**OFFICIAL STATEMENT DATED OCTOBER 19, 2023**

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

The Bonds are not designated as "qualified tax-exempt obligations" for financial institutions.

**NEW ISSUE – Book Entry Only**

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

**$13,350,000**
**EAST MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 5**
(A Political Subdivision of the State of Texas Located within Montgomery County)
**UNLIMITED TAX CONTRACT REVENUE BONDS**
**SERIES 2023**

**Dated Date: November 1, 2023**
**Interest Accrues From: Date of Delivery**
**Due: December 1, as shown on inside cover**

East Montgomery County Municipal Utility District No. 5 ("MUD 5," the "District," or "Master District") has agreed to assume the responsibility of becoming the coordinating district for provision of regional water, wastewater, and drainage facilities and service to customers within MUD 5, East Montgomery County Municipal Utility District No. 6 ("MUD 6"), and East Montgomery County Municipal Utility District No. 7 ("MUD 7") (collectively referred to herein as the "Participants" or the "Tavola MUDs") in order to encourage the regionalization and to avoid duplication of such facilities in the area.

The $13,350,000 Unlimited Tax Contract Revenue Bonds, Series 2023 (the "Bonds"), are special limited obligations of the Master District payable solely from and to the extent of payments required to be made to the Master District by the Participants (the "Pledged Contract Payments") within the Service Area (hereinafter defined) from proceeds of an unlimited annual ad valorem contract tax levied by each Participant for debt service as set forth in the "Contract for Financing, Operation and Maintenance of Regional Water, Sanitary Sewer and Drainage Facilities" entered into between the Master District and each Participant with identical terms (collectively, the "Master District Contract") as described under "SUMMARY OF CERTAIN DOCUMENTS – Master District Contract." The Bonds are limited obligations of the Master District payable solely from the Pledged Contract Payments pursuant to the Indenture (hereinafter defined) and are not obligations of the State of Texas; the City of Houston, Texas; Montgomery County, Texas; or any other entity other than the Master District. See "THE BONDS – Source of Payment."

The Bonds will be initially registered and delivered only to Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. Beneficial owners of the Bonds will not receive physical certificates representing the Bonds, but will receive a credit balance on the books of the nominees of such beneficial owners. So long as Cede & Co. is the registered owner of the Bonds, the principal of and interest on the Bonds will be paid by Zions Bancorporation, National Association, Houston, Texas (the "Paying Agent/Registrar"), directly to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds. See "THE BONDS – Book-Entry-Only System."

Principal of the Bonds is payable to the registered owner(s) of the Bonds (the "Bondholder(s)") at the principal payment office of the Paying Agent/Registrar upon surrender of the Bonds for payment at maturity or upon prior redemption. The Bonds are dated November 1, 2023 (the "Dated Date"), and interest on the Bonds accrues from the date of delivery, which is expected to be on November 16, 2023 (the "Date of Delivery"), and is payable on June 1, 2024, and each December 1 and June 1 thereafter to the person in whose name the Bonds are registered as of the 15th day of the calendar month next preceding each interest payment date. Unless otherwise agreed between the Paying Agent/Registrar and a Bondholder, such interest is payable by check mailed to such persons or by other means acceptable to such persons and the Paying Agent/Registrar. The Bonds are issuable in principal denominations of $5,000 or any integral multiple thereof in fully registered form only.

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

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

The Bonds constitute the seventh series of unlimited tax contract revenue bonds issued by the Master District. Voters within the boundaries of the Participants have authorized a total of $225,000,000 principal amount of unlimited tax contract revenue bonds. Following the issuance of the Bonds, $183,255,000 of authorized unlimited tax contract revenue bonds will remain unissued. See "THE BONDS – Authority for Issuance." The Bonds, when issued, will constitute valid and legally binding special limited obligations of the Master District. See "THE BONDS – Source of Payment."

The Bonds are offered when, as and if issued by the District and accepted by the initial purchaser of the Bonds (the "Initial Purchaser"), subject among other things to the approval of the initial Bonds by the Attorney General of Texas and the approval of certain legal matters by Coats Rose, P.C., Houston, Texas, Bond Counsel. Certain legal matters will be passed upon for the District by Orrick, Herrington & Sutcliffe LLP, Houston, Texas, Disclosure Counsel. The Bonds in definitive form are expected to be available for delivery on or about November 16, 2023. See "LEGAL MATTERS."

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

**$13,350,000 Unlimited Tax Contract Revenue Bonds, Series 2023**

| Maturity (December 1) | Principal Amount | Interest Rate | Initial Reoffering Yield (a) | CUSIP No. 27373P (b) | Maturity (December 1) | Principal Amount | Interest Rate | Initial Reoffering Yield (a) | CUSIP No. 27373P (b) |
|---|---|---|---|---|---|---|---|---|---|
| 2025 | $ 300,000 | 7.500% | 4.400% | GB6 | 2037 (c) | $ 540,000 | 5.000% | 5.030% | GP5 |
| 2026 | 315,000 | 7.500% | 4.400% | GC4 | 2038 (c) | 565,000 | 5.000% | 5.060% | GQ3 |
| 2027 | 330,000 | 7.500% | 4.400% | GD2 | 2039 (c) | 595,000 | 5.000% | 5.090% | GR1 |
| 2028 | 345,000 | 7.500% | 4.400% | GE0 | 2040 (c) | 625,000 | 5.000% | 5.120% | GS9 |
| 2029 | 365,000 | 7.500% | 4.400% | GF7 | 2041 (c) | 655,000 | 5.000% | 5.140% | GT7 |
| 2030 | 385,000 | 7.500% | 4.450% | GG5 | 2042 (c) | 690,000 | 5.000% | 5.160% | GU4 |
| 2031 (c) | 400,000 | 6.250% | 4.500% | GH3 | 2043 (c) | 720,000 | 5.000% | 5.180% | GV2 |
| 2032 (c) | 420,000 | 5.000% | 4.600% | GJ9 | 2044 (c) | 760,000 | 5.000% | 5.200% | GW0 |
| 2033 (c) | 445,000 | 5.000% | 4.700% | GK6 | 2045 (c) | 795,000 | 5.000% | 5.220% | GX8 |
| 2034 (c) | 465,000 | 5.000% | 4.800% | GL4 | 2046 (c) | 835,000 | 5.000% | 5.230% | GY6 |
| 2035 (c) | 490,000 | 5.000% | 4.900% | GM2 | 2047 (c) | 875,000 | 5.000% | 5.240% | GZ3 |
| 2036 (c) | 515,000 | 5.000% | 5.000% | GN0 | 2048 (c) | 920,000 | 5.000% | 5.250% | HA7 |

(a) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Initial Purchaser. 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 owners of the Bonds.

(c) Bonds maturing on December 1, 2031, 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 November 1, 2030, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. See "THE BONDS – Redemption Provisions."

## USE OF INFORMATION IN OFFICIAL STATEMENT

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

All of the summaries of the statutes, resolutions, orders, contracts, audited financial statements, engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions and reference is made to such documents, copies of which are available from Bond Counsel, for further information.

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

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

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 in this Official Statement, until delivery of the Bonds to the Initial Purchaser and thereafter only as specified in "OFFICIAL STATEMENT – Updating of Official Statement" and "CONTINUING DISCLOSURE OF INFORMATION."

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 C."

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

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## SALE AND DISTRIBUTION OF THE BONDS

### Award of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the bid resulting in the lowest net effective interest rate to the District, which was tendered by SAMCO Capital Markets, Inc. (the "Initial Purchaser") to purchase the Bonds bearing the interest rates shown under "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS" at a price of 97.015203% of the par value thereof plus accrued interest to the date of delivery, which resulted in a net effective interest rate of 5.320740%, as calculated pursuant to Chapter 1204 of the Texas Government Code.

### Prices and Marketability

Subject to certain restrictions described in the Official Notice of Sale, the District has no control over the reoffering yields or prices of the Bonds or 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.

The delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Initial Purchaser 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 bondhouse, broker or similar person acting in the capacity of underwriter or wholesaler. Otherwise, subject to certain restrictions described in the Official Notice of Sale, the District has no understanding with the Initial Purchaser regarding the reoffering yields or prices of the Bonds. Information concerning reoffering yields or prices is the responsibility of the Initial Purchaser.

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 Purchaser after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts.

IN CONNECTION WITH THIS OFFERING, THE INITIAL PURCHASER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

### Securities Laws

No registration statement relating to the Bonds has been filed with the SEC 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.

### Delivery of Official Statements

The District shall furnish to the Initial Purchaser (and to each participating underwriter of the Bonds, within the meaning of SEC Rule 15c2-12(a), designated by the Initial Purchaser), within seven (7) business days after the sale date, the aggregate number of Official Statements agreed upon between the District and the Initial Purchaser. The District also shall furnish to the Initial Purchaser a like number of any supplements or amendments approved and authorized for distribution by the District for dissemination to potential underwriters of the Bonds, as well as such additional copies of the Official Statement or any such supplements or amendments as the Initial Purchaser may reasonably request prior to the 90th day after the end of the underwriting period described in SEC Rule 15c2-12(f)(2). The District shall pay the expense of preparing the number of copies of the Official Statement agreed upon between the District and the Initial Purchaser and an equal number of any supplements or amendments issued on or before the delivery date, but the Initial Purchaser shall pay for all other copies of the Official Statement or any supplement or amendment thereto.

## MUNICIPAL BOND INSURANCE

### Bond Insurance Policy

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

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 municipal bonds, as defined in Section 6901 of the New York Insurance Law, which are most often issued by states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

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

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

BAM's financial strength is rated "AA/Stable" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at www.spglobal.com/en/. 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, 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. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

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

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

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

## RATING

The Bonds will receive an insured rating of "AA" from S&P solely in reliance upon the issuance of the municipal bond insurance policy by BAM at the time of delivery of the Bonds. 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") has assigned an underlying rating of "Baa2" to the Bonds. An explanation of the rating may be obtained from Moody's, 7 World Trade Center at 250 Greenwich Street, New York, New York 10007. 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 Moody's, if in their judgment, circumstances so warrant. Any such revisions or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

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

## OFFICIAL STATEMENT SUMMARY

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

### THE BONDS

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| The Issuer | East Montgomery County Municipal Utility District No. 5 ("MUD 5," the "District," or the "Master District"), a political subdivision of the State of Texas, is located in Montgomery County, Texas. See "THE DISTRICT." |
| The Issue | The $13,350,000 Unlimited Tax Contract Revenue Bonds, Series 2023 (the "Bonds"), are dated November 1, 2023 (the "Dated Date"), and interest on the Bonds accrues from the date of delivery, which is expected to be on November 16, 2023 (the "Date of Delivery"), and is payable June 1, 2024, and each December 1 and June 1 thereafter until the earlier of stated maturity or redemption. The Bonds mature on December 1 in the years and in the principal amounts as set forth on the inside cover page hereof. See "THE BONDS – General." |
| Redemption Provisions | Bonds maturing on or after December 1, 2031, are subject to redemption, in whole or from time to time in part, on November 1, 2030, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. See "THE BONDS – Redemption Provisions." |
| Book-Entry-Only System | The Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC"), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in principal denominations of $5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the Beneficial Owners (hereinafter defined) thereof. Principal of and interest on the Bonds will be payable by Zions Bancorporation, National Association, Houston, Texas (the "Paying Agent/Registrar"), to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the Beneficial Owners of the Bonds. See "THE BONDS – Book-Entry-Only System." |
| Authority for Issuance | The Bonds are issued pursuant to (i) Article XVI, Section 59 of the Texas Constitution, and the general laws of the State of Texas, including particularly Chapters 49 and 54 of the Texas Water Code, (ii) various elections held within the District and the other Participants (herein defined), (iii) a bond order (the "Bond Order") adopted by the Board of Directors of the District (the "Board"), (iv) a trust indenture (the "Indenture") between the Master District and Zions Bancorporation, National Association, Houston, Texas (the "Trustee"), and (v) an order of the Texas Commission on Environmental Quality (the "TCEQ"). See "THE DISTRICT – General" and "THE BONDS – Authority for Issuance." |
| Source of Payment | Principal of and interest on the Bonds are payable from and secured by an unconditional obligation made severally by MUD 5, East Montgomery County Municipal Utility District No. 6 ("MUD 6"), and East Montgomery County Municipal Utility District No. 7 ("MUD 7") (the "Participants" collectively or "Participant" individually) pursuant to a Master District Contract (as hereinafter defined) entered into between the Master District and each Participant to make certain debt service payments on the Bonds (collectively the "Pledged Contract Payments"). By execution of the Master District Contract, each Participant has agreed to pay a pro rata share of debt service on the Bonds based upon the certified assessed valuation of such Participant as a percentage of the total assessed valuation of all taxable property located within boundaries of all Participants (the "Service Area"). Participants are obligated to make such Pledged Contract Payments from the proceeds of an annual unlimited ad valorem contract tax levied by such |

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| | Participant on land within its boundaries for debt service requirements (the "Contract Tax"). No Participant is liable for the payments due by any other Participant. The Bonds are further secured by a Debt Service Fund (as hereinafter defined) held by the Trustee (as hereinafter defined) pursuant to the terms of the Indenture (as hereinafter defined). THE BONDS ARE LIMITED OBLIGATIONS OF THE MASTER DISTRICT, PAYABLE SOLELY FROM CERTAIN PLEDGED CONTRACT PAYMENTS OF EACH PARTICIPANT AND CERTAIN FUNDS HELD BY THE TRUSTEE UNDER THE INDENTURE, AND ARE NOT OBLIGATIONS OF THE CITY OF HOUSTON, TEXAS; MONTGOMERY COUNTY, TEXAS; OR ANY OTHER POLITICAL SUBDIVISION OR AGENCY. See "THE BONDS – Source of Payment" and "SUMMARY OF CERTAIN DOCUMENTS – Master District Contract." |
| 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." |
| Outstanding Bonds | The District has previously issued six series of bonds, each being unlimited tax contract revenue bonds issued by the District in its capacity as the Master District, as follows: $6,675,000 Unlimited Tax Contract Revenue Bonds, Series 2016, $2,900,000 Unlimited Tax Contract Revenue Bonds, Series 2017, $4,800,000 Unlimited Tax Contract Revenue Bonds, Series 2018, $4,975,000 Unlimited Tax Contract Revenue Bonds, Series 2019, $4,190,000 Unlimited Tax Contract Revenue Bonds, Series 2021, and $4,855,000 Unlimited Tax Contract Revenue Bonds, Series 2022. As of delivery of the Bonds, $26,025,000 principal amount of such six series of bonds remains outstanding (the "Outstanding Bonds"). See "THE BONDS – Outstanding Bonds." |
| Principal Use of Proceeds | Proceeds from sale of the Bonds will be used to reimburse the Developer (herein defined) for a portion of the construction costs set out herein under "THE BONDS – Use and Distribution of Bond Proceeds." Proceeds of the Bonds will also be used to: pay six (6) months of capitalized interest on the Bonds, pay developer advances, and pay costs of issuance associated with the BAN and the Bonds. See "THE BONDS – Use and Distribution of Bond Proceeds" for further information. |
| Not Qualified Tax-Exempt Obligations | The Bonds are not designated as "qualified tax-exempt obligations" for financial institutions. See "QUALIFIED TAX-EXEMPT OBLIGATIONS." |
| Municipal Bond Insurance | Build America Mutual Assurance Company ("BAM"). See "MUNICIPAL BOND INSURANCE." |
| Rating | S&P Global Ratings (BAM Insured): "AA." Moody's Investors Service, Inc. (Underlying): "Baa2." See "RATINGS." |
| Legal Opinion | Coats Rose, P.C., Houston, Texas. See "LEGAL MATTERS." |
| Financial Advisor | Robert W. Baird & Co. Incorporated, Houston, Texas. |
| Disclosure Counsel | Orrick, Herrington & Sutcliffe LLP, Houston, Texas. |

**THE DISTRICT**

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| Tavola | The District is one of the three municipal utility districts that make up the master-planned development known as Tavola. Tavola consists of approximately 1,500 total acres located in Montgomery County, Texas, approximately 30 miles northeast of the City of Houston, Texas, and approximately three miles north of the City of New Caney, Texas. Tavola includes the District, MUD 6, and MUD 7. Currently, all development in Tavola is located within MUD 6 and MUD 7. See "TAVOLA." |
| Development | To date, approximately 621 total acres within the District. In MUD 5, approximately 88 acres have been developed into West Sections 1-4 (426 lots), of which all are currently vacant developed lots. In MUD 6, of the approximately 554 total acres of land located within the District, approximately 398 acres (1,247 lots) within the District have been |

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|---|---|
| | developed with water distribution, sanitary sewer and storm drainage facilities to serve the single-family residential subdivisions of Tavola, Sections 2–19, 22–24, 26–27, and 38–40. As of September 1, 2023, single-family development in the District included 1,247 completed and occupied homes; 0 completed and unoccupied homes; 0 homes under construction; and 0 vacant, developed lots. In MUD 7, of the approximately 495 total acres of land located within the District, approximately 354 acres (1,324 lots) within the District have been developed with water distribution, sanitary sewer and storm drainage facilities to serve the single-family residential subdivisions of Tavola, Sections 20, 21, 25, 28 – 37 and 41 – 47. As of September 1, 2023, single-family development in the District included 1,073 completed and occupied homes; 0 completed and unoccupied homes; 157 homes under construction; and 94 vacant, developed lots. See "TAVOLA." |
| Developer............................................................................ | Land within Tavola is being developed by Lennar Homes of Texas Land and Construction, Ltd., a Texas limited partnership d/b/a Friendswood Development Company (the "Developer"). See "THE DEVELOPER" and "TAVOLA." |
| Homebuilders within the Service Area ................ | Homebuilders who are active in the Service Area include Perry Homes, Lennar Homes, M/I Homes, Lakewood Homes, Westin Homes and Rausch Coleman Homes. Prices of new homes being constructed in the Service Area range from $200,000–$440,000. See "TAVOLA – Homebuilders within the Service Area." |

**INVESTMENT CONSIDERATIONS**

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

*[Remainder of page left blank intentionally]*

## SELECTED FINANCIAL INFORMATION

## (UNAUDITED)

Values of the Participants

| | 2023 Taxable Assessed Value (a) | Percent of Total | August 15, 2023 Estimate of Value (b) | Percent of Total |
|---|---|---|---|---|
| MUD 5 | $ 627,330 | 0.10% | $ 15,187,040 | 1.97 % |
| MUD 6 | 385,527,930 | 62.00 | 425,842,079 | 55.34 |
| MUD 7 | 235,644,754 | 37.90 | 328,484,608 | 42.69 |
| Total | $ 621,800,014 | 100.00% | $ 769,513,727 | 100.00% |

| | | |
|---|---|---|
| Direct Debt: | | |
| The Outstanding Bonds (as of delivery of the Bonds) | $ 26,025,000 | |
| The Bonds | $ 13,350,000 | |
| Total | $ 39,375,000 | |
| Estimated Overlapping Debt | $ 95,785,274 | (c) |
| Total Direct and Estimated Overlapping Debt | $135,160,274 | |
| Direct Debt Ratios: | | |
| As a percentage of the 2023 Taxable Assessed Valuation of the Participants | 6.33 % | |
| As a percentage of the Estimated Valuation of the Participants as of August 15, 2023 | 5.12 % | |
| Direct and Estimated Overlapping Debt Ratios: | | |
| As a percentage of the 2023 Taxable Assessed Valuation of the Participants | 21.74 % | |
| As a percentage of the Estimated Valuation of the Participants as of August 15, 2023 | 17.56 % | |
| Debt Service Fund Balance (as of September 14, 2023) | $ 1,963,523 | (d) |
| General Fund Balance (as of September 14, 2022) | $ 50,230 | |
| Capital Projects Fund Balance (as of September 14, 2022) | $ 467,740 | |

| 2022 Tax Rate per $100 of Assessed Value of Participants | MUD 5 | MUD 6 | MUD 7 |
|---|---|---|---|
| Utility Debt Service | $0.000 | $0.310 | $0.430 |
| Road Debt Service | 0.000 | 0.205 | 0.120 |
| Contract Tax | 0.410 | 0.400 | 0.405 |
| Maintenance | 0.890 | 0.275 | 0.345 |
| Total | $1.300 | $1.190 | $1.300 |

---

(a) Represents the taxable assessed valuation of taxable property as of January 1, 2023, provided by the Montgomery Central Appraisal District. Includes $18,705,752 of uncertified value for MUD 7 and $51,801,160 of uncertified value for MUD 6, which represents 80% of the amount of uncertified value under review. See "TAX DATA" and "TAXING PROCEDURES."

(b) Provided by the Montgomery Central Appraisal District for informational purposes only, this amount is an estimate of the taxable value of all taxable property as of August 15, 2023, and includes an estimate of additional taxable value resulting from additional taxable improvements constructed from January 1, 2023, through August 15, 2023. No taxes will be levied on this estimated value. See "TAX DATA" and "TAXING PROCEDURES."

(c) Includes the pending East Montgomery County Municipal Utility District No. 7 $5,750,000 Unlimited Tax Bonds, Series 2023A. See "DISTRICT DEBT – Direct and Estimated Overlapping Debt Statement."

(d) Neither Texas law, the Bond Order (as hereinafter defined) nor the Indenture (as hereinafter defined) requires that the Master District maintain any particular sum in the Debt Service Fund. In addition, six (6) months of capitalized interest on the Bonds will be deposited into the Debt Service Fund upon delivery of the Bonds.

## SELECTED FINANCIAL INFORMATION

## (UNAUDITED)

| | |
|---|---|
| Average Annual Debt Service Requirement (2024–2048) | $2,464,324 (a) |
| Maximum Annual Debt Service Requirement (2025) | $2,785,750 (a) |
| Contract Tax Rate per $100 of Taxable Assessed Valuation Required to Pay Average Annual Debt Service Requirement (2024–2048) at 95% Tax Collections | |
| Based on the 2023 Taxable Assessed Valuation of the Participants | $0.42 |
| Based on the Estimated Valuation of the Participants as of August 15, 2023 | $0.34 |
| Contract Tax Rate per $100 of Taxable Assessed Valuation Required to Pay Maximum Annual Debt Service Requirement (2025) at 95% Tax Collections | |
| Based on the 2023 Taxable Assessed Valuation of the Participants | $0.48 |
| Based on the Estimated Valuation of the Participants as of August 15, 2023 | $0.39 |

Status of Development in Service Area as of September 1, 2023

| Participant | Total Acreage | Homes Completed (b) | Homes Under Construction | Developed Vacant Lots |
|---|---|---|---|---|
| MUD 5 | 516.81 | 0 | 0 | 426 |
| MUD 6 | 554.22 | 1,247 | 0 | 0 |
| MUD 7 | 493.49 | 1,073 | 157 | 94 |
| Total | 1,564.52 | 2,320 | 157 | 520 |

(a) Requirement of debt service on the Outstanding Bonds and the Bonds. See "DISTRICT DEBT – Debt Service Requirement Schedule."

(b) Approximately 2,320 homes are occupied.

*[Remainder of page left blank intentionally]*

## INTRODUCTION

This Official Statement of East Montgomery County Municipal Utility District No. 5 (the "District," "Master District," or "MUD 5") is provided to furnish information with respect to the issuance by the District of its $13,350,000 Unlimited Tax Contract Revenue Bonds, Series 2023 (the "Bonds").

The Bonds are issued pursuant to (i) Article XVI, Section 59 of the Texas Constitution, and the general laws of the State of Texas, including particularly Chapters 49 and 54 of the Texas Water Code, (ii) various elections held within the District and the other Participants (herein defined), (iii) a bond order (the "Bond Order") adopted by the Board of Directors of the District (the "Board"), (iv) a trust indenture (the "Indenture") between the Master District and Zions Bancorporation, National Association, Houston, Texas (the "Trustee"), and (v) an order of the Texas Commission on Environmental Quality (the "TCEQ").

Certain capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Bond Order and the Indenture, except as otherwise indicated herein.

This Official Statement also includes information about the District and certain reports and other statistical data. The summaries and references to all documents, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive or definitive and each summary and reference is qualified in its entirety by reference to each such document, statute, report, or instrument.

## THE BONDS

### General

The following is a description of certain terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Bond Order and the Indenture. A copy of the Bond Order and the Indenture may be obtained from the Master District upon request to Bond Counsel. The Bond Order and the Indenture authorize the issuance and sale of the Bonds and prescribes the terms, conditions and provisions for the payment of the principal of and interest on the Bonds by the Master District.

The Bonds are dated November 1, 2023 (the "Dated Date"), and interest on the Bonds accrues from the date of delivery, which is expected to be on November 16, 2023 (the "Date of Delivery"), and is payable June 1, 2024, and each December 1 and June 1 thereafter until the earlier of stated maturity or redemption. Interest on the Bonds will be payable June 1, 2024, and semiannually thereafter on each June 1 and December 1 until maturity or redemption. Bonds maturing on or after December 1, 2031, are subject to redemption prior to maturity at the option of the Master District, in whole or from time to time in part, on November 1, 2030, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. If less than all the Bonds are redeemed at any time, the particular maturities of Bonds to be redeemed shall be selected by the Master District. If less than all of the Bonds of a particular maturity are redeemed, the Paying Agent/Registrar shall select the particular Bonds to be redeemed by such random method as it deems fair and appropriate.

The Bonds will be issued only in fully registered form in any integral multiples of $5,000 of principal amount for any one maturity and will be initially registered and delivered only to The Depository Trust Company, New York, New York ("DTC"), in its nominee name of Cede & Co., pursuant to the book-entry-only system described herein. No physical delivery of the Bonds will be made to the owners thereof. Initially, principal of and interest on the Bonds will be payable by Zions Bancorporation, National Association, Houston, Texas (the "Paying Agent/Registrar"), to Cede & Co., as registered owner. DTC will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "Book-Entry-Only System" below.

In the event the Book-Entry-Only System is discontinued and physical bond certificates issued, interest on the Bonds shall be payable by check mailed by the Paying Agent/Registrar on or before each interest payment date, to the Registered Owners as shown on the bond register (the "Register") kept by the Paying Agent/Registrar at the close of business on the 15th calendar day of the month immediately preceding each interest payment date to the address of such Registered Owner as shown on the Register, or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and the Registered Owner at the risk and expense of such Registered Owner.

If the date for payment of the principal of or interest on any Bond is not a business day, then the date for such payment shall be the next succeeding business day without additional interest and with the same force and effect as if made on the specified date for such payment.

### Book-Entry-Only System

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

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

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 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 ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

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 Issuer or Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Paying Agent/Registrar or the Master 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 Master District or 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 Master 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 Master District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

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

*Use of Certain Terms in Other Sections of this 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 of this Official Statement 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 Order will be given only to DTC.

**Registration, Transfer and Exchange**

In the event the Book-Entry-Only System should be discontinued, the Bonds may be 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 the Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three 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 of principal amount for any one maturity and for a like aggregate principal amount as the Bond or Bonds surrendered for exchange or transfer. See "Book-Entry-Only System" herein defined 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 Master District has agreed to replace mutilated, destroyed, lost or stolen Bonds upon surrender of the mutilated Bonds to the Paying Agent/Registrar, or receipt of satisfactory evidence of such destruction, loss or theft, and receipt by the Master District and the Paying Agent/Registrar of security or indemnity which they determine to be sufficient to hold them harmless. The Master District may require payment of taxes, governmental charges and other expenses in connection with any such replacement.

