

OFFICIAL STATEMENT DATED NOVEMBER 16, 2023

IN THE OPINION OF BOND COUNSEL, UNDER EXISTING LAW, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES 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 "TAX MATTERS" FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.

The Bonds have been designated as "qualified tax-exempt obligations" for financial institutions. See "TAX MATTERS – Qualified Tax-Exempt Obligations."

NEW ISSUE—BOOK-ENTRY ONLY
CUSIP No. 61374A

\$5,000,000
MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 110
(A political subdivision of the State of Texas, located in Montgomery County, Texas)
UNLIMITED TAX ROAD BONDS
SERIES 2023

Dated: December 1, 2023

Due: April 1 (as shown below)

Interest on the \$5,000,000 Unlimited Tax Road Bonds, Series 2023 (the "Bonds") will accrue from December 1, 2023, and will be payable on April 1 and October 1 of each year, commencing April 1, 2024. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC"), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "BOOK ENTRY-ONLY SYSTEM" herein. The initial Paying Agent/Registrar is BOKF, N.A., Dallas, Texas. See "THE BONDS – Paying Agent/Registrar."

MATURITIES, AMOUNTS, INTEREST RATES AND PRICES

<u>Principal Amount</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Yield (a)</u>	<u>Principal Amount</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Yield (a)</u>
\$95,000	2026	5.00%	5.00%	\$115,000	2029(b)	5.00%	5.00%
\$100,000	2027	5.00%	5.00%	\$120,000	2030(b)	5.00%	5.00%
\$105,000	2028	5.00%	5.00%				

\$1,425,000 5.125% Term Bond Due April 1, 2039 to Yield 5.125% (a)(b)(c)

\$1,430,000 5.375% Term Bond Due April 1, 2045 to Yield 5.450% (a)(b)(c)

\$1,610,000 5.375% Term Bond Due April 1, 2050 to Yield 5.600% (a)(b)(c)

- (a) The initial reoffering yields are established by and are the sole responsibility of the Underwriter (hereinafter defined) and may be subsequently changed.
- (b) The Bonds maturing on or after April 1, 2029, are subject to redemption in whole or from time to time in part, at the option of the District (hereinafter defined), on April 1, 2028, or on any date thereafter, at a price equal to the par value thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption. In the event the Bonds are to be redeemed in part, the maturities and principal amounts to be redeemed shall be selected by the District. If fewer than all of the Bonds within any one maturity are redeemed, the Bonds to be redeemed shall be selected, on behalf of the District, by the Paying Agent/Registrar by lot or other customary method, in integral multiples of \$5,000 in any one maturity. See "THE BONDS – Optional Redemption."
- (c) Subject to mandatory sinking fund redemption as described herein. See "THE BONDS – Mandatory Redemption."

The proceeds of the Bonds will be used by Montgomery County Municipal Utility District No. 110 (the "District") to: (1) reimburse the Developer (hereinafter defined) for advancing funds to construct certain road facilities serving the District and associated engineering and testing costs; (2) fund developer interest related to the advancement of funds for certain construction costs; (3) fund \$412,500 of capitalized interest on the Bonds; and (4) pay administrative costs and issuance expenses associated with the sale and delivery of the Bonds. See "USE OF BOND PROCEEDS."

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

The Bonds are offered when, as, and if issued by the District, subject to approval by the Attorney General of Texas and the approval of certain legal matters by Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel. The District will be advised on certain legal matters concerning disclosure by Norton Rose Fulbright US LLP, Houston, Texas, Disclosure Counsel. Delivery of the Bonds is expected through the facilities of DTC on or about December 20, 2023.

TABLE OF CONTENTS

USE OF INFORMATION IN OFFICIAL STATEMENT	1
SALE AND DISTRIBUTION OF THE BONDS.....	1
CONTINUING DISCLOSURE OF INFORMATION - SEC RULE 15c2-12.....	2
NO MUNICIPAL BOND RATING	3
OFFICIAL STATEMENT SUMMARY	4
DEBT SERVICE REQUIREMENTS	8
INTRODUCTION.....	9
RISK FACTORS	9
USE OF BOND PROCEEDS	17
THE DISTRICT.....	17
THE DEVELOPER	21
THE SYSTEM	22
THE ROADS	23
MANAGEMENT OF THE DISTRICT	24
DISTRICT INVESTMENT POLICY	24
DISTRICT DEBT	25
DISTRICT TAX DATA.....	26
TAXING PROCEDURES.....	28
ANNEXATION, STRATEGIC PARTNERSHIP AGREEMENT, AND CONSOLIDATION.....	31
THE BONDS	32
BOOK-ENTRY-ONLY SYSTEM	36
LEGAL MATTERS.....	37
TAX MATTERS.....	38
REGISTRATION AND QUALIFICATION UNDER SECURITIES LAWS	40
OFFICIAL STATEMENT	40
MISCELLANEOUS	41
INDEPENDENT AUDITOR’S REPORT AND FINANCIAL STATEMENTS OF THE DISTRICT	A
PHOTOGRAPHS TAKEN IN THE DISTRICT	B

USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

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

All of the summaries of the statutes, resolutions, contracts, audited financial statements, engineering, and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027, upon payment of duplication costs.

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

References to website 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 websites and the information or links contained therein are not incorporated into, and are not part of this Official Statement for any purpose.

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the bid producing the lowest net interest cost to the District, which was tendered by SAMCO Capital Markets, Inc. (the "Underwriter"), to purchase the Bonds bearing the rates shown on the cover page of this Official Statement at a price of 97.00% of par plus accrued interest to the date of delivery, which resulted in a net effective interest rate of 5.491160%, as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended.

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

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

Prices and Marketability

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

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

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

Securities Laws

No registration statement relating to the Bonds has been filed with the Securities and Exchange Commission ("SEC") under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein nor have the Bonds been registered or qualified under the securities laws of any other jurisdiction. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdiction.

CONTINUING DISCLOSURE OF INFORMATION - SEC RULE 15c2-12

The offering of the Bonds qualifies for the Rule 15c2-12(d)(2) exemption from Rule 15c2-12(b)(5) regarding the District's continuing disclosure obligations because the District has not issued more than \$10,000,000 in aggregate amount of outstanding bonds and no person is committed by contract or other arrangement with respect to payment of the Bonds as required by the exemption. As required by the exemption, in the resolution authorizing the issuance of the Bonds (the "Bond Resolution"), the District has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (the "MSRB") or any successor to its functions as a repository through its Electronic Municipal Market Access ("EMMA") system.

Annual Reports

The information to be updated with respect to the District includes the quantitative financial information and operating data of the District of the general type included in "APPENDIX A" (Independent Auditor's Report and Financial Statements of the District) of this Official Statement. The District will update and provide this information within six months after the end of each of its fiscal years ending in or after 2024. The District will provide certain updated financial information and operating data to the MSRB or any successor to its functions as a repository through its EMMA system.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by the Rule. The updated information will include audited financial statements if it commissions an audit and the audit is completed by the required time. If the audit of such financial statements is not complete within such period, the District shall provide unaudited financial statements for the applicable fiscal year to each EMMA within such six-month period, and audited financial statements when the audit report on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in the Bond Resolution or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

The District's current fiscal year end is April 30. Accordingly, it must provide updated information by October 31 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB via EMMA of the change.

Event Notices

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

service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information

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

Limitations and Amendments

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

The District may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or operations of the District, if but only if, the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule taking into account any amendments and interpretations of the Rule to the date of such amendment, as well as changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent or any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of the Bonds. The District may also amend or repeal the agreement if the SEC amends or repeals the applicable provisions of such rule or a court of final jurisdiction determines that such provisions are invalid but, in either case, only to the extent that its right to do so would not prevent the Underwriter from lawfully purchasing the Bonds in the offering described herein. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the 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 Bonds represent the first series of bonds to be issued by the District; therefore, the District has not previously entered into a continuing disclosure agreement pursuant to SEC Rule 15c2-12.

NO MUNICIPAL BOND RATING

In connection with the sale of the Bonds, the District has not made an application to a rating company for a rating on the Bonds and does not believe an investment grade rating would have been assigned to the Bonds had an application been made.

OFFICIAL STATEMENT SUMMARY

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

THE BONDS

- Description:** The \$5,000,000 Unlimited Tax Road Bonds, Series 2023 (the "Bonds"), are dated and will bear interest from December 1, 2023. The Bonds represent the first series of bonds to be issued by Montgomery County Municipal Utility District No. 110 (the "District"). The Bonds mature on April 1 in the years as shown in the table on the cover page of this Official Statement. The Bonds are issued pursuant to Article III, Section 52 of the Texas Constitution, the general laws of the State of Texas, including but not limited to Chapters 49 and 54, Texas Water Code, as amended, a resolution authorizing the issuance of the Bonds (the "Bond Resolution") adopted by the Board of Directors of the District, and an election held within the District. See "THE BONDS."
- Source of Payment:** The Bonds are payable from a continuing direct annual ad valorem tax levied against all taxable property within the District which, under Texas law, is not limited as to rate or amount. The Bonds are obligations of the District and are not obligations of the State of Texas, Montgomery County, the City of Conroe, or any other political subdivision or agency. See "THE BONDS – Source of and Security for Payment."
- Redemption Provisions:** The Bonds maturing on or after April 1, 2029, are subject to early redemption, in whole or from time to time in part, on April 1, 2028, or on any date thereafter at the option of the District at a price of par plus accrued interest from the most recent interest payment date to the date of redemption. See "THE BONDS – Optional Redemption." The Bonds maturing on April 1 in the years 2039, 2045, and 2050 are Term Bonds and are subject to annual mandatory sinking fund redemption beginning on April 1 in the years 2031, 2040, and 2046, respectively. See "THE BONDS – Mandatory Redemption."
- Book-Entry-Only System:** The Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC, pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of, and interest on, the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM."
- Use of Proceeds:** Proceeds from the sale of the Bonds will be used to: (1) reimburse the Developer (hereinafter defined) for advancing funds to construct certain road facilities serving the District and associated engineering and testing costs; (2) fund developer interest related to the advancement of funds for certain construction costs; (3) fund \$412,500 of capitalized interest on the Bonds; and (4) pay administrative costs and issuance expenses associated with the sale and delivery of the Bonds. See "USE OF BOND PROCEEDS."
- Payment Record:** The Bonds represent the first series of bonds to be issued by the District. Therefore, the District has never defaulted in the payment of principal of or interest on any outstanding obligations. See "DISTRICT DEBT."
- Risk Factors:** The Bonds are subject to certain investment considerations as set forth in this Official Statement. Prospective purchasers should carefully examine this Official Statement with respect to the investment security of the Bonds, particularly the sections captioned "RISK FACTORS" and "LEGAL MATTERS."
- Qualified Tax Exempt Obligations:** The District has designated the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b) of the Internal Revenue Code of 1986, as amended. See "TAX MATTERS – Qualified Tax-Exempt Obligations."
- No Municipal Bond Rating:** In connection with the sale of the Bonds, the District has not made an application to a rating company for a rating on the Bonds and does not believe an investment grade rating would have been assigned to the Bonds had an application been made. See "NO MUNICIPAL BOND RATING."
- Legal Opinion:** Allen Boone Humphries Robinson LLP, Bond Counsel, Houston, Texas. See "LEGAL MATTERS" and "TAX MATTERS."
- Paying Agent/Registrar:** BOKF, N.A., Dallas, Texas. See "THE BONDS – Paying Agent/Registrar."
- Future Debt:** The District intends to file a bond application with the Texas Commission on Environmental Quality (the "TCEQ") requesting approval of projects and bonds in the principal amount of \$2,615,000 to reimburse the Developer (hereinafter defined) for advancing funds to construct certain water, wastewater, and drainage facilities serving the District. The District presently anticipates issuing such bonds during the first or second quarter of 2024. See "DISTRICT DEBT," "RISK FACTORS – Future Debt" and "THE BONDS – Issuance of Additional Debt."

THE DISTRICT

- Description:** The District is a municipal utility district created by an order of the TCEQ dated July 1, 2021. The District was created pursuant to the authority of Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution and operates pursuant to Chapters 49 and 54, Texas Water Code, as amended. The rights, powers, privileges, authority, and functions of the District are established by the general laws of the State of Texas pertaining to municipal utility districts, including particularly Chapters 49 and 54, Texas Water Code, as amended. The District is subject to the continuing supervision of the TCEQ. The District is empowered to purchase, construct, operate, and maintain all works, improvements, facilities, and plants necessary for the supply of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water. Additionally, the District is empowered to purchase, construct, operate, and maintain roads and parks and recreational facilities. See "THE DISTRICT – Authority."
- Location:** The District, as it was originally created, included approximately 212 acres. Since the creation of the District, there have been no annexations or exclusions of land. The District is located in southern Montgomery County, Texas and is situated entirely within the extraterritorial jurisdiction of the City of Conroe, Texas (the "City"). The District is located approximately 12 miles southeast of the central business district of the City and approximately 27 miles north of the central business district of the City of Houston, Texas. The District is located approximately two (2) miles north of State Highway 99 (Grand Parkway) and immediately west of F.M 1314. Residents gain access to the District by way of State Highway 99 (Grand Parkway) to F.M. 1314. See "THE DISTRICT – Description and Location."
- Development of the District:** The District is being developed for single-family residential purposes in the subdivision known as Maple Heights. Homebuilding in the District has taken place in Maple Heights, Phase 1A and Section 2. As of October 1, 2023, the District included approximately 174 completed homes (of which approximately 161 homes were owner-occupied), 43 homes under construction, and 119 vacant developed lots. Additionally, Maple Heights, Section 4 is currently under construction and is expected to contain 92 single-family residential lots based on current land plans. The lots in Maple Heights, Section 4 are anticipated to be available for homebuilding during the second quarter of 2024. See "THE DISTRICT – Status of Residential Development" and "APPENDIX B – Photographs Taken in the District."
- Summary of Land Uses:** As of October 1, 2023, the District included approximately 49 acres that have been developed and improved for single-family residential purposes, approximately 18 acres under development, approximately 78 acres remaining for future development, and approximately 67 undevelopable acres, which includes road rights-of-way, detention ponds, drainage easements, District plant sites, open spaces, and a recreation center serving the Maple Heights subdivision. See "THE DISTRICT – Land Uses and Status of Land Development."
- The Developer:** The sole developer of the District is Century Land Holdings of Texas, LLC, a Texas limited liability company (the "Developer") and a special purpose entity created solely for the purpose of developing land in projects located in the Texas market. The Developer is a wholly owned subsidiary of Century Communities, Inc., a Delaware corporation, the stock of which is publicly traded on the New York Stock Exchange under the ticker symbol "CCS." The Developer is also the sole homebuilder in the District. According to the Developer, homes in the District are currently being constructed on 40-foot lots and are currently being marketed in the \$200,000 - \$315,000 price range.
- The Developer has completed the development of Maple Heights, Phase 1A and Section 2 and is currently implementing its homebuilding program in such sections. Additionally, the Developer is in the process of developing the land located in Maple Heights, Section 4, which is expected to contain 92 single-family residential lots based on current land plans. The Developer has additional land holdings within the District that are currently planned for future single-family residential development.
- As noted above, the Developer is a wholly owned subsidiary of its publicly traded parent company, Century Communities, Inc., a Delaware corporation, the stock of which is publicly traded on the New York Stock Exchange under the ticker symbol "CCS." As a publicly traded company, Century Communities, Inc. is subject to the information requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith files annual reports, quarterly reports, proxy statements, and periodic statements with the United States Securities and Exchange Commission ("SEC"). Reports, proxy statements, and other information filed by Century Communities, Inc. can be inspected at the office of the SEC at Judiciary Plaza, Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. Copies of the above reports, proxy statements and other information may also be inspected at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005. The SEC maintains a website at <http://www.sec.gov> that contains reports, proxy information statements, and other information regarding registrants that file electronically with the SEC. Audited financial statements for Century Communities, Inc. are also available at www.centurycommunities.com. See "THE DEVELOPER."

Principal Taxpayers: According to the District's 2023 certified tax rolls as provided by the Montgomery Central Appraisal District ("MCAD" or the "Appraisal District"), the top 10 taxpayers represent \$23,583,010 of taxable assessed valuation, or approximately 60.49% of the District's 2023 Certified Taxable Value of \$38,957,651. The District's principal taxpayers include the Developer, which represents \$13,536,070 of taxable assessed valuation, or approximately 34.74% of the District's 2023 Certified Taxable Value of \$38,957,651. See "RISK FACTORS – Dependence on Principal Taxpayers" and "DISTRICT TAX DATA – Principal Taxpayers."

The System: The District's water supply and distribution facilities are provided pursuant to a Water Facilities Development and Service Agreement by and between the Developer and Porter Special Utility District ("Porter SUD") dated November 2, 2020 (the "Water Agreement"). Under the terms of the Water Agreement, Porter SUD serves as the retail water supplier to customers located within the boundaries of the District and the Developer, or the District, agrees to construct certain extensions to the potable water supply system of Porter SUD, which include certain improvements to the water supply, storage, and distribution facilities necessary to serve property in the District. The Water Agreement provides that the Developer will fund the costs of construction of such system extensions and improvements in lieu of impact fees payable to Porter SUD. Upon construction of all such extensions and improvements, if the costs of construction exceed the impact fees that would have been paid under the standard rules and regulations of Porter SUD, then Porter SUD agrees to reimburse the Developer to the extent of such excess. Likewise, upon construction of all such extensions and improvements, if the costs of construction are less than the amount of impact fees that would have been paid, then the Developer agrees to pay to Porter SUD an amount equal to the difference between such amounts. Pursuant to the Water Agreement, all water supply and distribution facilities are conveyed to Porter SUD for ownership and operation under the same terms, conditions, fees, and charges applicable to its other customers. Therefore, the District does not own or operate and water supply or distribution facilities and receives no payments from customers for such services. The District's source of water supply is groundwater from wells owned and operated by Porter SUD. Subject to certain terms and conditions, the Water Agreement requires Porter SUD to provide the District with up to 1,100 equivalent single-family connections ("ESFCs") of water supply capacity. According to the Engineer (hereinafter defined), such water supply capacity is adequate to serve the District at ultimate buildout based on current projected or anticipated land uses.

