\$23,345,000	2.500- 4.000%	September 1 2018/2039	March 1/ Sept. 1
2015R	\$15,130,000	2.000- 4.000%	September 1 2018/2034	March 1/ Sept. 1
2015A	\$ 6,935,000	2.000- 3.625%	September 1 2018/2040	March 1/ Sept. 1
2016R	\$20,945,000	2.000- 4.000%	September 1 2018/2034	March 1/ Sept. 1
2017R	\$15,145,000	2.000- 4.000%	September 1 2018/2035	March 1/ Sept. 1
2018	\$ 9,390,000	2.000- 3.625%	September 1 2019/2041	March 1/ Sept. 1
2020	\$10,285,000	1.000- 2.000%	September 1 2020/2044	March 1/ Sept. 1
2020R	\$18,060,000	2.000- 4.000%	September 1 2021/2036	March 1/ Sept. 1

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As of March 31, 2022, the debt service requirements on bonds outstanding for the next five fiscal years and thereafter through 2045 are as follow:

Fiscal Year	Principal	Interest	Total
2023	\$ 6,780,000	\$ 4,426,875	\$ 11,206,875
2024	7,055,000	4,214,043	11,269,043
2025	7,310,000	3,992,002	11,302,002
2026	7,615,000	3,745,613	11,360,613
2027	7,925,000	3,492,284	11,417,284
2028-2032	44,155,000	13,496,429	57,651,429
2033-2037	43,760,000	5,776,364	49,536,364
2035-2042	13,100,000	922,136	14,022,136
2043-2045	1,335,000	40,050	1,375,050
	<u>\$ 139,035,000</u>	<u>\$ 40,105,796</u>	<u>\$ 179,140,796</u>

At March 31, 2022, the District has tax bonds authorized by the voters in the amount of \$293,500,000, and issued tax bonds in the amount of \$179,050,000. The Enclave at the Woodlands Defined Area has tax bonds authorized by the voters in the amount of \$10,220,000. As of March 31, 2022, no bonds had been issued related to the Enclave at the Woodlands Defined Area.

As of March 31, 2022, the Debt Service Fund has \$16,862,282 available to service the above bonds. The District is in compliance with all significant bond requirements and restrictions contained in the bond resolutions.

NOTE 10 - AGREEMENT WITH OTHER DISTRICT

The District has entered into an agreement with Harris County Municipal Utility District No. 387 (MUD "387") to provide its customers within Harris County with water and sanitary sewer services to the District. MUD 387 invoices the District for services provided. The District records an intergovernmental payable for amounts due to MUD 387, as applicable, for these services.

Under the terms of the agreement, the District pays its proportionate share of capital and operating costs for reserved capacity in the water supply and waste disposal facilities. Capital payments will come from the proceeds of bonds issued by the District or other legally available funds of the District and will be included as capital assets. Operating costs are recorded as current expenditures in the District's General Fund.

The relationship between MUD 387 and the District is purely contractual. MUD 387 is a separate functioning governmental entity whose management and Board of Directors are not subject to the control of the District. The District, together with other area municipal utility districts with similar contracts with MUD 387 (collectively the "Customer Districts"), contracts directly with MUD 387 for

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required facilities and does not have a contract with other Customer Districts. MUD 387 is not a participating facility user.

MUD 387 serves as the sponsor and common provider to each of its Customer Districts of facilities and related services and has full legal title and ownership to facilities, subject only to the contractual rights of the Customer Districts to receive services.

NOTE 11 - CONTRACT WITH SAN JACINTO RIVER AUTHORITY

The District has contracted with the San Jacinto River Authority ("SJRA") to provide its customers within Montgomery County with water and sanitary sewer services through the planning, construction, operation and maintenance of central water supply and waste disposal facilities. The contract, dated July 26, 2007, and the various supplemental agreements made pursuant thereto, will continue in full force and effect for a forty year period or until the outstanding bonds of the District related thereto are paid in full. Thereafter, the District shall retain a proportionate and equitable ownership interest in the capacity in the facilities.

Under the terms of the agreement, the District pays its proportionate share of capital and operating costs for reserved capacity in the water supply and waste disposal facilities. Capital payments will come from the proceeds of bonds issued by the District or other legally available funds of the District and will be included as capital assets. Operating costs are recorded as current expenditures in the District's General Fund.

As of March 31, 2018, the District has contracted to purchase capacity rights from the SJRA to service 923 single family residential equivalent connections in the Water Supply System and 1,036 single family residential equivalent connections in the Waste Disposal System. The District has paid \$3,495,936 to the SJRA for the purchase of these capacity rights from its pro-rata share of the financing agreements noted above, bonds proceeds capital funds and other District capital funds sources. The sixth and final accounting prepared in 2017 indicated that the District's final contribution total is \$3,312,805 for these rights. Based on the final accounting, \$183,131 was due and paid to the District from SJRA in December 2018.

