

OFFICIAL STATEMENT DATED NOVEMBER 16, 2023

IN THE OPINION OF BOND COUNSEL (DEFINED BELOW), UNDER CURRENT LAW AND SUBJECT TO CONDITIONS DESCRIBED IN THE SECTION HEREIN "TAX EXEMPTION," INTEREST ON THE BONDS (A) IS NOT INCLUDED IN GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES, (B) IS NOT AN ITEM OF TAX PREFERENCE FOR PURPOSES OF THE FEDERAL ALTERNATIVE MINIMUM INCOME TAX, AND (C) IS TAKEN INTO ACCOUNT BY APPLICABLE CORPORATIONS (AS DEFINED IN SECTION 59(K) OF THE CODE (HEREIN DEFINED) FOR THE ALTERNATIVE MINIMUM TAX IMPOSED ON SUCH CORPORATIONS. A HOLDER MAY BE SUBJECT TO OTHER FEDERAL TAX CONSEQUENCES AS DESCRIBED IN THE SECTION HEREIN "TAX EXEMPTION."

The Bonds have been designated as "Qualified Tax-Exempt Obligations" for financial institutions. See "TAX EXEMPTION – Designation for Purchase by Financial Institutions."

NEW ISSUE – Book-Entry-Only

S&P Global Ratings (BAM Insured) "AA"

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 163

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

\$7,965,000

Contract Revenue Bonds (East Service Area)
Series 2023

Dated: December 1, 2023

Interest Accrues From: Date of Delivery

Due: November 1, as shown on the inside cover

The \$7,965,000 Montgomery County Municipal Utility District No. 163 Contract Revenue Bonds (East Service Area), Series 2023 (the "Bonds") are special obligations of Montgomery County Municipal Utility District No. 163 (the "Master District") payable solely from and to the extent of payments contractually required of the municipal utility districts within the East Service Area (the "East Service Area Participant") from proceeds of an annual ad valorem tax, without legal limit as to rate or amount, levied by each East Service Area Participant or from other revenues available to such East Service Area Participant (the "Contract Payments"). Payment of Contract Payments by the East Service Area Participants and use of such proceeds by the Master District to pay debt service on the Bonds is governed by the Contract for Construction, Financing, Operation, and Maintenance of Regional Facilities, including Supplement No. 1, (the "Master District Contract") as described more fully under "MASTER DISTRICT CONTRACT." The Bonds are special obligations of the Master District payable solely from the Contract Payments received by the East Service Area Participants and are not obligations of the State of Texas; the City of Conroe, Texas; Montgomery County, Texas; any of the East Service Area Participants; or any entity other than the Master District.

The Bonds are dated December 1, 2023, and mature on November 1 in the years and in the principal amounts shown on the inside cover. Interest on the Bonds accrues from the initial date of delivery (on or about December 14, 2023), at the rates set forth on the inside cover, and is payable May 1, 2024, and each November 1 and May 1 thereafter (each an "Interest Payment Date") until the earlier of stated maturity or prior redemption. Principal of the Bonds is payable to the registered owners of the Bonds (the "Registered Owners") at BOKF, NA, Dallas, Texas (the "Paying Agent/Registrar"), upon surrender of the Bonds for payment at the stated maturity or upon prior redemption. Unless otherwise agreed between the Paying Agent/Registrar and a Registered Owner, interest on the Bonds is dated as of the Interest Payment Date and payable to each Registered Owner, as shown on the records of the Paying Agent/Registrar on the close of business on the 15th day of the calendar month next preceding each Interest Payment Date. The Bonds will be issued only in fully registered form in the denomination of \$5,000 of principal amount, or any integral multiple thereof.

The Bonds, when issued, will constitute valid and binding obligations of the Master District and will be payable from Contract Payments, as further described herein. See "THE BONDS – Source of Payment."

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

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

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



The Bonds constitute the first series of contract revenue bonds issued by the Master District for the purpose of constructing or acquiring regional water, wastewater, and drainage facilities to serve the East Service Area (the "Master District East Service Area System Facilities").

THE BONDS ARE SUBJECT TO CERTAIN RISK FACTORS AS DISCUSSED UNDER "RISK FACTORS."

The Bonds are offered subject to prior sale, when, as, and if issued by the Master District and accepted by the Initial Purchaser, subject to the approval of the Attorney General of Texas and The Muller Law Group, PLLC, Sugar Land, Texas, Bond Counsel. Delivery of the Bonds in book-entry form through the facilities of DTC is expected on or about December 14, 2023.

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

**\$7,965,000 Montgomery County Municipal Utility District No. 163
Contract Revenue Bonds (East Service Area), Series 2023**

\$5,115,000 Serial Bonds

Maturity November 1	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 61373Y (b)	Maturity November 1	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 61373Y (b)
2025	\$ 145,000	7.375%	4.000%	AA4	2035 (c)	\$ 260,000	5.000%	4.400%	AL0
2026	155,000	7.375%	4.000%	AB2	2036 (c)	275,000	5.000%	4.500%	AM8
2027	165,000	7.375%	4.000%	AC0	2037 (c)	290,000	5.000%	4.600%	AN6
2028	170,000	7.375%	4.000%	AD8	2038 (c)	310,000	5.000%	4.700%	AP1
2029	185,000	7.375%	4.000%	AE6	2039 (c)	330,000	5.000%	4.750%	AQ9
2030 (c)	195,000	7.375%	4.050%	AF3	2040 (c)	345,000	5.000%	4.800%	AR7
2031 (c)	205,000	6.500%	4.100%	AG1	2041 (c)	370,000	5.000%	4.850%	AS5
2032 (c)	220,000	5.000%	4.150%	AH9	***	***	***	***	***
2033 (c)	230,000	5.000%	4.200%	AJ5	2046 (c)	495,000	4.875%	4.980%	AX4
2034 (c)	245,000	5.000%	4.300%	AK2	2047 (c)	525,000	4.875%	4.990%	AY2

\$2,850,000 Term Bonds

\$805,000 Term Bond Due November 1, 2043 (c)(d), Interest Rate: 5.000% (Price: \$100.500) (a), CUSIP No. 61373Y AU0 (b)

\$905,000 Term Bond Due November 1, 2045 (c)(d), Interest Rate: 4.875% (Price: \$98.867) (a), CUSIP No. 61373Y AW6 (b)

\$1,140,000 Term Bond Due November 1, 2049 (c)(d), Interest Rate: 4.875% (Price: \$98.190) (a), CUSIP No. 61373Y BA3 (b)

-
- (a) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Initial Purchaser. Initial reoffering yields represent the initial offering price, which may be changed for subsequent purchasers. The initial yield indicated above represents the lower of the yields resulting when priced to maturity or to the first call date.
- (b) CUSIP numbers have been assigned to this issue by the CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association, and are included solely for the convenience of the owners of the Bonds.
- (c) The Bonds maturing on November 1, 2030, and thereafter shall be subject to redemption and payment at the option of the Master District, in whole or from time to time in part, on November 1, 2029, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. See "THE BONDS – Redemption of the Bonds – *Optional Redemption*."
- (d) Subject to mandatory sinking fund redemption by lot or other customary method of random selection on November 1 in the years and in the amounts as set forth herein under "THE BONDS – Redemption of the Bonds – *Mandatory Redemption*."

USE OF INFORMATION IN OFFICIAL STATEMENT

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

All of the summaries of the statutes, resolutions, orders, contracts, audits, and engineering and other related reports set forth herein are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions and reference is made to such documents, copies of which are available from Bond Counsel upon payment of duplication costs, for further information.

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 qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

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

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

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

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SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the Master District has accepted the bid resulting in the lowest net effective interest rate to the Master District, which was tendered by SAMCO Capital Markets, Inc. (the "Initial Purchaser") to purchase the Bonds bearing the interest rates shown on the inside cover under "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL REOFFERING YIELDS, AND CUSIPS" at a price of 97.002778% of the par value thereof, which resulted in a net effective interest rate of 5.210991%, as calculated pursuant to Chapter 1204 of the Texas Government Code.

Prices and Marketability

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

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

The prices and other terms with respect to the offering and sale of the Bonds may be changed from time-to-time by the Initial Purchaser after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who MAY SELL THE BONDS INTO INVESTMENT ACCOUNTS.

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

Securities Laws

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

Delivery of Official Statements

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

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

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

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

Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure municipal bonds, as defined in Section 6901 of the New York Insurance Law, which are most often issued by states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

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

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

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

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of September 30, 2023, and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$502.8 million, \$217.0 million and \$285.8 million, respectively.

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

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

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

Additional Information Available from BAM

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

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

Disclaimers. The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight

videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for their content.

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

MUNICIPAL BOND RATING

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

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

OFFICIAL STATEMENT SUMMARY

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

THE BONDS

- Issuer Montgomery County Municipal Utility District No. 163 (the “Master District”), a political subdivision of the State of Texas (“Texas”), is located in Montgomery County, Texas (the “County”). See “THE MASTER DISTRICT.”
- Issues The \$7,965,000 Montgomery County Municipal Utility District No. 163 Contract Revenue Bonds (East Service Area), Series 2023 (the “Bonds”), are dated December 1, 2023, and mature on November 1 in the years and in the principal amounts shown on the inside cover page hereof. Interest on the Bonds accrues from the initial date of delivery (on or about December 14, 2023), at the rates set forth on the inside cover page hereof, and is payable May 1, 2024, and each November 1 and May 1 thereafter until the earlier of stated maturity or prior redemption. See “THE BONDS.”
- Redemption of the Bonds..... The Bonds maturing on November 1, 2030, and thereafter shall be subject to redemption and payment at the option of the Master District, in whole or from time to time in part, on November 1, 2029, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. See “THE BONDS – Redemption of the Bonds – *Optional Redemption.*”
- The Bonds maturing on November 1, 2025, through November 1, 2041, both inclusive, and November 1, 2046, through November 1, 2047, both inclusive, are serial bonds. The Bonds maturing on November 1 in the years 2043, 2045, and 2049 are term bonds that are also subject to mandatory sinking fund redemption provisions as set out herein under “THE BONDS – Redemption of the Bonds – *Mandatory Redemption.*”
- Book-Entry-Only System..... The Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York (“DTC”), pursuant to the book-entry-only system discussed herein. Beneficial ownership of the Bonds may be acquired in principal denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners of the Bonds. Principal of and interest on the Bonds will be payable by the office of the paying agent/registrar, initially BOKF, NA, Dallas, Texas, to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See “THE BONDS – Book-Entry-Only System.”
- Source of Payment Principal of and interest on the Bonds are payable from and secured by payments required of the East Service Area Participants within the East Service Area (each as herein defined) from proceeds of an annual ad valorem tax, without legal limit as to rate or amount, levied by each East Service Area Participant, which currently only includes Montgomery County Municipal Utility District No. 191, or from other revenues available to such East Service Area Participant. The Master District will establish a debt service fund to pay the principal of and interest on the East Service Area Contract Revenue Bonds (herein defined), such as the Bonds (the “Contract Revenue East Service Area System Debt Service Fund”). The Master District will establish a debt service fund to pay the principal of and interest on future Contract Revenue East Service Area Road Bonds (the “Contract Revenue East Service Area Road Debt Service Fund”). Contract Payments by East Service Area Participants and use of such proceeds by the Master District to pay debt service on the Bonds is governed by the Contract for Construction, Financing, Operation, and Maintenance of Regional Facilities, including Supplement No. 1, (the “Master District Contract”) which has been entered into by the Master District and the East Service Area Participants. By execution of the Master District Contract, each East Service Area

Participant has agreed to pay a pro rata share of the debt service on the East Service Area Contract Revenue Bonds, including the Bonds, which share is based upon the appraised valuation of the East Service Area subject to taxation plus amounts equal to any optional exemption or special appraisal value granted or adopted by a East Service Area Participant, (the "Gross Certified Assessed Valuation") of each East Service Area Participant as a percentage of the Gross Certified Assessed Valuation of all East Service Area Participants, calculated annually. Each East Service Area Participant is contractually obligated to make the Contract Payments from the proceeds of an annual ad valorem tax, without legal limit as to rate or amount, levied by such East Service Area Participant for such purpose on taxable property within its boundaries (the "Contract Tax"), from revenues derived from the operations of such East Service Area Participant's water distribution and wastewater collection systems, or from any other lawful sources of such East Service Area Participant's income. No East Service Area Participant is liable for the payments owed by any other East Service Area Participant; however, failure of any East Service Area Participant to make its Contract Payment, as required by the Master District Contract, could result in an increase in the Contract Payment amount paid by each of the East Service Area Participants during the time that such Participant's payment is delinquent, as the East Service Area Participants would have to replenish its respective coverage in the Master District debt service fund.

Montgomery County Municipal Utility District No. 191 ("MCMUD191") is currently the only East Service Area Participant; therefore, MCMUD191 will be responsible for paying 100% of the debt service payments on the Bonds through the Contract Payments made to the Master District from the proceeds of MCMUD191's Contract Tax, until such time as there are additional Participants within the East Service Area, if ever.

The Bonds are special obligations of the Master District and are not obligations of Texas; the County; the City of Conroe, Texas (the "City"); any of the East Service Area Participants; or any entity other than the Master District. See "THE BONDS - Source of Payment," "THE BONDS - Unconditional Obligation to Pay," and "MASTER DISTRICT CONTRACT."

- Use and Distribution of Bond Proceeds..... Proceeds from the sale of the Bonds will be used to reimburse Pulte (herein defined) for the costs associated with the construction of the Master District East Service Area System Facilities (herein defined) shown under "THE BONDS - Use and Distribution of Bond Proceeds." In addition, proceeds from the sale of the Bonds will be used to pay developer interest, 18 months of capitalized interest, creation costs, and certain other costs associated with the issuance of the Bonds. See "THE BONDS - Use and Distribution of Bond Proceeds."
- Qualified Tax-Exempt Obligations The Bonds have been designated "qualified tax-exempt obligations" for financial institutions. See "TAX EXEMPTION - Designation for Purchase by Financial Institutions."
- Municipal Bond Insurance..... Build America Mutual Assurance Company ("BAM"). See "MUNICIPAL BOND INSURANCE."
- Municipal Bond Rating..... S&P Global Ratings (BAM Insured): "AA." See "MUNICIPAL BOND RATING."
- Payment Record..... The Bonds are the first issuance of bonded indebtedness by the Master District.
- Contract Revenue Bonds..... The Master District is issuing the Bonds for the purpose of constructing or acquiring regional water, wastewater, and drainage facilities to serve the East Service Area (the "Master District East Service Area System Facilities"), and the Master District is expected to issue, in the future, additional contract revenue bonds for the Master District East Service Area System Facilities. The Master District is additionally expected to issue contract revenue bonds (the "West Service Area Contract Revenue Bonds") for the purpose of constructing or acquiring regional water, wastewater, and drainage facilities to serve the West Service Area (the "Master District West System

Facilities” and together with the Master District East Service Area System Facilities, the “Master District System Facilities”). The Bonds and any contract revenue bonds issued for the purpose of constructing or acquiring the Master District East Service Area System Facilities are referred to herein as the “East Service Area Contract Revenue Bonds.” The East Service Area Contract Revenue Bonds and the West Service Area Contract Revenue Bonds may be collectively referred to herein as the “Contract Revenue Bonds.” The Master District is also expected to issue, in the future, contract revenue bonds for the purpose of constructing or acquiring the Master District Road Facilities (herein defined) (the “Contract Revenue Road Bonds”). The Contract Revenue Bonds and the Contract Revenue Road Bonds, are collectively referred to herein as the “Contract Revenue Bonds.” See “RISK FACTORS – General,” “MASTER DISTRICT DEBT – Tax Rates of the Participants,” and “THE BONDS – Authority for Issuance.”

Financing Park and Recreational Facilities In addition to the improvements to be made through the issuance of the Bonds, and any future Contract Revenue Bonds, and pursuant to the Master District Contract, the Master District may own, construct, and/or acquire regional park and recreational facilities to serve the East Service Area (the “Master District East Service Area Park Facilities”). The Master District may additionally own, construct, and/or acquire regional park and recreational facilities to serve the West Service Area (the “Master District West Service Area Park Facilities” and together with the Master District East Service Area Park Facilities, the “Master District Park Facilities”). The Master District Park Facilities may be financed by the Master District through the issuance of contract revenue bonds or may be paid by the Participants through the issuance of ad valorem tax bonds issued by the individual Participants. See “THE BONDS – Financing Park and Recreational Facilities.”

Authority for Issuance..... The Bonds constitute the first series of East Service Area Contract Revenue Bonds issued by the Master District as authorized by the Master District Contract approved by the voters of the Master District and the voters of the East Service Area Participants for the purpose of constructing or acquiring the Master District East Service Area System Facilities. The Bonds are being issued for the purpose of constructing or acquiring the Master District East Service Area System Facilities and are payable from and secured solely by the Contract Payments from the East Service Area Participants.

The Bonds are issued by the Master District pursuant the elections described above; the Master District Contract; the terms and conditions of the bond resolution authorizing the issuance of the Bonds (the “Bond Resolution”) adopted by the Board of Directors of the Master District (the “Board”) on the date of sale of the Bonds; Article XVI, Section 59 of the Texas Constitution and Chapters 49 and 54 of the Texas Water Code, as amended; an order of the Texas Commission on Environmental Quality (the “TCEQ”); and the general laws of Texas relating to the issuance of bonds by political subdivisions in Texas. See “THE BONDS – Authority for Issuance,” “THE BONDS – Issuance of Additional Debt,” and “MASTER DISTRICT CONTRACT.”

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

Disclosure Counsel..... McCall, Parkhurst & Horton L.L.P., Houston, Texas.

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

Master District Engineer Elevation Land Solutions, Houston, Texas.