**Authority for Issuance**

At separate elections held within the boundaries of each Participant on May 12, 2007, the voters of each Participant approved the Master District Contract, thereby, authorizing the levy and collection of the Contract Tax and the issuance of the Bonds and future unlimited tax contract revenue bonds necessary to fund the Master District Facilities. See "Issuance of Additional Debt" below.

A TCEQ order has authorized the Master District to sell the Bonds subject to certain restrictions, including the use of Bond proceeds as summarized in "– Use and Distribution of Bond Proceeds" below and recommended, among other things, the levy of a Contract Tax by each Participant for the payment of debt service on the Bonds of at least $0.45 per $100 assessed valuation in the initial year of issuance of the Bonds.

The Bonds are issued pursuant to (i) Article XVI, Section 59 of the Texas Constitution, and the general laws of the State of Texas, including particularly Chapters 49 and 54 of the Texas Water Code, (ii) various elections held within the District and the other Participants, (iii) the Bond Order, (iv) the Indenture, and (v) an order of the TCEQ.

Before the Bonds can be issued, the Attorney General of Texas must pass upon the legality of certain related matters. The Attorney General of Texas does not guarantee or pass upon the safety of the Bonds as an investment, the sufficiency of the Pledged Revenues (hereinafter defined) to pay principal and interest on the Bonds or upon the adequacy of the information contained in this Official Statement.

**Outstanding Bonds**

The District has previously issued six series of bonds, each being unlimited tax contract revenue bonds issued by the District in its capacity as the Master District, as follows: $6,675,000 Unlimited Tax Contract Revenue Bonds, Series 2016, $2,900,000 Unlimited Tax Contract Revenue Bonds, Series 2017, $4,800,000 Unlimited Tax Contract Revenue Bonds, Series 2018, $4,975,000 Unlimited Tax Contract Revenue Bonds, Series 2019, $4,190,000 Unlimited Tax Contract Revenue Bonds, Series 2021, and $4,855,000 Unlimited Tax Contract Revenue Bonds, Series 2022. As of delivery of the Bonds, $26,025,000 principal amount of such six series of bonds remains outstanding (the "Outstanding Bonds").

**Source of Payment**

The Bonds are payable solely from and to the extent that certain payments required by the Master District Contract are made by the Trustee for the purpose of paying the debt service on the Bonds. The Master District Contract provides that all Participants shall pay a pro rata share of debt service on the Master District bonds, including the Outstanding Bonds, the Bonds, and any future unlimited tax contract revenue bonds, based upon each Participant's certified assessed valuation as a percentage of the total assessed valuation of the Service Area. The debt service requirements shall be calculated to include the charges and expenses of paying agents, registrars and trustees utilized in connection with the Bonds and any bonds of the District subsequently issued, the principal, interest and redemption requirements of the Bonds and any bonds of the Master District subsequently issued and all amounts required to establish and maintain funds established under the Bond Order or the Indenture. Each Participant is obligated to pay its pro rata share of the annual debt service on the Bonds from the proceeds of an annual ad valorem contract tax which is not limited as to rate or amount, or from any other legally available funds of each Participant. Each Participant's pro rata share of debt service requirements will be calculated annually by the Master District; however, the levy of a contract tax for the purpose of paying debt service on the Bonds and any bonds of the Master District subsequently issued is the sole responsibility of each Participant. See "SUMMARY OF CERTAIN DOCUMENTS."

The Bonds are secured by the Indenture entered into by the Master District and the Trustee. Pursuant to the Indenture, the Master District has assigned to the Trustee all of the Master District's right, title and interest in and to the Pledged Contract Payments required by the Master District Contract. See "SUMMARY OF CERTAIN DOCUMENTS – Indenture."

**Pledged Contract Payments by the Participants**

Principal of and interest on the Bonds, the Outstanding Bonds, and any bonds of the Master District subsequently issued are payable from and secured by an unconditional obligation to make certain payments that are to be made severally by the Participants pursuant to the Master District Contract for the purpose of paying their pro rata shares of debt service requirements which includes principal of and interest on the Bonds, the Outstanding Bonds, and any additional bonds, and fees and charges due the Trustee and the Paying Agent/Registrar (the "Pledged Contract Payments"). By execution of the Master District Contract, the Participants have each agreed to pay such pro rata share of debt service on the Bonds based upon the certified assessed valuation of each Participant as a percentage of the total assessed valuation of the Service Area. Participants are obligated to make such debt service requirement payments from the proceeds of the Contract Tax levied by such Participant or other monies legally available to the Participant. No Participant is liable for the payments due by any other Participant.

The Bonds are limited obligations of the Master District, payable solely from the Pledged Contract Payments and certain funds held by the Trustee under the Indenture (i.e., all monies paid into the Debt Service Fund for the Bonds, including capitalized interest), and are not obligations of the State of Texas; Montgomery County, Texas; the City; or any entity other than the Master District. See "SUMMARY OF CERTAIN DOCUMENTS – Master District Contract." The Master District shall calculate on or before September 1 of each year, or as soon thereafter as practical, the amount of Pledged Contract Payments due from each Participant in the following calendar year. The Pledged Contract Payments shall be billed to each Participant by the Master District on or before September 1 of the year prior to the year in which such Pledged Contract Payments become due, or as soon thereafter as practical. Such Pledged Contract Payments shall be due and payable from each Participant directly to the Trustee semiannually on or before November 15 and May 15 of each year.

**Unconditional Obligation to Pay**

All charges imposed by the Master District to pay debt service on the Bonds will be made by the Participants without set-off, counterclaim, abatement, suspension, or diminution, nor will any Participant have any right to terminate the Master

District Contract nor be entitled to the abatement of any such payment or any reduction thereof nor will the obligations of the Participants be otherwise affected for any reason, including without limitation acts or conditions of the Master District that might be considered failure of consideration, eviction or constructive eviction, destruction or damage to the Master District Facilities, failure of the Master District to perform and observe any agreement, whether expressed or implied, or any duty, liability or obligation arising out of or connected with the Master District Contract. All sums required to be paid by the Participants to the Master District for such purposes will continue to be payable in all events and the obligations of the Participants will continue unaffected, unless the requirement to pay is reduced or terminated pursuant to an express provision of the Master District Contract. If any Participant disputes the amount to be paid to the Master District, the Participant shall nonetheless promptly make payments as billed by the Master District, and if it is subsequently determined by agreement, arbitration, regulatory decision, or court decision that such disputed payment should have been less, the Master District will then make proper adjustments to all Participants so that the appropriate Participant will receive credit for its over payments. See "SUMMARY OF CERTAIN DOCUMENTS – Master District Contract."

**Funds**

Pursuant to the Indenture, a Debt Service Fund has been created as a trust fund for the benefit of the Registered Owners. The proceeds from Pledged Contract Payments collected for and on account of the Bonds authorized by the Bond Order shall be deposited and collected, in the Debt Service Fund. See "SUMMARY OF CERTAIN DOCUMENTS – Indenture."

**Record Date for Interest Payment**

Interest on the Bonds will be paid to the registered owner appearing on the registration and transfer books of the Paying Agent/Registrar at the close of business on the "Record Date" (the fifteenth calendar day of the month next preceding each interest payment 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 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 thirty (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 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**

The District reserves the right, at its option, to redeem the Bonds maturing on and after December 1, 2031, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of $5,000, on November 1, 2030, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. If fewer than all of the Bonds are to be redeemed, the particular maturity or maturities and the amounts thereof to be redeemed shall be determined by the District. If fewer than all of the Bonds of the same maturity are to be redeemed, the particular Bonds shall be selected by DTC in accordance with its procedures. See "Book-Entry-Only System" above. Notice of each exercise of the reserved right of optional redemption shall be given by the Paying Agent/Registrar at least thirty (30) calendar days prior to the redemption date, in the manner specified in the Bond Order.

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

**Annexation**

Under existing Texas law, since the Master District lies wholly within the extraterritorial jurisdiction of the City, the Master District must conform to a City consent ordinance. Generally, the Master District may be annexed by the City without the Master District's consent, and the City cannot annex territory within the Master District unless it annexes the entire Master District; however, under legislation effective December 1, 2017, the City may not annex the Master District unless (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed, and (ii) if the registered voters in the area to be annexed do not own more than 50 percent of the land in the area, a petition has been signed by more than 50 percent of the landowners consenting to the annexation. If the Master District is annexed, the City will assume the Master District's assets and obligations (including the Bonds) and dissolve the Master District. Annexation of territory by the City is a policy-making matter within the discretion of the Mayor and City Council of the City, and therefore, the Master District makes no representation that the City will ever annex the Master District and assume its debt. Moreover, no representation is made concerning the ability of the City to make debt service payments should annexation occur.

**Consolidation**

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

**Defeasance**

The Bond Order and the Indenture 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 the Trustee or any place of payment (paying agent) of the Bonds or other obligations of the Master 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 Master 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 Master 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 Master 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.

**Issuance of Additional Debt**

The Master District may issue additional unlimited tax contract revenue bonds necessary to provide those improvements and facilities pursuant to the terms of the Master District Contract, with the approval of the TCEQ, and upon the issuance of such bonds, the Participants would be responsible for the debt service on such bonds. See "Source of Payment" above and "INVESTMENT CONSIDERATIONS – Future Debt." The Bond Order imposes no limitation on the amount of additional unlimited tax contract revenue bonds which may be issued by the Master District. Any additional unlimited tax contract revenue bonds issued by the Master District will be on a parity with the Bonds.

The issuance of additional obligations may increase the Master District's and the Participants' tax rate and adversely affect the security for, and the investment quality and value of, the Bonds. The Master District does not employ any formula with respect to assessed valuations, tax collections, or otherwise to limit the amount of parity bonds which it may issue. The issuance of additional bonds for the construction of additional Master District Facilities is subject to approval by the TCEQ pursuant to issuance guidelines established by it. See "INVESTMENT CONSIDERATIONS – Future Debt."

After the issuance of the Bonds, the District, in its capacity as the Master District, will have $183,255,000 unlimited tax contract revenue bonds remaining authorized but unissued for financing the Master District Facilities. In addition, the District has $239,704,262 unlimited tax bonds authorized but unissued for the purpose of acquiring or constructing water, sewer, and drainage facilities within the boundaries of the District. Additional unlimited tax bonds 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 Order. The District has $122,029,430 in authorized but unissued unlimited tax bonds for the purchase, construction, acquisition, repair, extension, and improvement of land, easements, works, and improvements of roads inside the boundaries of the District, and $24,600,000 in authorized but unissued unlimited tax bonds for the construction and acquisition of parks and recreational system of the District. See "APPENDIX A" for a description of authorized but unissued unlimited tax bonds of MUD 6 and MUD 7.

**Specific Tax Covenants**

The Master District has additionally covenanted and represented in the Bond Order that it:

(1) will not use, permit the use of, or omit to use proceeds of the sale of the Bonds, amounts derived from the investment thereof, or funds held in the Debt Service Fund (the "Proceeds") or any other amounts (or any property acquired, constructed, or improved with the Proceeds) in a manner which, if made or omitted, respectively, would cause interest on any Bond to become includable in the gross income, as defined in Section 61 of the Internal Revenue Code of 1986, as amended (the "Code"), of the owners of the Bonds for federal income tax purposes;

(2) will not, at any time prior to the maturity of the Bonds, either (a) use or permit the use of Proceeds or any property acquired, constructed or improved with the Proceeds in any trade or business carried on by any person or entity other than a state or local government (or in any activity of any person other than a natural person) or (b) directly or indirectly impose or accept any charge or other payment for the use of the Proceeds or any property acquired, constructed or improved with the Proceeds in any trade or business carried on by any person other than a state or local government (or any activity of any person other than a natural person), unless in each case such use is merely as a member of the general public or said charge or payment consists of taxes of general application within the Master District or interest earned on certain investments acquired with the Proceeds pending application for their intended purposes;

(3) will not use the Proceeds to make or finance loans to any person or entity other than a state or local government, excluding loans consisting of temporary investment of the Proceeds pending application for their intended purposes but including any transaction which constructively transfers ownership of property financed with Proceeds for federal income tax purposes;

(4) will not, except during certain temporary periods described in the Bond Order, at any time prior to the maturity of the Bonds, directly or indirectly invest the Proceeds in taxable investments (or use such proceeds to replace money if so invested), if as a result of such investment the yield of all such taxable investments acquired with the Proceeds (or with money replaced thereby), whether then held or previously disposed of, exceeds the yield of the Bonds;

(5) will not (a) use any money to pay principal of or interest on the Bonds, or pledge (or permit to be pledged) or otherwise restrict any money, funds, or investments so as to give reasonable assurance of their availability for such purpose, except in each case amounts deposited to the Debt Service Fund, or (b) apply any proceeds from the sale of the Bonds or income from the investment thereof, directly or indirectly, to pay principal of or interest on any other indebtedness of the Master District, any other governmental entity which is included within the Master District, or any corporate or other instrumentality of the Master District or any such governmental entity;

(6) will not cause the Bonds to be treated as "federally guaranteed" obligations for purposes of Section 149{b) of the Code or "hedge bonds" within the meaning of Section 149{g) of the Code; and

(7) will file with the Secretary of the Treasury of the United States, not later than the 15th date of the second calendar month after the close of the calendar quarter in which the Bonds were issued, an information report in compliance with the Code.

The Master District may omit to comply with any of the foregoing covenants if it obtains an opinion of nationally recognized bond counsel that such omission would not adversely affect the excludability from gross income for federal income tax purposes of interest on any Bond.

**Amendments to the Bond Order**

The Master District may, without the consent of or notice to any Registered Owners, amend the Bond Order in any manner not detrimental to the interests of the Registered Owners, including the curing of any ambiguity, inconsistency or formal defect or omission therein. In addition, the Master District may, with the written consent of the Registered Owners of a majority in aggregate principal amount of the Bonds then outstanding affected thereby, amend, add to or rescind any of the provisions of the Bond Order, provided that, without the consent of the Registered Owners of all of the Bonds affected, and provided that it has not failed to make a timely payment of principal of or interest on the Bonds, no such amendment, addition or rescission may (1) change the date specified as the date on which the principal of or any installment of interest on any Bond is due and payable, reduce the principal amount thereof, the redemption price thereof, or the rate of interest thereon, change the place or places at, or the coin or currency in which any Bond or the interest thereon is payable, or in any other way modify the terms or sources of payment of the principal of or interest on the Bonds, (2) give any preference to any Bond over any other Bond, or (3) modify any of the provisions of the Bond Order relating to the amendment thereof, except to increase any percentage provided thereby or to provide that certain other provisions of the Bond Order cannot be modified or waived without the consent of the holder of each Bond affected thereby. In addition, a state, consistent with federal law, may, in the exercise of its police power, make such modifications in the terms and conditions of contractual covenants relating to the payment of indebtedness of a political subdivision as are reasonable and necessary for attainment of an important public purpose. See "SUMMARY OF CERTAIN DOCUMENTS – Indenture" for a discussion on amendments to the Indenture.

**Registered Owners' Remedies and Bankruptcy Limitations**

If the Master District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Order and the Indenture, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Order and the Indenture, the Registered Owners have the statutory right of a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Order and the Indenture. Except for mandamus, the Bond Order does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Based on recent Texas court decisions, it is unclear whether Section 49.066 Texas Water Code, effectively waives governmental immunity of a municipal utility district for suits for money damages. Even if such a judgment against the Master District were obtained, it could not be enforced by direct levy and execution against the Service Area's property. Further, the Registered Owners cannot themselves foreclose on property within the Service Area or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may further be limited by a State of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the Master District.

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

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

A district may not be forced into bankruptcy involuntarily.

**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.

*[Remainder of page left blank intentionally]*

**Use and Distribution of Bond Proceeds**

The construction costs below were compiled by the Master District's Engineer (hereinafter defined) and were submitted to the TCEQ in the Master District's TCEQ Bond Application Report. Non-construction costs are based upon either contract amounts, or estimates of various costs by the Engineer and the Financial Advisor. The actual amounts to be reimbursed by the Master District and the non-construction costs will be finalized after the sale of the Bonds and completion of agreed-upon procedures by the Master District's auditor. The surplus funds may be expended for any lawful purpose for which surplus construction funds may be used, if approved by the TCEQ, where required.

| | | | | |
|---|---|---|---|---|
| **Construction Costs** | | | | District's Share |
| A. | District Items | | | |
| | 1. | Tropical Storm Imelda Recovery Project | $ | 2,098,141 |
| | 2. | North Pond | | 486,944 |
| | 3. | Tavola Aragoste Parkway Street Dedication | | 497,647 |
| | 4. | Water Plant No. 2 water well and collection line | | 67,512 |
| | 5. | Peach Creek Phase 2 Channel Improvements | | 3,272,107 |
| | 6. | Wastewater Plant No. 1 Phase 2 | | 929,196 |
| | 7. | Peach Creek Phase 3 | | 1,834,105 |
| | 8. | Tavola Control Structure | | 3,254 |
| | 9. | Engineering, Geotechnical, Stormwater Pollution Prevention, and Material Testing (Items 1-8) | | 1,286,209 |
| | | Total District Items | $ | 10,475,115 |
| | | Total Construction Costs (79.12% of BIR) | $ | 10,475,115 |
| **Non-Construction Costs** | | | | |
| A. | Legal Fees | | $ | 282,000 |
| B. | Fiscal Agent Fees | | | 267,000 |
| C. | Interest | | | |
| | 1. | Capitalized Interest | | 361,750 |
| | 2. | Developer Interest | | 1,421,400 |
| D. | Bond Discount | | | 398,470 |
| E. | Bond Issuance Expenses | | | 38,985 |
| G. | Bond Application Report | | | 55,000 |
| H. | Attorney General Fee (0.10% or a maximum of $9,500) | | | 9,500 |
| I. | TCEQ Bond Issuance Fee (0.25%) | | | 33,375 |
| J. | Contingency (a) | | | 7,405 |
| | | Total Non-Construction Costs (23.77% of BIR) | $ | 2,874,885 |
| **TOTAL BOND ISSUE REQUIREMENT** | | | **$** | **13,350,000** |

(a) Represents the difference between the estimated and actual amounts of capitalized interest.

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

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## INVESTMENT CONSIDERATIONS

### General

The Bonds are limited obligations of the Master District and are not obligations of the State of Texas; Montgomery County, Texas; the City of Houston, Texas (the "City"); or any entity other than the Master District. The Bonds are payable solely from and to the extent of the Pledged Contract Payments (as defined herein). The obligations of the Participants (as defined herein) to make Pledged Contract Payments are several, not joint, obligations pro-rated among the Participants based upon the proportion of the assessed valuation of property within their respective boundaries to the total assessed valuation of the Service Area (as defined herein). No Participant is obligated to pay the Pledged Contract Payments allocated to any other Participant. The security for payment of the principal of and interest on the Bonds, therefore, depends on the ability of each Participant to collect annual ad valorem taxes (without legal limit as to rate or amount) levied on taxable property within its boundaries sufficient to pay its Pledged Contract Payments. Taxes collected by each Participant are allocated between Pledged Contract Payments which are the source of payment of the Bonds and other ad valorem taxes levied by such Participant without priority of taxes levied for one purpose over taxes levied for any other purpose.

The collection by each Participant of delinquent taxes owed to it and the enforcement by the registered owners of the Bonds (the "Registered Owners") of the Participant's obligation to collect sufficient taxes, if required, may be a costly and lengthy process. The Master District does not make any representations that continued development of taxable property within the Service Area will accumulate or maintain taxable values sufficient to justify continued payment of taxes by property owners or that there will be a market for the property, if such property is foreclosed upon by a Participant for nonpayment of taxes. The Master District makes no representations that over the life of the Bonds the property within the Service Area will maintain a value sufficient to justify continued payment of taxes by the property owners. The potential increase in taxable valuation of property in the Service Area is directly related to the economics of the commercial and residential industry, not only due to general economic conditions, but also due to the particular factors discussed below. See "Registered Owners' Remedies and Bankruptcy Limitations" below, "THE BONDS – Source of Payment," and "APPENDIX A – CERTAIN FINANCIAL INFORMATION REGARDING THE PARTICIPANTS."

### Contract Tax

The District, in its capacity as the Master District, is responsible for constructing or otherwise obtaining the water supply and wastewater treatment, as well as the regional water distribution and wastewater collection trunklines and drainage and detention facilities necessary to serve Tavola (as defined herein) (collectively, the "Master District Facilities" as further defined in "THE SYSTEM – The Master District"). By execution of the "Contract for Financing, Operation and Maintenance of Regional Water, Sanitary Sewer and Drainage Facilities" (the "Master District Contract"), the Master District, East Montgomery County Municipal Utility District No. 6 ("MUD 6"), and East Montgomery County Municipal Utility District No. 7 ("MUD 7") (MUD 5, MUD 6, and MUD 7 being referred to herein individually as a "Participant" or "Tavola MUD" and collectively as the "Participants" or "Tavola MUDs") are obligated to pay a pro rata share of debt service on bonds to be issued by the Master District to finance the Master District Facilities (the "Contract Revenue Bonds") based upon the certified assessed valuation of each Participant. Each Participant is obligated to pay its pro rata share of debt service on the Contract Revenue Bonds, including the Bonds, from the proceeds of ad valorem taxes levied by such district for such purpose (the "Contract Tax") or from any other lawful source of district income.

The Bonds are the seventh series of unlimited tax contract revenue bonds to be issued by the Master District. The Master District is authorized to issue unlimited tax contract revenue bonds in an amount necessary to finance the Master District Facilities to serve the entire master-planned development of Tavola, without additional voter approval. The District cannot represent whether any of the development planned or occurring in the area within the Tavola MUDs served by the Master District Facilities (the "Service Area") will be successful. The levy of a Contract Tax to substantially higher levels could have an adverse impact upon future development and upon development and home sales within the Service Area, including the District, and the ability of each Tavola MUD to collect, and the willingness of owners of property located within the Service Area to pay ad valorem taxes (including the Contract Tax). See "THE SYSTEM" and "SUMMARY OF CERTAIN DOCUMENTS."

### Overlapping Debt and Tax Rates

The Master District and each Participant may each independently issue additional debt that may change the Participants' projected tax rates in the future. See "DISTRICT DEBT – Direct and Estimated Overlapping Debt Statement." Owners of taxable property in the Service Area are responsible for the payment of ad valorem taxes levied by each Participant, as applicable, for payment of Pledged Contract Payments. In addition, owners of property located in the Service Area are responsible for the payment of ad valorem taxes levied by a Participant, as applicable, for the payment of debt service on unlimited tax bonds issued by the Participant and are also responsible for the payment of ad valorem taxes levied by a Participant, as applicable, for the purpose of paying the Participant's operation and maintenance costs. See "APPENDIX A" attached hereto for information related to indebtedness and taxation requirements of each Participant.

In addition, property located within the Service Area is subject to taxation by various other governmental entities. See "TAX DATA – Estimated Overlapping Taxes."

### Factors Affecting Taxable Values and Tax Payments

**Economic Factors:** The rate of development of the Service Area is directly related to the vitality of the residential housing industry in the Houston metropolitan area. New residential housing construction can be significantly affected by factors such as interest rates, construction costs, and consumer demand. Decreased levels of home construction activity would restrict the growth of property values in the Service Area. The Master District cannot predict the pace or magnitude of any future development or home construction in the Service Area. See "TAVOLA – Status of Development within the Service Area."

**Principal Landowner/Developer:** There is no commitment by or legal requirement of the Developer (as defined herein), or any other landowner in the Service Area to proceed at any particular rate or according to any specified plan with the development of land in the Service Area, or of any homebuilder to proceed at any particular pace with the construction of homes in the Service Area. Moreover, there is no restriction on any landowner's right to sell its land. Therefore, the Master District can make no representation about the probability of future development, if any, or the rate of future home construction activity in the Service Area. Failure to construct taxable improvements on developed lots would restrict the rate of growth of taxable values in the Service Area and result in higher tax rates. See "TAVOLA – Status of Development within the Service Area."

**Maximum Impact on District Tax Rates:** Assuming no further development or home construction, the value of the land, improvements, and other taxable property currently within the Service Area will be the major determinant of the ability or willingness of property owners to pay their taxes. The taxable assessed valuation as of January 1, 2023, of all taxable property located within the Service Area is $621,800,014 and the estimate of valuation as of August 15, 2023, of all taxable property located within the Service Area is $769,513,727. After issuance of the Bonds, the maximum annual debt service requirement of the Outstanding Bonds (herein defined) and the Bonds (2025) will be $2,785,750 and the average annual debt service requirement of the Outstanding Bonds and the Bonds (2024–2048) will be $2,464,324.

Assuming no increase to nor decrease from the taxable assessed valuation as of January 1, 2023, a tax rate of each Participant of $0.48 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 and the average annual debt service requirement, respectively.

Assuming no increase to nor decrease from the estimate of valuation as of August 15, 2023, a tax rate of each Participant of $0.39 and $0.34 per $100 of assessed valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirement, respectively.

In 2022, MUD 6 levied a total tax of $1.185 per $100 of assessed valuation composed of the following: a maintenance tax of $0.270, a contract tax of $0.400, and a tax for payment of debt service in the amount of $0.515. In 2022, MUD 7 levied a total tax of $1.30 per $100 of assessed valuation composed of the following: a maintenance tax of $0.345, a contract tax of $0.405, and a tax for payment of debt service in the amount of $0.55. In 2022, the District levied a total tax of $1.30 per $100 of assessed valuation composed of the following: a maintenance tax of $0.89 and a contract tax of $0.41.

### Tax Collections and Foreclosure Remedies

The Master District's ability to make debt service payments on the Bonds may be adversely affected by difficulties experienced by each Participant in collecting ad valorem taxes. Under Texas law, the levy of ad valorem taxes by a Participant constitutes a lien in favor of the Participant on a parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by judicial foreclosure. The Participant's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time consuming and expensive collection procedures; (b) a bankruptcy court's stay of tax collection proceedings against a taxpayer; or (c) market conditions affecting the marketability of taxable property within the Service Area and limiting the proceeds from a foreclosure sale of such property.

Moreover, the proceeds of any sale of property within the Service Area available to pay debt service on the Bonds may be limited by the existence of other tax liens on the property (see "TAX DATA – Estimated Overlapping Taxes"), by the current aggregate tax rate being levied against the property, and by other factors (including the taxpayers' right to redeem property after foreclosure). Finally, a bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the Service Area pursuant to the Federal Bankruptcy Code could stay any attempt by such Participant to collect delinquent ad valorem taxes assessed against such taxpayer. See "TAXING PROCEDURES."