The relationship between the SJRA and the District is purely contractual. The SJRA is a separate functioning governmental entity whose management and Board of Directors are not subject to the control of the District. The District, together with other area municipal utility districts with similar contracts with the SJRA (collectively the "Customer Districts"), contracts directly with the SJRA for required facilities and does not have a contract with other Customer Districts. The SJRA is not a participating facility user.

The SJRA serves as the sponsor and common provider to each of its Customer Districts of facilities and related services and has full legal title and ownership to facilities, subject only to the contractual rights of the Customer Districts to receive services.

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NOTE 12 – DEFINED AREA

On August 5, 2021, the District designated the Enclave at the Woodlands as a defined area ("Enclave at The Woodlands Defined Area"). The designation was approved by the voters at an election held on November 2, 2021. At such election, the voters also authorized the issuance of \$10,220,000 in bonds for the construction and acquisition of facilities and improvements to serve the Enclave at the Woodlands Defined Area, the imposition of defined area taxes sufficient to pay the principal and interest on such bonds, the issuance of up to \$7,060,000 of defined area refunding bonds, and the levy and collection of a defined area operation and maintenance tax not to exceed one dollar per one hundred dollar valuation of taxable property within the Enclave at the Woodlands Defined Area.

NOTE 13 - RISK MANAGEMENT

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

The World Health Organization has declared a pandemic following the outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus (the "Pandemic"), which is currently affecting many parts of the world, including the United States and Texas. Federal, state and local governments have all taken actions to respond to the Pandemic, including disaster declarations by both the President of the United States, and the Governor of Texas. Such actions are focused on limiting instances where the public can congregate or interact with each other which affects economic growth within Texas. Since the disaster declarations were made, the Pandemic has negatively affected travel, commerce, and financial markets locally and globally, and is widely expected to continue negatively affecting economic growth and financial markets within Texas. While the potential impact of COVID-19 on the District can not be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the District's financial condition.

REQUIRED SUPPLEMENTARY INFORMATION

Harris-Montgomery Counties **Municipal Utility District No. 386**

Exhibit C(1)

SCHEDULE OF REVENUES, EXPENDITURES AND **CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -** **GENERAL FUND**

For the Year Ended March 31, 2022

	Budgeted Amounts			Variance Over (Under)
	Original	Final	Actual	
Revenues				
Water service	\$ 2,400,000	\$ 2,400,000	\$ 1,774,132	\$ (625,868)
Sewer service	1,282,750	1,282,750	1,296,642	13,892
Surface water conversion	5,115,000	5,115,000	4,372,447	(742,553)
Property taxes	5,331,200	5,331,200	5,922,260	591,060
Penalties and interest	67,000	67,000	117,408	50,408
Tap connection & inspection fees	307,750	307,750	393,392	85,642
Interest on investments	81,500	81,500	18,873	(62,627)
Other revenue	58,000	58,000	48,494	(9,506)
Total Revenues	14,643,200	14,643,200	13,943,648	(699,552)
Expenditures				
Current:				
Purchased services	10,427,600	10,427,600	7,998,629	2,428,971
Professional fees	281,500	281,500	273,392	8,108
Contracted services	261,000	261,000	245,491	15,509
Repairs and maintenance	1,298,500	1,298,500	1,048,966	249,534
Tap connections & inspections	162,150	162,150	232,867	(70,717)
Administration and other	380,959	380,959	447,890	(66,931)
Capital outlay	350,000	350,000		350,000
Total Expenditures	13,161,709	13,161,709	10,247,235	2,914,474
Net Change in Fund Balance	1,481,491	1,481,491	3,696,413	2,214,922
Change in Fund Balance	1,481,491	1,481,491	3,696,413	(2,214,922)
Fund Balance - Beginning	12,950,566	12,950,566	12,950,566	
Fund Balance - Ending	\$ 14,432,057	\$ 14,432,057	\$ 16,646,979	\$ (2,214,922)

Harris-Montgomery Counties
Municipal Utility District No. 386

Exhibit C(2)

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Budgets and Budgetary Accounting

An annual unappropriated budget is adopted for the General Fund by the District's Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. The budget was not amended during the year by the Board of Directors.