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

THE MASTER DISTRICT

Description..... The Master District is a political subdivision of Texas, created pursuant to Article XVI, Section 59 of the Constitution of the State of Texas, Chapters 49 and 54 of the Texas Water Code, as amended, and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended. The Master District was created by House Bill No. 4679, Chapter 935, Special District Local Laws Code, Acts of the 86th Legislature, Regular Session 2019, codified

as Chapter 8091, Special District Local Laws Code (the "Act"). The Service Area (defined herein) is located entirely within the extra-territorial jurisdiction of the City and lies wholly within the County. The Service Area is located in the southeast portion of the County, approximately 9 miles from the central downtown business district of the City.

The Master District was originally created encompassing approximately 1,229 acres. On February 10, 2021, the Master District was divided into three municipal utility districts: The Master District, MCMUD191, and Montgomery County Municipal Utility District No. 192 ("MCMUD192"). On June 2, 2022, the Master District was further divided into two more municipal utility districts: the Master District and Montgomery County Municipal Utility District No. 193 ("MCMUD193"). Currently, the Master District is approximately 0.5165 acres. No taxable improvements will be constructed in the Master District.

The Master District serves as the provider of regional water, wastewater, drainage, road, and park and recreational to the approximate 1,810-acre service area (the "Service Area") comprised of the Master District, Montgomery County Municipal Utility District No. 162 ("MCMUD162"), MCMUD191, MCMUD192, and Montgomery County Municipal Utility District No. 194 ("MCMUD194"). MCMUD193 is currently not included in the Service Area. MCMUD162 and MCMUD191 have entered into the Master District Contract with the Master District. See "MASTER DISTRICT CONTRACT."

Sub-Service Areas (East Service Area & West Service Area).....

The Master District Contract, defines two sub-service areas within the Service Area. These sub-service areas consist of the "East Service Area," generally consisting of approximately 853 acres of land within the Service Area east of FM 1314, and the "West Service Area," generally consisting of approximately 957 acres of land within the Service Area west of FM 1314, all as more particularly described in the Master District Contract. The East Service Area includes MCMUD191 and MCMUD192 (the "East Service Area Participants") (although MCMUD192 is not currently active or developing and has not approved the Master District Contract) and is being primarily developed by Pulte (herein defined) and Meritage (defined herein) as the Mavera master-planned community. The West Service Area includes MCMUD162 and MCMUD194 (the "West Service Area Participants") (although MCMUD194 is not currently active or developing and has not approved the Master District Contract) and is being primarily developed by Shea (herein defined) as the Evergreen master-planned community. The East Service Area Participants and the West Service Area Participants are collectively referred to herein as the "Participants."

Land within the Service Area may only be included in a sub-service area if the land is or will receive a benefit from the Master District Facilities specific to that sub-service area. The Master District Contract recognizes that the Master District Facilities and services to be provided to the East Service Area and West Service Area are unique in that the sub-service areas are served with separate and distinct Master District Facilities (the "Master District East Service Area System Facilities" and the "Master District West System Facilities," respectively), with the exception of the shared regional drainage channel that flows west to east and bisects the two sub-service areas ("Regional Channel") (65% of the capital costs of the regional drainage channel are paid by the East Service Area and 35% are paid by the West Service Area).

The Master District East Service Area System Facilities to be financed by the Bonds are for the benefit of the East Service Area. Therefore, only the East Service Area Participants shall be required by the Master District Contract to make Contract Payments for payment of the debt service on the Bonds. MCMUD191 is the only actively developing East Service Participant and has approved, along with its voters, the Master District Contract, making MCMUD191 the only Participant currently within the East Service Area. As such, MCMUD191 is currently the only East Service Area Participant for

purposes of making Contract Payments to the Master District for payment of the Bonds. If other municipal utility district's become active within the East Service Area, and their voters approve the Master District Contract they would then be required to pay their respective pro-rata shares of debt service payments on the Bonds through the payment of their respective Contract Payments.

The Master District Contract provides that the Service Area or any sub-service area may not be modified to decrease in size unless approved by the Master District and all Participants within the Service Area or the participants within the respective sub-service area, and, if the Master District has issued bonds, the approval of the bondholders is required pursuant to the terms of the Master District's Bonds. The Service Area or the respective sub-service area may not be enlarged without the consent of at least two-thirds of the boards of directors of the districts that are: (A) included in the Service Area or sub-service area as proposed to be enlarged; or (B) served by the Master District Facilities or services provided in the Master District Contract.

Developers/Principal Landowners

Within the Service Area Pulte Homes of Texas, L.P., a Texas limited partnership ("Pulte") who is wholly-owned by PulteGroup, Inc. ("PulteGroup"), is the developer of approximately 95.6 acres of residential land within the East Service Area being marketed as Maveria. Maveria is currently being developed solely in MCMUD191.

Approximately 24 acres of land within MCMUD191 in the East Service Area is being developed by Meritage Homes of Texas, L.L.C., an Arizona limited liability company ("Meritage"). Meritage purchased one model lot in the model park and approximately 24 acres, which they plan to develop into 127 residential lots, from Pulte on September 29, 2023. Pulte and Meritage are collectively referred to as the "Developers."

Shea Homes Houston, LLC, a Delaware limited liability company who is wholly-owned by Shea Homes Limited Partnership, is the developer of approximately 72.6 acres of residential land within the West Service Area being marketed as Evergreen. Evergreen is currently being developed solely in MCMUD162. See "DESCRIPTION OF THE DEVELOPERS."

Status of Development Within the East Service Area

To date, development within the East Service Area has occurred within the boundaries of MCMUD191. Out of the 342.76 total acres in MCMUD191, approximately 128.55 acres (457 lots) have been developed into the single-family residential subdivision of Maveria, Sections 1-5 and 7 within MCMUD191. Approximately 139.33 acres (517 lots) are currently under development as the single-family residential subdivision of Maveria, Sections 6, 8, 9, 10A and 10B. As of October 1, 2023, 206 homes were complete (176 occupied, 24 unoccupied, and 6 models), 105 homes were under construction, and 146 lots were developed and vacant. The remainder of the land within the District includes approximately 34.32 undeveloped but developable acres and approximately 40.56 undevelopable acres for use as right-of-way, drainage and detention, water pants, landscape, utilities, open space, etc. All remaining land outside the boundaries of MCMUD191, but within the East Service Area boundaries, remains undeveloped but developable land.

Homebuilders Active Within the East Service Area

Current homebuilders within the East Service Area include Pulte Homes and Beazer Homes. Prices of new homes being constructed within the Service Area range in price from approximately \$247,490 to over \$430,990 and in size from approximately 1,204 square feet to over 3,265 square feet.

Status of Development Within the West Service Area

To date, development within the West Service Area has occurred within the boundaries of MCMUD162. Out of the 158.70 total acres in MCMUD162, approximately 73.97 acres (264 lots) have been developed into the single-family residential subdivision of Evergreen, Sections 1, 2, and 3 within

MCMUD162. Approximately 25.49 acres (186 lots) are currently under development as Sections 4 and 5. As of October 1, 2023, 36 homes were complete (0 occupied, 28 unoccupied, and 8 models), 42 homes were under construction, and 186 lots were developed and vacant. The remainder of the land within the District includes approximately 18.597 undeveloped but developable acres and approximately 40.643 undevelopable acres for use as right-of-way, drainage and detention, water pants, landscape, utilities, open space, etc. All remaining land outside the boundaries of MCMUD162, but within the West Service Area boundaries, remains undeveloped but developable land.

- Homebuilders Active Within the West Service Area Current homebuilders within the West Service Area include Shea Homes, Chesmar Homes, and Perry Homes. Prices of new homes being constructed within the West Service Area range in list price from approximately \$315K to over \$730K and in size from approximately 1,600 square feet to over 4,900 square feet.
- Master District Facilities The Master District, in its capacity as the provider of the Master District System Facilities and the Master District Road Facilities, (collectively referred to herein as the “Master District Facilities”), will construct the Master District Facilities and provide services from such facilities. See “RISK FACTORS – Maximum Impact on Contract Tax Rate” and “MASTER DISTRICT FACILITIES.”
- Strategic Partnership Agreement..... The Master District and the Participants have entered into agreements with the City (the “Strategic Partnership Agreements”). The Strategic Partnership Agreements provide, among other things, the terms under which the City can annex or dissolve the Master District. The City may also maintain the Master District for limited purposes, such as payment of the Bonds. Once the Master District is dissolved, the Bonds and any additional Contract Revenue Bonds issued by the Master District will become obligations of the City. See “THE PARTICIPANTS – Annexation – Strategic Partnership Agreements.”

THE MASTER DISTRICT CONTRACT

- Participants..... The Participants (currently only MCMUD191 in the East Service Area) have entered into or are anticipated to enter into the Master District Contract with the Master District. Each Participant is a municipal utility district organized and operating pursuant to Article XVI, Section 59 and Article III, Section 52 of the Constitution of Texas and Chapters 49 and 54, Texas Water Code, to provide water, wastewater, drainage, road, and park and recreation services to the area within their boundaries. See “THE PARTICIPANTS.”
- Operational Revenues In addition to obligating each Participant to pay its Contract Payments, the Master District Contract also obligates each Participant to pay monthly charges to the Master District. The monthly charges paid by each Participant to the Master District will be used to pay operations and maintenance expenses and to provide an operation and maintenance reserve. The Master District Contract provides that each Participant will establish, maintain, and from time to time adjust its rates, fees, and charges for use of its water distribution and wastewater collection services, or for the availability of such services, to the end that the gross revenues therefrom together with any taxes levied in support thereof and funds received from any other lawful source will be sufficient at all times to pay all operation and maintenance expenses of the Participant’s water distribution and wastewater collection systems and its obligation to the Master District under the Master District Contract, including its obligation to pay its Contract Payment. See “MASTER DISTRICT CONTRACT.”

RISK FACTORS

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

SELECTED FINANCIAL INFORMATION
(UNAUDITED)

Contract Revenue Bonds of the Master District

2023 Gross Certified Assessed Valuation of the East Service Area Participants..... (100% of the market valuation as of January 1, 2023)	\$ 41,909,193 (a)
Estimated Gross Assessed Valuation of the East Service Area Participants as of October 1, 2023 ... (100% of the estimated market valuation as of October 1, 2023)	\$ 87,339,592 (b)
Direct Debt:	
The Bonds	\$ 7,965,000
Estimated Overlapping Debt	<u>1,539,787 (c)</u>
Total Direct and Estimated Overlapping Debt	<u>\$ 9,504,787</u>
Direct Debt Ratios:	
As a Percentage of the 2023 Gross Certified Assessed Valuation of the East Service Area Participants.....	19.01 %
As a Percentage of the Estimated Gross Assessed Valuation of the East Service Area Participants as of October 1, 2023	9.12 %
Direct and Estimated Overlapping Debt Ratios:	
As a Percentage of the 2023 Gross Certified Assessed Valuation of the East Service Area Participants.....	22.68 %
As a Percentage of the Estimated Gross Assessed Valuation of the East Service Area Participants as of October 1, 2023	10.88 %

Master District Debt Service Funds Available as of the Issuance of the Bonds

Contract Revenue East Service Area System Debt Service Fund Balance (as of Date of Delivery)....	\$ 632,400 (d)(e)
General Fund Balance (as of October 5, 2023).....	\$ 61,207
East Service Area Fund (as of October 5, 2023)	\$ 26,218 (f)

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- (a) Represents the assessed valuation of all taxable property located within the boundaries of the East Service Area Participants (currently only Montgomery County Municipal Utility District No. 191 ("MCMUD191")) as of January 1, 2023, as provided by the Montgomery Central Appraisal District (the "Appraisal District"). Each East Service Area Participant's tax roll is certified by the Montgomery Central Appraisal Review Board (the "Appraisal Review Board"). See "TAX DATA" and "TAXING PROCEDURES."
- (b) Provided by the Appraisal District for informational purposes only. This amount is an estimate of the value of all taxable property located within MCMUD191, currently the only active East Service Area Participant, as of October 1, 2023, and includes an estimate of values resulting from the construction of taxable improvements from January 1, 2023, through October 1, 2023. No taxes will be levied against this amount. See "TAX DATA" and "TAXING PROCEDURES."
- (c) See "MASTER DISTRICT DEBT – Estimated Direct and Overlapping Debt Statement."
- (d) Neither Texas law nor the Bond Resolution requires that the Master District maintain any particular sum in the Contract Revenue East Service Area System Debt Service Fund. Money deposited into the Contract Revenue East Service Area System Debt Service Fund can only be used to pay debt service on the East Service Area Contract Revenue Bonds (defined herein), such as the Bonds. This reflects eighteen (18) months of capitalized interest.
- (e) Each East Service Area Participant is obligated to pay a pro rata share of debt service on the East Service Area Contract Revenue Bonds issued for purposes of acquiring or constructing the Master District East Service Area System Facilities (defined herein) by the dates specified by the Master District. See "THE BONDS – Contract Payments by the East Service Area Participants," "THE BONDS – Unconditional Obligation to Pay," and "MASTER DISTRICT CONTRACT."
- (f) Pays for the East Service Area's day to day operations.

Debt Service Requirements on the Bonds

Average Annual Debt Service Requirement on the Bonds (2024-2049).....	\$	573,226 (a)
Maximum Annual Debt Service Requirement on the Bonds (2049)	\$	613,519 (a)
Contract Tax Rate per \$100 of Assessed Valuation Required to Pay the Average Annual Debt Service Requirement on the Bonds (2024-2049) at 95% Tax Collections:		
Based Upon the 2023 Gross Certified Assessed Valuation of the East Service Area Participants.....	\$	1.44
Based upon the Estimated Gross Assessed Valuation of the East Service Area Participants as of October 1, 2023.....	\$	0.70
Contract Tax Rate per \$100 of Assessed Valuation Required to Pay the Maximum Annual Debt Service Requirement on the Bonds (2049) at 95% Tax Collections:		
Based Upon the 2023 Gross Certified Assessed Valuation of the East Service Area Participants.....	\$	1.55
Based upon the Estimated Gross Assessed Valuation of the East Service Area Participants as of October 1, 2023.....	\$	0.74

(a) Required debt service on the Bonds. See "SELECTED FINANCIAL INFORMATION – Debt Service Requirement Schedule."

Status of Development as of October 1, 2023

District	Total Developed Acreage	Completed Lots	Occupied Completed Homes	Unoccupied Completed Homes	Homes Under Construction	Vacant Developed Lots	Lots Under Development
MCMUD162 (d)	72.6	264	0	36 (b)	42	186	186
Master District	0.52	-	-	-	-	-	-
MCMUD191 (e)	128.55	457	176	30 (a)	105	146	517
Total	201.67	721	176	66	147	332	703

Estimated Population of the East Service Area: 616 (c)

- (a) Includes 6 model homes.
- (b) Includes 8 model homes.
- (c) Based upon 3.5 average residents per occupied completed home.
- (d) Only Participant in the West Service Area.
- (e) Only Participant in the East Service Area.

Selected Tax Data

Participant	2023 Debt Service Tax Rate	2023 Maintenance Tax Rate	2023 Contract Tax Rate	Total 2023 Tax Rate
MCMUD191 (a)	\$ 0.000	\$ 1.350	\$ 0.000	\$ 1.350

(a) Until such time as the Participants levy a Contract Tax, Contract Payments will be paid from the Master District's operating funds advanced by the Developers. See "RISK FACTORS – Dependence on Major Taxpayers and the Developers."

Debt Service Requirement Schedule

The following schedule sets forth the principal and interest requirements on the Bonds. Totals may not sum due to rounding.

Year	The Bonds		Total
	Principal	Interest	Debt Service
2024	\$ -	\$ 371,242	\$ 371,242
2025	145,000	421,600	566,600
2026	155,000	410,906	565,906
2027	165,000	399,475	564,475
2028	170,000	387,306	557,306
2029	185,000	374,769	559,769
2030	195,000	361,125	556,125
2031	205,000	346,744	551,744
2032	220,000	333,419	553,419
2033	230,000	322,419	552,419
2034	245,000	310,919	555,919
2035	260,000	298,669	558,669
2036	275,000	285,669	560,669
2037	290,000	271,919	561,919
2038	310,000	257,419	567,419
2039	330,000	241,919	571,919
2040	345,000	225,419	570,419
2041	370,000	208,169	578,169
2042	390,000	189,669	579,669
2043	415,000	170,169	585,169
2044	440,000	149,419	589,419
2045	465,000	127,969	592,969
2046	495,000	105,300	600,300
2047	525,000	81,169	606,169
2048	555,000	55,575	610,575
2049	585,000	28,519	613,519
Total	\$ 7,965,000	\$ 6,736,892	\$ 14,701,892

Average Annual Debt Service Requirement on the Bonds (2024-2049).....	\$	573,226
Maximum Annual Debt Service Requirement on the Bonds (2049)	\$	613,519

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MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 163

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

**\$7,965,000
Contract Revenue Bonds
(East Service Area)
Series 2023**

INTRODUCTION

This Official Statement provides certain information in connection with the issuance by Montgomery County Municipal Utility District No. 163 (the "Master District") of the \$7,965,000 Montgomery County Municipal Utility District No. 163 Contract Revenue Bonds (East Service Area), Series 2023 (the "Bonds").

The Bonds are issued by the Master District pursuant to the Master District Contract; the terms and conditions of the bond resolution authorizing the issuance of the Bonds (the "Bond Resolution") adopted by the Board of Directors of the Master District (the "Board") on the date of sale of the Bonds; Article XVI, Section 59 of the Texas Constitution and Chapters 49 and 54 of the Texas Water Code, as amended; an order of the Texas Commission on Environmental Quality (the "TCEQ"), an election held within the Master District and passed by a majority of the participating voters, and the general laws of Texas relating to the issuance of bonds by political subdivisions in Texas.

This Official Statement includes descriptions, among others, of the Bonds, the Bond Resolution, and certain other information about the Participants (defined herein), the Master District, the approximately 1,810-acre service area (the "Service Area") to be provided with the Master District Facilities (herein defined), the Developers (herein defined) and the Contracts for the Construction, Financing, Operation and Maintenance of Regional Facilities, including Supplement No. 1, entered into by the Participants and the Master District (the "Master District Contract").