The District has entered into a 60-month lease that may be extended on a month-to-month basis upon written notice from the District for one (1) interim wastewater treatment plant, which has a total capacity of 175,000 gallons per day ("gpd"). Such interim wastewater treatment plant is currently rated by the TCEQ to serve approximately 584 ESFCs. The District anticipates future expansions to the wastewater treatment plant in order to accommodate the District's ultimate capacity requirements at buildout based on current projected or anticipated land uses. According to the Engineer, the 584 ESFCs of capacity currently provided by the interim wastewater treatment plant are adequate to serve the District's existing ESFCs.

The underground storm drainage collection system serving Maple Heights, Phase 1A and Section 2 is complete, and the underground storm drainage collection system to serve Maple Heights, Section 4 is currently under construction. The District's drainage system utilizes a combination of curb and gutter street system to convey runoff within the District. Stormwater is collected through such curb and gutter system and storm sewers and is routed to a series of detention ponds within the District, which drain into an unnamed tributary and ultimately outfall into the San Jacinto River. According to the Engineer, none of the land located in the District's boundaries is located within the 100-year floodplain as determined by the Federal Emergency Management Agency (FEMA) Flood Insurance Rate Map (FIRM), Map No. 48339C0575G dated August 18, 2014, for Montgomery County, Texas. See "THE SYSTEM."

**SELECTED FINANCIAL INFORMATION
(Unaudited)**

9/1/2023 Estimated Taxable Value	\$47,529,287 (a)
2023 Certified Taxable Value	\$38,957,651 (b)
Direct Debt:	
The Bonds	<u>\$5,000,000</u> (c)
Total Direct Debt	\$5,000,000
See "DISTRICT DEBT"	
Estimated Overlapping Debt	<u>\$609,801</u> (d)
Direct and Estimated Overlapping Debt	\$5,609,801
Percentage of Direct Debt to:	
9/1/2023 Estimated Taxable Value	10.52%
2023 Certified Taxable Value	12.83%
See "DISTRICT DEBT"	
Percentage of Direct and Estimated Overlapping Debt to:	
9/1/2023 Estimated Taxable Value	11.80%
2023 Certified Taxable Value	14.40%
See "DISTRICT DEBT"	
2023 Tax Rate Per \$100 of Assessed Value:	
Road Debt Service Tax	\$0.00 (e)
Maintenance and Operations Tax	<u>\$1.35</u>
Total 2023 Tax Rate	\$1.35
Cash and Temporary Investment Balances as of October 19, 2023:	
General Fund	\$64,310 (f)
Road Debt Service Fund	\$412,500 (g)

- (a) Reflects data supplied by the Montgomery Central Appraisal District ("MCAD" or the "Appraisal District"). The Estimated Taxable Value as of September 1, 2023, was prepared by MCAD and provided to the District. Such values are not binding on MCAD and are provided for informational purposes only. Any value as a result of new construction since January 1, 2023 will not be included on the District's tax roll until the 2024 tax roll is prepared and certified by MCAD during the second half of 2024. The District is authorized by law to levy taxes only against certified values. See "DISTRICT TAX DATA" and "TAXING PROCEDURES."
- (b) Reflects the January 1, 2023 Certified Taxable Value according to data supplied to the District by MCAD. See "DISTRICT TAX DATA" and "TAXING PROCEDURES."
- (c) The Bonds represent the first series of bonds to be issued by the District.
- (d) See "DISTRICT DEBT – Estimated Overlapping Debt."
- (e) The Bonds represent the first series of bonds to be issued by the District to finance the acquisition or construction of road facilities. The District intends to levy a road debt service tax beginning with its 2024 tax rate.
- (f) Unaudited figure per the District's records. The Developer has entered into an agreement with the District memorializing its obligation to make operating advances to the District as may be required from time to time. See "THE SYSTEM – General Fund Operating History" and "RISK FACTORS – Operating Funds."
- (g) Neither Texas law nor the District's Bond Resolution requires that the District maintain any particular balance in the Road Debt Service Fund. The cash and investment balance in the Road Debt Service Fund represents capitalized interest to be funded with proceeds of the Bonds to be deposited into such fund on the date of delivery of the Bonds. See "DISTRICT TAX DATA – Tax Adequacy of Tax Revenue," "USE OF BOND PROCEEDS," and "THE BONDS – Funds."

DEBT SERVICE REQUIREMENTS

The following table sets forth the debt service requirements for the Bonds.

<u>Year</u>	<u>Debt Service Requirements on the Bonds</u>		<u>Total Debt Service Requirements</u>
	<u>Principal</u>	<u>Interest</u>	
2024	-	\$219,318	\$219,318
2025	-	\$263,181	\$263,181
2026	\$95,000	\$260,806	\$355,806
2027	\$100,000	\$255,931	\$355,931
2028	\$105,000	\$250,806	\$355,806
2029	\$115,000	\$245,306	\$360,306
2030	\$120,000	\$239,431	\$359,431
2031	\$125,000	\$233,228	\$358,228
2032	\$135,000	\$226,566	\$361,566
2033	\$140,000	\$219,519	\$359,519
2034	\$150,000	\$212,088	\$362,088
2035	\$155,000	\$204,272	\$359,272
2036	\$165,000	\$196,072	\$361,072
2037	\$175,000	\$187,359	\$362,359
2038	\$185,000	\$178,134	\$363,134
2039	\$195,000	\$168,397	\$363,397
2040	\$205,000	\$157,891	\$362,891
2041	\$220,000	\$146,469	\$366,469
2042	\$230,000	\$134,375	\$364,375
2043	\$245,000	\$121,609	\$366,609
2044	\$260,000	\$108,038	\$368,038
2045	\$270,000	\$93,794	\$363,794
2046	\$285,000	\$78,878	\$363,878
2047	\$305,000	\$63,022	\$368,022
2048	\$320,000	\$46,225	\$366,225
2049	\$340,000	\$28,488	\$368,488
2050	<u>\$360,000</u>	<u>\$9,675</u>	<u>\$369,675</u>
TOTALS	\$5,000,000	\$4,548,877	\$9,548,877

Maximum Annual Debt Service Requirements (2050)..... \$369,675 (a)

Requires a \$0.82 debt service tax rate on the September 1, 2023 Estimated Taxable Value of \$47,529,287
at 95% collections \$370,253 (a)

Requires a \$1.00 debt service tax rate on the 2023 Certified Taxable Value of \$38,957,651
at 95% collections \$370,098 (a)

(a) See "DISTRICT TAX DATA – Tax Adequacy of Tax Revenue."

OFFICIAL STATEMENT

relating to

\$5,000,000

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 110
(A political subdivision of the State of Texas located within Montgomery County, Texas)

UNLIMITED TAX ROAD BONDS SERIES 2023

INTRODUCTION

This Official Statement provides certain information in connection with the issuance of the \$5,000,000 Montgomery County Municipal Utility District No. 110 Unlimited Tax Road Bonds, Series 2023 (the "Bonds").

The Bonds are issued pursuant to Article III, Section 52 of the Texas Constitution and the general laws of the State of Texas, including but not limited to Chapters 49 and 54, Texas Water Code, as amended, a resolution authorizing the issuance of the Bonds (the "Bond Resolution") to be adopted by the Board of Directors of Montgomery County Municipal Utility District No. 110 (the "District"), and an election held within the District.

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

RISK FACTORS

General

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

Infectious Disease Outlook (COVID-19)

In March 2020, the World Health Organization and the President of the United States separately declared the outbreak of a respiratory disease caused by a novel coronavirus ("COVID-19") to be a public health emergency. On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in the State of Texas (the "State") because of the effects of COVID-19. Subsequently, in response to a rise in COVID-19 infections in the State and pursuant to Chapter 418 of the Texas Government Code, the Governor issued a number of executive orders intended to help limit the spread of COVID-19 and mitigate injury and the loss of life. There are currently no COVID-19 related operating limits for any business or other establishment. The Governor retains the right to impose additional restrictions on activities if needed in order to mitigate the effects of COVID-19. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at <https://gov.texas.gov/>. Neither the information on, nor accessed through, such website of the Governor is incorporated by reference into this Official Statement. The District has not experienced any decrease in property values, unusual tax delinquencies, or interruptions to any service as a result of COVID-19; however, the District cannot predict the long-term economic effect of COVID-19 or a similar virus should there be a reversal of economic activity and reinstatement of restrictions.

Marketability

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

Tax Collections

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure.

The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedures against a taxpayer, (c) market conditions limiting the proceeds from a foreclosure sale of taxable property or (d) the taxpayer's right to redeem the property within six (6) months for commercial property and two (2) years for residential and all other property after the purchaser's deed issued at the foreclosure sale is filed in the county records. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. Attorney's fees and other costs of collecting any such taxpayer's delinquencies could substantially reduce the net proceeds to the District from a tax foreclosure sale. Finally, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two (2) other ways: first, a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six (6) years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid.

Registered Owners' Remedies

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

Bankruptcy Limitation to Registered Owners' Rights

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

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

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

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

Approval of the Bonds

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

Economic Factors

The Houston area economy is particularly tied to the energy industry, and fluctuations in oil and natural gas prices could adversely affect the demand for housing and the assessed values of properties located in the District. An oversupply of homes, along with a decreased demand in new housing because of general economic conditions or relatively high interest rates, may have an adverse impact on sale prices for homes and, consequently, may materially adversely affect property values or, in some instances, cause builders to abandon homebuilding plans altogether.

The continued growth of taxable values in the District is directly related to the housing and building industry. The housing and building industry has historically been a cyclical industry, affected by both short-term and long-term interest rates, availability of mortgage and development funds, labor conditions, and general economic conditions. A return to relatively high mortgage interest rates similar to those experienced in the past may adversely affect the availability and desirability of mortgage financing for new homes, hence reducing demand by homebuilders for lots within the District.

Interest rates and the availability of mortgage and development funds have a direct impact on construction activity, particularly the short-term interest rates at which developers and builders are able to obtain financing for land development or homebuilding costs. Interest rate levels may affect the Developers' or builders' ability to complete development or building plans. Long-term interest rates affect home purchasers' ability to qualify for and afford the total financing costs of a new home. The continuation of long-term interest rates at higher levels may negatively affect home sales and the rate of growth of taxable values in the District.

The housing industry in the Houston area is competitive and the District can give no assurance that current homebuilding programs will be completed. The competitive position of the Developers in the sale of their developed lots or, respectively, that of present and prospective builders in the construction of single-family residential houses, is affected by most of the factors discussed herein. Such a competitive position is directly related to tax revenues to be received by the District and the growth and maintenance of taxable values in the District.

Alternative sites are available for the construction of single-family residential improvements and commercial development within the market area in which the District is located. Such sites could pose competition to the continued home-building development and commercial development on comparable sites within the District.

Competition

The demand for and construction of taxable improvements in the District could be affected by competition from other developments near the District. Many of the other developments are generally accessible by the same commuter routes and served by the same employment centers and school districts causing the developments to compete with one another for the same pool of buyers at similar price points and amenity levels.

The competitive position of the Developer in the sale of land and the sale or leasing of residences is affected by most of the factors discussed in this section. Such a competitive position is directly related to the growth and maintenance of taxable values in the District and tax revenues to be received by the District. The District can give no assurance that building and marketing programs in the District by the Developer will be implemented or, if implemented, will be successful.

Potential Effects of Oil Price Fluctuation on the Houston Area

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

Dependence on the Energy Industry

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

Dependence on Principal Taxpayers

According to the District's 2023 certified tax rolls as provided by MCAD, the top 10 taxpayers represent \$23,583,010 of taxable assessed valuation, or approximately 60.49% of the District's 2023 Certified Taxable Value of \$38,957,651. The District's principal

taxpayers include the Developer, which represents \$13,536,070 of taxable assessed valuation, or approximately 34.74% of the District's 2023 Certified Taxable Value of \$38,957,651.

The ability of the principal taxpayers to make full and timely payments of taxes levied against its property by the District and similar taxing authorities will directly affect the District's ability to meet its debt service obligations. If, for any reason, the principal taxpayers do not pay taxes due or do not pay in a timely manner, the District may need to use other funds available for debt service purposes to the extent available. Further, if any of the principal taxpayers cease operations within the District, a substantial decrease in the District's value may result; the District has no understanding with any of the principal taxpayers regarding their future level of operations in the District. The District has not covenanted in the Bond Resolution, nor is it required by Texas law, to maintain any particular balance in its Road Debt Service Fund or any other funds. Therefore, failure by the principal taxpayers to pay their taxes on a timely basis in amounts in excess of the District's available funds could have a material adverse effect upon the District's ability to pay debt service on the Bonds on a current basis. See "THE DEVELOPER" and "DISTRICT TAX DATA – Principal Taxpayers."

Landowners/Developer Under No Obligation to the District

The Developer has informed the District of its current plans to continue to develop land in the District for residential purposes. However, neither the Developer nor any other landowner within the District have any commitments or obligations to proceed at any particular rate or according to any specified plan with the development of land or the construction of homes or commercial improvements in the District. Currently, there is no restriction on any landowner's right (including the Developer's) to sell its land. Failure to construct taxable improvements on developed lots (currently existing lots or lots anticipated to be created by the Developer) and failure of landowners to develop their land would restrict the rate of growth of taxable value in the District as it has in the past. The District is also dependent upon certain principal taxpayers, including the Developer, for the timely payment of ad valorem taxes, and the District cannot predict what the future financial condition of either will be or what effect, if any, such conditions may have on their ability to pay taxes. See "DISTRICT TAX DATA – Principal Taxpayers."

Dependence on Future Development and Potential Impact on District Tax Rates

The District's 2023 tax rate of \$1.35 per \$100 of assessed valuation is slightly higher than the tax rate that is common among many other similar utility districts providing water, sanitary sewer, and storm drainage services in Montgomery County. An increase in the District's tax rate substantially above such a level could have an adverse impact on future development in the District and on the District's ability to collect such tax.

Assuming no further residential building development within the District other than that which has been constructed, the value of such land and improvements currently located and under construction within the District could be a major determinant of the ability of the District to collect, and the willingness of property owners to pay, ad valorem taxes levied by the District. After issuance of the Bonds, the Maximum Annual Debt Service Requirement will be \$369,675 (2050). The District's September 1, 2023 Estimated Taxable Value is \$47,529,287. Assuming no increase or decrease from the September 1, 2023 Estimated Taxable Value and no use of other District funds, a road debt service tax rate of \$0.82 per \$100 of assessed valuation at 95% collection rate would be necessary to pay the Maximum Annual Debt Service Requirement. The District's 2023 Certified Taxable Value is \$38,957,651. Assuming no increase or decrease from the 2023 Certified Taxable Value and no use of other District funds, a road debt service tax rate of \$1.00 per \$100 of assessed valuation at 95% collection rate would be necessary to pay the Maximum Annual Debt Service Requirement. See "DISTRICT TAX DATA – Tax Adequacy of Tax Revenue."

Operating Funds

Property owners within the District receive water service from Porter Special Utility District. The District does not operate the water supply system and therefore does not receive payments from customers for water service. However, the District does operate the wastewater treatment system and therefore receives payments from customers for sewer service pursuant to the District's rate order. The District set a 2023 maintenance tax rate in the amount of \$1.35 per \$100 assessed valuation. The revenue produced from the maintenance tax and the wastewater system revenues must be sufficient to offset the operating expenses of the District. The District's 2023 operations and maintenance tax levy amount is approximately \$525,928, which will be deposited into the District's General Fund. As of October 19, 2023, the District's General Fund had an unaudited cash and investment balance of \$64,310. For the fiscal year ending April 30, 2024, the District is currently budgeting expenditures of \$621,700. Maintenance of a positive General Fund balance will depend upon: (i) continued development and increased amounts of wastewater revenue and maintenance tax revenue; and (ii) operating advances from the Developer from time to time, which may be reimbursed from proceeds of future bonds. Upon request from the District from time to time, the Developer has made operating advances to the District's General Fund, and such advances have been made on time and in full. If its General Fund balance is depleted, then the District will be required to levy a maintenance tax at a rate sufficient to fund its operating expenses as previously described. Such a tax, when added to the District's road debt service tax, may result in a total District tax which could adversely affect continued development of the District, as well as the willingness of taxpayers to pay taxes on their property. The District expects that it will be able to maintain a total tax rate of \$1.35 per \$100 of assessed valuation subsequent to the sale of the Bonds. The Developer has entered into an agreement with the District memorializing its obligation to make operating advances to the District as may be required from time to time. See "THE SYSTEM – General Fund Operating History" and "DISTRICT TAX DATA – Tax Rate and Collections."

Future Debt

At an election held on November 2, 2021, the District's voters authorized the issuance of unlimited tax bonds for various purposes as reflected in the table below:

<u>Amount</u>	<u>Purpose</u>
\$58,805,000	For certain water, wastewater, and drainage facilities
\$58,805,000	For refunding water, wastewater, and drainage facilities bonds previously issued
\$31,275,000	For certain road facilities
\$31,275,000	For refunding road facilities bonds previously issued
\$11,740,000	For certain parks and recreational facilities
\$11,740,000	For refunding parks and recreational facilities bonds previously issued

After the issuance of the Bonds, the District will have the following amounts that remain authorized but unissued: (i) \$58,805,000 of unlimited tax bonds for water, wastewater, and drainage facilities; (ii) \$58,805,000 of unlimited tax bonds for refunding water, wastewater, and drainage facilities bonds previously issued; (iii) \$26,275,000 of unlimited tax bonds for road facilities; (iv) \$31,275,000 of unlimited tax bonds for refunding road facilities bonds previously issued; (v) \$11,740,000 of unlimited tax bonds for parks and recreational facilities; and (vi) \$11,740,000 of unlimited tax bonds for refunding parks and recreational facilities bonds previously issued.