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TEXAS SUPPLEMENTARY INFORMATION

Harris-Montgomery Counties **Municipal Utility District No. 386**

SCHEDULE OF SERVICES AND RATES (UNAUDITED)

Year Ended March 31, 2022

1. Services provided by the District:

<u>X</u>	Retail Water	<u> </u>	Wholesale Water	<u>X</u>	Drainage
<u>X</u>	Retail Sewer	<u> </u>	Wholesale Sewer	<u> </u>	Irrigation
<u>X</u>	Parks/Recreation	<u> </u>	Fire Protection	<u> </u>	Security
<u> </u>	Solid Waste/Garbage	<u>X</u>	Flood Control	<u> </u>	Roads
<u>X</u>	Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)				
<u> </u>	Other (specify): _____				

2. Retail Service Providers

a. Retail rates based on 5/8" meter

The most prevalent type of meter (if not a 5/8"):

3/4"

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons Over Minimum</u>	<u>Usage Levels</u>
Water*	<u>\$ 7.21</u>	<u>5,000</u>	<u>N</u>	<u>\$ 1.03</u>	<u>5,001-10,000</u>
				<u>\$ 1.55</u>	<u>10,001-15,000</u>
				<u>\$ 1.80</u>	<u>15,001-20,000</u>
				<u>\$ 3.09</u>	<u>20,001-25,000</u>
				<u>\$ 3.35</u>	<u>25,001-30,000</u>
				<u>\$ 3.61</u>	<u>30,001-no limit</u>
Waste**	<u>\$ 11.00</u>	<u>5,000</u>	<u>N</u>	<u>\$ 1.00</u>	<u>5,001-10,000</u>
				<u>\$ -</u>	<u>10,001-no limit</u>

*Minimum monthly charge for Montgomery County portion of the district is \$8.00

** Maximum monthly charge is \$16.00

District employs winter averaging for wastewater usage?

Yes No X

Total charges per 10,000 gallons usage:

Water \$ 12.36

Wastewater \$ 16.00

b. Water and Wastewater Retail Connections:

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
< or = .75"	<u>5,302</u>	<u>5,282</u>	<u>x 1.0</u>	<u>5,282</u>
1"	<u>881</u>	<u>871</u>	<u>x 2.5</u>	<u>2,178</u>
1.5"	<u>101</u>	<u>95</u>	<u>x 5.0</u>	<u>475</u>
2"	<u>94</u>	<u>91</u>	<u>x 8.0</u>	<u>728</u>
3"	<u>8</u>	<u>8</u>	<u>x 15.0</u>	<u>120</u>
4"	<u>3</u>	<u>3</u>	<u>x 25.0</u>	<u>75</u>
6"	<u>5</u>	<u>5</u>	<u>x 50.0</u>	<u>250</u>
8"	<u>7</u>	<u>7</u>	<u>x 80.0</u>	<u>560</u>
12"	<u>7</u>	<u>7</u>	<u>x 115.0</u>	<u>805</u>
Total Water	<u>6,408</u>	<u>6,369</u>		<u>10,473</u>
Total Wastewater	<u>6,151</u>	<u>6,134</u>	<u>x 1.0</u>	<u>6,134</u>

3. Total Water Consumption During the Fiscal Year: (Rounded to the nearest thousand)

Gallons purchased for system:

989,187

Water Accountability Ratio

(Gallons billed/Gallons pumped)

Gallons billed to customers:

934,495

94.5%

4. Standby Fees (n/a)

5. Location of District:

County(ies) in which District is located. Harris and Montgomery

Is the District located entirely within one county? Yes ☐ No ☒

Is the District located within a city? Entirely ☐ Partly ☐ Not at all ☒

City(ies) in which District is located. _____

Is the District located within a city's extra territorial jurisdiction (ETJ)?
Entirely ☒ Partly ☐ Not at all ☐

ETJ's in which District is located. City of Houston

Are Board members appointed by an office outside the District?
Yes ☐ No ☒

If yes, by whom? _____

Harris-Montgomery Counties
Municipal Utility District No. 386

TSI-2

SCHEDULE OF GENERAL FUND EXPENDITURES

Year Ended March 31, 2022

Professional Fees:

Auditing	\$ 11,500
Legal	132,483
Engineering	129,409
	<u>273,392</u>

Purchased Services For Resale:

Bulk Water and Wastewater Service Purchases	<u>7,998,629</u>
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Contracted Services:

Bookkeeping	30,257
Billing and Service Fees	215,234
	<u>245,491</u>
	<u>1,048,966</u>

Repairs and Maintenance

Administrative Expenditures:

Directors Fees	13,564
Office Supplies and Expenses	93,054
Insurance	10,111
Other Administrative Expenditures	331,161
	<u>447,890</u>
	<u>232,867</u>

Tap Connections and Inspections

Capital Outlay

Total Expenditures

\$ 10,247,235

	<u>Full-Time</u>	<u>Part-Time</u>
Number of employees employed by the District:	0	0