### Registered Owners' Remedies and Bankruptcy Limitations

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners have a right to seek a writ of mandamus requiring each Participant to levy sufficient taxes each year to make the District's portion of such debt service payments and to enforce the Master District's rights under the Master District Contract to require each Tavola MUD to levy sufficient taxes each year to make its portion of such debt service payments. Except for mandamus, the Bond Order does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Although the Registered Owners could obtain a judgment against the Master District and the Participants, such a judgment could not be enforced by a direct levy and execution against property in the Service Area. Further, the Registered Owners cannot themselves foreclose on property within the Service Area or sell property within the Service Area in order to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may be limited further by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the Master District and the Participants. In this regard, should the Master District or any Participant file a petition for protection from creditors under federal bankruptcy laws, the remedy of mandamus or the right of a Participant to seek judicial foreclosure of its tax lien would be automatically stayed and could not be pursued unless authorized by a federal bankruptcy judge.

**Future Debt**

Pursuant to the Master District Contract, the Master District may sell additional unlimited tax contract revenue bonds in an amount necessary to provide the facilities intended to be provided by the Master District on parity with the Bonds. The Master District anticipates that it will continue to issue unlimited tax contract revenue bonds in installments over the next several years. After the sale of the Bonds, the Master District will still owe approximately $21,000,000 to the Developer for the Master District Facilities. Each future issue of bonds is intended to be sold at the earliest practicable date consistent with the maintenance of a reasonable tax rate in the Service Area (assuming projected increases in the value of taxable property made at the time of issuance of bonds are accurate). The Master District does not employ any formula with respect to assessed valuations, tax collections or otherwise to limit the amount of parity bonds which it may issue. The issuance of additional bonds is subject to approval by the TCEQ pursuant to its rules regarding issuance and feasibility of bonds. See "TAVOLA – Status of Development within the Service Area."

After the issuance of the Bonds, the District, in its capacity as the Master District, will have $183,255,000 unlimited tax contract revenue bonds remaining authorized but unissued for financing the Master District Facilities. In addition, the District has $239,704,262 authorized but unissued bonds for providing waterworks, wastewater, and drainage facilities to areas within the boundaries of the District, $122,029,430 authorized but unissued bonds for providing road facilities to areas within the boundaries of the District, and $24,600,000 in authorized but unissued unlimited tax bonds for the construction and acquisition of parks and recreational system of the District (see "THE BONDS – Issuance of Additional Debt"). Additional unlimited tax bonds may hereafter be approved by both the Board and voters of the District. See "APPENDIX A" for a description of the authorized but unissued unlimited tax bonds of MUD 6 and MUD 7.

**Lone Star Groundwater Conservation District**

On October 10, 2017, the Lone Star Groundwater Conservation District (the "Conservation District") Board of Directors approved new recommendations for future increases in groundwater pumping in Montgomery County based upon the results of a three-year scientific study. The Conservation District commissioned its "Strategic Water Resources Planning Study" in October 2014 to evaluate the impacts to local aquifers of its 2016 groundwater pumping reductions, to evaluate whether and how additional groundwater supplies could be safely developed in the county, and to develop other related information and recommendations for use in the next five-year cycle of joint planning for establishing goals for future aquifer conditions in a multi-county region of the Gulf Coast known as Groundwater Management Area 14 ("GMA 14"). As part of the study, the Conservation District surveyed all of the large water well permit holders in the county to determine how much additional declines in the water levels of the aquifers that they could tolerate in their water wells. The new recommended planning goal for the aquifers in Montgomery County would allow groundwater pumping to increase from the current goal of 64,000 acre-feet per year to 100,000 acre-feet per year. The study found that increased pumping would result in greater declines in water levels in the aquifers over the 50-year planning period than under the current goal, but that the survey results supported the board making such a policy decision because of the limited number of well owners who may have to lower their wells to accommodate the water-level declines.

The Conservation District Board of Directors' decision was unanimous to approve the increased groundwater pumping levels and resulting aquifer conditions included in what is referred to as groundwater availability model "Run D" in the Final Report for Task 3 of the study as the Board's recommended model scenario. The board of directors also approved a recommendation that the Conservation District's general manager and technical consultants present the results of the study, including the board's new recommendation for Run D, to the other groundwater conservation district representatives of GMA 14, with a request that Run D be considered in the new round of joint planning for the aquifers as either an amendment to the current desired future conditions for the aquifers or as a new proposal. By law, GMA 14 must adopt desired future conditions for the aquifers at least once every five years, with the current five-year cycle ending no later than January 5, 2022. However, GMA 14 can adopt new or amended desired future conditions for the aquifers earlier than those deadlines. In order to be finally approved, any new proposal or amendment must go through a lengthy technical evaluation and public hearings process prescribed by law and must receive an affirmative vote of at least four out of the five-member groundwater conservation districts in GMA 14.

In 2015, dissatisfied with the production limits the Conservation District created through the rulemaking authority delegated to it by the Texas Legislature, a group of large water producers filed suit claiming that the rules the Conservation District created imposing per-producer yearly production limits on their production of groundwater were invalid because they purported to regulate the production of groundwater in ways the Texas Legislature never authorized. On October 2, 2018, the 284th District Court of Montgomery County, ruled that, as a matter of law, the core groundwater regulation, which the Conservation District imposed on large groundwater producers, is outside of the Conservation District's authority under the Texas Water Code and is not valid. Under the ruling, the Conservation District could appeal directly to the Beaumont Court of Appeals for review of the decision. However, at the Conservation District board meeting held on January 23, 2019, the board announced that they unanimously agreed on a settlement offer with the large water producers, but the specifics of the settlement will not be made public until all parties have reviewed and signed it. As a result of the District Court's ruling on October 2, 2018, it the District adopted new groundwater regulations on September 8, 2020, that repeal, supersede and replace all previously adopted rules and regulatory plans of the District.

**San Jacinto River Authority GRP Agreement**

In response to the Conservation District requirements, the San Jacinto River Authority ("SJRA") expressed a willingness to assume responsibility to construct and operate a surface water treatment plant at or near Lake Conroe, a large manmade lake in the County, and a water transmission system to major populated areas of the County, thus enabling the entire County to comply with the Conservation District requirements.

SJRA offered to enter into a contract for groundwater reduction planning, alternative water supply, and related goods and services (the "GRP Contract") with all large water users in Montgomery County to achieve the goals for reduction of groundwater pumpage for the entire County. Approximately 149 larger volume water users in the County, including the Master District, approved and entered into the GRP Contract (collectively the "GRP Affiliates") and are in compliance with SJRA and Conservation District requirements applicable to groundwater pumpage from the Master District's well.

Pursuant to the GRP Contract, SJRA will develop, implement and enforce a groundwater reduction plan ("GRP") covering all GRP Affiliates to achieve and maintain compliance with the Conservation District requirements. The initial focus of the GRP will be the design and construction of a surface water treatment and transmission system (the "Project") to be owned and operated by SJRA for the benefit of all GRP Affiliates.

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

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

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

SJRA has and will issue bonds to finance the capital costs of the Project, and groundwater pumpage fees and water service fees will be used to cover costs of debt service on such bonds. SJRA has created a new, separate, non-treated surface water system for substantially all of Montgomery County. The direct costs to SJRA's groundwater reduction plan division for the first phase of such conversion to surface water sources are currently estimated to be approximately $500,000,000, which will be paid for through pumpage fees charged to the participants. The SJRA pumpage fees are currently $2.99 per 1,000 gallons of water pumped from wells and the Master District will pay the pumpage fees based upon the amount of water it pumps each month.

The Master District passes these pumpage fees and Conservation District fees on to each of the Tavola MUDs, which in turn pass these costs to their customers.

**Marketability**

The Master District has no understanding (other than the initial reoffering yields) with the initial purchaser of the Bonds (the "Initial Purchaser") 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 bid and asked spread of other bonds generally bought, sold, or traded in the secondary market. See "SALE AND DISTRIBUTION OF THE BONDS."

**Continuing Compliance with Certain Covenants**

The Bond Order contains covenants by the Master District intended to preserve the exclusion from gross income of interest on the Bonds. Failure of the Master District to comply with such covenants on a continuous basis prior to maturity of the Bonds could result in interest on the Bonds becoming taxable retroactively to the date of original issuance. See "TAX MATTERS."

**Specific Flood Type Risks**

The Participants may be subject to the following types of flood risks:

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

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

**Potential Impact of Natural Disaster**

The District is located approximately 60 miles from the Texas Gulf Coast and, as it has in the past, could be impacted by high winds, heavy rains, and flooding caused by hurricane, tornado, tropical storm, or other adverse weather event. 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 value in the District or an increase in the District's tax rates. See "TAXING PROCEDURES – Valuation of Property for Taxation."

There can be no assurance that a casualty loss to taxable property within the District 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 be a lengthy period in which assessed values in the District are adversely affected.

**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.

**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, however, does not pass upon or guarantee the safety of the Bonds as an investment or the adequacy or accuracy of the information contained in this Official Statement.

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

The recent volatility in oil prices in the U.S. and globally, which at times have led to the lowest such prices in three decades, may lead to adverse conditions in the oil and gas industry, including but not limited to reduced revenues, declines in capital and operating expenditures, business failures, and layoffs of workers. The economy of the Houston area has, in the past, been particularly affected by adverse conditions in the oil and gas industry, and such conditions and their spillover effects into other industries could result in declines in the demand for residential and commercial property in the Houston area and could reduce or negatively affect property values or homebuilding activity within the Service Area. 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 Participant's share of operations and maintenance expenses payable from ad valorem taxes.

**Extreme Weather Events**

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

On August 25, 2017, Hurricane Harvey made landfall on the Texas Gulf Coast. The Houston area, including Montgomery County, Texas, sustained widespread rain damage and flooding as a result of Hurricane Harvey's landfall, and historic levels of rainfall during the succeeding four days.

According to the Engineer, the Master District Facilities sustained no damage as a result of Hurricane Harvey, and there was no interruption of water and sewer service. Furthermore, according to the Engineer, there were no structures in the Service Area that experienced flooding or structural damage. The Service Area cannot predict the effect that additional extreme weather events may have upon the Service Area and the Gulf Coast. Additional extreme weather events have the potential to cause damage within the Service Area and along the Gulf Coast generally that could have a negative effect on taxable assessed valuations in the Service Area and the economy of the Service Area and the region. See "TAXING PROCEDURES – Valuation of Property for Taxation."

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

### Competitive Nature of Houston Residential Housing Market

The housing industry in the Houston area is very competitive, but the District can give no assurance that the building programs which are planned by any home builder(s) will be continued or completed. The respective competitive position of the homebuilders listed herein and any other developer or home builder(s) which might attempt future home building or development projects in the Service Area, the sale of developed lots or in the construction and sale of single-family residential units, are affected by most of the factors discussed in this section, and such competitive positions are directly related to tax revenues received by the Participants and the growth and maintenance of taxable values in the Service Area.

### 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 "RATING."

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 Purchaser 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 of 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" herein for further information provided by the Bond Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Bond Insurer.

## SUMMARY OF CERTAIN DOCUMENTS

### Master District Contract

Each of the Participants has executed the Master District Contract, as amended, with the Master District and obtained approval of the Master District Contract from the voters of each Participant at elections held separately within the boundaries of each Participant. The Master District Contract provides that all Participants shall pay a pro rata share, based upon each Participant's assessed valuation as a percentage of the total certified assessed valuation in the Service Area, of debt service on the Master District bonds, including the Bonds, and any future unlimited tax contract revenue bonds. Each Participant is obligated to pay its pro rata share of the annual debt service payments from the proceeds of an annual ad valorem Contract Tax which is not limited as to rate or amount which includes the charges and expenses of paying agents, registrars, and trustees utilized in connection with the Bonds, the principal, interest and redemption requirements of the Bonds and all amounts required to establish and maintain funds established under the Bond Order or Indenture (the "Pledged Contract Payments"). Each Participant's pro rata share of debt service requirements will be calculated annually by the Master District; however, the levy of a Contract Tax or other available means of payment is the sole responsibility of each Participant for the purpose of paying its pro rata share of debt service on the Bonds. The Master District Facilities have been, and are expected to be, constructed with funds provided by the Developer and proceeds from the Bonds and future unlimited tax contract revenue bonds issued by the Master District, which will also be used to reimburse the Developer for such facilities. The Master District Contract also provides for duties of the parties; establishment and maintenance of funds; assignment; arbitration; amendments; force majeure; and other provisions.

It is anticipated that the Master District Facilities will be acquired or constructed in stages to meet the needs of a continually expanding population within the Service Area. In the event that the Master District fails to meet its obligations to provide Master District Facilities as required by the Master District Contract, each Participant has the right, pursuant to the Master District Contract, to design, acquire, construct, or expand the Master District Facilities needed to provide service to each Participant, and convey such Master District Facilities to the Master District in consideration of payment by the Master District of the actual reasonable necessary capital costs expended by each Participant for such Master District Facilities. See "INVESTMENT CONSIDERATIONS – Future Debt" and "APPENDIX A" for information concerning each Participant's authorized but unissued unlimited tax bond authority.

All sums payable by each Participant to the Master District pursuant to the Master District Contract are to be paid without set off, counterclaim, abatement, suspension, or diminution. If any Participant fails to pay its share of these costs in a timely manner, the Master District Contract provides that the Master District shall be entitled to cancel, in whole or in part, any reservation or allocation of capacity in the Master District's Facilities by such Participant in addition to the Master District's other remedies under the Master District Contract. See "THE BONDS – Source of Payment" and "– Unconditional Obligation to Pay." Under certain conditions, the Master District may extend the Service Area and provide services to other parties who will become Participants and agree to assume their pro rata share of the bonded indebtedness of the Master District Facilities in the same manner as the existing Participants.

**Indenture**

The Bonds are further secured by the Indenture from the Master District to Zions Bancorporation, National Association, Houston, Texas (or a successor to) as Trustee. Pursuant to the Indenture, the Master District has assigned to the Trustee all of the Master District's right, title and interest in and to the Pledged Contract Payments under the Master District Contract. Such Pledged Contract Payments, together with all amounts from time to time on deposit in the Debt Service Fund maintained by the Trustee pursuant to the Indenture, together with any other security from time to time thereafter granted to the Trustee shall constitute the "Pledged Revenues" held by the Trustee under the Indenture.

Pursuant to the Indenture, the Trustee is to maintain the Debt Service Fund as trust funds to be held in trust solely for the benefit of the Registered Owners of the Bonds. The Master District has covenanted in the Indenture that it will cause to be charged to each Participant, and collected and deposited into the Debt Service Fund, Pledged Contract Payments in amounts sufficient, together with other Pledged Revenues, to provide for the payment of all interest due on the Bonds on or before each interest payment date and all principal payments on the Bonds on each principal payment date. The Debt Service Fund are to be invested only in investments authorized by the laws of the State of Texas but must be invested in a manner such that the money required to be expended from any fund will be available at the proper time or times.

The Indenture provides that an "Event of Default" shall be either of the following occurrences:

(a) Failure to pay when due the principal of or interest on any Bond; or

(b) Failure to deposit to the Debt Service Fund money sufficient to pay any principal of or interest on any Bond no later than the date when it becomes due and payable.

Upon the occurrence of an Event of Default, the Trustee is required to give notice thereof to the Registered Owners and, subject to the other provisions of the Indenture, may proceed to protect and enforce its rights and the rights of the Registered Owners of the Bonds by suit, action or proceeding at equity or at law or otherwise, whether for the specific performance of any covenant or agreement contained in the Indenture, Bond Order or Bonds or in aid of the execution of any power granted in the Indenture or for the enforcement of any of the legal, equitable or other remedy as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce any of the rights of the Trustee or such Registered Owner, including, without limitation, requesting a writ of mandamus issued by a court of competent jurisdiction compelling the directors and other officers of the Master District and/or the Participants to make such payment (but only from and to the extent of the sources provided in the Indenture) or to observe and perform its other covenants, obligations and agreements in the Indenture. The Indenture provides that the Trustee may seek the appointment of receivers, may act without possession of the Bonds, may act as attorney in fact for the Registered Owners, that no remedy is exclusive and that the delay or omission in the exercise of any right or remedy shall not constitute a waiver.

The Indenture does not provide for any acceleration of maturity of the Bonds or provide for the foreclosure upon any property or assets of the Master District or the Participants, other than applying the Pledged Revenues as defined in the Indenture in the manner provided in the Indenture.

The Indenture imposes certain limitations on Registered Owners of Bonds to institute suits, actions or proceedings at law or in equity for the appointment of a receiver or other remedy unless and until the Trustee shall have received the written request of the Registered Owners of not less than 25% of all Bonds and any additional bonds from time to time outstanding and secured by the Indenture and the Trustee shall have refused or neglected to institute such suit, action or proceeding for a period of 10 days after having been furnished reasonable indemnity.

Notwithstanding the foregoing, Registered Owners of more than 50% of the aggregate principal amount of the Bonds and any additional bonds from time to time issued and outstanding shall have the right, by written instrument delivered to the Trustee, to direct the time, method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture.

Without the consent of the Registered Owners, the Master District and the Trustee may from time to time enter into one or more indentures supplemental to the Indenture, which shall form a part of the Indenture, for any one or more of the following purposes:

(1) to cure any ambiguity, inconsistency or formal defect or omission in the Indenture;

(2) to grant to or confer upon the Trustee for the benefit of the Registered Owners any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Registered Owners of the Bonds or the Trustee or either of them;

(3) to subject to the lien of the Indenture additional revenues, properties or collateral;

(4) to modify, amend or supplement the Indenture or any supplemental indenture in such manner as to provide further assurances that interest on the Bonds will, to the greatest extent legally possible, be excludable from gross income for federal income tax purposes;

(5) to obtain bond insurance or a rating for the Bonds;

(6) to permit any unlimited tax contract revenue bonds to be issued in book entry-only-form; and

(7) to permit the assumption of the Master District's obligations under the Indenture by any other entity that may become the legal successor to the Master District;

provided, however, that no provision in such supplemental indenture shall be inconsistent with the Indenture or shall impair in any manner the rights of the Registered Owners.

Except as provided in the preceding paragraph, any modification, change or amendment of the Indenture may be made only by a supplemental indenture adopted and executed by the Master District and the Trustee with the consent of the owners of not less than a majority of the aggregate principal amount of the bonds then outstanding. However, without the consent of the holders of each outstanding Bond, no modification, change, or amendment to the Indenture shall:

(1) extend the time of payment of the principal thereof or interest thereon, or reduce the principal amount thereof or premium, if any, thereon, or the rate of interest thereon, or make the principal thereof or premium, if any, or interest thereon payable in any coin or currency other than that provided in the Indenture, or deprive such Registered Owner of the lien on the revenues pledged under the Indenture; or

(2) change or amend the Indenture to permit the creation of any lien on the revenues pledged therein equal or prior to the lien thereof, or reduce the aggregate principal amount of Bonds.

The Trustee may be removed at any time by an instrument or concurrent instruments in writing, signed by the owners of a majority in principal amount of the Bonds then outstanding and delivered to the Trustee, with notice thereof given to the Master District.

The Trustee may at any time resign and be discharged from the trusts created by giving written notice to the Master District and by providing written notice to the Registered Owners of its intended resignation at least sixty (60) days in advance thereof. Such notice shall specify the date on which such resignation shall take effect and shall be sent by first-class mail, postage prepaid to each Registered Owner. Resignation by the Trustee shall not take effect unless and until a successor to such Trustee shall have been appointed.

In case the Trustee shall resign, or shall be removed or dissolved, or shall be in the course of dissolution or liquidation, or shall otherwise become incapable of acting, or in case the Trustee shall be taken under control of any public officer or officers or a receiver appointed by a court, a successor may be appointed by the Registered Owners of a majority in principal amount of the Bonds then outstanding, by an instrument or concurrent instruments in writing, signed by such owners or their duly authorized representatives delivered to the Trustee, with notice thereof given to the Master District; provided however, that in any of the events above mentioned, the Master District may nevertheless appoint a temporary Trustee to fill such vacancy until a successor shall be appointed by the Registered Owners in the manner above provided, and any such temporary Trustee so appointed by the Master District shall immediately and without further act be automatically succeeded by the successor to the Trustee appointed by the Registered Owners. The Master District shall provide written notice to the Registered Owners of the appointment of any successor Trustee, whether temporary or permanent, in the manner provided in the Indenture for providing notice of the resignation of the Trustee. Any successor Trustee or temporary Trustee shall be a trust company or bank in good standing located in or incorporated under the laws of the State of Texas duly authorized to exercise trust powers and subject to examination by federal or state authority, having a reported capital and surplus of not less than $50,000,000.

In the event that no appointment of a successor Trustee is made by the Registered Owners or by the Master District pursuant to the Indenture for a period of ninety (90) days from the receipt of notice of such resignation or removal, the Registered Owner of any Bond or the retiring Trustee may apply to any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice as it shall deem proper, if any, appoint a successor Trustee.

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## DISTRICT DEBT

### General

The following tables and calculations relate to the Bonds. The Tavola MUDs and various other political subdivisions of government which overlap all or a portion of the Service Area are empowered to incur debt to be raised by taxation against all or a portion of the property within the Service Area.

### Assessed Valuation of the Participants

**(UNAUDITED)**

Values of the Participants

| | 2023 Taxable Assessed Value (a) | Percent of Total | August 15, 2023 Estimate of Value (b) | Percent of Total |
|---|---|---|---|---|
| MUD 5 | $ 627,330 | 0.10% | $ 15,187,040 | 1.97 % |
| MUD 6 | 385,527,930 | 62.00 | 425,842,079 | 55.34 |
| MUD 7 | 235,644,754 | 37.90 | 328,484,608 | 42.69 |
| Total | $ 621,800,014 | 100.00% | $ 769,513,727 | 100.00% |

| | | |
|---|---|---|
| Direct Debt: | | |
| The Outstanding Bonds (as of delivery of the Bonds) | $ 26,025,000 | |
| The Bonds | $ 13,350,000 | |
| Total | $ 39,375,000 | |
| Estimated Overlapping Debt | $ 95,785,274 | (c) |
| Total Direct and Estimated Overlapping Debt | $135,160,274 | |
| Direct Debt Ratios: | | |
| As a percentage of the 2023 Taxable Assessed Valuation of the Participants | 6.33 | % |
| As a percentage of the Estimated Valuation of the Participants as of August 15, 2023 | 5.12 | % |
| Direct and Estimated Overlapping Debt Ratios: | | |
| As a percentage of the 2023 Taxable Assessed Valuation of the Participants | 21.74 | % |
| As a percentage of the Estimated Valuation of the Participants as of August 15, 2023 | 17.56 | % |
| Debt Service Fund Balance (as of September 14, 2023) | $ 1,963,523 | (d) |
| General Fund Balance (as of September 14, 2022) | $ 50,230 | |
| Capital Projects Fund Balance (as of September 14, 2022) | $ 467,740 | |

| 2022 Tax Rate per $100 of Assessed Value of Participants | MUD 5 | MUD 6 | MUD 7 |
|---|---|---|---|
| Utility Debt Service | $0.000 | $0.310 | $0.430 |
| Road Debt Service | 0.000 | 0.205 | 0.120 |
| Contract Tax | 0.410 | 0.400 | 0.405 |
| Maintenance | 0.890 | 0.275 | 0.345 |
| Total | $1.300 | $1.190 | $1.300 |

---

(a) Represents the taxable assessed valuation of taxable property as of January 1, 2023, provided by the Montgomery Central Appraisal District. Includes $18,705,752 of uncertified value for MUD 7 and $51,801,160 of uncertified value for MUD 6, which represents 80% of the amount of uncertified value under review. See "TAX DATA" and "TAXING PROCEDURES."

(b) Provided by the Montgomery Central Appraisal District for informational purposes only, this amount is an estimate of the taxable value of all taxable property as of August 15, 2023, and includes an estimate of additional taxable value resulting from additional taxable improvements constructed from January 1, 2023, through August 15, 2023. No taxes will be levied on this estimated value. See "TAX DATA" and "TAXING PROCEDURES."

(c) Includes the pending East Montgomery County Municipal Utility District No. 7 $5,750,000 Unlimited Tax Bonds, Series 2023A. See "DISTRICT DEBT – Direct and Estimated Overlapping Debt Statement."

(d) Neither Texas law, the Bond Order (as hereinafter defined) nor the Indenture (as hereinafter defined) requires that the Master District maintain any particular sum in the Debt Service Fund. In addition, six (6) months of capitalized interest on the Bonds will be deposited into the Debt Service Fund upon delivery of the Bonds.

## SELECTED FINANCIAL INFORMATION

## (UNAUDITED)

| | |
|---|---|
| Average Annual Debt Service Requirement (2024–2048) | $2,464,324 (a) |
| Maximum Annual Debt Service Requirement (2025) | $2,785,750 (a) |
| Contract Tax Rate per $100 of Taxable Assessed Valuation Required to Pay Average Annual Debt Service Requirement (2024–2048) at 95% Tax Collections | |
| Based on the 2023 Taxable Assessed Valuation of the Participants | $0.42 |
| Based on the Estimated Valuation of the Participants as of August 15, 2023 | $0.34 |
| Contract Tax Rate per $100 of Taxable Assessed Valuation Required to Pay Maximum Annual Debt Service Requirement (2025) at 95% Tax Collections | |
| Based on the 2023 Taxable Assessed Valuation of the Participants | $0.48 |
| Based on the Estimated Valuation of the Participants as of August 15, 2023 | $0.39 |

Status of Development in Service Area as of September 1, 2023

| Participant | Total Acreage | Homes Completed (b) | Homes Under Construction | Developed Vacant Lots |
|---|---|---|---|---|
| MUD 5 | 516.81 | 0 | 0 | 426 |
| MUD 6 | 554.22 | 1,247 | 0 | 0 |
| MUD 7 | 493.49 | 1,073 | 157 | 94 |
| Total | 1,564.52 | 2,320 | 157 | 520 |

(a) Requirement of debt service on the Outstanding Bonds and the Bonds. See "DISTRICT DEBT – Debt Service Requirement Schedule."

(b) Approximately 2,320 homes are occupied.

*[Remainder of Page Intentionally Left Blank]*

**Direct and Estimated Overlapping Debt Statement**

Other governmental entities whose boundaries overlap the Service Area have outstanding bonds payable from ad valorem taxes. The following statement of direct and estimated overlapping ad valorem tax debt was developed from information contained in "Texas Municipal Reports," published by the Municipal Advisory Council of Texas, or other available information. Except for the amount relating to the Participants, the Master 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 Service Area are authorized by Texas law to levy and collect ad valorem taxes for operation, maintenance and/or general revenue purposes in addition to taxes for payment of their debt, and some are presently levying and collecting such taxes.

| | Outstanding Debt | Overlapping | |
|---|---|---|---|
| Taxing Jurisdiction | June 30, 2023 | Percent | Amount |
| Montgomery County | $ 441,665,000 | 0.53% | 2,340,783 |
| New Caney Independent School District | 553,180,000 | 4.86 | 26,885,012 |
| Lone Star College System | 602,965,000 | 0.16 | 964,479 |
| East Montgomery County MUD No. 6 | 40,470,000 | 100.00 | 40,470,000 |
| East Montgomery County MUD No. 7 (a) | 25,125,000 | 100.00 | 25,125,000 |
| Total Estimated Overlapping Debt | | | $ 95,785,274 |
| The Master District (b) | | | $ 39,375,000 |
| Total Direct & Estimated Overlapping Debt (c) | | | $ 135,160,274 |

**Debt Ratios**

| | |
|---|---|
| Direct Debt Ratios (c): | |
| As a percentage of the 2023 Taxable Assessed Valuation of the Participants | 6.33 % |
| As a percentage of the Estimated Valuation of the Participants as of August 15, 2023 | 5.12 % |
| Direct and Estimated Overlapping Debt Ratios (c): | |
| As a percentage of the 2023 Taxable Assessed Valuation of the Participants | 21.74 % |
| As a percentage of the Estimated Valuation of the Participants as of August 15, 2023 | 17.56 % |

(a) Includes the pending East Montgomery County Municipal Utility District No. 7 $5,750,000 Unlimited Tax Bonds, Series 2023A.