All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from Bond Counsel (herein defined) at 202 Century Square Boulevard, Sugar Land, Texas 77478, or during the offering period from the Financial Advisor (herein defined) at 4801 Woodway Drive, Suite 118-E, Houston, Texas 77056, upon payment of reasonable copying, mailing, and handling charges.

RISK FACTORS

General

The Master District is issuing the Bonds for the purpose of constructing or acquiring regional water, wastewater, and drainage facilities to serve the East Service Area (the "Master District East Service Area System Facilities"). The Master District Contract defines two sub-service areas within the Service Area. These sub-service areas consist of the "East Service Area," generally consisting of approximately 853 acres of land within the Service Area east of FM 1314 and the "West Service Area," generally consisting of approximately 957 acres of land within the Service Area west of FM 1314, all as more particularly described in the Master District Contract. The East Service Area includes MCMUD191 and MCMUD192 (each defined herein) (the "East Service Area Participants") (although MCMUD192 is not currently active or developing and has not approved the Master District Contract) and is being primarily developed by Pulte (herein defined) and Meritage (defined herein) as the Maveria master-planned community. The West Service Area includes MCMUD162 and MCMUD194 (each defined herein) (the "West Service Area Participants") (although MCMUD194 is not currently active or developing and has not approved the Master District Contract) and is being primarily developed by Shea (herein defined) as the Evergreen master-planned community. The East Service Area Participants and the West Service Area Participants are collectively referred to herein as the "Participants."

Contract revenue bonds issued by the Master District for the purpose of constructing or acquiring the Master District East Service Area System Facilities, including the Bonds, are referred to herein as the "East Service Area Contract Revenue Bonds." The East Service Area Contract Revenue Bonds, including the Bonds, are payable from and secured by payments required of the East Service Area Participants from proceeds of an annual ad valorem tax, without legal limit as to rate or amount, levied by each East Service Area Participant. Contract revenue bonds issued by the Master District for the purpose of constructing or acquiring the Master District West Service Area System Facilities, are referred to herein as the "West Service Area Contract Revenue Bonds." The West Service Area Contract Revenue Bonds are payable from and secured by payments required of the West Service Area Participants from proceeds of an annual ad valorem tax, without legal limit as to rate or amount, levied by each West Service Area Participant.

The Master District may issue additional contract revenue bonds in the future for the purpose of constructing or acquiring road facilities to serve the East Service Area (the "Master District East Service Area Road Facilities"). The Master District may also, in the future, issue contract revenue bonds for the purpose of constructing or acquiring regional park and recreational facilities to serve the East Service Area (the "Master District East Service Area Park Facilities"). The Master District East Service Area System Facilities, the Master District East Service Area Road Facilities, and the Master District East Service Area Park Facilities are collectively referred to herein as the "Master District East Service Area Facilities."

The Bonds are special obligations of the Master District and are not obligations of Texas; Montgomery County, Texas (the "County"); the City of Conroe, Texas (the "City"); any of the East Service Area Participants; or any entity other than the

Master District, and are payable solely from the revenues pledged thereto. The East Service Area Contract Revenue Bonds, including the Bonds, are payable solely from and to the extent of certain contract payments received by the Master District from the East Service Area Participants pursuant to the Master District Contract, with each East Service Area Participant's annual contract payment being equal to its pro rata share of annual debt service on the East Service Area Contract Revenue Bonds, including the Bonds, plus all charges and expenses of paying agents and registrars, and all amounts required to establish and maintain funds, established under the Bond Resolution based upon the appraised valuation subject to taxation plus amounts equal to any optional exemption or special appraisal value granted or adopted by an East Service Area Participant (the "Gross Certified Assessed Valuation") of each such East Service Area Participant as a percentage of the total Gross Certified Assessed Valuation of all Participants (the "Contract Payments"). Each East Service Area Participant is contractually obligated to make the Contract Payments from the proceeds of an annual ad valorem tax, without legal limit as to rate or amount, levied by such East Service Area Participant for such purpose on taxable property within its boundaries (the "Contract Tax"), from revenues derived from the operations of such East Service Area Participant's water distribution and wastewater collection systems, or from any other lawful sources of such East Service Area Participant's income. **The obligations of the East Service Area Participants to make Contract Payments are several, not joint, obligations prorated among the East Service Area Participants based upon the proportion of the Gross Certified Assessed Valuation of property within their respective boundaries to the total Gross Certified Assessed Valuation of property within all East Service Area Participants, as described herein.** No East Service Area Participant is obligated to pay the Contract Payments allocated to any other East Service Area Participant; however, lack of payment by any East Service Area Participant could result in an increase in the Contract Payment amount paid by each of the other East Service Area Participants during the time that such East Service Area Participant's payment is delinquent as the Master District may include a reserve amount in the Contract Payment due from each East Service Area Participant. The security for payment of the principal of and interest on the Bonds by the Master District, therefore, depends on the ability of each East Service Area Participant to collect annual ad valorem taxes (without legal limit as to rate or amount) levied on taxable property within its boundaries sufficient to make its Contract Payments. The collection by each East Service Area Participant of delinquent taxes owed to it may be a costly and lengthy process. See "RISK FACTORS – Registered Owners' Remedies and Bankruptcy" and "THE BONDS – Source of Payment."

Currently, as the only East Service Area Participant, MCMUD191 is responsible for paying 100% of the debt service on the Bonds through its Contract Payments to the Master District from the proceeds of its Contract Tax.

Economic Factors and Interest Rates

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

Interest rates and the availability of mortgage and development funding have a direct impact on the construction activity, particularly short-term interest rates at which developers are able to obtain financing for developmental costs. Interest rate levels may affect the ability of a landowner with undeveloped property to undertake and complete construction activities within the East Service Area. Because of the numerous and changing factors affecting the availability of funds, the Master District is unable to assess the future availability of such funds for continued construction within the East Service Area. In addition, since the East Service Area is located approximately 9 miles from the central downtown business district of the City of Conroe and approximately 40 miles from the central business district of the City of Houston, the success of development within the East Service Area and growth of East Service Area taxable property values are, to a great extent, a function of the Houston and regional economies. A downturn in the economic conditions of Houston and the nation could adversely affect development and home-building plans within the East Service Area and restrain the growth of the East Service Area's property tax base.

Competition

The demand for and construction of single-family homes within the East Service Area, which is approximately 40 miles from the central downtown business district of Houston, could be affected by competition from other residential developments including other residential developments located in the northern portion of the Houston area. In addition to competition for new home sales from other developments, there are numerous previously owned homes near the East Service Area and in more established neighborhoods closer to downtown Houston. Such homes could represent additional competition for new homes proposed to be sold within the East Service Area.

The competitive position of the Developers (herein defined) in the sale of developed lots and of prospective builders in the construction of single-family residential houses within the East Service Area is affected by most of the factors discussed in this section. Such a competitive position directly affects the growth and maintenance of taxable values within the East Service Area. The Master District can give no assurance that building and marketing programs within the East Service Area by the Developer will be implemented or, if implemented, will be successful.

Dependence on Major Taxpayers and the Developer

The top 10 principal taxpayers within the East Service Area represent \$26,843,200, or 64.05%, of the 2023 Gross Certified Assessed Valuation of the East Service Area Participants, which is \$41,909,193 and represents ownership in the East Service Area Participants' boundaries as of January 1, 2023. Pulte (defined herein) represents \$21,526,470, or 51.36%, of such value. See "TAX DATA – Principal Taxpayers." If Pulte or another principal taxpayer were to default in the payment of taxes in an amount which exceeds the amount in the debt service fund created to pay debt service on bonds issued for the Master District East Service Area System Facilities (the "Contract Revenue East Service Area System Debt Service Fund"), the ability of the Master District to make timely payment of debt service on the Bonds would be dependent on the ability of East Service Area Participants to enforce and liquidate their tax liens, which is a time-consuming process. Failure to recover or borrow funds in a timely fashion could result in a East Service Area Participant being forced to set an excessive tax rate, hindering growth and leading to further defaults in the payment of taxes. The Master District is not required by law or the Bond Resolution to maintain any specified amount of surplus in its Contract Revenue East Service Area System Debt Service Fund. See "RISK FACTORS – Tax Collection Limitations," "TAXING PROCEDURES – Levy and Collection of Taxes," and "APPENDIX A – CERTAIN FINANCIAL INFORMATION REGARDING THE EAST SERVICE AREA PARTICIPANT."

The Developers have informed the Board that their current plans are to develop the remaining undeveloped land and to continue marketing the remaining developed lots in the East Service Area to homebuilders. However, neither the Developers nor any future developer is obligated to implement development plans on any particular schedule or at all. Thus, the furnishing of information related to any proposed development should not be interpreted as such a commitment. The Master District makes no representation about the probability of development continuing in a timely manner or about the ability of the Developers or any other landowner within the East Service Area to implement any plan of development. Furthermore, there is no restriction on any landowner's right to sell land. The Master District can make no prediction as to the effects that current or future economic or governmental circumstances may have on any plans of the Developers or any other landowner. See "DESCRIPTION OF THE DEVELOPERS."

Undeveloped Acreage and Vacant Lots

To date, there are approximately 34.32 undeveloped but developable acres within the MCMUD191 (currently the only active East Service Area Participant) have not been provided with water, wastewater, drainage, road, and other facilities necessary for the construction of taxable improvement. In addition, there are 146 vacant developed lots and 517 lots currently under development within MCMUD 191. All remaining land outside the boundaries of MCMUD191, but within the East Service Area boundaries, remains undeveloped but developable land. The Master District makes no representation as to when or if development of the undeveloped but developable acreage will occur or that the lot sales and building program will be successful. See "THE MASTER DISTRICT – Status of Development Within the East Service Area."

Operational Expenses

Each Participant is obligated to pay monthly charges to the Master District for its share of the Master District's operation and maintenance expenses in connection with the Master District's provision of service from the Master District Facilities ("Monthly Charges"). The Monthly Charges to be paid by each Participant to the Master District will be used to pay each Participant's share of operation and maintenance expenses and to provide for an operation and maintenance reserve. The reserve is 25% of the general fund budget in years one (1) through three (3), 50% in years four (4) through six (6), and 100% thereafter. To date, the Master District has waived the reserve requirement as its agreements with the Developers requires the Developers to advance operating funds to the Master District in the event of a shortfall.

The Master District Contract provides that the Master District will separately budget the maintenance and operations revenues and expenditures for the East Service Area and the West Service Area, establishing the Monthly Charges for the fiscal year. In addition to costs directly attributable to the Master District Facilities and services provided to each specific sub-service area, the budgets for the two sub-service area, include certain general administrative expenses, such as certain legal fees, fees for consultant attendance at meetings, booking and auditing fees, etc. The East Service Area is also responsible for 100% of the costs of maintaining the portion of the Regional Channel east of FM 1314 and 65% of the costs of maintaining the portion of the Regional Channel west of FM 1314, while the West Service Area is responsible for 35% of the costs of maintaining the portion of the Regional Channel west of FM 1314.

Generally, each participant in either the East Service Area or West Service Area is responsible for paying its pro-rata share of Monthly Charges attributable to such sub-service area. Currently, as there is only one participant per sub-service area, each participant pays 100% of the Monthly Charges, as budgeted by the Master District, for its respective sub-service area, billed monthly in 12 equal installments (i.e., MCMUD191 pays for 100% of the Master District's budgeted costs in the East Service Area, and MCMUD162 pays for 100% of the Master District's budgeted costs in the West Service Area). Once there is more than one participant in a sub-service area, the Monthly Charges due from the participants in the sub-service area shall be based upon a "unit cost" of operation and maintenance expense and reserve requirements, calculated by the Master District and expressed in terms of cost per equivalent single-family residential connection ("ESFC"), and each participant's monthly payment amount due to the Master District of Monthly Charges will be calculated by multiplying the number of ESFCs reserved to each participant on the first day of the previous month by the unit cost per ESFC.

No Reserve Fund

The Bonds will be issued pursuant to the Bond Resolution wherein the Contract Payments will be pledged to payment of debt service on the Bonds. The Bond Resolution will establish the Contract Revenue System Debt Service Fund but does not create a designated reserve fund. Each East Service Area Participant's pro rata share of the Contract Payments is calculated by the Master District. The Master District's annual calculation of the debt service requirement to be paid by the East Service Area Participants shall include the sum of next year's annual debt service requirements and, at the option of the Master District, up to 50% of the following year's annual debt service requirements to establish a replenishment amount in the debt service funds, which when paid by the East Service Area Participants, will be deposited into the respective debt service funds. Delay or failure of any East Service Area Participant to pay its pro rata share of the debt service requirements may adversely affect payment of the Bonds. There is no trust estate or trust indenture securing the payment of the Bonds and no trustee to enforce a mandamus action on behalf of Registered Owners (herein defined). Any action in mandamus as a result of a payment or other default under the Bond Resolutions would have to be brought by the Registered Owners themselves against the Master District, and such an action would not necessarily operate to enforce rights against other East Service Area Participants. See "RISK FACTORS – Registered Owners' Remedies and Bankruptcy."

Maximum Impact on Contract Tax Rate

Assuming no further development, the value of the land and improvements currently within the East Service Area Participants will be the major determinant of the ability and willingness of property owners to pay their taxes. The 2023 Gross Certified Assessed Valuation of the East Service Area Participants is \$41,909,193 and the estimated gross assessed valuation of the East Service Area as of October 1, 2023, is \$87,339,592. See "TAX DATA." After issuance of the Bonds, the maximum annual debt service requirement on the Bonds will be \$613,519 (2049) and the average annual debt service requirement on the Bonds will be \$573,226 (2024-2049). Assuming no increase or decrease from the 2023 Gross Certified Assessed Valuation, a Contract Tax rate of \$1.55 per \$100 of assessed valuation at a 95% collection rate would be necessary to pay the maximum annual debt service requirement on the Bonds and a Contract Tax rate of \$1.44 per \$100 of assessed valuation at a 95% collection rate would be necessary to pay the average annual debt service requirement on the Bonds. Assuming no increase or decrease from the estimated gross assessed valuation of the East Service Area as of October 1, 2023, a Contract Tax rate of \$0.74 per \$100 of assessed valuation at a 95% collection rate would be necessary to pay the maximum annual debt service requirement on the Bonds and a Contract Tax rate of \$0.70 per \$100 of assessed valuation at a 95% collection rate would be necessary to pay the average annual debt service requirement on the Bonds. See "SELECTED FINANCIAL INFORMATION – Debt Service Requirement Schedule," "SELECTED FINANCIAL INFORMATION – Contract Revenue Bonds of the Master District," and "TAX DATA – Tax Rate Calculations."

Potential Impact of Natural Disaster

The East Service Area is located approximately 95 miles from the Texas Gulf Coast and, as it has in the past, could be impacted by wide-spread fires, earthquakes, or weather events such as hurricanes, tornadoes, tropical storms, or other severe weather events that could produce high winds, heavy rains, hail, and flooding. In the event that a natural disaster should damage or destroy improvements and personal property in the East Service Area, the assessed value of such taxable properties could be substantially reduced, resulting in a decrease in the taxable assessed valuation or an increase in the East Service Area Participant's tax rates.

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

Potential Effects of Oil Price Volatility on the Houston Area

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

Overlapping Debt and Tax Rates

The Master District and each Participant may each independently issue additional debt which may change the projected and actual tax rates in the future.

Landowners are or will be responsible for the payment of ad valorem taxes levied by each East Service Area Participant for payment of Contract Payments. In addition, owners of property located within the East Service Area Participants are responsible for the payment of ad valorem taxes levied by each East Service Area Participant for the payment of debt service on unlimited tax bonds issued by each East Service Area Participant and ad valorem taxes levied by each East Service Area Participant for the purpose of paying the East Service Area Participant's operation and maintenance costs. See "APPENDIX

A – CERTAIN FINANCIAL INFORMATION REGARDING THE EAST SERVICE AREA PARTICIPANT” for information related to each East Service Area Participant’s indebtedness and taxation requirements.

In addition, property located within the East Service Area is subject to taxation by various other governmental entities. See “RISK FACTORS – Debt Burden on Property Within the East Service Area” and “TAX DATA – Estimated Overlapping Taxes.”

Debt Burden on Property Within the East Service Area

The total tax rate paid by property owners within the East Service Area is a major factor in the demand for single-family homes within the East Service Area. The Master District Contract requires that the East Service Area Participants make Contract Payments from the Contract Tax or other lawfully available funds. In addition, other contract tax payments are required of the East Service Area Participants by the Master District Contract. See “MASTER DISTRICT CONTRACT.” Furthermore, each East Service Area Participant will be required to levy taxes on property within its boundaries (without legal limit as to rate or amount) to pay annual principal and interest on any unlimited tax bonds issued in the future by the East Service Area Participant to fund internal water, wastewater, drainage, road, and park and recreational facilities within the East Service Area Participant’s boundaries. Each East Service Area Participant may also levy taxes on property within its boundaries to pay operations and maintenance expenses. For the 2023 tax year, MCMUD191, the only currently active East Service Area Participant, levied a maintenance and operations tax rate of \$1.350 per \$100 of assessed valuation, for a total tax rate of \$1.350 per \$100 of assessed valuation.

The tax rate that may be required to service debt on any bonds issued by the Master District or an East Service Area Participant is subject to numerous uncertainties such as the growth of taxable values within such district, the amount of the bonds issued, regulatory approvals, construction costs and market interest rates. There can be no assurances that composite tax rates imposed by overlapping jurisdictions on property situated in the East Service Area will be competitive with the tax rates of competing projects. To the extent that such composite tax rates are not competitive with competing developments, the growth of property tax values in the East Service Area and the investment quality or security of the Bonds could be adversely affected.

In addition, the East Service Area Participants are within the taxing jurisdiction of other taxing entities, including the County and Conroe Independent School District. Each of these entities currently levies various taxes on property within the boundaries of the East Service Area Participants in addition to the other taxes listed above.