Harris-Montgomery Counties Municipal Utility District No. 386

TSI-3

SCHEDULE OF TEMPORARY INVESTMENTS

Year Ended March 31, 2022

Funds	Identification or Certificate Number	Interest Rate (%)	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
<u>General Fund</u>					
Texas Class		Variable	N/A	\$ 12,865,698	\$
Certificate of deposit	8847	0.41%	11/29/2022	240,000	329
Certificate of deposit	4677	0.20%	7/7/2022	240,000	351
Certificate of deposit	2421	0.50%	9/25/2022	240,000	615
Certificate of deposit	5610	0.10%	3/3/2023	240,000	19
Certificate of deposit	3733	0.24%	7/29/2022	240,000	387
Certificate of deposit	0539	0.25%	6/27/2022	240,000	455
Certificate of deposit	0158	0.25%	4/16/2022	240,000	579
Certificate of deposit	7353	0.30%	11/2/2022	240,000	294
Certificate of deposit	9403	0.40%	12/1/2022	240,000	313
Certificate of deposit	4514	0.30%	12/1/2022	240,000	234
Certificate of deposit	9760	0.12%	10/22/2022	240,000	126
Total General Fund				<u>15,505,698</u>	<u>3,702</u>
<u>Debt Service Fund</u>					
Texas Class		Variable	N/A	13,784,261	
Certificate of deposit	0540	0.44%	8/11/2022	240,000	671
Certificate of deposit	1747	0.50%	8/10/2022	240,000	766
Certificate of deposit	4712	0.25%	8/10/2022	240,000	79
Certificate of deposit	6107	0.25%	8/9/2022	240,000	80
Certificate of deposit	0327	0.20%	8/11/2022	240,000	63
Certificate of deposit	0614	0.25%	8/9/2022	240,000	385
Certificate of deposit	0043	0.10%	8/15/2022	240,000	29
Certificate of deposit	1208	0.30%	8/21/2022	240,000	190
Certificate of deposit	2217	0.30%	8/9/2022	240,000	97
Certificate of deposit	3856	0.20%	8/10/2022	240,000	63
Certificate of deposit	2685	0.12%	8/4/2022	240,000	188
Total Debt Service Fund				<u>16,424,261</u>	<u>2,611</u>
<u>Capital Projects Fund</u>					
Texas Class		Variable	N/A	384,040	
Total Capital Projects Fund				<u>384,040</u>	
Total - All Funds				<u>\$ 32,313,999</u>	<u>\$ 6,313</u>

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Harris-Montgomery Counties Municipal Utility District No. 386

TSI-4

ANALYSIS OF TAXES LEVIED AND RECEIVABLE

March 31, 2022

	Debt Service Taxes	Maintenance Taxes	Total
Taxes receivable - Beginning of Year	\$ 501,266	\$ 253,803	\$ 755,069
Adjustments	42,252	(63,535)	(21,283)
Adjusted taxes receivable	543,518	190,268	733,786
2021 Original Tax Levy	10,557,746	5,608,803	16,166,549
Adjustments and corrections	557,435	296,137	853,572
Adjusted Tax Levy	11,115,181	5,904,940	17,020,121
Total to be Accounted for Tax Collections	11,658,699	6,095,208	17,753,907
Current year	10,820,538	5,748,411	16,568,949
Prior years	497,795	173,849	671,644
Total Collections	11,318,333	5,922,260	17,240,593
Taxes Receivable - End of Year	\$ 340,366	\$ 172,948	\$ 513,314

Taxes Receivable - By Tax Years

2021	\$ 294,643	\$ 156,529	\$ 451,172
2020	15,813	8,401	24,214
2019	9,514	4,613	14,127
2018 and prior	20,396	3,405	23,801
Taxes Receivable - End of Year	\$ 340,366	\$ 172,948	\$ 513,314

Assessed

Property Valuations

	2021	2020	2019	2018
Land, improvements and personal property	\$ 3,473,494,191	\$ 3,155,336,821	\$ 3,005,832,611	\$ 2,824,098,513
Total	\$ 3,473,494,191	\$ 3,155,336,821	\$ 3,005,832,611	\$ 2,824,098,513

Tax Rates Per \$100

<u>Valuations</u>				
Debt service	\$ 0.320	\$ 0.320	\$ 0.330	\$ 0.380
General operations	0.170	0.170	0.160	0.085
Total Tax Rate per \$100 Valuation	\$ 0.490	\$ 0.490	\$ 0.490	\$ 0.465
Adjusted Tax Levy	\$ 17,020,122	\$ 15,461,150	\$ 14,728,580	\$ 13,132,058

Percent of Taxes Collected to Taxes Levied

97.4%	99.8%	99.9%	99.8%
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Maximum Tax Rate Approved by Voters
for Operations and Maintenance:

District	\$ 1.25	on	11/7/2006
Defined Area	\$ 1.00	on	11/02/2021

Harris-Montgomery Counties **Municipal Utility District No. 386**

LONG-TERM DEBT SERVICE REQUIREMENTS - BY YEARS

March 31, 2022

Due During Fiscal Year End	All Series			Unlimited Tax Bonds Series 2014		
March 31	Principal	Interest	Total	Principal	Interest	Total
2023	\$ 6,780,000	\$ 4,426,875	\$ 11,206,875	\$ 855,000	\$ 727,694	\$ 1,582,694
2024	7,055,000	4,214,043	11,269,043	895,000	697,169	1,592,169
2025	7,310,000	3,992,002	11,302,002	935,000	669,719	1,604,719
2026	7,615,000	3,745,613	11,360,613	980,000	640,381	1,620,381
2027	7,925,000	3,492,284	11,417,284	1,030,000	608,330	1,638,330
2028	8,220,000	3,245,464	11,465,464	1,075,000	573,453	1,648,453
2029	8,515,000	2,991,587	11,506,587	1,130,000	535,537	1,665,537
2030	8,820,000	2,718,569	11,538,569	1,180,000	494,375	1,674,375
2031	9,140,000	2,423,502	11,563,502	1,240,000	448,187	1,688,187
2032	9,460,000	2,117,307	11,577,307	1,295,000	397,488	1,692,488
2033	9,810,000	1,800,723	11,610,723	1,360,000	344,387	1,704,387
2034	10,155,000	1,464,440	11,619,440	1,425,000	288,688	1,713,688
2035	10,515,000	1,108,862	11,623,862	1,490,000	230,387	1,720,387
2036	7,230,000	810,029	8,040,029	1,560,000	169,388	1,729,388
2037	6,050,000	592,310	6,642,310	1,635,000	104,466	1,739,466
2038	4,700,000	402,885	5,102,885	1,715,000	35,372	1,750,372
2039	3,065,000	259,588	3,324,588			
2040	3,150,000	148,135	3,298,135			
2041	1,275,000	71,950	1,346,950			
2042	910,000	39,578	949,578			
2043	445,000	22,250	467,250			
2044	445,000	13,350	458,350			
2045	445,000	4,450	449,450			
	<u>\$ 139,035,000</u>	<u>\$ 40,105,796</u>	<u>\$ 179,140,796</u>	<u>\$ 19,800,000</u>	<u>\$ 6,965,021</u>	<u>\$ 26,765,021</u>

Unlimited Tax Bonds Series 2014A			Unlimited Tax Refunding Bonds Series 2015R			
Principal	Interest	Total	Principal	Interest	Total	
2023	\$ 850,000	\$ 795,619	\$ 1,645,619	\$ 115,000	\$ 534,137	\$ 649,137
2024	890,000	771,744	1,661,744	980,000	513,388	1,493,388
2025	930,000	748,412	1,678,412	1,025,000	473,288	1,498,288
2026	975,000	721,581	1,696,581	1,080,000	431,188	1,511,188
2027	1,025,000	691,581	1,716,581	1,130,000	386,988	1,516,988
2028	1,070,000	660,156	1,730,156	1,190,000	346,538	1,536,538
2029	1,120,000	626,606	1,746,606	1,230,000	310,237	1,540,237
2030	1,175,000	590,012	1,765,012	1,275,000	272,663	1,547,663
2031	1,230,000	550,163	1,780,163	1,320,000	232,912	1,552,912
2032	1,290,000	506,831	1,796,831	1,365,000	190,106	1,555,106
2033	1,350,000	460,631	1,810,631	1,420,000	143,962	1,563,962
2034	1,415,000	412,244	1,827,244	1,470,000	90,600	1,560,600
2035	1,485,000	360,566	1,845,566	1,530,000	30,600	1,560,600
2036	1,555,000	304,494	1,859,494			
2037	1,625,000	244,869	1,869,869			
2038	1,705,000	180,300	1,885,300			
2039	1,785,000	110,500	1,895,500			
2040	1,870,000	37,400	1,907,400			
2041						
2042						
2043						
2044						
2045						
	<u>\$ 23,345,000</u>	<u>\$ 8,773,709</u>	<u>\$ 32,118,709</u>	<u>\$ 15,130,000</u>	<u>\$ 3,956,607</u>	<u>\$ 19,086,607</u>