(b) Includes the Bonds and the Outstanding Bonds.

(c) Includes the Bonds, the Outstanding Bonds, the pending East Montgomery County Municipal Utility District No. 7 $5,750,000 Unlimited Tax Bonds, Series 2023A.

**Debt Service Requirement Schedule**

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

| Calendar Year | Outstanding Debt Service | Plus: The Bonds Principal | Plus: The Bonds Interest | Plus: The Bonds Debt Service | Total Debt Service |
|---|---|---|---|---|---|
| 2024 | $ 1,312,879 | $ - | $ 753,646 | $ 753,646 | $ 2,066,525 |
| 2025 | 1,762,250 | 300,000 | 723,500 | 1,023,500 | 2,785,750 |
| 2026 | 1,762,435 | 315,000 | 701,000 | 1,016,000 | 2,778,435 |
| 2027 | 1,761,315 | 330,000 | 677,375 | 1,007,375 | 2,768,690 |
| 2028 | 1,759,095 | 345,000 | 652,625 | 997,625 | 2,756,720 |
| 2029 | 1,760,643 | 365,000 | 626,750 | 991,750 | 2,752,393 |
| 2030 | 1,760,116 | 385,000 | 599,375 | 984,375 | 2,744,491 |
| 2031 | 1,756,779 | 400,000 | 570,500 | 970,500 | 2,727,279 |
| 2032 | 1,756,954 | 420,000 | 545,500 | 965,500 | 2,722,454 |
| 2033 | 1,756,181 | 445,000 | 524,500 | 969,500 | 2,725,681 |
| 2034 | 1,758,275 | 465,000 | 502,250 | 967,250 | 2,725,525 |
| 2035 | 1,753,738 | 490,000 | 479,000 | 969,000 | 2,722,738 |
| 2036 | 1,752,025 | 515,000 | 454,500 | 969,500 | 2,721,525 |
| 2037 | 1,753,863 | 540,000 | 428,750 | 968,750 | 2,722,613 |
| 2038 | 1,753,006 | 565,000 | 401,750 | 966,750 | 2,719,756 |
| 2039 | 1,750,213 | 595,000 | 373,500 | 968,500 | 2,718,713 |
| 2040 | 1,749,169 | 625,000 | 343,750 | 968,750 | 2,717,919 |
| 2041 | 1,745,800 | 655,000 | 312,500 | 967,500 | 2,713,300 |
| 2042 | 1,745,563 | 690,000 | 279,750 | 969,750 | 2,715,313 |
| 2043 | 1,743,194 | 720,000 | 245,250 | 965,250 | 2,708,444 |
| 2044 | 916,881 | 760,000 | 209,250 | 969,250 | 1,886,131 |
| 2045 | 921,356 | 795,000 | 171,250 | 966,250 | 1,887,606 |
| 2046 | 604,500 | 835,000 | 131,500 | 966,500 | 1,571,000 |
| 2047 | 318,344 | 875,000 | 89,750 | 964,750 | 1,283,094 |
| 2048 | - | 920,000 | 46,000 | 966,000 | 966,000 |
| Total | $ 37,414,571 | $13,350,000 | $10,843,521 | $ 24,193,521 | $ 61,608,092 |

Average Annual Debt Service Requirement (2024–2048) ........ $2,464,324

Maximum Annual Debt Service Requirement (2025) ........ $2,785,750

## TAXING PROCEDURES

### Authority to Levy Taxes

Each Participant is authorized to levy a continuing, direct annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within its boundaries in sufficient amount to pay the principal and interest on any bonds issued by it, its pro rata share of interest on the Bonds, and any additional bonds payable from taxes which the Master District may hereafter issue, and to pay the expenses of assessing and collecting such taxes. Voters within each Participant have also authorized the levy of a maintenance tax not to exceed $1.50 per $100 valuation.

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

The Texas Tax Code (the "Tax Code"), specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Tax Code are complex and are not fully summarized herein. The Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the Appraisal District. The Appraisal District has the responsibility of appraising property for all taxing units within Montgomery County, including the Participants. Such appraisal values will be subject to review and change by the Montgomery County Appraisal Review Board (the "Appraisal Review Board"). The appraisal roll, as approved by the Appraisal Review Board, will be used by the Participants in establishing its tax rolls and tax rate.

The Tax Code requires each appraisal district, by May 15 of each year, or as soon thereafter as practicable, to prepare appraisal records of property as of January 1 of each year based upon market value. The chief appraiser must give written notice before May 15, or as soon thereafter as practicable, to each property owner whose property value is appraised higher than the value in the prior tax year or the value rendered by the property owner, or whose property was not on the appraisal roll the preceding year, or whose property was reappraised in the current tax year. Notice must also be given if ownership of the property changed during the preceding year. The Appraisal Review Board has the ultimate responsibility for determining the value of all taxable property within the Participants; however, any property owner who has timely filed notice with the Appraisal Review Board may appeal a final determination by the Appraisal Review Board by filing suit in a Texas district court. Prior to such appeal or any tax delinquency date, however, the property owner must pay the tax due on the value of that portion of the property involved that is not in dispute or the amount of tax imposed in the prior year, whichever is greater, or the amount of tax due under the order from which the appeal is taken. In such event, the value of the property in question will be determined by the court, or by a jury, if requested by any party. In addition, taxing units, such as the Participants, are entitled to challenge certain matters before the Appraisal Review Board, including the level of appraisals of a certain category of property, the exclusion of property from the appraisal records of the granting in whole or in part of certain exemptions. A taxing unit may not, however, challenge the valuation of individual properties.

Although the Participants have the responsibility for establishing tax rates and levying and collecting its taxes each year, under the Tax Code, the Participants do not establish appraisal standards or determine the frequency of revaluation or reappraisal. The Appraisal District is governed by a board of directors elected by the governing bodies of the county and all cities, towns, school districts and, if entitled to vote, the conservation and reclamation districts that participate in the Appraisal District. The Tax Code requires each appraisal district to implement a plan for periodic reappraisal of property to update appraised values. Such plan must provide for reappraisal of all real property in the appraisal district at least once every three years. It is not known what frequency of future reappraisals will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county-wide basis.

### Property Subject to Taxation by the Participants

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes, and certain categories of intangible personal property with a tax situs in the Service Area are subject to taxation by the applicable Tavola MUD. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions, if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies and personal effects; certain goods, wares, and merchandise in transit; certain farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually-owned automobiles. In addition, the applicable Tavola MUD may by its own action exempt residential homesteads of persons 65 years or older and certain disabled persons, to the extent deemed advisable by the Board of Directors of the applicable Tavola MUD. The applicable Tavola MUD may be required to offer such exemptions if a majority of voters approve same at an election. The Tavola MUD would be required to call an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. Each Tavola MUD is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair its obligation to pay tax supported debt incurred prior to adoption of the exemption by such district. Furthermore, each Tavola MUD must grant exemptions to disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces, 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 for the full value of the veteran's residence 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. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. Surviving spouses of a deceased veteran who has 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. In addition, a partially disabled veteran or the surviving spouse of a partially disabled veteran is 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 at no cost by a charitable organization. This exemption also applies to a residence homestead that was donated by a charitable organization at some cost to such veterans. The surviving spouse of a member of the armed forces who was killed in action 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 service member's death and said property was the service member's residence homestead at the time of death. Such exemption may 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. 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.

**Residential Homestead Exemptions:** The Tax Code authorizes the governing body of each political subdivision in the State to exempt up to twenty percent (20%) of the appraised market value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted by May 1. None of the Tavola MUDs has ever adopted a homestead exemption. See "TAX DATA."

***Freeport Goods and Goods-in-Transit 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 for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit" Exemption is applicable to the same categories of tangible personal property which are covered by the Freeport Exemption, if, for tax year 2013 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2012 and subsequent years, such Goods-in-Transit Exemption includes tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit 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. Each of the Tavola MUDs has taken official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years.

**Tax Abatement**

Montgomery County may designate all or part of the area within the Service Area as a reinvestment zone. Thereafter, the Montgomery County and the applicable Tavola MUD, at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including a Tavola MUD, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions. At this time, Montgomery County has not designated any of the area within the Service Area as a reinvestment zone.

**Valuation of Property for Taxation**

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

The 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 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 Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by one 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 for the previous three years for agricultural use and taxes for the previous five years for open space land and timberland.

The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraisal values. The plan must provide for appraisal of all real property in the Appraisal District at least once every three 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 formally to include such values on its appraisal roll.

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

During the 2nd 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 percent 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, 88th Legislature, 2nd Called Session, 2023, is approved by the voters.

**Tax Payment Installments after Disaster**

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

**Agricultural, Open Space, Timberland and Inventory Deferment**

The Property Tax Code permits land designated for agricultural use (including wildlife management), open space, or timberland to be appraised at its value based on the land's capacity to produce agriculture or timber products rather than at its fair market value. The Property Tax Code permits, under certain circumstances, that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of any of such designations must apply for the designation, and the Appraisal District is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions and not as to others. If a claimant receives the designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including such taxes for a period of three (3) years to five (5) years for agricultural use, timberland or open space land prior to the loss of the designation.

**Participant and Taxpayer Remedies**

Under certain circumstances, taxpayers and taxing units, including the Tavola MUDs, may appeal orders of the Appraisal Review Board by filing a timely petition for review in 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 Tax Code.

The Tax Code sets forth notice and hearing procedures for certain tax rate increases by the Tavola MUDs and provides for taxpayer referenda which could result in the repeal of certain tax increases. The 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**

Each Tavola MUD 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 Tavola MUD, based upon: a) the valuation of property within the Participant as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent. Personal property incurs an additional 20% penalty on or after April 1 of the year in which the taxes became delinquent and real property incurs such additional penalty on July 1 of the year in which the taxes become delinquent. 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 Tavola MUD and a delinquent tax attorney. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the district, may be rejected.

**Rollback of Operation and Maintenance Tax Rate**

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

*Low Tax Rate Districts*

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

*Developed Districts*

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

*Other Districts*

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

*The District*

A determination as to the District's status as a Special Taxing Unit, Developed District or Developing District will be made by the Board of Directors on an annual basis in September or October of each year. The Participants have each determined it is a Developing District for the 2023 tax year. The District cannot give any assurances as to what its, or the other Participants, classification will be at any point in time or whether the Participants' future tax rates will result in a total tax rate that will reclassify each Participant into a new classification and new election calculation.

**Participant's Rights in the Event of Tax Delinquencies**

Taxes levied by a Tavola MUD 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 the state and each taxing unit, including the Tavola MUD, having the power to tax the property. The Tavola MUD's tax lien is on a parity with the tax liens of other such taxing units. 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 Tavola MUD is determined by federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the Tavola MUD may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the Tavola MUD must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights or by bankruptcy proceedings which restrict the collection of taxpayer debts. A taxpayer may redeem property within two (2) years for residential and agricultural property and six months for commercial property and all other types of property after the purchaser's deed at the foreclosure sale is filed in the county records.

## TAX DATA

**General**

Taxable property within the Service Area is subject to the assessment, levy and collection by the applicable Tavola MUD of a continuing direct, annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay its Pro-Rata Share of the 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 each Tavola MUD each year against such Participant'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 of MUD 5 covenants in the Bond Order to assess and levy an ad valorem tax sufficient to produce funds to pay its pro rata portion of the principal and interest on the Bonds. Pursuant to the requirements of the Master District Contract, MUD 6 and MUD 7 are likewise required 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 its pro-rata portion of the principal of and interest on the Bonds. The actual rate of such taxes will be determined from year to year as a function of the Participant's tax base, its debt service requirements, and available funds. In addition, each Participant has the power and authority to assess, levy, and collect ad valorem taxes, not to exceed $1.50 per $100 of assessed valuation, for operation and maintenance purposes. In 2022, MUD 6 levied a total tax of $1.19 per $100 of assessed valuation composed of the following: a maintenance tax of $0.275, a contract tax of $0.40, a tax for payment of utility debt service in the amount of $0.31, and a tax for payment of road debt service in the amount of $0.205. In 2022, MUD 7 levied a total tax of $1.30 per $100 of assessed valuation composed of the following: a maintenance tax of $0.345, a contract tax of $0.405, a tax for payment of utility debt service in the amount of $0.43, and a tax for payment of road debt service in the amount of $0.12. In 2022, the District levied a total tax of $1.30 per $100 of assessed valuation composed of the following: a maintenance tax of $0.89 and a contract tax of $0.41.

**Debt Service Tax**

Each Participant, including the Master District, has the statutory authority to issue unlimited tax bonds for the purpose of providing water distribution, wastewater collection, and storm drainage facilities to the land within its boundaries. Such bonds, if issued, will be served by a continuing, annual ad valorem tax adequate to provide funds to pay the principal of and interest on such bonds. Such tax is in addition to the contract tax. See "APPENDIX A" for information related to each Participant's historical tax data and authorized but unissued unlimited tax bonds.

**Maintenance Tax**

The boards of directors of each Participant has the statutory authority to levy and collect an annual ad valorem tax for maintenance purposes, including, but not limited to, funds for planning, constructing, maintaining, repairing and operating all necessary land, plants, works, facilities, improvements, appliances and equipment, if such maintenance tax is authorized by a vote of the Participant's electors. Such tax would be in addition to the contract tax and taxes levied for paying principal of and interest on any tax bonds which may be issued in the future by the Participant. At an election held on May 12, 2007, voters within each Participant District authorized a maintenance tax not to exceed $1.50 per $100 assessed valuation.

**Tax Rate Limitations of Participants**

| | |
|---|---|
| Debt Service: | Unlimited (no legal limit as to rate or amount). |
| Maintenance: | $1.50 per $100 Assessed Taxable Valuation. |
| Contract Tax: | Unlimited (no legal limit as to rate or amount). |

**Assessed Taxable Valuation Summary**

The following represents the type of property comprising the 2023 tax rolls as certified by the Appraisal District.

| Type of Property | MUD 5 Taxable Assessed Valuation | MUD 6 Taxable Assessed Valuation | MUD 7 Taxable Assessed Valuation |
|---|---|---|---|
| Land | $ 2,206,400 | $ 72,162,393 | $ 57,778,137 |
| Improvements | – | 290,106,300 | 169,573,635 |
| Personal Property | – | 478,590 | 431,904 |
| Exemptions | (1,579,070) (a) | (29,020,515) | (10,844,674) |
| Total | $ 627,330 | $ 333,726,768 | $ 216,939,002 |

(a) Represents raw land under special valuation for agricultural purposes.

### Principal Taxpayers

The following are the principal taxpayers within the Service Area as shown on the combined certified appraisal rolls of the Participants for the 2023 tax year. See "APPENDIX A" for the principal taxpayers within the boundaries of each Participant.

| Taxpayer | Types of Property | Taxable Value 2023 Tax Roll |
|---|---|---|
| Upward America Central Prop Own | Land & Improvements | $ 40,714,940 |
| Lennar Homes of Texas Land & Construction LTD (a) | Land & Improvements | 14,332,800 |
| FKH SFR Propco K LP | Land & Improvements | 4,536,770 |
| Hudson SFR Property Holdings II LLC | Land & Improvements | 1,769,300 |
| Mclean SFR Investments LLC | Land & Improvements | 1,047,060 |
| D&C Real Properties LLC | Land & Improvements | 992,180 |
| Progress Residential Borrower 23 LLC | Land & Improvements | 670,130 |
| Homeowner | Land & Improvements | 624,000 |
| Private Family Trust | Land & Improvements | 592,510 |
| Hoemowner | Land & Improvements | 573,180 |
| Total of Principal Taxpayers | | $ 65,852,870 |
| Principal Taxpayers Percent of Total of Service Area | | 11.95% |

(a) See "THE DEVELOPER."

### 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 on the Outstanding Bonds and the Bonds if no growth occurs in the tax base of the Tavola MUDs beyond the taxable assessed valuation as of January 1, 2023 ($621,800,014) and an August 15, 2023, estimated valuation ($769,513,727). The calculations assume collection of 95% of taxes levied, the sale of the Bonds but not the sale of any additional bonds.

Average Annual Debt Service Requirement (2024–2048) ........................................ $2,464,324
Contract Tax Rate of $0.42 on the 2023 Taxable Assessed Valuation of the Participants ........................................ $2,480,982
Contract Tax rate of $0.34 on the August 15, 2023, Estimated Valuation of the Participants........................................ $2,485,529

Maximum Annual Debt Service Requirement (2025)........................................ $2,785,750
Contract Tax Rate of $0.48 on the 2023 Taxable Assessed Valuation of the Participants ........................................ $2,835,408
Contract Tax rate of $0.39 on the August 15, 2023, Estimated Valuation of the Participants........................................ $2,851,048

### Estimated Overlapping Taxes

Property within the Service Area is subject to taxation by several taxing authorities in addition to the Participants. 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 a Participant is on a parity with tax liens of other taxing jurisdictions. In addition to ad valorem taxes required to make debt service payments on bonds of the Master District and of such other jurisdictions (see "DISTRICT DEBT – Direct and Estimated Overlapping Debt Statement"), 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 taxes per $100 of assessed valuation levied by such jurisdictions. No recognition is given to local assessments for civic association dues, emergency medical service contributions, fire department contributions or any other charges made by entities other than political subdivisions. The following chart includes the 2022 taxes per $100 of assessed valuation levied by all such taxing jurisdictions. No prediction can be made of the tax rates that will be levied in future years by the respective taxing jurisdictions.

| Taxing Jurisdiction | 2022 Tax Rate |
|---|---|
| The Participants (a) | $1.300000 |
| Montgomery County | 0.374200 |
| Montgomery County Hospital District | 0.050200 |
| Montgomery County Emergency Services District No. 7 | 0.090100 |
| New Caney Independent School District | 1.443000 |
| Lone Star College System | 0.107800 |
| Total Tax Rate | $3.365300 |

(a) Represents the highest total tax rate levied by a Participant.

## THE DISTRICT

### General

The District was created by the Texas Legislature, and by a confirmation election held within the District on May 12, 2007, and operates under Chapters 49 and 54 of the Texas Water Code and other general laws of the State of Texas applicable to municipal utility districts.

The District is empowered, among other things, to purchase, construct, operate, and maintain all works, improvements, facilities, and plants necessary for the supply of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water within its boundaries. In addition, the District, acting as the Master District provides regional water, sanitary sewer, drainage, and roads.

The District also is authorized to construct, develop and maintain park and recreational facilities using operating revenues or by issuing bonds payable from taxes, and, under certain limited circumstances, with TCEQ approval, to construct roads. In addition, the District is authorized, upon TCEQ and voter approval, to establish, operate, and maintain a fire department, independently or with one or more other conservation and reclamation districts, and provide such facilities and services to the customers of the District.

### Description

The total acreage of the District is 516.8 acres. The District is located in Montgomery County, Texas, approximately 30 miles north-northeast of the central business district of the City. The District is immediately west of U.S. Highway 59 and borders Caney Creek on its southern boundary. The District is located within the extraterritorial jurisdiction of the City.

### The Participants

MUD 5, MUD 6 and MUD 7 were created by the Texas Legislature and were confirmed at elections held on May 12, 2007. The Participants are vested with all of the rights, privileges, authority and functions conferred by the laws of the State of Texas applicable to municipal utility districts, including without limitation, those conferred by Chapters 49 and 54, Texas Water Code, as amended. The Participants are empowered to contract with the Master District for the joint construction, financing, ownership, and operation of any works, improvements, facilities, plants, equipment, and appliances necessary for the supply of water; the collection, transportation and treatment of wastewater; and the control and diversion of storm water, among other things. The Participants are subject to the continuing supervision of the TCEQ. The Participants are located within the ETJ of the City.

### The Service Area

Pursuant to the Master District Contract, the Master District is obligated to provide certain regional water supply facilities and transmission lines, wastewater treatment facilities and conveyance lines and stormwater drainage and detention facilities to serve the land in MUD 5, MUD 6, and MUD 7, which districts serve the master-planned community of Tavola.

The Service Area contains approximately 1,564.5 acres, including a total of approximately 516.8 acres in MUD 5. The Service Area is located in Montgomery County, Texas, approximately two (2) miles northeast of New Caney, Texas, and 30 miles north-northeast of downtown area of the City. The Service Area is bisected by U.S. Highway 59. The Service Area is located wholly within the extraterritorial jurisdiction of the City. The Service Area lies wholly within the New Caney Independent School District.

### Management of the District

The District is governed by the Board consisting of five (5) directors, who have control over and management supervision of all affairs of the District. All of the Directors own property in the District. None of the directors live in the District. The directors serve four-year staggered terms. Elections are held in odd-numbered years in May. The current members and officers of the Board are listed below:

| Name | Title | Term Expires May |
|---|---|---|
| John Patterson | President | 2025 |
| Larry Kijewski | Vice President | 2025 |
| Layne Mashburn | Secretary | 2027 |
| Charles Prause | Assistant Secretary | 2027 |
| Vacant | Assistant Secretary | ------ |

## Investment Policy

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 short term obligations of the U.S. or its agencies or instrumentalities, in certificates of deposits insured by the Federal Deposit Insurance Corporation ("FDIC") and secured by collateral authorized by the Act, and in TexPool and TexStar, 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.

## Consultants

Although the District does not have a general manager or any other full-time employees, it has contracted for utility system operating, bookkeeping, tax assessing and collecting, auditing, engineering, and legal services as follows:

*Tax Assessor/Collector:* The tax assessor/collector for the District is Assessments of the Southwest, Inc.

*Bookkeeper:* The District's bookkeeper is L&S District Services, LLC.

*Auditor:* The financial statements of the District as of May 31, 2023, and for the year then ended, included in this offering document, have been audited by FORVIS, LLP, independent auditors, as stated in their report appearing herein.

*Utility System Operator:* The District's water and sewer system is operated by H2O Innovation ("H2O Innovation").

*Engineer:* The District's engineer is LJA Engineering, Inc. (the "Engineer" or "Master District Engineer"). Such firm acts as engineer for many residential and commercial developments in Texas.

*General & Bond Counsel:* The District has engaged Coats Rose, P.C., Houston, Texas, as general counsel to the District and as bond counsel ("Bond Counsel") in connection with the issuance of the Bonds. The fees to be paid Bond Counsel in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds. See "LEGAL MATTERS."

*Disclosure Counsel:* Orrick, Herrington & Sutcliffe LLP, Houston, Texas, serves as Disclosure Counsel to the District. The fee to be paid Disclosure Counsel for services rendered in connection with the issuance of the Bonds is contingent on the issuance, sale and delivery of the Bonds.

*Financial Advisor:* Robert W. Baird & Co. Incorporated is employed as Financial Advisor to the District in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance 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 in this Official Statement.

## TAVOLA

Tavola is an approximately 1,565-acre master planned community being developed by the Developer in Montgomery County, Texas, approximately 30 miles due north-northeast of the central business district of the City and approximately two (2) miles northeast of the City of New Caney, Texas. According to representatives of the Developer, Tavola will eventually include approximately 4,200 single-family lots. Three municipal utility districts have been created to encompass the land within Tavola, including the District, MUD 6, and MUD 7. The District acts as the "Master District" and provides the water supply and wastewater treatment facilities, trunk water and sanitary sewer lines and stormwater and detention facilities to serve Tavola.

To date, approximately 621 total acres within the District. In MUD 5, approximately 88 acres have been developed into West Sections 1-4 (426 lots), of which all are currently vacant developed lots.

In MUD 6, of the approximately 554 total acres of land located within the District, approximately 398 acres (1,247 lots) within the District have been developed with water distribution, sanitary sewer and storm drainage facilities to serve the single-family residential subdivisions of Tavola, Sections 2–19, 22–24, 26–27, and 38–40. As of September 1, 2023, single-family development in the District included 1,247 completed and occupied homes; 0 completed and unoccupied homes; 0 homes under construction; and 0 vacant, developed lots.

In MUD 7, of the approximately 495 total acres of land located within the District, approximately 354 acres (1,324 lots) within the District have been developed with water distribution, sanitary sewer and storm drainage facilities to serve the single-family residential subdivisions of Tavola, Sections 20, 21, 25, 28 – 37 and 41 – 47. As of September 1, 2023, single-family development in the District included 1,073 completed and occupied homes; 0 completed and unoccupied homes; 157 homes under construction; and 94 vacant, developed lots.

Tavola Elementary school has been constructed on 14.03 acres in MUD 6. As of September 1, 2023, Tavola included 2,380 completed and occupied homes, 0 completed and unoccupied homes, 157 homes under construction, 520 vacant lots, and approximately 672.24 acres of undeveloped but developable land.

