

**ADDENDUM  
TO  
OFFICIAL STATEMENT DATED AUGUST 16, 2023**

**CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1**

(A Political Subdivision of the State of Texas, located within Montgomery County)

**\$15,500,000  
Unlimited Tax Bonds  
Series 2023**

**\$12,510,000  
Unlimited Tax Road Bonds  
Series 2023**

This Addendum serves to correct the inside cover page of the Official Statement: for the \$910,000 Term Bond Due September 1, 2030, the price was incorrectly stated instead of the correct price of \$112.784. The correct information is reflected in bold below:

**\$15,500,000 Conroe Municipal Management District No. 1 Unlimited Tax Bonds, Series 2023  
\$2,915,000 Term Bonds**

\$910,000 Term Bond Due September 1, 2030 (c)(d), Interest Rate: 6.500% (Price: **\$112.784**) (a), CUSIP No. 208422 LR4 (b)

OFFICIAL STATEMENT DATED AUGUST 16, 2023

*In the opinion of Bond Counsel (herein defined), under current law and subject to conditions described under "TAX MATTERS," interest on the Bonds (a) is not included in gross income for federal income tax purposes, (b) is not an item of tax preference for purposes of the federal alternative minimum income tax, and (c) is taken into account by applicable corporations (as defined in Section 59(k) of the Code (herein defined)) for the alternative minimum tax imposed on such corporations. A holder may be subject to other federal tax consequences as described under "TAX MATTERS."*

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

NEW ISSUE – Book-Entry-Only

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

**CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1**

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

**\$15,500,000**  
**Unlimited Tax Bonds**  
**Series 2023**

**\$12,510,000**  
**Unlimited Tax Road Bonds**  
**Series 2023**

**Dated: September 1, 2023**

**Due: September 1, as shown on the inside cover**

Interest on the \$15,500,000 Conroe Municipal Management District No. 1 Unlimited Tax Bonds, Series 2023 (the "System Bonds") and the \$12,510,000 Conroe Municipal Management District No. 1 Unlimited Tax Road Bonds, Series 2023 (the "Road Bonds," and together with the System Bonds, the "Bonds") accrues from the initial date of delivery (on or about September 21, 2023) and is payable on March 1, 2024, and on each September 1 and March 1 (each an "Interest Payment Date") thereafter until the earlier of maturity or redemption, and will be calculated on the basis of a 360-day year composed of 12 30-day months. Interest on the Bonds will be payable by check dated as of the Interest Payment Date, and mailed by the Paying Agent/Registrar (herein defined) to registered owners as shown on the records of the Paying Agent/Registrar at the close of business on the 15<sup>th</sup> calendar day of the month next preceding each interest payment date. The Bonds will be issued in fully registered form only, without coupons, in principal denominations of \$5,000 or any integral multiple thereof, and when issued, will be registered in the name of Cede & Co., as registered owner and nominee for the Depository Trust Company, New York, New York ("DTC"), acting as securities depository for the Bonds until DTC resigns or is discharged. The Bonds initially will be available to purchasers in book-entry form only. So long as Cede & Co., as the nominee of DTC, is the registered owner of the Bonds, principal of and interest on the Bonds will be payable by the paying agent to DTC, which will be solely responsible for making such payment to the beneficial owners of the Bonds. The initial paying agent for the Bonds is BOKF, NA, Dallas, Texas (the "Paying Agent/Registrar"). The Bonds are obligations solely of Conroe Municipal Management District No. 1 (the "District") and are not obligations of the State of Texas; Montgomery County, Texas; the City of Conroe, Texas; or any entity other than the District.

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

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under separate municipal bond insurance policies to be issued concurrently with the delivery of the Bonds by **BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM")**.



The System Bonds constitute the sixth series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing water, wastewater, and storm drainage facilities to serve the District (the "System") and the Road Bonds constitute the sixth series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing road improvements to serve the District. Voters in the District have authorized a total of \$250,800,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the System, and for the purpose of refunding such bonds, and \$187,550,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing road improvements to serve the District, and for the purpose of refunding such bonds. Additionally, voters in the District have authorized \$29,700,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities to serve the District, and for the purpose of refunding such bonds. Following the issuance of the Bonds, \$202,935,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the System, and for the purpose of refunding such bonds; \$141,235,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing road improvements to serve the District, and for the purpose of refunding such bonds; and \$29,700,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities to serve the District, and for the purpose of refunding such bonds, will remain authorized but unissued. The Bonds, when issued, will constitute valid and binding obligations of the District, payable from the proceeds of two (2) separate continuing direct annual ad valorem taxes, each without legal limitation as to rate or amount, levied against all taxable property within the District.

**The Bonds are offered by the Initial Purchasers subject to prior sale, when, as, and if issued by the District and accepted by the Initial Purchasers, subject, among other things, to the approval of the Attorney General of Texas and the opinion of The Muller Law Group, PLLC, Sugar Land, Texas, Bond Counsel. Certain legal matters will be passed upon for the District by Orrick, Herrington & Sutcliffe LLP, Houston, Texas, Disclosure Counsel. Delivery of the Bonds is expected on or about September 21, 2023.**

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

**\$15,500,000 Conroe Municipal Management District No. 1 Unlimited Tax Bonds, Series 2023**

**\$12,585,000 Serial Bonds**

Due (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 208422 (b)	Due (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 208422 (b)
2025	\$ 370,000	6.500%	3.800%	LL7	2037 (c)	\$ 630,000	4.000%	4.250%	LY9
2026	390,000	6.500%	3.750%	LM5	2038 (c)	660,000	4.000%	4.300%	LZ6
2027	405,000	6.500%	3.650%	LN3	2039 (c)	690,000	4.125%	4.350%	MA0
2028	425,000	6.500%	3.650%	LP8	2040 (c)	720,000	4.125%	4.400%	MB8
***	***	***	***	***	2041 (c)	750,000	4.250%	4.450%	MC6
2031 (c)	485,000	6.000%	3.700%	LS2	2042 (c)	785,000	4.250%	4.500%	MD4
2032 (c)	505,000	4.000%	3.800%	LT0	2043 (c)	820,000	4.375%	4.530%	ME2
2033 (c)	530,000	4.000%	3.900%	LU7	2044 (c)	860,000	4.375%	4.560%	MF9
2034 (c)	550,000	4.000%	4.000%	LV5	2045 (c)	895,000	4.500%	4.580%	MG7
2035 (c)	575,000	4.000%	4.100%	LW3	2046 (c)	935,000	4.500%	4.590%	MH5
2036 (c)	605,000	4.000%	4.200%	LX1					

**\$2,915,000 Term Bonds**

\$910,000 Term Bond Due September 1, 2030 (c)(d), Interest Rate: 6.500% (Price: \$112.784) (a), CUSIP No. 208422 LR4 (b)  
 \$2,005,000 Term Bond Due September 1, 2048 (c)(d), Interest Rate: 4.500% (Price: \$98.522) (a), CUSIP No. 208422 MK8 (b)

**\$12,510,000 Conroe Municipal Management District No. 1 Unlimited Tax Road Bonds, Series 2023**

**\$10,160,000 Serial Bonds**

Due (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 208422 (b)	Due (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 208422 (b)
2025	\$ 300,000	6.500%	3.800%	ML6	2037 (c)	\$ 510,000	4.000%	4.250%	MY8
2026	315,000	6.500%	3.750%	MM4	2038 (c)	530,000	4.000%	4.300%	MZ5
2027	330,000	6.500%	3.650%	MN2	2039 (c)	555,000	4.125%	4.350%	NA9
2028	345,000	6.500%	3.650%	MP7	2040 (c)	580,000	4.125%	4.400%	NB7
***	***	***	***	***	2041 (c)	605,000	4.250%	4.450%	NC5
2031 (c)	390,000	6.000%	3.700%	MS1	2042 (c)	635,000	4.250%	4.500%	ND3
2032 (c)	410,000	4.000%	3.800%	MT9	2043 (c)	665,000	4.375%	4.530%	NE1
2033 (c)	425,000	4.000%	3.900%	MU6	2044 (c)	690,000	4.375%	4.560%	NF8
2034 (c)	445,000	4.000%	4.000%	MV4	2045 (c)	725,000	4.500%	4.580%	NG6
2035 (c)	465,000	4.000%	4.100%	MW2	2046 (c)	755,000	4.500%	4.590%	NH4
2036 (c)	485,000	4.000%	4.200%	MX0					

**\$2,350,000 Term Bonds**

\$735,000 Term Bond Due September 1, 2030 (c)(d), Interest Rate: 6.500% (Price: \$112.784) (a), CUSIP No. 208422 MR3 (b)  
 \$1,615,000 Term Bond Due September 1, 2048 (c)(d), Interest Rate: 4.500% (Price: \$98.522) (a), CUSIP No. 208422 NK7 (b)

- (a) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Initial Purchasers. Initial reoffering yields represent the initial offering price, which may be changed for subsequent purchasers. The initial yield indicated above represents the lower of the yields resulting when priced to maturity or to the first call date.
- (b) CUSIP numbers have been assigned to the Bonds by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association, and are included solely for the convenience of the purchasers of the Bonds. None of the District, the Financial Advisor (herein defined), or the Initial Purchasers shall be responsible for the selection or the correctness of the CUSIP numbers shown herein.
- (c) The Bonds maturing on September 1, 2029, and thereafter, shall be subject to redemption and payment at the option of the District, in whole or from time to time in part on September 1, 2028, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. See "THE BONDS - Redemption Provisions - *Optional Redemption*."
- (d) Subject to mandatory redemption by lot or other customary method of random selection on September 1 in the years and in the amounts set forth under "THE BONDS - Redemption Provisions - *Mandatory Redemption*."

**USE OF INFORMATION IN OFFICIAL STATEMENT**

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

This Official Statement does not alone constitute, and is not authorized by the District for use in connection with, an offer to sell or the solicitation of any offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

All of the summaries of the statutes, resolutions, orders, contracts, audits, engineering, and other related reports set forth herein 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 Bond Counsel upon payment of duplication costs, for further information.

The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information herein.

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

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. 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 such information actually comes to its attention, the other matters described herein, until delivery of the Bonds to the Initial Purchasers and thereafter only as specified in "OFFICIAL STATEMENT - Updating of Official Statement" and "CONTINUING DISCLOSURE."

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 any purpose.

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## **SALE AND DISTRIBUTION OF THE BONDS**

### **Award of the Bonds**

After requesting competitive bids for the System Bonds, the District has accepted the bid of SAMCO Capital Markets, Inc. (the "System Bond Initial Purchaser") to purchase the System Bonds at the interest rates shown on the inside cover at a price of 97.009405% of par, resulting in a net effective interest rate to the District 4.626250%, as calculated pursuant to Chapter 1204, Texas Government Code, as amended. No assurance can be given that any trading market will be developed for the System Bonds after their sale by the District to the System Bonds Initial Purchaser. The District has no control over the price at which the System Bonds are subsequently sold, and the initial yields at which the System Bonds are priced and reoffered are established by and are the sole responsibility of the System Bonds Initial Purchaser.

After requesting competitive bids for the Road Bonds, the District has accepted the bid of SAMCO Capital Markets, Inc. (the "Road Bond Initial Purchaser," and together with the System Bond Initial Purchaser, the "Initial Purchasers") to purchase the Road Bonds at the interest rates shown on the inside cover at a price of 97.010539% of par, resulting in a net effective interest rate to the District 4.626636%, as calculated pursuant to Chapter 1204, Texas Government Code, as amended. No assurance can be given that any trading market will be developed for the Road Bonds after their sale by the District to the Road Bonds Initial Purchaser. The District has no control over the price at which the Road Bonds are subsequently sold, and the initial yields at which the Road Bonds are priced and reoffered are established by and are the sole responsibility of the Road Bonds Initial Purchaser. The System Bonds and the Road Bonds may be collectively referenced herein as the "Bonds."

### **Prices and Marketability**

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

The prices and other terms with respect to the offering and sale of the Bonds may be changed from time-to-time by the Initial Purchasers after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts. In connection with the offering of the Bonds, the Initial Purchasers 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 assurance that a secondary market will be made in the Bonds. If there is a secondary market, the difference between the bid and asked prices of the Bonds may be greater than the difference between the bid and asked prices of bonds of comparable maturity and quality issued by more traditional municipal entities, as bonds of such entities are more generally bought, sold or traded in the secondary market.

### **Securities Laws**

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

## MUNICIPAL BOND INSURANCE

### **Bond Insurance Policy**

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

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

### **Build America Mutual Assurance Company**

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

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

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

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

### *Capitalization of BAM*

BAM's total admitted assets, total liabilities, and total capital and surplus, as of June 30, 2023, and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$486.0 million, \$204.5 million, and \$281.5 million, respectively.

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

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

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

### *Additional Information Available from BAM*

**Credit Insights Videos.** For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's

website at [www.buildamerica.com/videos](http://www.buildamerica.com/videos). (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

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

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

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

#### **RATINGS**

The Bonds will receive an insured rating of "AA" from S&P solely in reliance upon the issuance of the Policy. An explanation of the ratings of S&P may only be obtained from S&P. S&P is located at 55 Water Street, New York, New York 10041, telephone number (212) 208-8000 and has engaged in providing ratings for corporate bonds since 1923 and municipal bonds since 1940. Long-term debt ratings assigned by S&P reflect its analysis of the overall level of credit risk involved in financings. At present, S&P assigns long-term debt ratings with symbols "AAA" (the highest rating) through "D" (the lowest rating). The ratings express only the view of S&P at the time the ratings are given. Furthermore, a security rating is not a recommendation to buy, sell or hold securities. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by S&P, if in its judgment, circumstances so warrant.

Moody's Investors Service, Inc. ("Moody's") assigned an underlying rating of "Baa2" to the Bonds. An explanation of the ratings of Moody's may be obtained from Moody's, 7 World Trade Center at 250 Greenwich Street, New York, New York 10007. The ratings express only the view of Moody's at the time the ratings are given. A security rating is not a recommendation to buy, sell, or hold securities. Furthermore, there is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by Moody's, if, in its judgment, circumstances so warrant. Any such revisions or withdrawal of the ratings may have an adverse effect on the market price of the Bonds.

The District is not aware of any rating assigned to the Bonds other than the ratings discussed above.

*[Remainder of Page Intentionally Left Blank]*



**OFFICIAL STATEMENT SUMMARY**

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

**THE BONDS**

- Description..... The \$15,500,000 Conroe Municipal Management District No. 1 Unlimited Tax Bonds, Series 2023 (the "System Bonds") and the \$12,510,000 Conroe Municipal Management District No. 1 Unlimited Tax Road Bonds, Series 2023 (the "Road Bonds," and together with the System Bonds, the "Bonds") are dated September 1, 2023, and mature on September 1 in the years and amounts set forth on the inside cover. Interest on the Bonds accrues from the initial date of delivery (on or about September 21, 2023) at the rates per annum set forth on the inside cover and is payable on March 1, 2024, and each September 1 and March 1 thereafter until the earlier of maturity or redemption, and will be calculated on the basis of a 360-day year composed of 12 30-day months. The Bonds are offered in fully registered form in integral multiples of \$5,000 of principal amount for any one (1) maturity. See "THE BONDS – General."
- Redemption Provisions ..... The Bonds maturing on and after September 1, 2029, are subject to redemption, in whole or from time to time in part, at the option of the District beginning on September 1, 2028, and on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date of redemption. See "THE BONDS – Redemption Provisions – *Optional Redemption*."
- The System Bonds mature serially on September 1 in each year 2025 through 2028, both inclusive, and 2031 through 2046, both inclusive, in the principal amounts set forth on the inside cover hereof. The System Bonds maturing on September 1 in the years 2030 and 2048 are term bonds that are also subject to the mandatory redemption provisions set forth under "THE BONDS – Redemption Provisions – *Mandatory Redemption*."
- The Road Bonds maturing serially on September 1 in each year 2025 through 2028, both inclusive, and 2031 through 2046, both inclusive, in the principal amounts set forth on the inside cover hereof. The Road Bonds maturing on September 1 in the years 2030 and 2048 are term bonds that are also subject to the mandatory redemption provisions set forth under "THE BOND – Redemption Provisions – *Mandatory Redemption*."
- Source of Payment ..... The Bonds, when issued, will constitute valid and binding obligations of the District, payable from the proceeds of two (2) separate continuing direct annual ad valorem taxes, each without legal limitation as to rate or amount, levied against all taxable property within Conroe Municipal Management District No. 1 (the "District"). The Bonds are obligations solely of the District and are not obligations of the State of Texas ("Texas"); Montgomery County, Texas (the "County"); the City of Conroe, Texas (the "City"); or any entity other than the District. See "THE BONDS – Source of Payment."
- Authority for Issuance..... The System Bonds constitute the sixth series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing water, wastewater, and storm drainage facilities to serve the District (the "System") and the Road Bonds constitute the sixth series of unlimited tax bonds issued by the District for the purpose of

acquiring or constructing road improvements to serve the District. Voters in the District have authorized a total of \$250,800,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the System, and for the purpose of refunding such bonds, and \$187,550,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing road improvements to serve the District, and for the purpose of refunding such bonds. Additionally, voters in the District have authorized \$29,700,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities to serve the District, and for the purpose of refunding such bonds. Following the issuance of the Bonds, \$202,935,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the System, and for the purpose of refunding such bonds; \$141,235,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing road improvements to serve the District, and for the purpose of refunding such bonds; and \$29,700,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities to serve the District, and for the purpose of refunding such bonds, will remain authorized but unissued.

The System Bonds are issued pursuant to an order of the Texas Commission on Environmental Quality (the "TCEQ"); Chapter 375 of the Texas Local Government Code; the general laws of Texas, including Chapters 49 and 54 of the Texas Water Code, as amended; Article XVI, Section 59 of the Texas Constitution; the resolution adopted by the Board of Directors of the District (the "Board") authorizing the issuance of the System Bonds (the "System Bond Resolution"); and an election held within the District on November 3, 2015.

The Road Bonds are issued pursuant to Chapter 375 of the Texas Local Government Code; the general laws of Texas, including Chapters 49 and 54 of the Texas Water Code, as amended; Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution; the resolution adopted by the Board authorizing the issuance of the Road Bonds (the "Road Bond Resolution," and together with the System Bond Resolution, the "Bond Resolutions"); and an election held within the District on November 3, 2015. See "THE BONDS – Authority for Issuance" and "THE BONDS – Issuance of Additional Debt."

Outstanding Bonds ..... The District has previously issued five (5) series of unlimited tax bonds for the purpose of acquiring or constructing the System. At the delivery of the Bonds, \$30,075,000 principal amount of such previously issued debt will remain outstanding (the "Outstanding System Bonds"). Additionally, the District has previously issued five (5) series of unlimited tax bonds for the purpose of acquiring or constructing road improvements to serve the District. At the delivery of the Bonds, \$31,705,000 principal amount of such previously issued debt will remain outstanding (the "Outstanding Road Bonds," and together with the Outstanding System Bonds, the "Outstanding Bonds"). The District has never issued bonds for the purpose of acquiring or constructing parks and recreational facilities to serve the District or for refunding purposes.

Short-Term Debt..... In connection with the System Bonds, the District issued the \$8,588,000 Conroe Municipal Management District No. 1 Bond Anticipation Note, Series 2022 (the "BAN"), dated December 14,

2022. The BAN accrues interest at a rate of 5.23% per year (computed on the basis of a 365-day year and the actual days elapsed) and matures on December 13, 2023.

Use and Distribution of System Bond

Proceeds ..... Proceeds from the sale of the System Bonds will be used to redeem the BAN, the proceeds of which were used to reimburse the Developers (herein defined) for a portion of the improvements and related costs shown under "USE AND DISTRIBUTION OF SYSTEM BOND PROCEEDS." Additionally, proceeds from the sale of the System Bonds will be used to reimburse the Developers for the improvements and related costs that were not reimbursed by the BAN and to pay: developer interest; BAN interest; six (6) months of capitalized interest; and other certain costs associated with the issuance of the BAN and the System Bonds. See "USE AND DISTRIBUTION OF SYSTEM BOND PROCEEDS."

Use and Distribution of Road Bond

Proceeds ..... Proceeds from the sale of the Road Bonds will be used to reimburse the Developers for the improvements and related costs shown under "USE AND DISTRIBUTION OF ROAD BOND PROCEEDS." Additionally, proceeds from the sale of the Road Bonds will be used to pay: developer interest; \$281,475 of capitalized interest; and other certain costs associated with the issuance of the Road Bonds. See "USE AND DISTRIBUTION OF ROAD BOND PROCEEDS."

Municipal Bond Insurance ..... Build America Mutual Assurance Company ("BAM"). See "MUNICIPAL BOND INSURANCE."

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

NOT Qualified Tax-Exempt Obligations ..... The District did NOT designate the Bonds as "Qualified Tax-Exempt Obligations" for financial institutions. See "TAX MATTERS - NOT Qualified Tax-Exempt Obligations."

General & Bond Counsel..... The Muller Law Group, PLLC, Sugar Land, Texas.

Disclosure Counsel ..... Orrick Herrington & Sutcliffe LLP, Houston, Texas.

Financial Advisor..... Robert W. Baird & Co. Incorporated, Houston, Texas.

Engineer ..... LJA Engineering, Inc., Houston, Texas.

Paying Agent/Registrar ..... BOKF, NA, Dallas, Texas.

**THE DISTRICT**

The Issuer ..... The District was created by Order of the TCEQ dated April 21, 2015. The District operates under Chapter 375 of the Texas Local Government Code in addition to Chapters 49 and 54 of the Texas Water Code pursuant to Article XVI, Section 59 and Article III, Section 52 and 52-a, of the Texas Constitution. The District consists of approximately 2,046 acres. See "THE DISTRICT - General."

Location ..... The District is located in the County and is situated wholly within the limits of the City. The District is generally bounded on the west of Interstate Highway 45 ("IH-45"), south of Loop 336 and north of the West Fork of the San Jacinto River and east of Sgt. Ed Holcomb Boulevard. Primary access to the District will be from the frontage along IH-45 along Grand Central Parkway. Secondary access points will be from Loop 336 along Crescent Campus Boulevard, Urban Avenue and Town Park Drive. The District is located in the Ransom

House Survey, A-245 and the Joseph House Survey, A-250. See “THE DISTRICT – Location.”

Developers and Principal Landowners ..... The Johnson Development Corp., through its affiliated entities Conroe CS Texas Holdings LP (“CS Texas”) and GCP Loan Subsidiary 1 LP (“GCP1”), manages the development of residential, commercial, and mixed-use land within the District. CS Texas, a Delaware limited partnership, having Johnson Conroe CS GP, LLC as its general partner, purchased all of the property within the District. GCP1 is a Texas limited partnership whose general partner is CS Loan Sub 1 LLC and whose limited partner is CS Texas, and is the primary development entity in the District. CS Texas and GCP1 are collectively referred to herein as the “Developers.” As of August 1, 2023, the Developers owned approximately 1,449 acres in the District. See “THE DEVELOPERS AND PRINCIPAL LANDOWNERS – Description of the Developers and Principal Landowners” and “DEVELOPMENT WITHIN THE DISTRICT.”

Fidelis Realty Partners (“Fidelis”), through its affiliated entity I-45/Loop 336 Associates LLP (“336 Associates”), is the main developer of commercial land within the District. 336 Associates is owned in part and controlled by Fidelis. Fidelis was founded in 2003 as a commercial real estate development company based in the City of Houston, Texas (“Houston”). Fidelis currently manages over ten (10) million square feet of commercial and retail space, focusing primarily on the Houston market. The Developers and Fidelis are currently principal landowners in the District. See “THE DEVELOPERS AND PRINCIPAL LANDOWNERS – Description of the Developers and Principal Landowners” and “DEVELOPMENT WITHIN THE DISTRICT.”

Development within the District..... Land within the District is being developed as the approximate 2,046-acre master-planned community of “Grand Central Park.” As of August 1, 2023, approximately 356 acres (1,278 lots) have been developed, including: 1,031 complete and occupied homes; 24 complete and unoccupied homes; nine (9) model homes; 108 homes under construction; and 106 vacant developed lots. In addition, approximately 102 acres have been developed by Fidelis as “336 Marketplace.” The remainder of land within the District consists of approximately 394 remaining developable acres and approximately 1,195 undevelopable acres. 336 Marketplace currently contains several tenants, including: Burlington; CenterWell; Dick’s Sporting Goods; DSW; Five Below; Marshalls/HomeGoods; Kroger; Michaels; Ross; and Ulta. Additional tenants within 336 Marketplace are anticipated. See “DEVELOPMENT WITHIN THE DISTRICT – Status of Development within the District.”

Homebuilders Active within the District... Homebuilders active within the District include: Village Builders; Coventry Homes; Highland Homes; Perry Homes; Tri Pointe Homes (formerly Trendmaker Homes); Brightland Homes (formerly Gehan Homes); David Weekley Homes; Westin Homes; Darling Homes; Drees Custom Homes; and Jaeger Homes. The homes being marketed in the District range in price from approximately \$250,000 to over \$1,000,000.

**INVESTMENT CONSIDERATIONS**

THE DISTRICT'S TAX IS LEVIED ONLY ON THE PROPERTY LOCATED WITHIN THE DISTRICT. THEREFORE, THE INVESTMENT SECURITY AND QUALITY OF THE BONDS IS DEPENDENT UPON THE SUCCESSFUL DEVELOPMENT OF PROPERTY LOCATED WITHIN THE DISTRICT AND THE PAYMENT AND COLLECTION OF TAXES LEVIED THEREON, INCLUDING TAXES LEVIED BY THE DISTRICT AND THE PARTICIPANTS.