While the Master District makes no representation regarding the likelihood of adverse economic conditions requiring the levy of a higher tax rate, it is expected that the combined tax rate of a Participant (including any Contract Tax), but excluding other taxing entities, will not exceed \$1.35 per \$100 of assessed valuation. See “TAX DATA.”

Tax Collection Limitations

The Master District’s ability to make debt service payments may be adversely affected by each Participant’s inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by a Participant constitutes a lien in favor of such Participant on a parity with the liens of all other local taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. A Participant’s ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming and expensive collection procedures, (b) a bankruptcy court’s stay of tax collection procedures against a taxpayer, (c) market conditions affecting the marketability of taxable property within the Participant’s boundaries and limiting the proceeds from a foreclosure sale of such property, or (d) the taxpayer’s right to redeem the property within six (6) months for commercial property and two (2) years for residential property and all other property after the purchaser’s deed issued at the foreclosure is filed in the county records. While the Participant has a lien on taxable property within the Participant’s boundaries 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 Participant from a tax foreclosure sale. Finally, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the Participant’s boundaries pursuant to Federal Bankruptcy Code could stay any attempt by such Participant to collect delinquent ad valorem taxes assessed against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two (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. See “TAXING PROCEDURES – Participant’s Rights in the Event of Tax Delinquencies.”

Registered Owners’ Remedies and Bankruptcy

There is no trust estate or trust indenture securing the payment of the Bonds and no trustee to enforce a mandamus action on behalf of Registered Owners. There is no reserve fund securing the payment of the Bonds. See “RISK FACTORS – No Reserve Fund.”

In the event of default in the payment of principal of or interest on the Bonds, the registered owners of the Bonds (the “Registered Owners” and each a “Registered Owner”) have a right to seek a writ of mandamus requiring the Master District to perform the covenants and obligations of the Bond Resolution. Except for the mandamus, the Bond Resolution does not specifically provide for remedies to protect and enforce such interests of the Registered Owners. There is no provision for

acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Although the Registered Owners could obtain a judgment against the Master District, such a judgment could not be enforced by a direct levy and execution against the Master District's property. Further, the Registered Owners themselves cannot foreclose on property within the Service Area or sell property within the Service Area in order to pay the principal of and interest on the Bonds. Since there is no trust indenture or trustee, the Registered Owners would have to initiate and finance the legal process to enforce their remedies. The enforceability of the rights and remedies of the Registered Owners further 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 Master District and Participants. In this regard, should the Master District file a petition for protection from creditors under federal bankruptcy laws, the remedy of mandamus would be automatically stayed and could not be pursued unless authorized by a federal bankruptcy judge. See "THE BONDS – Registered Owners' Remedies."

Marketability

The Master District has no understanding (other than the initial reoffering yields) with the winning bidder for the Bonds (the "Initial Purchaser") regarding the reoffering yields or prices of the Bonds and has no control over the trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made for the Bonds. If there is a secondary market, the difference between the bid and asked price of the Bonds may be greater than the bid and asked spread of other bonds generally bought, sold, or traded in the secondary market. See "SALE AND DISTRIBUTION OF THE BONDS."

Future Debt

Pursuant to the Master District Contract and in connection with the development of the East Service Area, the Master District may issue East Service Area Contract Revenue Bonds in an amount necessary to provide the Master District East Service Area System Facilities. The Master District Contract also authorizes the Master District to refund any outstanding Contract Revenue Bonds. Any future East Service Area Contract Revenue Bonds will be on a parity with the Bonds. The Master District is expected to issue additional East Service Area Contract Revenue Bonds and West Service Area Contract Revenue Bonds. The Master District does not employ any formula with respect to appraised valuations, tax collections or otherwise to limit the amount of East Service Area Contract Revenue Bonds which it may issue. The issuance of additional East Service Area Contract Revenue Bonds is subject to approval by the TCEQ pursuant to its rules and regarding issuance and feasibility of bonds, except that no TCEQ approval is currently required for the issuance of East Service Area Contract Revenue Road Bonds to fund road projects. See "RISK FACTORS – Maximum Impact on Contract Tax Rate" and "THE BONDS – Issuance of Additional Debt."

In addition to the East Service Area Contract Revenue Bonds, the Master District is expected to issue, in the future, East Service Area Contract Revenue Road Bonds. The Master District Contract obligates each Participant to pay a pro rata share of the debt service on the East Service Area Contract Revenue Bonds based upon the Gross Certified Assessed Valuation of each Participant as a percentage of the Gross Certified Assessed Valuation of all Participants, calculated annually. Each Participant is obligated to make such Contract Payments from the proceeds of an annual ad valorem tax, without legal limit as to rate or amount, levied by such Participant for such purpose on taxable property within its boundaries, or also known as the "Contract Tax," from revenues derived from the operations of such Participant's water distribution and wastewater collection systems, or from any other lawful source of such Participant's income.

The Master District Contract does not impose limitations on the amount of East Service Area Contract Revenue Bonds the Master District may issue.

The Bonds, and all additional East Service Area Contract Revenue Bonds issued by the Master District, will be payable from the Contract Tax levied by the East Service Area Participants.

The Master District and each other Participant is authorized by statute to develop parks and recreational facilities, including the issuance of bonds payable from taxes for such purpose. The principal amount of park bonds sold by the Master District or such other Participant is limited to 1% of their respective taxable assessed valuation, however, if the Master District or such other Participant meets certain financial feasibility requirements under TCEQ rules, the outstanding principal amount of such bonds issued by the Master District or such other Participant may exceed an amount equal to 1% but not 3% of their respective taxable assessed valuation. Before the Master District or such other Participant could issue park bonds payable from taxes, the following actions would be required: (a) approval of the bonds by the TCEQ; and (b) approval of the bonds by the Attorney General of Texas.

Each East Service Area Participant has voted bonds for purposes of providing internal water, wastewater, drainage, road, and park and recreational facilities within their respective boundaries. See "APPENDIX A – CERTAIN FINANCIAL INFORMATION REGARDING THE EAST SERVICE AREA PARTICIPANT" for a description of the voter authorized bonds, principal amount of bonds issued (if any), and principal amount of bonds outstanding for each East Service Area Participant.

In addition, it is anticipated that the Master District will issue contract revenue bonds for regional water, sewer, drainage, road, and park facilities serving the West Service Area. The East Service Area Participants will not be responsible for making contract payments with respect to or otherwise paying debt service on bonds issued for Master District Facilities serving the West Service Area.

As of November 1, 2023, MCMUD162 owes Shea Homes (herein defined) approximately \$29,990,000 for expenditures to construct the West Service Area System Facilities, West Service Area Road Facilities, and West Service Area Park Facilities. If additional bonds are issued in the future and property values have not increased proportionately, such issuance may increase gross debt-property valuation ratios and thereby adversely affect the investment quality or security of the Bonds.

As of November 1, 2023, the Master District owes the Developers approximately \$34,691,967 for expenditures to construct the Master District East Service Area System Facilities, Master District East Service Area Road Facilities, and Master District East Service Area Park Facilities. If additional bonds are issued in the future and property values have not increased proportionately, such issuance may increase gross debt-property valuation ratios and thereby adversely affect the investment quality or security of the Bonds.

As of November 1, 2023, MCMUD191 owes Pulte Homes (herein defined) approximately \$22,967,921 for expenditures to construct the Master District, East Service Area System Facilities, the Master District East Service Area Road Facilities, and the Master District East Service Area Park Facilities. If additional bonds are issued in the future and property values have not increased proportionately, such issuance may increase gross debt-property valuation ratios and thereby adversely affect the investment quality or security of the Bonds.

Continuing Compliance with Certain Covenants

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

Environmental Regulations

Wastewater treatment, water supply, storm sewer facilities and construction activities within the Master 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 Master District. Further, changes in regulations occur frequently, and any changes that result in more stringent and costly requirements could materially impact the Master 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 (8)-county Houston-Galveston-Brazoria area ("HGB Area")—Harris, Galveston, Brazoria, Chambers, Fort Bend, Waller, Montgomery and Liberty Counties—has been designated a nonattainment area under three (3) separate federal ozone standards: the one (1)-hour (124 parts per billion ("ppb")) and eight (8)-hour (84 ppb) standards promulgated by the EPA in 1997 (the "1997 Ozone Standards"); the tighter, eight (8)-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 (8)-hour ozone standard in 2015 (the "2015 Ozone Standard"). While 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 Participants, 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) stormwater 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 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.

Operations of utility districts, including the Participants, 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 Participants must obtain a permit from the United States Army Corps of Engineers ("USACE") if operations of the Participants 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 Participants, could potentially be subject to additional restrictions and requirements, including additional permitting requirements, in the future.

Approval of the Bonds

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

Changes in Tax Legislation

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

2023 Legislative Session

The 88th Texas Legislature began on January 10, 2023, and ended on May 29, 2023 (the "88th Regular Legislative Session"). The Texas Legislature meets in regular session in odd numbered years for 140 days. When the Texas Legislature is not in session, the Governor of Texas (the "Governor") may call one or more special sessions, at the Governor's discretion, each

lasting no more than 30 days, and for which the Governor sets the agenda. During this time, the Texas Legislature may enact laws that materially change current law as it relates to the District. On November 7, 2023, the Governor called the fourth Special Session to begin on November 7, 2023. The District can make no representations or predictions regarding any actions the Texas Legislature has taken or may take concerning the substance or the effect of any legislation passed in a previous session or a future session of the Texas Legislature.

Bond Insurance Risk Factors

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

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

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

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

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

Neither the Master District or the Initial Purchaser have made independent investigation into the claims paying ability of the bond insurer and no assurance or representation regarding the financial strength or projected financial strength of the bond insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the Master District to pay principal of and interest on the Bonds and the claims paying ability of the bond insurer, particularly over the life of the investment. See "MUNICIPAL BOND INSURANCE" and "MUNICIPAL BOND RATING" for further information provided by the bond insurer and the Policy, which includes further instructions for obtaining current financial information concerning the bond insurer.

THE BONDS

General

The following is a description of some of the terms and conditions of the Bonds, which is qualified in its entirety by reference to the Bond Resolution adopted by the Board. A copy of the Bond Resolution may be obtained from Bond Counsel (herein defined) at 202 Century Square Boulevard, Sugar Land, Texas 77478, or during the offering period from the Financial Advisor (herein defined) at 4801 Woodway Drive, Suite 118-E, Houston, Texas 77056, upon payment of reasonable copying, mailing, and handling charges.

The Bonds will mature on November 1 of the years and in principal amounts, and will bear interest from the initial date of delivery (on or about December 14, 2023), at the rates per annum, set forth on the inside cover page hereof. Interest on the Bonds will be payable May 1, 2024, and semiannually thereafter on November 1 and May 1 until maturity or redemption. Interest calculations are based on a 360-day year comprised of twelve (12) 30-day months. The Bonds are subject to redemption as described below.

The Bonds will be issued only in fully registered form in principal denominations of \$5,000 for any one (1) maturity and will be initially registered and delivered only to The Depository Trust Company, New York, New York ("DTC") in its nominee name of Cede & Co., pursuant to the Book-Entry-Only System (herein defined). No physical delivery of the Bonds will be made to the owners thereof. Initially, principal of and interest on the Bonds will be payable by BOKF, NA, Dallas, Texas (the "Paying Agent/Registrar"), to Cede & Co., as registered owner. DTC will make distribution of the amounts paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "THE BONDS - Book-Entry-Only-System."

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

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

Book-Entry-Only System

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

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

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

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

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

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

Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

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

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

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

The information in the section concerning DTC and the Book-Entry-Only System has been obtained from sources that the Master District believes to be reliable, but the Master District takes no responsibility for the accuracy thereof.

Use of Certain Terms in Other Sections of this Official Statement

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

Successor Paying Agent/Registrar

Provisions are made in the Bond Resolution for replacing the Paying Agent/Registrar. If the Master District replaces the Paying Agent/Registrar, such Paying Agent/Registrar shall, promptly upon the appointment of a successor, deliver the Paying Agent/Registrar's records to the successor Paying Agent/Registrar, and the successor Paying Agent/Registrar shall act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar selected by the Master District shall be a commercial bank; a trust company organized under the laws of Texas; or other entity duly qualified and legally authorized to serve and perform the duties of the Paying Agent/Registrar for the Bonds.

The record date ("Record Date") for the interest payable on the Bonds on any interest payment date means the close of business on the 15th calendar day of the month next preceding such interest payment date. In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the Master District. Notice of the Special Record Date and of the scheduled payment date of the past due interest ("Special Payment Date," which shall be 15 days after the Special Record Date) shall be sent at least five (5) business days prior to the Special Record Date by United States mail, first class, postage prepaid, to the address of each holder of a Bond appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day preceding the date of mailing of such notice.

Registration, Transfer and Exchange

So long as any Bonds remain outstanding, the Paying Agent/Registrar shall keep the Register at its principal payment office and, subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar shall provide for the registration

and transfer of Bonds in accordance with the terms of the Bond Resolution. While the Bonds are in the Book-Entry-Only System, the Bonds will be registered in the name of Cede & Co. and will not be transferable. See “THE BONDS – Book-Entry-Only-System.”

In the event the Book-Entry-Only system is discontinued, the Bonds are transferable only on the bond register kept by the Paying Agent/Registrar upon surrender at the principal payment office of the Paying Agent/Registrar. A Bond may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. At any time after the date of initial delivery, any Bond may be transferred upon its presentation and surrender at the designated offices of the Paying Agent/Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the Registered Owner. The Bonds are exchangeable upon presentation at the designated offices of the Paying Agent/Registrar, for an equal principal amount of Bonds of the same maturity in authorized denominations. To the extent possible, new Bonds issued in exchange or transfer of Bonds will be delivered to the Registered Owner or assignee of the Registered Owner within not more than three (3) business days after the receipt by the Paying Agent/Registrar of the request in proper form to transfer or exchange the Bonds. New Bonds registered and delivered in an exchange or transfer shall be in the denomination of \$5,000 in principal amount for a Bond, or any integral multiple thereof for any one (1) maturity and shall bear interest at the same rate and be for a like aggregate principal or maturity amount as the Bond or Bonds surrendered for exchange or transfer. Neither the Paying Agent/Registrar nor the Master District is required to issue, transfer, or exchange any Bond during a period beginning at the opening of business on a Record Date and ending at the close of business on the next succeeding Interest Payment Date or to transfer or exchange any Bond selected for redemption, in whole or in part, beginning 15 calendar days prior to, and ending on the date of the mailing of notice of redemption, or where such redemption is scheduled to occur within 30 calendar days. No service charge will be made for any transfer or exchange, but the Master District or Paying Agent/Registrar may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith.

Redemption of the Bonds

Optional Redemption

The Bonds maturing on November 1, 2030, and thereafter shall be subject to redemption and payment at the option of the Master District, in whole or from time to time in part, on November 1, 2029, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. Notice of the exercise of the reserved right of redemption will be given by the Paying Agent/Registrar at least 30 days prior to the redemption date by sending such notice by first class mail to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the bond register. If less than all of the Bonds are redeemed at any time, the maturities of the Bonds to be redeemed shall be selected by the Master District. If less than all of the Bonds of a certain maturity are to be redeemed, the particular Bonds or portions thereof to be redeemed will be selected by the Paying Agent/Registrar prior to the redemption date by such random method as the Paying Agent/Registrar deems fair and appropriate in integral multiples of \$5,000 within any one (1) maturity. The Registered Owner of any Bond, all or a portion of which has been called for redemption, shall be required to present such Bond to the Paying Agent/Registrar for payment of the redemption price on the portion of the Bonds so called for redemption and issuance of a new Bond in the principal amount equal to the portion of such Bond not redeemed.

Mandatory Redemption

The Bonds maturing on November 1 in the years 2043, 2045, and 2049 (the “Term Bonds”) shall be redeemed at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption (“Mandatory Redemption Date”), on November 1 in each of the years and in the principal amounts set forth in the following schedule (with each such scheduled principal amount reduced by the principal amount as may have been previously redeemed through the exercise of the District’s reserved right of optional redemption, as provided under “*Optional Redemption*” above):

\$805,000 Term Bond Maturing on November 1, 2043

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
November 1, 2042	\$ 390,000
November 1, 2043 (Maturity)	\$ 415,000

\$905,000 Term Bond Maturing on November 1, 2045

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
November 1, 2044	\$ 440,000
November 1, 2045 (Maturity)	\$ 465,000

\$1,140,000 Term Bond Maturing on November 1, 2049

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
November 1, 2048	\$ 555,000
November 1, 2049 (Maturity)	\$ 585,000

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

Effects of Redemption

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

Mutilated, Lost, Stolen, or Destroyed Bonds

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

Authority for Issuance

At separate elections held within the boundaries of the Master District and each East Service Area Participant, the voters of each East Service Area Participant approved the Master District Contract. Under the Master District Contract, the Master District is to serve as the provider of the Master District East Service Area System Facilities. The Master District Contract authorizes the Master District to issue Contract Revenue Bonds. See "THE BONDS - Issuance of Additional Debt." The Master District Contract also authorizes the Master District to refund any outstanding Contract Revenue Bonds.

The Bonds are issued by the Master District pursuant the elections described above; the Master District Contract; the Bond Resolution adopted by the Board of Directors of the Master District (the "Board") on the date of sale of the Bonds; Article XVI, Section 59 of the Texas Constitution and Chapters 49 and 54 of the Texas Water Code, as amended; an order of the TCEQ; and the general laws of Texas relating to the issuance of bonds by political subdivisions in Texas.