*[Remainder of Page Intentionally Left Blank]*

**Status of Development within the Service Area**

The following is a status of construction of single-family housing within the Service Area as of September 1, 2023. All residential development is currently within the boundaries of either MUD 5, MUD 6 or MUD 7:

| Tavola | Section Acreage | Platted Lots | Completed Homes: Homes Occupied | Completed Homes: Homes Unoccupied | Homes Under Construction | Developed Vacant Lots |
|---|---|---|---|---|---|---|
| Section 2, MUD 6 | 11.41 | 32 | 32 | - | - | - |
| Section 3, MUD 6 | 14.48 | 49 | 49 | - | - | - |
| Section 4, MUD 6 | 14.11 | 45 | 45 | - | - | - |
| Section 5, MUD 6 | 12.56 | 41 | 41 | - | - | - |
| Section 6, MUD 6 | 17.92 | 66 | 66 | - | - | - |
| Section 7, MUD 6 | 12.05 | 35 | 35 | - | - | - |
| Section 8, MUD 6 | 15.38 | 61 | 61 | - | - | - |
| Section 9, MUD 6 | 12.42 | 43 | 43 | - | - | - |
| Section 10, MUD 6 | 25.17 | 36 | 36 | - | - | - |
| Section 11, MUD 6 | 15.68 | 50 | 50 | - | - | - |
| Section 12, MUD 6 | 10.46 | 46 | 46 | - | - | - |
| Section 13, MUD 6 | 11.44 | 47 | 47 | - | - | - |
| Section 14, MUD 6 | 13.33 | 58 | 58 | - | - | - |
| Section 15, MUD 6 | 13.00 | 47 | 47 | - | - | - |
| Section 16, MUD 6 | 14.92 | 61 | 61 | - | - | - |
| Section 17, MUD 6 | 12.97 | 39 | 39 | - | - | - |
| Section 18, MUD 6 | 11.37 | 50 | 50 | - | - | - |
| Section 19, MUD 6 | 13.72 | 55 | 55 | - | - | - |
| Section 20, MUD 7 | 15.24 | 48 | 48 | - | - | - |
| Section 21, MUD 7 | 15.10 | 54 | 54 | - | - | - |
| Section 22, MUD 6 | 8.97 | 39 | 39 | - | - | - |
| Section 23, MUD 6 | 15.44 | 31 | 31 | - | - | - |
| Section 24, MUD 6 | 13.99 | 56 | 56 | - | - | - |
| Section 25, MUD 7 | 6.80 | 38 | 38 | - | - | - |
| Section 26, MUD 6 | 9.07 | 40 | 40 | - | - | - |
| Section 27, MUD 6 | 20.17 | 36 | 36 | - | - | - |
| Section 28, MUD 7 | 10.73 | 49 | 49 | - | - | - |
| Section 29, MUD 7 | 18.24 | 92 | 92 | - | - | - |
| Section 30, MUD 7 | 11.20 | 55 | 55 | - | - | - |
| Section 31, MUD 7 | 12.97 | 68 | 68 | - | - | - |
| Section 32, MUD 7 | 23.60 | 67 | 67 | - | - | - |
| Section 33, MUD 7 | 15.10 | 42 | 42 | - | - | - |
| Section 34, MUD 7 | 36.41 | 61 | 61 | - | - | - |
| Section 35, MUD 7 | 33.31 | 62 | 62 | - | - | - |
| Section 36, MUD 7 | 17.04 | 56 | 56 | - | - | - |
| Section 37, MUD 7 | 20.41 | 71 | 66 | - | 2 | 3 |
| Section 38, MUD 6 | 13.38 | 59 | 59 | - | - | - |
| Section 39, MUD 6 | 10.72 | 53 | 53 | - | - | - |
| Section 40, MUD 6 | 23.72 | 72 | 72 | - | - | - |
| Section 41, MUD 7 | 20.74 | 89 | 75 | - | 10 | 4 |
| Section 42, MUD 7 | 17.42 | 65 | 55 | - | 10 | - |
| Section 43, MUD 7 | 13.62 | 49 | 5 | - | 30 | 14 |
| Section 44, MUD 7 | 18.28 | 102 | 60 | - | 25 | 17 |
| Section 45, MUD 7 | 13.70 | 79 | 30 | - | 20 | 29 |
| Section 46, MUD 7 | 15.36 | 80 | 60 | - | 20 | - |
| Section 47, MUD 7 | 18.07 | 97 | 30 | - | 40 | 27 |
| West Section 1, MUD 5 | 15.98 | 44 | - | - | - | 44 |
| West Section 2, MUD 5 | 32.18 | 149 | - | - | - | 149 |
| West Section 3, MUD 5 | 18.51 | 96 | - | - | - | 96 |
| West Section 4, MUD 5 | 21.35 | 137 | - | - | - | 137 |
| Totals | 809.21 | 2,997 | 2,320 | 0 | 157 | 520 |

| | |
|---|---|
| Single-Family Developed | 809.21 |
| School | 14.03 |
| Undevelopable | 256.83 |
| Remaining Developable | 484.45 |
| Service Area Total | 1,564.52 |

**Homebuilders within the Service Area**

Homebuilders who are active in the Service Area include Perry Homes, Lennar Homes, M/I Homes and Lakewood Homes. New homes being constructed by Perry Homes range in price from $250,000 to $440,000 and in size from 2,500 to 3,800 square feet. New homes being constructed by Lennar Homes range in price from $200,000 to $425,000 and in size from 1,500 to 3,700 square feet. New homes being constructed by Lakewood Homes range in price from $200,000 to $250,000 and in size from 2,000 to 3,000 square feet.

**Future Development**

Approximately 484 acres of developable land in the Service Area remain to be developed with water, sanitary sewer and drainage facilities and approximately 257 acres are undevelopable. The District can make no representation that any future development will occur within the Service Area. In the event that future development does occur within the Service Area, it is anticipated that the development costs will be financed through the sale of future bond issues.

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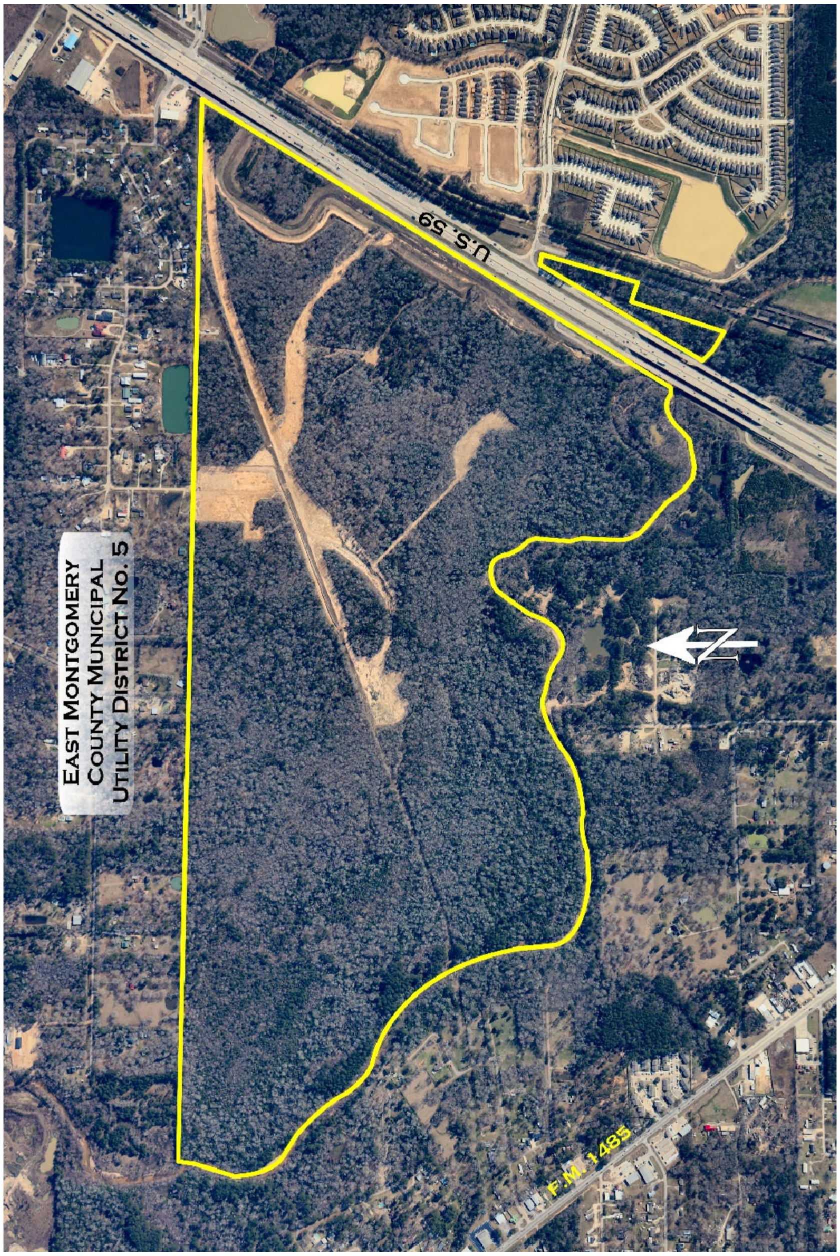
**AERIAL PHOTOGRAPHS OF THE SERVICE AREA**

**(August 2023)**

**MUD 5**



**AERIAL PHOTOGRAPHS OF THE SERVICE AREA**

**(April 2023)**

**MUD 6**

**AERIAL PHOTOGRAPHS OF THE SERVICE AREA**

**(August 2023)**

**MUD 7**

## THE DEVELOPER

### Role of the Developer

In general, the activities of a developer in a municipal utility district such as each of the Tavola MUDs include purchasing the land within the district, designing the subdivision, designing the utilities and streets to be constructed in the subdivision, 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 most instances, the developer will be required to pay up to thirty percent of the cost of constructing certain of the water, wastewater, and drainage facilities in a utility district pursuant to the rules of the TCEQ. The relative success or failure of a developer to perform such activities in development of the property within a 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 a 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 a major taxpayer within a municipal utility district during the development phase of the property.

### Principal Landowner/Developer

The primary developer of land within the Service Area is Lennar Homes of Texas Land and Construction, Ltd., a Texas limited partnership d/b/a Friendswood Development Company (the "Developer"). The sole general partner of the Developer is U.S. Home LLC, a Delaware limited liability company.

Lennar Corporation is a publicly traded corporation whose stock is listed on the New York Stock Exchange. Audited financial statements for Lennar Corporation can be found online at http://phx.corporate-ir.net/phoenix.zhtml?c=65842&p=irol-irhome. Lennar Corporation is subject to the information requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith files reports and other information with the United States Securities and Exchange Commission ("SEC"). Reports, proxy statements and other information filed by Lennar can be inspected at the office of the SEC at Judiciary Plaza, Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such material can be obtained from the Public Reference Section of the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. Copies of the above reports, proxy statements and other information may also be inspected at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005. The SEC maintains a website at http://www.sec.gov that contains reports, proxy information statements and other information regarding registrants that file electronically with the SEC.

Certain financial information concerning the Developer is included as part of the consolidated financial statements of Lennar Corporation. However, Lennar Corporation is not legally obligated to provide funds for the development of the District, to provide funds to pay taxes on property in the District owned by the Developer, or to pay any other obligations of the Developer. Further, neither the Developer nor Lennar Corporation is responsible for, is liable for or has made any commitment for payment of the Bonds or other obligations of the Tavola MUDs, and the inclusion of such financial statements and description of financial arrangements herein should not be construed as an implication to that effect. Neither the Developer nor Lennar Corporation has any legal commitment to the Tavola MUDs or owners of the Bonds to continue development of the land within the District and the Developer may sell or otherwise dispose of its property within the District, or any other assets, at any time. Further, the financial condition of the Developer and Lennar Corporation is subject to change at any time.

In addition to Tavola, the Developer is the developer in the Houston, Texas area master planned communities of Kingwood, West Ranch, Lakemont, Graystone Hills, Lakes of Savannah, Wildwood at Northpointe and Fairfield, as well as numerous smaller communities, including Bay Colony West, Clearview Village, Hidden Creek, Falls at Green Meadows and other communities.

## THE SYSTEM

### The Master District

On February 23, 2007, each of the Tavola MUDs executed a "Contract for Financing, Operation and Maintenance of Regional Water, Sanitary Sewer and Drainage Facilities" with MUD 7, which was subsequently assigned to MUD 5 to act as the "Master District," relating to the following facilities and services: the Master District wastewater collection and treatment system, the Master District water supply and distribution system, the Master District storm water conveyance and detention facilities (collectively, the "Master District Facilities"). The Master District Contract was approved by the voters of each of the Tavola MUDs at a separate election held on May 12, 2007. The Master District Contract provides that the Master District and all other districts that have executed similar contracts with the Master District ("Participants") pay a pro rata share of debt service on contract revenue bonds issued to finance the Master District Facilities based upon certified appraised valuation. The District and the other Participants are obligated to pay each entity's pro rata share from the proceeds of the

Contract Tax for such purpose, revenues derived from the operation of the District's water distribution system and wastewater collection system or from any other legally available funds of each Participant. The Master District Contract also provides for operation and maintenance expenses for facilities constructed pursuant to the Master District Contract; duties of the parties; establishment and maintenance of funds; assignment; arbitration; amendments; force majeure; insurance; and other provisions.

The Master District is authorized to issue unlimited tax contract revenue bonds sufficient to complete acquisition and construction of the Master District Facilities. The District's pro rata share (and that of all other Tavola MUDs) of the debt service requirements on the unlimited tax contract revenue bonds is determined by dividing the District's certified appraised value by the cumulative total of the certified appraised values of all the Tavola MUDs which are parties to the Master District Contract. The Master District Contract obligates the District to pay its pro rata share of debt service requirements on the unlimited tax contract revenue bonds from the proceeds of the Contract Tax, revenues derived from the operation of the District's water distribution and wastewater collection system or from any other legally available funds of each Participant. See "INVESTMENT CONSIDERATIONS – Contract Tax."

Each Tavola MUD, including MUD 5, is responsible for constructing its internal water distribution, wastewater collection, and storm drainage lines within its respective boundaries. The internal facilities are financed with unlimited tax bonds sold by each district. The Master District Facilities will be constructed in stages to meet the needs of a continually expanding population within Tavola. In the event that the Master District fails to meet its obligations under the Master District Contract to provide Master District Facilities, each of the other Tavola MUDs has the right pursuant to the Master District Contract to design, acquire, construct, or expand the Master District Facilities needed to provide service to such district, and convey such Master District Facilities to the Master District in consideration of payment by the Master District of the actual reasonable necessary capital costs expended by such district for such Master District Facilities.

The District is further obligated to pay monthly charges for water and sewer services rendered pursuant to the Master District Contract. The monthly charges will be used to pay the District's share of operation and maintenance expenses and to provide for an operation and maintenance reserve equivalent to three (3) months of operation and maintenance expenses. Each Tavola MUD's share of operation and maintenance expenses and reserve requirements is determined by dividing the total number of equivalent single family residential connections ("ESFCs") for all of the Tavola MUDs within the Service Area by the number of ESFCs for each Tavola MUD, as of the first day of the month. The District's monthly payment for operation and maintenance expenses is calculated by multiplying the District's pro rata share by the actual operation and maintenance expenses of the Master District.

Pursuant to the Master District Contract, the District is obligated to establish and maintain rates, fees and charges for services provided by the District's water distribution system and wastewater collection system, together with taxes levied and funds received from any other lawful sources, sufficient at all times to pay the District's operation and maintenance expenses, and the District's obligations pursuant to the Master District Contract, including the District's pro rata share of the Master District's debt service requirements and monthly charges. Likewise, each Participant is obligated by the Master District Contract to levy taxes and pay from funds received from any other lawful source each Participant's pro rata share of the Master District's debt service requirements. All sums payable by the District pursuant to the Master District Contract are to be paid by the District and the other Participants without set off, counterclaim, abatement, suspension, or diminution. If the Participants fail to pay its share of these costs in a timely manner, the Master District Contract provides that the Master District shall be entitled to cancel, in whole or in part, any reservation or allocation of capacity in the Master District's Facilities by the Participants in addition to the Master District's other remedies. As a practical matter, the Participants have no alternative provider of these services rendered under the Master District Contract.

**Regulation**

According to the Master District Engineer, the Master District's water distribution, wastewater collection and drainage facilities (the "System") has been designed in accordance with accepted engineering practices and the requirements of all governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities. Water, wastewater, and storm drainage facilities are subject to the regulatory authority of Montgomery County, Texas, the Federal Emergency Management Agency and, in some instances, the TCEQ, the U.S. Army Corps of Engineers, and the City. According to the District's Engineer, the design of all such facilities has been approved by all required governmental agencies and inspected by the TCEQ.

Operation of the District's System as it now exists or as it may be expanded from time to time is subject to regulation by, among others, the United States Environmental Protection Agency and the TCEQ. In many cases, regulations promulgated by these agencies have become effective only recently and are subject to further development and revisions, which could in turn require additional expenditures by the District in order to achieve compliance with the regulatory requirements.

**Water, Sanitary Sewer and Drainage System**

*Source of Water Supply:* The water supply facilities constructed by the Master District currently consist of two water well, rated at 1,400 gallon per minute ("gpm"); 720,000 gallons of ground storage capacity; pressure tank capacity of 20,000 gpm; and all related appurtenances. The major components of the Master District's water supply facilities will serve approximately 2,500 equivalent single-family connections. In order to fully provide water supply to the Service Area, the water supply facilities will need to be expanded from time to time to meet the demand for such facilities.

The Master District does not currently have a source for surface water. The Master District has an emergency interconnect with the City of Woodbranch Village. The City of Woodbranch Village is to provide the Master District with a second source of water during emergencies. See "INVESTMENT CONSIDERATIONS – Lone Star Groundwater Conservation District" and "– San Jacinto River Authority GRP Agreement."

*Source of Wastewater Treatment:* The Master District entered into a lease agreement with AUC Group LP for a 450,000 gallons per day ("gpd") wastewater treatment plant (the "Wastewater Plant"), which is maintained and operated by the Master District. The Wastewater Plant has been expanded to have a new capacity of 1,293 equivalent single-family connections ("ESFCs"). The ultimate capacity of the Wastewater Plant will be 900,000 gpd. Once the existing Wastewater Plant reaches 90% capacity, construction to expand the Wastewater Plant to a total of 675,000 gpd will commence and is anticipated to serve 2,900 ESFCs. Current flows at the Wastewater Plant are approximately 300,000 gpd.

In order to fully provide wastewater treatment for the Service Area, the Wastewater Treatment Facilities will need to be expanded from time to time to meet the demand for such facilities.

### 100-Year Flood Plain

Approximately 614 acres within the Service Area are located in the 100-year flood plain, of which approximately 158 acres are planned for future development.

## LEGAL MATTERS

### Legal Opinions

Issuance of the Bonds is subject to the approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and binding obligations of the District payable from an annual ad valorem tax levied without limit as to rate or amount upon all taxable property within the District. Issuance of the Bonds is also subject to the legal opinion of Bond Counsel that, based upon examination of the transcript of the proceedings incident to authorization and issuance of the Bonds, the Bonds are valid and legally binding obligations of the District payable from the sources and enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity, and are payable from annual ad valorem taxes, which are not limited by applicable law in rate or amount, levied against all property within the District which is not exempt from taxation by or under applicable law. The legal opinion will further state that the interest on the Bonds is excludable from gross income for federal income tax purposes under existing statutes, regulations, published rulings and court decisions as described below under "TAX MATTERS." The legal opinion of Bond Counsel will be printed on the Bonds, if certificated Bonds are issued. Such opinions will express no opinion with respect to the sufficiency of, the security for, or the marketability of the Bonds. Certain legal matters will be passed upon for the District by Orrick, Herrington & Sutcliffe LLP, Houston, Texas, Disclosure Counsel.

In addition to serving as Bond Counsel, Coats Rose, P.C., also acts as counsel to the District on matters not related to the issuance of bonds. The legal fees to be paid Bond Counsel and Disclosure Counsel for services rendered in connection with the issuance of the Bonds are based upon a percentage of bonds actually issued, sold and delivered and, therefore, such fees are contingent upon the sale and delivery of the Bonds.

## TAX MATTERS

On the date of initial delivery of the Bonds, Coats Rose, P.C., Houston, Texas, Bond Counsel, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof, except that such interest is taken into account in determining the annual adjusted financial statement of income of applicable corporations (as defined in section 59(k) of the Code) for the purpose of determining the alternative minimum tax imposed on corporations, and (2) the Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds.

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

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

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

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

**Tax Accounting Treatment of Original Issue Discount Bonds**

The issue price of certain of the Bonds (the "Original Issue Discount Bonds") is less than the stated redemption price at maturity. In such case, under existing law, and based upon the assumptions hereinafter stated (a) the difference between (i) the stated amount payable at the maturity of each Original Issue Discount Bond and (ii) the issue price of such Original Issue Discount Bond constitutes original issue discount with respect to such Original Issue Discount Bond in the hands of any owner who has purchased such Original Issue Discount Bond at the initial public offering price in the initial public offering of the Bonds; and (b) such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Bond continues to be owned by such owner.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Bond was held by such initial owner) is includable in gross income. (Because original issue discount is treated as interest for federal income tax purposes, the discussion regarding interest on the Bonds under the caption "TAX MATTERS" generally applies, except as otherwise provided below, to original issue discount on an Original Issue Discount Bond held by an owner who purchased such Bond at the initial offering price in the initial public offering of the Bonds, and should be considered in connection with the discussion in this portion of the Official Statement.)

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

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

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

**Collateral Federal Income Tax Consequences**

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

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

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

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation. Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Bonds, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount bonds" to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

**State, Local and Foreign Taxes**

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

**NOT Qualified Tax-Exempt Obligations**

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

## NO-LITIGATION CERTIFICATE

The Master District and each of the Participants and each of the Participants will furnish the Initial Purchaser a certificate, dated as of the date of delivery of the Bonds, executed by both the President and Secretary of such Board, to the effect that no litigation of any nature is then pending against or, to the best knowledge and belief of the certifying officers, threatened against such district contesting or attacking the Bonds; restraining or enjoining the authorization, 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 of proceedings for the authorization, execution or delivery of the Bonds; or affecting the validity of the Bonds, the corporate existence or boundaries of such District or the titles of the then present officers of the Board.

## NO MATERIAL ADVERSE CHANGE

The obligations of the Initial Purchaser to take and pay for the Bonds, and of the Master 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 Master 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.

## CONTINUING DISCLOSURE OF INFORMATION

In the Bond Order, the Master District has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The Master District is required to observe these agreements so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the Master District will be obligated to provide certain updated financial information and operating data annually, as well as timely notice of specified events, to the Municipal Securities Rulemaking

Board or any successor to its function as a repository (the "MSRB"), through its Electronic Municipal Market Access ("EMMA") system.

**Annual Reports**

The Master District will provide certain updated financial information and operating data to the MSRB annually. The information to be updated and provided includes all quantitative financial information and operating data with respect to the Master District and the Participants of the general type included in this Official Statement included under the headings "DISTRICT DEBT," "TAX DATA," "APPENDIX A," and "APPENDIX B." The Master District will update and provide this information to the MSRB within six 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 Master 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 Master District's current fiscal year end is May 31. Accordingly, it must provide updated information by November 30 in each year, unless the Master District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

**Specified Event Notices**

The Master 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 Master District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of CFR §240.15c2-12 (the "Rule"); (13) consummation of a merger, consolidation, or acquisition involving the Master District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the Master 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 Master District or other obligated person within the meaning of the Rule, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Master District or other obligated person within the meaning of the Rule, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Master District or other obligated person within the meaning of the Rule, 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. Neither the Bonds, the Bond Order, nor the Indenture makes any provision for debt service reserves or liquidity enhancement. The term "financial obligation" when used in this paragraph shall have the meaning ascribed to it under federal securities laws including meaning a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). 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. In addition, the Master 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 Master 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.

**Limitations and Amendments**

The Master District has agreed to update information and to provide notices of specified events only as described above. The Master 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 Master 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 Master District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement, or from any statement made pursuant to its agreement, although holders and beneficial owners of Bonds may seek a writ of mandamus to compel the Master District to comply with its agreement.

The Master District may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or operations of the Master District but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule, taking into account any amendments and interpretations of the Rule to the date of such amendment, as well as changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent or any person unaffiliated with the Master District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of the Bonds. The Master District may also amend or repeal the agreement if the SEC amends or repeals the applicable provisions of such rule or a court of final jurisdiction determines that such provisions are invalid, but in either case only to the extent that its right to do so would not prevent the Initial Purchaser from lawfully purchasing the Bonds in the offering described herein. If the Master 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 entered into continuing disclosure agreements in connection with the issuance of the Outstanding Bonds and the Bonds. Due to an administrative oversight, notices of the incurrence of a financial obligation for the District's $2,766,000 Bond Anticipation Note, Series 2021 issued on May 26, 2022, were not filed in a timely manner. Such notices were filed on EMMA, including the notice of failure to file, on September 22, 2023. All related information and notices have been filed as of this date. Except as mentioned above, in the last five (5) years the District has complied in all material respects with such agreements and the Rule.

## OFFICIAL STATEMENT

**General**

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

**Experts**

Bond Counsel has reviewed the information appearing in this Official Statement under the captions "THE BONDS," "SUMMARY OF CERTAIN DOCUMENTS," "TAXING PROCEDURES," "THE DISTRICT – General," "LEGAL MATTERS," "TAX MATTERS," and "CONTINUING DISCLOSURE OF INFORMATION." Bond Counsel has reviewed the information under the aforementioned sections solely to determine whether such information fairly summarizes the law or documents referred to in such sections. Bond Counsel has not independently verified other factual information contained in this Official Statement nor conducted an investigation of the affairs of the Master District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon the limited participation of such firm as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of any of the other information contained herein.

The information contained in this Official Statement relating to engineering and to the description of the System generally and, in particular, the engineering information included in the sections captioned "TAVOLA" and "THE SYSTEM" has been provided by the Engineer and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

The information contained in this Official Statement relating to development and the status of development within the Master District generally and, in particular, the information in the section captioned "TAVOLA" and "THE DEVELOPER" has been provided by the Developer and has been included herein in reliance upon their authority and knowledge of such party concerning the matters described therein.

The information contained in this Official Statement relating to assessed valuations of property generally and, in particular, that information concerning valuations, analysis of the tax base and percentages of tax collections contained in the sections captioned "TAX DATA" has been provided by the Montgomery Central Appraisal District and the Master District's Tax

Assessor/Collector, and has been included herein in reliance upon the authority of such parties as experts in the field of tax assessing and collecting.

**Certification as to Official Statement**

The Master District, acting by and through its Board in its official capacity and 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, descriptions, and statements concerning entities other than the Master District, including particularly other governmental entities, have been obtained from sources believed to be reliable, but the Master District has made no independent investigation or verification of such matters and makes no representation as to the accuracy or completeness thereof.

**Updating of Official Statement**

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

## CONCLUDING STATEMENT

The information set forth herein has been obtained from the Master 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 in this Official Statement are made subject to all of the provisions 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 East Montgomery County Municipal Utility District No. 5 as of the date shown on the first page hereof.