Due During Fiscal Year End March 31	Unlimited Tax Bonds Series 2015A			Unlimited Tax Bonds Series 2016R		
	Principal	Interest	Total	Principal	Interest	Total
2023	\$ 365,000	\$ 210,787	\$ 575,787	\$ 1,970,000	\$ 788,550	\$ 2,758,550
2024	365,000	201,206	566,206	1,210,000	734,800	1,944,800
2025	365,000	192,538	557,538	1,265,000	685,300	1,950,300
2026	365,000	183,413	548,413	1,330,000	633,400	1,963,400
2027	365,000	174,059	539,059	1,395,000	578,900	1,973,900
2028	365,000	163,793	528,793	1,465,000	521,700	1,986,700
2029	365,000	152,843	517,843	1,535,000	461,700	1,996,700
2030	365,000	141,894	506,894	1,610,000	398,800	2,008,800
2031	365,000	130,715	495,715	1,680,000	333,000	2,013,000
2032	365,000	119,081	484,081	1,750,000	264,400	2,014,400
2033	365,000	107,219	472,219	1,835,000	192,700	2,027,700
2034	365,000	95,357	460,357	1,910,000	117,800	2,027,800
2035	365,000	83,266	448,266	1,990,000	39,800	2,029,800
2036	365,000	70,947	435,947			
2037	365,000	58,400	423,400			
2038	365,000	45,625	410,625			
2039	365,000	32,850	397,850			
2040	365,000	19,847	384,847			
2041	365,000	6,616	371,616			
2042						
2043						
2044						
2045						
	<u>\$ 6,935,000</u>	<u>\$ 2,190,456</u>	<u>\$ 9,125,456</u>	<u>\$ 20,945,000</u>	<u>\$ 5,750,850</u>	<u>\$ 26,695,850</u>
	Unlimited Tax Bonds Series 2017R			Unlimited Tax Bonds Series 2018		
	Principal	Interest	Total	Principal	Interest	Total
2023	\$ 795,000	\$ 498,638	\$ 1,293,638	\$ 470,000	\$ 273,412	\$ 743,412
2024	840,000	465,937	1,305,937	470,000	264,012	734,012
2025	880,000	431,538	1,311,538	470,000	254,319	724,319
2026	925,000	395,437	1,320,437	470,000	244,038	714,038
2027	970,000	362,388	1,332,388	470,000	232,875	702,875
2028	1,010,000	332,687	1,342,687	470,000	221,125	691,125
2029	1,055,000	301,713	1,356,713	470,000	208,788	678,788
2030	1,095,000	263,988	1,358,988	470,000	195,275	665,275
2031	1,145,000	219,187	1,364,187	470,000	181,175	651,175
2032	1,195,000	178,363	1,373,363	470,000	167,075	637,075
2033	1,240,000	141,837	1,381,837	470,000	152,681	622,681
2034	1,285,000	103,963	1,388,963	470,000	137,700	607,700
2035	1,330,000	63,905	1,393,905	470,000	122,425	592,425
2036	1,380,000	21,563	1,401,563	470,000	106,856	576,856
2037				470,000	90,994	560,994
2038				470,000	74,838	544,838
2039				470,000	58,388	528,388
2040				470,000	41,938	511,938
2041				465,000	25,284	490,284
2042				465,000	8,428	473,428
2043						
2044						
2045						
	<u>\$ 15,145,000</u>	<u>\$ 3,781,144</u>	<u>\$ 18,926,144</u>	<u>\$ 9,390,000</u>	<u>\$ 3,061,626</u>	<u>\$ 12,451,626</u>

Harris-Montgomery Counties **Municipal Utility District No. 386**

LONG-TERM DEBT SERVICE REQUIREMENTS - BY YEARS

March 31, 2022

Due During Fiscal Year End March 31	Unlimited Tax Bonds Series 2020			Unlimited Tax Bonds Series 2020A		
	Principal	Interest	Total	Principal	Interest	Total
2023	\$ 450,000	\$ 186,575	\$ 636,575	\$ 910,000	\$ 411,463	\$ 1,321,463
2024	450,000	182,075	632,075	955,000	383,712	1,338,712
2025	450,000	177,575	627,575	990,000	359,313	1,349,313
2026	450,000	172,513	622,513	1,040,000	323,662	1,363,662
2027	450,000	165,200	615,200	1,090,000	291,963	1,381,963
2028	450,000	156,200	606,200	1,125,000	269,812	1,394,812
2029	450,000	147,200	597,200	1,160,000	246,963	1,406,963
2030	450,000	138,200	588,200	1,200,000	223,362	1,423,362
2031	450,000	129,200	579,200	1,240,000	198,963	1,438,963
2032	450,000	120,200	570,200	1,280,000	173,763	1,453,763
2033	445,000	111,250	556,250	1,325,000	146,056	1,471,056
2034	445,000	102,350	547,350	1,370,000	115,738	1,485,738
2035	445,000	93,450	538,450	1,410,000	84,463	1,494,463
2036	445,000	84,550	529,550	1,455,000	52,231	1,507,231
2037	445,000	75,650	520,650	1,510,000	17,931	1,527,931
2038	445,000	66,750	511,750			
2039	445,000	57,850	502,850			
2040	445,000	48,950	493,950			
2041	445,000	40,050	485,050			
2042	445,000	31,150	476,150			
2043	445,000	22,250	467,250			
2044	445,000	13,350	458,350			
2045	445,000	4,450	449,450			
	<u>\$ 10,285,000</u>	<u>\$ 2,326,988</u>	<u>\$ 12,611,988</u>	<u>\$ 18,060,000</u>	<u>\$ 3,299,395</u>	<u>\$ 21,359,395</u>