The District has the right to issue additional bonds as may hereafter be approved by both the Board and the voters of the District. Such additional bonds would be issued on a parity with the Bonds. Any future new money bonds (except for new money road bonds) to be issued by the District must also be approved by the TCEQ.

The District is also authorized by statute to engage in fire-fighting activities, including the issuance of bonds payable from taxes for such purpose. Before the District could issue bonds payable from taxes for said purpose, the following actions would be required: (a) authorization of a detailed master plan and bonds for such purpose by the qualified voters in the District; (b) amendment of the existing City of Conroe ordinance specifying the purposes for which the District may issue bonds; (c) approval of the master plan and issuance of bonds by the TCEQ; and (d) approval of bonds by the Attorney General of Texas. The Board is not considering authorizing preparation of a fire plan or calling a fire bond election at this time. Issuance of bonds for fire-fighting activities could dilute the investment security for the Bonds.

The District intends to file a bond application with the TCEQ requesting approval of projects and bonds in the principal amount of \$2,615,000 to reimburse the Developer for advancing funds to construct certain water, wastewater, and drainage facilities serving the District. The District presently anticipates issuing such bonds during the first or second quarter of 2024. See "THE BONDS – Issuance of Additional Debt" and "DISTRICT DEBT – Future Debt."

Financing Parks and Recreational Facilities

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. If the District does issue park bonds, the outstanding principal amount of such bonds may not exceed an amount equal to one percent of the value of the taxable property in the District, unless the District meets certain financial feasibility requirements under the TCEQ rules, in which case the outstanding principal amount of such bonds issued by the District may exceed an amount equal to one percent but not three percent of the value of the taxable property in the District. The District has prepared a park plan and conducted a park and recreational facilities bond election on November 2, 2021, that authorized \$11,740,000 of park and recreational facilities bonds, all of which remain authorized but unissued.

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

Financing Road Facilities

The District is authorized to develop road facilities, including the issuing of bonds payable from taxes for such purpose. Before the District can issue road bonds payable from taxes, approval of the bonds by the Attorney General of Texas is required. When the District does issue road bonds, the outstanding principal amount of such bonds may not exceed an amount equal to twenty-five percent of the assessed value of real property in the District. The District conducted a bond election that authorized \$31,275,000 of road bonds at an election held on November 2, 2021, of which \$26,275,000 will remain authorized but unissued after the issuance of the Bonds.

Continuing Compliance with Certain Covenants

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

Environmental 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 two separate federal ozone standards: the 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.

Changes in Tax Legislation

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

Severe Weather

The District is located approximately 60 miles from the Texas Gulf Coast. Land located in this area is susceptible to high winds, heavy rain and flooding caused by hurricanes, tropical storms, and other tropical disturbances. If a hurricane (or any other natural disaster) significantly damaged all or part of the improvements within the District, the assessed value of property within the District could be substantially reduced, with a corresponding decrease in tax revenues or necessity to increase the District’s tax rate. Further, there can be no assurance that a casualty loss to taxable property within the District will be covered by insurance (or that property owners will even carry flood insurance), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild or repair any damaged improvements within the District. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within the District would be adversely affected.

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

Winter Storm Uri

From February 12-19, 2021, the State of Texas experienced a severe winter storm (“Winter Storm Uri”) which included prolonged freezing temperatures, heavy snow and freezing rains statewide. Winter Storm Uri led to power outages and potable and non-potable water shortages in many areas of the State, including the District. The federal government issued a Major Disaster Declaration for the State of Texas and has included federal funding for emergency protective measures. As noted elsewhere in this Official Statement, homebuilding in the District commenced subsequent to Winter Storm Uri. The District cannot predict the impact of future winter weather events.

Specific Flood Type Risks

The District may be subject to the following flood risks:

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

Riverine (or Fluvial) Flooding – Riverine, or fluvial, flooding occurs when water levels rise over the top of river, bayou or channel banks due to excessive rain from tropical systems making landfall and/or persistent thunderstorms over the same area for extended periods of time. The damage from a riverine flood can be widespread. The overflow can affect smaller rivers and streams downstream, or may sheet-flow over land. Flash flooding is a type of riverine flood that is characterized by an intense, high velocity

torrent of water that occurs in an existing river channel with little to no notice. Flash flooding can also occur even if no rain has fallen, for instance, after a levee, dam or reservoir has failed or experienced an uncontrolled release, or after a sudden release of water by a debris or ice jam. In addition, planned or unplanned controlled releases from a dam, levee or reservoir also may result in flooding in areas adjacent to rivers, bayous or drainage systems downstream.

Tax Exemption for Property Damaged by Disaster

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

Tax Payment Installments After Disaster

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

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

Atlas 14

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

USE OF BOND PROCEEDS

Proceeds from the sale of the Bonds will be used to: (1) reimburse the Developer for advancing funds to construct certain road facilities serving the District and associated engineering and testing costs; (2) fund developer interest related to the advancement of funds for certain construction costs; (3) fund \$412,500 of capitalized interest on the Bonds; and (4) pay administrative costs and issuance expenses associated with the sale and delivery of the Bonds.

LJA Engineering, Inc. (the "Engineer") has advised the District that the proceeds listed below should be sufficient for the acquisition of such facilities. The District's present estimate of the use of proceeds of the Bonds is as follows:

<u>CONSTRUCTION COSTS</u>	<u>Total Amount</u>
<i>Developer Contribution Items</i>	
Maple Heights, Phase 1A – Paving	\$3,578,689
Engineering, Materials Testing and SWPPP	\$253,606
<i>Total Developer Contribution Items</i>	\$3,832,295
TOTAL CONSTRUCTION COSTS	\$3,832,295 (a)
<u>NON-CONSTRUCTION COSTS</u>	
Legal Fees	\$140,000
Fiscal Agent Fees	\$100,000
Interest Costs:	
Capitalized Interest	\$412,500
Developer Interest	\$289,696
Bond Discount	\$150,000
Bond Issuance Expenses	\$43,009
Bond Engineering Report Costs	\$27,500
Attorney General's Fee	\$5,000
Contingency	\$0
TOTAL NON-CONSTRUCTION COSTS	\$1,167,705
TOTAL BOND ISSUE REQUIREMENT	\$5,000,000

(a) The TCEQ has not established rules regarding district reimbursement of road costs to developers. The District has engaged its independent auditor to perform certain agreed upon procedures on the Developer's documentation of the payments of eligible road improvement costs.

THE DISTRICT

Authority

The District is a municipal utility district created by order of the TCEQ dated July 1, 2021. The District was created pursuant to the authority of Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution and operates pursuant to Chapters 49 and 54, Texas Water Code, as amended. The rights, powers, privileges, authority, and functions of the District are established by the general laws of the State of Texas pertaining to municipal utility districts, including particularly Chapters 49 and 54, Texas Water Code, as amended. The District is subject to the continuing supervision of the TCEQ. The District is empowered to purchase, construct, operate, and maintain all works, improvements, facilities, and plants necessary for the supply of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water. Additionally, the District is empowered to purchase, construct, operate, and maintain roads and parks and recreational facilities.

Under certain limited circumstances, the District is authorized to construct, develop, maintain, and finance park and recreational facilities, and to construct, develop, maintain, and finance roads. In addition, the District is authorized to establish, operate, and maintain a fire department, independently or with one or more other conservation and reclamation districts, and to provide such facilities and services to the customers of the District. See "RISK FACTORS – Financing Road Facilities," "– Financing Parks and Recreational Facilities," and "THE BONDS – Issuance of Additional Debt."

In order to obtain the consent of the City, within whose extraterritorial jurisdiction the District lies, to the District's creation, the District has agreed to observe certain City requirements. These requirements require City approval of, and limit the purposes for which the District may sell, bonds for the acquisition and improvement of waterworks, wastewater, and drainage facilities, road facilities, and park and recreational facilities; limit the net effective interest rate on such bonds and other terms of such bonds; and require the City's approval of certain of the District's construction plans and specifications

Description and Location

The District, as it was originally created, included approximately 212 acres. Since the creation of the District, there have been no annexations or exclusions of land. The District is located in southern Montgomery County, Texas and is situated entirely within the extraterritorial jurisdiction of the City of Conroe, Texas (the "City"). The District is located approximately 12 miles southeast of the

central business district of the City and approximately 27 miles north of the central business district of the City of Houston, Texas. The District is located approximately two (2) miles north of State Highway 99 (Grand Parkway) and immediately west of F.M 1314. Residents gain access to the District by way of State Highway 99 (Grand Parkway) to F.M. 1314.

Land Uses and Status of Land Development

A summary of the approximate land use in the District as of October 1, 2023, appears in the following table:

<u>Type of Land Use</u>	<u>Approximate Acres</u>
Developed and Improved Acres (a)	49
Acres Under Development (b)	18
Remaining Developable Acreage (c)	78
Undevelopable Acreage (d)	<u>67</u>
Total Approximate Acres	212

- (a) Represents land that is served with utilities and has single-family residential improvements constructed on site, including Maple Heights, Phase 1A and Section 2. See “– Status of Residential Development” herein.
- (b) Represents the land located in Maple Heights, Section 4, which is currently under construction and is expected to contain 92 single-family residential lots based on current land plans. The lots in Maple Heights, Section 4 are anticipated to be available for homebuilding during the second quarter of 2024.
- (c) Represents land available for future development. Such acreage includes land that may be used for road rights-of-way, detention ponds, drainage easements, open spaces, or other undevelopable acres. The District makes no representation that the development of such acreage will ever be undertaken or that taxable improvements will ever be constructed thereon. See “THE DEVELOPER – Future Development.”
- (d) Includes road rights-of-way, detention ponds, drainage easements, District plant sites, open spaces, and a recreation center serving the Maple Heights subdivision.

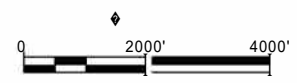
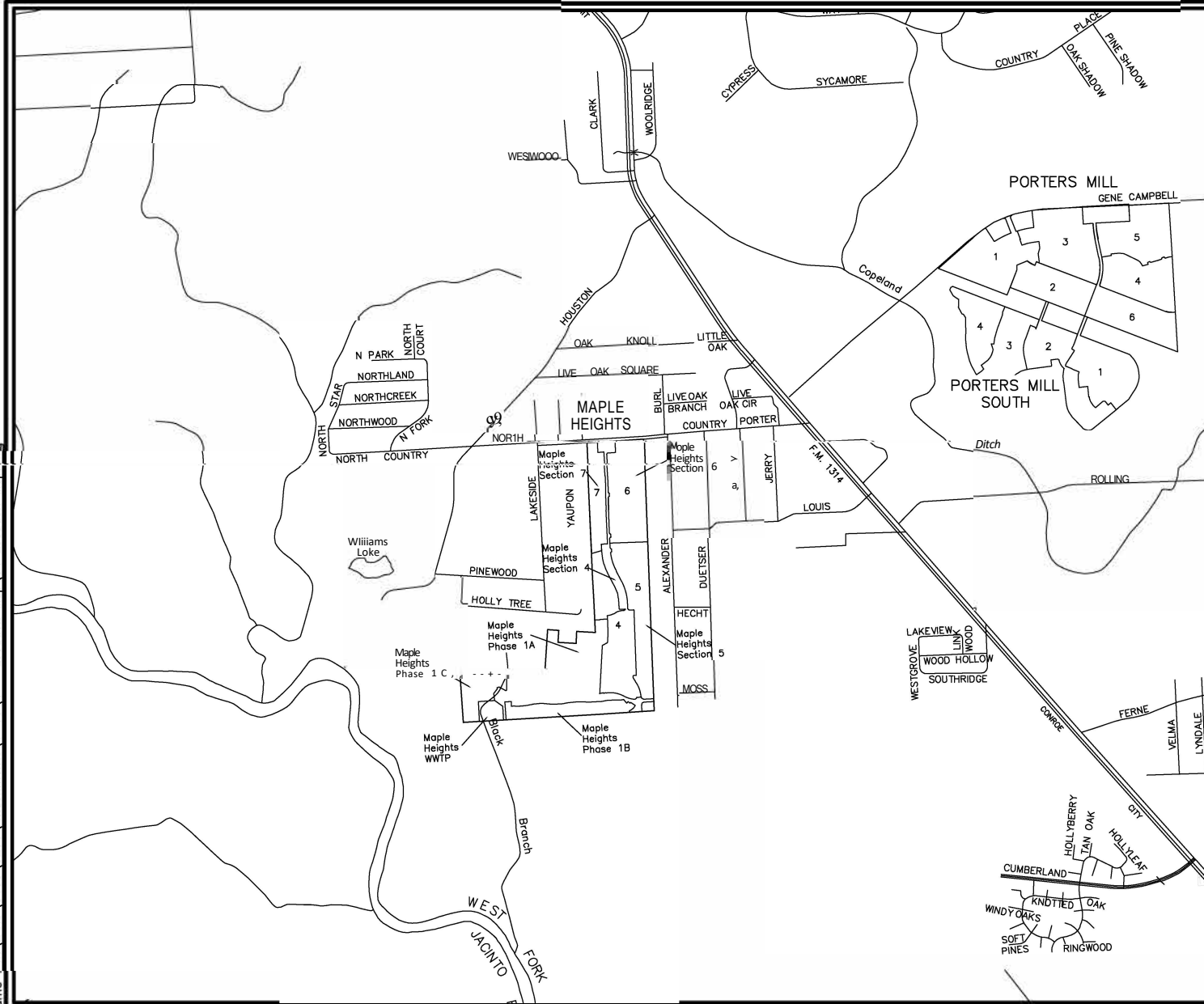
Status of Residential Development

The District is being developed for single-family residential purposes in the subdivision known as Maple Heights. Homebuilding within the District commenced on or about June of 2022. The following table indicates the approximate status of single-family residential development as of October 1, 2023. See “APPENDIX B – Photographs Taken in the District” for further illustration of the various products of homes being constructed in the District.

<u>Subdivision/Section</u>	<u>Total Lots</u>	<u>Homes</u>		<u>Vacant Lots</u>
		<u>Complete</u>	<u>Under Construction</u>	
Maple Heights, Phase 1A (a)	221	174	43	4
Maple Heights, Section 2 (a)	115	0	0	115
Maple Heights, Section 4 (b)	-	-	-	-
TOTALS	336	174 (c)	43	119

- (a) Homes in the Maple Heights subdivision are being constructed by the Developer on 40-foot lots and are currently being marketed and sold in the \$200,000 - \$315,000 price range.
- (b) Maple Heights, Section 4 is currently under construction and is expected to contain 92 single-family residential lots based on current land plans. The lots in Maple Heights, Section 4 are anticipated to be available for homebuilding during the second quarter of 2024.
- (c) According to the Developer, as of October 1, 2023, approximately 161 of the completed homes were owner-occupied.

Vicinity Map



**CITY OF CONROE E.T.J.
VICINITY MAP
MONTGOMERY
COUNTY MUNICIPAL
UTILITY DISTRICT NO. 110**

AUGUST 2023 JOB NO. 3100-0201

LJA Engineering Inc. Phone 713.953.5200
3600 W Sam Houston Pwky S Suite 600 Fax 713.953.5026
Houston, Texas 77043 FPN E-1386

User Name : tnovosed
 Date : Mon, 21 Aug 2023 - 3:00pm
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THE DEVELOPER

Role of a Developer

In general, the activities of developers in a municipal utility district such as the District include purchasing the land within a district, designing the streets 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, and selling improved lots and commercial reserves to builders, other developers, or other third parties. In most instances, a developer will be required to pay up to 30% of the cost of financing certain water, wastewater, and drainage facilities in the utility district exclusive of water and sewage treatment plants unless a waiver from this requirement is requested and obtained from the TCEQ by the District, pursuant to the rules of the TCEQ. In addition, a developer is ordinarily the major taxpayer within a utility district during the property development phase and the developer's inability to pay the taxes assessed on its property within a district would have a materially adverse effect on the revenues of the district. The relative success or failure of a developer to perform development activities within a utility district may have a profound effect on the ability of the district to generate sufficient tax revenues to service and retire all tax bonds issued by the district. While a developer generally commits to pave streets and pay its allocable portion of the costs of utilities to be financed by the utility district through a specific bond issue, a developer is generally under no obligation to a district to undertake development activities with respect to other property that it owns within a district. Furthermore, there is no restriction on a developer's right to sell any or all of the land that the developer owns within a district.

Description of the Developer

The sole developer of the District is Century Land Holdings of Texas, LLC, a Texas limited liability company (the "Developer") and a special purpose entity created solely for the purpose of developing land in projects located in the Texas market. The Developer is a wholly owned subsidiary of Century Communities, Inc., a Delaware corporation, the stock of which is publicly traded on the New York Stock Exchange under the ticker symbol "CCS." The Developer is also the sole homebuilder in the District. According to the Developer, homes in the District are currently being constructed on 40-foot lots and are currently being marketed in the \$200,000 - \$315,000 price range.

The Developer has completed the development of Maple Heights, Phase 1A and Section 2 and is currently implementing its homebuilding program in such sections. Additionally, the Developer is in the process of developing the land located in Maple Heights, Section 4, which is expected to contain 92 single-family residential lots based on current land plans. The Developer has additional land holdings within the District that are currently planned for future single-family residential development. See "– Future Development" herein and "THE DISTRICT – Land Uses and Status of Land Development" and "– Status of Residential Development."