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

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**SELECTED FINANCIAL INFORMATION  
(UNAUDITED)**

2023 Assessed Valuation .....	\$ 702,967,685	(a)
(100% of the taxable value as of January 1, 2023)		
Estimated Assessed Valuation as of May 1, 2023 .....	\$ 768,282,162	(b)
(100% of the estimated taxable value as of May 1, 2023)		
Direct Debt:		
The Outstanding Bonds (as of the delivery of the Bonds).....	\$ 61,780,000	
The System Bonds .....	\$ 15,500,000	
The Road Bonds.....	<u>\$ 12,510,000</u>	
Total.....	\$ 89,790,000	
Estimated Overlapping Debt .....	<u>\$ 39,918,650</u>	
Total Direct and Estimated Overlapping Debt .....	\$ 129,708,650	
Direct Debt Ratios:		
Based on the 2023 Assessed Valuation.....	12.77	%
Based on the Estimated Assessed Valuation as of May 1, 2023.....	11.69	%
Direct and Estimated Overlapping Debt Ratios:		
Based on the 2023 Assessed Valuation.....	18.45	%
Based on the Estimated Assessed Valuation as of May 1, 2023.....	16.88	%
System Debt Service Fund Balance (as of July 19, 2023) .....	\$ 1,865,716	(c)
Road Debt Service Fund Balance (as of July 19, 2023).....	\$ 2,083,588	(d)
System Construction Fund Balance (as of July 19, 2023).....	\$ 801,588	
Road Construction Fund Balance (as of July 19, 2023).....	\$ 373,924	
Operating Fund Balance (as of July 19, 2023).....	\$ 677,961	
2022 Tax Rate per \$100 of Assessed Valuation		
Debt Service (System) .....	\$ 0.39	
Debt Service (Road).....	\$ 0.37	
Maintenance & Operations .....	<u>\$ 0.12</u>	
Total.....	\$ 0.88	(e)
Average Annual Debt Service Requirement on the Outstanding System Bonds and the System Bonds (2024–2048) .....	\$ 2,747,676	(f)
Maximum Annual Debt Service Requirement on the Outstanding System Bonds and the System Bonds (2042).....	\$ 3,059,606	(f)
System Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay the Average Annual Debt Service Requirement on the Outstanding System Bonds and the System Bonds (2024–2048) at 95% Tax Collections:		
Based on the 2023 Assessed Valuation (\$702,967,685).....	\$ 0.42	
Based on the Estimated Assessed Valuation as May 1, 2023 (\$768,282,162) .....	\$ 0.38	
System Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay the Maximum Annual Debt Service Requirement on the Outstanding System Bonds and the System Bonds (2042) at 95% Tax Collections:		
Based on the 2023 Assessed Valuation (\$702,967,685).....	\$ 0.46	
Based on the Estimated Assessed Valuation as May 1, 2023 (\$768,282,162) .....	\$ 0.42	

Average Annual Debt Service Requirement on the Outstanding Road Bonds and the Road Bonds (2024–2048).....	\$ 2,660,394 (f)
Maximum Annual Debt Service Requirement on the Outstanding Road Bonds and the Road Bonds (2042).....	\$ 2,960,379 (f)
Road Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay the Average Annual Debt Service Requirement on the Outstanding Road Bonds and the Road Bonds (2024–2048) at 95% Tax Collections:	
Based on the 2023 Assessed Valuation (\$702,967,685).....	\$ 0.40
Based on the Estimated Assessed Valuation as May 1, 2023 (\$768,282,162).....	\$ 0.37
Road Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay the Maximum Annual Debt Service Requirement on the Outstanding Road Bonds and the Road Bonds (2042) at 95% Tax Collections:	
Based on the 2023 Assessed Valuation (\$702,967,685).....	\$ 0.45
Based on the Estimated Assessed Valuation as May 1, 2023 (\$768,282,162).....	\$ 0.41
Single-Family Homes (including 108 under construction) as of August 1, 2023.....	1,172

- 
- (a) Represents the assessed valuation of all taxable property within the District as of January 1, 2023, provided by the Appraisal District (herein defined). Such amount includes \$31,247,480 of assessed valuation assigned to properties that remain under review by the Appraisal Review Board (herein defined). Such amount represents the estimated minimum amount of assessed valuation that will ultimately be approved by the Appraisal Review Board, upon which the District will levy its tax. See "TAX DATA" and "TAXING PROCEDURES."
- (b) Provided by the Appraisal District for informational purposes only, this amount is an estimate of the assessed valuation of all taxable property located within the District as of May 1, 2023, and includes an estimate of valuations resulting from the construction of taxable improvements from January 1, 2023, through May 1, 2023. No taxes will be levied against this amount. See "TAX DATA" and "TAXING PROCEDURES."
- (c) Neither Texas Law nor the System Bond Resolution requires that the District maintain any particular sum in the System Debt Service Fund (herein defined). The funds in the System Debt Service Fund are pledged only to pay debt service on the Outstanding System Bonds and the System Bonds, not the Outstanding Road Bonds or the Road Bonds.
- (d) Neither Texas Law nor the Road Bond Resolution requires that the District maintain any particular sum in the Road Debt Service Fund (herein defined). The funds in the Road Debt Service Fund are pledged only to pay debt service on the Outstanding Road Bonds and the Road Bonds, not the Outstanding System Bonds or the System Bonds.
- (e) See "TAX DATA – Tax Rate Calculations."
- (f) Debt service on the Bonds. See "DISTRICT DEBT."

**OFFICIAL STATEMENT**

**relating to**

**CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1**

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

**\$15,500,000**  
**Unlimited Tax Bonds**  
**Series 2023**

**\$12,510,000**  
**Unlimited Tax Road Bonds**  
**Series 2023**

**INTRODUCTION**

This Official Statement provides certain information in connection with the issuance by Conroe Municipal Management District No. 1 (the "District") of the \$15,500,000 Conroe Municipal Management District No. 1 Unlimited Tax Bonds, Series 2023 (the "System Bonds") and the \$12,510,000 Conroe Municipal Management District No. 1 Unlimited Tax Road Bonds, Series 2023 (the "Road Bonds," and together with the System Bonds, the "Bonds").

The System Bonds are issued pursuant to an order of the Texas Commission on Environmental Quality (the "TCEQ"); Chapter 375 of the Texas Local Government Code; the general laws of the State of Texas ("Texas"), including Chapters 49 and 54 of the Texas Water Code, as amended; Article XVI, Section 59 of the Texas Constitution; the resolution adopted by the Board of Directors of the District (the "Board") authorizing the issuance of the System Bonds (the "System Bond Resolution"); and an election held within the District on November 3, 2015.

The Road Bonds are issued pursuant to Chapter 375 of the Texas Local Government Code; the general laws of Texas, including Chapters 49 and 54 of the Texas Water Code, as amended; Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution; the resolution adopted by the Board authorizing the issuance of the Road Bonds (the "Road Bond Resolution," and together with the System Bond Resolution, the "Bond Resolutions"); and an election held within the District on November 3, 2015.

Unless otherwise indicated, capitalized terms used herein have the same meaning assigned to such terms in the Bond Resolutions. The initial purchaser of the System Bonds (the "System Bond Initial Purchaser") and the initial purchaser of the Road Bonds (the "Road Bond Initial Purchaser") are collectively referred to herein as the "Initial Purchasers."

Included herein are descriptions of the Bonds and certain information about the District and its finances. ALL DESCRIPTIONS OF DOCUMENTS CONTAINED HEREIN ARE ONLY SUMMARIES AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO EACH SUCH DOCUMENT. Copies of such documents may be obtained from Bond Counsel (herein defined) at 202 Century Square Boulevard, Sugar Land, Texas 77478, or during the offering period from the Financial Advisor (herein defined) at 4801 Woodway Drive, Suite 118-E, Houston, Texas 77056, upon payment of reasonable copying, mailing and handling charges.

**INVESTMENT CONSIDERATIONS**

**General**

The Bonds, which are obligations of the District and are not obligations of Texas; Montgomery County, Texas (the "County"); the City of Conroe, Texas (the "City"); or any entity other than the District, will be secured by the proceeds of two (2) separate continuing direct annual ad valorem taxes, each without legal limitation as to rate or amount, levied against all taxable property within the District. The ultimate security for payment of the principal of and interest on the Bonds depends on the ability of the District to collect from the property owners within the District all taxes levied against the property, or in the event of foreclosure, on the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The collection by the District of delinquent taxes owed to it and the enforcement by the registered owners of the District's obligations 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 property within the District will accumulate or maintain taxable values sufficient to justify continued payment by property owners or that there will be a market for the property. See "THE BONDS – Source of Payment" and "INVESTMENT CONSIDERATIONS – Bankruptcy Limitation to Registered Owners' Rights."



## Factors Affecting Taxable Values and Tax Payments

**Economic Factors:** The rate of development within the District is directly related to the vitality of the single-family housing industry in the City of Houston, Texas (“Houston”), metropolitan area. New single-family housing construction can be significantly affected by factors such as interest rates, construction costs, and consumer demand. Decreased levels of such construction activity would restrict the growth of property values in the District. The District cannot predict the pace or magnitude of any future development in the District. See “DEVELOPMENT WITHIN THE DISTRICT.”

**Location and Access:** The District is located in an outlying area of the Houston metropolitan area, within the City, approximately five (5) miles north of The Woodlands, Texas. Many of the single-family developments with which the District competes are in a more developed state and have lower taxes. As a result, particularly during times of increased competition, the residential and commercial development within the District may be at a competitive disadvantage to residential and commercial projects located closer to major urban centers or in a more developed state. See “THE DISTRICT – Location” and “DEVELOPMENT WITHIN THE DISTRICT.”

**Competition:** The demand for and construction of taxable improvements in the District could be affected by competition from other developments near the District. In addition to competition for new single-family home sales from other developments, there are numerous previously-owned single-family homes in more established commercial centers and neighborhoods closer to Houston that are for sale. Such existing developments could represent additional competition for new development proposed to be constructed within the District.

The competitive position of the Developers (herein defined) in the sale of the land, and the sale or leasing of residents is affected by most of the factors discussed in this section. Such a competitive position is directly related to 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 will be implemented or, if implemented, will be successful.

**Dependence on Principal Taxpayers:** The ability of any principal landowner to make full and timely payments of taxes levied against its property by the District and similar taxing authorities will directly affect the District’s ability to meet its debt service obligations. As illustrated herein under “TAX DATA – Principal Taxpayers,” the District’s principal taxpayers in 2023 own property located within the District which comprises of approximately 36.73% of the District’s 2023 assessed valuation. The Developers own property located within the District which comprises of approximately 2.50% of the District’s 2023 assessed valuation and I-45/Loop 336 Associates LLP (“336 Associates”) owns property located within the District which comprises of approximately 18.31% of the District’s 2023 assessed valuation. In the event that the Developers, 336 Associates, any other taxpayer, or any combination of taxpayers, should default in the payment of taxes in an amount which exceeds District’s debt service fund surplus, the ability of the District to make timely payment of debt service on the Bonds will be dependent on its ability to enforce and liquidate its tax liens, which is a time-consuming process. Failure to recover or borrow funds in a timely fashion could result in an excessive District tax rate. The District is not required by law or the Bond Resolutions to maintain any specified amount of surplus in its interest and sinking fund. See “THE DEVELOPERS AND PRINCIPAL LANDOWNERS,” “TAX DATA – Principal Taxpayers,” and “TAXING PROCEDURES – Levy and Collection of Taxes.”

**Developers’ Obligation to the District:** The Developers have informed the District of the current plan to continue to develop land in the District for residential, commercial, and mixed-use purposes. However, the Developers are not obligated to implement such plan on any particular schedule or at all. Thus, the furnishing of information related to the proposed development by the Developers should not be interpreted as such a commitment. The District makes no representation about the probability of development continuing in a timely manner or about the ability of the Developers, or any other subsequent landowners to whom a party may sell all or a portion of their holdings within the District, to implement any plan of development. Furthermore, there is no restriction on the Developers’ right to sell the land. The District can make no prediction as to the effects that current or future economic or governmental circumstances may have on the any plans of the Developers. Failure to construct taxable improvements on developed lots and tracts and failure of the Developers to develop the land would restrict the rate of growth of taxable value in the District. The District is also dependent upon the Developers for the timely payment of ad valorem taxes, and the District cannot predict what the future financial condition of the Developers will be or what effect, if any, such conditions may have on

their collective and respective ability to pay taxes. See “TAX DATA – Principal Taxpayers,” “THE DEVELOPERS AND PRINCIPAL LANDOWNERS,” and “DEVELOPMENT WITHIN THE DISTRICT.”

**Impact on District Tax Rates:** Assuming no further development or home construction, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of property owners to pay their taxes. The 2023 assessed valuation of all taxable property located within the District is \$702,967,685; and the estimated assessed valuation as of May 1, 2023, of all taxable property located within the District is \$768,282,162.

After issuance of the System Bonds, the maximum annual debt service requirement on the Outstanding System Bonds (herein defined) and the System Bonds is \$3,059,606 (2042) and the average annual debt service requirement on the Outstanding System Bonds and the System Bonds is \$2,747,676 (2024-2048). Assuming no decrease to the District’s 2023 assessed valuation, debt service tax rates of \$0.46 and \$0.42 per \$100 of assessed valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement on the Outstanding System Bonds and the System Bonds, and the average annual debt service requirement on the Outstanding System Bonds and the System Bonds, respectively. Assuming no decrease from the District’s estimated assessed valuation as of May 1, 2023, debt service tax rates of \$0.42 and \$0.38 per \$100 of assessed valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement on the Outstanding System Bonds and the System Bonds, and the average annual debt service requirement on the Outstanding System Bonds and the System Bonds, respectively.

After issuance of the Road Bonds, the maximum annual debt service requirement on the Outstanding Road Bonds (herein defined) and the Road Bonds is \$2,960,379 (2042) and the average annual debt service requirement on the Outstanding Road Bonds and the Road Bonds is \$2,660,394 (2024-2048). Assuming no decrease to the District’s 2023 assessed valuation, debt service tax rates of \$0.45 and \$0.40 per \$100 of assessed valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement on the Outstanding Road Bonds and the Road Bonds, and the average annual debt service requirement on the Outstanding Road Bonds and the Road Bonds, respectively. Assuming no decrease from the District’s estimated assessed valuation as of May 1, 2023, debt service tax rates of \$0.41 and \$0.37 per \$100 of assessed valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement on the Outstanding Road Bonds and the Road Bonds, and the average annual debt service requirement on the Outstanding Road Bonds and the Road Bonds, respectively.

The District can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the proposed District tax rate, or to justify continued payment of taxes by property owners. For the 2022 tax year, the District levied a maintenance and operations tax of \$0.12 per \$100 of assessed valuation, a system debt service tax of \$0.39 per \$100 of assessed valuation, and a road debt service tax of \$0.37 per \$100 of assessed valuation. See “DISTRICT DEBT,” “TAX DATA,” and “TAXING PROCEDURES.”

### **Tax Collections and Foreclosure Remedies**

The District has a right to seek judicial foreclosure on a tax lien, but such remedy may prove to be costly and time consuming and, since the future market or resale market, if any, of the taxable real property within the District is uncertain, there can be no assurance that such property could be sold and delinquent taxes paid. See “TAXING PROCEDURES.”

### **Hydrogen Sulfide Odor**

In the early stages of development, the District was advised of reports of an odor emanating from a 52-inch sewer force main (the “Force Main”) that runs beneath Grand Central Parkway. The Force Main was installed and is owned by the City. The odor was reported to be caused by a build-up of hydrogen sulfide in the line.

At certain levels, hydrogen sulfide may pose a health and safety risk. The District has not received any reports or other information to indicate that the hydrogen sulfide in the District has reached an unsafe level. According to the Developers, the odor resulted in the loss of some potential home sales.

The District and the City have completed construction and installation of a sanitary venting facility within the District to mitigate odor. While the sanitary venting facility has been successfully applied to reduce the odor, there is no guarantee that the facility will eliminate all odor in the District. The District and the City have

undertaken the design of additional odor mitigation facilities, but have not yet determined to proceed with construction of such additional facilities.

### **Limitation to Registered Owners' Remedies**

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners (herein defined) have the right to seek a writ of mandamus, requiring the District to levy adequate taxes each year to make such payments. Except for mandamus, the Bond Resolutions do not specifically provide for remedies to protect and enforce the interest 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.

### **Bankruptcy Limitation to Registered Owners' Rights**

The enforceability of the rights and remedies of 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. Subject to the requirements of Texas law discussed below, a political subdivision such as the District may voluntarily file a petition for relief from creditors under Chapter 9 of the U.S. Bankruptcy Code, 11 USC sections 901-946. The filing of such petition would automatically stay the enforcement of Registered Owners' remedies, including mandamus and the foreclosure of tax liens upon property within the District discussed above. The automatic stay would remain in effect until the federal bankruptcy judge hearing the case dismisses the petition, enters an order granting relief from the stay or otherwise allows creditors to proceed against the petitioning political subdivision. A political subdivision, such as the District, may qualify as a debtor eligible to proceed in a Chapter 9 case only if it (1) is generally authorized to file for federal bankruptcy protection by applicable state law, (2) is insolvent or unable to meet its debts as they mature, (3) desires to effect a plan to adjust such debts, and (4) has either obtained the agreement of or has negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiations are impracticable. Under Texas law, a municipal utility district, such as the District, must obtain the approval of the TCEQ as a condition to seeking relief under the U.S. Bankruptcy Code. The TCEQ is required to investigate the financial condition of a financially troubled district and authorize such district to proceed under federal bankruptcy law only if such district has fully exercised its right and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

Notwithstanding noncompliance by a district with Texas law requirements, a district could file a voluntary bankruptcy petition under Chapter 9, thereby involving the protection of the automatic stay until the bankruptcy court, after a hearing, enters an order granting relief from the stay or 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 determining the decision of whether to grant the petitioning district relief from its creditors. While such a decision might be applicable, the concomitant delay and loss of remedies to the Registered Owners could potentially and adversely impair the value of the Registered Owners' claims.

If a petitioning district were allowed to proceed voluntarily under Chapter 9 of the U.S. 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 a Registered Owner 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 owner's claim against a district. A district cannot be placed into bankruptcy involuntarily.

### **Environmental Regulations**

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

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

Sanctions against a municipal utility district or other type of special purpose district for failure to comply with environmental laws and regulations may include a variety of civil and criminal enforcement measures, including assessment of monetary penalties, imposition of remedial requirements and issuance of injunctions

to ensure future compliance. Environmental laws and compliance with environmental laws and regulations can increase the cost of planning, designing, constructing and operating water production and wastewater treatment facilities. Environmental laws can also inhibit growth and development within the District. Further, changes in regulations occur frequently, and any changes that result in more stringent and costly requirements could materially impact the District.

*Air Quality Issues:* Air quality control measures required by the United States Environmental Protection Agency (the “EPA”) and the 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” nonattainment area under the 2008 Ozone Standard, with an attainment deadline of July 20, 2027. 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 “moderate” nonattainment area under the 2015 Ozone Standard, with an attainment deadline of August 3, 2024. 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) (“CGP”), with an effective date of March 5, 2023, which is a general permit authorizing the discharge of stormwater runoff associated with small and large construction sites and certain non-stormwater discharges into surface water in the state. The CGP has a 5-year permit term, and is then subject to renewal. Moreover, the Clean Water Act (“CWA”) and Texas Water Code require municipal wastewater treatment plants to meet secondary treatment effluent limitations and more stringent water quality-based limitations and requirements to comply with the Texas water quality standards. Any water quality-based limitations and requirements with which a municipal utility district must comply may have an impact on the municipal utility district’s ability to obtain and maintain compliance with TPDES permits.

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

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

On May 25, 2023, the Supreme Court of the United States issued its decision in *Sackett v. EPA*, which clarified the definition of “waters of the United States” and significantly restricted the reach of federal jurisdiction under the CWA. Under the *Sackett* decision, “waters of the United States” includes only geographical features that are described in ordinary parlance as “streams, oceans, rivers, and lakes” and to adjacent wetlands that are indistinguishable from such bodies of water due to a continuous surface connection.

While the *Sackett* decision removed a great deal of uncertainty regarding the ultimate scope of “waters of the United States” and the extent of EPA and USACE jurisdiction, operations of municipal utility districts, including the District, could potentially be subject to additional restrictions and requirements, including additional permitting requirements, in the future.

### **Potential Impact of Natural Disaster**

The District is located within 100 miles of the Texas Gulf Coast and, as it has in the past, could be impacted by wide-spread fires, earthquakes, or weather events such as hurricanes, tornadoes, tropical storms, or other severe weather events that could produce high winds, heavy rains, hail, and flooding. In the event that a natural disaster should damage or destroy improvements and personal property in the District, the assessed value of such taxable properties could be substantially reduced, resulting in a decrease in the taxable assessed valuation of the District or an increase in the District’s tax rates.

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

### **Potential Effects of Oil Price Volatility on the Houston Area**

The recent declines in oil prices in the U.S. and globally, which at times have led to the lowest such prices in three (3) decades, may lead to adverse conditions in the oil and gas industry, including but not limited to reduced revenues, declines in capital and operating expenditures, business failures, and layoffs of workers. The economy of the Houston area has, in the past, been particularly affected by adverse conditions in the oil and gas industry, and such conditions and their spillover effects into other industries could result in declines in the demand for residential and commercial property in the Houston area and could reduce or negatively affect property values or homebuilding activity within the District. As previously stated, the Bonds are secured by an unlimited ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds as well as the District’s share of operations and maintenance expenses payable from ad valorem taxes.

## **Marketability**

The District has no understanding with the Initial Purchasers regarding the reoffering yields or prices of the Bonds and has no control over the trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made for 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.

## **Bond Insurance Risk Factors**

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

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

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

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

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

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

## **Continuing Compliance with Certain Covenants**

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

## **Future Debt**

Following the issuance of the Bonds, \$202,935,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, wastewater, and storm drainage facilities to serve the District (the "System"), and for purpose of refunding such bonds; \$141,235,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing road improvements to serve the District, and for purpose of refunding such bonds; and \$29,700,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities to serve the District, and for the purpose of refunding such bonds, will remain authorized but unissued, and such additional bonds as may hereafter be approved by both the Board and voters of the District. The District also has the right to issue certain other additional bonds, special project bonds, and other obligations described in the Bond Resolutions. If additional bonds are issued in the future and property values have not increased proportionately, such issuance may increase gross debt/property valuation ratios and thereby adversely affect the investment quality or security of the Bonds. See "THE BONDS – Issuance of Additional Debt."

Pending approval by the Board, the District may issue a bond anticipation note in the second half of 2023 to fund projects to be included in future unlimited tax bonds to be issued by the District for the purpose of acquiring or constructing the System, tentatively slated for issuance in the second half of 2024.

Following the issuance of the Bonds, the District will owe the Developers approximately \$34,000,000 in reimbursable expenses for District projects, the funds for which were advanced by the Developers. See "THE SYSTEM" and "DEVELOPMENT WITHIN THE DISTRICT."

## **Consolidation**

Under Texas law, the District may be consolidated with other municipal utility districts, with the assets and liabilities of the consolidated districts belonging to the consolidated district. No representation is made that the District will ever consolidate with one (1) or more districts, although no consolidation is presently contemplated by the District.

## **Approval of the Bonds**

The Attorney General of Texas must approve the legality of the Bonds prior to their delivery. The Attorney General of Texas does not pass upon or guarantee the security of the Bonds as an investment, nor does he pass upon the adequacy or accuracy of the information contained herein.

## **Changes in Tax Legislation**

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

## **THE BONDS**

### **General**

The Bonds are dated September 1, 2023, and mature on September 1 in the years and amounts set forth on the inside cover. Interest on the Bonds accrues from the initial date of delivery (on or about September 21, 2023) at the rates per annum set forth on the inside cover and is payable on March 1, 2024, and each September 1 and March 1 (each an "Interest Payment Date") thereafter until the earlier of maturity or redemption, and will be calculated on the basis of a 360-day year composed of 12 30-day months. The Bonds will be issued in fully registered form only, without coupons, in principal denominations of \$5,000 of principal amount or any integral multiple thereof, and when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York ("DTC"), acting as securities depository for the Bonds until DTC resigns or is discharged. The Bonds initially will be available to purchasers in book-entry form only. So long as Cede & Co., as the nominee of DTC, is the registered owner of the Bonds, principal of and interest on the Bonds will be payable by the paying agent to DTC, which will be solely responsible for making such payment to the beneficial owners of the Bonds. The initial paying agent and registrar for the Bonds is BOKF, NA, Dallas, Texas (the "Paying Agent/Registrar").

## Record Date for Interest Payment

Interest on the Bonds will be paid to the registered owner (the “Registered Owners”) appearing on the registration and transfer books (the “Register”) of the Paying Agent/Registrar at the close of business on the 15<sup>th</sup> calendar day of the month next preceding each interest payment date (the “Record Date”) and shall be paid by the Paying Agent/Registrar (i) by check sent United States mail, first class postage prepaid, to the address of the registered owner recorded in the registration and transfer books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. If the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the principal payment office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

In the event of non-payment of interest on a scheduled payment date and for 30 days thereafter, a new record date for such interest payment (a “Special Record Date”) will be established by the Paying Agent/Registrar when funds for the payment of such interest have been received. Notice of the Special Record Date and of the scheduled payment date of the past due interest (“Special Payment Date” which shall be 15 days after the Special Record Date) shall be sent at least five (5) business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each registered owner of a Bond appearing in the registration and transfer books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing such notice.

## Redemption Provisions

### *Optional Redemption*

The Bonds maturing on and after September 1, 2029, are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on September 1, 2028, and on any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest from the most recent payment date to the date fixed for redemption. The Paying Agent/Registrar shall give written notice of redemption, by registered mail, overnight delivery, or other comparably secure means, not less than 30 days prior to the redemption date, to each registered securities depository (and to each national information service that disseminates redemption notices) known to the Paying Agent/Registrar, but neither the failure to give such notice nor any defect therein shall affect the sufficiency of notice given to the Registered Owner as herein above stated. The Paying Agent/Registrar may provide written notice of redemption to DTC by facsimile.

The Bonds of a denomination larger than \$5,000 may be redeemed in part (\$5,000 or any multiple thereof). Any Bond to be partially redeemed must be surrendered in exchange for one (1) or more new Bonds of the same maturity for the unredeemed portion of the principal of the Bonds so surrendered. In the event of redemption of less than all of the Bonds, the particular Bonds to be redeemed shall be selected by the District; if less than all of the Bonds of a particular maturity are to be redeemed; the Paying Agent/Registrar is required to select the Bonds of such maturity to be redeemed by lot.