/s/ John Patterson
President, Board of Directors
East Montgomery County Municipal Utility District No. 5

ATTEST:

/s/ Layne Mashburn
Secretary, Board of Directors
East Montgomery County Municipal Utility District No. 5

**APPENDIX A**

**CERTAIN FINANCIAL INFORMATION REGARDING THE PARTICIPANTS**

**EAST MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 5**

**(In its Capacity as a Participant)**

| | | |
|---|---|---|
| Voter Authorized Unlimited Tax Water, Sewer and Drainage Bonds | $ 239,704,262 | |
| Voter Authorized Unlimited Tax Road Bonds | $ 122,029,430 | |
| Voter Authorized Unlimited Tax Park ad Recreation Bonds | $ 24,600,000 | |
| Total Principal Amount of Unlimited Tax Bonds Issued to Date | $ 0 | |
| Debt Service Tax Limitation (per $100 of assessed valuation) | Unlimited | |
| Maintenance Tax Limitation (per $100 of assessed valuation) | $ 1.50 | |
| Contract Tax Limitation | Unlimited | |
| Gross Outstanding Direct Debt | $ 0 | |
| 2023 Gross Certified Assessed Valuation | $ 627,330 | |
| Estimate of Value as of August 15, 2023 | $ 15,187,040 | |
| 2023 Gross Certified Assessed Valuation as a Percentage of 2023 Gross Certified Assessed Valuation of all Participants | 0.10 | % |
| Estimate of Value as of August 15, 2023, as a Percentage of Estimate of Value as of August 15, 2023, of all Participants | 1.97 | % |
| Average Annual Debt Service on the Bonds and the Outstanding Bonds ($2,464,324): | | |
| Pro rata Share of the Bonds based on 2023 Gross Certified Assessed Valuation | $ 2,496 | |
| Pro rata Share of the Bonds based on Estimate of Value as of August 15, 2023 | $ 48,636 | |
| Maximum Annual Debt Service on the Bonds and the Outstanding Bonds ($2,785,750): | | |
| Pro rata Share of the Bonds based on 2023 Gross Certified Assessed Valuation | $ 2,811 | |
| Pro rata Share of the Bonds based on Estimate of Value as of August 15, 2023 | $ 54,979 | |
| **Tax Rate Required to Pay Pro rata Share of the Bonds based upon the 2023 Certified Taxable Assessed Value at 95% collections:** | | |
| Average Annual Debt Service | $ 0.42 | |
| Maximum Annual Debt Service | $ 0.48 | |
| **Tax Rate Required to Pay Pro rata Share of the Bonds based upon the Estimate of Value as of August 15, 2023 at 95% collections:** | | |
| Average Annual Debt Service | $ 0.34 | |
| Maximum Annual Debt Service | $ 0.39 | |
| Status of Development as of September 1, 2023: | | |
| Acreage | 516.81 | |
| Total Connections | 0 | |
| Total Developed Vacant Lots | 426 | |

**Principal Taxpayers**

The following are the principal taxpayers in the District as shown on the District's certified appraisal rolls for the 2023 tax year.

| Taxpayer | Types of Property | Taxable Value 2023 Tax Roll |
|---|---|---|
| Lennar Homes of Texas Land & Construction LTD | Land | $ 626,530 |
| Director Lot | Land | 100 |
| Director Lot | Land | 100 |
| Director Lot | Land | 100 |
| Director Lot | Land | 100 |
| Lot | | 100 |
| Lot | | 100 |
| Total of Principal Taxpayers | | $ 627,330 |
| Principal Taxpayers Percent of Total | | 100.00% |

**Tax Rate Distribution**

| | 2022 |
|---|---|
| Utility Debt Service | $0.000 |
| Road Debt Service | $0.000 |
| Maintenance and Operations | $0.890 |
| Contract Tax | $0.410 |
| Total | $1.130 |

**EAST MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 6**

| | |
|---|---|
| Voter Authorized Unlimited Tax Water, Sewer and Drainage Bonds | $ 39,104,262 |
| Voter Authorized Unlimited Tax Road Bonds | $ 55,148,172 |
| Voter Authorized Unlimited Tax Park and Recreation Bonds | $ 15,000,000 |
| Total Principal Amount of Unlimited Tax Bonds Issued to Date | $ 41,590,000 |
| Debt Service Tax Limitation (per $100 of assessed valuation) | Unlimited |
| Maintenance Tax Limitation (per $100 of assessed valuation) | $ 1.50 |
| Contract Tax Limitation | Unlimited |
| Gross Outstanding Direct Debt | $ 26,025,000 |
| 2023 Gross Certified Assessed Valuation | $ 333,726,770 |
| Estimate of Value as of August 15, 2023 | $ 425,842,079 |
| 2023 Gross Certified Assessed Valuation as a Percentage of 2023 Gross Certified Assessed Valuation of all Participants | 62.00 % |
| Estimate of Value as of August 15, 2023, as a Percentage of Estimate of Value as of August 15, 2023, of all Participants | 55.34 % |
| Average Annual Debt Service on the Bonds and the Outstanding Bonds ($2,464,324): | |
| Pro rata Share of the Bonds based on 2023 Gross Certified Assessed Valuation | $ 1,527,928 |
| Pro rata Share of the Bonds based on Estimate of Value as of August 15, 2023 | $ 1,363,735 |
| Maximum Annual Debt Service on the Bonds and the Outstanding Bonds ($2,785,750): | |
| Pro rata Share of the Bonds based on 2023 Gross Certified Assessed Valuation | $ 1,727,218 |
| Pro rata Share of the Bonds based on Estimate of Value as of August 15, 2023 | $ 1,541,609 |
| **Tax Rate Required to Pay Pro rata Share of the Bonds based upon the 2023 Certified Taxable Assessed Value at 95% collections:** | |
| Average Annual Debt Service | $ 0.49 |
| Maximum Annual Debt Service | $ 0.55 |
| **Tax Rate Required to Pay Pro rata Share of the Bonds based upon the Estimate of Value as of August 15, 2023 at 95% collections:** | |
| Average Annual Debt Service | $ 0.34 |
| Maximum Annual Debt Service | $ 0.39 |
| Status of Development as of September 1, 2023: | |
| Acreage | 554 |
| Total Completed Homes | 1,247 |
| Total Developed Vacant Lots | 0 |

**Principal Taxpayers**

The following are the principal taxpayers in the District as shown on the District's certified appraisal rolls for the 2023 tax year.

| Taxpayer | Types of Property | Taxable Value 2023 Tax Roll | Percent of District Value |
|---|---|---|---|
| Upward America Central Property Owner LP | Land & Improvements | $ 25,224,750 | 7.56% |
| FKH SFR Propco K LP | Land & Improvements | 1,273,140 | 0.38% |
| SFR JV HD Property LLC | Land & Improvements | 1,112,110 | 0.33% |
| Hudson SFR Property Holdings II LLC | Land & Improvements | 1,034,900 | 0.31% |
| D&C Real Properties LLC | Land & Improvements | 992,180 | 0.30% |
| Lennar Homes of Texas Land & Construction LTD (a) | Land & Improvements | 974,673 | 0.29% |
| Progress Residential Borrower 23 LLC | Land & Improvements | 670,130 | 0.20% |
| Homeowner | Land & Improvements | 624,000 | 0.19% |
| Homeowner | Land & Improvements | 573,180 | 0.17% |
| Homeowner | Land & Improvements | 536,940 | 0.16% |
| | | $ 33,016,003 | 9.89% |

**Historical Tax 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 of Collections Current Year | Current Year Ended 9/30 | Percent of Collections 06/30/2023 |
|---|---|---|---|---|---|---|
| 2018 | $ 131,222,957 | $1.30 | $ 1,705,898 | 99.61% | 2019 | 99.99% |
| 2019 | 172,368,742 | 1.30 | 2,240,794 | 99.47% | 2020 | 99.99% |
| 2020 | 202,619,142 | 1.26 | 2,553,001 | 99.98% | 2021 | 99.99% |
| 2021 | 227,604,891 | 1.24 | 2,822,301 | 99.47% | 2022 | 99.99% |
| 2022 | 317,015,716 | 1.19 | 3,772,487 | 98.57% (b) | 2023 | 98.57% |

(a) Total tax rate per $100 of assessed valuation for each respective tax year. See "Tax Rate Distribution" below.

(b) In process of collection.

**Tax Rate Distribution**

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|
| Utility Debt Service | $0.3100 | $0.4200 | $0.3100 | $0.1500 | $0.2000 |
| Road Debt Service | $0.2050 | $0.1000 | $0.1200 | $0.0000 | $0.0000 |
| Maintenance and Operations | $0.2750 | $0.2500 | $0.3200 | $0.5100 | $0.4300 |
| Contract Tax | $0.4000 | $0.4700 | $0.5100 | $0.6400 | $0.6700 |
| Total | $1.1900 | $1.2400 | $1.2600 | $1.3000 | $1.3000 |

**EAST MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 7**

| | |
|---|---|
| Voter Authorized Unlimited Tax Water, Sewer and Drainage Bonds | $ 191,254,893 |
| Voter Authorized Unlimited Tax Road Bonds | $ 163,110,503 |
| Voter Authorized Unlimited Tax Park and Recreation Bonds | $ 37,900,000 |
| Total Principal Amount of Unlimited Tax Bonds Issued to Date | $ 25,570,000 |
| Debt Service Tax Limitation (per $100 of assessed valuation) | Unlimited |
| Maintenance Tax Limitation (per $100 of assessed valuation) | $ 1.50 |
| Contract Tax Limitation | Unlimited |
| Gross Outstanding Direct Debt | $ 26,025,000 |
| 2023 Gross Certified Assessed Valuation | $ 216,939,002 |
| Estimate of Value as of August 15, 2023 | $ 324,484,608 |
| 2023 Gross Certified Assessed Valuation as a Percentage of 2023 Gross Certified Assessed Valuation of all Participants | 37.90 % |
| Estimate of Value as of August 15, 2023, as a Percentage of Estimate of Value as of August 15, 2023, of all Participants | 42.69 % |
| Average Annual Debt Service on the Bonds and the Outstanding Bonds ($2,464,324): | |
| Pro rata Share of the Bonds based on 2023 Gross Certified Assessed Valuation | $ 933,910 |
| Pro rata Share of the Bonds based on Estimate of Value as of August 15, 2023 | $ 1,051,953 |
| Maximum Annual Debt Service on the Bonds and the Outstanding Bonds ($2,785,750): | |
| Pro rata Share of the Bonds based on 2023 Gross Certified Assessed Valuation | $ 1,055,721 |
| Pro rata Share of the Bonds based on Estimate of Value as of August 15, 2023 | $ 1,189,161 |
| **Tax Rate Required to Pay Pro rata Share of the Bonds based upon the 2023 Certified Taxable Assessed Value at 95% collections:** | |
| Average Annual Debt Service | $ 0.46 |
| Maximum Annual Debt Service | $ 0.52 |
| **Tax Rate Required to Pay Pro rata Share of the Bonds based upon the Estimate of Value as of August 15, 2023 at 95% collections:** | |
| Average Annual Debt Service | $ 0.34 |
| Maximum Annual Debt Service | $ 0.39 |
| Status of Development as of September 1, 2023: | |
| Acreage | 354 |
| Total Completed Homes | 1,073 |
| Total Developed Lots | 94 |

**Principal Taxpayers**

The following are the principal taxpayers in the District as shown on the District's certified appraisal rolls for the 2023 tax year.

| Taxpayer | Types of Property | Taxable Value 2023 Tax Roll | Percent of District Value |
|---|---|---|---|
| Upward America Central Property Owner LP | Land & Improvements | $15,490,190 | 7.14% |
| Lennar Homes of Texas Land & Construction LTD (a) | Land & Improvements | 12,731,597 | 5.87% |
| FKH SFR Propco K LP | Land & Improvements | 1,145,600 | 0.53% |
| Mclean SFR Investments LLC | Land & Improvements | 1,047,060 | 0.48% |
| FKH SFR N LP | Land & Improvements | 1,005,920 | 0.46% |
| Hudson SFP Property Holdings II LLC | Land & Improvements | 734,400 | 0.34% |
| Private Trust | Land & Improvements | 592,510 | 0.27% |
| Homeowner | Land & Improvements | 555,300 | 0.26% |
| Homeowner | Land & Improvements | 548,130 | 0.25% |
| Homeowner | Land & Improvements | 547,650 | 0.25% |
| | | $34,398,357 | 15.86% |

(a) See "DEVELOPER/PRINCIPAL LANDOWNERS."

**Historical Tax 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 of Collections Current Year | Current Year Ended 9/30 | Percent of Collections 07/31/2023 |
|---|---|---|---|---|---|---|
| 2018 | $ 3,305,640 | 1.30 | $ 42,973 | 90.52% | 2019 | 99.99% |
| 2019 | 19,122,294 | 1.30 | 248,590 | 99.77% | 2020 | 99.99% |
| 2020 | 34,035,051 | 1.30 | 442,456 | 99.99% | 2021 | 99.99% |
| 2021 | 72,139,880 | 1.30 | 937,818 | 98.29% | 2022 | 99.11% |
| 2022 | 133,720,360 | 1.30 | 1,738,365 | 99.15% (b) | 2023 | 99.15% |

(a) Total tax rate per $100 of assessed valuation for each respective tax year. See "Tax Rate Distribution" below.
(b) In the process of collections.

**Tax Rate Distribution**

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|
| Utility Debt Service | $0.430 | $0.400 | $0.380 | $0.000 | $0.000 |
| Road Debt Service | $0.120 | — | — | — | — |
| Maintenance and Operations | $0.345 | $0.410 | $0.430 | $0.630 | $0.610 |
| Contract Tax | $0.405 | $0.490 | $0.490 | $0.670 | $0.690 |
| Total | $1.300 | $1.300 | $1.300 | $1.300 | $1.300 |

# APPENDIX B

# INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED MAY 31, 2023

# East Montgomery County Municipal Utility District No. 5
## Montgomery County, Texas

### Independent Auditor's Report and Financial Statements

May 31, 2023

# East Montgomery County Municipal Utility District No. 5

**May 31, 2023**

## Contents

FORVIS

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# Independent Auditor's Report

Board of Directors
East Montgomery County Municipal Utility District No. 5
Montgomery County, Texas

## *Opinions*

We have audited the financial statements of the governmental activities, the business-type activities and each major fund of East Montgomery County Municipal Utility District No. 5 (the District), as of and for the year ended May 31, 2023, 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 accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the District, as of May 31, 2023, and the respective changes in financial position and, where applicable, cash flows thereof 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 (GAAS). 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.

## *Emphasis of Matter*

As discussed in Note 13 to the financial statements, in 2023, the District adopted the new accounting guidance, Governmental Accounting Standards Board Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

## *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, 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 12 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess 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, as listed in the table of contents, 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.

Management has omitted the budgetary comparison schedule, that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinions on the basic financial statements are not affected by this missing information.

### *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 accompanying schedules required by the Texas Commission on Environmental Quality listed in the table of contents are presented for purposes of additional analysis and are 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. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

FORVIS, LLP

Houston, Texas
October 9, 2023

# East Montgomery County Municipal Utility District No. 5

**Management's Discussion and Analysis**

**May 31, 2023**

## Overview of the Financial Statements

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

The District also serves as the Master District for East Montgomery County Municipal Utility District No. 6 (District No. 6), East Montgomery County Municipal Utility District No. 7 (District No. 7) and itself (Internal District), (collectively, "the Participants"), to provide, or cause to be provided, the regional water supply and delivery facilities and the regional waste collection, treatment and disposal facilities, as well as drainage, parks and other services and facilities permitted by law, necessary to serve the Participants.

## Government-wide Financial Statements

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

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

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

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

## Fund Financial Statements

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

### Governmental Funds

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

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

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

### Proprietary Funds

Proprietary funds, in general, charge customers for the services that are provided. These funds use a long-term financial accounting approach, full accrual basis and provide additional information in the statement of cash flows. The proprietary fund statements provide the same information as the business-type activities portion of the government-wide financial statements, only in more detail.

## Notes to Financial Statements

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

## Financial Analysis of the District as a Whole

Effective June 1, 2022, the District adopted new accounting and financial reporting guidance, Governmental Accounting Standards Board Statement No. 87 (Statement No. 87), *Leases*.

Statement No. 87 creates one model for recognizing leases for both lessees and lessors. Substantially all leases are recognized on the lessee's statement of net position. In the activity statement, lessees no longer report lease expense for the previously classified operating leases but instead report interest expense on the liability and amortization expense related to the asset. The District's 2022 summarized financial information presented below has not been restated to reflect the adoption of Statement No. 87 because single year presentation is included in the basic financial statements.

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

### 2023 Summary of Net Position

| | Governmental Activities | Business-Type Activities | Total |
|---|---|---|---|
| Current and other assets | $ 15,635 | $ 2,077,722 | $ 2,093,357 |
| Capital and lease assets | 1,959,024 | 36,296,753 | 38,255,777 |
| Total assets | $ 1,974,659 | $ 38,374,475 | $ 40,349,134 |
| Long-term liabilities | $ 2,014,522 | $ 40,520,011 | $ 42,534,533 |
| Other liabilities | 19,059 | 736,007 | 755,066 |
| Total liabilities | 2,033,581 | 41,256,018 | 43,289,599 |
| Net position: | | | |
| Net investment in capital assets | (55,498) | (3,948,552) | (4,004,050) |
| Restricted | - | 1,012,048 | 1,012,048 |
| Unrestricted | (3,424) | 54,961 | 51,537 |
| Total net position | $ (58,922) | $ (2,881,543) | $ (2,940,465) |

### 2022 Summary of Net Position

| | Governmental Activities | Business-Type Activities | Total |
|---|---|---|---|
| Current and other assets | $ - | $ 1,868,030 | $ 1,868,030 |
| Capital and lease assets | - | 27,181,137 | 27,181,137 |
| Total assets | $ 0 | $ 29,049,167 | $ 29,049,167 |
| Long-term liabilities | $ - | $ 31,550,862 | $ 31,550,862 |
| Other liabilities | - | 338,492 | 338,492 |
| Total liabilities | 0 | 31,889,354 | 31,889,354 |
| Net position: | | | |
| Net investment in capital assets | - | (3,822,767) | (3,822,767) |
| Restricted | - | 909,494 | 909,494 |
| Unrestricted | - | 73,086 | 73,086 |
| Total net position | $ 0 | $ (2,840,187) | $ (2,840,187) |

The net position of the District's governmental activities decreased $58,922. The majority of the decrease in net position is related to operating expenses exceeding property taxes and other revenues.

The total net position of the District's business-type activities decreased by $41,356, or about 1 percent. The majority of the decrease in net position is related to services and depreciation and amortization expense and debt service exceeding charges for services revenues.

Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital and lease assets themselves cannot be used to liquidate these liabilities.

### 2023 Summary of Changes in Net Position

| | Governmental Activities | Business-Type Activities | Total |
|---|---|---|---|
| Program revenues: | | | |
| Charges for services | $ - | $ 4,053,651 | $ 4,053,651 |
| General revenues: | | | |
| Property taxes | 8,249 | - | 8,249 |
| Other revenues | 87 | 22,288 | 22,375 |
| Total revenues | 8,336 | 4,075,939 | 4,084,275 |

### 2023 Summary of Changes in Net Position (Continued)

| | Governmental Activities | Business-Type Activities | Total |
|---|---|---|---|
| Expenses: | | | |
| Services | $ 57,010 | $ 2,230,352 | $ 2,287,362 |
| Depreciation and amortization | 10,248 | 838,113 | 848,361 |
| Debt service and contractual payments | - | 1,048,830 | 1,048,830 |
| Total expenses | 67,258 | 4,117,295 | 4,184,553 |
| Change in net position | (58,922) | (41,356) | (100,278) |
| Net position, beginning of year | - | (2,840,187) | (2,840,187) |
| Net position, end of year | $ (58,922) | $ (2,881,543) | $ (2,940,465) |

### 2022 Summary of Changes in Net Position

| | Governmental Activities | Business-Type Activities | Total |
|---|---|---|---|
| Program revenues: | | | |
| Charges for services | $ - | $ 2,886,604 | $ 2,886,604 |
| General revenues: | | | |
| Other revenues | - | 379 | 379 |
| Total revenues | 0 | 2,886,983 | 2,886,983 |
| Expenses: | | | |
| Services | - | 1,544,933 | 1,544,933 |
| Depreciation and amortization | - | 405,003 | 405,003 |
| Debt service and contractual payments | - | 1,276,547 | 1,276,547 |
| Total expenses | 0 | 3,226,483 | 3,226,483 |
| Change in net position | - | (339,500) | (339,500) |
| Net position, beginning of year | - | (2,500,687) | (2,500,687) |
| Net position, end of year | $ 0 | $ (2,840,187) | $ (2,840,187) |

**Financial Analysis of the District's Funds**

Governmental Activities

The general fund's fund balance decreased by $3,424. This decrease was primarily related to service operations expenditures exceeding property tax revenues and developer advances received.

Business-type Activities

The enterprise fund's net position decreased by $41,356 due to operating expenses and interest expense exceeding charges for services revenues.

## Capital and Lease Assets and Related Debt

Capital and Lease Assets

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

### Capital and Lease Assets (Net of Accumulated Depreciation and Amortization)

| | 2023 | 2022 |
|---|---|---|
| **Governmental Activities** | | |
| Land and improvements | $ 1,508,094 | $ - |
| Drainage facilities | 450,930 | - |
| Total capital assets | $ 1,959,024 | $ 0 |
| **Business-type Activities** | | |
| Land and improvements | $ 16,197,261 | $ 13,446,451 |
| Construction in progress | 140,502 | - |
| Water facilities | 8,876,706 | 7,322,087 |
| Wastewater facilities | 4,429,142 | 4,450,620 |
| Drainage facilities | 5,135,402 | 1,961,979 |
| Lease assets | 1,517,740 | - |
| Total capital and lease assets | $ 36,296,753 | $ 27,181,137 |

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

| | |
|---|---|
| **Governmental Activities** | |
| Land improvements, including West Tavola, Phases 1 and 2, clearing and grubbing | $ 1,508,094 |
| West Tavola drainage improvements, Phase 1 | 461,178 |
| Total additions to capital assets | $ 1,969,272 |

| | | |
|---|---|---|
| **Business-type Activities** | | |
| Land additions and improvements, including Peach Creek Channel, Phase 3, improvements; Tavola, Phases 9 and 10, clearing and grubbing and West Tavola, Phases 1 and 2, clearing and grubbing | $ | 2,750,810 |
| Construction in progress related to wastewater treatment plant No.1, Phase 4 | | 140,502 |
| Water and drainage facilities to serve Aragoste Parkway, Phase 2 | | 547,411 |
| Water, sewer and drainage facilities to serve Via Principale Parkway, Section 3 | | 663,478 |
| Tavola water supply plant No. 2, Phase 1 | | 1,326,317 |
| Tavola Tropical Storm Imelda recovery project | | 2,307,955 |
| Peach Creek Channel, Phase 3, drainage improvements | | 220,924 |
| Tavola Control Structures | | 178,987 |
| Interim wastewater treatment plant expansion to 450,000 GPD | | 1,227,992 |
| Total additions to capital and lease assets | $ | 9,364,376 |

Debt

The changes in the debt position of the District during the fiscal year ended May 31, 2023, are summarized as follows:

| | Governmental Activities | Business-type Activities | Total |
|---|---|---|---|
| Long-term liabilities, beginning of year | $ - | $ 32,130,965 | $ 32,130,965 |
| Increases in long-term debt | 2,014,522 | 9,206,698 | 11,221,220 |
| Decreases in long-term debt | - | (817,652) | (817,652) |
| Long-term liabilities, end of year | $ 2,014,522 | $ 40,520,011 | $ 42,534,533 |

At May 31, 2023, the Master District had $196,605,000 of contract revenue bonds authorized, but unissued, for the purposes of acquiring, constructing and improving the regional facilities constructed to serve all participants. The Internal District had $239,004,262 of unlimited tax bonds authorized, but unissued, for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the Internal District, $122,029,430 of unlimited tax bonds authorized, but unissued, for the purpose of constructing road and paving facilities within the Internal District, and $24,600,000 of unlimited tax bonds authorized, but unissued, for the purpose of constructing park and recreational facilities within the Internal District.

The District's bonds carry an underlying rating of "Baa2" from Moody's Investors Service, Inc.

### Other Relevant Factors

Relationship to the City of Houston

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston (the City), the District must conform to the City ordinance consenting to the creation of the District. In addition, the District may be annexed by the City without the District's consent. If the District is annexed, the City must assume the District's assets and obligations (including the bonded indebtedness) and abolish the District within 90 days.

Contingencies

The developer of the District is constructing regional facilities within the boundaries of the Master District's service area, as well as facilities within the boundaries of the Internal District. The Master District and Internal District have agreed to reimburse the developer for a portion of these costs, plus interest, from the proceeds of future contract revenue bonds and tax bonds, respectively, to the extent approved by the Commission, if applicable. The District's engineer has stated that current construction contract amounts are approximately $15,650,000. This amount has not been recorded in the financial statements since the facilities are not complete or operational.