Developer Financing

As noted above, the Developer is a wholly owned subsidiary of its publicly traded parent company, Century Communities, Inc., a Delaware corporation, the stock of which is publicly traded on the New York Stock Exchange under the ticker symbol "CCS." As a publicly traded company, Century Communities, Inc. is subject to the information requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith files annual reports, quarterly reports, proxy statements, and periodic statements with the United States Securities and Exchange Commission ("SEC"). Reports, proxy statements, and other information filed by Century Communities, Inc. can be inspected at the office of the SEC at Judiciary Plaza, Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. Copies of the above reports, proxy statements and other information may also be inspected at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005. The SEC maintains a website at <http://www.sec.gov> that contains reports, proxy information statements, and other information regarding registrants that file electronically with the SEC. Audited financial statements for Century Communities, Inc. are also available at www.centurycommunities.com.

While Century Communities, Inc. may provide internal financing to its subsidiaries, including the Developer, it is not in any way responsible for the payment of taxes to the District or for the payment of interest and principal on the Bonds. Neither the Developer nor Century Communities, Inc. has made any commitment to pay debt service on the Bonds, and reference to the financial information of Century Communities, Inc. in this Official Statement should not be so construed. The District has not obtained any representations from Century Communities, Inc. concerning its publicly available filings or undertaken any review thereof and assumes no responsibility for the information contained therein.

Future Development

The Developer owns additional land within the District that is currently undeveloped, which is anticipated to be developed for predominantly single-family residential purposes in the Maple Heights subdivision. According to the Developer, the Maple Heights subdivision is currently planned for 969 single-family residential lots at ultimate buildout, of which 336 single-family residential lots have heretofore been developed in Maple Heights, Phase 1A and Section 2, and 92 single-family residential lots are currently under construction in Maple Heights, Section 4. See "THE DISTRICT – Status of Residential Development." As stated elsewhere in this Official Statement, the Developer has no commitment or obligation to proceed at any particular rate or according to any specified plan with the development of land or the construction of homes in the District. Future development and homebuilding depend, in part, upon short-term and long-term interest rates, availability of mortgage and development funds, labor conditions, and general economic conditions. Neither the District nor the Developer represent that the remaining development of the Maple Heights subdivision will ever be undertaken nor that any taxable improvements will ever be constructed thereon. See "RISK FACTORS – Economic Factors," "– Competition," and "– Landowners/Developer Under No Obligation to the District."

THE SYSTEM

Description of the System and Regulation

According to the Engineer, the water, wastewater, and storm drainage facilities serving the land within the District (the "System") have been designed in conformance with accepted engineering practices and the requirements of certain governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities, including, as applicable among others, the TCEQ, Montgomery County, and Porter Special Utility District ("Porter SUD"). According to the Engineer, all such facilities constructed to date have been approved by all required governmental agencies. During construction, such facilities are subject to inspection by the foregoing governmental agencies having jurisdiction.

Operation of the water supply and distribution facilities serving the District is provided by Porter SUD. The water supply and wastewater treatment facilities are subject to regulation by, among others, the United States Environmental Protection Agency, the TCEQ, and the Texas Department of Health. In many cases, regulations promulgated by these agencies have become effective only recently and are subject to further development and revisions.

The District expects to finance its costs of acquisition or construction of the water supply and distribution, wastewater collection and treatment, and storm drainage and detention facilities, among other facilities that have been and will be constructed to serve the land within the District, with proceeds of the sale of bonds, if any, that the District expects to issue in the future. See "THE BONDS – Issuance of Additional Debt" and "RISK FACTORS – Future Debt."

Water Supply Facilities

The District's water supply and distribution facilities are provided pursuant to a Water Facilities Development and Service Agreement by and between the Developer and Porter SUD dated November 2, 2020 (the "Water Agreement"). Under the terms of the Water Agreement, Porter SUD serves as the retail water supplier to customers located within the boundaries of the District and the Developer, or the District, agrees to construct certain extensions to the potable water supply system of Porter SUD, which include certain improvements to the water supply, storage, and distribution facilities necessary to serve property in the District. The Water Agreement provides that the Developer will fund the costs of construction of such system extensions and improvements in lieu of impact fees payable to Porter SUD. Upon construction of all such extensions and improvements, if the costs of construction exceed the impact fees that would have been paid under the standard rules and regulations of Porter SUD, then Porter SUD agrees to reimburse the Developer to the extent of such excess. Likewise, upon construction of all such extensions and improvements, if the costs of construction are less than the amount of impact fees that would have been paid, then the Developer agrees to pay to Porter SUD an amount equal to the difference between such amounts. Pursuant to the Water Agreement, all water supply and distribution facilities are conveyed to Porter SUD for ownership and operation under the same terms, conditions, fees, and charges applicable to its other customers. Therefore, the District does not own or operate and water supply or distribution facilities and receives no payments from customers for such services.

The District's source of water supply is groundwater from wells owned and operated by Porter SUD. Subject to certain terms and conditions, the Water Agreement requires Porter SUD to provide the District with up to 1,100 equivalent single-family connections ("ESFCs") of water supply capacity. According to the Engineer (hereinafter defined), such water supply capacity is adequate to serve the District at ultimate buildout based on current projected or anticipated land uses.

Wastewater Treatment Facilities

The District has entered into a 60-month lease that may be extended on a month-to-month basis upon written notice from the District for one (1) interim wastewater treatment plant, which has a total capacity of 175,000 gallons per day ("gpd"). Such interim wastewater treatment plant is currently rated by the TCEQ to serve approximately 584 ESFCs. The District anticipates future expansions to the wastewater treatment plant in order to accommodate the District's ultimate capacity requirements at buildout based on current projected or anticipated land uses. According to the Engineer, the 584 ESFCs of capacity currently provided by the interim wastewater treatment plant is adequate to serve the District's existing ESFCs.

Drainage and Detention Facilities

The underground storm drainage collection system serving Maple Heights, Phase 1A and Section 2 is complete, and the underground storm drainage collection system to serve Maple Heights, Section 4 is currently under construction. The District's drainage system utilizes a combination of curb and gutter street system to convey runoff within the District. Stormwater is collected through such curb and gutter system and storm sewers and is routed to a series of detention ponds within the District, which drain into an unnamed tributary and ultimately outfall into the San Jacinto River.

100-Year Flood Plain

According to the Engineer, none of the land located in the District's boundaries is located within the 100-year floodplain as determined by the Federal Emergency Management Agency (FEMA) Flood Insurance Rate Map (FIRM), Map No. 48339C0575G dated August 18, 2014, for Montgomery County, Texas.

General Fund Operating History

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

Fiscal Year Ended April 30 (a)		
REVENUES	2023	2022
Sewer service	\$129,607	-
Property taxes	\$80,458	-
Penalties and interest	\$159	-
Inspection fees	\$27,225	\$5,400
Investment earnings	\$201	\$5
TOTAL REVENUES	\$237,650	\$5,405
EXPENDITURES		
Current service operations:		
Professional fees	\$138,792	\$24,869
Contracted services	\$67,875	\$7,709
Repairs and maintenance	\$195,011	-
Utilities	\$2,779	-
Administrative	\$25,308	\$9,546
Other	\$2,234	\$1,031
Debt service		
Lease – principal	\$93,772	\$22,298
Lease – interest	\$38,228	\$10,702
Capital outlay		
Right-to-use lease asset (b)	-	\$542,503
TOTAL EXPENDITURES	\$563,999	\$618,658
OTHER FINANCING SOURCES		
Lease financing (b)	-	\$542,503
Developer advances (c)	\$142,000	\$65,000
TOTAL OTHER FINANCING SOURCES	\$142,000	\$607,503
NET CHANGE IN FUND BALANCE	(\$184,349)	(\$5,750)
BEGINNING FUND BALANCE	(\$5,750)	\$0
ENDING FUND BALANCE (d)	(\$190,099)	(\$5,750)

- (a) Data is taken from the District's audited financial statements. See "APPENDIX A." The information for the fiscal year ended April 30, 2023 represents the first year of audited financial statements. The information for the fiscal year ended April 30, 2022 represents unaudited information.
- (b) The amount reflected for the lease financing line item represents the present value of the future payments due for the lease liability for the District's intangible right-to-use leased asset of the 175,000 gpd interim wastewater treatment plant serving property in the District. See "Wastewater Treatment Facilities" herein. Pursuant to certain generally accepted accounting principles, such amount of other financing sources reflected for the lease financing line item is directly offset by the expenditure amount reflected for the right-to-use lease asset line item within capital outlay.
- (c) The District was funded by operating advances from the Developer for fiscal years 2023 and prior. As noted elsewhere in this Official Statement, the Developer has entered into an agreement with the District memorializing its obligation to make operating advances to the District as may be required from time to time. See "RISK FACTORS – Operating Funds."
- (d) As of October 19, 2023, the District's General Fund had an unaudited cash and investment balance of \$64,310. For the fiscal year ending April 30, 2024, the District's General Fund is currently budgeting revenues of \$801,000, which excludes budgeted operating advances from the Developer in the amount of \$280,700, and expenditures of \$621,700.

THE ROADS

The District is financing the acquisition and construction of a portion of the road system to serve property in the District (the "Roads") with the proceeds of the sale of the Bonds. The Roads serve the residents of the District by providing access to the major thoroughfares and collector roads within the Maple Heights subdivision and the surrounding area. The portion of the Roads to be financed from the proceeds of the Bonds are comprised of those roads and related facilities described under "USE OF BOND PROCEEDS."

The Roads lie within the public right-of-way. In addition to the roadway, public utilities such as underground water, wastewater and drainage facilities are located within the right-of-way or easement dedicated to the District. The right-of-way is also shared by streetlights, sidewalks, and franchise utilities, including power, gas, telephone, and cable utilities. The Roads have been designed and constructed in accordance with standards, rules, and regulations of Montgomery County. Upon completion, the Roads are conveyed

to Montgomery County for ownership, operation and maintenance in accordance with the standard acceptance procedures. See “RISK FACTORS – Financing Road Facilities.”

MANAGEMENT OF THE DISTRICT

The District is governed by a board of directors (the "Board"), which has control over and management supervision of all affairs of the District. Each of the directors owns a parcel of land within the District that is subject to a note and deed of trust. A directors' election is held within the District in May in even-numbered years. Directors are elected to serve four-year staggered terms. The current members and officers of the Board, along with their titles on the Board, are listed below.

Name	Title	Expires May
Ralph Stafford	President	2024
Brittany Keeswood	Vice President	2024
Kyle Macy	Secretary	2024
Joseph Schwieterman	Assistant Vice President/Assistant Secretary	2026
Brad T. Fellows	Assistant Vice President/Assistant Secretary	2026

The District does not employ a general manager or any other full-time employees. The District has contracted for bookkeeping, tax assessing and collecting services, and annual auditing of its financial statements as follows:

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

Bookkeeper – The District has contracted with District Data Services, Inc. for bookkeeping services.

Auditor – The financial statements of the District as of April 30, 2023, and for the year then ended, included in this offering document, have been audited by McGrath & Co., PLLC, independent auditors, as stated in their report appearing herein. See "APPENDIX A" for a copy of the District's April 30, 2023, audited financial statements.

Utility System Operator – The operator of the District's wastewater system is Environmental Development Partners, LLC. The operator of the water supply and distribution system serving the District is Porter Special Utility District.

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

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

Legal Counsel – Allen Boone Humphries Robinson LLP serves as Bond Counsel to the District and as general counsel for the District on matters other than the issuance of bonds. Payment for General Counsel services is based upon hourly fee charges. Payment of fees for Bond Counsel services are contingent upon sale and delivery of the Bonds.

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

DISTRICT INVESTMENT POLICY

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

DISTRICT DEBT

9/1/2023 Estimated Taxable Value	\$47,529,287 (a)
2023 Certified Taxable Value	\$38,957,651 (b)
Direct Debt:	
The Bonds	<u>\$5,000,000</u> (c)
Total Direct Debt	\$5,000,000
Estimated Overlapping Debt	<u>\$609,801</u> (d)
Direct and Estimated Overlapping Debt	\$5,609,801
Percentage of Direct Debt to:	
9/1/2023 Estimated Taxable Value	10.52%
2023 Certified Taxable Value	12.83%
Percentage of Direct and Estimated Overlapping Debt to:	
9/1/2023 Estimated Taxable Value	11.80%
2023 Certified Taxable Value	14.40%
2023 Tax Rate Per \$100 of Assessed Value:	
Road Debt Service Tax	\$0.00 (e)
Maintenance and Operations Tax	<u>\$1.35</u>
Total 2023 Tax Rate	\$1.35
Cash and Temporary Investment Balances as of October 19, 2023:	
General Fund	\$64,310 (f)
Road Debt Service Fund	\$412,500 (g)

- (a) Reflects data supplied by MCAD. The Estimated Taxable Value as of September 1, 2023, was prepared by MCAD and provided to the District. Such values are not binding on MCAD and are provided for informational purposes only. Any value as a result of new construction since January 1, 2023 will not be included on the District's tax roll until the 2024 tax roll is prepared and certified by MCAD during the second half of 2024. The District is authorized by law to levy taxes only against certified values. See "DISTRICT TAX DATA" and "TAXING PROCEDURES."
- (b) Reflects the January 1, 2023 Certified Taxable Value according to data supplied to the District by MCAD. See "DISTRICT TAX DATA" and "TAXING PROCEDURES."
- (c) The Bonds represent the first series of bonds to be issued by the District.
- (d) See "– Estimated Overlapping Debt" herein.
- (e) The Bonds represent the first series of bonds to be issued by the District to finance the acquisition or construction of road facilities. The District intends to levy a road debt service tax beginning with its 2024 tax rate.
- (f) Unaudited figure per the District's records. The Developer has entered into an agreement with the District memorializing its obligation to make operating advances to the District as may be required from time to time. See "THE SYSTEM – General Fund Operating History" and "RISK FACTORS – Operating Funds."
- (g) Neither Texas law nor the District's Bond Resolution requires that the District maintain any particular balance in the Road Debt Service Fund. The cash and investment balance in the Road Debt Service Fund represents capitalized interest to be funded with proceeds of the Bonds to be deposited into such fund on the date of delivery of the Bonds. See "DISTRICT TAX DATA – Tax Adequacy of Tax Revenue," "USE OF BOND PROCEEDS," and "THE BONDS – Funds."

Future Debt

The District intends to file a bond application with the TCEQ requesting approval of projects and bonds in the principal amount of \$2,615,000 to reimburse the Developer for advancing funds to construct certain water, wastewater, and drainage facilities serving the District. The District presently anticipates issuing such bonds during the first or second quarter of 2024.

Estimated Overlapping Debt

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

<u>Taxing Jurisdiction</u>	<u>Outstanding Debt</u>	<u>Overlapping Debt</u>	
		<u>Overlapping %</u>	<u>Amount</u>
Montgomery County	\$441,665,000	<0.01%	\$31,019
New Caney Independent School District	\$733,685,000	0.08%	\$566,448
Lone Star College System	\$581,905,000	<0.01%	\$12,334
Total Estimated Overlapping Debt			\$609,801
The District (a)			\$5,000,000
Total Direct and Estimated Overlapping Debt			\$5,609,801

(a) Represents the Bonds.

DISTRICT TAX DATA

Tax Rate and Collections

The following table sets forth the historical tax information collection experience of the District for the year 2022, and includes certain information relative to the 2023 tax year. Such table has also been prepared based upon information from District records. Reference is made to such records for further and complete information.

<u>Year</u>	<u>Taxable Valuation</u> (a)	<u>Tax Rate</u> (b)	<u>Tax Levy</u>	<u>Cumulative Tax Collections</u> (c)	<u>Year Ended September 30</u>
2023	\$38,957,651	\$1.35	\$525,928	(d)	(d)
2022	\$5,981,310	\$1.35	\$80,748	100%	2023

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

(b) See "Tax Rate Distribution" herein.

(c) Represents cumulative collections as of September 30, 2023.

(d) The 2023 taxes are in the process of collections; such taxes become delinquent if not paid before February 1, 2024. See "TAXING PROCEDURES."

Maintenance Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for maintenance and operation of the District and its facilities. Such tax is in addition to taxes that the District is authorized to levy for paying principal of and interest on the Bonds, and any tax bonds that may be issued in the future. The District's voters authorized a maintenance tax of up to \$1.50 per \$100 of assessed valuation at an election held on November 2, 2021. The District's voters also authorized a road maintenance tax of up to \$0.25 per \$100 of assessed valuation at an election held on November 2, 2021. The District has never levied a road maintenance tax and the District currently has no plans to levy such tax. See "Tax Rate Distribution" herein.

Tax Rate Distribution

The following table sets forth the tax rate distribution of the District for the years 2022 through 2023.

	<u>2023</u>	<u>2022</u>
Road Debt Service (a)	\$0.00	\$0.00
Maintenance/Operations	\$1.35	\$1.35
Total	\$1.35	\$1.35

(a) The Bonds represent the first series of bonds to be issued by the District to finance the acquisition or construction of road facilities. The District intends to levy a road debt service tax beginning with its 2024 tax rate.

Additional Penalties

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

Principal Taxpayers

The list of principal taxpayers for 2023 and the other information provided by this table were provided by MCAD to the District's Tax Assessor/Collector based on certified tax rolls net of any exemptions from taxation. This table does not reflect any corrections pursuant to subsequent action of MCAD.

<u>Property Owner</u>	<u>Property Description</u>	<u>Property Value</u>	<u>% of Total</u>
Century Land Holdings of Texas LLC (a)	Land and Improvement	\$13,536,070	34.74%
AHR Texas Four LLC	Land and Improvement	\$4,293,940	11.02%
SFR Fund VI Borrower LLC	Land and Improvement	\$3,352,130	8.60%
Homeowner	Land and Improvement	\$555,110	1.42%
D&V Investment Properties LLC	Land and Improvement	\$406,740	1.04%
All Realty Properties LLC	Land and Improvement	\$397,090	1.01%
Homeowner	Land and Improvement	\$262,660	0.67%
Homeowner	Land and Improvement	\$261,610	0.67%
Homeowner	Land and Improvement	\$259,790	0.66%
Homeowner	Land and Improvement	\$257,870	0.66%
TOTALS		\$23,583,010	60.49%

(a) See "THE DEVELOPER" and "RISK FACTORS – Dependence on Principal Taxpayers."