### *Mandatory Redemption*

The System Bonds mature serially on September 1 in each year 2025 through 2028, both inclusive, and 2031 through 2046, both inclusive, in the principal amounts set forth on the inside cover hereof. The System Bonds maturing on September 1 in the years 2030 and 2048 are term bonds (the “System Term Bonds”) and shall be redeemed by lot or other customary method of random selection (or by DTC in accordance with its procedures while the System Bonds are in book-entry-only form) prior to maturity, at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption (the “Mandatory Redemption Date”), on September 1 in each of the years and in the principal amounts set forth in the following schedules:

<u>\$910,000 System Term Bond Maturing on September 1, 2030</u>	
<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2029	\$ 445,000
September 1, 2030 (Maturity)	\$ 465,000



\$2,005,000 System Term Bond Maturing on September 1, 2048

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2047	\$ 980,000
September 1, 2048 (Maturity)	\$ 1,025,000

The Road Bonds mature serially on September 1 in each year 2025 through 2028, both inclusive, and 2031 through 2046, both inclusive, in the principal amounts set forth on the inside cover hereof. The Road Bonds maturing on September 1 in the years 2030 and 2048 are term bonds (the "Road Term Bonds," and together with the System Term Bonds, the "Term Bonds") and shall be redeemed by lot or other customary method of random selection (or by DTC in accordance with its procedures while the Road Bonds are in book-entry-only form) prior to maturity, at a price equal to the principal amount thereof, plus accrued interest to the Mandatory Redemption Date, on September 1 in each of the years and in the principal amounts set forth in the following schedules:

\$735,000 Road Term Bond Maturing on September 1, 2030

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2029	\$ 360,000
September 1, 2030 (Maturity)	\$ 375,000

\$1,615,000 Road Term Bond Maturing on September 1, 2048

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2047	\$ 790,000
September 1, 2048 (Maturity)	\$ 825,000

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

**Registration, Transfer and Exchange**

In the event the Book-Entry-Only System (herein defined) should be discontinued, the Bonds are transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar or its corporate trust office and such transfer or exchange shall be without expenses or service charge to the Registered Owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. A Bond may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond or Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the principal payment office of the Paying Agent/Registrar, or sent by the United States mail, first class, postage prepaid, to the new Registered Owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the Registered Owner or assignee of the Registered Owner in not more than three (3) business days after the receipt of the Bonds to be cancelled, and the written instrument of transfer or request for exchange duly executed by the Registered Owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 for any one (1) maturity and for a like aggregate principal amount as the Bond or Bonds surrendered for exchange or transfer. See "BOOK-ENTRY-ONLY SYSTEM" for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds.

### **Mutilated, Lost, Stolen or Destroyed Bonds**

In the event the Book-Entry-Only System should be discontinued, the District has agreed to replace mutilated, destroyed, lost or stolen Bonds upon surrender of the mutilated Bonds, receipt of satisfactory evidence of such destruction, loss or theft, and receipt by the District and the Paying Agent/Registrar of security or indemnity to hold them harmless. Upon the issuance of a new bond the District may require payment of taxes, governmental charges and other expenses (including the fees and expenses of the Paying Agent/Registrar), bond printing and legal fees in connection with any such replacement.

### **Replacement of Paying Agent/Registrar**

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

### **Source of Payment**

While the Bonds or any part of the principal thereof or interest thereon remain outstanding and unpaid, the District covenants to levy and annually assess and collect in due time, form and manner, and at the same time as other District taxes are assessed, levied and collected, in each year, beginning with the current year, two (2) separate continuing direct annual ad valorem taxes, each without legal limitation as to rate or amount, levied against all taxable property within the District, sufficient to pay the interest on the Bonds as the same becomes due and to pay each installment of the principal of the Bonds as the same matures, with full allowance being made for delinquencies and cost of collection. In the Bond Resolutions, the District covenants that said taxes are irrevocably pledged to the payment of the interest and principal of the Bonds and any unlimited tax bonds hereafter issued. The Bonds are obligations of the District and are not the obligations of the Texas; the County; the City; or any entity other than the District.

### **Payment Record**

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

### **Short-Term Debt**

In connection with the System Bonds, the District issued the \$8,588,000 Conroe Municipal Management District No. 1 Bond Anticipation Note, Series 2022 (the "BAN"), dated December 14, 2022. The BAN accrues interest at a rate of 5.23% per year (computed on the basis of a 365-day year and the actual days elapsed) and matures on December 13, 2023.

### **Outstanding Bonds**

The District has previously issued five (5) series of unlimited tax bonds for the purpose of acquiring or constructing the System. At the delivery of the Bonds, \$30,075,000 principal amount of such previously issued debt will remain outstanding (the "Outstanding System Bonds"). Additionally, the District has previously issued five (5) series of unlimited tax bonds for the purpose of acquiring or constructing road improvements to serve the District. At the delivery of the Bonds, \$31,705,000 principal amount of such previously issued debt will remain outstanding (the "Outstanding Road Bonds," and together with the Outstanding System Bonds, the "Outstanding Bonds"). The District has never issued bonds for the purpose of acquiring or constructing parks and recreational facilities to serve the District or for refunding purposes.

### **Authority for Issuance**

The System Bonds constitute the sixth series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing the System and the Road Bonds constitute the sixth series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing road improvements to serve the District. Voters in the District have authorized a total of \$250,800,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the System, and for the purpose of refunding such bonds, and \$187,550,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing road improvements to serve the District, and for the purpose of refunding such bonds. Additionally, voters in the

District have authorized \$29,700,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities to serve the District, and for the purpose of refunding such bonds.

The System Bonds are issued pursuant to an order of the TCEQ; Chapter 375 of the Texas Local Government Code; the general laws of Texas, including Chapters 49 and 54 of the Texas Water Code, as amended; Article XVI, Section 59 of the Texas Constitution; the System Bond Resolution; and an election held within the District on November 3, 2015.

The Road Bonds are issued pursuant to Chapter 375 of the Texas Local Government Code; the general laws of Texas, including Chapters 49 and 54 of the Texas Water Code, as amended; Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution; the Road Bond Resolution; and an election held within the District on November 3, 2015.

### **Issuance of Additional Debt**

The District may issue additional bonds. Following the issuance of the Bonds, \$202,935,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the System, and for the purpose of refunding such bonds; \$141,235,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing road improvements to serve the District, and for the purpose of refunding such bonds; and \$29,700,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities to serve the District, and for the purpose of refunding such bonds, will remain authorized but unissued.

Pending approval by the Board, the District may issue a bond anticipation note in the second half of 2023 to fund projects to be included in future unlimited tax bonds to be issued by the District for the purpose of acquiring or constructing the System, tentatively slated for issuance in the second half of 2024.

Following the issuance of the Bonds, the District will owe the Developers approximately \$34,000,000 in reimbursable expenses for District projects, the funds for which were advanced by the Developers.

Based on present engineering cost estimates and on development plans provided by the Developers, in the opinion of the Engineer, following the issuance of the Bonds, the District will have adequate authorized but unissued bonds to repay the Developers the remaining amounts owed for the existing financed facilities, and to finance the extension of the facilities to serve the remaining undeveloped land within the District. See "DEVELOPMENT WITHIN THE DISTRICT," "THE SYSTEM," and "INVESTMENT CONSIDERATIONS – Future Debt."

### **Registered Owners' Remedies**

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners have the right to seek a writ of mandamus, requiring the District to levy adequate taxes each year to make such payments. Except for mandamus, the Bond Resolutions do not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. See "INVESTMENT CONSIDERATIONS – Limitation to Registered Owners' Remedies."

### **Legal Investment and Eligibility to Secure Public Funds in Texas**

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

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

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

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

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.

### **Defeasance**

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

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

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

### **BOOK-ENTRY-ONLY SYSTEM**

*This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by The Depository Trust Company, New York, New York ("DTC"), while the Bonds are registered in its nominee name. The information in this section concerning DTC and the book-entry-only system (the "Book-Entry-Only System") has been provided by DTC for use in disclosure documents such as this Official Statement. The District and the Financial Advisor (herein defined) believe the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.*

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

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be required by an authorized representative of DTC. One (1) fully-registered Bond certificate will be issued for each of the Bonds, each in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants (the "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 (the "Indirect Participants," and together with the Direct Participants, the "Direct and Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC rules applicable to its Direct and Indirect Participants are on file with the SEC. More information about DTC can be found at [www.dtcc.com](http://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 holder of ownership interest of each actual purchase of each Bond (the "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

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

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

Redemption proceeds, principal, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct and Indirect 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, Paying Agent/Registrar or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

The information in the 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 thereof.

***Use of Certain Terms in Other Sections of Official Statement***

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

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## USE AND DISTRIBUTION OF SYSTEM BOND PROCEEDS

Proceeds from the sale of the System Bonds will be used to redeem the BAN, the proceeds of which were used to reimburse the Developers for a portion of the improvements and related costs shown below. Additionally, proceeds from the sale of the System Bonds will be used to reimburse the Developers for the improvements and related costs that were not reimbursed by the BAN and to pay: developer interest; BAN interest; six (6) months of capitalized interest; and other certain costs associated with the issuance of the BAN and the System Bonds, as shown below.

<b><u>CONSTRUCTION COSTS</u></b>	<b><u>District's Share</u></b>
A. Developer Contribution Items	
1. Autumn Elm Circle Park Dr. Phase 2 and Grand Central Park Section 13 - W, WW, & D	\$ 230,797
2. Grand Central Park Section 18 - W, WW, & D	280,153
3. Interim Lift Station Pumps and Force Main	117,320
4. Lift Station No. 1 - Clearing and Grubbing	8,500
5. Lift Station No. 1 - Construction	1,108,044
6. Grand Central Park Section 20 - W, WW, & D	1,890,370
7. Grand Central Park Section 21 - W, WW, & D	1,310,537
8. Grand Central Park Section 22 - W, WW, & D	366,679
9. Grand Central Park Section 23 - W, WW, & D	316,762
10. Grand Central Park Section 24 - W, WW, & D	371,143
11. Grand Central Park Section 25 and Grand Link Dr. Phase 1 - W, WW, & D	2,991,335
12. Grand Central Phase 5, City Central Ave. Phase 2, & Ivy Steel Ave. Phase 1	492,925
13. Grand Central Park Section 26 - W, WW, & D	282,132
14. Engineering (Item Nos. 1-3, 5-9, and 11-14) and LOMR	1,551,517
15. Geotechnical (Item Nos. 1-2 and 5-14)	152,231
16. SWPPP (Item Nos. 1-2 and 5-14)	161,674
17. Land Costs for Lift Station No. 1	<u>10,269</u>
Total Developer Contribution Items	\$ 11,642,388
B. District Items	
1. None	\$ _____ -
Total District Items	<u>\$ _____ -</u>
<b>TOTAL CONSTRUCTION COSTS (75.11% of BIR)</b>	<b>\$ 11,642,388</b>
 <b><u>NON-CONSTRUCTION COSTS</u></b>	
A. Legal Fees	\$ 325,000
B. Fiscal Agent Fees	310,000
C. Interest Costs	
1. Capitalized Interest (Six (6) Months)	361,638
2. Developer Interest	1,346,110
3. BAN Interest	345,786
D. Bond Discount	463,542
E. Bond Issuance Expenses	45,919
F. BAN Issuance Expenses	185,248
G. Operational Costs	250,000
H. Bond Application Costs	50,000
I. Attorney General Fees (0.10%)	9,500
J. TCEQ Bond Issuance Fees (0.25%)	38,750
K. Contingency (a)	<u>126,119</u>
<b>TOTAL NON-CONSTRUCTION COSTS</b>	<b><u>\$ 3,857,612</u></b>
<b>TOTAL SYSTEM BOND ISSUE REQUIREMENT</b>	<b>\$ 15,500,000</b>

(a) Represents the difference between the estimated and actual amounts of Capitalized Interest, BAN Interest, and Bond Discount.

Non-construction costs are based upon either contract amounts or various cost estimates by the Engineer and the Financial Advisor. The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the System Bonds and completion of agreed-upon procedures by the District's auditor.

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

**USE AND DISTRIBUTION OF ROAD BOND PROCEEDS**

Proceeds from the sale of the Road Bonds will be used to reimburse the Developers for the improvements and related costs shown below. Additionally, proceeds from the sale of the Road Bonds will be used to pay: developer interest; \$281,475 of capitalized interest; and other certain costs associated with the issuance of the Road Bonds, as shown below.

<b><u>CONSTRUCTION COSTS</u></b>	<b><u>District's Share</u></b>
A. Proposed Road Improvement Projects	\$ 10,595,667
<b>TOTAL CONSTRUCTION COSTS</b>	<b>\$ 10,595,667</b>
<b><u>NON-CONSTRUCTION COSTS</u></b>	
A. Legal Fees	\$ 273,925
B. Fiscal Agent Fees	250,200
C. Interest Costs	
1. Capitalized Interest	281,475
2. Developer Interest	680,373
D. Bond Discount	373,982
E. Bond Issuance Expenses	23,559
F. Engineering Report Costs	20,000
G. Attorney General Fee (0.10%)	9,500
H. Contingency (a)	1,319
<b>TOTAL NON-CONSTRUCTION COSTS</b>	<b>\$ 1,914,333</b>
<b>TOTAL ROAD BOND ISSUE REQUIREMENT</b>	<b>\$ 12,510,000</b>

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(a) Represents the difference between the estimated and actual amounts of Bond Discount.

Non-construction costs are based upon either contract amounts or various cost estimates by the Engineer and the Financial Advisor. The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Road Bonds and completion of agreed-upon procedures by the District's auditor.

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

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PHOTOGRAPHS TAKEN WITHIN THE DISTRICT  
(July 2023)



PHOTOGRAPHS TAKEN WITHIN THE DISTRICT  
(July 2023)



## THE DISTRICT

### General

The District was created by Order of the TCEQ dated April 21, 2015. The District operates under Chapter 375 of the Texas Local Government Code in addition to Chapters 49 and 54 of the Texas Water Code pursuant to Article XVI, Section 59 and Article III, Section 52 and 52-a, of the Texas Constitution. The District consists of approximately 2,046 acres.

Among other purposes, the District is authorized to purchase, construct, operate and maintain public water, wastewater, and drainage facilities, roads, and recreational facilities.

### Location

The District is located in the County and is situated wholly within the limits of the City. The District is generally bounded on the west of Interstate Highway 45 ("IH-45"), south of Loop 336 and north of the West Fork of the San Jacinto River and east of Sgt. Ed Holcomb Boulevard. Primary access to the District will be from the frontage along IH-45 along Grand Central Parkway. Secondary access points will be from Loop 336 along Crescent Campus Boulevard, Urban Avenue and Town Park Drive. The District is located in the Ransom House Survey, A-245 and the Joseph House Survey, A-250.

### Management of the District

#### - Board of Directors -

The District is governed by a board, consisting of five (5) directors appointed by the City, which has control over and management and supervision of all affairs of the District. Directors serve staggered four (4) year terms.

<u>Name</u>	<u>Title</u>	<u>Term Expires April</u>
Keaton Hineman	President	2025
Eric Wright	Vice President	2027
Kyler Ferris	Assistant Vice President	2025
Denise DeGeare	Secretary / Treasurer	2027
Jager Livingston	Assistant Secretary	2027

#### - Consultants -

**Tax Assessor/Collector** – Land and improvements in the District are being appraised by the Montgomery Central Appraisal District (the "Appraisal District"). The tax assessor/collector for the District is Assessments of the Southwest, Inc.

**Bookkeeper** – The District contracts with Municipal Accounts & Consulting, LP as bookkeeper for the District.

**Engineer** – The District's consulting engineer is LJA Engineering, Inc. (the "Engineer").

**Auditor** – As required by the Texas Water Code, the District retains an independent auditor to audit the District's financial statements annually, which annual audit is filed with the TCEQ. A copy of the District's audit prepared by McCall Gibson Swedlund Barfoot, PLLC for the fiscal year ending July 31, 2022, is included as "APPENDIX A."

**Financial Advisor** – Robert W. Baird & Co. Incorporated serves as the District's financial advisor ("the Financial Advisor"). The fee for services rendered in connection with the issuance of the Bonds is based on the percentage of the Bonds actually issued, sold and delivered and, therefore, such fee is contingent upon the sale and delivery of the Bonds. The Financial Advisor is not obligated to undertake and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information herein.

**Bond & General Counsel** – The District has engaged The Muller Law Group, PLLC as bond counsel ("Bond Counsel") in connection with the issuance of the District's Bonds. The fees of Bond Counsel are based on the percentage of the Bonds actually issued, sold and delivered and, therefore, such fee is earned upon the sale and delivery of the Bonds. The Muller Law Group, PLLC also serves as the District's general counsel.



**Disclosure Counsel** – Orrick Herrington & Sutcliffe LLP has been designated as disclosure counsel (“Disclosure Counsel”). The fees of Disclosure Counsel in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds.

## **AGREEMENTS WITH CITY OF CONROE AND MONTGOMERY COUNTY**

### **Agreements with City of Conroe**

The Developers, acting on behalf of the District, entered into the Utility Functions Agreement (the “Utility Agreement”) with the City. Pursuant to the Utility Agreement, the District is responsible for acquiring and constructing for the benefit of, and for ultimate conveyance to, the City, the water distribution, wastewater collection, drainage, and road facilities (the “Facilities”) to serve development within the District. The City has agreed to accept the Facilities for operation and maintenance in consideration for the District’s financing, acquisition, and construction of the Facilities. The City agrees to charge residents of the District the same water and wastewater rates that the City charges in other parts of the City.

The Utility Agreement provides that the Facilities shall be designed and constructed in accordance with the City’s requirements. The City agrees to provide the District with its ultimate requirements for water supply capacity and wastewater treatment capacity without charging the District any type of capital charge. In accordance with the Utility Agreement, the District is authorized to issue bonds for the purpose of financing the construction and acquisition of the Facilities.

The Utility Agreement provides that the City will pay an annual payment to the District. The annual payment, which is waived by the District during the period under which the City makes payments to the District under a Reimbursement Agreement and Economic Development Agreement (herein defined), entered into between the Developers and the City, is equal to the total assessed value in the District for the given year multiplied by the portion of the City’s tax rate that is attributable to water, wastewater, and drainage facilities.

The term of the Utility Agreement is the earlier of the dissolution of the District by the City or 40 years. The City’s right to dissolve the District is restricted per the Utility Agreement. Under the terms of the Utility Agreement, the City agrees that it will not dissolve the District until certain conditions have been met, including (i) 90% of the District’s facilities have been developed and (ii) the Developers have been reimbursed for advancing funds to construct the Facilities to the maximum extent permitted by the rules of the TCEQ or the City assumes any obligations for such payment by the District under such rules.

In addition to the Utility Agreement, the City, the District, the Developer and GCP Conroe 380, LLC, an affiliate entity of the Developer (“GCP Conroe 380”), entered into an Amended and Restated Reimbursement Agreement approved by City Council on July 14, 2022, related to financing certain public improvements to serve property within the District (the “Reimbursement Agreement”). The Reimbursement Agreement calls for the City to reimburse GCP Conroe 380 for costs, including but not limited to design, testing, construction, and costs to obtain permits, related to floodplain streambed reclamation and mitigation improvements necessary to serve development within the District. Pursuant to the terms of the Reimbursement Agreement, total Improvement Costs (as defined in the Reimbursement Agreement) to be paid by the City will equal \$14,925,000.

### **Reimbursement Agreement with Montgomery County**

The District and the County entered into the County Reimbursement Agreement whereby the County will reimburse the District for certain road infrastructure costs (the “County Reimbursement Agreement”). The County Reimbursement Agreement calls for the County to reimburse the District a maximum of \$20,000,000 for roads and public improvements, including related drainage and storm sewer facilities. Pursuant to the County Reimbursement Agreement, the County has agreed to annually pay the District an amount equal to 90% of the County’s tax rate minus the debt service portion of its tax rate levied on any incremental value above \$27,900,000. The County will make annual payments to the District until the total payment reaches \$20,000,000.

## **THE DEVELOPERS AND PRINCIPAL LANDOWNERS**

### **The Role of a Developer**

In general, the activities of a developer in a municipal utility district such as the District include purchasing the land within the District, designing the subdivision, designing the utilities and streets to be constructed in the subdivisions, designing any community facilities to be built, defining a marketing program and building schedule, securing necessary governmental approvals and permits for development, arranging for the construction of roads and the installation of utilities (including, in some cases, water, wastewater, and drainage

facilities pursuant to the rules of the TCEQ, as well as gas, telephone, and electric service) and selling improved lots and commercial reserves to builders, developers, or other third parties. In certain instances, the developer will be required to pay up to 30% of the cost of constructing certain water, wastewater and drainage facilities in a municipal utility district pursuant to the rules of the TCEQ. The relative success or failure of a developer to perform such activities in development of property within a municipal utility district may have a profound effect on the security of the unlimited tax bonds issued by a district. A developer is generally under no obligation to a district to develop the property which it owns in the district. Furthermore, there is no restriction on a developer's right to sell any or all of the land which it owns within a district. In addition, a developer is ordinarily the major taxpayer within a municipal utility district during the development phase of the property.

### **Description of the Developers and Principal Landowners**

The Johnson Development Corp., through its affiliated entities Conroe CS Texas Holdings LP ("CS Texas") and GCP Loan Subsidiary 1 LP ("GCP1"), manages the development of residential, commercial, and mixed-use land within the District. CS Texas, a Delaware limited partnership, having Johnson Conroe CS GP, LLC as its general partner, purchased all of the property within the District. GCP1 is a Texas limited partnership whose general partner is CS Loan Sub 1 LLC and whose limited partner is CS Texas, and is the primary development entity in the District. CS Texas and GCP1 are collectively referred to herein as the "Developers." As of August 1, 2023, the Developers owned approximately 1,449 acres in the District.

Fidelis Realty Partners ("Fidelis"), through its affiliated entity 336 Associates, is the main developer of commercial land within the District. 336 Associates is owned in part and controlled by Fidelis. Fidelis was founded in 2003 as a commercial real estate development company based in Houston. Fidelis currently manages over ten (10) million square feet of commercial and retail space, focusing primarily on the Houston market.

### **Development Financing**

On November 21, 2013, CS Texas, a Delaware limited partnership, having Johnson Conroe CS GP, LLC as its general partner, purchased approximately 2,100 acres of land within the District. CS Texas financed the acquisition with equity plus combined loans totaling approximately \$61,800,000 from PSPIB Realty U.S. Inc., Tricon U.S. Lender Inc. and Johnson Conroe CS Investors LLC. The loans were converted to equity on March 21, 2022.

GCP1 has financed the development of the District with a revolving development loan with Woodforest National Bank in the amount of \$28,000,000. Interest on the loan accrues monthly at the greater of the prime rate plus 1% or 5% per annum, compounded monthly, and payable from 92% of lot and land sale proceeds, plus the reimbursement of District receivables. The loan is secured by real estate, assignment of District reimbursements and assignment for certain contracts and matures March 31, 2025. As of June 30, 2023, the principal balance was approximately \$4,150,000.

### **Lot Sales Contracts**

The Developers have entered into lot sales contracts with each of Lennar Homes, Village Builders, Coventry Homes, Highland Homes, Perry Homes, Tri Pointe Homes (formerly Trendmaker Homes), Brightland Homes (formerly Gehan Homes), David Weekley Homes, Westin Homes, Darling Homes, Drees Custom Homes, and Jaeger Homes. The contracts for the sale of lots between the Developers and the builders require that earnest money be deposited with a title company, typically 10% of the total price of the completed lots. The sales contracts establish certain required lot purchases quarterly, with the earnest money deposit being returned to the builders upon purchase of the last lots under each contract. The Developers' sole remedy for builders not purchasing lots in accordance with the contracts is cancellation of the contract and retention of the remaining earnest money on deposit. According to the Developers, all builders are in compliance with their respective lot sales contracts.

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As of August 1, 2023, the total number of lots contracted and purchased by each builder is listed below:

Builder	Total Lots Currently Contracted (Not Purchased)	Total Lots Purchased
Lennar Homes	-	156
Village Builders	-	42
Coventry Homes	12	113
Highland Homes	12	139
Perry Homes	27	240
Tri Pointe Homes (a)	-	57
David Weekley Homes	23	160
Westin Homes	30	144
Darling Homes	-	52
Drees Custom Homes	10	102
Jaeger Homes	-	32
Brightland Homes (b)	-	22
Total	114	1,259

(a) Formerly Trendmaker Homes.

(b) Formerly Gehan Homes.

#### **DEVELOPMENT WITHIN THE DISTRICT**

Land within the District is being developed as the approximate 2,046-acre master-planned community of “Grand Central Park.” As of August 1, 2023, approximately 356 acres (1,278 lots) have been developed, including: 1,031 complete and occupied homes; 24 complete and unoccupied homes; nine (9) model homes; 108 homes under construction; and 106 vacant developed lots. In addition, approximately 102 acres have been developed by Fidelis as “336 Marketplace.” The remainder of land within the District consists of approximately 394 remaining developable acres and approximately 1,195 undevelopable acres. 336 Marketplace currently contains several tenants, including: Burlington; CenterWell; Dick’s Sporting Goods; DSW; Five Below; Marshalls/HomeGoods; Kroger; Michaels; Ross; and Ulta. Additional tenants within 336 Marketplace are anticipated. See “DEVELOPMENT WITHIN THE DISTRICT – Status of Development within the District.”