# East Montgomery County Municipal Utility District No. 5

## Statement of Net Position

## May 31, 2023

| | Primary Government | | |
|---|---|---|---|
| | Governmental Activities | Business-type Activities | Total |
| **Assets** | | | |
| **Current Assets** | | | |
| Cash and cash equivalents | $ 13,535 | $ 1,535,856 | $ 1,549,391 |
| Due from other districts | - | 518,015 | 518,015 |
| Due from others | - | 351 | 351 |
| Internal balances | 2,100 | (2,100) | - |
| Prepaid expenses | - | 25,600 | 25,600 |
| Total current assets | 15,635 | 2,077,722 | 2,093,357 |
| **Noncurrent Assets** | | | |
| Capital and lease assets (net of accumulated depreciation and amortization): | | | |
| Land and improvements | 1,508,094 | 16,197,261 | 17,705,355 |
| Construction in progress | - | 140,502 | 140,502 |
| Infrastructure | 450,930 | 18,441,250 | 18,892,180 |
| Lease assets | - | 1,517,740 | 1,517,740 |
| Total noncurrent assets | 1,959,024 | 36,296,753 | 38,255,777 |
| Total assets | $ 1,974,659 | $ 38,374,475 | $ 40,349,134 |

# East Montgomery County Municipal Utility District No. 5

## Statement of Net Position (Continued)

## May 31, 2023

| | Primary Government | | |
|---|---|---|---|
| | Governmental Activities | Business-type Activities | Total |
| **Liabilities and Net Position** | | | |
| **Current Liabilities** | | | |
| Accounts payable | $ 18,708 | $ 391,454 | $ 410,162 |
| Due to others | 351 | 134,027 | 134,378 |
| Long-term liabilities, due within one year | - | 1,021,992 | 1,021,992 |
| Total current liabilities | 19,059 | 1,547,473 | 1,566,532 |
| **Noncurrent Liabilities** | | | |
| Customer deposits | - | 210,526 | 210,526 |
| Long-term liabilities, due after one year | 2,014,522 | 39,498,019 | 41,512,541 |
| Total noncurrent liabilities | 2,014,522 | 39,708,545 | 41,723,067 |
| Total liabilities | 2,033,581 | 41,256,018 | 43,289,599 |
| **Net Position** | | | |
| Net investment in capital assets | (55,498) | (3,948,552) | (4,004,050) |
| Restricted for debt service | - | 995,700 | 995,700 |
| Restricted for capital projects | - | 16,348 | 16,348 |
| Unrestricted | (3,424) | 54,961 | 51,537 |
| Total net position | (58,922) | (2,881,543) | (2,940,465) |
| Total liabilities and net position | $ 1,974,659 | $ 38,374,475 | $ 40,349,134 |

# East Montgomery County Municipal Utility District No. 5
## Statement of Activities
## Year Ended May 31, 2023

| | | Program Revenue | | Net Revenue (Expense) and Changes in Net Position — Primary Government | | |
|---|---|---|---|---|---|---|
| | Expenses | Charges for Services | Charges for Regional Services | Governmental Activities | Business-type Activities | Total |
| **Government/Programs** | | | | | | |
| **Primary Government** | | | | | | |
| Governmental activities: | | | | | | |
| Service operations | $ 57,010 | $ - | $ - | $ (57,010) | $ - | $ (57,010) |
| Depreciation | 10,248 | - | - | (10,248) | - | (10,248) |
| Total governmental activities | 67,258 | 0 | 0 | (67,258) | 0 | (67,258) |
| Business-type activities: | | | | | | |
| Regional service operations | 2,230,352 | - | 4,053,651 | - | 1,823,299 | 1,823,299 |
| Depreciation and amortization | 838,113 | - | - | - | (838,113) | (838,113) |
| Interest expense on long-term liabilities | 1,035,080 | - | - | - | (1,035,080) | (1,035,080) |
| Debt issuance costs on long-term liabilities | 13,750 | - | - | - | (13,750) | (13,750) |
| Total business-type activities | 4,117,295 | 0 | 4,053,651 | 0 | (63,644) | (63,644) |
| Total government/programs primary government | $ 4,184,553 | $ 0 | $ 4,053,651 | (67,258) | (63,644) | (130,902) |
| **General Revenues and Transfers** | | | | | | |
| Property taxes | | | | 8,249 | - | 8,249 |
| Investment income | | | | 7 | 22,288 | 22,295 |
| Other income | | | | 80 | - | 80 |
| Total general revenues and transfers | | | | 8,336 | 22,288 | 30,624 |
| **Change in Net Position** | | | | (58,922) | (41,356) | (100,278) |
| **Net Position (Deficit), Beginning of Year** | | | | - | (2,840,187) | (2,840,187) |
| **Net Position (Deficit), End of Year** | | | | $ (58,922) | $ (2,881,543) | $ (2,940,465) |

# East Montgomery County Municipal Utility District No. 5

## Balance Sheet – Governmental Fund

## May 31, 2023

| | | General Fund |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | $ | 13,535 |
| Internal balances | | 2,100 |
| Total assets | $ | 15,635 |
| **Liabilities and Fund Balance** | | |
| **Liabilities** | | |
| Accounts payable | $ | 18,708 |
| Due to others | | 351 |
| Total liabilities | | 19,059 |
| **Fund Balance (Deficit)** | | |
| Unassigned | | (3,424) |
| Total liabilities and fund balance | $ | 15,635 |

# East Montgomery County Municipal Utility District No. 5

## Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Fund

## Year Ended May 31, 2023

| | General Fund |
|---|---|
| **Revenues** | |
| Property taxes | $ 8,249 |
| Investment income | 7 |
| Other income | 80 |
| Total revenues | 8,336 |
| **Expenditures** | |
| Service operations: | |
| Professional fees | 54,409 |
| Contracted services | 500 |
| Other expenditures | 2,101 |
| Total expenditures | 57,010 |
| **Deficiency of Revenues Over Expenditures** | (48,674) |
| **Other Financing Sources** | |
| Developer advances received | 45,250 |
| **Deficiency of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses** | (3,424) |
| **Fund Balance, Beginning of Year** | - |
| **Fund Balance (Deficit), End of Year** | $ (3,424) |

# East Montgomery County Municipal Utility District No. 5

## Statement of Net Position – Proprietary Fund

## May 31, 2023

| | | Business-type Activities - Enterprise Fund |
|---|---|---|
| **Assets** | | |
| **Current Assets** | | |
| Cash and cash equivalents | $ | 1,535,856 |
| Due from other districts | | 518,015 |
| Due from others | | 351 |
| Internal balances | | (2,100) |
| Prepaid expenses | | 25,600 |
| Total current assets | | 2,077,722 |
| **Noncurrent Assets** | | |
| Capital and lease assets, net of accumulated depreciation and amortization | | 36,296,753 |
| Total assets | $ | 38,374,475 |
| **Liabilities and Net Position** | | |
| **Current Liabilities** | | |
| Accounts payable | $ | 391,454 |
| Due to others | | 134,027 |
| Long-term liabilities, current portion | | 1,021,992 |
| Total current liabilities | | 1,547,473 |
| **Noncurrent Liabilities** | | |
| Customer deposits | | 210,526 |
| Long-term liabilities, net of unamortized discount | | 39,498,019 |
| Total noncurrent liabilities | | 39,708,545 |
| Total liabilities | | 41,256,018 |
| **Net Position** | | |
| Net investment in capital assets | | (3,948,552) |
| Restricted: | | |
| Debt service fund | | 995,700 |
| Capital projects fund | | 16,348 |
| Unrestricted | | 54,961 |
| Total net position | | (2,881,543) |
| Total liabilities and net position | $ | 38,374,475 |

# East Montgomery County Municipal Utility District No. 5

## Statement of Revenues, Expenses and Changes in Net Position – Proprietary Fund

### Year Ended May 31, 2023

| | Business-type Activities - Enterprise Fund |
|---|---|
| **Operating Revenues** | |
| Charges for services | $ 4,053,651 |
| **Operating Expenses** | |
| Purchased services | 21,505 |
| Regional water fee | 764,104 |
| Professional fees | 51,631 |
| Contracted services | 97,728 |
| Repairs and maintenance | 1,260,592 |
| Other expenditures | 34,792 |
| Depreciation and amortization | 838,113 |
| Total operating expenses | 3,068,465 |
| **Operating Income** | 985,186 |
| **Nonoperating Revenues (Expenses)** | |
| Investment income | 22,288 |
| Interest expense | (1,035,080) |
| Debt issuance costs | (13,750) |
| Total nonoperating expenses | (1,026,542) |
| **Change in Net Position** | (41,356) |
| **Net Position (Deficit)** | |
| Beginning of Year | (2,840,187) |
| End of Year | $ (2,881,543) |

# East Montgomery County Municipal Utility District No. 5

## Statement of Cash Flows – Proprietary Fund

## Year Ended May 31, 2023

| | Business-type Activities - Enterprise Fund |
|---|---|
| **Operating Activities** | |
| Receipts from contract payments | $ 1,616,692 |
| Payments for service operations | (1,948,739) |
| Receipts for service operations | 2,110,505 |
| Other operating receipts | 2,358 |
| Net cash provided by operating activities | 1,780,816 |
| **Capital and Related Financing Activities** | |
| Principal payments on long-term liabilities | (834,693) |
| Developer advances received | 949 |
| Interest and agent fees paid on long-term liabilities | (1,018,039) |
| Debt issuance costs | (13,750) |
| Purchase of capital assets | (6,475) |
| Net cash used in capital and related financing activities | (1,872,008) |
| **Investing Activity** | |
| Interest and other income | 22,288 |
| **Net Decrease in Cash and Cash Equivalents** | (68,904) |
| **Cash and Cash Equivalents, Beginning of Year** | 1,604,760 |
| **Cash and Cash Equivalents, End of Year** | $ 1,535,856 |
| **Reconciliation of Operating Income to Net Cash Provided By Operating Activities** | |
| Operating income | $ 985,186 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | |
| Depreciation and amortization expense | 838,113 |
| Change in assets and liabilities: | |
| Receivables, net | (324,096) |
| Prepaid expenses and other assets | 18,125 |
| Accounts payable | 263,488 |
| Net cash provided by operating activities | $ 1,780,816 |
| **Noncash Activity** | |
| Assets acquired by debt incurred to developer | $ 7,995,882 |
| Lease asset obtained through lease liability | 1,209,867 |
| Assets acquired by debt incurred to other district | 134,027 |

# East Montgomery County Municipal Utility District No. 5
## Notes to Financial Statements
## May 31, 2023

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

East Montgomery County Municipal Utility District No. 5 (the District) was created by House Bill Number 3546 (the Bill) of the 79th Legislature of the State of Texas, effective September 1, 2005, in accordance with the provisions of Article III, Section 52, and Article XVI, Section 59, of the Texas Constitution. The District operates in accordance with Chapters 49 and 54 of the Texas Water Code and is subject to the continuing supervision of Texas Commission on Environmental Quality (the Commission). The principal functions of the District are to finance, construct, own and operate waterworks, wastewater, drainage, parks and recreational and road and paving facilities. The District also serves as the "Master District" as discussed in Note 5 to the financial statements.

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

### *Reporting Entity*

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

### *Government-wide Financial Statements*

The statement of net position and the statement of activities display information about the District as a whole. The statements distinguish between governmental and business-type activities. Governmental activities are generally financed through intergovernmental revenues and reimbursements from participants. Business-type activities are financed by fees charged to external parties for goods and services.

In the government-wide statement of net position, both the governmental and business-type activities columns are presented on a full accrual, economic resource basis, which recognizes all long-term assets and receivables, as well as long-term debt and obligations.

The statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipients of goods or services offered by the programs that are restricted to meeting operational or capital requirements of a particular program. Revenues that are not classified as program revenues, such as investment earnings, are presented as general revenues.

### *Fund Financial Statements*

Fund financial statements of the District are organized into funds, each of which are considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into two categories: governmental and proprietary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the District or if it meets certain other criteria.

### *Governmental Fund*

The District presents the following major governmental fund:

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

### *Fund Balance – Governmental Fund*

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

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

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

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

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

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

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

### *Proprietary Fund*

*Enterprise Fund* – The enterprise fund accounts for the operations of the regional facilities. These facilities provide water supply and delivery, wastewater collection, treatment and disposal facilities to participants.

### *Measurement Focus*

Measurement focus is a term used to describe which transactions are recorded within the various financial statements.

In the government-wide statement of net position and the statement of activities, both governmental and business-type activities are presented using the economic resources measurement focus as defined in item (b) as shown below:

In the fund financial statements, the current financial resources measurement focus or the economic resources measurement focus is used as appropriate:

(a) All governmental funds utilize a current financial resources measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

(b) The proprietary funds utilize an 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 (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

### *Basis of Accounting and Presentation*

All governmental funds use the modified accrual basis of accounting. Under this basis of accounting, revenues are recognized when susceptible to accrual (*i.e.*, when they become both measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

All primary sources of the District's revenue are susceptible to accrual. Examples of revenue accrued are taxes, fees for services, charges to participants based on cost-reimbursement contracts and earnings from investments.

Deferred inflows of resources is recorded when the potential revenue does not meet both the measurable and available criteria for recognition in the current period. Deferred revenues also arise when resources are received before earned.

Expenditures and liabilities are recognized when the related fund obligations are incurred as a result of receipt of goods and services.

All proprietary funds use the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized at the time liabilities are incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund are charges to customers for sales and services, along with penalties and fees. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

### *Deferred Outflows and Inflows of Resources*

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

### *Pension Costs*

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

### *Use of Estimates*

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

### *Cash and Cash Equivalents*

The District considers all liquid investments with original maturities of three months or less to be cash equivalents.

### *Investments and Investment Income*

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

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

### *Property Taxes*

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

In the governmental funds, property taxes are initially recorded as receivables and deferred inflows of resources at the time the tax levy is billed. Revenues recognized during the fiscal year ended May 31, 2023, include collections during the current period or within 60 days of year-end related to the 2022 and prior years' tax levies.

In the government-wide statement of net position, property taxes are considered earned in the budget year for which they are levied. For the District's fiscal year ended May 31, 2023, the 2022 tax levy is considered earned during the current fiscal year. In addition to property taxes levied, any delinquent taxes are recorded net of amounts considered uncollectible.

### *Capital Assets*

The accounting treatment of property, plant and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Capital assets of proprietary funds are reported in both the government-wide and fund financial statements. All other capital assets of the governmental unit are general capital assets. They are not reported as assets in governmental funds, but are reported in the governmental activities column in the government-wide statement of net position.

Capital assets are recorded at historical cost and depreciated over their estimated useful lives unless they are inexhaustible, such as land. Depreciation expense is reported in the government-wide statement of activities, and the proprietary fund statement of revenues, expenses and changes in net position.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset lives are not capitalized.

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

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

### *Lease Assets*

Lease assets are initially recorded at the initial measurement of the lease liability, plus lease payments made at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease, plus initial direct costs that are ancillary to place the asset into service. Lease assets are amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

### *Debt Issuance Costs*

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

### *Long-term Obligations*

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

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

### *Net Position/Fund Balance*

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

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

### *Reconciliation of Government-wide and Fund Financial Statements*

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

| | | |
|---|---|---|
| Capital assets used in governmental activities are not financial resources and are not reported in the funds. | $ | 1,959,024 |
| Long-term debt obligations are not due and payable in the current period and are not reported in the funds. | | (2,014,522) |
| Adjustment to fund balance to arrive at net position. | $ | (55,498) |

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

| | | |
|---|---|---|
| Change in fund balance | $ | (3,424) |
| Governmental funds report capital outlays as expenditures. However, for government-wide financial statements, the cost of capitalized assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of depreciation expense in the current year. | | (10,248) |
| Governmental funds report developer advances as other financing sources or uses as amounts are received or paid. However, for government-wide financial statements, these amounts are recorded as an increase or decrease in due to developer. | | (45,250) |
| Change in net position of governmental activities. | $ | (58,922) |

## Note 2: Deposits, Investments and Investment Income

### *Deposits*

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

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

At May 31, 2023, none of the District's bank balances were exposed to custodial credit risk.

### *Investments*

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

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

At May 31, 2023, the District had no investments.

### *Investment Income*

Investment income of $7 in the governmental activities and $22,288 in the business-type activities for the year ended May 31, 2023, consisted of interest income.

## Note 3: Capital and Lease Assets

A summary of changes in capital and lease assets for the year ended May 31, 2023, is presented below.

# East Montgomery County Municipal Utility District No. 5

## Notes to Financial Statements

## May 31, 2023

| Governmental Activities | Balances, Beginning of Year | Additions | Balances, End of Year |
|---|---|---|---|
| Capital assets, non-depreciable: | | | |
| Land and improvements | $ - | $ 1,508,094 | $ 1,508,094 |
| Capital assets, depreciable: | | | |
| Drainage facilities | - | 461,178 | 461,178 |
| Less accumulated depreciation: | | | |
| Drainage facilities | - | (10,248) | (10,248) |
| Total governmental activities, net | $ 0 | $ 1,959,024 | $ 1,959,024 |

| Business-type Activities | Restated Balances, Beginning of Year | Additions | Balances, End of Year |
|---|---|---|---|
| Capital assets, non-depreciable: | | | |
| Land and improvements | $ 13,446,451 | $ 2,750,810 | $ 16,197,261 |
| Construction in progress | - | 140,502 | 140,502 |
| Total capital assets, non-depreciable | 13,446,451 | 2,891,312 | 16,337,763 |
| Capital and lease assets, depreciable and amortizable: | | | |
| Water production and distribution facilities | 8,237,804 | 1,836,368 | 10,074,172 |
| Wastewater collection and treatment facilities | 5,104,524 | 112,401 | 5,216,925 |
| Drainage facilities | 2,208,192 | 3,296,303 | 5,504,495 |
| Lease assets - equipment | 589,353 | 1,227,992 | 1,817,345 |
| Total capital and lease assets, depreciable and amortizable | 16,139,873 | 6,473,064 | 22,612,937 |
| Less accumulated depreciation and amortization: | | | |
| Water production and distribution facilities | (915,717) | (281,749) | (1,197,466) |
| Wastewater collection and treatment facilities | (653,904) | (133,879) | (787,783) |
| Drainage facilities | (246,213) | (122,880) | (369,093) |
| Lease assets - equipment | - | (299,605) | (299,605) |
| Total accumulated depreciation and amortization | (1,815,834) | (838,113) | (2,653,947) |
| Total business-type activities, net | $ 27,770,490 | $ 8,526,263 | $ 36,296,753 |

## Note 4: Long-term Liabilities

Changes in long-term liabilities for the year ended May 31, 2023, were as follows:

| Governmental Activities | Balances, Beginning of Year | Increases | Decreases | Balances, End of Year | Amounts Due in One Year |
|---|---|---|---|---|---|
| Due to developer, construction | $ - | $ 1,969,272 | $ - | $ 1,969,272 | $ - |
| Due to developer, advances | - | 45,250 | - | 45,250 | - |
| Total governmental activities long-term liabilities | $ 0 | $ 2,014,522 | $ 0 | $ 2,014,522 | $ 0 |

| Business-type Activities | Restated Balances, Beginning of Year | Increases | Decreases | Balances, End of Year | Amounts Due in One Year |
|---|---|---|---|---|---|
| Bonds payable: | | | | | |
| Contract revenue bonds | $ 26,745,000 | $ - | $ 720,000 | $ 26,025,000 | $ 865,000 |
| Less discounts on bonds | 638,184 | - | 17,041 | 621,143 | - |
| | 26,106,816 | 0 | 702,959 | 25,403,857 | 865,000 |
| Due to developer, construction | 5,444,046 | 7,995,882 | - | 13,439,928 | - |
| Due to developer, advances | - | 949 | - | 949 | - |
| Lease liability | 580,103 | 1,209,867 | 114,693 | 1,675,277 | 156,992 |
| Total business-type activities long-term liabilities | $ 32,130,965 | $ 9,206,698 | $ 817,652 | $ 40,520,011 | $ 1,021,992 |

### *Business-type Activities*

**Contract Revenue Bonds**

| | Series 2016 | Series 2017 |
|---|---|---|
| Amounts outstanding, May 31, 2023 | $5,750,000 | $2,495,000 |
| Interest rates | 1.250% to 3.625% | 2.00% to 4.00% |
| Maturity dates, serially beginning/ending | December 1, 2023/2041 | December 1, 2023/2042 |
| Interest payment dates | December 1/June 1 | December 1/June 1 |
| Callable dates* | December 1, 2024 | December 1, 2024 |

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

| | Series 2018 | Series 2019 |
|---|---|---|
| Amounts outstanding, May 31, 2023 | $4,290,000 | $4,600,000 |
| Interest rates | 2.25% to 4.00% | 2.10% to 3.75% |
| Maturity dates, serially beginning/ending | December 1, 2023/2042 | December 1, 2023/2044 |
| Interest payment dates | December 1/June 1 | December 1/June 1 |
| Callable dates* | December 1, 2023 | December 1, 2024 |

| | Series 2021 | Series 2022 |
|---|---|---|
| Amounts outstanding, May 31, 2023 | $4,035,000 | $4,855,000 |
| Interest rates | 2.00% to 3.00% | 4.000% to 4.375% |
| Maturity dates, serially beginning/ending | December 1, 2023/2045 | December 1, 2023/2046 |
| Interest payment dates | December 1/June 1 | December 1/June 1 |
| Callable dates* | December 1, 2026 | May 1, 2027 |

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

### *Annual Debt Service Requirements*

The following schedule shows the annual debt service requirements to pay principal and interest on contract revenue bonds outstanding at May 31, 2023:

| Year | Principal | Interest | Total |
|---|---|---|---|
| 2024 | $ 865,000 | $ 884,003 | $ 1,749,003 |
| 2025 | 890,000 | 859,842 | 1,749,842 |
| 2026 | 915,000 | 834,375 | 1,749,375 |
| 2027 | 940,000 | 807,707 | 1,747,707 |
| 2028 | 965,000 | 779,868 | 1,744,868 |
| 2029-2033 | 5,290,000 | 3,414,490 | 8,704,490 |
| 2034-2038 | 6,220,000 | 2,441,871 | 8,661,871 |
| 2039-2043 | 7,390,000 | 1,204,775 | 8,594,775 |
| 2044-2047 | 2,550,000 | 162,641 | 2,712,641 |
| Total | $ 26,025,000 | $ 11,389,572 | $ 37,414,572 |

Principal and interest on the bonds are payable from and secured by an unconditional obligation to make certain payments by the participating districts in the applicable service area pursuant to the contracts described in Note 7. The participants have each agreed to pay a pro rata share of the debt service of the bonds based on the certified assessed valuation of each participant as a percentage of the total assessed valuation of all participating districts.

Under the terms of the contract, the Master District shall calculate and bill on or before September 1 of each year, or as soon thereafter as practical, the amount of contract tax payments due from each participant for the following year. The contract tax payments are payable by the participants semiannually, on May 15 and November 15 of each year, for the June 1 and December 1 debt service requirements. A summary of the participants and their assessed valuations and contract tax payments for the 2023 calendar year is shown as follows:

| | Assessed Valuations | Contractual Payments |
|---|---|---|
| The District | $ 634,440 | $ 2,491 |
| East Montgomery County Municipal Utility District No. 6 | 314,262,016 | 1,262,373 |
| East Montgomery County Municipal Utility District No. 7 | 132,709,320 | 525,559 |
| | $ 447,605,776 | $ 1,790,423 |

| | |
|---|---|
| Master District Contract revenue bonds authorized | $ 225,000,000 |
| Master District Contract revenue bonds sold | 28,395,000 |
| Internal District Tax bonds authorized: | |
| Water, sewer and drainage | 239,004,262 |
| Road and paving | 122,029,430 |
| Park and recreational facilities | 24,600,000 |
| Refunding | 386,333,692 |

### *Governmental Activities*

#### Due to Developer - Construction

The developer of the Internal District has constructed facilities on behalf of the Internal District. The Internal District is maintaining and operating the facilities and has agreed to reimburse the developer for these construction costs, plus interest, to the extent approved by the Commission from the proceeds of tax bond sales. The District's engineer estimates reimbursable costs for completed projects are $1,969,272. These amounts have been recorded in the financial statements as long-term liabilities.

**Due to Developer - Advances**

The developer of the Internal District has advanced $45,250 to the Internal District for operations. These advances have been recorded as liabilities in the government-wide financial statements.

### *Business-type Activities*

**Due to Developer - Construction**

The developer of the Master District has constructed regional facilities on behalf of the Master District. The Master District is maintaining and operating the facilities and has agreed to reimburse the developer for these construction costs, plus interest, to the extent approved by the Commission from the proceeds of contract revenue bond sales. The District's engineer estimates reimbursable costs for completed projects are $13,439,928. These amounts have been recorded in the financial statements as long-term liabilities.

**Due to Developer - Advances**

The developer of the Master District has advanced $949 to the Master District for operations. These advances have been recorded as liabilities in the government-wide financial statements.

**Lease Liability**

The following schedule shows the annual lease requirements to pay principal and interest on the lease liability outstanding at May 31, 2023:

| Year | Principal | Interest | Total |
|---|---|---|---|
| 2024 | $ 156,992 | $ 171,508 | $ 328,500 |
| 2025 | 173,947 | 154,553 | 328,500 |
| 2026 | 514,265 | 114,820 | 629,085 |
| 2027 | 132,046 | 85,454 | 217,500 |
| 2028 | 698,027 | 43,380 | 741,407 |
| Total | $ 1,675,277 | $ 569,715 | $ 2,244,992 |

On October 23, 2019, as subsequently amended, the Master District entered into an equipment lease agreement for a 150,000 gallon-per-day (gpd) sewage treatment plant and certain other equipment. The agreement will remain in effect for 60 months and will begin on the first day of the month following substantial completion of the leased equipment. Monthly payments are $9,250 for the first 60 months. After the first 60 months, the agreement automatically extends under the original terms and conditions until the District gives 90-day written notice of its intent to cancel and terminate the lease and the monthly payments will be $8,200. During a prior year, the District paid $17,600 for the first and last month's deposit. The lease commenced in fiscal year 2021, and the Master District paid $111,000 in monthly lease payments in the current year.

On August 25, 2021, the Master District entered into an equipment lease agreement for a 150,000 gallon-per-day (gpd) sewage treatment plant and certain other equipment. The agreement will remain in effect for 60 months and will begin on the first day of the month following substantial completion of the leased equipment. Monthly payments are $18,125 for the first 60 months. After the first 60 months, the agreement automatically extends under the original terms and conditions until the District gives 90-day written notice of its intent to cancel and terminate the lease and the monthly payments will be $14,250. During a prior year, the District paid $36,250 for the first and last month's deposit. The lease commenced during the current year, and the Master District paid $108,750 in monthly lease payments in the current year.

On January 20, 2022, the Master District entered into an equipment lease agreement for a 165,000 gallon-per-day (gpd) sewage treatment plant. The agreement will remain in effect for 60 months and will begin on the first day of the month following substantial completion of the leased equipment. A set up and installation fee of $50,000 is due on the date the installation of the leased equipment is substantially complete. Monthly payments are $12,300 for the first 60 months. After the first 60 months, the agreement automatically extends under the original terms and conditions until the District gives 90-day written notice of its intent to cancel and terminate the lease and the monthly payments are $11,100. During the prior year, the Master District paid $24,600 for the first and last month's deposit. The lease has not commenced as of year-end.

## Note 5: Maintenance Taxes

At an election held May 12, 2007, voters authorized a maintenance tax not to exceed $1.50 per $100 of assessed valuation on all property within the Internal District subject to taxation. During the year ended May 31, 2023, the District levied a total ad valorem maintenance tax at the rate of $0.8900 per $100 of assessed valuation, which resulted in a tax levy of $5,647 on the taxable valuation of $634,440 for the 2022 tax year. The maintenance tax is being used by the general fund to pay expenditures of operating the District.

At an election held May 6, 2023, voters authorized a road maintenance tax not to exceed $1.50 per $100 of assessed valuation on all property within the Internal District subject to taxation. During the year ended May 31, 2023, the District did not levy an ad valorem road maintenance tax. The road maintenance tax, when levied, will be used to pay expenditures for maintaining the roads within the Internal District.

At an election held May 6, 2023, voters authorized a park and recreational facilities maintenance tax not to exceed $0.10 per $100 of assessed valuation on all property within the Internal District subject to taxation. During the year ended May 31, 2023, the District did not levy an ad valorem park and recreational facilities maintenance tax. The park and recreational facilities maintenance tax, when levied, will be used to pay expenditures for maintaining the park and recreational facilities within the Internal District.

## Note 6: Contract Tax

At an election held May 12, 2007, voters authorized a contract tax on all property within the Internal District subject to taxation. During the year ended May 31, 2023, the District levied a total ad valorem contract tax at the rate of $0.4100 per $100 of assessed valuation, which resulted in a tax levy of $2,602 on the taxable valuation of $634,440 for the 2022 tax year. The contract tax is used to pay for its pro rata share of principal and interest on the District's contract revenue bonds as described in Note 7.

## Note 7: Financing and Operation of Regional Facilities

As of February 23, 2007, and as amended, East Montgomery County Municipal Utility District No. 7 (District No. 7) entered into regional contracts with the District, East Montgomery County Municipal Utility District No. 6 (District No. 6), and itself, District No. 7 (collectively, the Participants), whereby District No. 7 would act as a master district to provide, or cause to be provided, the regional water supply and delivery facilities and the regional waste collection, treatment and disposal facilities, as well as drainage, parks, and other services and facilities permitted by law, necessary to serve the Participants. As of October 1, 2015, each Participant authorized an assignment and assumption of the regional contract whereby District No. 7 assigned its right, title and interest in the regional contracts and the District accepted title as master district and began operating and providing services as master district.

Under the terms of the regional contract, which is in effect for 50 years, monthly operating charges will be determined by dividing the total number of equivalent single-family residential connections for all participants by the number of equivalent single-family residential connections for each district, as of the first day of the month, and then multiplying that share by the actual expenses. The District received $1,464,483 and $972,476 of operating costs attributable to this contract for the year ended May 31, 2023, from District No. 6 and District No. 7, respectively. The District is to maintain an operation and maintenance reserve equivalent to three months of budgeted operation and maintenance expenses.

In addition, the District is authorized to issue master district bonds sufficient for the acquisition, construction or improvement of regional facilities as needed to serve all participants. Each participant is obligated to pay its pro rata share of the debt service requirements on the master district bonds.

### Note 8: Water Supply Contract

On March 19, 2013, District No. 7 entered into a water supply contract with the City of Woodbranch Village (the City). The City owns and operates a water production and supply system and has sufficient surplus water capacity to provide emergency water service. District No. 7 paid to construct and maintain a water line interconnect with the City's system. The City will make available capacity sufficient to serve up to 250 connections and will charge a rate of $2.75 per 1,000 gallons plus the applicable fees charged by the Lone Star Groundwater Conservation District and San Jacinto River Authority. On October 1, 2015, the District approved an assignment and assumption of contract with District No. 7, where District No. 7 assigned its right, title and interest in the contract to the District.