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

Source of Payment

The Bonds are payable solely from payments the East Service Area Participants make to the Master District for the purpose of paying the debt service on the Bonds pursuant to the requirements of the Master District Contract. The Master District Contract provides that all East Service Area Participants shall pay a pro rata share of debt service on any Contract Revenue Bonds issued by the Master District, including the Bonds, based upon each East Service Area Participant's Gross Certified Assessed Valuation as a percentage of the Gross Certified Assessed Valuation of all East Service Area Participants in the East Service Area. The debt service requirements shall be calculated to include the charges and expenses of paying agents and registrars utilized in connection with the East Service Area Contract Revenue Bonds, the principal, interest, and redemption requirements of the East Service Area Contract Revenue Bonds and all amounts required to establish and maintain funds established under the Bond Resolution. Each East Service Area Participant is obligated to pay its pro rata share of the Contract Payments, from the Contract Tax, revenues derived from the operation of its water distribution and wastewater collection systems or from any other legally available funds of such East Service Area Participant. Each East Service Area Participant's pro rata share of debt service requirements will be calculated annually by the Master District; however, the levy of a Contract Tax for the purpose of paying debt service on the East Service Area Contract Revenue Bonds is the sole responsibility of each East Service Area Participant. The Bonds are special obligations of the Master District and are not obligations of Texas; the County; the City; any of the East Service Area Participants; or any entity other than the Master District.

The Master District Facilities to be financed by the Bonds are for the benefit of the East Service Area. Therefore, only the East Service Area Participants shall be required by the Master District Contract to make Contract Payments for payment of the debt service on the Bonds. The East Service Area Participants include MCMUD191 and MCMUD192; however, only MCMUD191 is actively developing and has approved, along with its voters, the Master District Contract. As such, MCMUD191 is currently the only East Service Area Participant for purposes of making Contract Payments to the Master District for payment of the Bonds. If other municipal utility districts, including MCMUD192, become active within the East

Service Area and their voters approve the Master District Contract, they would then be required to pay their respective pro-rata shares of debt service payments on the Bonds through the payment of their respective Contract Payments.

The West Service Area Participants are not responsible for making contract payments with respect to or otherwise paying debt service on the Bonds or any additional East Service Area Contract Revenue Bonds.

Payment Record

The Bonds are the first issuance of bonded indebtedness by the Master District.

Contract Payments by the East Service Area Participants

Principal of and interest on the Bonds are payable from and secured by each East Service Area Participant's unconditional obligation to make Contract Payments. By execution of the Master District Contract, each East Service Area Participant has agreed to make a Contract Payment in an amount equal to its pro rata share of the annual debt service on the Contract Revenue Bonds plus all the charges and expenses of paying agents and registrars, and all amounts required to establish and maintain funds established under the Bond Resolution based upon its Gross Certified Assessed Valuation as a percentage of the total Gross Certified Assessed Valuation of all Participants in the East Service Area. Each East Service Area Participant is obligated to make such payments from the proceeds of the Contract Tax levied by such East Service Area Participant on property within its boundaries for such purpose, revenues, if any derived from the operation of its water distribution and wastewater collection systems or from any other lawful source of funds. See "Source of Payment." No East Service Area Participant is liable for the payments due by any other East Service Area Participant. See "MASTER DISTRICT CONTRACT." The Master District shall calculate on or before September 1 of each year, or as soon thereafter as practical, the amount of Contract Payments due from each East Service Area Participant in the following calendar year. The Contract Payments shall be billed to each East Service Area Participant by the Master District on or before September 1 of the year prior to the year in which such Contract Payments become due, or as soon thereafter as practical. Such Contract Payments shall be due and payable from each East Service Area Participant to the Master District semiannually by the dates specified by the Master District. The Master District will specify March 1 and September 1 of each year as the dates by which Contract Payments are due to the Master District. The Bond Resolution provides that the Contract Payments will be paid directly to the Paying Agent/Registrar semiannually on or before May 1 and November 1 of each year.

Currently, as the only East Service Area Participant, MCMUD191 is responsible for paying 100% of the debt service on the Bonds through its Contract Payments to the Master District from the proceeds of its Contract Tax.

Unconditional Obligation to Pay

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

Funds

The Contract Revenue East Service Area System Debt Service Fund is established in the Bond Resolution, of which the proceeds from the Contract Payments collected for and on account of the Bonds shall be deposited into the Contract Revenue East Service Area System Debt Service Fund. The Bond Resolution does not provide for segregated reserve funds. The Master District's annual calculation of the debt service requirement to be paid by the East Service Area Participants shall include the sum of next year's annual debt service requirements and, at the option of the Master District, an amount up to 50% of the following year's annual debt service requirements, which when paid by the East Service Area Participants, will be deposited into the respective debt service fund.

There is no trust estate or trust indenture securing the payment of the Bonds and no trustee to enforce a mandamus action on behalf of Registered Owners. There is no reserve fund securing the payment of the Bonds. See "RISK FACTORS - Registered Owners' Remedies and Bankruptcy."

Issuance of Additional Debt

Pursuant to the Master District Contract, the Master District is authorized to issue additional Contract Revenue Bonds and Contract Revenue Road Bonds for the Master District East Service Area System Facilities and the Master District West Service Area System Facilities. The Master District Contract also authorizes the Master District to refund any outstanding Contract Revenue Bonds to finance Master District Facilities. The Master District Contract does not limit the amount of Contract Revenue Bonds that may be issued. Pursuant to the Master District Contract by execution of the Master District Contract between the Master District and each Participant, each Participant is obligated to pay its pro rata share of debt service on the Contract Revenue Bonds issued by the Master District to finance the Master District Facilities, including the Bonds. The Bonds and all additional Contract Revenue Bonds issued by the Master District will be payable from the Contract Tax.

In addition, it is anticipated that the Master District will issue contract revenue bonds for regional water, sewer, drainage, road, and park facilities serving the West Service Area. Participants in the East Service Area and not in the West Service Area will not be responsible for making contract payments with respect to or otherwise paying debt service on bonds issued for Master District facilities serving the West Service Area.

The Master District and each other Participant is authorized by statute to develop parks and recreational facilities, including the issuance of bonds payable from taxes for such purpose. The principal amount of park bonds sold by the Master District or such other Participant is limited to 1% of their respective taxable assessed valuation, however, if the Master District or such other Participant meets certain financial feasibility requirements under TCEQ rules, the outstanding principal amount of such bonds issued by the Master District or such other Participant may exceed an amount equal to 1% but not 3% of their respective taxable assessed valuation within their boundaries or Service Area, as applicable. Before the Master District or such other Participant could issue park bonds payable from taxes, the following actions would be required: (a) approval of the bonds by the TCEQ; and (b) approval of the bonds by the Attorney General of Texas.

The Master District Contract and the Bond Resolution imposes no limitation on the amount of Contract Revenue Bonds the Master District may issue payable from the Contract Tax. See "RISK FACTORS – Future Debt."

The Master District and each other Participant may issue unlimited tax bonds for water, wastewater, drainage, road, and parks and recreational services, with any required approval of the TCEQ, necessary to provide and maintain improvements and facilities to serve land within their respective boundaries consistent with the purposes for which the Master District or such other Participant was created. TCEQ approval is not currently required for the Master District or any Participant to issue bonds for the purpose of constructing or acquiring road facilities. See "THE PARTICIPANTS" and "APPENDIX A – CERTAIN FINANCIAL INFORMATION REGARDING THE EAST SERVICE AREA PARTICIPANT."

Financing Park and Recreational Facilities

In addition to the improvements to be made through the issuance of the Bonds, and any future Contract Revenue Bonds, and pursuant to the Master District Contract, the Master District owns or will own, construct, and/or acquire regional park and recreational facilities to serve the East Service Area (the "Master District East Service Area Park Facilities"). The Master District East Service Area Park Facilities may be financed by the Master District through the issuance of contract revenue bonds or may be paid by the Participants through the issuance of ad valorem tax bonds issued by the individual Participants.

Annexation – Strategic Partnership Agreements

The Master District is located within the extraterritorial jurisdiction of the City of Conroe. Texas law provides that under certain circumstances, land within the Master District and the Service Area, including the East Service Area may be annexed by the City without the consent of the Master District or Participants, which annexation could modify the sources of and security for payment of the Bonds. If the Master District is annexed and dissolved, the City must assume the Master District's assets and obligations (including the Bonds). No representation is made that the City will ever annex all or part of the territory within the Master District and assume payment of the Bonds. Moreover, no representation is made concerning the ability of the City to make debt service payments should assumption of the Bonds by the City occur.

The Master District and the City entered into a Strategic Partnership Agreement ("SPA") whereby the City may, but is not required to, annex the Master District for full purposes at such time as the City annexes any one or more of the Participants; provided, however that the Master District shall continue to exist as a limited district for the purposes of providing its Master District Facilities and services to the Service Area (including the East Service Area), including continuing to pay debt service on the Contract Revenue Bonds, including the Bonds, and shall not be dissolved by the City until such time as the City has annexed all municipal utility districts then-existing within the Service Area, at which time the City may but is not required to dissolve the Master District.

The Participants have also entered into SPAs whereby the City may, but is not required to, annex the Participants upon the earlier of (i) the completion of at least 95% of the construction of the Participant's water, wastewater, drainage, detention, road, and parks and recreational facilities necessary to serve development within or serving the Participant and the Participant's developer(s) has been fully reimbursed for same; or (ii) 25 years from the date of the SPA.

Consolidation

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

Defeasance

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

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

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

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 Master District:

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

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

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

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

Registered Owners’ Remedies

Pursuant to Texas law, the Bond Resolution provides that, in the event the Master District defaults in the payment of principal of or interest on any of the Bonds when due, fails to make payments required by the Bond Resolution into the applicable debt service fund, or defaults in the observance or performance of any of the other covenants, conditions, or

obligations set forth in the Bond Resolution, any Registered Owner shall be entitled to seek a writ of mandamus from a court of competent jurisdiction compelling and requiring the Master District to make such payments or to observe and perform such covenants, obligations, or conditions. Such right is in addition to other rights the Registered Owners may be provided by the laws of Texas.

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners may seek a writ of mandamus requiring the Participants to levy adequate taxes to make such payments. Except for the remedy of mandamus, the Bond Resolution does not specifically provide for remedies to a Registered Owner in the event of a Master District default, nor does it provide for the appointment of a trustee to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Although the Registered Owners could obtain a judgment against the Master District, such a judgment could not be enforced by direct levy and execution against the property within the Service Area. Further, the Registered Owners cannot themselves foreclose on the property within the Service Area or sell property within the Service Area in order to pay principal of or interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may be further limited by laws and principles relating to sovereign immunity, bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the Participants. For example, a Chapter 9 bankruptcy proceeding by a Participant could delay or eliminate payment of principal or interest to the Registered Owners.

Use and Distribution of Bond Proceeds

Proceeds from the sale of the Bonds will be used to reimburse the Pulte (defined herein) for the costs associated with the construction of the Master District System Facilities shown below. In addition, proceeds from the sale of the Bonds will be used to pay developer interest, 18 months of capitalized interest, creation costs, and certain other costs associated with the issuance of the Bonds, as shown below.

Non-construction costs are based upon either contract amounts or various cost estimates by the Master District Engineer (herein defined) and the Financial Advisor. The actual amounts to be reimbursed by the Master District and the non-construction costs will be finalized after the sale of the Bonds and completion of agreed-upon procedures by the Auditor (herein defined).

<u>CONSTRUCTION COSTS</u>	<u>Total Costs</u>
A. Developer Items	
1. Detention and Mass Grading for Madera Phase I	\$ 1,797,244
2. Maveria Section 1 & Collector Road	1,750,546
3. Maveria Section 2, 3 & 4, & Phase II Collector Road	313,846
4. Maveria Section 5, 6 & 7, & Phase III Collector Road	173,628
5. Engineering/Testing Maveria Section 1 & Phase 1 Collector Road	133,044
6. Engineering/Testing Maveria Section 2 & Phase 2 Collector Road	37,253
7. Engineering/Testing Maveria Section 7 & Collector Road	19,450
8. Drainage Study	114,600
9. Stormwater Pollution Prevention Maveria Section 1 & Phase 1 Collector Road	35,011
10. Stormwater Pollution Prevention Maveria Section 2 & Phase 2 Collector Road	6,277
11. Stormwater Pollution Prevention Maveria Section 7	3,473
12. Land Acquisition Cost Drainage Channel	<u>1,532,348</u>
TOTAL CONSTRUCTION COSTS	\$ 5,916,720
<u>NON-CONSTRUCTION COSTS</u>	
A. Legal Fees	\$ 189,300
B. Fiscal Agent Fees	159,300
C. Interest	
1. Developer Interest	516,191
2. Capitalized Interest (18 Months)	632,400
D. Bond Discount	238,729
E. Bond Issuance Expenses	53,982
F. Bond Application Report Costs	58,500
G. Creation Costs	147,066
H. Attorney General's Fee (0.10% or \$9,500 max)	7,965
I. TCEQ Bond Issue Fee (0.25%)	19,913
J. Contingency (a)	<u>24,934</u>
TOTAL NON-CONSTRUCTION COSTS	<u>\$ 2,048,280</u>
TOTAL BOND ISSUE REQUIREMENT	\$ 7,965,000

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

The Master District Engineer has advised the Master District that the proceeds of the sale of the Bonds should be sufficient to reimburse the Developer for the costs of the above described facilities. In the instance that approved estimated amounts exceed the actual costs, the difference comprises a surplus which may be expended for approved uses; however, the Master District cannot and does not guarantee the sufficiency of such funds for such purposes.

THE PARTICIPANTS

Creation, Authority, and Description

The Master District was originally created encompassing approximately 1,229 acres. On February 10, 2021, Master District was divided into three municipal utility districts: The Master District, MCMUD191, and Montgomery County Municipal Utility District No. 192 ("MCMUD192"). On June 2, 2022, the Master District was further divided into two more municipal utility districts: the Master District and Montgomery County Municipal Utility District No. 193 ("MCMUD193").

The Master District serves as the provider of regional water, wastewater, drainage, road, and park and recreational to the approximate 1,810-acre Service Area comprised of the Master District, Montgomery County Municipal Utility District No. 162 ("MCMUD162"), MCMUD191, MCMUD192, and Montgomery County Municipal Utility District No. 194 ("MCMUD194"). MCMUD193 is currently not included within the Service Area. The Master District Contract, defines two sub-service areas within the Service Area. These sub-service areas consist of the "East Service Area," generally consisting of approximately 853 acres of land within the Service Area east of FM 1314, and the "West Service Area," generally consisting of approximately 957 of land within the Service Area west of FM 1314, all as more particularly described in the Master District Contract. The East Service Area includes MCMUD191 and MCMUD192 (the "East Service Area Participants") and is being primarily developed by Pulte and Meritage as the master planned community known as Maveria. The West Service Area includes MCMUD162 and MCMUD194 (the "West Service Area Participants") and is being primarily developed by Shea (herein defined) as the master planned community known as Evergreen. The East Service Area Participants and the West Service Area Participants are collectively referred to herein as the "Participants,"

MCMUD162 and MCMUD191 are currently the only Participants that have entered into the Master District Contract with the Master District. MCMUD 191 is currently the only district in the East Service Area that has approved the Master District Contract.

All Participants operate as municipal utility districts pursuant to Chapter 49 and Chapter 54 of the Texas Water Code, as amended, and are located within the Service Area. To serve the property within their boundaries, the Participants have the powers to construct, acquire, operate, maintain, and finance water, wastewater, drainage, road, and park and recreational facilities. The Participants were created by the Texas Legislature or by order of a municipal utility district pursuant to its operating legislation.

The Participants are empowered to exercise all the powers and functions which will permit accomplishment of the purposes for which they were created.

Authorized Bonds and Debt Service Tax

The Participants have the statutory authority to issue unlimited tax bonds for the purpose of providing internal water distribution, wastewater collection, storm drainage, road, and park and recreational facilities to the land within their boundaries. Such bonds are secured by a direct continuing annual ad valorem tax adequate to provide funds to pay the principal of and interest on such bonds. Such tax is in addition to the Contract Tax. See "- Contract Taxes" below.

Each Participant has voted bonds for purposes of providing internal water, wastewater, drainage, road, and park and recreational facilities within their respective boundaries.

See "APPENDIX A - CERTAIN FINANCIAL INFORMATION REGARDING THE EAST SERVICE AREA PARTICIPANT" for a description of the voter authorized bonds, principal amount of bonds issued (if any) and principal amount of bonds outstanding for each East Service Area Participant.

Contract Taxes

The Master District has the authority to issue Contract Revenue Bonds, including the Bonds. Each East Service Area Participant's pro rata share of the debt service requirements on the Contract Revenue Bonds shall be determined by dividing each East Service Area Participant's Gross Certified Assessed Valuation by the total of all East Service Area Participants' Gross Certified Assessed Valuation in the applicable East Service Area, calculated annually. Calculation of Contract Payments, including the Contract Payments, is based upon the Gross Certified Assessed Valuation and does not make allowances for any exemptions granted by the East Service Area Participant's however, allowances are made for exemptions provided under State law that do not require action by the East Service Area Participants. See "TAXING PROCEDURES." The Master District Contract obligates each East Service Area Participant to pay its pro rata share of debt service requirements on the Contract Revenue Bonds from the proceeds of annual Contract Taxes without legal limit as to rate or amount, from revenues derived from the operation of its water distribution and wastewater collection systems, or from any other legally available funds. The Master District does not expect that revenues from the East Service Area Participants' wastewater collection and water distribution systems will ever be sufficient to pay a significant portion of the Contract Payments for application to debt service on the Contract Revenue Bonds, including the Bonds. The debt service requirement shall include principal, interest, and redemption requirements on the Contract Revenue Bonds, paying agent/registrant fees, and all amounts necessary to establish and maintain funds established under a bond resolution.

MCMUD191 is currently the only East Service Area Participant; therefore, MCMUD191 will be responsible for paying 100% of the debt service payments on the Bonds through the Contract Payments made to the Master District

from the proceeds of MCMUD191's Contract Tax, until such time as there are additional Participants within the East Service Area, if ever.