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## Status of Development within the District

The following is a status of construction of single-family housing within the District as of August 1, 2023:

DEVELOPMENT AREA	ACRES	LOTS	HOMES					
			COMPLETE - OCCUPIED	COMPLETE - UNOCCUPIED	MODELS	UNDER CONSTRUCTION	VACANT DEVELOPED LOTS	
Grand Central Park								
Section 1	32.576	85	85	-	-	-	-	
Section 2	16.859	58	58	-	-	-	-	
Section 3	7.850	22	22	-	-	-	-	
Section 4	9.354	50	50	-	-	-	-	
Section 5	13.188	22	22	-	-	-	-	
Section 6	22.986	56	56	-	-	-	-	
Section 7	7.622	21	21	-	-	-	-	
Section 8	13.188	38	38	-	-	-	-	
Section 9	3.707	9	9	-	-	-	-	
Section 10	22.698	71	61	-	-	10	-	
Section 11	6.202	12	12	-	-	-	-	
Section 12	24.476	46	46	-	-	-	-	
Section 13	3.813	11	2	-	9	-	-	
Section 14	5.620	40	40	-	-	-	-	
Section 15	9.093	25	24	-	-	-	1	
Section 16	6.602	35	35	-	-	-	-	
Section 17	10.486	43	42	-	-	1	-	
Section 18	6.688	31	30	-	-	1	-	
Section 19	5.951	28	28	-	-	-	-	
Section 20	34.246	148	140	5	-	3	-	
Section 21	9.579	40	36	3	-	1	-	
Section 22	4.244	34	34	-	-	-	-	
Section 23	6.566	25	14	2	-	9	-	
Section 24	5.133	42	42	-	-	-	-	
Section 25	16.142	74	30	5	-	13	26	
Section 26	10.726	56	11	6	-	11	28	
Section 27	28.780	102	-	-	-	52	50	
Section 4-A	2.103	20	20	-	-	-	-	
Section 5-2	9.094	34	23	3	-	7	1	
<b>Total</b>	<b>355.572</b>	<b>1,278</b>	<b>1,031</b>	<b>24</b>	<b>9</b>	<b>108</b>	<b>106</b>	
Commercial Remaining	101.696							
Developable (a)	393.707							
Undevelopable	1,194.725							
<b>Total</b>	<b>2,045.700</b>							

(a) Approximately 51 acres (184 lots) are currently under development as Grand Central Park, Sections 28, 30, 31, and 32.

**DISTRICT DEBT**

**System Debt Service Requirement Schedule**

The following schedule sets forth the debt service requirements for the Outstanding System Bonds and the principal and interest requirements for the System Bonds. Totals may not sum due to rounding.

Year Ending 12/31	Outstanding System Debt Service (a)	The System Bonds			
		Principal	Interest	Total Debt Service	Total System Debt Service
2023	\$ 1,247,046	\$ -	\$ -	\$ -	\$ 1,247,046
2024	1,927,926	-	683,093	683,093	2,611,019
2025	1,920,864	370,000	723,275	1,093,275	3,014,139
2026	1,922,439	390,000	699,225	1,089,225	3,011,664
2027	1,912,119	405,000	673,875	1,078,875	2,990,994
2028	1,914,906	425,000	647,550	1,072,550	2,987,456
2029	1,913,225	445,000	619,925	1,064,925	2,978,150
2030	1,919,200	465,000	591,000	1,056,000	2,975,200
2031	1,929,244	485,000	560,775	1,045,775	2,975,019
2032	1,937,163	505,000	531,675	1,036,675	2,973,838
2033	1,943,250	530,000	511,475	1,041,475	2,984,725
2034	1,952,863	550,000	490,275	1,040,275	2,993,138
2035	1,955,575	575,000	468,275	1,043,275	2,998,850
2036	1,965,531	605,000	445,275	1,050,275	3,015,806
2037	1,977,794	630,000	421,075	1,051,075	3,028,869
2038	1,977,331	660,000	395,875	1,055,875	3,033,206
2039	1,980,056	690,000	369,475	1,059,475	3,039,531
2040	1,989,931	720,000	341,013	1,061,013	3,050,944
2041	1,996,238	750,000	311,313	1,061,313	3,057,550
2042	1,995,169	785,000	279,438	1,064,438	3,059,606
2043	1,636,025	820,000	246,075	1,066,075	2,702,100
2044	1,169,275	860,000	210,200	1,070,200	2,239,475
2045	1,181,350	895,000	172,575	1,067,575	2,248,925
2046	1,047,300	935,000	132,300	1,067,300	2,114,600
2047	465,750	980,000	90,225	1,070,225	1,535,975
2048	-	1,025,000	46,125	1,071,125	1,071,125
	<u>\$ 43,777,568</u>	<u>\$ 15,500,000</u>	<u>\$ 10,661,381</u>	<u>\$ 26,161,381</u>	<u>\$ 69,938,949</u>

(a) Outstanding debt as of the delivery of the System Bonds.

Average Annual Requirement on the Outstanding System Bonds and the System Bonds (2024–2048) .....	\$ 2,747,676
Maximum Annual Requirement on the Outstanding System Bonds and the System Bonds (2042) .....	\$ 3,059,606

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## Road Debt Service Requirement Schedule

The following schedule sets forth the debt service requirements for the Outstanding Road Bonds and the principal and interest requirements for the Road Bonds. Totals may not sum due to rounding.

Year Ending 12/31	Outstanding Road Debt Service (a)	The Road Bonds		Total Debt Service	Total Road Debt Service
		Principal	Interest		
2023	\$ 1,468,288	\$ -	\$ -	\$ -	\$ 1,468,288
2024	1,966,610	-	551,461	551,461	2,518,071
2025	1,961,685	300,000	583,900	883,900	2,845,585
2026	1,957,245	315,000	564,400	879,400	2,836,645
2027	1,951,305	330,000	543,925	873,925	2,825,230
2028	1,962,399	345,000	522,475	867,475	2,829,874
2029	1,961,716	360,000	500,050	860,050	2,821,766
2030	1,974,241	375,000	476,650	851,650	2,825,891
2031	1,982,891	390,000	452,275	842,275	2,825,166
2032	1,995,351	410,000	428,875	838,875	2,834,226
2033	2,006,130	425,000	412,475	837,475	2,843,605
2034	2,024,180	445,000	395,475	840,475	2,864,655
2035	2,040,578	465,000	377,675	842,675	2,883,253
2036	2,048,980	485,000	359,075	844,075	2,893,055
2037	2,057,520	510,000	339,675	849,675	2,907,195
2038	2,063,836	530,000	319,275	849,275	2,913,111
2039	2,073,199	555,000	298,075	853,075	2,926,274
2040	2,089,830	580,000	275,181	855,181	2,945,011
2041	2,088,530	605,000	251,256	856,256	2,944,786
2042	2,099,835	635,000	225,544	860,544	2,960,379
2043	1,788,698	665,000	198,556	863,556	2,652,254
2044	1,607,944	690,000	169,463	859,463	2,467,406
2045	1,611,988	725,000	139,275	864,275	2,476,263
2046	1,189,288	755,000	106,650	861,650	2,050,938
2047	894,400	790,000	72,675	862,675	1,757,075
2048	-	825,000	37,125	862,125	862,125
	<u>\$ 46,866,665</u>	<u>\$ 12,510,000</u>	<u>\$ 8,601,461</u>	<u>\$ 21,111,461</u>	<u>\$ 67,978,126</u>

(a) Outstanding debt as of the delivery of the Road Bonds.

Average Annual Requirement on the Outstanding Road Bonds and the Road Bonds (2024–2048) .....	\$ 2,660,394
Maximum Annual Requirement on the Outstanding Road Bonds and the Road Bonds (2042) .....	\$ 2,960,379

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**DISTRICT FINANCIAL DATA**

**Assessed Value**

2023 Assessed Valuation ..... \$ 702,967,685 (a)  
 (100% of the taxable value as of January 1, 2023)

Estimated Assessed Valuation as of May 1, 2023 ..... \$ 768,282,162 (b)  
 (100% of the estimated taxable value as of May 1, 2023)

**Direct Debt:**

The Outstanding Bonds (as of the delivery of the Bonds)..... \$ 61,780,000  
 The System Bonds ..... \$ 15,500,000  
 The Road Bonds..... \$ 12,510,000  
 Total..... \$ 89,790,000

Estimated Overlapping Debt ..... \$ 39,918,650

Total Direct and Estimated Overlapping Debt ..... \$ 129,708,650

**Direct Debt Ratios:**

Based on the 2023 Assessed Valuation..... 12.77 %  
 Based on the Estimated Assessed Valuation as of May 1, 2023..... 11.69 %

**Direct and Estimated Overlapping Debt Ratios:**

Based on the 2023 Assessed Valuation..... 18.45 %  
 Based on the Estimated Assessed Valuation as of May 1, 2023..... 16.88 %

System Debt Service Fund Balance (as of July 19, 2023) ..... \$ 1,865,716 (c)

Road Debt Service Fund Balance (as of July 19, 2023)..... \$ 2,083,588 (d)

System Construction Fund Balance (as of July 19, 2023)..... \$ 801,588

Road Construction Fund Balance (as of July 19, 2023)..... \$ 373,924

Operating Fund Balance (as of July 19, 2023)..... \$ 677,961

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- (a) Represents the assessed valuation of all taxable property within the District as of January 1, 2023, provided by the Appraisal District (herein defined). Such amount includes \$31,247,480 of assessed valuation assigned to properties that remain under review by the Appraisal Review Board (herein defined). Such amount represents the estimated minimum amount of assessed valuation that will ultimately be approved by the Appraisal Review Board, upon which the District will levy its tax. See "TAX DATA" and "TAXING PROCEDURES."
  - (b) valuation of all taxable property located within the District as of May 1, 2023, and includes an estimate of valuations resulting from the construction of taxable improvements from January 1, 2023, through May 1, 2023. No taxes will be levied against this amount. See "TAX DATA" and "TAXING PROCEDURES."
  - (c) Neither Texas Law nor the System Bond Resolution requires that the District maintain any particular sum in the System Debt Service Fund (herein defined). The funds in the System Debt Service Fund are pledged only to pay debt service on the Outstanding System Bonds and the System Bonds, not the Outstanding Road Bonds or the Road Bonds.
  - (d) Neither Texas Law nor the Road Bond Resolution requires that the District maintain any particular sum in the Road Debt Service Fund (herein defined). The funds in the Road Debt Service Fund are pledged only to pay debt service on the Outstanding Road Bonds and the Road Bonds, not the Outstanding System Bonds or the System Bonds.

**Unlimited Tax Bonds Authorized but Unissued**

<u>Election Date</u>	<u>Purpose</u>	<u>Authorized</u>	<u>Issued to Date</u>	<u>Unissued</u>
11/03/2015	Water, Wastewater, and Drainage	\$ 250,800,000	\$ 47,865,000 (a)	\$ 202,935,000
11/03/2015	Roads	187,550,000	46,315,000 (b)	141,235,000
11/03/2015	Parks and Recreation	29,700,000	-	29,700,000

(a) Includes the System Bonds.

(b) Includes the Road Bonds.

## Investment Authority and Investment Practices of the District

The District has adopted an investment policy (the "Investment Policy") as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code (the "Act"). The District's goal is to preserve principal and maintain liquidity in a diversified portfolio while securing a competitive yield on its portfolio. Funds of the District are to be invested only in accordance with the Investment Policy. The Investment Policy states that the funds of the District may be invested in obligations of the United States or its agencies or instrumentalities, in certificates of deposits insured by the Federal Deposit Insurance Corporation and secured by collateral authorized by the Act, and in TexPool and Texas CLASS, which are public funds investment pools rated in the highest rating category by a nationally recognized rating service. The District does not currently own, nor does it anticipate, the inclusion of long term securities or derivative products in the portfolio.

## Estimated Direct and Overlapping Debt Statement

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

Taxing Jurisdiction	Outstanding Debt as of June 30, 2023	Estimated Overlapping	
		Percent	Amount
City of Conroe	\$ 502,220,000	3.87%	\$ 19,423,829
Montgomery County	441,665,000	0.60%	2,641,525
Montgomery County Hospital District	-	-	-
Lone Star College System	602,965,000	0.18%	1,088,654
Conroe Independent School District	1,550,285,000	1.08%	<u>16,764,642</u>
Total Estimated Overlapping Debt			\$ 39,918,650
The District		100.00%	\$ <u>89,790,000</u> (a)
Direct & Estimated Overlapping Debt			\$ <u>129,708,650</u> (a)

(a) Includes the Bonds.

## Debt Ratios

	Direct Debt (a)	Direct and Estimated Overlapping Debt (a)
2023 Assessed Valuation (\$702,967,685)	12.77%	18.45%
Estimated Assessed Valuation as of May 1, 2023 (\$768,282,162)	11.69%	16.88%

(a) Includes the Bonds.

## TAX DATA

### General

All taxable property within the District is subject to the assessment, levy and collection by the District of a continuing, direct, annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds (and any future tax-supported bonds which may be issued from time to time as authorized). Taxes are levied by the District each year against the District's assessed valuation as of January 1 of that year. Taxes become due October 1 of such year, or when billed, and generally become delinquent after January 31 of the following year. The Board covenants in the Bond Resolutions to assess and levy for each year that all or any part of the Bonds remain outstanding and unpaid a tax ample and sufficient to

produce funds to pay the principal of and interest on the Bonds. The actual rate of such tax will be determined from year to year as a function of the District's tax base, its debt service requirements and available funds. In addition, the District has the power and authority to assess, levy and collect ad valorem taxes, in an amount not to exceed \$1.00 per \$100 of assessed valuation for system operation and maintenance purposes and \$0.10 for road facilities maintenance purposes. For the 2022 tax year, the District levied a maintenance and operations tax of \$0.12 per \$100 of assessed valuation, a system debt service tax of \$0.39 per \$100 of assessed valuation, and a road debt service tax of \$0.37 per \$100 of assessed valuation.

#### **Tax Rate Limitation**

System Debt Service:	Unlimited (no legal limit as to rate or amount).
Road Debt Service:	Unlimited (no legal limit as to rate or amount).
Maintenance and Operations:	\$1.00 per \$100 of Assessed Valuation.
Road Facilities Maintenance:	\$0.10 per \$100 of Assessed Valuation.

#### **Debt Service Tax**

The District maintains a separate debt service fund for the Outstanding System Bonds and the System Bonds (the "System Debt Service Fund"). Funds in the System Debt Service Fund are not available to pay principal or interest on the Outstanding Road Bonds or the Road Bonds. The District maintains a separate debt service fund for the Outstanding Road Bonds and the Road Bonds (the "Road Debt Service Fund"). Funds in the Road Debt Service Fund are not available to pay principal or interest on the Outstanding System Bonds or the System Bonds.

For the 2022 tax year, the District levied a system debt service tax of \$0.39 per \$100 of assessed valuation and a road debt service tax of \$0.37 per \$100 of assessed valuation. Such tax is in addition to taxes which the District is authorized to levy for maintenance and operations purposes.

#### **Maintenance and Operations Tax**

The Board has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements if such maintenance tax is authorized by vote of the District's electors. On November 3, 2015, the Board was authorized to levy such maintenance and operations tax in an amount not to exceed \$1.00 per \$100 of assessed valuation for water, wastewater, drainage facilities and park and recreational facilities; and \$0.10 per \$100 of assessed valuation for road facilities on all taxable property within the District. For the 2022 tax year, the District levied a maintenance and operations tax of \$0.12 per \$100 of assessed valuation. Such tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on debt issued by the District.

#### **Tax Exemption**

To date, the District has not adopted a general residential homestead exemption. For the 2023 tax year, the District adopted a \$10,000 residential homestead exemption for individuals who are disabled or 65 years of age or older. See "TAXING PROCEDURES."

#### **Additional Penalties**

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

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## Historical Collections

The following table illustrates the collection history of the District for the 2018–2022 tax years:

Tax Year	Assessed Valuation	Tax Rate (a)	Adjusted Levy	Percent Collections Current Year	Tax Year Ending 09/30	Percent Collections as of 06/30/2023
2018	\$ 119,446,819	\$ 0.90	\$ 1,075,021	99.90%	2019	100.00%
2019	164,452,759	0.90	1,480,075	99.67%	2020	100.00%
2020	224,001,719	0.90	2,016,015	99.55%	2021	100.00%
2021	325,526,891	0.90	2,929,742	99.11%	2022	99.99%
2022	509,483,494	0.88	4,483,455	98.82% (b)	2023	98.82% (b)

(a) Total tax rate per \$100 of assessed valuation.

(b) In process of collections.

Collections for the 2023 tax year have not yet commenced.

## Tax Rate Distribution

The following table illustrates the components of the tax rate for the District's 2018–2022 tax years:

	2022	2021	2020	2019	2018
System Debt Service	\$0.390	\$0.445	\$0.360	\$0.445	\$0.295
Road Debt Service	0.370	0.320	0.350	0.275	0.260
Maintenance and Operations	<u>0.120</u>	<u>0.135</u>	<u>0.190</u>	<u>0.180</u>	<u>0.345</u>
Total	<u>\$0.880</u>	<u>\$0.900</u>	<u>\$0.900</u>	<u>\$0.900</u>	<u>\$0.900</u>

## Analysis of Tax Base

The following table illustrates the District's total taxable assessed value for the 2019–2023 tax years by type of property:

Type of Property	2023 Assessed Valuation (a)	2022 Assessed Valuation	2021 Assessed Valuation	2020 Assessed Valuation	2019 Assessed Valuation
Land	\$ 144,050,421	\$ 128,006,617	\$ 117,912,587	\$ 90,647,177	\$ 80,899,347
Improvements	593,849,266	448,746,960	250,447,845	161,562,970	100,304,650
Personal Property	21,684,274	13,360,348	12,230,150	7,706,552	4,879,644
Exemptions	<u>(56,616,276)</u>	<u>(80,630,431)</u>	<u>(55,063,691)</u>	<u>(35,914,980)</u>	<u>(21,630,882)</u>
Total	\$ 702,967,685	\$ 509,483,494	\$ 325,526,891	\$ 224,001,719	\$ 164,452,759

(a) Such amount includes \$31,247,480 of assessed valuation assigned to properties that remain under review by the Appraisal Review Board. Such amount represents the estimated minimum amount of assessed valuation that will ultimately be approved by the Appraisal Review Board, upon which the District will levy its tax.

## Principal Taxpayers

The following tables illustrates the principal taxpayers, type of property, and their assessed values as of January 1, 2023:

Taxpayer	Type of Property	Assessed Valuation 2023 Tax Roll	Percent of 2023 Tax Roll
I-45/LOOP 336 ASSOCIATES LLC (a)	Commercial	\$ 128,718,050	18.31%
MFT-WOODRIDGE LLC	Multi-Family	60,000,000	8.54%
MARCEL BOULEVARD LLC	Commercial	20,479,320	2.91%
GCP LOAN SUBSIDIARY 1 LP / CONROE CS TEXAS HOLDINGS LP (a)	Land & Improvements	17,597,850	2.50%
NPH CONROE TX LLC	Commercial	12,070,230	1.72%
KROGERS #736	Commercial	5,077,300	0.72%
WESTIN HOMES & PROPERTIES LP	Land & Improvements	4,985,800	0.71%
VCFS AUTO LEASING COMPANY	Commercial	3,181,911	0.45%
ADVANCED CONSTRUCTION & DEV.	Commercial	3,115,723	0.44%
OCEAN EXPRESS RE LLC	Commercial	<u>3,000,000</u>	<u>0.43%</u>
Total		<u>\$ 258,226,184</u>	<u>36.73%</u>

(a) See "DEVELOPERS AND PRINCIPAL LANDOWNERS."

## Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of taxable assessed valuation that would be required to meet certain debt service requirements if no growth in the District occurs beyond the 2023 assessed valuation of \$702,967,685; the estimated assessed valuation as of May 1, 2023, of \$768,282,162. The foregoing further assumes collection of 95% of taxes levied and the sale of no additional bonds by the District.

Average Annual Debt Service Requirement on the Outstanding System Bonds and the System Bonds (2024–2048).....		\$ 2,747,676
System Tax Rate of \$0.42 on the 2023 Assessed Valuation .....		\$ 2,804,841
System Tax Rate of \$0.38 on the Estimated Assessed Valuation as of May 1, 2023 .....		\$ 2,773,499
Maximum Annual Debt Service Requirement on the Outstanding System Bonds and the System Bonds (2042).....		\$ 3,059,606
System Tax Rate of \$0.46 on the 2023 Assessed Valuation .....		\$ 3,071,969
System Tax Rate of \$0.42 on the Estimated Assessed Valuation as of May 1, 2023 .....		\$ 3,065,446
Average Annual Debt Service Requirement on the Outstanding Road Bonds and the Road Bonds (2024–2048).....		\$ 2,660,394
Road Tax Rate of \$0.40 on the 2023 Assessed Valuation.....		\$ 2,671,277
Road Tax Rate of \$0.37 on the Estimated Assessed Valuation as of May 1, 2023.....		\$ 2,700,512
Maximum Annual Debt Service Requirement on the Outstanding Road Bonds and the Road Bonds (2042) .....		\$ 2,960,379
Road Tax Rate of \$0.45 on the 2023 Assessed Valuation.....		\$ 3,005,187
Road Tax Rate of \$0.41 on the Estimated Assessed Valuation as of May 1, 2023.....		\$ 2,992,459

## Estimated Overlapping Taxes

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

Set forth below is an estimation of all 2022 taxes levied by such jurisdictions per \$100 of assessed valuation. Such levies do not include local assessments for community associations, fire department contributions,

charges for solid waste disposal, or any other charges made by entities other than political subdivisions. See "DISTRICT FINANCIAL DATA – Estimated Direct and Overlapping Debt Statement."

<u>Taxing Jurisdiction</u>	<u>2022 Tax Rate (a)</u>
The District	\$ 0.880000
City of Conroe	0.427200
Montgomery County	0.374200
Montgomery County Hospital District	0.050200
Lone Star College System	0.107800
Conroe Independent School District	<u>1.114600</u>
Total	\$ \$2.954000

(a) Total tax rate per \$100 of assessed valuation.

## TAXING PROCEDURES

### Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax on all taxable property within the District in an amount sufficient to pay the principal of and interest on the Bonds and any additional bonds payable from taxes which the District may hereafter issue, and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Resolutions to levy such a tax from year to year as described more fully above under "THE BONDS – Source of Payment." Under Texas law, the Board is also authorized to levy and collect an annual ad valorem tax for the operation and maintenance of the System and roads serving the District, and for the payment of certain contractual obligations if authorized by its voters. See "INVESTMENT CONSIDERATIONS – Future Debt" and "TAX DATA – Tax Rate Limitation."

### Property Tax Code and County-wide Appraisal District

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

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

### Property Subject to Taxation by the District

**General:** Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, manufactured homes, and certain categories of intangible personal property with a tax situs within the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by Texas or its political subdivisions, if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies and personal effects; certain goods, wares, and merchandise in transit; certain farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; travel trailers; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years of age or older and certain disabled persons, to the extent deemed advisable by the Board. The District may be required to offer such exemptions if a majority of voters approve the same at an election. The District would be required to call an election upon petition by 20% of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax-supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, but only to the maximum extent of between \$5,000 and \$12,000 depending upon the disability rating of the veteran claiming the exemption. A veteran who receives a disability rating of 100% is entitled to an exemption of full value of the veteran's residential

homestead. Furthermore, qualifying surviving spouses of persons 65 years of age and older are entitled to receive a resident homestead exemption equal to the exemption received by the deceased spouse, and surviving spouses of a deceased veteran who had received a disability rating of 100% are entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse until such surviving spouse remarries. Such exemption would be transferred to a subsequent residence homestead of the surviving spouse of a deceased veteran who had received a disability rating of 100%, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. This exemption also applies, under certain conditions, to a residence homestead that was donated by a charitable organization at some cost to such veterans. Also, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption in the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

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

To date, the District has not adopted a general residential homestead exemption. For the 2023 tax year, the District adopted a \$10,000 residential homestead exemption for individuals who are disabled or 65 years of age or older.

**Residential Homestead Exemptions:** The Property Tax Code authorizes the governing body of each political subdivision in Texas to exempt up to 20% of the appraised value of residential homesteads from ad valorem taxation. The District is authorized by statute to disregard previously granted residential homestead exemptions if granting the exemption would impair the District's obligation to pay tax-supported debt incurred prior to adoption of the exemption by the District. The adoption of a homestead exemption may be considered each year, but must be adopted by July 1.

**Freeport Goods Exemption:** A "Freeport Exemption" applies to goods, wares, ores, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing, or fabricating not later than 175 days after the person acquired or imported the property into Texas.

A "Goods-in-Transit Exemption" is applicable to goods, wares, merchandise, other tangible personal property, and ores, other than oil, natural gas, petroleum products, aircraft, dealer's motor vehicle inventory, dealer's vessel and outboard motor inventory, dealer's heavy equipment inventory, or retail manufactured housing inventory, if such property is acquired in or imported into Texas only if such property is to be forwarded to another location in or outside of Texas and 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, and is transported to another location in the state or outside of the state not later than 175 days after the date the person acquired the property in or imported the property into Texas.

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 property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. The District has taken official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years.



## Valuation of Property for Taxation

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

The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its 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 of such property would bring if sold as a unit to a purchaser who would continue the business. Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by one (1) political subdivision while claiming it for another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes and a 5% annual interest for the previous three (3) years for agricultural use, open space land and timberland.

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

Effective January 1, 2020, Section 11.35 of the Property Tax Code, authorizes a temporary tax exemption for certain damaged property in Governor (herein defined)-declared disaster areas. In order to qualify for the exemption, the property must be at least 15% damaged, as determined by the chief appraiser of the appraisal district. Upon a property owner's application for an exemption, the chief appraiser must assign a damage rating of Level I – at least 15%, but less than 30% (minimal damage), Level II – at least 30%, but less than 60% (nonstructural damage), Level III – at least 60%, but less than 100% (significant structural damage), or Level IV – 100% (total loss). The amount of the exemption for qualifying property is determined by multiplying the appraisal value by the level rating percentage (Level I – 15%, Level II – 30%, Level III – 60%, and Level IV – 100%), which is then prorated by the number of days from the disaster declaration to December 31 of the tax year in which the disaster is declared as a percentage of total days in the year.

Property owners are entitled to the exemption if the Governor of Texas (the "Governor") declares the disaster area prior to a taxing unit adopting a tax rate for the year in which the disaster occurs. However, if the disaster declaration occurs on or after the date a taxing unit adopts a tax rate, property owners are only entitled to receive the exemption if the governing body of the taxing unit adopts the exemption within 60 days of the disaster declaration. The exemption expires on January 1 of the first tax year in which the property is reappraised.

During the 2<sup>nd</sup> Special Session, convened on June 27, 2023, the Texas Legislature passed Senate Bill 2 ("SB 2"), which, among other things, includes provisions that prohibit an appraisal district from increasing the appraised value of real property during the 2024 tax year on non-homestead properties (the "Subjected Property") whose appraised values are not more than \$5,000,000 (the "Maximum Property Value") to an amount not to exceed the lesser of: (1) the market value of the Subjected Property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20% of the appraised value of the Subjected Property for the preceding tax year; (b) the appraised value of the Subjected Property for the preceding tax year; and (c) the market value of all new improvements to the Subjected Property (collectively, the "Appraisal Cap"). After the 2024 tax year, through December 31, 2026, the Appraisal Cap may be increased or decreased by the product of the preceding state fiscal year's increase or decrease in consumer price index, as applicable,

to the Maximum Property Value. SB 2 was signed into law by the Governor on July 22, 2023; however, the provisions described hereinabove will take effect January 1, 2024, but only if the constitutional amendment proposed by H.J.R. 2, 88<sup>th</sup> Legislature, 2<sup>nd</sup> Called Session, 2023, is approved by the voters.