Analysis of Tax Base

Based on information provided to the District by MCAD and its Tax Assessor/Collector, the following represents the composition of property comprising the gross tax roll valuations and the deferrals for 2022 through 2023, and includes the September 1, 2023 Estimated Taxable Value.

<u>Year</u>	<u>Land</u>	<u>Improvement</u>	<u>Personal Property</u>	<u>Gross Valuations</u>	<u>Exemptions</u>	<u>Taxable Valuations</u>
9/1/2023						\$47,529,287 (a)
2023	\$17,271,210	\$21,849,670	\$24,477	\$39,145,357	\$187,706	\$38,957,651
2022	\$3,939,470	\$2,041,840 (b)	\$1,800	\$5,983,110	\$1,800	\$5,981,310

(a) The Estimated Taxable Value as of September 1, 2023, was prepared by MCAD and provided to the District. Such values are not binding on MCAD and are provided for informational purposes only. The District is authorized by law to levy taxes only against certified values. See "TAXING PROCEDURES."

(b) Homebuilding in the District commenced subsequent to January 1, 2022. See "THE DISTRICT – Status of Residential Development."

Estimated Overlapping Taxes

The following table sets forth all 2023 taxes levied by overlapping taxing jurisdictions. No recognition is given to local assessments for civic association dues, fire department contributions, solid waste disposal charges, or any other levy by entities other than political subdivisions.

<u>Taxing Jurisdictions</u>	<u>2023 Tax Rate</u>
Montgomery County	\$0.369600
Montgomery County Hospital District	\$0.049800
New Caney Independent School District	\$1.257500
Lone Star College System	\$0.107600
Montgomery County Emergency Services District No. 6	\$0.093400
Overlapping Taxes	\$1.877900
The District	\$1.350000
Total Direct & Overlapping Taxes	\$3.227900

Tax Adequacy of Tax Revenue

The calculations shown below are solely for the purpose of illustration, reflect no net revenues of the System, no transfers of surplus funds from the District’s Operating Fund to the Road Debt Service Fund, and no increase or decrease in assessed valuation over the September 1, 2023 Estimated Taxable Value and the 2023 Certified Taxable Value. The calculations utilize a tax rate adequate to service the District’s total debt service requirements after issuance of the Bonds.

Maximum Annual Debt Service Requirements (2050).....	\$369,675
Requires a \$0.82 debt service tax rate on the September 1, 2023 Estimated Taxable Value at 95% collections	\$370,253
Requires a \$1.00 debt service tax rate on the 2023 Certified Taxable Value at 95% collections	\$370,098

TAXING PROCEDURES

Authority to Levy Taxes

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

Tax Code and County-Wide Appraisal District

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

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes, and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to, property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; certain goods, wares, and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years or older and of certain disabled persons, and travel trailers, to the extent deemed advisable by the Board. The District may be required to offer such an exemption if a majority of voters approve it at an election. The District would be required to call such an election upon petition by 20% of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax-supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans, or certain surviving dependents of disabled veterans if requested, but only to the maximum extent of \$5,000 to \$12,000 of assessed valuation depending upon the disability rating of the veteran, if such rating is less than 100%. A veteran who receives a disability rating of 100% is entitled to the exemption for the full amount of the residential homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran is entitled to an exemption for the full value of the veteran’s residence homestead to which the disabled veterans’ exemption applied including the surviving spouse of a disabled veteran who would have qualified for such exemption if it had been in effect on the date the disabled veteran died. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homesteads in an amount equal to the partially disabled veteran’s disability rating if the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse’s residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. The surviving spouse of a first responder who was killed or fatally injured in the line of duty is, subject to certain conditions, also entitled to an exemption of the total appraised value of the surviving spouse’s residence homestead, and, subject to

certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to 20% of the appraised value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the assessor and collector 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 before July 1. The District has never adopted an order granting a general residential homestead exemption.

Freeport Goods and Goods-in-Transit Exemptions: A "Freeport Exemption" applies to goods, wares, 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 that are destined to be forwarded outside of Texas and that are detained in Texas for assembling, storing, manufacturing, processing, or fabricating for fewer 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 that are covered by the Freeport Exemption, if, for tax year 2011 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2012 and subsequent years, such Goods-in-Transit Exemption 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 personal property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. The District has taken official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years.

Tax Abatement

Montgomery County or the City may designate all or part of the area within the District as a reinvestment zone. Thereafter, either the City, Montgomery County, or the District, 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 property from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to 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, including the District, has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions.

Valuation of Property for Taxation

Generally, property in the District must be appraised by MCAD at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are to be based on 100% of market value, as such is defined in the Property Tax Code. A residence homestead is required to be appraised solely on the basis of its value as a residence homestead regardless of whether residential use is considered to be the highest and best use of the property.

The Property Tax Code permits land designated for agricultural use, open space, or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its market value. The Property Tax Code permits, under certain circumstances, that residential real property inventory held by a person in the trade or business are valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. 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 chief appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it for another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three years for agricultural use, open space land, and timberland. Developers in the District have waived their rights to agricultural use, open space, or timber land exemptions.

The Property Tax Code requires MCAD to implement a plan for periodic reappraisal of property to update appraisal values. The plan must provide for appraisal of all real property in MCAD at least once every three years. It is not known what frequency of reappraisal will be utilized by MCAD 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 MCAD 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 MCAD chooses to formally 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% physically damaged by a disaster and located within an area declared to be a disaster area by the governor of the State of Texas. This temporary exemption is automatic if the disaster is declared prior to a taxing unit, such as the District, adopting its tax rate for the tax year. A taxing unit, such as the District, may authorize the exemption at its discretion if the disaster is declared after the taxing unit has adopted its tax rate for the tax year. The amount of the exemption is based on the percentage of damage and is prorated based on the date of the disaster. Upon receipt of an application submitted within the eligible timeframe by a person who qualifies for a temporary exemption under the Property Tax Code, the Appraisal District is required to complete a damage assessment and assign a damage assessment rating to determine the amount of the exemption. The temporary exemption amounts established in the Property Tax Code range from 15% for property less than 30% damaged to 100% for property that is a total loss. Any such temporary exemption granted for disaster-damaged property expires on January 1 of the first year in which the property is reappraised.

District and Taxpayer Remedies

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

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

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes, and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of 6% of the amount of the tax for the first calendar month it is delinquent, plus 1% for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of 12% regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. The delinquent tax accrues interest at a rate of 1% for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, which may be rejected by taxing units. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties and interest, if the person requests an installment agreement and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) 65 years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continue to accrue during the period of deferral.

Tax Payment Installments After Disaster

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

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

Rollback of Operation and Maintenance Tax Rate

Chapter 49 of the Texas Water Code, as amended, classifies districts differently based on the current operation and maintenance tax rate or on the percentage of build-out that the District has completed. Districts that have adopted an operation and

maintenance tax rate for the current year that is 2.5 cents or less per \$100 of taxable value are classified as "Special Taxing Units." Districts that have financed, completed, and issued bonds to pay for all improvements and facilities necessary to serve at least 95% of the projected build-out of the district are classified as "Developed Districts." Districts that do not meet either of the classifications previously discussed can be classified herein as "Developing Districts." The impact each classification has on the ability of a district to increase its maintenance and operations tax rate is described for each classification below. Debt service and contract tax rates cannot be reduced by a rollback election held within any of the districts described below.

Special Taxing Units: Special Taxing Units 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, may be required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Special Taxing Unit 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, may be required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Developed District is the current year's debt service and contract tax rate plus 1.035 times the previous year's operation and maintenance tax rate plus any unused increment rates. 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 Special Taxing Unit and a Developed District, the district will be subject to the operation and maintenance tax threshold applicable to Special Taxing Units.

Developing Districts: Districts that do not meet the classification of a Special Taxing Unit or a Developed District can be classified as Developing Districts. The qualified voters of these districts, upon the Developing District's adoption of a total tax rate that would impose more than 1.08 times the amount of the total tax 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 an election is called and passes, the total tax rate for Developing Districts is the current year's debt service and contract tax rate plus 1.08 times the previous year's operation and maintenance tax rate.

The District: A determination as to a district's status as a Special Taxing Unit, Developed District, or Developing District is made by the Board of Directors on an annual basis. The Board of Directors designated the District as a Developing District for purposes of setting the 2023 tax rate. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

District's Rights in the Event of Tax Delinquencies

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

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property and land designated for agricultural use and six months for all other 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 (a taxpayer may redeem property within six months for commercial property, within two years for residence homesteads and land designated for agricultural use, and six months for all other property after the purchaser's deed issued at the foreclosure sale is filed in the county records), or by bankruptcy proceedings that restrict the collection of taxpayer debts. See "RISK FACTORS – Tax Collections."

ANNEXATION, STRATEGIC PARTNERSHIP AGREEMENT, AND CONSOLIDATION

Annexation by the City of Conroe

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City, the District must conform to a City consent ordinance. Generally, the District may be annexed by the City without the District's consent, and the City cannot annex territory within the District unless it annexes the entire District. However, the City may not annex the 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. Notwithstanding the preceding sentence, the described election and petition process does not apply during the term of a strategic partnership agreement between the City and the District specifying the procedures for full purpose annexation of all or a portion of the District. See "Strategic Partnership Agreement" below, for a description of the terms of the Strategic Partnership Agreement between the City and the District.

If the District is annexed, the City will assume the District's assets and obligations (including the Bonds) and dissolve the 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 District makes no representation that the City will ever annex the District and assume its debt. Moreover, no representation is made concerning the ability of the City to make debt service payments should annexation occur.

Strategic Partnership Agreement

On May 25, 2023, the District entered into a strategic partnership agreement with the City pursuant to Section 43.0751, Texas Local Government Code, whereby the District may be annexed by the City for limited purposes. As a result of the agreement, the City may impose any sales and use tax imposed by the City within its full-purpose boundaries (but not its property taxes) within the area of limited purpose annexation. In addition, the City agrees not to annex the District for full purposes until the earlier of: (i) the date on which the District has achieved 90% build out as defined in the strategic partnership agreement, or (ii) on or after December 31 of the sixteenth year following the District's first ad valorem tax bond issuance or December 31, 2043, whichever is first. The City and the District may amend the strategic partnership agreement at any time. If the District is annexed, the City will assume the District's assets and obligations and dissolve the District within ninety (90) days. 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 District makes no representation that the City will ever annex the District and assume its debt, nor does the District make any representation concerning the ability of the City to pay debt service on the District's bonds if annexation were to occur.

Consolidation

The District has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its assets (such as cash and the utility system) and liabilities (such as the Bonds) with the assets and liabilities of districts with which it is consolidating. Although no consolidation is presently contemplated by the District, no representation is made concerning the likelihood of consolidation in the future.

THE BONDS

General

The Bond Resolution authorizes the issuance and sale of the Bonds and prescribes terms, conditions, and provisions for the payment of the principal of, and interest, on the Bonds by the District. Set forth below is a summary of certain provisions of the Bond Resolution. Capitalized terms in such summary are used as defined in the Bond Resolution. Such summary is not a complete description of the entire Bond Resolution and is qualified in its entirety by reference to the Bond Resolution, a copy of which is available from the District's Bond Counsel upon request.

The Bonds are dated and will bear interest from December 1, 2023, at the per annum rates shown on the cover page hereof. The Bonds are fully registered, serial bonds maturing on April 1 in the years and in the principal amounts set forth on the cover page hereof. Interest on the Bonds is payable April 1, 2024, and each October 1 and April 1 thereafter until the earlier of maturity or redemption. The Record Date on the Bonds is the 15th day of the calendar month next preceding the interest payment date.

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

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

Optional Redemption

The Bonds maturing on and after April 1, 2029, are subject to redemption prior to scheduled maturity at the option of the District, in whole or from time to time in part, on April 1, 2028, and on any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest from the most recent interest payment date to the redemption date. In the event the Bonds are to be redeemed in part, the maturities and principal amounts to be redeemed shall be selected by the District. In the event of redemption of fewer than all of the Bonds of a particular maturity, the Paying Agent/Registrar, on behalf of the District, will select the Bonds of

such maturity to be redeemed by lot or by such other customary method as the Paying Agent/Registrar deems fair and appropriate or while the Bonds are in Book-Entry-Only form the portions to be redeemed shall be selected by DTC in accordance with its procedures.

Mandatory Redemption

The Bonds maturing on April 1 in the years 2039, 2045, and 2050 (the "Term Bonds") shall be subject to annual mandatory sinking fund redemption as shown in the table below.

\$1,425,000 Term Bonds, due April 1, 2039

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
April 1, 2031	\$125,000
April 1, 2032	\$135,000
April 1, 2033	\$140,000
April 1, 2034	\$150,000
April 1, 2035	\$155,000
April 1, 2036	\$165,000
April 1, 2037	\$175,000
April 1, 2038	\$185,000
April 1, 2039 (maturity)	\$195,000

\$1,430,000 Term Bonds, due April 1, 2045

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
April 1, 2040	\$205,000
April 1, 2041	\$220,000
April 1, 2042	\$230,000
April 1, 2043	\$245,000
April 1, 2044	\$260,000
April 1, 2045 (maturity)	\$270,000

\$1,610,000 Term Bonds, due April 1, 2050

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
April 1, 2046	\$285,000
April 1, 2047	\$305,000
April 1, 2048	\$320,000
April 1, 2049	\$340,000
April 1, 2050 (maturity)	\$360,000

On or before 30 days prior to each Mandatory Redemption Date set forth above, the Registrar shall (i) determine the principal amount of such Term Bond that must be mandatorily redeemed on such Mandatory Redemption Date, after taking into account deliveries for cancellation and optional redemptions as more fully provided for below, (ii) select, by lot or other customary random method, the Term Bond or portions of the Term Bond of such maturity to be mandatorily redeemed on such Mandatory Redemption Date, and (iii) give notice of such redemption as provided in the Bond Resolution. The principal amount of any Term Bond to be mandatorily redeemed on such Mandatory Redemption Date shall be reduced by the principal amount of such Term Bond, which, by the 45th day prior to such Mandatory Redemption Date, either has been purchased in the open market and delivered or tendered for cancellation by or on behalf of the District to the Registrar or optionally redeemed and which, in either case, has not previously been made the basis for a reduction under this sentence.

Notice of Redemption; Partial Redemption

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

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

Source of and Security for Payment

The Bonds are secured by, and payable from, the levy of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property in the District. In the Bond Resolution, the District covenants to levy a sufficient tax to pay principal of and interest on the Bonds, with full allowance being made for delinquencies, costs of collections, Registrar fees,

and Appraisal District fees. The Bonds are obligations of the District and are not the obligations of the State of Texas, Montgomery County, the City of Conroe, or any entity other than the District.

Defeasance

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

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

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

Funds

In the Bond Resolution, the Road Debt Service Fund is created and the proceeds from all taxes levied, appraised, and collected for and on account of the Bonds authorized by the Bond Resolution, shall be deposited as collected in such fund.

Accrued interest on the Bonds and \$412,500 of capitalized interest shall be deposited into the Road Debt Service Fund upon receipt. The remaining proceeds of sale of the Bonds shall be deposited into the Road Capital Projects Fund to be used for the purpose of reimbursing the Developer for certain construction costs and for paying the costs of issuance of the Bonds. Any monies remaining in the Road Capital Projects Fund will be used as described in the Bond Resolution or ultimately transferred to the Road Debt Service Fund.

No Arbitrage

The District will certify as of the date the Bonds are delivered and paid for that, based upon all facts and estimates then known or reasonably expected to be in existence on the date the Bonds are delivered and paid for, the District reasonably expects that the proceeds of the Bonds will not be used in a manner that would cause the Bonds, or any portion of the Bonds, to be "arbitrage bonds" under the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations prescribed thereunder. Furthermore, all officers, employees, and agents of the District have been authorized and directed to provide certifications of facts and estimates that are material to the reasonable expectations of the District as of the date the Bonds are delivered and paid for. In particular, all or any officers of the District are authorized to certify to the facts and circumstances and reasonable expectations of the District on the date the Bonds are delivered and paid for regarding the amount and use of the proceeds of the Bonds. Moreover, the District covenants in the Bond Resolution that it shall make such use of the proceeds of the Bonds, regulate investment of proceeds of the Bonds, and take such other and further actions and follow such procedures, including, without limitation, calculating the yield on the Bonds, as may be that the Bonds shall not become "arbitrage bonds" under the Code and the regulations prescribed from time to time thereunder.

Paying Agent/Registrar

Pursuant to the Bond Resolution, the initial paying agent and initial registrar with respect to the Bonds is BOKF, N.A., Dallas, Texas. The District will maintain at least one Registrar, where the Bonds may be surrendered for transfer and/or for exchange or replacement for other Bonds, any outstanding bonds, and for the purpose of maintaining the Bond Register on behalf of the District. The Registrar is required at all times to be a duly qualified banking corporation or association organized and doing business under the laws of the United States of America, or of any state thereof, and subject to supervision or examination by federal or state banking authorities.

The District reserves the right and authority to change any paying agent/registrar and, upon any such change, the District covenants and agrees in the Bond Resolution to promptly cause written notice thereof, specifying the name and address of such successor paying agent/registrar, to be sent to each Registered Owner of the Bonds by United States mail, first class, postage prepaid.

Registration and Transfer

In the event the Book-Entry-Only System should be discontinued, the Bonds will be transferable only on the Bond Register kept by the Registrar upon surrender and reissuance. The Bonds are exchangeable for an equal principal amount of Bonds of the same maturity and of any authorized denomination upon surrender of the Bonds to be exchanged at the operations office of the Registrar in Dallas, Texas. See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be utilized initially in regard to the ownership and transferability of the Bonds. Every Bond presented or surrendered for transfer is required to be duly endorsed, or be accompanied by a written instrument of transfer, in a form satisfactory to the Registrar. Neither the Registrar nor the District is required (1) to transfer or exchange any Bond during the period beginning at the opening of business on a Record Date (defined herein) and ending at the close of business on the next succeeding interest payment date, or (2) to transfer or exchange any Bond selected for redemption in whole or in part within 30 calendar days of the redemption date. No service charge will be made for any transfer or exchange, but the District or the Registrar may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith.