Maintenance and Operations Tax

The Participants have the authority to levy and collect an annual ad valorem tax for the operation and maintenance of facilities. A maintenance and operations tax is in addition to taxes which the Participant is authorized to levy for paying principal of and interest on its unlimited tax bonds and the Contract Tax. See "THE PARTICIPANTS – Contract Taxes."

Management

Each Participant is governed by a board of directors, consisting of five (5) members, which has control and management of all affairs of such Participant. Directors of each Participant are elected by the voters within that Participant to serve four (4)-year staggered terms. All such directors reside or own property within the Participant on whose board they serve. None of the Participants have any employees. Each Participant contracts for all services required to maintain its operations. The TCEQ exercises continuing supervisory jurisdiction over each Participant, and, in addition, operation of each Participant's water, wastewater, and drainage facilities is subject to regulation by other agencies.

Financial Data

The Bonds are payable solely from payments the East Service Area Participants make to the Master District for the purpose of paying debt service on the Bonds pursuant to the Master District Contract. As the only active East Service Participant, MCMUD191 is responsible for paying 100% of the debt service on the Bonds from proceeds of its contract tax.

See "APPENDIX A – CERTAIN FINANCIAL INFORMATION REGARDING THE EAST SERVICE AREA PARTICIPANT" for financial information for each Participant.

MASTER DISTRICT CONTRACT

The Master District and the other Participants have executed the Master District Contract with the Master District for the financing, operation, and maintenance of the regional facilities described below and obtained the approval of the Master District Contract from voters at elections held within their respective boundaries. The Master District, in its capacity as the provider for the Master District Facilities, will construct the Master District Facilities and provide services from those Master District Facilities to Participants within its Service Area, including the East Service Area.

The Master District Contract provides that all Participants shall pay a pro rata share of debt service on the Contract Revenue Bonds, including the Bonds, based upon each Participant's Gross Certified Assessed Valuation as a percentage of the Gross Certified Assessed Valuation of all the Participants within the respective sub-service area, calculated annually. Calculation of the Contract Payment is based upon Gross Certified Assessed Valuation within the respective sub-service area and does not make allowances for any exemptions granted by the Participants. Each Participant is obligated to pay its pro rata share of the annual debt service payments from the proceeds of annual ad valorem property taxes, including the Contract Tax, without legal limit as to rate or amount, revenues derived from the operation of its water distribution and wastewater collection system or from any other legally available funds. The Contract Tax shall be calculated to include the charges and expenses of paying agents and registrars utilized in connection with the Contract Revenue Bonds, including the Bonds, the principal, interest, and redemption requirements of the Contract Revenue Bonds and all amounts required to establish and maintain funds established under the applicable bond resolution. Each Participant's Contract Payment will be calculated annually by the Master District; however, the levy of a Contract Tax or the provisions of other funds to make its contract payments is the sole responsibility of each Participant.

MCMUD191 is currently the only East Service Area Participant; therefore, MCMUD191 will be responsible for paying 100% of the debt service payments on the Bonds through the Contract Payments made to the Master District from the proceeds of MCMUD191's Contract Tax, until such time as there are additional Participants within the East Service Area, if ever.

The Master District Contract also provides for operation and maintenance expenses for facilities constructed pursuant to the Master District Contract; duties of the parties; establishment and maintenance of funds; assignment; arbitration; amendments; force majeure; insurance; and other provisions.

The Master District is the financing vehicle for all Master District Facilities and will own and operate all Master District System Facilities (except for roadways that are accepted by the County for operation and maintenance) and Master District Park Facilities. Each Participant will own and operate its internal facilities. The internal facilities are expected to be financed with unlimited tax bonds sold by each of the Participants. It is anticipated that the Master District Facilities will be constructed in stages to meet the needs of a continually expanding population within the East Service Area. In the event that the Master District fails to finance, each Participant has the right pursuant to the Master District Contract to design, acquire, construct, or expand the Master District System Facilities needed to provide it with service.

Pursuant to the Master District Contract, each Participant is obligated to establish and maintain rates, fees, and charges for its water and wastewater services which, together with taxes levied and funds received from any other lawful sources, are sufficient at all times to pay operation and maintenance charges of the Master District, to pay other costs of operating and maintaining its own utility system, and to pay its obligations pursuant to the Master District Contract, including its Contract

Payments. The Master District does not expect that revenues from the Participants' wastewater collection and water distribution systems will ever be sufficient to pay a significant portion of Contract Payments for application to debt service on the Contract Revenue Bonds, including the Bonds. All sums payable by each Participant to the Master District pursuant to the Master District Contract are to be paid by such Participant without set off, counterclaim, abatement, suspension, or diminution. If any Participant fails to pay its share of these costs in a timely manner, the Master District Contract provides that the Master District shall be entitled to cancel, in whole or in part, any reservation or allocation of capacity in the Master District's facilities by such Participant in addition to the Master District's other remedies pursuant to the Master District Contract. As a practical matter, the Participants have no alternative provider of the services provided by the Master District under the Master District Contract. See "THE BONDS – Source of Payment."

THE MASTER DISTRICT

Management of the Master District

The Master District is governed by the Board, consisting of five (5) directors, who have control over and management supervision of all affairs of the Master District. None of the present members of the Board reside within the Master District; however, they each own parcels of land within the Master District. The directors serve four (4)-year staggered terms. Elections are held in even numbered years in May. The current members and officers of the Board are listed below:

Name	Title	Term Expires May
Richard Derr	President	2024
Randy Davis	Vice President	2026
Robert L. Hibbetts	Secretary	2024
Lisa Nickel	Assistant Secretary	2024
Kim Hess	Assistant Vice President	2026

Consultants

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

Tax Assessor/Collector

The District's Tax Assessor/Collector is Utility Tax Service, LLC (the "Tax Assessor/Collector"). The Tax Assessor/Collector applies the District's tax levy to tax rolls prepared by the Montgomery Central Appraisal District (the "Appraisal District") and bills and collects such levy.

Bookkeeper

The Master District's bookkeeper is Municipal Accounts & Consulting, L.P., Houston, Texas.

System Operator

The Master District's operator for the East Service Area is Environmental Development Partners, LLC, Spring, Texas.

Auditor

As required by the Texas Water Code, the District retains an independent auditor to audit the District's financial statements annually, which annual audit is filed with the TCEQ. The Master District's financial statements for the fiscal year ended September 30, 2022, were audited by McCall Gibson Swedlund Barfoot, PLLC, Houston, Texas (the "Auditor"), and are attached hereto as "APPENDIX B – FINANCIAL STATEMENTS OF THE EAST SERVICE AREA PARTICIPANT AND MASTER DISTRICT."

Engineers

The Master District's engineer is Elevation Land Solutions, Conroe, Texas (the "Master District Engineer").

Bond & General Counsel

The Master District has engaged The Muller Law Group, PLLC, Sugar Land, Texas, as bond counsel ("Bond Counsel") in connection with the issuance of the Bonds. The fees to be paid Bond Counsel in connection with the issuance of the Bonds are contingent upon the issuance and delivery of the Bonds. The Muller Law Group, PLLC, Sugar Land, Texas, also serves as general counsel to the Master District on matters other than the issuance of bonds.

Disclosure Counsel

McCall, Parkhurst & Horton L.L.P., Houston, Texas, serves as disclosure counsel ("Disclosure Counsel") to the District for issuance of the Bonds. The fee to be paid Disclosure Counsel for services rendered in connection with the issuance of the Bonds is contingent on the issuance, sale and delivery of the Bonds.

Financial Advisor

Robert W. Baird & Co. Incorporated, Houston, Texas, is employed as financial advisor (the "Financial Advisor") to the Master District in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. The Financial Advisor is not obligated to undertake and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information herein.

The Service Area

The Service Area contains approximately 1,810 acres, including a total of approximately 0.5 acres in the Master District. The Service Area is comprised of the land within the Master District, MCMUD162, MCMUD191, MCMUD192, and MCMUD194, and land not currently within a municipal utility district. MCMUD162 and MCMUD191 have entered into the Master District Contract with the Master District and are, therefore, the only active participants (MCMUD191 is the only Participant in the East Service Area). The Service Area is located in the southeast portion of the County, approximately 9 miles from the central downtown business district of the City.

Land within the Service Area may only be included in a sub-service area if the land is or will receive a benefit from the Master District Facilities specific to that sub-service area. The Master District Contract recognizes that the Master District Facilities and services to be provided to the East Service Area and West Service Area are unique in that the sub-service areas are served with separate and distinct Master District Facilities, with the exception of the shared regional drainage channel that flows west to east and bisects the two sub-service areas ("Regional Channel") (65% of the capital costs of the regional drainage channel are paid by the East Service Area and 35% are paid by the West Service Area).

The Master District Facilities to be financed by the Bonds are for the benefit of the East Service Area. Therefore, only the East Service Area Participants shall be required by the Master District Contract to make Contract Payments for payment of the debt service on the Bonds. MCMUD191 and MCMUD192 are currently the only East Service Area Participants; however, only MCMUD191 is actively developing and has approved, along with its voters, the Master District Contract. As such, MCMUD191 is currently the only East Service Area Participant for purposes of making Contract Payments to the Master District for payment of the Bonds. If other municipal utility districts become active within the East Service Area and their voters approve the Master District Contract, they would then be required to pay their respective pro-rata shares of debt service payments on the Bonds through the payment of their respective Contract Payments.

The Master District Contract provides that the Service Area or any sub-service area may not be modified to decrease in size unless approved by the Master District and all participants within the Service Area or the sub-service area, and, if the Master District has issued bonds, the approval of the bondholders is required pursuant to the terms of the Master District's Bonds. The Service Area or sub-service area may not be enlarged without the consent of at least two-thirds of the boards of directors of the districts that are: (A) included in the Service Area or sub-service area as proposed to be enlarged; or (B) served by the Master District Facilities or services provided in the Master District Contract.

Status of Development Within the East Service Area

To date, development within the East Service Area has occurred within the boundaries of MCMUD191. Out of the 342.76 total acres in MCMUD191, approximately 128.55 acres (457 lots) have been developed into the single-family residential subdivision of Mavera, Sections 1-5 and 7 within MCMUD191. Approximately 139.33 acres (517 lots) are currently under development as the single-family residential subdivision of Mavera, Sections 6, 8, 9, 10A and 10B. As of October 1, 2023, 206 homes were complete (176 occupied, 24 unoccupied, and 6 models), 105 homes were under construction, and 146 lots were developed and vacant. The remainder of the land within the District includes approximately 34.32 undeveloped but developable acres and approximately 40.56 undevelopable acres for use as right-of-way, drainage and detention, water pants, landscape, utilities, open space, etc.

Homebuilders Active Within the East Service Area

Current homebuilders within the East Service Area include Pulte Homes and Beazer Homes. Prices of new homes being constructed within the Service Area range in price from approximately \$247,490 to over \$430,990 and in size from approximately 1,204 square feet to over 3,265 square feet.

Status of Development Within the West Service Area

To date, development within the West Service Area has occurred within the boundaries of MCMUD162. Out of the 158.70 total acres in MCMUD162, approximately 73.97 acres (264 lots) have been developed into the single-family residential subdivision of Evergreen, Sections 1, 2, and 3 within MCMUD162. Approximately 25.49 acres (186 lots) are currently under development as Sections 4 and 5. As of October 1, 2023, 36 homes were complete (0 occupied, 28 unoccupied, and 8 models), 42 homes were under construction, and 186 lots were developed and vacant. The remainder of the land within the District includes approximately 18.597 undeveloped but developable acres and approximately 40.643 undevelopable acres for use as right-of-way, drainage and detention, water pants, landscape, utilities, open space, etc.

Homebuilders Active Within the West Service Area

Current homebuilders within the West Service Area include Shea Homes, Chesmar Homes, and Perry Homes. Prices of new homes being constructed within the West Service Area range in list price from approximately \$315K to over \$730K and in size from approximately 1,600 square feet to over 4,900 square feet.

DESCRIPTION OF THE DEVELOPERS

Role of the Developer

In general, the activities of a developer in a municipal utility district such as the Master District and Participants include purchasing the land within the district, designing the subdivisions, designing the utilities and streets to be constructed in the subdivisions, designing any community facilities to be built, defining a marketing program and building schedule, securing necessary governmental approvals and permits for development, arranging for the construction of roads and the installation of utilities (including, in some cases, water, wastewater, and drainage facilities pursuant to the rules of the TCEQ, as well as gas, telephone, and electric service) and selling improved lots and commercial reserves to builders, developers, or other third parties. In some instances, the developer will be required to pay up to 30% of the cost of constructing certain of the water, wastewater, and drainage facilities in a utility district pursuant to the rules of the TCEQ. The relative success or failure of a developer to perform such activities in development of property within a utility district may have a profound effect on the security of the unlimited tax bonds issued by such district. A developer is generally under no obligation to a district to develop the property which it owns. Furthermore, there is no restriction on a developer's right to sell any or all of the land which it owns within a district. In addition, a developer is usually the major taxpayer within a municipal utility district during the initial development phase of the property.

Principal Landowner/Developers

Pulte Homes of Texas, L.P., a Texas limited partnership ("Pulte") wholly-owned by PulteGroup, Inc. ("PulteGroup") is the developer of approximately 128.55 acres of residential land within the East Service Area, being marked as Maveria.

PulteGroup, Inc. is one of the largest homebuilders in the United States with operations in over 40 major cities. PulteGroup's stock is publicly traded on the New York Stock Exchange under the ticker symbol "PHM". There is no financing associated with Pulte Homes acquisition of land or the development of the property in the East Service Area; the acquisition and development costs are paid with cash from PulteGroup.

Financial Information Regarding PulteGroup, Inc.: PulteGroup, Inc. files annual, quarterly, and current reports, proxy statements, and other information with the SEC. PulteGroup, Inc.'s SEC filings are available to the public over the internet at the SEC's website at <http://www.sec.gov>. You may also read and copy any document that has been filed with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information regarding the operation of the Public Reference Room. In addition, PulteGroup, Inc. makes available on its website <http://www.pultegroupinc.com> its annual reports on form 10-K, quarterly reports on Form 10-Q, and current reports on Form 8-K (and any amendments to those reports) filed pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as soon as practicable after they have been electronically filed with the SEC. Unless otherwise specified, information contained on PulteGroup, Inc.'s website, available by hyperlink from PulteGroup, Inc.'s website or on the SEC's website, is not incorporated into this Official Statement. The Master District has not obtained any representations from PulteGroup, Inc. concerning its publicly available filings or undertaken any review thereof and assumes no responsibility for the information contained therein.

Approximately 24 acres of land within the East Service Area is being developed by Meritage Homes of Texas, L.L.C., an Arizona limited liability company ("Meritage"). Meritage is wholly-owned by Meritage Homes of Texas Holding, Inc., an Arizona corporation ("Meritage Holding"). Meritage Holding is wholly-owned by Meritage Homes Corporation. Meritage Homes Corporation is a publicly traded corporation whose stock is listed on the New York Stock Exchange under the symbol MTH. Meritage Homes Corporation is subject to the information requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith files reports and other information with the United States Securities and Exchange Commission ("SEC"). Reports, proxy statements and other information filed by Meritage Homes Corporation can be inspected at the office of the SEC at Judiciary Plaza, 14 Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such material can be obtained from the Public Reference Section of the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. Copies of the above reports, proxy statements and other information may also be inspected at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005. The SEC maintains a World Wide Web site on the Internet at <http://www.sec.gov> that contains reports, proxy information statements and other

information regarding registrants that file electronically with the SEC. Reference to the financial information concerning Meritage Homes Corporation is relevant, among other reasons, to the ability of Meritage Homes to continue to develop land in the District and to pay taxes levied by the Master District and other taxing entities. Neither Meritage Homes, Meritage Holding, nor Meritage Homes Corporation has made any commitment to pay debt service on the Bonds, and reference to the financial information of Meritage Homes Corporation in this Official Statement should not be so construed. The District has not obtained any representations from Meritage Homes Corporation concerning its publicly available filings or undertaken any review thereof and assumes no responsibility for the information contained therein.

Meritage purchased approximately 23.84 acres from Pulte on September 29, 2023, with plans to develop 127 residential single-family lots.

Shea Homes Houston, LLC, a Delaware limited liability company ("Shea") wholly owned subsidiary of Shea Homes Limited Partnership, a California limited partnership, is the developer of approximately 73.97 acres of residential land within the West Service Area, being marketed as Evergreen.

Pulte and Meritage are collectively referred to herein as the "Developers."

MASTER DISTRICT

Description of Project

The Master District was originally created encompassing approximately 1,229 acres. On February 10, 2021, the Master District was divided into three municipal utility districts: the Master District, MCMUD191, and MCMUD192. On June 2, 2022, the Master District was further divided into two more municipal utility districts: the Master District and Montgomery County Municipal Utility District No. 193 ("MCMUD193"). Currently, the Master District encompasses approximately 0.5165 acres.

The Master District also serves as the provider of regional water, wastewater, drainage, park and recreational and road facilities to the approximate 1,810-acre Service Area comprised of the Master District, MCMUD162, MCMUD191, MCMUD192, and MCMUD194 and land not within any municipal utility district. See "MASTER DISTRICT CONTRACT."

According to the Developers, the ultimate land use within Service Area is currently projected to consist of: single-family residential homes, multiple primary and secondary schools; multiple churches; an information center; an 18-hole golf course; a clubhouse; multiple water theme parks; swimming and tennis facilities; an amphitheater; drainage, levee, and utility easements; street rights-of-way; and multiple open spaces, lakes, parks, recreational facilities, and greenbelts.

Only the payments by the East Service Area Participants (currently, only MCMUD191) are pledged as security for the Bonds. Therefore, the investment security and quality of the Bonds is dependent upon the successful development of property located within the East Service Area, and the payment and collection of taxes levied thereon. Development within the East Service Area is discussed under "THE MASTER DISTRICT – Status of Development Within the East Service Area."