### **District and Taxpayer Remedies**

Under certain circumstances, taxpayers and taxing units (such as the District) may appeal the orders of the Appraisal Review Board by filing a timely petition for review in Texas district court. 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 compel compliance with the Property Tax Code.

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

### **Levy and Collection of Taxes**

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes, and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed, except set forth herein with respect to residential homesteads. A delinquent tax incurs a penalty of 6% of the amount of the tax for the first calendar month it is delinquent, plus 1% for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of 12% of the amount of the delinquent tax regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. For those taxes billed at a later date and that become delinquent on or after June 1, they will also incur an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. The delinquent tax accrues interest at a rate of 1% for each month or portion of a month it remains unpaid.

The Property Tax Code makes provisions for the split payment of taxes and discounts for early payment under certain circumstances which, at the option of the District, may be rejected by taxing units. The Property Tax Code also provides for the postponement of the delinquency date of taxes in certain circumstances. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties, and interest, if the person requests an installment agreement and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) 65 years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continues to accrue during the period of deferral.

Certain qualified taxpayers, including 1) owners of residential homesteads or certain properties used for residential purposes, located in a disaster or emergency area and which has been damaged by the disaster or emergency, and 2) certain qualified business entities that own or lease real and/or tangible property, located in a disaster or emergency area and which has been damaged by the disaster or emergency, are entitled to enter into a tax payment installment agreement with a taxing jurisdiction such as the District on taxes imposed on the property prior to the first anniversary of the disaster or emergency if the business entity pays at least one-fourth of the tax bill imposed on the property by the delinquency date. The remaining taxes may be paid without penalty or interest in three equal installments before the first day of the sixth month after the delinquency date.

Additionally, certain qualified business entities that own or lease real and/or tangible property located in a disaster or emergency area and which has not been damaged by the disaster or emergency, may be permitted

by a taxing jurisdiction such as the District, at the taxing jurisdiction's discretion, to enter into a tax payment installment agreement on taxes imposed on the property prior to the first anniversary of the disaster or emergency under the same terms as set forth in the paragraph directly above.

Effective September 1, 2019, a property owner serving on active duty for any branch of the United States armed forces who is transferred out of the state may defer payment on property taxes without incurring any penalty or interest. Deferred tax payments are due no later than 60 days after the earliest of the following to occur: (1) the person is discharged from active military service, (2) the person returns to the state for more than ten (10) days, or (3) the person returns to non-active-duty status in the reserves. After the deferral period expires, any unpaid delinquent taxes will accrue interest but will not incur any penalty.

### **Rollback of Operation and Maintenance Tax Rate**

Chapter 49 of the Texas Water Code, as amended, classifies districts differently based on the current operation and maintenance tax rate or on the percentage of build-out that the District has completed. Districts that have adopted an operation and maintenance tax rate for the current year that is 2.5 cents or less per \$100 of taxable value are classified as "Low Tax Rate Districts." Districts that have financed, completed, and issued bonds to pay for all improvements and facilities necessary to serve at least 95% of the projected build-out of the district are classified as "Developed Districts." Districts that do not meet either of the classifications previously discussed 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, 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 1.08 times the previous year's operation and maintenance tax rate.

#### *Developed Districts*

Developed Districts that adopt a total tax rate that would impose more than 1.035 times the amount of the total tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions for the preceding tax year, plus any unused increment rates from the previous three (3) tax years, as calculated and described in Section 26.013 of the Tax Code, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Developed District is the current year's debt service and contract tax rate plus 1.035 times the previous year's operation and maintenance tax rate plus any unused increment rates from the previous three (3) tax years. In addition, if any part of a Developed District lies within an area declared for disaster by the Governor or the 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, subject to certain homestead exemptions, are authorized to petition for an election to reduce the operation and maintenance tax rate. If an election is called and passes, the total tax rate for Developing Districts is the current year's debt service and contract tax rate plus 1.08 times the previous year's operation and maintenance tax rate.

#### *The District*

For the 2022 tax year, the District made the determination of its status as a Developing District. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's

future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

### **District's Rights in the Event of Tax Delinquencies**

Taxes levied by the District are a personal obligation of the owner of the property as of January 1 of the year in which the tax is imposed. 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 the power to tax the property. The District's tax lien is on a parity with the tax liens of other such taxing units. See "TAX DATA - Estimated Overlapping Taxes." A tax lien on real property takes priority over the claims of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by federal law. In the absence of federal law, the District's tax lien takes priority over a tax lien of the United States. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both, subject to the restrictions on residential homesteads described under "TAXING PROCEDURES - Levy and Collection of Taxes." In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights or by bankruptcy proceedings which restrict the collection of taxpayer debts. A taxpayer may redeem property that was used as the residence homestead of the owner, certain land designated for agricultural use, or a mineral interest sold at a tax sale to a purchaser other than a taxing unit within two (2) years of the date on which the purchaser's deed at the foreclosure sale is filed in the county records. For all other real property, a taxpayer may redeem the property not later than the 180<sup>th</sup> day following the date on which the purchaser's or taxing unit's deed is filed for record. See "INVESTMENT CONSIDERATIONS - General," "TAX DATA - Estimated Overlapping Taxes," and "TAXING PROCEDURES - Levy and Collection of Taxes."

The District's ability to attach or foreclose a tax lien or collect penalties or interest on delinquent taxes may be limited on property owned by a financial institution which is under receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act, 12 U.S.C. 1825, as amended.

## **THE SYSTEM**

### **General**

The water, sanitary water and drainage facilities and systems, the purchase, acquisition and construction of which will be financed by the District with the proceeds of the Bonds, have been designed in accordance with accepted engineering practices and the recommendation of certain governmental agencies having regulatory or supervisory jurisdiction over construction and operation of such facilities. According to the Engineer, the design of the water, sanitary water and drainage facilities and systems have been approved by all governmental agencies that have jurisdiction over the District.

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## Historical Operations of the System

	Fiscal Year Ended July 31				
	2023 (a)	2022	2021	2020	2019
<b>REVENUES:</b>					
Property Taxes	\$ 608,961	\$ 437,889	\$ 422,908	\$ 296,254	\$ 424,145
Montgomery County Contract Payments	-	549,662	1,577,317	4,250,169	97,435
Investment Revenues	21,940	1,038	72	1,423	3,701
Miscellaneous Revenues	<u>119,725</u>	<u>-</u>	<u>4,132</u>	<u>-</u>	<u>-</u>
<b>TOTAL REVENUES</b>	<b>\$ 750,626</b>	<b>\$ 988,589</b>	<b>\$ 2,004,429</b>	<b>\$ 4,547,846</b>	<b>\$ 525,281</b>
<b>EXPENDITURES:</b>					
Professional Fees	\$ 161,397	\$ 195,008	\$ 202,704	\$ 289,866	\$ 309,816
Contracted Services	48,278	51,893	52,037	51,985	39,018
Repairs and Maintenance	-	101,706	82,945	555,256	109,134
Other	51,679	15,499	24,682	32,970	21,037
Developer Reimbursements	-	549,662	1,391,994	-	-
Developer Interest	-	-	82,921	-	-
Capital Outlay	<u>14,400</u>	<u>-</u>	<u>98,382</u>	<u>3,677,499</u>	<u>38,875</u>
<b>TOTAL EXPENDITURES</b>	<b>\$ 275,754</b>	<b>\$ 913,768</b>	<b>\$ 1,935,665</b>	<b>\$ 4,607,576</b>	<b>\$ 517,880</b>
<b>EXCESS/DEFICIENCY</b>	<b>\$ 474,872</b>	<b>\$ 74,821</b>	<b>\$ 68,764</b>	<b>\$ (59,730)</b>	<b>\$ 7,401</b>
<b>OTHER FINANCING SOURCES/USES</b>					
Transfers In (Out)	\$ -	\$ -	\$ -	\$ -	\$ 20,061
Developer Advances	\$ -	\$ -	\$ -	\$ -	\$ -
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 474,872</b>	<b>\$ 74,821</b>	<b>\$ 68,764</b>	<b>\$ (59,730)</b>	<b>\$ 27,462</b>
<b>BEGINNING FUND BALANCE</b>	<b>\$ 303,533</b>	<b>\$ 228,712</b>	<b>\$ 159,948</b>	<b>\$ 219,678</b>	<b>\$ 192,216</b>
<b>ENDING FUND BALANCE</b>	<b>\$ 778,405</b>	<b>\$ 303,533</b>	<b>\$ 228,712</b>	<b>\$ 159,948</b>	<b>\$ 219,678</b>

(a) Unaudited; obtained from the District's bookkeeper. As of June 1, 2023 (ten (10) months).

### Description of the System

#### - Water Supply and Distribution -

The District obtains water from the City's existing trunk water lines at several locations adjacent to the District. These lines include an existing 20-inch water line at the intersection of Grand Central Parkway and Interstate I-45 Feeder Road; an existing 20-inch line from Crescent Campus Boulevard and South Loop 336 West; an existing 20-inch line from Urban Avenue and South Loop 336 West; and an existing 20-inch line from Town Park Drive and South Loop 336 West. By agreement, the City shall provide the District with its ultimate requirements for water supply, as needed and required by the District.

#### - Wastewater Treatment and Conveyance System -

The wastewater generated within the District will flow by gravity through an internal network of wastewater collection lines and tie into the City's 54-inch sanitary trunk line generally located in an existing sanitary easement along Grand Central Parkway. The wastewater will then flow by gravity into the City's wastewater treatment plant. By agreement, the City represents that it has sufficient capacity in its wastewater treatment system to serve the development of the District as needed and required by the District. In addition, the City agrees to make any necessary improvements to its wastewater treatment system.

#### - Drainage -

Portions of the developable land within the District currently are or were previously located in the 100-year flood plain. The "100-year flood plain" is a hypothetical engineering and meteorological concept that defines a geographical area that would supposedly be flooded by a rain storm in intensity statistically having a 1% chance of occurring in any one (1) 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 subsidies. The portions of the developable land that are currently being developed that were previously in the 100-year flood plain have been raised above the 100-year flood plain through the use of flood plain reclamation (fill) and

internal and outfall drainage facilities. Developable property within the District that is currently below the 100-year flood plain will need to be raised above the 100-year flood plain before development can occur. An engineering or regulatory determination that an area is above the 100-year flood plain is no assurance that homes built in such area will not be flooded. If substantial or frequent flooding of homes were to occur in the District, the marketing of homes and the future growth of property values in the District could be adversely affected.

The District lies immediately adjacent to the West Fork of the San Jacinto River giving it direct access to the river. The District has two (2) existing creeks, Grand Lake Creek and Silverdale Creek, that traverse the property north to south providing outfall drainage conveyance to the West Fork of the San Jacinto River. The natural pattern for overland flow within the District is to sheet flow into these two (2) creeks or flowing southwest directly into the West Fork of the San Jacinto River. Flows from developed projects may also outfall into the Strom Water Channel Excavation to serve Grand Central Park – Phase 1, funded in this bond issue, to Grand Lake Creek and ultimately conveying to the West Fork of the San Jacinto River. Storm water runoff within the District will utilize a combination of a curb and gutter street system and open ditch/swales to convey runoff to the existing and proposed drainage facilities ultimately our falling into the San Jacinto River. Storm sewer pipe for the Grand Central Parkway, Crescent Campus Boulevard, Urban Avenue, and Town Park Drive is proposed to be funded with the bond proceeds.

- Roads -

The roads within the District vary in width in accordance with standards adopted by the City, but are sized to accommodate the anticipated traffic demands of full build-out of the property within the District.

## **LEGAL MATTERS**

### **Legal Opinions**

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

Bond Counsel has reviewed the information appearing herein under “THE BONDS (except for information under the subheading “Registered Owners’ Remedies”), “THE DISTRICT – General,” “TAXING PROCEDURES,” “LEGAL MATTERS – Legal Opinions,” “TAX MATTERS,” and “CONTINUING DISCLOSURE (except for the information under the subheading “Compliance with Prior Undertakings”), solely to determine whether such information fairly summarizes matters of law and the provisions of the documents referred to therein. Bond Counsel has not, however, independently verified any of the factual information contained herein nor has it conducted an investigation of the affairs of the District or the Developers for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon Bond Counsel’s limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any information contained herein.

The legal fees paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the bonds actually issued, sold and delivered and, therefore, such fees are contingent upon the sale and delivery of the Bonds.

### **No Material Adverse Change**

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

### **No-Litigation Certificate**

The District will furnish the Initial Purchasers a certificate, dated as of the date of delivery of the Bonds, executed by both the Board President or the Board Vice President and the Board Secretary or the Board

Assistant Secretary, to the effect that no litigation of any nature has been filed or is to their knowledge then pending or threatened, either in state or federal courts, contesting or attaching the Bonds; restraining or enjoining the issuance, execution, or delivery of the Bonds; affecting the provisions made for the payment of or security for the Bonds; in any manner questioning the authority or proceedings for the issuance, execution, or delivery of the Bonds; or affecting the validity of the Bonds.

## **TAX MATTERS**

### **Opinion of Bond Counsel**

In the opinion of Bond Counsel, under current law, interest on the Bonds (a) is not included in gross income for federal income tax purposes, (b) is not an item of tax preference for purposes of the federal alternative minimum income tax, and (c) is taken into account by applicable corporations (as defined in Section 59(k) of the Code for the alternative minimum tax imposed on such corporations. No other opinion is expressed by Bond Counsel regarding the tax consequences of the ownership of or the receipt or accrual of interest on the Bonds.

Bond Counsel's opinion is given in reliance upon certifications by representatives of the District as to certain facts relevant to both the opinion and requirements of the Internal Revenue Code of 1986, as amended (the "Code"), and is subject to the condition that there is compliance subsequent to the issuance of the Bonds with all requirements of the Code that must be satisfied in order for interest thereon to remain excludable from gross income for federal income tax purposes. The District has covenanted to comply with the current provisions of the Code regarding, among other matters, the use, expenditure, and investment of the proceeds of the Bonds and the timely payment to the United States of any arbitrage rebate amounts with respect to the Bonds. Failure by the District to comply with such covenants, among other things, could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to their date of issue.

Customary practice in the giving of legal opinions includes not detailing in the opinion all the assumptions, limitations, and exclusions that are a part of the conclusions therein. See "*Statement on the Role of Customary Practice in the Preparation and Understanding of Third-Party Legal Opinions*", 63 Bus. Law. 1277 (2008) and "*Legal Opinion Principles*", 53 Bus. Law. 831 (May 1998). Purchasers of the Bonds should seek advice or counsel concerning such matters as they deem prudent in connection with their purchase of Bonds.

Bond Counsel's opinion represents its legal judgment based in part upon the representations and covenants referenced therein and its review of current law, but is not a guarantee of result or binding on the Internal Revenue Service (the "Service") or the courts. Bond Counsel assumes no duty to update or supplement its opinion to reflect any facts or circumstances that may come to Bond Counsel's attention after the date of its opinion or to reflect any changes in law or the interpretation thereof that may occur or become effective after such date.

### **Alternative Minimum Tax**

*Individuals* – Bond Counsel's opinion states that under current law interest on the Bonds is not an item of reference and is not subject to the alternative minimum tax on individuals.

*Applicable Corporations* – Bond Counsel's opinion also states that under current law interest on the Bonds may have to be taken into account by applicable corporations (as defined in Section 59(k) of the Code) for the alternative minimum tax imposed on such corporations. Under current law, an "applicable corporation" generally is a corporation with average annual adjusted financial statement income for a 3-taxable-year period ending after December 31, 2021, that exceeds \$1 billion.

### **Other Tax Matters**

In addition to the matters addressed above, prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers, including without limitation financial institutions, property and casualty insurance companies, S corporations, foreign corporations subject to the branch profits tax, recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the Bonds should consult their tax advisors as to the applicability and impact of such consequences.

Prospective purchasers of the Bonds should consult their own tax advisors as to the status of interest on the Bonds under the tax laws of any state, local, or foreign jurisdiction.

The Service has a program to audit state and local government obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the Service does audit the Bonds, under current Service procedures, the Service will treat the District as the taxpayer and the owners of the Bonds will have only limited rights, if any, to participate.

There are many events that could affect the value and liquidity or marketability of the Bonds after their issuance, including but not limited to public knowledge of an audit of the Bonds by the Service, a general change in interest rates for comparable securities, a change in federal or state income tax rates, federal or state legislative or regulatory proposals affecting state and local government securities and changes in judicial interpretation of existing law. In addition, certain tax considerations relevant to owners of Bonds who purchase Bonds after their issuance may be different from those relevant to purchasers upon issuance. Neither the opinion of Bond Counsel nor this Official Statement purports to address the likelihood or effect of any such potential events or such other tax considerations and purchasers of the Bonds should seek advice concerning such matters as they deem prudent in connection with their purchase of Bonds.

### **Original Issue Discount**

Some of the Bonds may be sold at initial sale prices that are less than their respective stated redemption prices payable at maturity (collectively, the "Discount Bonds"). The excess of (i) the stated redemption price at maturity of each maturity of the Discount Bonds, over (ii) the initial offering price to the public (excluding bond houses and brokers) at which a substantial amount of each maturity of the Discount Bonds is sold will constitute original issue discount. Original issue discount will accrue for federal income tax purposes on a constant-yield-to-maturity method based on regular compounding; and a holder's basis in such a Bond will be increased by the amount of original issue discount treated for federal income tax purposes as having accrued on the Bond while the holder holds the Bond.

Under the Code, for purposes of determining a holder's adjusted basis in a Discount Bond, original issue discount treated as having accrued while the holder holds the Bond will be added to the holder's basis. Original issue discount will accrue on a constant-yield-to-maturity method based on semiannual compounding. The adjusted basis will be used to determine taxable gain or loss upon the sale or other disposition (including redemption or payment at maturity) of a Discount Bond.

Prospective purchasers of Discount Bonds should consult their own tax advisors as to the calculation of accrued original issue discount and the state and local tax consequences of owning or disposing of such Bonds.

### **Bond Premium**

Bonds purchased, whether upon issuance or otherwise, for an amount (excluding any amount attributable to accrued interest) in excess of their principal amount will be treated for federal income tax purposes as having amortizable bond premium. A holder's basis in such a Bond must be reduced by the amount of premium which accrues while such Bond is held by the holder. No deduction for such amount will be allowed, but it generally will offset interest on the Bonds while so held. Purchasers of such Bonds should consult their own tax advisors as to the calculation, accrual, and treatment of amortizable bond premium and the state and local tax consequences of holding such Bonds.

### **NOT Qualified Tax-Exempt Obligations**

The Bonds are NOT designated "qualified tax-exempt obligations" for financial institutions within the meaning of Section 265(b) of the Code.

## **CONTINUING DISCLOSURE**

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

### **Annual Reports**

The District will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included herein under the headings "DISTRICT DEBT," "TAX DATA," and



“APPENDIX A.” The District will update and provide this information within six (6) months after the end of each of its fiscal years.

Any information so provided shall be prepared in accordance with generally accepted accounting principles or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to the MSRB within such six (6) month period, and audited financial statements when and if the audit report becomes available.

The District’s current fiscal year end is July 31. Accordingly, it must provide updated information by the last day in January 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.

### **Material 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 (10) 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 material 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 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; (15) incurrence of a financial obligation of the District or 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 obligated person, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the District or obligated person, any of which reflect financial difficulties. The term "material" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. The term “financial obligation” when used in this paragraph shall have the meaning ascribed to it under federal securities laws. The term “financial obligation” does not include municipal securities for which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule. Neither the Bonds nor the Bond Resolutions make any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports."

### **Availability of Information from EMMA**

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

### **Limitations and Amendments**

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

continuing disclosure agreement or from any statement made pursuant to its agreement, although holders or beneficial owners of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

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

### **Compliance with Prior Undertakings**

The District has no known failures to comply in all material respects with its prior continuing disclosure agreements in accordance with the Rule.

## **OFFICIAL STATEMENT**

### **Preparation**

The information herein has been obtained from sources as set forth herein under the following captions:

"THE DISTRICT" and "THE SYSTEM," – LJA Engineering, Inc.; "THE DEVELOPERS AND PRINCIPAL LANDOWNERS," and "DEVELOPMENT WITHIN THE DISTRICT" – Continuing Information; "TAX DATA – Estimated Overlapping Debt Statement"; "TAX DATA" and "INVESTMENT CONSIDERATIONS – Annexation by and Strategic Partnership Agreement with City of Conroe," "THE BONDS", "CONTINUING DISCLOSURE", "TAXING PROCEDURES", "LEGAL MATTERS" and "TAX MATTERS" – The Muller Law Group, PLLC.

### **Experts**

In approving this Official Statement, the District has relied upon the following experts in addition to the Financial Advisor:

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

*Tax Assessor/Collector and Appraisal District:* The information contained herein relating to principal taxpayers and tax collection rates and the certified assessed valuation of property in the District and, in particular, such information contained in the section captioned "TAX DATA," has been provided by the Assessments of the Southwest, Inc. and the Montgomery Central Appraisal District in reliance upon their authority as experts in appraising and tax assessing.

### **Updating of Official Statement**

If, subsequent to the date of this Official Statement, the District learns, through the ordinary course of business and without undertaking any investigation or examination for such purposes, or is notified by the Initial Purchasers, of any adverse event which causes this Official Statement to be materially misleading, and unless the Initial Purchasers elect to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Initial Purchasers an appropriate amendment or supplement to this Official Statement satisfactory to the Initial Purchaser; provided, however, that the obligation of the District to so amend or supplement this Official Statement will terminate when the District delivers the Bonds to the Initial Purchasers, unless the Initial Purchasers notify the District in writing on or before such date that less than all of the Bonds

have been sold to ultimate customers, in which case the District's obligations hereunder will extend for an additional period of time (but not more than 90 days after the date the District delivers the Bonds) until all of the Bonds have been sold to ultimate customers.

**Certification as to Official Statement**

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

**CONCLUDING STATEMENT**

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

This Official Statement was approved by the Board of Directors of Conroe Municipal Management District No. 1 as of the date shown on the cover.

/s/ Keaton Hineman  
President, Board of Directors  
Conroe Municipal Management District No. 1

ATTEST:

/s/ Denise DeGeare  
Secretary, Board of Directors  
Conroe Municipal Management District No. 1

**APPENDIX A**  
**FINANCIAL STATEMENTS OF THE DISTRICT**

# **EXHIBIT B**

## **CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1**

**MONTGOMERY COUNTY, TEXAS**

**ANNUAL FINANCIAL REPORT**

**JULY 31, 2022**

**McCALL GIBSON SWEDLUND BARFOOT PLLC**  
Certified Public Accountants

**CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1**  
**MONTGOMERY COUNTY, TEXAS**  
**ANNUAL FINANCIAL REPORT**  
**JULY 31, 2022**

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Conroe Municipal Management District No. 1  
Montgomery County, Texas

### **Opinions**

We have audited the accompanying financial statements of the governmental activities and each major fund of Conroe Municipal Management District No. 1 (the "District") as of and for the year ended July 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 July 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 for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section 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.

### **Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about 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 Responsibilities 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 to 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in 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, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we 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 the Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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.

Board of Directors  
Conroe Municipal Management District No. 1

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



McCall Gibson Swedlund Barfoot PLLC  
Certified Public Accountants  
Houston, Texas

November 16, 2022

**CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JULY 31, 2022**

Management’s discussion and analysis of Conroe Municipal Management District No. 1’s (the “District”) financial performance provides an overview of the District’s financial activities for the fiscal year ended July 31, 2022. Please read it in conjunction with the District’s financial statements.

**USING THIS ANNUAL REPORT**

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

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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

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

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

**FUND FINANCIAL STATEMENTS**

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has three governmental fund types. The General Fund accounts for maintenance tax revenues and contract payments, as well as operating and administrative costs. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of District facilities and related costs.

**CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JULY 31, 2022**

**FUND FINANCIAL STATEMENTS (Continued)**

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

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

**OTHER INFORMATION**

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, liabilities exceeded assets by \$10,728,914 as of July 31, 2022.

The following is a comparative analysis of the Statement of Net Position as of July 31, 2022, and July 31, 2021:

**CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JULY 31, 2022**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

	Summary of Changes in the Statement of Net Position		
	2022	2021	Change Positive (Negative)
Current and Other Assets	\$ 4,368,776	\$ 2,905,732	\$ 1,463,044
Intangible Asset (Net of Accumulated Amortization)	65,332,196	50,330,242	15,001,954
Capital Assets (Net of Accumulated Depreciation)	<u>2,093,697</u>	<u>655,347</u>	<u>1,438,350</u>
Total Assets	<u>\$ 71,794,669</u>	<u>\$ 53,891,321</u>	<u>\$ 17,903,348</u>
Due to Developer	\$ 30,618,342	\$ 24,370,313	\$ (6,248,029)
Bonds Payable	51,299,404	28,830,208	(22,469,196)
Other Liabilities	<u>605,837</u>	<u>7,414,950</u>	<u>6,809,113</u>
Total Liabilities	<u>\$ 82,523,583</u>	<u>\$ 60,615,471</u>	<u>\$ (21,908,112)</u>
Net Position:			
Net Investment in Capital Assets	\$ (12,818,790)	\$ (8,137,814)	\$ (4,680,976)
Restricted	2,131,078	1,530,048	601,030
Unrestricted	<u>(41,202)</u>	<u>(116,384)</u>	<u>75,182</u>
Total Net Position	<u>\$ (10,728,914)</u>	<u>\$ (6,724,150)</u>	<u>\$ (4,004,764)</u>

The following table provides a summary of the District's operations for the years ending July 31, 2022, and July 31, 2021.