Lost, Stolen, or Destroyed Bonds

In the event the Book-Entry-Only System is discontinued, the District has agreed to replace mutilated, destroyed, lost, or stolen Bonds upon surrender of the mutilated Bonds, or receipt of satisfactory evidence of such destruction, loss, or theft and receipt by the District and the Registrar of security or indemnity as may be required by either of them to keep them harmless. The District will require payment of taxes, governmental charges, and expenses in connection with any such replacement.

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

Issuance of Additional Debt

At an election held on November 2, 2021, the District's voters authorized the issuance of unlimited tax bonds for various purposes as reflected in the table below:

<u>Amount</u>	<u>Purpose</u>
\$58,805,000	For certain water, wastewater, and drainage facilities
\$58,805,000	For refunding water, wastewater, and drainage facilities bonds previously issued
\$31,275,000	For certain road facilities
\$31,275,000	For refunding road facilities bonds previously issued
\$11,740,000	For certain parks and recreational facilities
\$11,740,000	For refunding parks and recreational facilities bonds previously issued

After the issuance of the Bonds, the District will have the following amounts that remain authorized but unissued: (i) \$58,805,000 of unlimited tax bonds for water, wastewater, and drainage facilities; (ii) \$58,805,000 of unlimited tax bonds for refunding water, wastewater, and drainage facilities bonds previously issued; (iii) \$26,275,000 of unlimited tax bonds for road facilities; (iv) \$31,275,000 of unlimited tax bonds for refunding road facilities bonds previously issued; (v) \$11,740,000 of unlimited tax bonds for parks and recreational facilities; and (vi) \$11,740,000 of unlimited tax bonds for refunding parks and recreational facilities bonds previously issued.

The District has the right to issue additional bonds as may hereafter be approved by both the Board and the voters of the District. Such additional bonds would be issued on a parity with the Bonds. Any future new money bonds (except for new money road bonds) to be issued by the District must also be approved by the TCEQ.

Further, the principal amount of park bonds sold by the District is limited to one percent of the District's certified taxable assessed valuation, unless the District meets certain financial feasibility requirements under the TCEQ rules, in which case the

outstanding principal amount of such bonds issued by the District may exceed an amount equal to one percent but not three percent of the value of the taxable property in the District. See “RISK FACTORS – Financing Parks and Recreational Facilities.”

The District is also authorized by statute to engage in fire-fighting activities, including the issuance of bonds payable from taxes for such purpose. Before the District could issue bonds payable from taxes for said purpose, the following actions would be required: (a) authorization of a detailed master plan and bonds for such purpose by the qualified voters in the District; (b) amendment of the existing City of Conroe ordinance specifying the purposes for which the District may issue bonds; (c) approval of the master plan and issuance of bonds by the TCEQ; and (d) approval of bonds by the Attorney General of Texas. The Board is not considering authorizing preparation of a fire plan or calling a fire bond election at this time. Issuance of bonds for fire-fighting activities could dilute the investment security for the Bonds.

The District intends to file a bond application with the TCEQ requesting approval of projects and bonds in the principal amount of \$2,615,000 to reimburse the Developer for advancing funds to construct certain water, wastewater, and drainage facilities serving the District. The District presently anticipates issuing such bonds during the first or second quarter of 2024. See “RISK FACTORS – Future Debt” and “DISTRICT DEBT – Future Debt.”

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, Maturity Value, 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, the Financial Advisor, and the Underwriter believe the source of such information to be reliable but take no responsibility for the accuracy or completeness thereof.

The District and the Underwriter cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the 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, New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount or Maturity Value, as the case may be, of such maturity, and will be deposited with DTC.

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

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

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

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

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

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

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

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

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

The information in this section concerning DTC and DTC's book-entry-only system has been obtained from sources that the District believes to be reliable, but none of the District, the Financial Advisor or the Underwriter takes any responsibility for the accuracy thereof. Termination by the District of the DTC Book-Entry-Only System may require consent of DTC Participants under DTC Operational Arrangements.

LEGAL MATTERS

Legal Proceedings

Delivery of the Bonds will be accompanied by the unqualified approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the District under the Constitution and laws of the State of Texas payable from the proceeds of an annual ad valorem tax levied by the District, without limit as to rate or amount, upon all taxable property within the District, and, based upon their examination of a transcript of certified proceedings relating to the issuance and sale of the Bonds, the approving legal opinion of Allen Boone Humphries Robinson LLP, Bond Counsel, to a like effect and to the effect that, under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes 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.

Legal Review

In its capacity as Bond Counsel, Allen Boone Humphries Robinson LLP has reviewed the information appearing in this Official Statement under the captions "CONTINUING DISCLOSURE OF INFORMATION – SEC RULE 15c2-12," "THE DISTRICT – Authority," "TAXING PROCEDURES," "ANNEXATION, STRATEGIC PARTNERSHIP AGREEMENT, AND CONSOLIDATION," "THE BONDS," "LEGAL MATTERS – Legal Proceedings" (to the extent such section relates to the opinion of Bond Counsel) and "– Legal Review," "TAX MATTERS," and "REGISTRATION AND QUALIFICATION UNDER SECURITIES LAWS" solely to determine whether such information fairly summarizes the documents and legal matters referred to therein. Bond Counsel has not, however, independently verified any of the other factual information contained in this Official Statement, nor has it conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of any of the other information contained herein. No person is entitled to rely upon Bond Counsel's limited participation as an assumption of responsibility for, or an expression of opinion of any

kind, with regard to the accuracy or completeness of any information contained herein, other than the matters discussed immediately above.

Allen Boone Humphries Robinson LLP also serves as general counsel to the District on matters other than the issuance of bonds. The legal fees paid to Bond Counsel for services rendered in connection with issuance of the Bonds are based on a percentage of the Bonds actually issued, sold, and delivered and, therefore, such fees are contingent upon the sale and delivery of the Bonds.

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

No-Litigation Certificate

On the date of delivery of the Bonds, the District will execute and deliver a certificate to the effect that there is not pending, and to the knowledge of the District, there is not threatened, any litigation affecting the validity of the Bonds, or the levy and/or collection of taxes for the payment thereof, or the organization or boundaries of the District, or the title of the officers thereof to their respective offices.

No Material Adverse Change

The obligation of the Underwriter to take and pay for the Bonds, and of the District to deliver the Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the condition (financial or otherwise) of the District from that set forth or contemplated in the Preliminary Official Statement.

TAX MATTERS

In the opinion of Allen Boone Humphries Robinson LLP, Bond Counsel, under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes 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 (as defined in section 59(k) of the Internal Revenue Code of 1986, as amended (the "Code")) for the purpose of determining the alternative minimum tax imposed on corporations.

The Code, imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of proceeds and the source of repayment, limitations on the investment of proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of proceeds be paid periodically to the United States, and a requirement that the District file an information report with the Internal Revenue Service (the "Service"). The District has covenanted in the Bond Resolution that it will comply with these requirements.

Bond Counsel's opinion will assume continuing compliance with the covenants of the Bond Resolution pertaining to those sections of the Code that affect the exclusion from gross income of interest on the Bonds for federal income tax purposes and, in addition, will rely on representations by the District, the District's Financial Advisor, and the Underwriter with respect to matters solely within the knowledge of the District, the District's Financial Advisor, and the Underwriter, respectively, which Bond Counsel has not independently verified. If the District should fail to comply with the covenants in the Bond Resolution or if the foregoing representations should be determined to be inaccurate or incomplete, interest on the Bonds could become taxable from the date of delivery of the Bonds regardless of the date on which the event causing such taxability occurs.

The Code also imposes a 20% alternative minimum tax on the "alternative minimum taxable income" of a corporation if the amount of such alternative minimum tax is greater than the amount of the corporation's regular income tax. Generally, the alternative minimum taxable income of a corporation (other than any S corporation, regulated investment company, REIT, REMIC or FASIT), includes 75% of the amount by which its "adjusted current earnings" exceeds its other "alternative minimum taxable income." Because interest on tax exempt obligations, such as the Bonds, is included in a corporation's "adjusted current earnings," ownership of the Bonds could subject a corporation to alternative minimum tax consequences.

Under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on the Bonds, received or accrued during the year. Payments of interest on tax-exempt obligations such as the Bonds are in many cases required to be reported to the Service. Additionally, backup withholding may apply to any such payments to any owner who is not an "exempt recipient" and who fails to provide certain identifying information. Individuals generally are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients.

Except as stated above, Bond Counsel will express no opinion as to any federal, state, or local tax consequences resulting from the ownership of, receipt of interest on, or disposition of, the Bonds.

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers

who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, taxpayers owning an interest in a FASIT that holds tax-exempt obligations, and individuals otherwise qualifying for the earned income credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively connected earnings and profits, including tax-exempt interest such as interest on the Bonds. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences.

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel's knowledge of facts as of the date hereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent Bond Counsel's legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures, the Service is likely to treat the District as the taxpayer and the owners of the Bonds may not have a right to participate in such audit. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit regardless of the ultimate outcome of the audit.

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 Underwriter 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 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 that 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.

Qualified Tax-Exempt Obligations

The Code requires a pro rata reduction in the interest expense deduction of a financial institution to reflect such financial institution's investment in tax-exempt obligations acquired after August 7, 1986. An exception to the foregoing provision is provided in the Code for "qualified tax-exempt obligations," which include tax-exempt obligations, such as the Bonds designated by the District as "qualified tax-exempt obligations" and issued by or on behalf of a political subdivision for which the aggregate amount of tax-exempt

obligations (not including private activity bonds other than qualified 501(c)(3) bonds) to be issued during the calendar year is not expected to exceed \$10,000,000.

The District has designated the Bonds as "qualified tax-exempt obligations" and represents that the aggregate amount of tax-exempt bonds (including the Bonds) issued by the District and entities aggregated with the District under the Code during calendar year 2023 is not expected to exceed \$10,000,000 and that the District and entities aggregated with the District under the Code have not designated more than \$10,000,000 in "qualified tax-exempt obligations" (including the Bonds) during calendar year 2023.

Notwithstanding these exceptions, financial institutions acquiring the Bonds will be subject to a 20% disallowance of allocable interest expense.

REGISTRATION AND QUALIFICATION UNDER SECURITIES LAWS

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

OFFICIAL STATEMENT

Sources of Information

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

Financial Advisor

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

Consultants

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

Engineer – The information contained in this Official Statement relating to engineering matters generally and to the description of the System and in particular that information included in the sections entitled "THE SYSTEM," "USE OF BOND PROCEEDS," and certain engineering matters included in "THE DISTRICT – Description and Location," "THE DISTRICT – Land Uses and Status of Land Development," and "THE ROADS" has been provided by LJA Engineering, Inc. and has been included in reliance upon the authority of such firm as an expert in the field of civil engineering.

Tax Assessor/Collector – The information contained in this Official Statement relating to the estimated assessed valuation of property and, in particular, such information contained in the section captioned "DISTRICT TAX DATA," has been provided by MCAD and by Utility Tax Service, LLC, in reliance upon their authority as experts in the field of tax assessing and appraising.

Auditor – The financial statements of the District as of April 30, 2023, and for the year then ended, included in this offering document, have been audited by McGrath & Co., PLLC, independent auditors, as stated in their report appearing herein. See "APPENDIX A" for a copy of the District's April 30, 2023, audited financial statements.

Continuing Availability of Financial Information

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

The District's financial records and audited financial statements are available for public inspection during regular business hours at the office of the District and copies will be provided on written request, to the extent permitted by law, upon payment of copying

charges. Requests for copies should be addressed to the District in care of Allen Boone Humphries Robinson LLP, Phoenix Tower, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027.

Certification as to Official Statement

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

Updating of Official Statement

The District will keep the Official Statement current by amendment or sticker to reflect material changes in the affairs of the District and, to the extent that information comes to its attention, in the other matters described in the Official Statement, until the delivery of the Bonds. All information with respect to the resale of the Bonds shall be the responsibility of the Underwriter.

MISCELLANEOUS

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

This Official Statement was approved by the Board of Directors of Montgomery County Municipal Utility District No. 110 as of the date shown on the cover page.

APPENDIX A

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS OF THE DISTRICT

FOR THE FISCAL YEAR ENDED APRIL 30, 2023

**MONTGOMERY COUNTY MUNICIPAL
UTILITY DISTRICT NO. 110**

MONTGOMERY COUNTY, TEXAS

FINANCIAL REPORT

April 30, 2023

Table of Contents

	<u>Schedule</u>	<u>Page</u>
Independent Auditor's Report		1
Management's Discussion and Analysis		7
BASIC FINANCIAL STATEMENTS		
Statement of Net Position and Governmental Fund Balance Sheet		14
Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balance		15
Notes to Financial Statements		17
REQUIRED SUPPLEMENTARY INFORMATION		
Budgetary Comparison Schedule – General Fund		30
Notes to Required Supplementary Information		31
TEXAS SUPPLEMENTARY INFORMATION		
Services and Rates	TSI-1	34
General Fund Expenditures	TSI-2	36
Investments	TSI-3	N/A
Taxes Levied and Receivable	TSI-4	37
Long-Term Debt Service Requirements by Years	TSI-5	N/A
Change in Long-Term Bonded Debt	TSI-6	N/A
Comparative Schedule of Revenues and Expenditures – General Fund	TSI-7a	38
Comparative Schedule of Revenues and Expenditures – Debt Service Fund	TSI-7b	N/A
Board Members, Key Personnel and Consultants	TSI-8	39

McGRATH & CO., PLLC

Certified Public Accountants

2900 North Loop West, Suite 880

Houston, Texas 77092

Independent Auditor's Report

Board of Directors
Montgomery County Municipal Utility District No. 110
Montgomery County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and General Fund of Montgomery County Municipal Utility District No. 110 (the "District"), as of and for the year ended April 30, 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and General Fund of Montgomery County Municipal Utility District No. 110, as of April 30, 2023, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied

***Board of Directors
Montgomery County Municipal Utility District No. 110
Montgomery County, Texas***

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Texas Supplementary Information schedules 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. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Texas Supplementary Information schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

WCG & Co, PLLC

Houston, Texas
August 17, 2023

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Management's Discussion and Analysis

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Montgomery County Municipal Utility District No. 110
Management's Discussion and Analysis
April 30, 2023

Using this Annual Report

Within this section of the financial report of Montgomery County Municipal Utility District No. 110 (the "District"), the District's Board of Directors provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended April 30, 2023. This analysis should be read in conjunction with the independent auditor's report and the basic financial statements that follow this section.

In addition to this discussion and analysis, this annual report consists of:

- The District's basic financial statements;
- Notes to the basic financial statements, which provide additional information essential to a full understanding of the data provided in the financial statements;
- Supplementary information required by the Governmental Accounting Standards Board (GASB) concerning the District's budget; and
- Other Texas supplementary information required by the District's state oversight agency, the Texas Commission on Environmental Quality (TCEQ).

Overview of the Financial Statements

The District prepares its basic financial statements using a format that combines fund financial statements and government-wide statements onto one financial statement. The combined statements are the *Statement of Net Position and Governmental Funds Balance Sheet* and the *Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances*. Each statement contains an adjustments column which quantifies the differences between the government-wide and fund level statements. Additional details of the adjustments are provided in Note 2 to the basic financial statements.

Government-Wide Financial Statements

The focus of government-wide financial statements is on the overall financial position and activities of the District, both long-term and short-term. The District's government-wide financial statements consist of the *Statement of Net Position* and the *Statement of Activities*, which are prepared using the accrual basis of accounting. The *Statement of Net Position* includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the residual reported as net position. Over time, changes in net position may provide a useful indicator of whether the financial position of the District as a whole is improving or deteriorating.

Accounting standards establish three components of net position. The net investment in capital assets component represents the District's investments in capital assets, less any outstanding debt or other borrowings used to acquire those assets. Resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The restricted component of net position consists of financial resources that are restricted for a specific purpose by enabling legislation or external parties. The unrestricted component of net position represents resources not included in the other components.

Montgomery County Municipal Utility District No. 110
Management's Discussion and Analysis
April 30, 2023

The *Statement of Activities* reports how the District's net position has changed during the fiscal year. All revenues and expenses are included on this statement, regardless of whether cash has been received or paid.

Fund Financial Statements

The fund financial statements include the *Governmental Fund Balance Sheet* and the *Governmental Fund Revenues, Expenditures and Changes in Fund Balance*. The focus of fund financial statements is on specific activities of the District rather than the District as a whole, reported using modified accrual accounting. These statements report on the District's use of available financial resources and the balances of available financial resources at the end of the year. 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, governmental statutes or regulations.

For further discussion on the government-wide and fund financial statements, please refer to Note 1 in the financial statements.