MASTER DISTRICT FACILITIES

General – The System

The Service Area is divided into two areas: the East Service Area and the West Service Area. Water supply for the entire East Service Area is provided by Quadvest, L.P., a Texas limited partnership ("Quadvest"). In order to secure the wholesale water supply and sewage collection and treatment services from Quadvest for the benefit of the land within the East Service Area, Pulte and Quadvest entered into a Wholesale Agreement for Water and Wastewater Service, dated effective as of January 21, 2021. On July 14, 2021, Pulte assigned the agreement to MUD 191 with a Partial Assignment and Amendment of Wholesale Agreement for Water and Wastewater Service (the "Partial Assignment").

Pursuant to the Wholesale Agreement, Quadvest will own, operate, maintain and expand its water production and transmission facilities and sewage collection and treatment facilities of sufficient size necessary to provide wholesale water supply service and wholesale sanitary sewer treatment service to the land within the East Service Area. Pursuant to the Master District Contract, the Master District will acquire, construct, and extend the Master District Facilities to meet the needs of expanding population within the East Service Area. The Master District will own, operate, and maintain the Master District's Water, Sewer, and Drainage Facilities and reimburse developers within the East Service Area through the issuance of Contract Revenue Bonds issued by the Master District.

Regulation

According to the Master District's Engineer, the Master District's System has been designed in accordance with accepted engineering practices and the requirements of all governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities including, among others, the Commission, the City of Conroe, Montgomery County. According to the District's Engineer, the design of all such facilities has been approved by all required governmental agencies, and the construction has been inspected by the Commission.

Operation of the District's waterworks and sewage treatment facilities is subject to regulation by, among others, the Environmental Protection Agency and the Commission. In many cases, regulations promulgated by these agencies have become effective only recently and are subject to further development and revisions.

Water Supply

The water supply for the East Service Area comes from a water plant in the East Service Area boundaries owned and operated by Quadvest. Per the Wholesale Agreement, the East Service area is connected to existing adjacent Summerset Estates water system, also owned by Quadvest. That system provides capacity for 2,021 ESFCs, 1,177 of which are available outside of the existing service area for Summerset.

The water capacity is capable of serving the 568 ESFCs, which is sufficient to serve the 189 ESFCs necessary to support the feasibility of this proposed bond issue.

Wastewater Treatment

The wastewater from the East Service Area is currently treated at the Lone Star Ranch Wastewater Treatment Plant, which is owned and operated by Quadvest, located in the adjacent Lone Star Ranch subdivision. Quadvest is preparing to construct a plant that they will own and operate within MCMUD191 which will serve the East Service Area. Quadvest has obtained the TPDES Permit No. WQ0015956001. The plant will have an ultimate capacity of 0.96 MGD and the Interim Phase I of the permit allows for average daily flow not to exceed 0.125 MGD.

The wastewater capacity is capable of serving 416 ESFCs, which is sufficient to serve the 189 ESFCs necessary to support the feasibility of this proposed bond issue.

Storm-Water Drainage Facilities

Land within the East Service Area ultimately drains naturally into Crystal Creek, then to the West Fork of the San Jacinto River.

Streets are curb and gutter, and have underground storm sewers. The storm water is conveyed through the storm sewers and then directly to the central drainage channel, then to Crystal Creek.

MASTER DISTRICT DEBT

General

2023 Gross Certified Assessed Valuation of the Participants..... (100% of the market valuation as of January 1, 2023)	\$ 41,909,193 (a)
Estimated Gross Assessed Valuation of the Participants as of October 1, 2023..... (100% of the estimated market valuation as of October 1, 2023)	\$ 87,339,592 (b)
Direct Debt:	
The Bonds	<u>\$ 7,965,000</u>
Estimated Overlapping Debt.....	<u>1,539,787 (c)</u>
Total Direct and Estimated Overlapping Debt	<u>\$ 9,504,787</u>
Direct Debt Ratios:	
As a Percentage of the 2023 Gross Certified Assessed Valuation of the Participants.....	19.01 %
As a Percentage of the Estimated Gross Assessed Valuation of the Participants as of October 1, 2023.....	9.12 %
Direct and Estimated Overlapping Debt Ratios:	
As a Percentage of the 2023 Gross Certified Assessed Valuation of the Participants.....	22.68 %
As a Percentage of the Estimated Gross Assessed Valuation of the Participants as of October 1, 2023.....	10.88 %

Master District Debt Service Funds Available as of the Issuance of the Bonds

Contract Revenue East Service Area System Debt Service Fund Balance (as of Date of Delivery)....	\$ 632,400 (d)(e)
General Fund Balance (as of October 5, 2023).....	\$ 61,207
East Service Area Fund (as of October 5, 2023)	\$ 26,218 (f)

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- (a) Represents the assessed valuation of all taxable property located within the boundaries of the East Service Area Participants (currently only Montgomery County Municipal Utility District No. 191 ("MCMUD191")) as of January 1, 2023, as provided by the Montgomery Central Appraisal District (the "Appraisal District"). Each East Service Area Participant's tax roll is certified by the Montgomery Central Appraisal Review Board (the "Appraisal Review Board"). See "TAX DATA" and "TAXING PROCEDURES."
 - (b) Provided by the Appraisal District for informational purposes only. This amount is an estimate of the value of all taxable property located within MCMUD191, currently the only active East Service Area Participant, as of October 1, 2023, and includes an estimate of values resulting from the construction of taxable improvements from January 1, 2023, through October 1, 2023. No taxes will be levied against this amount. See "TAX DATA" and "TAXING PROCEDURES."
 - (c) See "MASTER DISTRICT DEBT – Estimated Direct and Overlapping Debt Statement."
 - (d) Neither Texas law nor the Bond Resolution requires that the Master District maintain any particular sum in the East Service Area Contract Revenue East Service Area System Debt Service Fund. Money deposited into the Contract Revenue East Service Area System Debt Service Fund can only be used to pay debt service on the Contract Revenue Bonds, such as the Bonds. This reflects eighteen (18) months of capitalized interest.
 - (e) Each East Service Area Participant is obligated to pay a pro rata share of debt service on the East Service Area Contract Revenue Bonds issued for purposes of acquiring or constructing the Master District East Service Area System Facilities (defined herein) by the dates specified by the Master District. See "THE BONDS – Contract Payments by the East Service Area Participants," "THE BONDS – Unconditional Obligation to Pay," and "MASTER DISTRICT CONTRACT."
 - (f) Pays for the East Service Area's day to day operations.

Tax Rates of the Participants

The Participants pay contract payments to the Master District each March 1 and September 1 in equal amounts. The contract payment calculations for each Participant are based on the Participant's Gross Certified Assessed Valuation, as defined in the Master District Contract, and does not make allowance for any exemptions granted by the Participant. See "MASTER DISTRICT CONTRACT."

Participant	2023 Debt Service Tax Rate	2023 Maintenance Tax Rate	2023 Contract Tax Rate (d)	Total 2023 Tax Rate (b)
MCMUD191 (a) (c)	0.000	1.350	0.000	1.350

- (a) Contract Payments will be paid from operating funds advanced by the Developer. See "RISK FACTORS – Dependence on Major Taxpayers and the Developer."
 (b) Represents the levied 2023 tax rate.
 (c) East Service Area Participant.
 (d) The Master District anticipates levying a contract tax rate in 2024.

Debt Ratios

	2023 Gross Certified Assessed Valuation of the East Service Area Participants	Estimated Gross Assessed Valuation of the East Service Area Participants as of October 1, 2023
Direct Debt (a)(b)	19.01%	9.12%
Total Direct and Estimated Overlapping Debt (a)(b)	22.68%	10.88%

- (a) Includes the Bonds.
 (b) See "MASTER DISTRICT CONTRACT" and "MASTER DISTRICT DEBT."

Estimated Direct and Overlapping Debt Statement

Other governmental entities whose boundaries overlap the Master 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 "Texas Municipal Reports," published by the Municipal Advisory Council of Texas, or other available information. Except for the amount relating to the Master District, the Master District has not independently verified the accuracy or completeness of such information, and no person is entitled to rely upon such information as being accurate or complete. Furthermore, certain of the entities listed below may have issued additional bonds since the dates stated in this table, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot presently be determined. Political subdivisions overlapping the Master 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.

Taxing Jurisdiction	Outstanding Debt as of September 30, 2023	Estimated Overlapping Debt	
		Percent	Amount
Montgomery County	\$ 441,665,000	0.05%	\$ 207,771
Conroe Independent School District	1,550,285,000	0.08%	1,253,466
Lone Star College System	579,730,000	0.01%	78,550
MCMUD191	0	100.00%	-
Total Estimated Overlapping Debt			\$ 1,539,787
The Master District (Total Direct Debt) (a)			\$ 7,965,000
Total Direct and Estimated Overlapping Debt (a)			\$ 9,504,787

- (a) Includes the Bonds.

PHOTOGRAPHS TAKEN WITHIN THE EAST SERVICE AREA
(MCMUD191 - October 2023)



TAXING PROCEDURES

Authority to Levy Taxes

Each East Service Area Participant is authorized to levy a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within its boundaries in sufficient amount to pay the principal of and interest on any unlimited tax bonds issued by it, Contract Payments on the East Service Area Contract Revenue Bonds, including the Bonds, that the Master District may hereafter issue, and to pay the expenses of assessing and collecting such taxes. Voters within each Participant have also authorized the levy of a maintenance and operations tax not to exceed \$1.50 per \$100 valuation for the operation and maintenance of water, wastewater, drainage, and park and recreational facilities and a maintenance and operations tax not to exceed \$1.50 per \$100 valuation for the operation and maintenance of road facilities.

Property Tax Code and County-wide Appraisal District

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

Property Subject to Taxation by the Participants

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in each Participant are subject to taxation by that Participant. Principal categories of exempt property include, but are not limited to: property owned by Texas or its political subdivisions, if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies and personal effects; certain goods, wares, and merchandise in transit; certain farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually-owned automobiles. In addition, each Participant may by its own action exempt residential homesteads of persons 65 years or older and certain disabled persons, to the extent deemed advisable by the Board. The Participants may be required to offer such exemptions if a majority of voters approve same at an election. The Participants would be required to call an election upon petition by 20% of the number of qualified voters who voted in the preceding election. The Participants are authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the Participant's obligation to pay tax supported debt incurred prior to adoption of the exemption by the Participant. Furthermore, the Participants must grant exemptions to disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces, if requested, but only to the maximum extent of between \$5,000 and \$12,000 depending upon the disability rating of the veteran claiming the exemption. A veteran who receives a disability rating of 100% is entitled to an exemption for the full value of the veteran's residence homestead. Furthermore, qualifying surviving spouses of persons 65 years of age and older are entitled to receive a resident homestead exemption equal to the exemption received by the deceased spouse. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. This exemption will also apply to a residence homestead that was donated by a charitable organization at some cost to such veterans. Also, the surviving spouse of a member of the armed forces who was killed in action is entitled to an exemption of the appraised value of the surviving spouse's residence homestead if the surviving spouse has not remarried since the service member's death and said property was the service member's residence homestead at the time of death. Such exemption may be transferred to a subsequent residence homestead of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

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

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in Texas to exempt up to 20% of the appraised market value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may

continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted by July 1. To date, none of the Participants have adopted a homestead exemption.

Freeport Goods and Goods-in-Transit Exemption: A "Freeport Exemption" applies to goods, wares, ores, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing, or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the Participants do not have such an option. A "Goods-in-Transit" Exemption is applicable to the same categories of tangible personal property which are covered by the Freeport Exemption, if, for tax year 2013 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2012 and subsequent years, such Goods-in-Transit Exemption includes tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one (1) 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 Participants may, by official action and after public hearing, tax goods-in-transit property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. The Participants have taken official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years.

Tax Abatement

The County may designate all or part of the area within the Service Area as a reinvestment zone. Thereafter, the County and the Participants, at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the Participants, 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. As of September 1, 1999, each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions. To date, the County has not designated any part of the area within the Service Area as a reinvestment zone.

Valuation of Property for Taxation

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

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

The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraisal values. The plan must provide for appraisal of all property in the Appraisal District at least once every three (3) years. It is not known what frequency of reappraisals will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county wide basis. The Participants, however, at their expense, have the right to obtain from the Appraisal District a current estimate of appraised values within that Participant or an estimate of any new property or improvements within that Participant. While such current estimate of appraised values may serve to indicate the rate and

extent of growth of taxable values within the Service Area, it cannot be used for establishing a tax rate within the Service Area until such time as the Appraisal District 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. This temporary exemption is automatic if the disaster is declared prior to a taxing unit, such as the Participants, adopting its tax rate for the tax year. A taxing unit, such as the Participants, may authorize the exemption at its discretion if the disaster is declared after the taxing unit has adopted its tax rate for the tax year. The amount of the exemption is based on the percentage of damage and is prorated based on the date of the disaster. Upon receipt of an application submitted within the eligible timeframe by a person who qualifies for a temporary exemption under the Property Tax Code, the Appraisal District is required to complete a damage assessment and assign a damage assessment rating to determine the amount of the exemption. The temporary exemption amounts established in the Property Tax Code range from 15% for property less than 30% damaged to 100% for property that is a total loss. Any such temporary exemption granted for disaster-damaged property expires on January 1 of the first year in which the property is reappraised.

During the 2nd Special Session, convened on June 27, 2023, the Texas Legislature passed Senate Bill 2 (“SB 2”), which, among other things, includes provisions that prohibit an appraisal district from increasing the appraised value of real property during the 2024 tax year on non-homestead properties (the “Subjected Property”) whose appraised values are not more than \$5,000,000 (the “Maximum Property Value”) to an amount not to exceed the lesser of: (1) the market value of the Subjected Property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20% of the appraised value of the Subjected Property for the preceding tax year; (b) the appraised value of the Subjected Property for the preceding tax year; and (c) the market value of all new improvements to the Subjected Property (collectively, the “Appraisal Cap”). After the 2024 tax year, through December 31, 2026, the Appraisal Cap may be increased or decreased by the product of the preceding state fiscal year’s increase or decrease in consumer price index, as applicable, to the Maximum Property Value. SB 2 was signed into law by the Governor on July 22, 2023; however, the provisions described hereinabove will take effect January 1, 2024.

Participant and Taxpayer Remedies

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

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

Levy and Collection of Taxes

The Participants are responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board, after the legally required notice has been given to owners of property within that Participant, based upon: a) the valuation of property within that Participant as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes, and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of 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 Participant and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the Participant 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 Participant, may be rejected by taxing units. The Participant’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 taxes, 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 Participants, if the taxpayer pays at least 1/4th of the tax bill imposed on the property by the delinquency date. The remaining taxes may be paid without penalty or interest in three (3) equal installments within six (6) months of the delinquency date.

Additionally, the Property Tax Code authorizes a taxing jurisdiction, such as the Participants, 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 Maintenance and Operations Tax Rate

Chapter 49 of the Texas Water Code classifies districts differently based on the current maintenance and operations tax rate or on the percentage of build-out that the Participants has completed. Districts that have adopted a maintenance and operations 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 maintenance and operations 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 maintenance and operations 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 or the President of the United States, alternative procedures and rate limitations may apply for a temporary period. If a district qualifies as both a Special Taxing Unit and a Developed District, the district will be subject to the maintenance and operations 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 maintenance and operations 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 maintenance and operations tax rate.

The District

The Master District has not yet levied a tax and is not anticipating levying a tax, so it has not yet made a determination of its status as a Special Taxing Unit, Developed District or Developing District. The Participants cannot give any assurances as to what its classification will be at any point in time or whether the Participants' future tax rates will result in a total tax rate that will reclassify the Participants into a new classification and new election calculation.

Participant's Rights in the Event of Tax Delinquencies

Taxes levied by the Participants are a personal obligation of the owner of the property as of January 1 of the year in which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of Texas and each taxing unit, including the Participants, having the power to tax the property. The Participants' tax lien is on a parity with the tax liens of other

such taxing units. A tax lien on real property takes priority over the claims of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the Participants is determined by federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the Participants 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 Participants must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights or by bankruptcy proceedings which restrict the collection of taxpayer debts. A taxpayer may redeem property within six (6) months for commercial property and two (2) years for residential and other types of property after the purchaser's deed at the foreclosure sale is filed in the county records.

TAX DATA

Contract Tax

The Master District has the authority to issue Contract Revenue Bonds. Each Participant's pro rata share of the debt service requirements on the Contract Revenue Bonds shall be determined by dividing each Participant's Gross Certified Assessed Valuation by the total of all Participants' Gross Certified Assessed Valuation within the applicable sub-service area, calculated annually. Calculation of the Contract Payments is based upon the Gross Certified Assessed Valuation within the applicable sub-service area and does not make allowances for any exemption granted by the Participants; however, allowances are made for exemptions provided under State law that do not require action by the Participants. See "TAXING PROCEDURES." The Master District Contract obligates each Participant to pay its pro rata share of debt service requirements on the Contract Revenue Bonds from the proceeds of annual unlimited Contract Taxes, from revenues derived from the operation of its water distribution and wastewater collection systems, or from any other legally available funds. The debt service requirement shall include principal, interest, and redemption requirements on the Contract Revenue Bonds, paying agent/registrar fees, and all amount necessary to establish and maintain funds established under the applicable bond resolution.

MCMUD191 is currently the only East Service Area Participant; therefore, MCMUD191 will be responsible for paying 100% of the debt service payments on the Bonds through the Contract Payments made to the Master District from the proceeds of MCMUD191's Contract Tax, until such time as there are additional Participants within the East Service Area, if ever.

Debt Service Tax

Each Participant has the statutory authority to issue its unlimited tax bonds for the purpose of providing facilities to serve the land within its boundaries. Such bonds will be paid by a direct continuing annual ad valorem tax, without legal limit as to rate or amount, adequate to provide funds to pay the principal of and interest on such bonds. Such tax is in addition to Contract Taxes. See "APPENDIX A - CERTAIN FINANCIAL INFORMATION REGARDING THE EAST SERVICE AREA PARTICIPANT" for information related to each Participant's historical tax data and authorized but unissued unlimited tax bonds. The Master District is not a Participant and will not levy a debt service tax.