	Summary of Changes in the Statement of Activities		
	2022	2021	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 2,929,071	\$ 2,016,016	\$ 913,055
Contract Payment	549,662	1,577,317	(1,027,655)
Other Revenues	<u>54,753</u>	<u>19,975</u>	<u>34,778</u>
Total Revenues	<u>\$ 3,533,486</u>	<u>\$ 3,613,308</u>	<u>\$ (79,822)</u>
Expenses for Services	<u>7,538,250</u>	<u>5,935,193</u>	<u>(1,603,057)</u>
Change in Net Position	\$ (4,004,764)	\$ (2,321,885)	\$ (1,682,879)
Net Position, Beginning of Year	<u>(6,724,150)</u>	<u>(4,402,265)</u>	<u>(2,321,885)</u>
Net Position, End of Year	<u>\$ (10,728,914)</u>	<u>\$ (6,724,150)</u>	<u>\$ (4,004,764)</u>

**CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JULY 31, 2022**

**FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUND**

The District's combined fund balances as of July 31, 2022 were \$4,277,727, an increase of \$1,441,313 from the prior year.

The General Fund fund balance increased by \$74,821, primarily due to property tax revenues and contract payments exceeding operating costs and reimbursements.

The Debt Service Fund fund balance increased by \$750,547, primarily due to the structure of the District's debt service requirements and the receipt of capitalized interest from the issuance of the Series 2021 Tax and Road bonds.

The District's Capital Projects Fund increased by \$615,945, primarily due to unspent bond proceeds.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The Board of Directors did not amend the budget during the fiscal year. Actual revenues were \$647,089 more than budgeted revenues. Actual expenditures were \$453,948 more than budgeted expenditures. This resulted in a positive budget variance of \$143,141. See the budget to actual comparison on page 33 for further information.

**CAPITAL ASSETS**

As of the end of the current fiscal year, the District had \$2,093,697 of stormwater channel drainage facilities, net of accumulated depreciation. Additional information on the District's capital assets can be found in Note 6.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2022	2021	Change Positive (Negative)
Capital Assets, Net of Accumulated Depreciation: Drainage System	<u>\$ 2,093,697</u>	<u>\$ 655,347</u>	<u>\$ 1,438,350</u>

**CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JULY 31, 2022**

**INTANGIBLE ASSETS**

Per the Utility Functions Agreement with the City of Conroe, water, wastewater, drainage and road facilities constructed by the District are to be conveyed to the City, and stormwater detention, floodplain reclamation and recreational facilities constructed are to remain assets of the District. Intangible Assets include the right to receive water and wastewater service. Additional information on the District's intangible assets can be found in Note 6.

Intangible Assets At Year-End, Net of Accumulated Amortization			
	2022	2021	Change Positive (Negative)
Right to receive services	\$ 73,043,064	\$ 55,883,844	\$ 17,159,220
Accumulated Amortization	7,710,868	5,553,602	2,157,266
Right to receive services; Net of Accumulated Amortization	\$ 65,332,196	\$ 50,330,242	\$ 15,001,954

**LONG TERM DEBT ACTIVITY**

As of July 31, 2022, the District had total bond debt payable in the principal amount of \$51,225,000. The changes in the debt position of the District during the fiscal year ended July 31, 2022, are summarized as follows:

Bond Debt Payable, August 1, 2021	\$ 29,500,000
Add: Bond Sales	22,545,000
Less: Bond Principal Paid	820,000
Bond Debt Payable, July 30, 2022	\$ 51,225,000

The District's Series 2018, Series 2018 Road, Series 2019 and Series 2019 Road Bonds are not rated. The Series 2020, Series 2020 Road, Series 2021, Series 2021 Road and Series 2022 Bonds carry an insured rating of "AA" from Standard and Poor's by virtue of bond insurance issued by Build America Mutual Assurance Company. The District also has developer liabilities for the construction of facilities and operating advances. See Note 8.

On September 22, 2022, subsequent to fiscal year-end, the District closed on the sale of \$13,380,000 of Series 2022 Unlimited Tax Road Bonds. See Note 15.

**CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JULY 31, 2022**

**CONTACTING THE DISTRICT'S MANAGEMENT**

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Conroe Municipal Management District No. 1, c/o The Muller Law Group, PLLC, 202 Century Square Boulevard, Sugar Land, TX 77478.



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**CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1**  
**STATEMENT OF NET POSITION AND**  
**GOVERNMENTAL FUNDS BALANCE SHEET**  
**JULY 31, 2022**

	General Fund	Debt Service Fund
<b>ASSETS</b>		
Cash	\$ 2,366	\$ 84,007
Investments	291,090	2,613,277
Receivables:		
Property Taxes	5,265	29,835
Other	4,631	
Due from Other Funds	43,261	
Intangible Asset - Right to Receive Service Net of Accumulated Amortization)		
Capital Assets (Net of Accumulated Depreciation)		
<b>TOTAL ASSETS</b>	<b>\$ 346,613</b>	<b>\$ 2,727,119</b>
<b>LIABILITIES</b>		
Accounts Payable	\$ 37,815	\$
Accrued Interest Payable		
Due to Developer		
Due to Other Funds		36,471
Due to Taxpayers		9,682
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
<b>TOTAL LIABILITIES</b>	<b>\$ 37,815</b>	<b>\$ 46,153</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Property Taxes	\$ 5,265	\$ 29,835
<b>FUND BALANCES</b>		
Restricted for Authorized Construction	\$	\$
Restricted for Debt Service		2,651,131
Unassigned	303,533	
<b>TOTAL FUND BALANCES</b>	<b>\$ 303,533</b>	<b>\$ 2,651,131</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 346,613</b>	<b>\$ 2,727,119</b>
<b>NET POSITION</b>		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
<b>TOTAL NET POSITION</b>		

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$ 255	\$ 86,628	\$	\$ 86,628
1,338,050	4,242,417		4,242,417
	35,100		35,100
	4,631		4,631
	43,261	(43,261)	
		65,332,196	65,332,196
		2,093,697	2,093,697
<u>\$ 1,338,305</u>	<u>\$ 4,412,037</u>	<u>\$ 67,382,632</u>	<u>\$ 71,794,669</u>
\$ 8,452	\$ 46,267	\$	\$ 46,267
		549,888	549,888
		30,618,342	30,618,342
6,790	43,261	(43,261)	
	9,682		9,682
		1,155,000	1,155,000
		50,144,404	50,144,404
<u>\$ 15,242</u>	<u>\$ 99,210</u>	<u>\$ 82,424,373</u>	<u>\$ 82,523,583</u>
<u>\$ -0-</u>	<u>\$ 35,100</u>	<u>\$ (35,100)</u>	<u>\$ -0-</u>
\$ 1,323,063	\$ 1,323,063	\$ (1,323,063)	\$
	2,651,131	(2,651,131)	
	303,533	(303,533)	
<u>\$ 1,323,063</u>	<u>\$ 4,277,727</u>	<u>\$ (4,277,727)</u>	<u>\$ -0-</u>
<u>\$ 1,338,305</u>	<u>\$ 4,412,037</u>		
		\$ (12,818,790)	\$ (12,818,790)
		2,131,078	2,131,078
		(41,202)	(41,202)
		<u>\$ (10,728,914)</u>	<u>\$ (10,728,914)</u>

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

**CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS**  
**BALANCE SHEET TO THE STATEMENT OF NET POSITION**  
**JULY 31, 2022**

Total Fund Balances - Governmental Funds \$ 4,277,727

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital and intangible assets and in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. 67,425,893

Deferred inflows of resources related to property tax revenues for the 2021 and prior tax levies became part of recognized revenue in the governmental activities of the District. 35,100

Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:

Due to Developer	\$ (30,618,342)	
Accrued Interest Payable	(549,888)	
Bonds Payable Within One Year	(1,155,000)	
Bonds Payable After One Year	<u>(50,144,404)</u>	<u>(82,467,634)</u>

Total Net Position - Governmental Activities \$ (10,728,914)

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

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**CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1**  
**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF**  
**REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JULY 31, 2022**

	General Fund	Debt Service Fund
<b>REVENUES</b>		
Property Taxes	\$ 437,889	\$ 2,479,334
Montgomery County Contract Payment	549,662	
Penalty and Interest		39,654
Investment Revenues	1,038	9,068
Miscellaneous Revenues		638
<b>TOTAL REVENUES</b>	<b>\$ 988,589</b>	<b>\$ 2,528,694</b>
<b>EXPENDITURES/EXPENSES</b>		
Service Operations:		
Professional Fees	\$ 195,008	\$ 11,080
Contracted Services	51,893	38,159
Repairs and Maintenance	101,706	
Amortization		
Depreciation		
Other	15,499	4,961
Capital Outlay		
Developer Reimbursements	549,662	
Developer Interest		
Debt Service:		
Bond Principal		820,000
Bond Interest		1,098,891
Bond Anticipation Note Principal		
Bond Anticipation Note Interest		
Issuance Costs		
<b>TOTAL EXPENDITURES/EXPENSES</b>	<b>\$ 913,768</b>	<b>\$ 1,973,091</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES</b>	<b>\$ 74,821</b>	<b>\$ 555,603</b>
<b>OTHER FINANCING SOURCES (USES)</b>		
Long-Term Debt Issued	\$	\$ 194,944
Bond Discount		
Bond Premium		
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>\$ -0-</b>	<b>\$ 194,944</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>\$ 74,821</b>	<b>\$ 750,547</b>
<b>CHANGE IN NET POSITION</b>		
<b>FUND BALANCES/NET POSITION - AUGUST 1, 2021</b>	<b>228,712</b>	<b>1,900,584</b>
<b>FUND BALANCES/NET POSITION - JULY 31, 2022</b>	<b>\$ 303,533</b>	<b>\$ 2,651,131</b>

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 2,917,223	\$ 11,848	\$ 2,929,071
	549,662		549,662
	39,654		39,654
4,355	14,461		14,461
	638		638
\$ 4,355	\$ 3,521,638	\$ 11,848	\$ 3,533,486
\$ 25,096	\$ 231,184	\$ 8,013	\$ 239,197
1,067	91,119		91,119
	101,706		101,706
		2,157,266	2,157,266
		52,731	52,731
210	20,670		20,670
12,410,285	12,410,285	(12,410,285)	
	549,662		549,662
1,182,114	1,182,114		1,182,114
	820,000	(820,000)	
	1,098,891	157,083	1,255,974
6,160,000	6,160,000	(6,160,000)	
27,024	27,024		27,024
1,860,787	1,860,787		1,860,787
\$ 21,666,583	\$ 24,553,442	\$ (17,015,192)	\$ 7,538,250
\$ (21,662,228)	\$ (21,031,804)	\$ 17,027,040	\$ (4,004,764)
\$ 22,350,056	\$ 22,545,000	\$ (22,545,000)	\$
(73,738)	(73,738)	73,738	
1,855	1,855	(1,855)	
\$ 22,278,173	\$ 22,473,117	\$ (22,473,117)	\$ -0-
\$ 615,945	\$ 1,441,313	\$ (1,441,313)	\$
		(4,004,764)	(4,004,764)
707,118	2,836,414	(9,560,564)	(6,724,150)
\$ 1,323,063	\$ 4,277,727	\$ (15,006,641)	\$ (10,728,914)

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

**CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF**  
**REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JULY 31, 2022**

Net Change in Fund Balances - Governmental Funds	\$ 1,441,313
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.	11,848
Governmental funds do not account for depreciation and amortization. However, in the Statement of Net Position, capital and intangible assets are depreciated and amortized and expense is recorded in the Statement of Activities.	(2,209,997)
Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets and intangible assets are increased by new purchases and the Statement of Activities is not affected.	12,402,272
Governmental funds report bond premiums and bond discounts as other financing sources or uses in the year received/paid. However, in the Statement of Net Position, the bond premiums and bond discounts are amortized over the life of the bonds and the current year amortized portion is recorded in the Statement of Activities.	71,883
Governmental funds report bond and bond anticipation note principal payments as expenditures in the year paid. However, in the Statement of Net Position, bond and bond anticipation note principal payments are reported as decreases in long-term liabilities.	6,980,000
Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.	(157,083)
Governmental funds report bond proceeds as other financing sources. Issued bonds increase long-term liabilities in the Statement of Net Position.	<u>(22,545,000)</u>
Change in Net Position - Governmental Activities	<u>\$ (4,004,764)</u>

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



**CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JULY 31, 2022**

**NOTE 1. CREATION OF DISTRICT**

Conroe Municipal Management District No. 1 (the “District”) was created effective April 21, 2015, by an Order of the Texas Commission on Environmental Quality (the “Commission”). The District is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water, sanitary sewer, storm sewer drainage, irrigation, and to construct roads as well as parks and recreational facilities for the residents of the District. The responsibilities to provide water and wastewater services and maintain facilities has been conveyed to the City of Conroe, Texas. The Board of Directors held its organizational meeting on April 23, 2015 and sold its first bonds on January 28, 2018.

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES**

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

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

Financial Statement Presentation

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

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

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

**CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JULY 31, 2022**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Financial Statement Presentation (Continued)

- Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

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

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

**CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JULY 31, 2022**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Fund Financial Statements (Continued)

Governmental Funds

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

General Fund - To account for maintenance tax revenues and contract payments, as well as operating and administrative costs.

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

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

Basis of Accounting

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

Property taxes considered available by the District and included in revenue include taxes collected during the year and taxes collected after year-end, which were considered available to defray the expenditures of the current year. Deferred inflows of resources related to property tax revenues are those taxes which the District does not reasonably expect to be collected soon enough in the subsequent period to finance current expenditures.

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. As of July 31, 2022, the Debt Service Fund owes the General Fund \$36,471 for maintenance tax collections and the Capital Projects Fund owes the General Fund \$6,790 for bond issuance costs.

**CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JULY 31, 2022**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Capital Assets

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

Assets are capitalized, including infrastructure assets, if they have an original cost greater than \$5,000 and a useful life over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation. Drainage facilities are depreciated over periods ranging from 10 to 45 years. All other equipment is depreciated over periods ranging from 3 to 20 years.

Intangible Assets

Intangible assets, consisting of rights to receive water and wastewater service, are reported in the government-wide Statement of Net Position. Intangible assets are valued at the cost of water and wastewater facilities conveyed to the City and amortized over the term of the applicable service contract, which is 50 years from the execution date of the contract.

Budgeting

An annual unappropriated budget is adopted for the General Fund by the District's Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. The original General Fund budget for the current year was not amended. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund presents the original and revised budget amounts, if revised, compared to the actual amounts of revenues and expenditures for the current year.

Pensions

The District has not established a pension plan as the District does not have employees. The Internal Revenue Service has determined that the directors are considered to be “employees” for federal payroll tax purposes only.

**CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JULY 31, 2022**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Measurement Focus

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

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

*Nonspendable*: amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District does not have any nonspendable fund balances.

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

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

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

*Unassigned*: all other spendable amounts in the General Fund.

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

**CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JULY 31, 2022**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Accounting Estimates

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

**NOTE 3. LONG-TERM DEBT**

The following is a summary of transactions regarding long-term liabilities for the year ended July 31, 2022:

	August 1, 2021	Additions	Retirements	July 31, 2022
Bonds Payable	\$ 29,500,000	\$ 22,545,000	\$ 820,000	\$ 51,225,000
Unamortized Discounts	(57,795)	(73,738)	(4,768)	(126,765)
Unamortized Premiums	208,003	1,855	8,689	201,169
Bonds Payable, Net	\$ 29,650,208	\$ 22,473,117	\$ 823,921	\$ 51,299,404
		Amount Due Within One Year		\$ 1,155,000
		Amount Due After One Year		50,144,404
		Bonds Payable, Net		\$ 51,299,404

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

Fiscal Year	Principal	Interest	Total
2023	\$ 1,155,000	\$ 1,473,751	\$ 2,628,751
2024	1,335,000	1,552,278	2,887,278
2025	1,550,000	1,498,944	3,048,944
2026	1,600,000	1,438,593	3,038,593
2027	1,660,000	1,375,880	3,035,880
2028-2032	9,215,000	5,992,939	15,207,939
2033-2037	10,995,000	4,515,590	15,510,590
2038-2042	13,145,000	2,657,378	15,802,378
2043-2047	10,120,000	659,147	10,779,147
2048	450,000	7,875	457,875
	\$ 51,225,000	\$ 21,172,375	\$ 72,397,375

**CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JULY 31, 2022**

**NOTE 3. LONG-TERM DEBT (Continued)**

	<u>Series 2018</u>	<u>Series 2018 Road</u>	<u>Series 2019</u>
Amount Outstanding – July 31, 2022	\$ 5,075,000	\$ 4,410,000	\$ 6,810,000
Interest Rates	3.00% - 4.00%	3.00% - 4.00%	2.100%-3.625%
Maturity Date – Serially, Beginning/Ending	September 1, 2022/2042	September 1, 2022/2042	September 1, 2022/2043
Interest Payment Dates	September 1/ March 1	September 1/ March 1	September 1/ March 1
Callable Dates	September 1, 2023*	September 1, 2023*	September 1, 2024*
	<u>Series 2019 Road</u>	<u>Series 2020</u>	<u>Series 2020 Road</u>
Amount Outstanding – July 31, 2022	\$ 2,770,000	\$ 2,250,000	\$7,365,000
Interest Rates	2.15% - 3.60%	2.00% - 4.50%	2.000%-3.625%
Maturity Date – Serially, Beginning/Ending	September 1, 2022/2043	September 1, 2022/2045	September 1, 2022/2045
Interest Payment Dates	September 1/ March 1	September 1/ March 1	September 1/ March 1
Callable Dates	September 1, 2024*	September 1, 2025*	September 1, 2025*

**CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JULY 31, 2022**

**NOTE 3. LONG-TERM DEBT (Continued)**

	<u>Series 2021</u>	<u>Series 2021 Road</u>	<u>Series 2022</u>
Amount Outstanding – July 31, 2022	\$ 10,610,000	\$ 5,145,000	\$ 6,790,000
Interest Rates	2.00% - 4.50%	1.00% - 3.50%	3.50%-5.75%
Maturity Date – Serially, Beginning/Ending	September 1, 2022/2046	September 1, 2023/2046	September 1, 2024/2047
Interest Payment Dates	September 1/ March 1	September 1/ March 1	September 1/ March 1
Callable Dates	September 1, 2026*	September 1, 2026*	July 1, 2028*

\* Or on any date thereafter, at par plus unpaid accrued interest to the date of redemption, in whole or in part, at the option of the District. Series 2018 term bonds due September 1, 2042 are subject to mandatory redemption by random selection beginning September 1, 2039. Series 2018 Road term bonds due September 1, 2042 are subject to mandatory redemption by random selection beginning September 1, 2036. Series 2019 term bonds due September 1 in each of the years 2029, 2037, 2039 and 2043 are subject to mandatory redemption by random selection beginning September 1, 2027. Series 2019 Road term bonds due September 1 in each of the years 2040 and 2043 are subject to mandatory redemption by random selection beginning September 1, 2038. Series 2020 term bonds due September 1 in each of the years 2028, 2031, 2033, 2035, 2043 and 2045 are subject to mandatory redemption by random selection beginning September 1, 2026. Series 2020 Road term bonds due September 1 in each of the years 2041, 2043 and 2045 are subject to mandatory redemption by random selection beginning September 1, 2040. Series 2021 Road term bonds due September 1, 2043 and September 1, 2046 are subject to mandatory redemption by random section beginning September 1, 2041 and September 1, 2044, respectively. Series 2022 term bonds due September 1 in each of the years 2029, 2031, 2033, 2035, 2038, 2041, 2043 and 2047 are subject to mandatory redemption by random selection beginning September 1, 2028.

Subsequent to fiscal year-end, the District closed on the sale of bonds. See Note 15.

As of July 31, 2022, the District had authorized but unissued bonds in the amount of \$218,435,000 for utility facilities, \$167,125,000 for road facilities, and \$29,700,000 for parks and recreational facilities. The bonds are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount.



**CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JULY 31, 2022**

**NOTE 3. LONG-TERM DEBT (Continued)**

During the year ended July 31, 2022, the District levied an ad valorem debt service tax rate of \$0.445 per \$100 of assessed valuation for utility facility debt and \$0.32 per \$100 of assessed valuation for road facility debt which resulted in a tax levy of \$2,490,821 on the adjusted taxable valuation of \$325,597,625 for the 2021 tax year. The Bond Orders require the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 7 for the maintenance tax levy.

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

**NOTE 4. SIGNIFICANT BOND RESOLUTION AND LEGAL REQUIREMENTS**

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

The Bond Resolutions state that the District is required to provide continuing disclosure of certain general financial information and operating data with respect to the District to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access (“EMMA”) system. This information, along with the audited annual financial statements, is to be provided within six months after the end of each fiscal year and shall continue to be provided through the life of the bonds.

**NOTE 5. DEPOSITS AND INVESTMENTS**

Deposits

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

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District’s deposits was \$86,628 and the bank balance was \$97,077. The District was not exposed to custodial credit risk at year-end.

**CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JULY 31, 2022**

**NOTE 5. DEPOSITS AND INVESTMENTS (Continued)**

Deposits (Continued)

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at July 31, 2022, as listed below:

	Cash
GENERAL FUND	\$ 2,366
DEBT SERVICE FUND	84,007
CAPITAL PROJECTS FUND	255
TOTAL DEPOSITS	\$ 86,628

Investments

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

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

The District invests in TexPool, an external investment pool that is not SEC-registered. The State Comptroller of Public Accounts of the State of Texas has oversight of the pool. Federated Investors, Inc. manages the daily operations of the pool under a contract with the Comptroller. TexPool meets the criteria established in GASB Statement No. 79 and measures all of its portfolio assets at amortized cost. As a result, the District also measures its investment in TexPool at amortized cost for financial reporting purposes. There are no limitations or restrictions on withdrawals from TexPool.

**CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JULY 31, 2022**

**NOTE 5. DEPOSITS AND INVESTMENTS (Continued)**

Investments (Continued)

As of July 31, 2022, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities of Less Than 1 Year
<u>GENERAL FUND</u>		
TexPool	\$ 291,090	\$ 291,090
<u>DEBT SERVICE FUND</u>		
TexPool	2,613,277	2,613,277
<u>CAPITAL PROJECTS FUND</u>		
TexPool	<u>1,338,050</u>	<u>1,338,050</u>
TOTAL INVESTMENTS	<u>\$4,242,417</u>	<u>\$4,242,417</u>

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. As of July 31, 2022, the District's investment in TexPool was rated AAAM by Standard and Poor's. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investment in TexPool to have a maturity of less than one year due to the fact the share position can usually be redeemed each day at the discretion of the District, unless there has been a significant change in value.

Restrictions

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

**CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JULY 31, 2022**

**NOTE 6. CAPITAL AND INTANGIBLE ASSETS**

Capital Assets activity for the year ended July 31, 2022:

	August 1, 2021	Increases	Decreases	July 31, 2022
<b>Capital Assets Subject to Depreciation</b>				
Drainage System	\$ 734,730	\$ 1,491,081	\$ -0-	\$ 2,225,811
<b>Accumulated Depreciation</b>				
Drainage System	\$ 79,383	\$ 52,731	\$ -0-	\$ 132,114
<b>Total Capital Assets, Net of Accumulated Depreciation</b>	<u>\$ 655,347</u>	<u>\$ 1,438,350</u>	<u>\$ -0-</u>	<u>\$ 2,093,697</u>

In accordance with a Utility Functions Agreement with the City of Conroe, Texas, water, wastewater, drainage and road facilities constructed by the District have been conveyed to the City of Conroe for operation and maintenance. As a result of the conveyance of these assets, the City agreed to provide water and wastewater services to the District, contingent upon customer payment for those services, which becomes an intangible asset of the District. As of July 31, 2022, the District had the following intangible assets:

	August 1, 2021	Increases	Decreases	July 31, 2022
<b>Intangible Assets Subject to Amortization</b>				
Right to receive service	\$ 55,883,844	\$ 17,159,220	\$ -0-	\$ 73,043,064
<b>Accumulated Amortization</b>				
Right to receive service	\$ 5,553,602	\$ 2,157,266	\$ -0-	\$ 7,710,868
<b>Total Intangible Assets, Net of Accumulated Amortization</b>	<u>\$ 50,330,242</u>	<u>\$ 15,001,954</u>	<u>\$ -0-</u>	<u>\$ 65,332,196</u>

**NOTE 7. MAINTENANCE TAX**

On November 3, 2015, the voters of the District approved the levy and collection of a maintenance tax not to exceed \$1.00 per \$100 of assessed valuation of taxable property within the District. This maintenance tax is to be used by the General Fund to pay expenditures of operating the District's facilities as well as any other lawfully authorized purpose. During the year ended July 31, 2022, the District levied an ad valorem maintenance tax rate of \$0.135 per \$100 of assessed valuation which resulted in tax levy of \$439,557 on the adjusted taxable valuation of \$325,597,625 for the 2021 tax year.

On November 3, 2015, the voters of the District approved the levy and collection of a maintenance tax not to exceed \$0.10 per \$100 of assessed valuation of taxable within the District to be used to pay construction and maintenance expenditures related to road facilities. As of the end of the current fiscal year, the District has not yet levied this particular tax.

**CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JULY 31, 2022**

**NOTE 8. DUE TO DEVELOPER**

The District has executed agreements for the construction of improvements and reimbursement of advances with a Developer within the District. The agreement calls for the Developer to fund costs associated with water, wastewater, drainage, park and road facilities and operating advances until such time as the District can sell bonds. As reflected in the Statement of Net Position, \$350,000 has been recorded as a liability for operating advances. As of July 31, 2022, the Developer has indicated that approximately \$30,268,342 had been expended on behalf of the District in accordance with the agreement on completed projects. These liabilities have been recorded in the Statement of Net Position for these projects and reimbursement is contingent upon approval from the Commission and the future sale of bonds.

The following table summarizes the current year activity related to unreimbursed developer costs for completed projects and operating advances:

Due to Developer, beginning of year	\$ 24,370,313
Additions	15,352,741
Reimbursements	<u>(9,104,712)</u>
Due to Developer, end of year	<u>\$ 30,618,342</u>

**NOTE 9. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, error and omission and natural disasters from which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the last three years.