Financial Analysis of the District as a Whole

The District's net position at April 30, 2023, was negative \$2,013,226. The District's net position is negative because the District incurs debt to construct certain facilities which it conveys to other governmental entities and because the District relies on advances from its developer to fund operating costs. A comparative summary of the District's overall financial position, as of April 30, 2023 and 2022, is as follows:

	2023	2022
Current and other assets	\$ 67,836	\$ 26,262
Capital assets	1,608,283	934,626
Total assets	<u>1,676,119</u>	<u>960,888</u>
Current liabilities	359,200	125,784
Long-term liabilities	3,330,145	910,681
Total liabilities	<u>3,689,345</u>	<u>1,036,465</u>
Net position		
Net investment in capital assets	(19,559)	(4,827)
Unrestricted	(1,993,667)	(70,750)
Total net position	<u>\$ (2,013,226)</u>	<u>\$ (75,577)</u>

Montgomery County Municipal Utility District No. 110
Management's Discussion and Analysis
April 30, 2023

The total net position of the District decreased during the current fiscal year by \$1,937,649. A comparative summary of the District's *Statement of Activities* for the current and prior fiscal year (unaudited) is as follows:

	2023	2022
Revenues		
Property taxes, penalties and interest	\$ 80,908	\$ -
Sewer service	129,607	
Other	27,426	5,405
Total revenues	<u>237,941</u>	<u>5,405</u>
Expenses		
Current service operations	431,999	43,155
Debt interest and fees	38,228	10,702
Amortization	108,504	27,125
Total expenses	<u>578,731</u>	<u>80,982</u>
Change in net position before other item	(340,790)	(75,577)
Other item		
Transfers to other governments	<u>(1,596,859)</u>	
Change in net position	(1,937,649)	(75,577)
Net position, beginning of year	(75,577)	
Net position, end of year	<u>\$ (2,013,226)</u>	<u>\$ (75,577)</u>

Financial Analysis of the District's General Fund

Fund balance in the District's General Fund, as of April 30, 2023, was negative \$190,099. A comparative summary of the General Fund's financial position as of April 30, 2023 and 2022 is as follows:

	2023	2022
Total assets	<u>\$ 67,836</u>	<u>\$ 26,262</u>
Total liabilities	\$ 257,644	\$ 32,012
Total deferred inflows	291	
Total fund balance	<u>(190,099)</u>	<u>(5,750)</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 67,836</u>	<u>\$ 26,262</u>

Montgomery County Municipal Utility District No. 110
Management's Discussion and Analysis
April 30, 2023

A comparative summary of the General Fund's activities for the current and prior fiscal year (unaudited) is as follows:

	<u>2023</u>	<u>2022</u>
Total revenues	\$ 237,650	\$ 5,405
Total expenditures	<u>(563,999)</u>	<u>(618,658)</u>
Revenues under expenditures	(326,349)	(613,253)
Other changes in fund balance	142,000	607,503
Net change in fund balance	<u>\$ (184,349)</u>	<u>\$ (5,750)</u>

The District manages its activities with the objectives of ensuring that expenditures will be adequately covered by revenues each year and that an adequate fund balance is maintained. The District's primary financial resources in the General Fund are from a property tax levy, the provision of sewer services to customers within the District, sewer inspection fees charged to homebuilders in the District and developer advances. Financial resources are influenced by a variety of factors each year:

- Property tax revenues are dependent upon assessed values in the District and the maintenance tax rate set by the District. The District levied its first maintenance and operations tax during the current year.
- Sewer revenues are dependent upon the number of connections in the District.
- Sewer inspection fees fluctuate with homebuilding activity within the District.
- The District's developer advances funds to the District as needed to pay operating costs.

General Fund Budgetary Highlights

The Board of Directors adopts an annual unappropriated budget for the General Fund prior to the beginning of each fiscal year. The Board did not amend the budget during the fiscal year.

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$184,349 less than budgeted. The *Budgetary Comparison Schedule* on page 30 of this report provides variance information per financial statement line item.

Capital Assets

The District has entered into a financing agreement with its developer for the financing of the construction of capital assets within the District. The Developer will be reimbursed from proceeds of future bond issues or other lawfully available funds. These developer funded capital assets are recorded on the District's financial statements upon completion of construction.

Montgomery County Municipal Utility District No. 110
Management's Discussion and Analysis
April 30, 2023

Capital assets held by the District at April 30, 2023 and 2022 are summarized as follows:

	<u>2023</u>	<u>2022</u>
Capital assets not being depreciated		
Land and improvements	<u>\$ 1,201,409</u>	<u>\$ 419,248</u>
Capital assets being amortized		
Right-to-use leased asset	542,503	542,503
Less accumulated amortization	<u>(135,629)</u>	<u>(27,125)</u>
	<u>406,874</u>	<u>515,378</u>
Capital assets, net	<u><u>\$ 1,608,283</u></u>	<u><u>\$ 934,626</u></u>

Capital asset additions during the current year consist of mass grading to serve Maple Heights, Sections 2 and 3.

Additionally, certain capital assets constructed by the District are conveyed to Porter Special Utility District. The value of these assets is recorded as transfers to other governments upon completion of construction and trued-up when the developer is reimbursed. For the year ended April 30, 2023, capital assets in the amount of \$1,596,859 have been recorded as transfers to other governments in the government-wide statements. Additional information is presented in Note 9.

Lease Obligations

The District has entered into an equipment lease obligation for an interim wastewater treatment plant. The District recognized a right-to-use leased asset and lease obligation in the amount of \$542,503 for this lease. The balance due for the lease as of April 30, 2023, was \$426,433.

Long-Term Debt and Related Liabilities

As of April 30, 2023, the District owes approximately \$3,005,268 to its developer for completed projects and operating advances. The initial cost of the completed project and related liability is estimated based on actual construction costs plus 10-15% for engineering and other fees and is recorded on the District's financial statements upon completion of construction. As discussed in Note 5, the District has an additional commitment in the amount of \$10,687,811 for projects under construction by the developer. As noted, the District will owe its developer for these projects upon completion of construction. The District intends to reimburse the developer from proceeds of future bond issues or other lawfully available funds. The estimated cost of amounts owed to the developer is trued up when the developer is reimbursed.

At April 30, 2023, the District had \$58,805,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District and \$58,805,000 for the refunding of such bonds; \$11,740,000 for parks and recreational facilities and \$11,740,000 for the refunding of such bonds; and \$31,275,000 for road improvements and \$31,275,000 for the refunding of such bonds.

Montgomery County Municipal Utility District No. 110
Management's Discussion and Analysis
April 30, 2023

Next Year's Budget

In establishing the budget for the next fiscal year, the Board considered various economic factors that may affect the District, most notably projected revenues from property taxes and sewer services and the projected cost of operating the District and providing services to customers. A comparison of next year's budget to current year actual amounts for the General Fund is as follows:

	<u>2023 Actual</u>	<u>2024 Budget</u>
Total revenues	\$ 237,650	\$ 366,000
Total expenditures	<u>(563,999)</u>	<u>(566,000)</u>
Revenues under expenditures	(326,349)	(200,000)
Other changes in fund balance	<u>142,000</u>	<u>200,000</u>
Net change in fund balance	(184,349)	
Beginning fund balance	<u>(5,750)</u>	<u>(190,099)</u>
Ending fund balance	<u><u>\$ (190,099)</u></u>	<u><u>\$ (190,099)</u></u>

Property Taxes

The District's property tax base increased approximately \$32,976,000 for the 2023 tax year from \$5,981,310 to \$38,957,651, based on certified values. This increase was primarily due to new construction in the District.

Basic Financial Statements

Montgomery County Municipal Utility District No. 110
Statement of Net Position and Governmental Fund Balance Sheet
April 30, 2023

	General Fund	Adjustments	Statement of Net Position
Assets			
Cash	\$ 39,660	\$ -	\$ 39,660
Taxes receivable	291		291
Customer service receivables	16,885		16,885
Prepaid items	11,000		11,000
Capital assets not being depreciated		1,201,409	1,201,409
Capital assets, net		406,874	406,874
Total Assets	<u>\$ 67,836</u>	<u>1,608,283</u>	<u>1,676,119</u>
Liabilities			
Accounts payable	\$ 196,675		196,675
Other payables	937		937
Customer deposits	33,250		33,250
Unearned revenue	26,782		26,782
Due to developer		3,005,268	3,005,268
Lease obligations			
Due within one year		101,556	101,556
Due after one year		324,877	324,877
Total Liabilities	<u>257,644</u>	<u>3,431,701</u>	<u>3,689,345</u>
Deferred Inflows of Resources			
Deferred property taxes	<u>291</u>	<u>(291)</u>	
Fund Balance/Net Position			
Fund Balance			
Nonspendable	11,000	(11,000)	
Unassigned	(201,099)	201,099	
Total Fund Balance	<u>(190,099)</u>	<u>190,099</u>	
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 67,836</u>		
Net Position			
Net investment in capital assets		(19,559)	(19,559)
Unrestricted		(1,993,667)	(1,993,667)
Total Net Position		<u>\$ (2,013,226)</u>	<u>\$ (2,013,226)</u>

See notes to basic financial statements.

Montgomery County Municipal Utility District No. 110

*Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balance
For the Year Ended April 30, 2023*

	General Fund	Adjustments	Statement of Activities
Revenues			
Sewer service	\$ 129,607	\$ -	\$ 129,607
Property taxes	80,458	291	80,749
Penalties and interest	159		159
Inspection fees	27,225		27,225
Investment earnings	201		201
Total Revenues	<u>237,650</u>	<u>291</u>	<u>237,941</u>
Expenditures/Expenses			
Current service operations			
Professional fees	138,792		138,792
Contracted services	67,875		67,875
Repairs and maintenance	195,011		195,011
Utilities	2,779		2,779
Administrative	25,308		25,308
Other	2,234		2,234
Debt service			
Lease - principal	93,772	(93,772)	
Lease - interest	38,228		38,228
Amortization		108,504	108,504
Total Expenditures/Expenses	<u>563,999</u>	<u>14,732</u>	<u>578,731</u>
Revenues Under Expenditures/Expenses	(326,349)	(14,441)	(340,790)
Other Financing Sources			
Developer advances	142,000	(142,000)	
Other Item			
Transfers to other governments		(1,596,859)	(1,596,859)
Net Change in Fund Balance	(184,349)	184,349	
Change in Net Position		(1,937,649)	(1,937,649)
Fund Balance/Net Position			
Beginning of the year	(5,750)	(69,827)	(75,577)
End of the year	<u>\$ (190,099)</u>	<u>\$ (1,823,127)</u>	<u>\$ (2,013,226)</u>

See notes to basic financial statements.

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Note 1 – Summary of Significant Accounting Policies

The accounting policies of Montgomery County Municipal Utility District No. 110 (the “District”) conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”). The following is a summary of the most significant policies:

Creation

The District was organized, created and established pursuant to an order of the Texas Commission on Environmental Quality, dated July 1, 2021, and operates in accordance with the Texas Water Code, Chapters 49 and 54. The Board of Directors held its first meeting on July 23, 2021.

The District’s primary activities include construction, maintenance and operation of water, sewer and drainage facilities, park and recreational facilities and the construction of road facilities. As further discussed in Note 9, the District transfers the water facilities to Porter Special Utility District for operation and maintenance upon completion of construction. The District has contracted with various consultants to provide services to operate and administer the affairs of the District. The District has no employees, related payroll or pension costs.

Reporting Entity

The District is a political subdivision of the State of Texas governed by an elected five-member board. The GASB has established the criteria for determining the reporting entity for financial statement reporting purposes. To qualify as a primary government, a government must have a separately elected governing body, be legally separate, and be fiscally independent of other state and local governments, while a component unit is a legally separate government for which the elected officials of a primary government are financially accountable. Fiscal independence implies that the government has the authority to adopt a budget, levy taxes, set rates, and/or issue bonds without approval from other governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District’s financial statements as component units.

Government-Wide and Fund Financial Statements

Government-wide financial statements display information about the District as a whole. These statements focus on the sustainability of the District as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. Interfund activity, if any, has been removed from these statements. These aggregated statements consist of the *Statement of Net Position* and the *Statement of Activities*.

Note 1 – Summary of Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements (continued)

Fund financial statements display information at the individual fund level. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for a specific purpose. Each fund is considered to be a separate accounting entity. The District uses only a General Fund to account for its operations. The District's principal financial resources are sewer revenues, property taxes and developer advances. Expenditures include costs associated with the daily operations of the District.

As a special-purpose government engaged in a single governmental program, the District has opted to combine its government-wide and fund financial statements in a columnar format showing an adjustments column for reconciling items between the two.

Measurement Focus and Basis of Accounting

The government-wide financial statements use the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied.

The fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized in the accounting period in which it becomes both available and measurable to finance expenditures of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Revenues susceptible to accrual include property taxes, interest earned on deposits and income from District operations. Property taxes receivable at the end of the fiscal year are treated as deferred inflows because they are not considered available to pay liabilities of the current period. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for unmatured interest on long-term debt, which is recognized when due.

Note 2 further details the adjustments from the governmental fund presentation to the government-wide presentation.

Use of Restricted Resources

When both restricted and unrestricted resources are available for use, the District uses restricted resources first, then unrestricted resources as they are needed.

Prepaid Items

Certain payments made by the District reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Note 1 – Summary of Significant Accounting Policies (continued)

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset, unless a legal right of offset exists. At April 30, 2023, an allowance for uncollectible accounts was not considered necessary.

Unbilled Service Revenues

Utility revenue is recorded when earned. Customers are billed monthly. The estimated value of services provided but unbilled at year-end has been included in the accompanying financial statements.

Capital Assets

Capital assets do not provide financial resources at the fund level, and, therefore, are reported only in the government-wide statements. The District defines capital assets as assets with an initial cost of \$15,000 or more and an estimated useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost. Right-to-use leased assets are valued at the present value of lease payments. Donated capital assets are recorded at acquisition value, which is the price that would be paid to acquire the asset on the acquisition date. The District has not capitalized interest incurred during the construction of its capital assets. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Depreciable capital assets, which primarily consist of right-to-use leased assets, are amortized in the case of intangible assets, over five years using the straight-line method.

Deferred Inflows and Outflows of Financial Resources

A deferred inflow of financial resources is the acquisition of resources in one period that is applicable to a future period, while a deferred outflow of financial resources is the consumption of financial resources in one period that is applicable to a future period. A deferred inflow results from the acquisition of an asset without a corresponding revenue or assumption of a liability. A deferred outflow results from the use of an asset without a corresponding expenditure or reduction of a liability.

At the fund level, property taxes receivable not collected within 60 days of fiscal year end do not meet the availability criteria required for revenue recognition and are recorded as deferred inflows of financial resources.

Net Position – Governmental Activities

Governmental accounting standards establish the following three components of net position:

Net investment in capital assets – represents the District’s investments in capital assets, less any outstanding debt or other borrowings used to acquire those assets.

Montgomery County Municipal Utility District No. 110
Notes to Financial Statements
April 30, 2023

Note 1 – Summary of Significant Accounting Policies (continued)

Net Position – Governmental Activities (continued)

Restricted – consists of financial resources that are restricted for a specific purpose by enabling legislation or external parties.

Unrestricted – resources not included in the other components.

Fund Balances – Governmental Funds

Governmental accounting standards establish the following fund balance classifications:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District's nonspendable fund balance consists of prepaid items.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. The District does not have any restricted fund balances.

Committed - amounts that can be used only for specific purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. The District does not have any committed fund balances.

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

Unassigned - all other spendable amounts in the General Fund.

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

Montgomery County Municipal Utility District No. 110
Notes to Financial Statements
April 30, 2023

Note 1 – Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses/expenditures during the period reported. These estimates include, among others, the collectability of receivables; the value of unbilled utility revenues and receivables; the useful lives and impairment of capital assets; the value of amounts due to developer; the value of capital assets transferred to other governmental entities and the value of capital assets for which the developer has not been fully reimbursed. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from the estimates.

Note 2 – Adjustment from Governmental to Government-wide Basis

Reconciliation of the *Governmental Funds Balance Sheet* to the *Statement of Net Position*

Total fund balance, governmental funds	\$ (190,099)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.	
Historical cost	\$ 1,743,912
Less accumulated depreciation	<u>(135,629)</u>
Change due to capital assets	1,608,283
Amounts due to the District's developer for prefunded construction and operating advances are recorded as a liability in the <i>Statement of Net Position</i> .	(3,005,268)
Obligations under leases are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	(426,433)
Property taxes receivable have been levied and are due, but are not available soon enough to pay current period expenditures and, therefore, are deferred in the funds.	291
Total net position - governmental activities	<u><u>\$ (2,013,226)</u></u>

Montgomery County Municipal Utility District No. 110
Notes to Financial Statements
April 30, 2023

Note 2 – Adjustment from Governmental to Government-wide Basis (continued)

Reconciliation of the *Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances* to the *Statement of Activities*

Net change in fund balances - total governmental funds	\$ (184,349)
Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the <i>Statement of Activities</i> when earned. The difference is for property taxes.	291
Governmental funds report the principal portion of lease payments as expenditures in the funds; however, in the <i>Statement of Net Position</i> , these payments are recorded as a reduction to the long-term lease liability.	93,772
In the <i>Statement of Activities</i> , the cost of capital assets is charged to amortization expense over the estimated useful life of the asset.	(108,504)
The District conveys its water facilities to Porter Special Utility District upon completion of construction. Since these improvements are funded by the developer, financial resources are not expended in the fund financial statements; however, in the <i>Statement of Activities</i> , these amounts are reported as transfers to other governments.	(1,596,859)
Amounts received from the District's developer for operating advances provide financial resources at the fund level, but are recorded as a liability in the <i>Statement of Net Position</i> .	(142,000)
Change in net position of governmental activities	<u><u>\$ (1,937,649)</u></u>

Note 3 – Deposits and Investments

Deposit Custodial Credit Risk

Custodial credit risk as it applies to deposits (i.e. cash) is the risk that, in the event of the failure of the depository institution, a government will not be able to recover its deposits or will not be able to recover collateral securities. The *Public Funds Collateral Act* (Chapter 2257, Texas Government Code) requires that all of the District's deposits with financial institutions be covered by federal depository insurance and, if necessary, pledged collateral held by a third-party custodian. The act further specifies the types of securities that can be used as collateral. The District's written investment policy establishes additional requirements for collateralization of deposits.