### Note 9: Regional Water Authority

The District is within the boundaries of the Lone Star Groundwater Conservation District (the Conservation District), which was created by the Texas Legislature. The Conservation District was created to provide a regional entity to acquire surface water and build the necessary facilities to convert from groundwater to surface water in order to meet conversion requirements mandated by the Harris-Galveston Subsidence District, which regulates groundwater withdrawal. During the year ended May 31, 2023, the District paid $21,505 to the Conservation District.

### Note 10: Groundwater Reduction Agreement

The District has entered into a Contract for Groundwater Reduction Planning, Alternative Water Supply and Related Goods and Services (GRP Contract) with the San Jacinto River Authority (the Authority) in order to meet the Conservation District's requirements. As a participant in the Authority's GRP Contract, the District has complied with all current Conservation District requirements for surface water conversion and is obligated to pay to the Authority a groundwater withdrawal fee for all groundwater produced and used by the District, and will be required to pay a water purchase fee for any water actually purchased from the Authority in the future. As of May 31, 2023, the Authority was billing the Master District $2.88 per 1,000 gallons of water pumped. This amount is subject to future increases. During the year ended May 31, 2023, the Master District recorded expenses of $764,104 under the GRP Contract.

### Note 11: Risk Management

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

### Note 12: Contingencies

The developer of the District is constructing regional facilities within the boundaries of the Master District's service area, as well as Internal District facilities. The Master District and Internal District have agreed to reimburse the developer for a portion of these costs, plus interest, from the proceeds of future contract revenue bonds and tax bonds, respectively, to the extent approved by the Commission, if applicable. The District's engineer has stated that current construction contract amounts are approximately $15,650,000. This amount has not been recorded in the financial statements since the facilities are not complete or operational.

### Note 13: Adoption of New Accounting Standard

Effective June 1, 2022, the District adopted new accounting and financial reporting guidance, Governmental Accounting Standards Board Statement No. 87 (Statement No. 87), *Leases*.

Statement No. 87 creates one model for recognizing leases for both lessees and lessors. Substantially all leases are recognized on the lessee's statement of net position. In the activity statement, lessees no longer report lease expense for the previously classified operating leases but instead report interest expense on the liability and amortization expense related to the asset. As a result of the adoption of Statement No. 87, the District increased beginning capital and lease assets by $589,353, decreased beginning prepaid expenses by $9,250 and increased beginning long-term liabilities by $580,103 as of June 1, 2022.

There was no effect on beginning net position as a result of the adoption of Statement No. 87.

### Note 14: Deficit Fund Balance

At May 31, 2023, the District’s general fund had a deficit fund balance of $3,424. The District anticipates that growth within the District will generate revenues sufficient to pay costs of operating the District.

# Supplementary Information

# East Montgomery County Municipal Utility District No. 5

## Other Schedules Included Within This Report

## May 31, 2023

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

[X] Notes Required by the Water District Accounting Manual
See "Notes to Financial Statements," Pages 20-36

[X] Schedule of Services and Rates

[X] Schedule of General Fund Expenditures

[ ] Schedule of Temporary Investments – Not Applicable

[X] Analysis of Taxes Levied and Receivable

[X] Schedule of Long-term Debt Service Requirements by Years, Business-type Activities

[X] Changes in Long-term Bonded Debt, Business-type Activities

[X] Schedule of Revenues and Expenditures – General Fund

[X] Board Members, Key Personnel and Consultants

# East Montgomery County Municipal Utility District No. 5

## Schedule of Services and Rates

## Year Ended May 31, 2023

1. Services provided by the District:

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

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

___ Other ______

2. Retail service providers

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

| | Minimum Charge | Minimum Usage | Flat Rate Y/N | Rate Per 1,000 Gallons Over Minimum | Usage Levels | | |
|---|---|---|---|---|---|---|---|
| Water: | $ 12.00 | 5,000 | N | $ 2.50 | 5,001 | to | 10,000 |
| | | | | $ 2.70 | 10,001 | to | 15,000 |
| | | | | $ 2.90 | 15,001 | to | 20,000 |
| | | | | $ 3.05 | 20,001 | to | 30,000 |
| | | | | $ 4.00 | 30,001 | to | No Limit |
| Wastewater: | $ 36.00 | 10,000 | N | $ 2.25 | 10,001 | to | No Limit |
| Regional water fee: | $ 3.26 | 1,000 | N | $ 3.26 | 1,001 | to | No Limit |

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

Total charges per 10,000 gallons usage (including fees): Water $ 57.10 Wastewater $ 36.00

b. Water and wastewater retail connections:

| Meter Size | Total Connections | Active Connections | ESFC Factor | Active ESFC* |
|---|---|---|---|---|
| Unmetered | - | - | x1.0 | - |
| ≤ 3/4" | - | - | x1.0 | - |
| 1" | - | - | x2.5 | - |
| 1 1/2" | - | - | x5.0 | - |
| 2" | - | - | x8.0 | - |
| 3" | - | - | x15.0 | - |
| 4" | - | - | x25.0 | - |
| 6" | - | - | x50.0 | - |
| 8" | - | - | x80.0 | - |
| 10" | - | - | x115.0 | - |
| Total water | - | - | | - |
| Total wastewater | - | - | x1.0 | - |

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

| | |
|---|---|
| Gallons pumped into the system: | 246,930 |
| Gallons billed to customers: | 236,901 |
| Water accountability ratio (gallons billed/gallons pumped): | 95.94% |

*"ESFC" means equivalent single-family connections

# East Montgomery County Municipal Utility District No. 5
## Schedule of General Fund Expenditures
## Year Ended May 31, 2023

| | | |
|---|---|---|
| **Personnel (including benefits)** | | $ - |
| **Professional Fees** | | |
| Auditing | $ - | |
| Legal | 12,892 | |
| Engineering | 41,517 | |
| Financial advisor | - | 54,409 |
| **Purchased Services for Resale** | | |
| Bulk water and wastewater service purchases | | - |
| **Regional Water Fee** | | |
| **Contracted Services** | | |
| Bookkeeping | - | |
| General manager | - | |
| Appraisal district | - | |
| Tax collector | 500 | |
| Security | - | |
| Other contracted services | - | 500 |
| **Utilities** | | - |
| **Repairs and Maintenance** | | - |
| **Administrative Expenditures** | | |
| Directors' fees | - | |
| Office supplies | - | |
| Insurance | - | |
| Other administrative expenditures | 2,101 | 2,101 |
| **Capital Outlay** | | |
| Capitalized assets | - | |
| Expenditures not capitalized | - | - |
| **Tap Connection Expenditures** | | |
| **Solid Waste Disposal** | | - |
| **Fire Fighting** | | - |
| **Parks and Recreation** | | - |
| **Other Expenditures** | | - |
| Total expenditures | | $ 57,010 |

# East Montgomery County Municipal Utility District No. 5
## Analysis of Taxes Levied and Receivable
## Year Ended May 31, 2023

| | Maintenance Taxes | Contract Taxes |
|---|---|---|
| **Receivable, Beginning of Year** | $ - | $ - |
| **2022 Original Tax Levy** | 5,647 | 2,602 |
| Total to be accounted for | 5,647 | 2,602 |
| Current year tax collections | (5,647) | (2,602) |
| Receivable, end of year | $ 0 | $ 0 |

| | 2022 |
|---|---|
| **Property Valuations** | |
| Land | $ 2,342,180 |
| Improvements | - |
| Personal property | - |
| Exemptions | (1,707,740) |
| Total property valuations | $ 634,440 |
| **Tax Rates per $100 Valuation** | |
| Contract tax rates | $ 0.4100 |
| Maintenance tax rates* | 0.8900 |
| Total tax rates per $100 valuation | $ 1.3000 |
| **Tax Levy** | $ 8,249 |
| **Percent of Taxes Collected to Taxes Levied**** | 100% |

*Maximum tax rate approved by voters: $1.50 for maintenance on May 12, 2007.
**Calculated as taxes collected for a tax year divided by taxes levied for that tax year.

# East Montgomery County Municipal Utility District No. 5

## Schedule of Long-term Debt Service Requirements
## by Years, Business-type Activities
## May 31, 2023

| | Series 2016 | | |
|---|---|---|---|
| Due During Fiscal Years Ending May 31 | Principal Due December 1 | Interest Due December 1, June 1 | Total |
| 2024 | $ 205,000 | $ 183,019 | $ 388,019 |
| 2025 | 215,000 | 177,922 | 392,922 |
| 2026 | 225,000 | 172,310 | 397,310 |
| 2027 | 235,000 | 166,213 | 401,213 |
| 2028 | 245,000 | 159,610 | 404,610 |
| 2029 | 255,000 | 152,483 | 407,483 |
| 2030 | 265,000 | 144,810 | 409,810 |
| 2031 | 275,000 | 136,710 | 411,710 |
| 2032 | 285,000 | 128,168 | 413,168 |
| 2033 | 295,000 | 118,956 | 413,956 |
| 2034 | 305,000 | 109,206 | 414,206 |
| 2035 | 320,000 | 98,850 | 418,850 |
| 2036 | 330,000 | 87,881 | 417,881 |
| 2037 | 345,000 | 76,275 | 421,275 |
| 2038 | 360,000 | 63,937 | 423,937 |
| 2039 | 375,000 | 50,841 | 425,841 |
| 2040 | 390,000 | 36,975 | 426,975 |
| 2041 | 405,000 | 22,566 | 427,566 |
| 2042 | 420,000 | 7,612 | 427,612 |
| Totals | $ 5,750,000 | $ 2,094,344 | $ 7,844,344 |

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

# East Montgomery County Municipal Utility District No. 5

## Schedule of Long-term Debt Service Requirements
## by Years, Business-type Activities (Continued)
## May 31, 2023

| | Series 2017 | | |
|---|---|---|---|
| Due During Fiscal Years Ending May 31 | Principal Due December 1 | Interest Due December 1, June 1 | Total |
| 2024 | $ 105,000 | $ 87,800 | $ 192,800 |
| 2025 | 105,000 | 84,650 | 189,650 |
| 2026 | 105,000 | 81,500 | 186,500 |
| 2027 | 105,000 | 78,350 | 183,350 |
| 2028 | 105,000 | 75,200 | 180,200 |
| 2029 | 110,000 | 71,838 | 181,838 |
| 2030 | 110,000 | 68,194 | 178,194 |
| 2031 | 110,000 | 64,413 | 174,413 |
| 2032 | 115,000 | 60,475 | 175,475 |
| 2033 | 120,000 | 56,363 | 176,363 |
| 2034 | 125,000 | 51,997 | 176,997 |
| 2035 | 125,000 | 47,387 | 172,387 |
| 2036 | 130,000 | 42,606 | 172,606 |
| 2037 | 130,000 | 37,730 | 167,730 |
| 2038 | 135,000 | 32,762 | 167,762 |
| 2039 | 135,000 | 27,616 | 162,616 |
| 2040 | 140,000 | 22,200 | 162,200 |
| 2041 | 145,000 | 16,500 | 161,500 |
| 2042 | 155,000 | 10,500 | 165,500 |
| 2043 | 185,000 | 3,700 | 188,700 |
| Totals | $ 2,495,000 | $ 1,021,781 | $ 3,516,781 |

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

# East Montgomery County Municipal Utility District No. 5

## Schedule of Long-term Debt Service Requirements by Years, Business-type Activities (Continued)

## May 31, 2023

| | Series 2018 | | |
|---|---|---|---|
| Due During Fiscal Years Ending May 31 | Principal Due December 1 | Interest Due December 1, June 1 | Total |
| 2024 | $ 140,000 | $ 154,842 | $ 294,842 |
| 2025 | 145,000 | 150,568 | 295,568 |
| 2026 | 155,000 | 145,990 | 300,990 |
| 2027 | 160,000 | 141,088 | 301,088 |
| 2028 | 165,000 | 135,906 | 300,906 |
| 2029 | 175,000 | 130,272 | 305,272 |
| 2030 | 180,000 | 123,719 | 303,719 |
| 2031 | 190,000 | 116,319 | 306,319 |
| 2032 | 195,000 | 109,106 | 304,106 |
| 2033 | 205,000 | 101,978 | 306,978 |
| 2034 | 215,000 | 94,365 | 309,365 |
| 2035 | 220,000 | 86,344 | 306,344 |
| 2036 | 230,000 | 77,906 | 307,906 |
| 2037 | 240,000 | 69,094 | 309,094 |
| 2038 | 250,000 | 59,906 | 309,906 |
| 2039 | 260,000 | 50,181 | 310,181 |
| 2040 | 275,000 | 39,816 | 314,816 |
| 2041 | 285,000 | 28,966 | 313,966 |
| 2042 | 295,000 | 17,728 | 312,728 |
| 2043 | 310,000 | 6,006 | 316,006 |
| Totals | $ 4,290,000 | $ 1,840,100 | $ 6,130,100 |

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

# East Montgomery County Municipal Utility District No. 5

## Schedule of Long-term Debt Service Requirements
## by Years, Business-type Activities (Continued)
## May 31, 2023

| | Series 2019 | | |
|---|---|---|---|
| Due During Fiscal Years Ending May 31 | Principal Due December 1 | Interest Due December 1, June 1 | Total |
| 2024 | $ 135,000 | $ 154,786 | $ 289,786 |
| 2025 | 140,000 | 151,346 | 291,346 |
| 2026 | 145,000 | 147,569 | 292,569 |
| 2027 | 150,000 | 143,549 | 293,549 |
| 2028 | 160,000 | 139,246 | 299,246 |
| 2029 | 165,000 | 134,531 | 299,531 |
| 2030 | 170,000 | 129,506 | 299,506 |
| 2031 | 175,000 | 124,330 | 299,330 |
| 2032 | 185,000 | 118,700 | 303,700 |
| 2033 | 190,000 | 112,488 | 302,488 |
| 2034 | 200,000 | 105,906 | 305,906 |
| 2035 | 205,000 | 98,944 | 303,944 |
| 2036 | 215,000 | 91,594 | 306,594 |
| 2037 | 225,000 | 83,894 | 308,894 |
| 2038 | 235,000 | 75,697 | 310,697 |
| 2039 | 240,000 | 66,938 | 306,938 |
| 2040 | 250,000 | 57,750 | 307,750 |
| 2041 | 260,000 | 48,188 | 308,188 |
| 2042 | 270,000 | 38,250 | 308,250 |
| 2043 | 285,000 | 27,844 | 312,844 |
| 2044 | 295,000 | 16,969 | 311,969 |
| 2045 | 305,000 | 5,719 | 310,719 |
| Totals | $ 4,600,000 | $ 2,073,744 | $ 6,673,744 |

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

# East Montgomery County Municipal Utility District No. 5

## Schedule of Long-term Debt Service Requirements
## by Years, Business-type Activities (Continued)
## May 31, 2023

| | Series 2021 | | |
|---|---|---|---|
| **Due During Fiscal Years Ending May 31** | **Principal Due December 1** | **Interest Due December 1, June 1** | **Total** |
| 2024 | $ 155,000 | $ 103,850 | $ 258,850 |
| 2025 | 155,000 | 100,750 | 255,750 |
| 2026 | 150,000 | 97,700 | 247,700 |
| 2027 | 150,000 | 94,700 | 244,700 |
| 2028 | 150,000 | 91,700 | 241,700 |
| 2029 | 145,000 | 88,750 | 233,750 |
| 2030 | 150,000 | 85,613 | 235,613 |
| 2031 | 155,000 | 81,987 | 236,987 |
| 2032 | 155,000 | 78,113 | 233,113 |
| 2033 | 155,000 | 74,237 | 229,237 |
| 2034 | 150,000 | 70,425 | 220,425 |
| 2035 | 160,000 | 66,550 | 226,550 |
| 2036 | 160,000 | 62,550 | 222,550 |
| 2037 | 160,000 | 58,350 | 218,350 |
| 2038 | 160,000 | 53,950 | 213,950 |
| 2039 | 170,000 | 49,200 | 219,200 |
| 2040 | 170,000 | 44,100 | 214,100 |
| 2041 | 175,000 | 38,925 | 213,925 |
| 2042 | 175,000 | 33,675 | 208,675 |
| 2043 | 240,000 | 27,450 | 267,450 |
| 2044 | 255,000 | 20,025 | 275,025 |
| 2045 | 265,000 | 12,225 | 277,225 |
| 2046 | 275,000 | 4,125 | 279,125 |
| Totals | $ 4,035,000 | $ 1,438,950 | $ 5,473,950 |

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

# East Montgomery County Municipal Utility District No. 5

## Schedule of Long-term Debt Service Requirements
## by Years, Business-type Activities (Continued)
## May 31, 2023

| | Series 2022 | | |
|---|---|---|---|
| Due During Fiscal Years Ending May 31 | Principal Due December 1 | Interest Due December 1, June 1 | Total |
| 2024 | $ 125,000 | $ 199,706 | $ 324,706 |
| 2025 | 130,000 | 194,606 | 324,606 |
| 2026 | 135,000 | 189,306 | 324,306 |
| 2027 | 140,000 | 183,807 | 323,807 |
| 2028 | 140,000 | 178,206 | 318,206 |
| 2029 | 145,000 | 172,506 | 317,506 |
| 2030 | 150,000 | 166,606 | 316,606 |
| 2031 | 150,000 | 160,606 | 310,606 |
| 2032 | 155,000 | 154,506 | 309,506 |
| 2033 | 160,000 | 148,207 | 308,207 |
| 2034 | 170,000 | 141,606 | 311,606 |
| 2035 | 170,000 | 134,806 | 304,806 |
| 2036 | 175,000 | 127,906 | 302,906 |
| 2037 | 185,000 | 120,591 | 305,591 |
| 2038 | 190,000 | 112,856 | 302,856 |
| 2039 | 195,000 | 104,915 | 299,915 |
| 2040 | 200,000 | 96,644 | 296,644 |
| 2041 | 205,000 | 88,038 | 293,038 |
| 2042 | 215,000 | 79,113 | 294,113 |
| 2043 | 565,000 | 62,538 | 627,538 |
| 2044 | 270,000 | 44,625 | 314,625 |
| 2045 | 285,000 | 32,484 | 317,484 |
| 2046 | 295,000 | 19,797 | 314,797 |
| 2047 | 305,000 | 6,672 | 311,672 |
| Totals | $ 4,855,000 | $ 2,920,653 | $ 7,775,653 |

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

# East Montgomery County Municipal Utility District No. 5

## Schedule of Long-term Debt Service Requirements
## by Years, Business-type Activities (Continued)
## May 31, 2023

| Due During Fiscal Years Ending May 31 | Annual Requirements For All Series<br>Total Principal Due | Total Interest Due | Total Principal and Interest Due |
|---|---|---|---|
| 2024 | $ 865,000 | $ 884,003 | $ 1,749,003 |
| 2025 | 890,000 | 859,842 | 1,749,842 |
| 2026 | 915,000 | 834,375 | 1,749,375 |
| 2027 | 940,000 | 807,707 | 1,747,707 |
| 2028 | 965,000 | 779,868 | 1,744,868 |
| 2029 | 995,000 | 750,380 | 1,745,380 |
| 2030 | 1,025,000 | 718,448 | 1,743,448 |
| 2031 | 1,055,000 | 684,365 | 1,739,365 |
| 2032 | 1,090,000 | 649,068 | 1,739,068 |
| 2033 | 1,125,000 | 612,229 | 1,737,229 |
| 2034 | 1,165,000 | 573,505 | 1,738,505 |
| 2035 | 1,200,000 | 532,881 | 1,732,881 |
| 2036 | 1,240,000 | 490,443 | 1,730,443 |
| 2037 | 1,285,000 | 445,934 | 1,730,934 |
| 2038 | 1,330,000 | 399,108 | 1,729,108 |
| 2039 | 1,375,000 | 349,691 | 1,724,691 |
| 2040 | 1,425,000 | 297,485 | 1,722,485 |
| 2041 | 1,475,000 | 243,183 | 1,718,183 |
| 2042 | 1,530,000 | 186,878 | 1,716,878 |
| 2043 | 1,585,000 | 127,538 | 1,712,538 |
| 2044 | 820,000 | 81,619 | 901,619 |
| 2045 | 855,000 | 50,428 | 905,428 |
| 2046 | 570,000 | 23,922 | 593,922 |
| 2047 | 305,000 | 6,672 | 311,672 |
| Totals | $ 26,025,000 | $ 11,389,572 | $ 37,414,572 |

# East Montgomery County Municipal Utility District No. 5

## Changes in Long-term Bonded Debt, Business-type Activities

## Year Ended May 31, 2023

| | Bond | | |
|---|---|---|---|
| | Series 2016 | Series 2017 | Series 2018 |
| Interest rates | 1.250% to 3.625% | 2.00% to 4.00% | 2.25% to 4.00% |
| Dates interest payable | December 1/ June 1 | December 1/ June 1 | December 1/ June 1 |
| Maturity dates | December 1, 2023/2041 | December 1, 2023/2042 | December 1, 2023/2042 |
| Bonds outstanding, beginning of current year | $ 5,950,000 | $ 2,595,000 | $ 4,425,000 |
| Retirements, principal | 200,000 | 100,000 | 135,000 |
| Bonds outstanding, end of current year | $ 5,750,000 | $ 2,495,000 | $ 4,290,000 |
| Interest paid during current year | $ 187,627 | $ 90,875 | $ 158,799 |

Paying agent's name and address:

**Series 2016** - Amegy Bank, a division of ZB, N.A., Houston, Texas
**Series 2017** - Amegy Bank, a division of ZB, N.A., Houston, Texas
**Series 2018** - Amegy Bank, a division of ZB, N.A., Houston, Texas
**Series 2019** - Zions Bancorporation, N.A., Houston, Texas
**Series 2021** - Zions Bancorporation, N.A., Houston, Texas
**Series 2022** - Zions Bancorporation, N.A., Houston, Texas

Bond authority:

| | Contract Revenue Bonds | Tax Revenue Bonds | Tax Revenue Road Bonds | Tax Revenue Park Bonds | Tax Refunding Bonds |
|---|---|---|---|---|---|
| Amount authorized by voters | $ 225,000,000 | $ 239,004,262 | $ 122,029,430 | $ 24,600,000 | $ 386,333,692 |
| Amount issued | $ 28,395,000 | $ - | $ - | $ - | $ - |
| Remaining to be issued | $ 196,605,000 | $ 239,004,262 | $ 122,029,430 | $ 24,600,000 | $ 386,333,692 |

| | |
|---|---|
| Debt service fund cash and temporary investment balances as of May 31, 2023: | $ 995,700 |
| Average annual debt service payment (principal and interest) for remaining term of all debt: | $ 1,558,941 |

Issues

| Series 2019 | Series 2021 | Series 2022 | Total |
|---|---|---|---|
| 2.10% to 3.75% | 2.00% to 3.00% | 4.000% to 4.375% | |
| December 1/ June 1 | December 1/ June 1 | December 1/ June 1 | |
| December 1, 2023/2044 | December 1, 2023/2045 | December 1, 2023/2046 | |
| $ 4,730,000 | $ 4,190,000 | $ 4,855,000 | $ 26,745,000 |
| 130,000 | 155,000 | - | 720,000 |
| $ 4,600,000 | $ 4,035,000 | $ 4,855,000 | $ 26,025,000 |
| $ 157,901 | $ 106,950 | $ 205,015 | $ 907,167 |

# East Montgomery County Municipal Utility District No. 5

## Schedule of Revenues and Expenditures – General Fund

### Year Ended May 31, 2023

| | Amounts | Percent of Fund Total Revenues |
|---|---|---|
| **General Fund** | | |
| **Revenues** | | |
| Property taxes | $ 8,249 | 99.0 % |
| Investment income | 7 | 0.1 |
| Other income | 80 | 0.9 |
| Total revenues | 8,336 | 100.0 |
| **Expenditures** | | |
| Service operations: | | |
| Professional fees | 54,409 | 652.7 |
| Contracted services | 500 | 6.0 |
| Other expenditures | 2,101 | 25.2 |
| Total expenditures | 57,010 | 683.9 |
| **Deficiency of Revenues Over Expenditures** | (48,674) | (583.9) % |
| **Other Financing Sources** | | |
| Developer advances received | 45,250 | |
| **Deficiency of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses** | (3,424) | |
| **Fund Balance, Beginning of Year** | - | |
| **Fund Balance (Deficit), End of Year** | $ (3,424) | |
| **Total Active Retail Water Connections** | 0 | |
| **Total Active Retail Wastewater Connections** | 0 | |

# East Montgomery County Municipal Utility District No. 5

## Board Members, Key Personnel and Consultants

## Year Ended May 31, 2023

| | | |
|---|---|---|
| Complete District mailing address: | East Montgomery County Municipal Utility District No. 5<br>c/o Coats Rose, P.C.<br>9 Greenway Plaza, Suite 1000<br>Houston, Texas 77046-0307 | |
| District business telephone number: | 713.651.0111 | |
| Submission date of the most recent District Registration Form (TWC Sections 36.054 and 49.054): | | October 5, 2021 |
| Limit on fees of office that a director may receive during a fiscal year: | | $ 7,200 |

| Board Members | Term of Office Elected & Expires | Fees* | Expense Reimbursements | Title at Year-end |
|---|---|---|---|---|
| John G. Patterson | Elected 05/21-05/25 | $ 1,050 | $ 247 | President |
| Larry Kijewski | Elected 05/21-05/25 | 1,050 | 274 | Vice President |
| Brian Mashburn | Elected 05/23-05/27 | 1,200 | 358 | Secretary |
| Charles L. Prause | Elected 05/23-05/27 | 900 | 108 | Assistant Secretary |

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

# East Montgomery County Municipal Utility District No. 5

## Board Members, Key Personnel and Consultants (Continued)

## Year Ended May 31, 2023

| Consultants | Date Hired | Fees and Expense Reimbursements | Title |
|---|---|---|---|
| Assessments of the Southwest, Inc. | 10/28/15 | $ 500 | Tax Assessor/ Collector |
| Coats Rose, P.C. | 02/23/07 | 37,045 | General Counsel |
| FORVIS, LLP | 09/28/15 | 27,500 | Auditor |
| H2O Innovation | 09/28/15 | 581,525 | Operator |
| L & S District Services, LLC | 05/18/07 | 12,145 | Bookkeeper |
| LJA Engineering, Inc. | 09/28/15 | 73,920 | Engineer |
| Montgomery Central Appraisal District | Legislative Action | 0 | Appraiser |
| Robert W. Baird & Co. Incorporated | 09/28/15 | 0 | Financial Advisor |
| **Investment Officer** | | | |
| Debra R. Loggins | 04/27/16 | N/A | Bookkeeper |

**APPENDIX C**

**SPECIMEN MUNICIPAL BOND INSURANCE POLICY**

# MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]  Policy No: _____

MEMBER: [NAME OF MEMBER]

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

Effective Date: _________

Risk Premium: $_________
Member Surplus Contribution: $_________
Total Insurance Payment: $_________

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: ________________________________________

Authorized Officer

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

Email:
claims@buildamerica.com
Address:
1 World Financial Center, 27th floor
200 Liberty Street
New York, New York 10281
Telecopy:
212-962-1524 (attention: Claims)