Harris-Montgomery Counties **Municipal Utility District No. 386**

CHANGE IN GENERAL LONG-TERM BONDED DEBT

March 31, 2022

	Unlimited Tax Bonds				
	Series 2011	Series 2012	Series 2014	Series 2014A	Series 2015R
Interest rate	3.25 - 3.875%	2.375 - 4.0%	3.0 - 4.125%	2.5 - 4.0%	2.0 - 4.0%
Dates interest payable	3/1/9/1	3/1/9/1	3/1/9/1	3/1/9/1	3/1/9/1
Maturity dates	9/1/18-9/1/21	9/1/18-9/1/36	9/1/18-9/1/37	9/1/18-9/1/39	9/1/18-9/1/34
Original Issue	\$ 20,400,000	\$ 23,260,000	\$ 24,785,000	\$ 28,470,000	\$ 15,855,000
Callable Date	9/1/19	9/1/20	9/1/22	9/1/22	9/1/26
Beginning bonds outstanding	\$ 685,000	\$ 815,000	\$ 20,615,000	\$ 24,155,000	\$ 15,245,000
Bonds sold during the year					
Bonds retired during the year					
Principal retirements	<u>(685,000)</u>	<u>(815,000)</u>	<u>(815,000)</u>	<u>(810,000)</u>	<u>(115,000)</u>
Ending bonds outstanding	<u>\$</u>	<u>\$</u>	<u>\$ 19,800,000</u>	<u>\$ 23,345,000</u>	<u>\$ 15,130,000</u>
Interest paid during the fiscal year	<u>\$ 13,272</u>	<u>\$ 9,678</u>	<u>\$ 761,094</u>	<u>\$ 820,519</u>	<u>\$ 537,013</u>
Paying agent's name and city	<u>The Bank of New York Mellon Trust Co., N.A.</u>			<u>Dallas, TX</u>	

	Tax Bonds*	Defined Area Tax Bonds
Bond Authority:		
Amount authorized by voters*	\$ 293,500,000	\$ 10,220,000
Amount issued	\$ 179,050,000	\$
Remaining to be issued**	\$ 114,450,000	\$ 10,220,000

* Includes all bonds secured with tax revenues. Includes \$282,000,000 of bonds for water, sanitary sewer and storm drainage purposes (of which \$179,050,000 have been issued) and \$11,500,000 of bonds for recreational facilities (none of which have been issued).

Debt Service Fund cash and temporary investments balances at the end of the fiscal year:	<u>\$ 16,900,482</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:	<u>\$ 7,788,730</u>

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Series 2015A	Series 2016R	Series 2017R	Series 2018	Series 2020	Series 2020A	Total
2.0 - 3.625%	2.0 - 4.0%	2.0 - 4.0%	2.0 - 3.625%	1.0 - 2.0%	2.0 - 4.0%	
3/1;9/1	3/1;9/1	3/1;9/1	3/1;9/1	3/1;9/1	3/1;9/1	
9/1/18-9/1/40	9/1/18-9/1/35	9/1/18-9/1/35	9/1/19-9/1/41	9/1/20-9/1/44	9/1/21-9/1/36	
\$ 9,150,000	\$ 25,570,000	\$ 15,520,000	\$ 10,800,000	11,180,000	18,110,000	
9/1/24	9/1/26	9/1/26	9/1/25	9/1/26	9/1/26	
\$ 7,305,000	\$ 22,835,000	\$ 15,215,000	\$ 9,860,000	\$ 10,735,000	\$ 18,110,000	\$ 145,575,000
(370,000)	(1,890,000)	(70,000)	(470,000)	(450,000)	(50,000)	(6,540,000)
\$ 6,935,000	\$ 20,945,000	\$ 15,145,000	\$ 9,390,000	\$ 10,285,000	\$ 18,060,000	\$ 139,035,000
\$ 219,962	\$ 846,450	\$ 515,238	\$ 282,812	191,075	430,662	\$ 4,627,775

Harris-Montgomery Counties **Municipal Utility District No. 386**

COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES - **GENERAL AND DEBT SERVICE FUNDS**