Montgomery County Municipal Utility District No. 110
Notes to Financial Statements
April 30, 2023

Note 3 – Deposits and Investments (continued)

Investments

The District is authorized by the *Public Funds Investment Act* (Chapter 2256, Texas Government Code) to invest in the following: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including Federal Home Loan Banks, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) certain collateralized mortgage obligations, (4) other obligations, which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies or 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, (5) certain A rated or higher obligations of states and political subdivisions of any state, (6) bonds issued, assumed or guaranteed by the State of Israel, (7) certain insured or collateralized certificates of deposit and share certificates, (8) certain fully collateralized repurchase agreements, (9) bankers' acceptances with limitations, (10) commercial paper rated A-1 or P-1 or higher and a maturity of 270 days or less, (11) no-load money market mutual funds and no-load mutual funds, with limitations, (12) certain guaranteed investment contracts, (13) certain qualified governmental investment pools and (14) a qualified securities lending program.

The District has adopted a written investment policy to establish the principles by which the District's investment program should be managed. This policy further restricts the types of investments in which the District may invest.

Note 4 – Capital Assets

A summary of changes in capital assets, for the year ended April 30, 2023, is as follows:

	Beginning Balances	Additions	Ending Balances
Capital assets not being depreciated			
Land and improvements	\$ 419,248	\$ 782,161	\$ 1,201,409
Capital assets being amortized			
Right-to-use leased asset	542,503		542,503
Less accumulated amortization	(27,125)	(108,504)	(135,629)
	<u>515,378</u>	<u>(108,504)</u>	<u>406,874</u>
Capital assets, net	<u>\$ 934,626</u>	<u>\$ 673,657</u>	<u>\$ 1,608,283</u>

Amortization expense for the current year was \$108,504.

Montgomery County Municipal Utility District No. 110
Notes to Financial Statements
April 30, 2023

Note 5 – Due to Developer

The District has entered into a financing agreement with its developer for the financing of the construction of water, sewer, drainage, park and recreational facilities and road improvements. Under the agreement, the developer will advance funds for the construction of facilities to serve the District. The developer will be reimbursed from proceeds of future bond issues or other lawfully available funds, subject to approval by TCEQ, as applicable. The District does not record the capital asset and related liability on the government-wide statements until construction of the facilities is complete. The initial cost is estimated based on construction costs plus 10-15% for engineering and other fees. Estimates are trued up when the developer is reimbursed.

The District’s developer has also advanced funds to the District for operating expenses.

Changes in the estimated amounts due to developer during the year are as follows:

Due to developer, beginning of year	\$ 484,248
Developer funded construction	2,379,020
Operating advances from developer	142,000
Due to developer, end of year	<u><u>\$ 3,005,268</u></u>

In addition, the District will owe the developer approximately \$10,687,811 which is included in the following schedule of contractual commitments. The exact amount is not known until approved by the TCEQ and verified by the District’s auditor. As previously noted, these projects will be reported in the government-wide financial statements upon completion of construction.

	<u>Contract Amount</u>	<u>Percent Complete</u>
Utilities to serve Maple Heights, Phase 1A	\$ 3,666,113	99.4%
Paving to serve Maple Heights, Phase 1A	3,153,689	95.0%
Utilities and paving to serve Maple Heights - Section 2	2,335,067	99.8%
Black Branch Wastwater Treatment Plant, Phase 1	1,532,942	92.5%
	<u><u>\$ 10,687,811</u></u>	

Montgomery County Municipal Utility District No. 110
Notes to Financial Statements
April 30, 2023

Note 6 - Lease Obligations

On August 20, 2020, the District entered into an equipment lease agreement for a wastewater treatment plant. The agreement was amended on November 11, 2021. This lease is for a 60-month term at rate of 8% with payments commencing February 1, 2022. The lease agreement shall automatically be extended on a month-to-month basis after the initial term, unless otherwise terminated. The District recognized a lease liability and an intangible right-to-use leased asset in the amount of \$542,503, which is measured at the present value of future lease payments. The remaining balance of the liability at April 30, 2023, is \$426,433. The District is responsible for all ordinary expenses related to repairing and maintaining the equipment. Monthly payments for the lease are \$11,000. Total annual payments are \$132,000, which includes principal of \$93,772 and interest of \$38,228.

Annual requirements to amortize long-term lease obligations and related interest are as follows:

Year Ended	Principal	Interest	Total
2024	\$ 101,556	\$ 30,444	\$ 132,000
2025	109,984	22,016	132,000
2026	119,114	12,886	132,000
2027	95,779	3,221	99,000
	<u>\$ 426,433</u>	<u>\$ 68,567</u>	<u>\$ 495,000</u>
Due within one year	<u>\$ 101,556</u>	<u>\$ 30,444</u>	<u>\$ 132,000</u>

Note 7 – Long-Term Debt

At April 30, 2023, the District had authorized but unissued bonds in the amount of \$58,805,000 for water, sewer and drainage facilities and \$58,805,000 for the refunding of such bonds; \$11,740,000 for park and recreational facilities and \$11,740,000 for the refunding of such bonds; and \$31,275,000 for road improvements and \$31,275,000 for the refunding of such bonds.

Note 8 – Property Taxes

On November 2, 2021, the voters of the District authorized the District’s Board of Directors to levy taxes annually for use in financing general operations limited to \$1.50 per \$100 of assessed value. In addition, the voters of the District authorized the District’s Board of Directors to levy taxes annually for use in financing road maintenance limited to \$0.25 per \$100 of assessed value.

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

Montgomery County Municipal Utility District No. 110
Notes to Financial Statements
April 30, 2023

Note 8 – Property Taxes (continued)

Property taxes are collected based on rates adopted in the year of the levy. The District’s 2023 fiscal year was financed through the 2022 tax levy, pursuant to which the District levied property taxes of \$1.35 per \$100 of assessed value for maintenance and operations. The resulting tax levy was \$80,748 on the adjusted taxable value of \$5,981,310.

Note 9 – Water Facilities Development and Service Agreement with Porter Special Utility District

On November 2, 2020, a developer of the District entered into a Water Facilities Development and Service Agreement with Porter Special Utility District (“Porter SUD”). Under the terms of the agreement, Porter SUD serves as the retail water supplier to customers located within the boundaries of the District and the developer agreed to construct certain extensions to the potable water supply system of Porter SUD to improve the water supply, storage, and transmission facilities necessary to serve the District (the “Extensions”). Porter SUD and the developer have agreed that the developer will fund the construction of the Extensions in lieu of paying impact fees to Porter SUD, as provided for more specifically in the agreement. Upon construction of all the Extensions, there will be a final accounting wherein Porter SUD will reimburse the developer if the cost to construct the extensions exceeds the impact fees that would have been paid under the standard rules and regulations of Porter SUD. If the Extension construction costs amount to less than what the impact fees would have been paid under the standard rules and regulations of Porter SUD, then the developer will pay to Porter SUD an amount equal to that difference. As of April 30, 2023, construction of the Extensions was ongoing and the final accounting has not occurred.

Once construction of the Extensions to serve the District is complete, those facilities are conveyed to Porter SUD for operation under the same terms, conditions, fees and changes applicable to its other customers.

Note 10 – Transfers to Other Governments

Porter Special Utility District (“Porter SUD”) assumes responsibility for the maintenance of water facilities constructed in the District. Accordingly, the District does not record these capital assets in the *Statement of Net Position*, but instead reports the completed projects as transfers to other governments on the *Statement of Activities*. The estimated cost of each project is trued-up when the developer is subsequently reimbursed. For the year ended April 30, 2023, the District reported transfers to other governments in the amount of \$1,596,859 for projects completed and transferred to the Porter SUD.

Note 11 – Strategic Partnership Agreement

On May 25, 2023, the District and the City of Conroe (the “City”) entered into a Strategic Partnership Agreement under which the City may annex the District for limited purposes. If any part of the District is annexed for limited purposes, the District continues to exercise all powers and functions of a municipal utility district. The City has not yet annexed any part of the District for limited purposes.

Montgomery County Municipal Utility District No. 110
Notes to Financial Statements
April 30, 2023

Note 11 – Strategic Partnership Agreement (continued)

The City agrees that it will not annex all or part of the District until the earlier of: (1) the date on which the District has achieved 90% build out as defined in the Agreement, (2) on or after December 31st of the sixteenth (16th) year following the District’s first ad valorem tax bond issuance or December 31, 2043, whichever is first. On the full purpose annexation date, the land included within the boundaries of the District shall be deemed to be within the full purpose boundary limits of the City and all taxable property within the territory of the District shall become subject to ad valorem taxation by the City.

If debt of the District remains outstanding on the full purpose annexation conversion or if the District has not fully reimbursed any developer within the District in accordance with any written reimbursement agreement, then the District shall become a “limited district”. The “limited district” shall be known as Montgomery County Municipal Utility District No. 110 and shall continue until all outstanding debt has been fully paid. The powers of the “limited district” are restricted to the levy and collection of ad valorem taxes sufficient to meet the outstanding debt service requirements.

Note 12 – 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 personal injuries. The risk of loss is covered by commercial insurance. There have been no significant reductions in insurance coverage from the prior year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Note 12 – Economic Dependency

The District is dependent upon its developer for operating advances. The developer continues to own a substantial portion of the taxable property within the District. The developer’s willingness to make future operating advances and to pay property taxes will directly affect the District’s ability to meet its future obligations.

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Required Supplementary Information

*Montgomery County Municipal Utility District No. 110
 Required Supplementary Information - Budgetary Comparison Schedule - General Fund
 For the Year Ended April 30, 2023*

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Water service	\$ 56,000	\$ -	\$ (56,000)
Sewer service	89,100	129,607	40,507
Property taxes		80,458	80,458
Penalties and interest		159	159
Inspection fees	30,000	27,225	(2,775)
Investment earnings		201	201
Total Revenues	<u>175,100</u>	<u>237,650</u>	<u>62,550</u>
Expenditures			
Current service operations			
Professional fees	100,000	138,792	(38,792)
Contracted services	71,900	67,875	4,025
Repairs and maintenance	40,000	195,011	(155,011)
Utilities		2,779	(2,779)
Administrative	19,500	25,308	(5,808)
Other	17,400	2,234	15,166
Debt service			
Lease - principal	132,000	93,772	38,228
Lease - interest		38,228	(38,228)
Total Expenditures	<u>380,800</u>	<u>563,999</u>	<u>(183,199)</u>
Revenues Under Expenditures	(205,700)	(326,349)	(120,649)
Other Financing Sources			
Developer advances	<u>205,700</u>	<u>142,000</u>	<u>(63,700)</u>
Net Change in Fund Balance	-	(184,349)	(184,349)
Fund Balance			
Beginning of the year	(5,750)	(5,750)	
End of the year	<u>\$ (5,750)</u>	<u>\$ (190,099)</u>	<u>\$ (184,349)</u>

Montgomery County Municipal Utility District No. 110
Notes to Required Supplementary Information
April 30, 2023

Budgets and Budgetary Accounting

An annual unappropriated budget is adopted for the General Fund by the District's Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. There were no amendments to the budget during the year.

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Texas Supplementary Information

Montgomery County Municipal Utility District No. 110
TSI-1. Services and Rates
April 30, 2023

1. Services provided by the District During the Fiscal Year:

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

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	Usage Levels
Wastewater:	\$ 55.00	N/A	Y	N/A	-0- to unlimited
District employs winter averaging for wastewater usage?				<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Total charges per 10,000 gallons usage:				Water _____	Wastewater \$ 55.00

b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC'S
Unmetered	_____	_____	x 1.0	_____
less than 3/4"	_____	_____	x 1.0	_____
1"	_____	_____	x 2.5	_____
1.5"	_____	_____	x 5.0	_____
2"	_____	_____	x 8.0	_____
3"	_____	_____	x 15.0	_____
4"	_____	_____	x 25.0	_____
6"	_____	_____	x 50.0	_____
8"	_____	_____	x 80.0	_____
10"	_____	_____	x 115.0	_____
Total Water	_____	_____	_____	_____
Total Wastewater	179	179	x 1.0	179

See accompanying auditor's report.

Montgomery County Municipal Utility District No. 110
TSI-1. Services and Rates
April 30, 2023

3. Total Water Consumption during the fiscal year (rounded to the nearest thousand):

Gallons pumped into system:	<u> N/A </u>	Water Accountability Ratio:
Gallons billed to customers:	<u> N/A </u>	(Gallons billed / Gallons pumped)
		<u> N/A </u>

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

Does the District have Debt Service standby fees? Yes No

If yes, Date of the most recent commission Order: _____

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

If yes, Date of the most recent commission Order: _____

5. Location of District

Is the District located entirely within one county? Yes No

County(ies) in which the District is located: Montgomery County

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

City(ies) in which the District is located: _____

Is the District located within a city's extra territorial jurisdiction (ETJ)?

Entirely Partly Not at all

ETJs in which the District is located: City of Conroe

Are Board members appointed by an office outside the district? Yes No

If Yes, by whom? _____

See accompanying auditors' report.

*Montgomery County Municipal Utility District No. 110
 TSI-2. General Fund Expenditures
 For the Year Ended April 30, 2023*

Professional fees	
Legal	\$ 111,247
Engineering	27,545
	<u>138,792</u>
Contracted services	
Bookkeeping	11,472
Operator	39,799
Tax assessor/collector	3,550
Appraisal district	336
Garbage collection	12,718
	<u>67,875</u>
Repairs and maintenance	<u>195,011</u>
Utilities	<u>2,779</u>
Administrative	
Directors fees	8,462
Printing and office supplies	723
Insurance	12,016
Other	4,107
	<u>25,308</u>
Other	<u>2,234</u>
Debt service	
Lease - principal	93,772
Lease - interest	38,228
	<u>132,000</u>
Total expenditures	<u><u>\$ 563,999</u></u>

See accompanying auditors' report.

Montgomery County Municipal Utility District No. 110
TSI-4. Taxes Levied and Receivable
April 30, 2023

	Maintenance Taxes
2022 Original Tax Levy	\$ 16,441
Adjustments	64,308
Adjusted Tax Levy	<u>80,749</u>
Tax collections:	
Current year	<u>80,458</u>
Taxes Receivable, End of Year	<u>\$ 291</u>
Taxes Receivable, By Years	
2022	<u>\$ 291</u>
	<u>2022</u>
Property Valuations:	
Land	\$ 3,939,470
Improvements	2,041,840
Personal Property	1,800
Exemptions	(1,800)
Total Property Valuations	<u>\$ 5,981,310</u>
Tax Rates per \$100 Valuation:	
Maintenance tax rates	<u>\$ 1.35</u>
Adjusted Tax Levy:	<u>\$ 80,748</u>
Percentage of Taxes Collected to Taxes Levied **	<u>99.64%</u>

* Maximum Maintenance Tax Rate Approved by Voters: \$1.50 on November 2, 2021

* Maximum Road Maintenance Tax Rate Approved by Voters: \$0.25 on November 2, 2021

** Calculated as taxes collected for a tax year divided by taxes levied for that tax year.

See accompanying auditors' report.

Montgomery County Municipal Utility District No. 110
TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund
For the Last Two Fiscal Years

	Amounts		Percent of Fund Total Revenues	
	2023	2022**	2023	2022**
Revenues				
Sewer service	\$ 129,607	\$ -	55%	
Property taxes	80,458		34%	
Penalties and interest	159		*	
Inspection fees	27,225	5,400	11%	100%
Investment earnings	201	5	*	*
Total Revenues	<u>237,650</u>	<u>5,405</u>	<u>100%</u>	<u>100%</u>
Expenditures				
Current service operations				
Professional fees	138,792	24,869	58%	460%
Contracted services	67,875	7,709	29%	143%
Repairs and maintenance	195,011		82%	
Utilities	2,779		1%	
Administrative	25,308	9,546	11%	177%
Other	2,234	1,031	1%	19%
Debt service				
Lease - principal	93,772	22,298	39%	413%
Lease - interest	38,228	10,702	16%	198%
Capital outlay				
Right-to-use lease asset		542,503		10,037%
Total Expenditures	<u>563,999</u>	<u>618,658</u>	<u>237%</u>	<u>11,447%</u>
Revenues Under Expenditures	<u>\$ (326,349)</u>	<u>\$ (613,253)</u>	<u>(137%)</u>	<u>(11,347%)</u>
Total Active Retail Water Connections	<u>N/A</u>	<u>N/A</u>		
Total Active Retail Wastewater Connections	<u>179</u>	<u>N/A</u>		

*Percentage is negligible

**Unaudited

See accompanying auditors' report.

Montgomery County Municipal Utility District No. 110
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended April 30, 2023

Complete District Mailing Address: 3200 Southwest Freeway, Suite 2600, Houston, TX 77027
District Business Telephone Number: (713)860-6400
Submission Date of the most recent District Registration Form
(TWC Sections 36.054 and 49.054): June 16, 2022
Limit on Fees of Office that a Director may receive during a fiscal year: \$ 7,200
(Set by Board Resolution -- TWC Section 49.060)

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimburse- ments	Title at Year End
Board Members				
Ralph Stafford	11/21-5/24	\$ 1,500	\$ 267	President
Brittany Keeswood	11/21-5/24	1,500	321	Vice President
Kyle Macy	11/21-5/24	1,650	122	Secretary
Joseph Schwieterman	5/22-5/26	1,500	146	Assistant Vice President/ Assistant Secretary
Brad T. Fellows	5/22-5/26	1,200	255	Assistant Vice President/ Assistant Secretary
Consultants				
		Amounts Paid		
Allen Boone Humphries Robinson LLP <i>General legal fees</i>	2021	\$ 136,521		Attorney
Enviromental Development Partners, LLC	2021	199,237		Operator
District Data Services, Inc.	2021	12,317		Bookkeeper
Utility Tax Service, LLC	2021	3,550		Tax Collector
Montgomery Central Appraisal District	Legislation	516		Property Valuation
Perdue, Brandon, Fielder, Collins & Mott, LLP	2022			Delinquent Tax Attorney
LJA Engineering, Inc.	2022	15,648		Engineer
McGrath & Co., PLLC	Annual			Auditor
The GMS Group, LLC	2021	800		Financial Advisor
Kimley-Horn	2021	12,763		Former Engineer

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

APPENDIX B

PHOTOGRAPHS TAKEN IN THE DISTRICT