**NOTE 10. UTILITY FUNCTIONS AGREEMENT**

On October 24, 2013, Conroe CS Texas Holdings LP, (the “Developer”) acting on behalf of the District entered into the Utility Functions Agreement with the City of Conroe (the “City”). The Agreement was assigned to the District by the Developer on April 23, 2015. Pursuant to this Agreement, the City consented to the creation of the District within its city limits. The District is responsible for acquiring and constructing for the benefit of, and for ultimate conveyance to, the City, the water distribution, wastewater collection, drainage and road facilities (the “Facilities”) to serve development within the District. The City has agreed to accept the Facilities for operation and maintenance in consideration for the District’s financing, acquisition and construction of the Facilities. The City agrees to charge residents of the District the same water and wastewater rates that the City charges in other parts of the City.

**CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JULY 31, 2022**

**NOTE 10. UTILITY FUNCTIONS AGREEMENT (Continued)**

The Agreement provides that the Facilities shall be designed and constructed in accordance with the City's requirements. The City agrees to provide the District with its ultimate requirements for water supply capacity and wastewater treatment capacity without charging the District any type of capital charge. In accordance with the Agreement, the District is authorized to issue bonds for the purpose of financing the construction and acquisition of the Facilities.

The Agreement provides that the City will pay an annual rebate to the District. The annual rebate, which is waived by the District during the period under which the City makes payments to the District under the Reimbursement Agreement and Economic Development Agreement (see Note 11), is equal to the total assessed value in the District for the given year multiplied by the portion of the City's tax rate that is attributable to water, sewer and drainage facilities.

The term of the Agreement is the earlier of the dissolution of the District by the City or 40 years. The City's right to dissolve the District is restricted per the Agreement. Under the terms of the Agreement, the City agrees that it will not dissolve the District until certain conditions have been met, including (i) 90% of the District's facilities have been developed and (ii) the Developers have been reimbursed for advancing funds to construct the Facilities to the maximum extent permitted by the rules of the Commission or the City assumes any obligations for such payment by the District under such rules.

**NOTE 11. REIMBURSEMENT AND ECONOMIC DEVELOPMENT AGREEMENTS WITH THE CITY OF CONROE**

On October 24, 2013, the Developer entered into separate Reimbursement and Economic Development Agreements with the City. The Agreements were assigned to the District on April 23, 2015. On August 5, 2022, the District, Developer, and the City entered into an Amended and Restated Reimbursement Agreement which terminated all prior agreements.

The Agreement sets forth the terms by which the City will now make annual payments directly to the Developer rather than to the District. Annual Developer payments cannot exceed \$1,500,000 and the total amount of funds available will not exceed \$11,962,798. The obligation of the City to pay the reimbursements will be facilitated through the monetization of the payments through the issuance of a series of bonds.

**CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JULY 31, 2022**

**NOTE 12. ROAD AND PUBLIC IMPROVEMENTS AGREEMENT WITH MONTGOMERY COUNTY**

On November 13, 2013, the Developer entered into an Agreement with Montgomery County (the “County”). The Agreement was assigned to the District on April 23, 2015. It calls for the County to reimburse the District a maximum of \$20,000,000 for roads and public improvements, including related drainage and storm sewer facilities.

The Agreement specifies the methodology by which annual payments, which are based on the District’s taxable values, are to be calculated and additionally authorizes the District to issue bonds supported by these payments. As of July 31, 2022, the District has received \$1,353,463 from Montgomery County related to this agreement, of which \$549,662 was received in the current fiscal year.

**NOTE 13. BOND ANTICIPATION NOTE SALE**

On December 21, 2021, the District closed on the sale of its \$4,010,000 Series 2021 Bond Anticipation Note (BAN). Proceeds from the BAN sale were used to reimburse the Developer for a portion of the costs associated with cleaning and grubbing to serve Town Park Drive, Phase II, Autumn Elm Circle and Grand Central Park, Sections 13 through 18, Grand Central Park, Section 7 and Crescent Campus Boulevard, Phase 2; construction of water, wastewater and drainage facilities to serve Town Park, Phase 2 and Grand Central Park, Section 13, Crescent Campus Boulevard, Phase 2A, City Central Avenue and Autumn Elm Circle; the associated engineering costs, geotechnical fees and materials testing; Lift Station No. 2 and associated land costs; and to pay issuance costs of the BAN. The BAN was redeemed with proceeds from the Series 2022 Unlimited Tax Bonds. See Note 14.

**CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JULY 31, 2022**

**NOTE 14. BOND SALES**

On September 16, 2021, the District closed on the sale of its \$10,610,000 Series 2021 Unlimited Tax Bonds. Proceeds from the bond sale were used to reimburse the Developer for a portion of the costs associated with clearing and grubbing to serve Grand Central Parkway, Section 6, Grand Central Parkway, Phase 2 and Central Park, Sections 7 and 8 and Grand Central Park Channel 8-1; construction of water, wastewater and drainage facilities to serve Grand Central Park, Sections 6, 7, 8, 9, 10, 11, 12, 14, 15, 16, 17 and 19; the associated engineering costs, geotechnical fees, and materials testing; pay Developer interest; and to pay capitalized interest, redeem the 2020 BAN and pay issuance costs of the bonds.

On September 16, 2021, the District closed on the sale of its \$5,145,000 Series 2021 Unlimited Tax Road Bonds. Proceeds from the bond sale were used to reimburse the Developer for road improvements and related costs for Grand Central Park, Sections 1, 3, 20, 21, and 22, Grand Central Parkway, Phases 2 and 3, Autumn Elm Circle and Town Park Drive, Phase 2; land acquisition; and pay Developer interest, capitalized interest and issuance costs of the bonds.

On July 21, 2022, the District closed on the sale of its \$6,790,000 Series 2022 Unlimited Tax Bonds. Proceeds from the bond sale were used to reimburse the Developer for a portion of costs associated with cleaning and grubbing to serve Town Park Drive, Phase II, Autumn Elm Circle and Grand Central Park, Sections 13 through 18, Grand Central Park, Section 7 and Crescent Campus Boulevard, Phase 2; construction of water, wastewater and drainage facilities to serve Town Park, Phase 2 and Grand Central Park, Section 13, Crescent Campus Boulevard, Phase 2A, City Central Avenue and Autumn Elm Circle; the associated engineering costs, geotechnical fees and materials testing; Lift Station No. 2 and associated land costs; and redeem the BAN, pay Developer interest and pay issuance costs of the BAN and bonds.

**NOTE 15. SUBSEQUENT EVENT – BOND SALE**

On September 22, 2022, subsequent to year end, the District closed on the sale of its \$13,380,000 Series 2022 Unlimited Tax Road Bonds. Proceeds from the bond sale were used to reimburse the Developer for road and improvements and related costs for Town Park Drive, Phases 2 and 3, Grand Central Park, Sections 23, 24 and 25, City Central Avenue and City Central Avenue, Phase 2, Ivy Steel Avenue, Phase 1, Grand Central Parkway, Phases 4, 5 and 6, Grand Central Parkway Span Bridges, Grand Central Parkway Bridge over Silverdale Creek and Grand Central Parkway Bridge over Grand Lake Creek; land acquisition costs; and pay Developer interest, capitalized interest and issuance costs of the bonds.



**CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1**

**REQUIRED SUPPLEMENTARY INFORMATION**

**JULY 31, 2022**

**CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND**  
**FOR YEAR ENDED JULY 31, 2022**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>REVENUES</b>			
Property Taxes	\$ 340,000	\$ 437,889	\$ 97,889
Montgomery County Contract Payment		549,662	549,662
Investment Revenues	<u>1,500</u>	<u>1,038</u>	<u>(462)</u>
<b>TOTAL REVENUES</b>	<u>\$ 341,500</u>	<u>\$ 988,589</u>	<u>\$ 647,089</u>
<b>EXPENDITURES</b>			
Service Operations:			
Professional Fees	\$ 232,000	\$ 195,008	\$ 36,992
Contracted Services	45,000	51,893	(6,893)
Repairs and Maintenance	151,600	101,706	49,894
Other	31,220	15,499	15,721
Developer Reimbursements		<u>549,662</u>	<u>(549,662)</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 459,820</u>	<u>\$ 913,768</u>	<u>\$ (453,948)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>\$ (118,320)</u>	<u>\$ 74,821</u>	<u>\$ 193,141</u>
<b>OTHER FINANCING SOURCES(USES)</b>			
Developer Advances	<u>50,000</u>	<u>-0-</u>	<u>(50,000)</u>
<b>NET CHANGE IN FUND BALANCE</b>	\$ (68,320)	\$ 74,821	\$ 143,141
<b>FUND BALANCE - AUGUST 1, 2021</b>	<u>228,712</u>	<u>228,712</u>	<u>          </u>
<b>FUND BALANCE - JULY 31, 2022</b>	<u>\$ 160,392</u>	<u>\$ 303,533</u>	<u>\$ 143,141</u>

See accompanying independent auditor's report.

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**CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1**

**SUPPLEMENTARY INFORMATION REQUIRED BY THE**

**WATER DISTRICT FINANCIAL MANAGEMENT GUIDE**

**JULY 31, 2022**





**CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1**  
**SERVICES AND RATES**  
**FOR THE YEAR ENDED JULY 31, 2022**

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

Does the District have Debt Service standby fees? Yes \_\_\_ No X

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

**5. LOCATION OF DISTRICT:**

Is the District located entirely within one county?

Yes X No \_\_\_\_\_

County in which District is located:

Montgomery County, Texas

Is the District located within a city?

Entirely X Partly \_\_\_\_\_ Not at all \_\_\_\_\_

City in which District is located:

City of Conroe, Texas

Are Board Members appointed by an office outside the District?

Yes X No \_\_\_\_\_

By City of Conroe, Texas

See accompanying independent auditor's report.

**CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1**  
**GENERAL FUND EXPENDITURES**  
**FOR THE YEAR ENDED JULY 31, 2022**

PROFESSIONAL FEES:	
Auditing	\$ 12,750
Developer Reimbursement AUP Reports	3,000
Engineering	41,051
Legal-General	<u>138,207</u>
TOTAL PROFESSIONAL FEES	<u>\$ 195,008</u>
CONTRACTED SERVICES:	
Bookkeeping	<u>\$ 51,893</u>
REPAIRS AND MAINTENANCE	<u>\$ 101,706</u>
ADMINISTRATIVE EXPENDITURES:	
Insurance	\$ 7,543
Legal Notices	4,026
Office Supplies and Postage	3,775
Other	<u>155</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 15,499</u>
DEVELOPER REIMBURSEMENTS	<u>\$ 549,662</u>
TOTAL EXPENDITURES	<u><u>\$ 913,768</u></u>

See accompanying independent auditor's report.



**CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1**  
**INVESTMENTS**  
**JULY 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>					
TexPool	XXXX0005	Varies	Daily	\$ 290,948	\$
TexPool	XXXX0007	Varies	Daily	<u>142</u>	<u>                    </u>
TOTAL GENERAL FUND				<u>\$ 291,090</u>	<u>\$ -0-</u>
<u>DEBT SERVICE FUND</u>					
TexPool	XXXX0002	Varies	Daily	\$ 1,497,860	\$
TexPool	XXXX0004	Varies	Daily	<u>1,115,417</u>	<u>                    </u>
TOTAL DEBT SERVICE FUND				<u>\$ 2,613,277</u>	<u>\$ -0-</u>
<u>CAPITAL PROJECTS FUND</u>					
TexPool	XXXX0001	Varies	Daily	\$ 175,303	\$
TexPool	XXXX0003	Varies	Daily	13,759	
TexPool	XXXX0006	Varies	Daily	184,506	
TexPool	XXXX0008	Varies	Daily	41,215	
TexPool	XXXX0010	Varies	Daily	133,429	
TexPool	XXXX0011	Varies	Daily	152,907	
TexPool	XXXX0013	Varies	Daily	71,958	
TexPool	XXXX0014	Varies	Daily	487,370	
TexPool	XXXX0016	Varies	Daily	<u>77,603</u>	<u>                    </u>
TOTAL CAPITAL PROJECTS FUND				<u>\$ 1,338,050</u>	<u>\$ -0-</u>
TOTAL - ALL FUNDS				<u>\$ 4,242,417</u>	<u>\$ -0-</u>

See accompanying independent auditor's report.

**CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1**  
**TAXES LEVIED AND RECEIVABLE**  
**FOR THE YEAR ENDED JULY 31, 2022**

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE -				
AUGUST 1, 2021	\$	4,904	\$	18,348
Adjustments to Beginning				
Balance		<u>(1,307)</u>	\$	3,597
				<u>\$ 18,348</u>
Original 2021 Tax Levy	\$	433,164	\$	2,454,594
Adjustment to 2021 Tax Levy		<u>6,393</u>	<u>439,557</u>	<u>36,227</u>
				<u>2,490,821</u>
TOTAL TO BE				
ACCOUNTED FOR		\$	443,154	\$
				2,509,169
TAX COLLECTIONS:				
Prior Years	\$	3,597	\$	18,348
Current Year		<u>434,292</u>	<u>437,889</u>	<u>2,460,986</u>
				<u>2,479,334</u>
TAXES RECEIVABLE -				
JULY 31, 2022		<u>\$ 5,265</u>		<u>\$ 29,835</u>
TAXES RECEIVABLE BY				
YEAR:				
2021		<u>\$ 5,265</u>		<u>\$ 29,835</u>

See accompanying independent auditor's report.

**CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1**  
**TAXES LEVIED AND RECEIVABLE**  
**FOR THE YEAR ENDED JULY 31, 2022**

	2021	2020	2019	2018
<b>PROPERTY VALUATIONS:</b>				
Land	\$ 102,855,687	\$ 75,589,777	\$ 64,026,667	\$ 74,315,557
Improvements	250,447,835	161,562,970	100,304,650	64,429,990
Personal Property	27,353,890	22,763,952	21,752,314	25,990
Exemptions	(55,059,787)	(35,914,980)	(21,630,882)	(19,352,216)
<b>TOTAL PROPERTY VALUATIONS</b>	<b>\$ 325,597,625</b>	<b>\$ 224,001,719</b>	<b>\$ 164,452,749</b>	<b>\$ 119,419,321</b>
<b>TAX RATES PER \$100 VALUATION:</b>				
Debt Service	\$ 0.765	\$ 0.71	\$ 0.72	\$ 0.555
Maintenance	0.135	0.19	0.18	0.345
<b>TOTAL TAX RATES PER \$100 VALUATION</b>	<b>\$ 0.900</b>	<b>\$ 0.90</b>	<b>\$ 0.90</b>	<b>\$ 0.900</b>
<b>ADJUSTED TAX LEVY*</b>	<b>\$ 2,930,378</b>	<b>\$ 2,016,016</b>	<b>\$ 1,480,075</b>	<b>\$ 1,074,773</b>
<b>PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED</b>	<b>98.80 %</b>	<b>100.00 %</b>	<b>100.00 %</b>	<b>100.00 %</b>

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

Maintenance Tax – A tax not to exceed \$1.00 per \$100 of assessed valuation approved by voters on November 3, 2015.

Road Maintenance Tax – A tax not to exceed \$0.10 per \$100 of assessed valuation approved by voters on November 3, 2015.

See accompanying independent auditor's report.

**CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**JULY 31, 2022**

S E R I E S - 2 0 1 8				
Due During Fiscal Years Ending July 31	Principal Due September 1	Interest Due September 1/ March 1	Total	
2023	\$ 155,000	\$ 180,112	\$	335,112
2024	160,000	175,463		335,463
2025	170,000	170,663		340,663
2026	175,000	165,562		340,562
2027	180,000	160,313		340,313
2028	190,000	154,912		344,912
2029	200,000	149,213		349,213
2030	205,000	142,962		347,962
2031	215,000	136,300		351,300
2032	225,000	129,044		354,044
2033	235,000	121,168		356,168
2034	245,000	112,944		357,944
2035	255,000	104,368		359,368
2036	265,000	95,444		360,444
2037	275,000	85,837		360,837
2038	290,000	75,525		365,525
2039	300,000	64,650		364,650
2040	315,000	53,400		368,400
2041	325,000	40,800		365,800
2042	340,000	27,800		367,800
2043	355,000	14,200		369,200
2044				
2045				
2046				
2047				
2048				
	\$ 5,075,000	\$ 2,360,680	\$	7,435,680

See accompanying independent auditor's report.

**CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**JULY 31, 2022**

S E R I E S - 2 0 1 8   R O A D

Due During Fiscal Years Ending July 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2023	\$ 135,000	\$ 160,875	\$ 295,875
2024	140,000	156,825	296,825
2025	145,000	152,625	297,625
2026	150,000	148,275	298,275
2027	160,000	143,775	303,775
2028	165,000	138,975	303,975
2029	175,000	133,817	308,817
2030	180,000	128,132	308,132
2031	190,000	122,056	312,056
2032	195,000	115,406	310,406
2033	205,000	108,582	313,582
2034	210,000	101,150	311,150
2035	220,000	93,275	313,275
2036	230,000	85,025	315,025
2037	240,000	76,400	316,400
2038	250,000	66,800	316,800
2039	260,000	56,800	316,800
2040	270,000	46,400	316,400
2041	285,000	35,600	320,600
2042	295,000	24,200	319,200
2043	310,000	12,400	322,400
2044			
2045			
2046			
2047			
2048			
	\$ 4,410,000	\$ 2,107,393	\$ 6,517,393

See accompanying independent auditor's report.

**CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**JULY 31, 2022**

S E R I E S - 2 0 1 9

Due During Fiscal Years Ending July 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2023	\$ 200,000	\$ 218,298	\$ 418,298
2024	205,000	213,740	418,740
2025	215,000	208,695	423,695
2026	225,000	203,083	428,083
2027	235,000	196,985	431,985
2028	240,000	190,212	430,212
2029	250,000	182,862	432,862
2030	260,000	175,213	435,213
2031	270,000	167,262	437,262
2032	285,000	158,759	443,759
2033	295,000	149,512	444,512
2034	305,000	139,762	444,762
2035	320,000	129,606	449,606
2036	330,000	118,837	448,837
2037	345,000	107,231	452,231
2038	360,000	94,894	454,894
2039	370,000	82,119	452,119
2040	385,000	68,906	453,906
2041	405,000	54,828	459,828
2042	420,000	39,875	459,875
2043	435,000	24,379	459,379
2044	455,000	8,247	463,247
2045			
2046			
2047			
2048			
	<u>\$ 6,810,000</u>	<u>\$ 2,933,305</u>	<u>\$ 9,743,305</u>

See accompanying independent auditor's report.

**CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**JULY 31, 2022**

SERIES - 2019 ROAD

Due During Fiscal Years Ending July 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2023	\$ 80,000	\$ 87,982	\$ 167,982
2024	85,000	86,043	171,043
2025	90,000	83,897	173,897
2026	90,000	81,603	171,603
2027	95,000	79,149	174,149
2028	100,000	76,468	176,468
2029	105,000	73,545	178,545
2030	105,000	70,447	175,447
2031	110,000	67,223	177,223
2032	115,000	63,790	178,790
2033	120,000	60,088	180,088
2034	125,000	56,137	181,137
2035	130,000	51,960	181,960
2036	135,000	47,554	182,554
2037	140,000	42,912	182,912
2038	145,000	38,031	183,031
2039	150,000	32,905	182,905
2040	155,000	27,568	182,568
2041	165,000	21,967	186,967
2042	170,000	16,020	186,020
2043	175,000	9,810	184,810
2044	185,000	3,330	188,330
2045			
2046			
2047			
2048			
	<u>\$ 2,770,000</u>	<u>\$ 1,178,429</u>	<u>\$ 3,948,429</u>

See accompanying independent auditor's report.

**CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**JULY 31, 2022**

S E R I E S - 2 0 2 0

Due During Fiscal Years Ending July 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2023	\$ 60,000	\$ 60,669	\$ 120,669
2024	60,000	57,969	117,969
2025	65,000	55,157	120,157
2026	65,000	52,232	117,232
2027	70,000	49,194	119,194
2028	70,000	46,044	116,044
2029	75,000	42,782	117,782
2030	75,000	40,344	115,344
2031	80,000	38,794	118,794
2032	80,000	37,194	117,194
2033	85,000	35,544	120,544
2034	90,000	33,794	123,794
2035	90,000	31,938	121,938
2036	95,000	29,972	124,972
2037	100,000	27,838	127,838
2038	105,000	25,532	130,532
2039	110,000	23,044	133,044
2040	110,000	20,432	130,432
2041	115,000	17,688	132,688
2042	120,000	14,750	134,750
2043	125,000	11,688	136,688
2044	130,000	8,500	138,500
2045	135,000	5,188	140,188
2046	140,000	1,750	141,750
2047			
2048			
	<u>\$ 2,250,000</u>	<u>\$ 768,037</u>	<u>\$ 3,018,037</u>

See accompanying independent auditor's report.



**CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**JULY 31, 2022**

S E R I E S - 2 0 2 0   R O A D

Due During Fiscal Years Ending July 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2023	\$ 215,000	\$ 189,819	\$ 404,819
2024	220,000	180,032	400,032
2025	225,000	170,019	395,019
2026	235,000	159,669	394,669
2027	240,000	148,982	388,982
2028	245,000	138,682	383,682
2029	255,000	128,682	383,682
2030	265,000	119,607	384,607
2031	270,000	112,932	382,932
2032	280,000	107,432	387,432
2033	285,000	101,782	386,782
2034	295,000	95,982	390,982
2035	305,000	89,982	394,982
2036	315,000	83,782	398,782
2037	325,000	77,382	402,382
2038	335,000	70,782	405,782
2039	345,000	63,982	408,982
2040	355,000	56,760	411,760
2041	365,000	48,882	413,882
2042	375,000	40,557	415,557
2043	385,000	32,007	417,007
2044	400,000	23,175	423,175
2045	410,000	14,063	424,063
2046	420,000	4,725	424,725
2047			
2048			
	\$ 7,365,000	\$ 2,259,699	\$ 9,624,699

See accompanying independent auditor's report.

**CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**JULY 31, 2022**

S E R I E S - 2 0 2 1

Due During Fiscal Years Ending July 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2023	\$ 310,000	\$ 264,231	\$ 574,231
2024	310,000	250,281	560,281
2025	315,000	236,219	551,219
2026	325,000	221,819	546,819
2027	335,000	206,969	541,969
2028	345,000	191,669	536,669
2029	355,000	179,247	534,247
2030	365,000	170,938	535,938
2031	375,000	163,538	538,538
2032	385,000	155,938	540,938
2033	395,000	148,138	543,138
2034	405,000	140,138	545,138
2035	415,000	131,938	546,938
2036	425,000	123,272	548,272
2037	440,000	114,081	554,081
2038	450,000	104,344	554,344
2039	465,000	94,050	559,050
2040	475,000	83,475	558,475
2041	490,000	72,313	562,313
2042	505,000	60,497	565,497
2043	515,000	49,350	564,350
2044	530,000	38,900	568,900
2045	545,000	28,150	573,150
2046	560,000	17,100	577,100
2047	575,000	5,750	580,750
2048			
	<u>\$ 10,610,000</u>	<u>\$ 3,252,345</u>	<u>\$ 13,862,345</u>

See accompanying independent auditor's report.

**CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**JULY 31, 2022**

S E R I E S - 2 0 2 1 R O A D

Due During Fiscal Years Ending July 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2023	\$	\$ 118,681	\$ 118,681
2024	155,000	115,969	270,969
2025	160,000	110,456	270,456
2026	165,000	104,769	269,769
2027	165,000	98,994	263,994
2028	170,000	94,406	264,406
2029	175,000	91,831	266,831
2030	180,000	89,156	269,156
2031	185,000	85,506	270,506
2032	190,000	81,756	271,756
2033	195,000	77,906	272,906
2034	200,000	73,956	273,956
2035	210,000	69,856	279,856
2036	215,000	65,606	280,606
2037	220,000	61,256	281,256
2038	225,000	56,666	281,666
2039	230,000	51,831	281,831
2040	240,000	46,688	286,688
2041	245,000	41,231	286,231
2042	250,000	35,506	285,506
2043	260,000	29,450	289,450
2044	265,000	23,216	288,216
2045	275,000	16,803	291,803
2046	280,000	10,213	290,213
2047	290,000	3,444	293,444
2048			
	<u>\$ 5,145,000</u>	<u>\$ 1,655,152</u>	<u>\$ 6,800,152</u>

See accompanying independent auditor's report.

**CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**JULY 31, 2022**

S E R I E S - 2 0 2 2

Due During Fiscal Years Ending July 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2023	\$	\$ 193,084	\$ 193,084
2024		315,956	315,956
2025	165,000	311,213	476,213
2026	170,000	301,581	471,581
2027	180,000	291,519	471,519
2028	185,000	281,025	466,025
2029	195,000	270,588	465,588
2030	205,000	260,088	465,088
2031	210,000	249,456	459,456
2032	220,000	238,706	458,706
2033	230,000	227,456	457,456
2034	240,000	215,706	455,706
2035	255,000	203,331	458,331
2036	265,000	190,331	455,331
2037	275,000	176,831	451,831
2038	290,000	162,706	452,706
2039	300,000	147,956	447,956
2040	315,000	132,581	447,581
2041	330,000	116,456	446,456
2042	345,000	99,581	444,581
2043	360,000	83,081	443,081
2044	375,000	67,003	442,003
2045	390,000	51,975	441,975
2046	410,000	37,975	447,975
2047	430,000	23,275	453,275
2048	450,000	7,875	457,875
	<u>\$ 6,790,000</u>	<u>\$ 4,657,335</u>	<u>\$ 11,447,335</u>

See accompanying independent auditor's report.

**CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**JULY 31, 2022**

ANNUAL REQUIREMENTS  
FOR ALL SERIES

Due During Fiscal Years Ending July 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2023	\$ 1,155,000	\$ 1,473,751	\$ 2,628,751
2024	1,335,000	1,552,278	2,887,278
2025	1,550,000	1,498,944	3,048,944
2026	1,600,000	1,438,593	3,038,593
2027	1,660,000	1,375,880	3,035,880
2028	1,710,000	1,312,393	3,022,393
2029	1,785,000	1,252,567	3,037,567
2030	1,840,000	1,196,887	3,036,887
2031	1,905,000	1,143,067	3,048,067
2032	1,975,000	1,088,025	3,063,025
2033	2,045,000	1,030,176	3,075,176
2034	2,115,000	969,569	3,084,569
2035	2,200,000	906,254	3,106,254
2036	2,275,000	839,823	3,114,823
2037	2,360,000	769,768	3,129,768
2038	2,450,000	695,280	3,145,280
2039	2,530,000	617,337	3,147,337
2040	2,620,000	536,210	3,156,210
2041	2,725,000	449,765	3,174,765
2042	2,820,000	358,786	3,178,786
2043	2,920,000	266,365	3,186,365
2044	2,340,000	172,371	2,512,371
2045	1,755,000	116,179	1,871,179
2046	1,810,000	71,763	1,881,763
2047	1,295,000	32,469	1,327,469
2048	450,000	7,875	457,875
	<u>\$ 51,225,000</u>	<u>\$ 21,172,375</u>	<u>\$ 72,397,375</u>

See accompanying independent auditor's report.

**CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1**  
**CHANGE IN LONG-TERM BOND DEBT**  
**FOR THE YEAR ENDED JULY 31, 2022**

Description	Original Bonds Issued	Bonds Outstanding August 1, 2021
Conroe Municipal Management District No. 1 Unlimited Tax Bonds - Series 2018	\$ 5,500,000	\$ 5,225,000
Conroe Municipal Management District No. 1 Unlimited Tax Road Bonds - Series 2018	4,785,000	4,540,000
Conroe Municipal Management District No. 1 Unlimited Tax Bonds - Series 2019	7,160,000	7,000,000
Conroe Municipal Management District No. 1 Unlimited Tax Road Bonds - Series 2019	2,915,000	2,850,000
Conroe Municipal Management District No. 1 Unlimited Tax Bonds - Series 2020	2,305,000	2,305,000
Conroe Municipal Management District No. 1 Unlimited Tax Road Bonds - Series 2020	7,580,000	7,580,000
Conroe Municipal Management District No. 1 Unlimited Tax Bonds - Series 2021	10,610,000	
Conroe Municipal Management District No. 1 Unlimited Tax Road Bonds - Series 2021	5,145,000	
Conroe Municipal Management District No. 1 Unlimited Tax Bonds - Series 2022	<u>6,790,000</u>	
<b>TOTAL</b>	<u>\$ 52,790,000</u>	<u>\$ 29,500,000</u>

See accompanying independent auditor's report.

Current Year Transactions				Bonds Outstanding July 31, 2022	Paying Agent
Bonds Sold	Retirements				
	Principal	Interest			
\$	\$ 150,000	\$ 182,362	\$ 5,075,000	Regions Bank, an Alabama Banking Corporation Houston, TX	
	130,000	162,825	4,410,000	Regions Bank, an Alabama Banking Corporation Houston, TX	
	190,000	222,492	6,810,000	Regions Bank, an Alabama Banking Corporation Houston, TX	
	80,000	89,762	2,770,000	Regions Bank, an Alabama Banking Corporation Houston, TX	
	55,000	63,257	2,250,000	Regions Bank, an Alabama Banking Corporation Houston, TX	
	215,000	199,494	7,365,000	Regions Bank, an Alabama Banking Corporation Houston, TX	
10,610,000		124,303	10,610,000	Regions Bank, an Alabama Banking Corporation Houston, TX	
5,145,000		54,396	5,145,000	Regions Bank, an Alabama Banking Corporation Houston, TX	
<u>6,790,000</u>			<u>6,790,000</u>	Regions Bank, an Alabama Banking Corporation Houston, TX	
<u>\$ 22,545,000</u>	<u>\$ 820,000</u>	<u>\$ 1,098,891</u>	<u>\$ 51,225,000</u>		

See accompanying independent auditor's report.

**CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1**  
**CHANGE IN LONG-TERM BOND DEBT**  
**FOR THE YEAR ENDED JULY 31, 2022**

Bond Authority:	Bonds	Road Bonds	Recreational Facilities Bonds
Amount Authorized by Voters	\$ 250,800,000	\$ 187,550,000	\$ 29,700,000
Amount Issued	32,365,000	20,425,000	
Remaining to be Issued	\$ 218,435,000	\$ 167,125,000	\$ 29,700,000
 Debt Service Fund cash and investments balances as of July 31, 2022:			\$ 2,697,284
Average annual debt service payment (principal and interest) for remaining term of all debt:			\$ 2,784,514

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

\* Includes all bonds secured with tax revenues. Bonds in this category may also be secured with other revenues in combination with taxes.

See accompanying independent auditor's report.



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**CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1**  
**COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES**  
**GENERAL FUND - FIVE YEARS**

	Amounts		
	2022	2021	2020
<b>REVENUES</b>			
Property Taxes	\$ 437,889	\$ 422,908	\$ 296,254
Contract Payments	549,662	1,577,317	4,250,169
Investment Revenues	1,038	72	1,423
Miscellaneous Revenues		4,132	
<b>TOTAL REVENUES</b>	<u>\$ 988,589</u>	<u>\$ 2,004,429</u>	<u>\$ 4,547,846</u>
<b>EXPENDITURES</b>			
Professional Fees	\$ 195,008	\$ 202,704	\$ 289,866
Contracted Services	51,893	52,037	51,985
Repairs and Maintenance	101,706	82,945	555,256
Other	15,499	24,682	32,970
Developer Reimbursements	549,662	1,391,994	
Developer Interest		82,921	
Capital Outlay		98,382	3,677,499
<b>TOTAL EXPENDITURES</b>	<u>\$ 913,768</u>	<u>\$ 1,935,665</u>	<u>\$ 4,607,576</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>\$ 74,821</u>	<u>\$ 68,764</u>	<u>\$ (59,730)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In (Out)	\$	\$	\$
Developer Advances			
<b>TOTAL OTHER FINANCING SOURCES</b>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>
<b>NET CHANGE IN FUND BALANCE</b>	\$ 74,821	\$ 68,764	\$ (59,730)
<b>BEGINNING FUND BALANCE</b>	<u>228,712</u>	<u>159,948</u>	<u>219,678</u>
<b>ENDING FUND BALANCE</b>	<u>\$ 303,533</u>	<u>\$ 228,712</u>	<u>\$ 159,948</u>

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2019	2018	2022	2021	2020	2019	2018
\$ 424,145	\$ 490,314	44.3 %	21.1 %	6.5 %	80.8 %	99.5 %
97,435		55.6	78.7	93.5	18.5	
3,701	2,088	0.1			0.7	0.4
	449		0.2			0.1
<u>\$ 525,281</u>	<u>\$ 492,851</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 309,816	\$ 374,443	19.7 %	10.1 %	6.4	59.0	76.0
39,018	48,532	5.2	2.6	1.1	7.4	9.8
109,134	10,600	10.3	4.1	12.2	20.8	2.2
21,037	72,909	1.6	1.2	0.7	4.0	14.8
		55.6	69.4			
			4.1			
38,875			4.9	80.9	7.4	
<u>\$ 517,880</u>	<u>\$ 506,484</u>	<u>92.4 %</u>	<u>96.4 %</u>	<u>101.3 %</u>	<u>98.6 %</u>	<u>102.8 %</u>
\$ 7,401	\$ (13,633)	<u>7.6 %</u>	<u>3.6 %</u>	<u>(1.3) %</u>	<u>1.4 %</u>	<u>(2.8) %</u>
\$ 20,061	\$					
	150,000					
<u>\$ 20,061</u>	<u>\$ 150,000</u>					
\$ 27,462	\$ 136,367					
192,216	55,849					
<u>\$ 219,678</u>	<u>\$ 192,216</u>					

See accompanying independent auditor's report.

**CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1**  
**COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES**  
**DEBT SERVICE FUND - FIVE YEARS**

	Amounts		
	2022	2021	2020
<b>REVENUES</b>			
Property Taxes	\$ 2,479,334	\$ 1,580,899	\$ 1,179,109
Penalty and Interest	39,654	13,600	11,629
Investment Revenues	9,068	1,691	13,264
Miscellaneous Revenues	638		
<b>TOTAL REVENUES</b>	<b>\$ 2,528,694</b>	<b>\$ 1,596,190</b>	<b>\$ 1,204,002</b>
<b>EXPENDITURES</b>			
Tax Collection Expenditures	\$ 50,975	\$ 35,243	\$ 24,971
Debt Service Principal	820,000	490,000	255,000
Debt Service Interest and Fees	1,102,116	802,968	548,028
<b>TOTAL EXPENDITURES</b>	<b>\$ 1,973,091</b>	<b>\$ 1,328,211</b>	<b>\$ 827,999</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>\$ 555,603</b>	<b>\$ 267,979</b>	<b>\$ 376,003</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In (Out)	\$	\$	\$
Long-Term Debt Issued	194,944	102,166	
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>\$ 194,944</b>	<b>\$ 102,166</b>	<b>\$ - 0 -</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 750,547</b>	<b>\$ 370,145</b>	<b>\$ 376,003</b>
<b>BEGINNING FUND BALANCE</b>	<b>1,900,584</b>	<b>1,530,439</b>	<b>1,154,436</b>
<b>ENDING FUND BALANCE</b>	<b>\$ 2,651,131</b>	<b>\$ 1,900,584</b>	<b>\$ 1,530,439</b>
<b>TOTAL ACTIVE RETAIL WATER CONNECTIONS</b>	N/A	N/A	N/A
<b>TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS</b>	N/A	N/A	N/A

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2019	2018	2022	2021	2020	2019	2018
\$ 659,046	\$	98.0 %	99.0 %	97.9 %	97.1 %	%
6,067		1.6	0.9	1.0	0.9	
13,880	3,899	0.4 %	0.1 %	1.1 %	2.0	100.0
<u>\$ 678,993</u>	<u>\$ 3,899</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 17,342	\$	2.0 %	2.2 %	2.1 %	2.6 %	%
		32.4	30.7	21.2		
355,394		43.6	50.3	45.5	52.3	
<u>\$ 372,736</u>	<u>\$ -0-</u>	<u>78.0 %</u>	<u>83.2 %</u>	<u>68.8 %</u>	<u>54.9 %</u>	<u>%</u>
<u>\$ 306,257</u>	<u>\$ 3,899</u>	<u>22.0 %</u>	<u>16.8 %</u>	<u>31.2 %</u>	<u>45.1 %</u>	<u>100.0 %</u>
\$ (20,061)	\$					
319,610	544,731					
<u>\$ 299,549</u>	<u>\$ 544,731</u>					
\$ 605,806	\$ 548,630					
548,630						
<u>\$ 1,154,436</u>	<u>\$ 548,630</u>					
<u>N/A</u>	<u>N/A</u>					
<u>N/A</u>	<u>N/A</u>					

See accompanying independent auditor's report.

**CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1**  
**BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS**  
**JULY 31, 2022**

District Mailing Address - Conroe Municipal Management District No. 1  
c/o The Muller Law Group, PLLC  
202 Century Square Boulevard  
Sugar Land, TX 77478

District Telephone Number - (281) 500-6050

<b>Board Members</b>	<u>Term of Office (Elected or Appointed)</u>	<u>Expense Reimbursements for year ended July 31, 2022</u>	<u>Title</u>
Keaton Hineman	06/20 04/25 (Appointed)	\$ -0-	President
Denise DeGeare	11/21 04/23 (Appointed)	\$ -0-	Secretary
Eric Wright	10/20 04/23 (Appointed)	\$ -0-	Assistant Vice President
Kyler Ferris	05/21 04/25 (Appointed)	\$ -0-	Assistant Vice President
Tom Matthews	10/19 04/23 (Appointed)	\$ -0-	Assistant Secretary

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

Submission date of most recent District Registration Form: December 5, 2021

See accompanying independent auditor’s report.

**CONROE MUNICIPAL MANAGEMENT DISTRICT NO. 1**  
**BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS**  
**JULY 31, 2022**

<b>Consultants:</b>	<u>Date Hired</u>	<u>Fees for the year ended July 31, 2022</u>	<u>Title</u>
The Muller Law Group, PLLC	04/23/15	\$ 140,518 \$ 604,571	General Counsel Bond Related
McCall Gibson Swedlund Barfoot PLLC	07/20/16	\$ 12,750 \$ 32,500	Auditor Bond Related
Municipal Accounts & Consulting, L.P.	04/15/20	\$ 65,729	Bookkeeper
LJA Engineering, Inc.	04/23/15	\$ 41,051	Engineer
Robert W. Baird & Co. Incorporated	04/23/15	\$ 496,887	Financial Advisor
Assessments of the Southwest, Inc.	04/23/15	\$ 18,961	Tax Assessor/ Collector

See accompanying independent auditor's report.

# EXHIBIT C

1/10/2023 1:24 PM

\* Amounts in usd

Property = z627610 z627611 z627612

## Income Statement

Period = Dec 2022

Book = Accrual ; Tree = ysi\_is

	Period to Date	%	Year to Date	%
Net Income (Loss)				
Net Operating Income				
Income				
Base Rental Income				
Base Rent	468,609.47	0.00	5,607,105.89	0.00
Total Base Rental Income	468,609.47	0.00	5,607,105.89	0.00
Free Rent				
Free Rent	0.00	0.00	16,267.50	0.00
Total Free Rent	0.00	0.00	16,267.50	0.00
Reimbursements				
Reimb - Com Area Operate-CY	94,841.21	0.00	870,044.94	0.00
Reimb - Com Area Operate-PY	0.00	0.00	20,812.25	0.00
Reimb - Real Estate Tax-CY	358,682.02	0.00	2,464,832.60	0.00
Reimb - Real Estate Tax-PY	0.00	0.00	48,361.60	0.00
Reimb - Insurance-CY	46,572.70	0.00	172,427.30	0.00
Reimb - Insurance-PY	0.00	0.00	-21,038.19	0.00
Reimb - Utilities	3,382.56	0.00	50,749.05	0.00
Reimb - Owners Assoc Dues	13,305.59	0.00	151,549.29	0.00
Reimb - Other Reimbursement Income	250.00	0.00	5,000.00	0.00
Total Reimbursements	517,034.08	0.00	3,762,738.84	0.00
Other Income				
Ground Rent	124,691.67	0.00	1,507,299.96	0.00
Late fees/NSF	32,700.00	0.00	32,700.00	0.00
Other Income	7,025.00	0.00	46,466.67	0.00
Total Other Income	164,416.67	0.00	1,586,466.63	0.00
Bad Debt				
Bad Debt Write Off	-8,527.11	0.00	378,713.50	0.00
Total Bad Debt	-8,527.11	0.00	378,713.50	0.00
Total Income	1,158,587.33	0.00	10,561,330.36	0.00
Operating Expenses				
Recoverable Expenses				
Repairs and Maint - Recoverable				
R/M Painting - Rec	0.00	0.00	1,190.75	0.00
Electrical Other - Rec	1,829.32	0.00	3,956.44	0.00
Roof Contract Service - Rec	0.00	0.00	39,459.67	0.00
Roof Other - Rec	0.00	0.00	3,600.00	0.00
Plumbing Other - Rec	0.00	0.00	-134.00	0.00
Parking Lot R/M - Rec	33,168.88	0.00	39,880.38	0.00
Parking Lot Other - Rec	1,190.80	0.00	30,735.61	0.00
Fire and Life Safety Contract - Rec	1,130.14	0.00	23,251.94	0.00
Fire and Life Safety Other - Rec	1,672.46	0.00	2,039.43	0.00
Service Contract Other - Rec	4,221.70	0.00	78,666.02	0.00
Garbage Removal - Rec	16,854.72	0.00	97,792.07	0.00
Owners Associate Dues - Rec	15,114.21	0.00	181,370.52	0.00
Exterminator Contract Serv - Rec	269.82	0.00	1,937.39	0.00
Signage - Rec	2,500.00	0.00	5,821.11	0.00
R/M Other - Rec	351.81	0.00	2,728.98	0.00
Total Repairs and Maint - Recoverable	78,303.86	0.00	512,296.31	0.00
Landscaping - Recoverable				



\* Amounts in usd

Property = z627610 z627611 z627612

**Income Statement**

Period = Dec 2022

Book = Accrual ; Tree = ysi\_is

	Period to Date	%	Year to Date	%
Landscaping Contract Serv - Rec	15,473.01	0.00	185,676.12	0.00
Landscaping Plants - Rec	2,461.38	0.00	2,461.38	0.00
Landscaping Lawn Sprklr Maint - Rec	519.60	0.00	16,075.37	0.00
<b>Total Landscaping - Recoverable</b>	<b>18,453.99</b>	<b>0.00</b>	<b>204,212.87</b>	<b>0.00</b>
Janitorial - Recoverable				
Janitorial Contract - Rec	1,407.25	0.00	7,036.25	0.00
<b>Total Janitorial - Recoverable</b>	<b>1,407.25</b>	<b>0.00</b>	<b>7,036.25</b>	<b>0.00</b>
Utilities - Recoverable				
Electric - Rec	2,906.10	0.00	24,850.66	0.00
Water - Rec	5,389.48	0.00	69,170.88	0.00
Utilities Other - Rec	24,949.74	0.00	139,238.92	0.00
<b>Total Utilities - Recoverable</b>	<b>33,245.32</b>	<b>0.00</b>	<b>233,260.46</b>	<b>0.00</b>
Insurance - Recoverable				
General Liab Insurance - Rec	1,496.63	0.00	17,208.94	0.00
Property Insurance - Rec	16,548.92	0.00	187,683.32	0.00
Insurance Other - Rec	565.13	0.00	2,569.00	0.00
<b>Total Insurance - Recoverable</b>	<b>18,610.68</b>	<b>0.00</b>	<b>207,461.26</b>	<b>0.00</b>
Security - Recoverable				
Security Contract Services - Rec	12,437.92	0.00	12,437.92	0.00
<b>Total Security - Recoverable</b>	<b>12,437.92</b>	<b>0.00</b>	<b>12,437.92</b>	<b>0.00</b>
Management Fees - Recoverable				
Management Staff Wages - Rec	5,894.00	0.00	75,057.89	0.00
Management Fee Contractual - Rec	25,218.39	0.00	390,426.43	0.00
<b>Total Management Fees - Recoverable</b>	<b>31,112.39</b>	<b>0.00</b>	<b>465,484.32</b>	<b>0.00</b>
Administrative - Recoverable				
Admin RE Tax Appl Fee - Rec	0.00	0.00	44,480.57	0.00
<b>Total Administrative - Recoverable</b>	<b>0.00</b>	<b>0.00</b>	<b>44,480.57</b>	<b>0.00</b>
Marketing - Recoverable				
Marketing Seasonal Decor - Rec	22,718.60	0.00	114,565.99	0.00
<b>Total Marketing - Recoverable</b>	<b>22,718.60</b>	<b>0.00</b>	<b>114,565.99</b>	<b>0.00</b>
RE and Personal Prop Tax - Rec				
Real Estate Taxes - Rec	211,252.84	0.00	2,535,034.25	0.00
<b>Total RE and Personal Prop Tax - Rec</b>	<b>211,252.84</b>	<b>0.00</b>	<b>2,535,034.25</b>	<b>0.00</b>
Other Taxes - Recoverable				
Margin Taxes - Rec	6,082.58	0.00	55,491.62	0.00
<b>Total Other Taxes - Recoverable</b>	<b>6,082.58</b>	<b>0.00</b>	<b>55,491.62</b>	<b>0.00</b>
<b>Total Recoverable Expenses</b>	<b>433,625.43</b>	<b>0.00</b>	<b>4,391,761.82</b>	<b>0.00</b>
Non-Recoverable Expenses				
Repairs and Maint - Non-Recoverable				
Plumbing Other - Non	0.00	0.00	820.64	0.00
Fire and Life Safety Other - Non	0.00	0.00	202.95	0.00
R/M Other - Non	0.00	0.00	3,117.06	0.00
<b>Total Repairs and Maint - Non-Recoverable</b>	<b>0.00</b>	<b>0.00</b>	<b>4,140.65</b>	<b>0.00</b>
Janitorial - Non-Recoverable				
Janitorial Contract - Non	351.81	0.00	4,974.06	0.00
<b>Total Janitorial - Non-Recoverable</b>	<b>351.81</b>	<b>0.00</b>	<b>4,974.06</b>	<b>0.00</b>
Utilities - Non-Recoverable				
Electric - Non	0.00	0.00	1,205.22	0.00
Cable - Non	268.92	0.00	3,901.03	0.00

\* Amounts in usd

Property = z627610 z627611 z627612

**Income Statement**

Period = Dec 2022

Book = Accrual ; Tree = ysi\_is

	<b>Period to Date</b>	<b>%</b>	<b>Year to Date</b>	<b>%</b>
Total Utilities - Non-Recoverable	268.92	0.00	5,106.25	0.00
Mgmt Fees - Non-Recoverable				
Management Onsite Costs - Non	173.38	0.00	3,784.60	0.00
Total Mgmt Fees - Non-Recoverable	173.38	0.00	3,784.60	0.00
Adminstrative - Non-Recoverable				
Admin Other - Non	1,667.00	0.00	36,490.52	0.00
Total Administrative - Non-Recoverable	1,667.00	0.00	36,490.52	0.00
Marketing/Lease - Non-Recoverable				
Marketing Other - Non	0.00	0.00	3,996.20	0.00
Total Marketing/Lease - Non-Recoverable	0.00	0.00	3,996.20	0.00
Non-cap Procurement Costs - Non-Recoverable				
Non-cap Lease Commissions - Non	0.00	0.00	35,100.00	0.00
Total Non-cap Procurement Costs - Non-Recoverable	0.00	0.00	35,100.00	0.00
Total Non-Recoverable Expenses	2,461.11	0.00	93,592.28	0.00
Total Operating Expenses	436,086.54	0.00	4,485,354.10	0.00
Total Net Operating Income	722,500.79	0.00	6,075,976.26	0.00
Non-Operating (Income)/Expense				
Interest Expense - 3rd Party				
Int Exp - Perm Mrtg #1 - 3rd Party	162,500.00	0.00	1,950,000.00	0.00
Total Interest Expense - 3rd Party	162,500.00	0.00	1,950,000.00	0.00
Non-Operating Other Exp				
Audit Fees	4,322.50	0.00	22,190.00	0.00
Tax Return Fees	0.00	0.00	9,598.87	0.00
Legal Fees	0.00	0.00	25,369.00	0.00
Other Professional Fees	5,760.50	0.00	137,576.42	0.00
Travel	0.00	0.00	571.89	0.00
Total Non-Operating Other Exp	10,083.00	0.00	195,306.18	0.00
Total Non-Operating (Income)/Expense	172,583.00	0.00	2,145,306.18	0.00
Total Net Income (Loss)	549,917.79	0.00	3,930,670.08	0.00

\* Amounts in usd

Property = z627610 z627611 z627612

**Balance Sheet**

Period = Dec 2022

Book = Accrual ; Tree = ysi\_bs

	<b>Current Balance</b>
<b>Assets</b>	
Cash	
Property Operating Cash Account	6,294,579.48
Total Cash	6,294,579.48
Accounts Receivable Tenant	
Accounts Receivable	1,634,609.24
A/R - Tenant Other	523,449.70
Total Accounts Receivable Tenant	2,158,058.94
Other Receivables	
Receivables - Other	48,565.23
Total Other Receivables	48,565.23
Prepaid Expenses	
PP Utility Deposits	3,859.03
PP Insurance	29,687.86
Total Prepaid Expenses	33,546.89
Land	
Land - Original Cost	19,428,941.57
WIP - Land	-3,222,814.77
Total Land	16,206,126.80
Building	
Building Improvement	55,065.08
Tenant Improvement	4,596,109.00
WIP - Tenant Improvement	383,480.40
WIP - Building Improvement	66,680,574.68
Total Building	71,715,229.16
Furniture/Fixture/Equipment	
FFE - Furniture and Fixtures	21,318.62
Total Furniture/Fixture/Equipment	21,318.62
Lease Comm/Other Deferred Costs	
Deferred Misc Cap Leasing	210,377.00
Deferred Lease Commission	4,216,430.96
Deferred Loan Fees	845,435.10
WIP - Deferred Cost	229,920.01
Total Lease Comm/Other Deferred Costs	5,502,163.07
Total Assets	101,979,588.19
<b>Liabilities and Equity</b>	
Liabilities	
Accounts Payable	
Accounts Payable	25,218.39
A/P - Tenant Refunds	28,879.15
A/P - Other	18,244.35

\* Amounts in usd

Property = z627610 z627611 z627612

**Balance Sheet**

Period = Dec 2022

Book = Accrual ; Tree = ysi\_bs

	<b>Current Balance</b>
Total Accounts Payable	72,341.89
State Income Tax Payable	
St Gross Recpt Tax Pd-CY	55,446.98
Total State Income Tax Payable	55,446.98
Prepaid Liabilities	
Prepaid Rent	232,819.34
Total Prepaid Liabilities	232,819.34
Deposits	
Deposits - Security	219,988.73
Total Deposits	219,988.73
Accrued Expenses	
Accrued Interest	162,500.00
Accrued Property Taxes	2,535,034.16
Accrued Expenses - Other	53,935.57
Total Accrued Expenses	2,751,469.73
LT Liability - 3rd Party	
Permanent Mortgage #1 - 3rd Party	60,000,000.00
Total LT Liability - 3rd Party	60,000,000.00
Total Liabilities	63,332,066.67
Equity	
Owners Equity	
Contributions / APIC	40,007,106.47
Contributions - Partner 1	32,898.39
Contributions - Partner 2	16,870.97
Distributions / Dividends	-15,151,166.34
Distributions - Partner 1	-943,583.66
Distributions - Partner 2	-512,375.00
BOP Inc/Loss Allocation	356,596.32
CY Ordinary Income	13,369,422.98
CY Gain/Loss Alloc	1,471,751.39
Total Owners Equity	38,647,521.52
Total Equity	38,647,521.52
Total Liabilities and Equity	101,979,588.19

**APPENDIX B**  
**SPECIMEN MUNICIPAL BOND INSURANCE POLICY**



**BAM**

**MUNICIPAL BOND  
INSURANCE POLICY**

ISSUER: [NAME OF ISSUER]

Policy No: \_\_\_\_\_

MEMBER: [NAME OF MEMBER]

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

Effective Date: \_\_\_\_\_

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

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: \_\_\_\_\_  
Authorized Officer

SPECIAL MEMBER

**Notices (Unless Otherwise Specified by BAM)**

Email:

[claims@buildamerica.com](mailto:claims@buildamerica.com)

Address:

1 World Financial Center, 27<sup>th</sup> floor

200 Liberty Street

New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

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