Last Five Fiscal Years

	Amounts				
	2022	2021	2020	2019	2018
<u>General Fund Revenues</u>					
Water and sewer service	\$ 7,443,221	\$ 7,819,619	\$ 6,774,749	\$ 5,835,224	\$ 5,571,745
Property taxes	5,922,260	5,175,918	4,670,663	2,348,217	1,791,011
Penalties and interest	117,408	33,011	65,335	57,038	54,046
Tap connection fees	393,392	291,338	904,366	536,360	604,868
Interest and other	67,367	149,403	301,133	484,311	177,770
Total Revenues	<u>13,943,648</u>	<u>13,469,289</u>	<u>12,716,246</u>	<u>9,261,150</u>	<u>8,199,440</u>
<u>General Fund Expenditures</u>					
Current	10,247,235	12,979,376	10,046,790	8,200,991	8,698,123
Capital outlay		801	212,052	69,661	121,221
Total Expenditures	<u>10,247,235</u>	<u>12,980,177</u>	<u>10,258,842</u>	<u>8,270,652</u>	<u>8,819,344</u>
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	<u>\$ 3,696,413</u>	<u>\$ 489,112</u>	<u>\$ 2,457,404</u>	<u>\$ 990,498</u>	<u>\$ (619,904)</u>
<u>Debt Service Fund Revenues</u>					
Property taxes	\$ 11,318,333	\$ 10,071,519	\$ 9,957,103	\$ 10,549,462	\$ 11,082,446
Penalties and interest	128,053	104,454	87,954	57,545	75,141
Interest and other	23,841	88,060	336,522	367,186	186,950
Total Revenues	<u>11,470,227</u>	<u>10,264,033</u>	<u>10,381,579</u>	<u>10,974,193</u>	<u>11,344,537</u>
<u>Debt Service Fund Expenditures</u>					
Current	201,584	195,732	197,518	187,578	185,393
Debt service	11,173,925	11,329,810	10,520,162	9,938,919	10,006,727
Total Expenditures	<u>11,375,509</u>	<u>11,525,542</u>	<u>10,717,680</u>	<u>10,126,497</u>	<u>10,192,120</u>
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	<u>\$ 94,718</u>	<u>\$ (1,261,509)</u>	<u>\$ (336,101)</u>	<u>\$ 847,696</u>	<u>\$ 1,152,417</u>
Total Active Retail					
Water Connections	<u>6,369</u>	<u>6,268</u>	<u>6,118</u>	<u>5,871</u>	<u>5,588</u>
Total Active Retail					
Wastewater Connections	<u>6,134</u>	<u>6,070</u>	<u>5,893</u>	<u>5,639</u>	<u>5,362</u>

Percent of Fund Total Revenues				
2022	2021	2020	2019	2018
53.4 %	58.1 %	53.3 %	63.0 %	68.0 %
42.5	38.4	36.7	25.4	21.8
0.8	0.2	0.5	0.6	0.7
2.8	2.2	7.1	5.8	7.4
0.5	1.1	2.4	5.2	2.1
100.0	100.0	100.0	100.0	100.0
73.5	96.4	79.0	88.6	106.1
		1.7	0.8	1.5
73.5	96.4	80.7	89.4	107.6
26.5 %	3.6 %	19.3 %	10.6 %	(7.6) %
98.7 %	98.1 %	95.9 %	96.1 %	97.7 %
1.1	1.0	0.8	0.5	0.7
0.2	0.9	3.3	3.4	1.6
100.0	100.0	100.0	100.0	100.0
1.8	1.9	1.9	1.7	1.6
97.4	110.4	101.3	90.6	88.2
99.2	112.3	103.2	92.3	89.8
0.8 %	(12.3) %	(3.2) %	7.7 %	10.2 %

Harris-Montgomery Counties **Municipal Utility District No. 386**

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BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS

March 31, 2022

Complete District Mailing Address: 1300 Post Oak Blvd., Suite 2400
 District Business Telephone Number: (713) 623-4531
 Submission date of most recent District Registration Form
 (TWC Sections 36.054 and 49.054): 5/26/2022
 Limit on Fees of Office that a Director may receive during a fiscal year
 (Set by Board Resolution - TWC Section 49.6000): \$ 7,200

<u>Names:</u>	<u>Term of Office (Elected or Appointed) or Date Hired</u>	<u>Fees of Office Paid * 03/31/22</u>	<u>Expense Reimburse- ments 03/31/22</u>	<u>Title at Year End</u>
<u>Board Members:</u>				
Emil Jacobs	Elected 5/20-5/24	\$ 6,000	\$	President
Chris Boyer	Elected 5/18-5/22	2,550		Vice-President
Anthony Compofelice	Elected 5/20-5/24	1,200		Secretary/Treasurer
Eric Polite	Elected 5/20-5/24	1,800		Assistant Vice President
Daniel R. Barbuto	Appointed 5/18-5/22	1,050		Assistant Secretary/ Treasurer
<u>Consultants:</u>				
Schwartz, Page & Harding L.L.P.	6/26/2003	\$ 172,476	\$ 12,422	Attorney
Municipal Accounts & Consulting, L.P.	6/26/2003	30,257	3,864	Bookkeeper
Harris County Appraisal District	Legislative	108,496		Central Appraisal District
Montgomery Central Appraisal District	Legislative	10,425		Central Appraisal District
IDS Engineering Group	3/1/2012	130,996		Engineer
Knox Cox & Co., L.L.P.	6/1/2007	11,500		Independent Auditor
Municipal District Services, LLC	2/1/2009	206,156	1,198,048	Operator
Ad Valorem Appraisals, Inc.	6/21/2005	91,823		Tax Assessor/Collector

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