Maintenance and Operations Tax

The Board of Directors of each Participant has the statutory authority to levy and collect an annual ad valorem tax for maintenance purposes, including, but not limited to, funds for planning, constructing, maintaining, repairing, and operating all necessary land, plants, works facilities, improvements, appliances, and equipment, if such maintenance and operations tax is authorized by a vote of the Participant's electors. Such tax would be in addition to Contract Taxes and taxes levied for paying principal of and interest on any unlimited tax bonds which may be issued by the Participants. For the 2023 tax year, the Master District did not levy a maintenance and operations tax rate. See "APPENDIX A - CERTAIN FINANCIAL INFORMATION REGARDING THE EAST SERVICE AREA PARTICIPANT" for the amount of voter authorized maintenance and operations tax for each Participant.

Tax Rate Limitation

Debt Service:	Unlimited (no legal limit as to rate or amount).
Maintenance and Operations:	\$1.50 per \$100 of assessed valuation.
Contract Taxes:	Unlimited (no legal limit as to rate or amount).

Analysis of Tax Base

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

Type of Property	MCMUD162	MCMUD163	MCMUD191
	2023 Gross Certified Assessed Valuation (a)	2023 Gross Certified Assessed Valuation (b)	2023 Gross Certified Assessed Valuation (c)
Land	\$ 7,902,411	\$ 1,705,860	\$ 26,546,610
Improvements	-	-	15,976,680
Personal Property	-	2,789,831	46,385
Exemptions	(20,464)	(341)	(660,482)
Total	\$ 7,881,947	\$ 4,495,350	\$ 41,909,193

(a) Only Participant in the West Service Area.

(b) The Master District.

(c) Only Participant in the East Service Area.

Principal Taxpayers

The following are the principal taxpayers within the East Service Area as shown on each East Service Area Participant's certified appraisal rolls for the 2023 tax year.

Taxpayer	Assessed Valuation 2023 Tax Roll
Pulte Homes of Texas LP (a) (b)	\$ 21,526,470
Beazar Homes of Texas LP (b)	2,215,600
Debra Homes LLC (b)	1,028,480
Homeowner	344,140
Homeowner	331,550
Homeowner	297,130
Homeowner	288,410
Homeowner	273,160
Homeowner	272,250
Homeowner	266,010
Total	\$ 26,843,200

Percent of Respective Tax Roll

64.05 %

(a) See "DESCRIPTION OF THE DEVELOPERS."

(b) See "THE MASTER DISTRICT - Homebuilders Active Within the East Service Area."

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of assessed valuation which would be required to meet certain debt service requirements on the Bonds if no growth occurs beyond the 2023 Gross Certified Assessed Valuation of the East Service Area Participants (\$41,909,193) and the Estimated Gross Assessed Valuation of the East Service Area Participants as of October 1, 2023 (\$87,339,592). The calculations assume collection of 95% of taxes levied and the sale of the Bonds but not the sale of any additional bonds by the Master District.

Average Annual Debt Service Requirement (2024-2049)	\$ 573,226
Contract Tax Rate of \$1.44 on the 2023 Gross Certified Assessed Valuation East Service Area Produces	\$ 573,318
Contract Tax Rate of \$0.70 on the Estimated Gross Assessed Valuation of the East Service Area Participants as of October 1, 2023, Produces	\$ 580,808
Maximum Annual Debt Service Requirement (2049)	\$ 613,519
Contract Tax Rate of \$1.55 on the 2023 Gross Certified Assessed Valuation East Service Area Produces	\$ 617,113
Contract Tax Rate of \$0.74 on the Estimated Gross Assessed Valuation of the East Service Area Participants as of October 1, 2023, Produces	\$ 613,997

Estimated Overlapping Taxes

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

Set forth below is an estimation of all taxes per \$100 of assessed valuation levied by such jurisdictions. No recognition is given to local assessments for civic association dues, emergency medical service contributions, fire department contributions, or any other charges made by entities other than political subdivisions. The following chart includes the 2023 taxes per \$100 of assessed valuation levied by all such taxing jurisdictions.

Taxing Jurisdictions	2023 Tax Rate Per \$100 of Assessed Valuation
The Participants (a)	\$ 1.350000
Montgomery County	0.369600
Montgomery County Emergency Service District No. 9 (b)	0.100000
Conroe Independent School District	0.962100
Loen Star College System (c)	0.107600
Montgomery County Hospital District	<u>0.049800</u>
Total Tax Rate	\$ 2.939100

- (a) Represents the highest tax rate for all the Participants. For the 2023 tax year, MCMUD191 levied a total tax rate of \$1.35 per \$100 of assessed valuation (all for maintenance and operations purposes).
- (b) The 2022 total tax rate.
- (c) The proposed 2023 total tax rate.

LEGAL MATTERS

Legal Opinions

Delivery of the Bonds will be accompanied by the approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the Master District under the Constitution and laws of Texas, payable from Contract Payments, and, based upon their examination of a transcript of certified proceedings relating to the issuance and sale of the Bonds, the approving legal opinion of Bond Counsel, to a like effect and to the effect that, 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.

Bond Counsel has reviewed the information appearing in this Official Statement under "THE BONDS" (except for information under the subheadings "Book-Entry-Only System" and "Use and Distribution of Bond Proceeds"), "THE PARTICIPANT," "MASTER DISTRICT CONTRACT," "THE MASTER DISTRICT" (except for information under the subheadings "Status of Development Within the East Service Area," "Status of Development Within the West Service Area," "Homebuilders Active Within the East Service Area" and "Homebuilders Active Within the West Service Area"), "TAXING PROCEDURES," "LEGAL MATTERS (as it relates to the opinion of Bond Counsel)," "TAX MATTERS," and "CONTINUING DISCLOSURE OF INFORMATION" (except for information under the subheading "Compliance With Prior Undertakings") solely to determine whether such information, insofar as it relates to matters of law, is true and correct and whether such information fairly summarizes matters of law, the provisions of the documents referred to therein and conforms to the provisions of the Bond Resolution approving the Bonds. Bond Counsel has not, however, independently verified any of the factual information contained herein nor has it conducted an investigation of the affairs of the Master District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon Bond Counsel's limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any information contained herein.

The 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

The Master District will furnish the Initial Purchaser a certificate, executed by the Board President and the Board Secretary, and dated as of the date of delivery of the Bonds, that to their knowledge, no litigation is pending or threatened affecting the validity of the Bonds, or the levy and/or collection of taxes for the payment thereof, the organization or boundaries of the Master District, or the title of the officers thereof to their respective offices.

No Material Adverse Change

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

TAX EXEMPTION

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

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

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

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

Alternative Minimum Tax

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

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

Original Issue Discount

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

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

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

Bond Premium

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

Designation for Purchase by Financial Institutions

The Code generally provides that financial institutions may not deduct any of the interest expense (the "cost of carry") allocable to tax-exempt obligations acquired after August 7, 1986, other than qualified tax-exempt obligations. Financial institutions may not deduct 20% of the cost of carry allocable to qualified tax-exempt obligations. An obligation's status as a qualified tax-exempt obligation is dependent upon an affirmative act of designation by the issuer and is subject to, among other things, the issuer and its "subordinate entities," within the meaning of Section 265(b)(3) of the Code, complying with limitations on the amount of obligations that may be issued and designated in the same calendar year.

The Master District has designated the Bonds as qualified tax-exempt obligations and has covenanted to comply with the provisions of Section 265(b)(3). In the opinion of Bond Counsel, under current law, the Bonds are qualified tax-exempt obligations within the meaning of Section 265(b)(3). Such opinion is given in reliance upon certifications by representatives of the Master District as to certain facts material to both such opinion and the requirements of Section 265(b)(3).

Other Tax Matters

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

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

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

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

CONTINUING DISCLOSURE OF INFORMATION

The offering of the Bonds qualifies for the Rule 15c2-12(d)(2) exemption from Rule 15c2-12(b)(5) of the United States and Securities Exchange Commission (the "SEC") regarding the Master District's continuing disclosure obligations because the Master District does not have 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 Bond Resolution, the Master District has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The Master District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the Master District will be obligated to provide certain updated financial information and operating data annually, 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 Master District will provide certain updated financial information and operating data to the MSRB annually.

The District will provide certain updated financial information and operating data annually to the MSRB. In addition, the District has agreed to provide information with respect to the Pulte, any person or entity to whom Pulte voluntarily assigns (except as collateral) the right to receive a payment out of the proceeds from the sale of the bonds of the District, and each other person or entity, if any, to whom the District voluntarily makes or agrees or has agreed to make a payment out of such proceeds. The District will be obligated to provide information concerning Pulte and any such other person or entity only if and so long as (1) such persons own more than 20% of the taxable property within the District by value, as reflected by the most recently certified tax rolls (and without effect to special valuation provisions), (2) such persons have made tax or other payments to the District which were used or available to pay more than 20% of the District's debt service requirements in the applicable fiscal year, or (3) at the end of such fiscal year such persons are obligated to the District to provide or pay for District facilities or debt in an amount which exceeds 20% of the amount of the District's bonds then outstanding.

The information to be updated with respect to the Master District includes all quantitative financial information and operating data of the general type included under "MASTER DISTRICT DEBT," (except under the subheading "Estimated Overlapping Debt Statement"), "TAX DATA," "APPENDIX A – Certain Financial Information Regarding the East Service Area Participant," "APPENDIX B – Financial Statements of the Participants and Master District" and with respect to Pulte, is found in "TAX DATA – Principal Taxpayers." The Master District will update and provide this information within six (6) months after the end of each of its fiscal years. The Master District will provide the updated information to EMMA.

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

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

Event Notices

The Master District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of 10 business days after the occurrence of an event. The Master District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the 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 Master District or other obligated person; (13) consummation of a merger, consolidation, or acquisition involving the Master District or other obligated person or the sale of all or substantially all of the assets of the Master 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 Master 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 Master 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 Master District or other obligated person, any of which reflect financial difficulties. The terms "obligated person" and "financial obligations" 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 make any provision for debt service reserves or liquidity enhancement. In addition, the Master District will provide timely notice of any failure by the Master District to provide information, data, or financial statements in accordance with its agreement discussed under "CONTINUING DISCLOSURE OF INFORMATION – Annual Reports."

Availability of Information from EMMA

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

Limitations and Amendments

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

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

This is the first issuance of Bonds by the Master District. The Master District has not entered into a prior continuing disclosure agreement in accordance with the Rule.

OFFICIAL STATEMENT

General

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

The Master District's financial statements for the fiscal year ended September 30, 2022, were audited by the Auditor and are attached hereto as "APPENDIX B – FINANCIAL STATEMENTS OF THE EAST SERVICE AREA PARTICIPANT AND MASTER DISTRICT." The Auditor has consented to the publication of such financial statements herein.

Experts

The information contained in the Official Statement relating to engineering and to the description of Master District Facilities, and, in particular, that engineering information included under "THE MASTER DISTRICT – Status of Development Within the East Service Area" and "MASTER DISTRICT FACILITIES," has been provided by the Master District Engineer and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

The information contained in this Official Statement relating to development and the status of development within the Master District generally and, in particular, the information under "THE MASTER DISTRICT – Status of Development Within the East Service Area" and "DESCRIPTION OF THE DEVELOPER – Principal Landowner/Developer," has been provided by the Developer and has been included herein in reliance upon their authority and knowledge of such party concerning the matters described therein.

The information contained in this Official Statement relating to the Participants' financial statements, in particular the information under "APPENDIX B – FINANCIAL STATEMENTS OF THE EAST SERVICE AREA PARTICIPANT AND MASTER DISTRICT," has been provide by the Auditor and has been included herein in reliance upon their authority and knowledge of such party concerning the matters described therein.

The information contained herein relating to assessed valuations of property generally and, in particular, that information concerning collection rates and valuations included under "TAX DATA" and "DISTRICT DEBT" was provided by the Tax Assessor/Collector and the Appraisal District. Such information has been included herein in reliance upon the Tax

Assessor/Collector's authority as an expert in the field of tax collection and the Appraisal District's authority as an expert in the field of tax assessing.

Certification as to Official Statement

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

Updating of Official Statement

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

CONCLUDING STATEMENT

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

This Official Statement was approved by the Board of Directors of Montgomery County Municipal Utility District No. 163 as of the date shown on the cover of this Official Statement.

/s/ Richard Derr
President, Board of Directors
Montgomery County Municipal Utility District No. 163

ATTEST:

/s/ Robert L. Hibbetts
Secretary, Board of Directors
Montgomery County Municipal Utility District No. 163

APPENDIX A

CERTAIN FINANCIAL INFORMATION REGARDING THE EAST SERVICE AREA PARTICIPANT

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 191

Voter Authorized Unlimited Tax Water, Sewer, and Drainage Bonds (and Refunding)	\$	260,975,000
Voter Authorized Unlimited Tax Road Bonds (and Refunding)	\$	109,725,000
Voter Authorized Unlimited Tax Park Bonds (and Refunding)	\$	29,947,000
Total Principal Amount of Unlimited Tax Bonds Issued	\$	-
Debt Service Tax Limitation (per \$100 of Assessed Valuation)		Unlimited
Maintenance and Operations Tax Limitation (per \$100 of Assessed Valuation).....	\$	1.500
Maintenance and Operations Tax for Road Facilities Limitation (per \$100 of Assessed Valuation).....		\$ 0.250
Contract Tax Limitation		Unlimited
Gross Outstanding Direct Debt.....	\$	-
2023 Gross Certified Assessed Valuation	\$	41,909,193
Estimated Gross Assessed Valuation as of October 1, 2023	\$	87,339,592
Average Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (\$573,226) (2024-2049):		
Pro Rata Share Based on the 2023 Gross Certified Assessed Valuation	\$	573,226
Pro Rata Share Based on the Estimated Gross Valuation as of October 1, 2023.....	\$	573,226
Maximum Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (\$613,519) (2049):		
Pro Rata Share Based on the 2023 Gross Certified Assessed Valuation	\$	613,519
Pro Rata Share Based on the Estimated Gross Valuation as of October 1, 2023.....	\$	613,519
Tax Rate Required to Pay Pro Rata Share of the Outstanding Bonds and the Bonds Based Upon the 2023 Certified Gross Assessed Valuation at 95% Collections:		
Average Annual Debt Service Requirement.....	\$	1.44
Maximum Annual Debt Service Requirement.....	\$	1.55
Tax Rate Required to Pay Pro Rata Share of the Outstanding Bonds and the Bonds Based Upon the Estimated Gross Assessed Valuation as of October 1, 2023, at 95% Collections:		
Average Annual Debt Service Requirement.....	\$	0.70
Maximum Annual Debt Service Requirement.....	\$	0.74
Status of Single-Family Development as of September 1, 2023:		
Approximate Total Developed Acreage		95.6
Single-Family Homes.....		206
Total Developed Lots.....		568

Principal Taxpayers

The following represents the principal taxpayers on MCMUD191’s 2023 tax roll, as certified by the Appraisal District.

Taxpayer	Assessed Valuation 2023 Tax Roll
Pulte Homes of Texas LP	\$ 21,526,470
Beazer Homes of Texas LP	2,215,600
Debra Homes LLC	1,028,480
Homeowner	344,140
Homeowner	331,550
Homeowner	297,130
Homeowner	288,410
Homeowner	273,160
Homeowner	2,72,250
Homeowner	<u>266,010</u>
Total	\$ 26,843,200
Percent of Respective Tax Roll	64.05 %

(a) Based on MCMUD191’s total taxable assessed valuation as of January 1, 2023.

Historical Collections

The following represents the historical tax collections for MCMUD191’s 2021 and 2022 tax years.

Tax Year	Assessed Valuation	Tax Rate (a)	Adjusted Levy	Collections Current Year	Current Year Ended 09/30	Collections 08/31/2023
2021	\$ 1,687,480	1.35	22,781	100.00%	2022	100.00 %
2022	3,047,199	1.35	41,137	100.00 %	2023	100.00 %

(a) Total tax rate per \$100 of assessed valuation for each respective tax year.

Tax Rate Distribution

The following represents the components of the tax rate for MCMUD191’s 2021-2023 tax years.

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Utility System Debt Service	\$ 0.000	\$ 0.000	\$ 0.000
Maintenance and Operations	1.350	1.350	1.350
Contract	<u>0.000</u>	<u>0.000</u>	<u>0.000</u>
Total	\$ 1.350	\$ 1.350	\$ 1.350

APPENDIX B

FINANCIAL STATEMENTS OF THE EAST SERVICE AREA PARTICIPANT AND MASTER DISTRICT

- **2022 Audit for Montgomery County Municipal Utility District No. 191 (Participant)**
- **2022 Audit for Montgomery County Municipal Utility District No. 163 (Master District)**

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 191
MONTGOMERY COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
SEPTEMBER 30, 2022

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 191

MONTGOMERY COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2022

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McCALL GIBSON SWEDLUND BARFOOT PLLC

Certified Public Accountants

13100 Wortham Center Drive
Suite 235
Houston, Texas 77065-5610
(713) 462-0341
Fax (713) 462-2708

PO Box 29584
Austin, Texas 78755-5126
(512) 610-2209
E-Mail: mgsb@mgsbpllc.com
www.mgsbpllc.com

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Montgomery County Municipal Utility District No. 191
Montgomery County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and major fund of Montgomery County Municipal Utility District No. 191 (the "District") as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the District as of September 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Board of Directors
Montgomery County Municipal Utility District No. 191

Supplementary Information

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



McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

February 10, 2023

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 191
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

Management's discussion and analysis of Montgomery County Municipal Utility District No. 191's (the "District") financial performance provides an overview of the District's financial activities for the year ended September 30, 2022. Please read it in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

FUND FINANCIAL STATEMENTS

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has one governmental fund type. The General Fund accounts for customer service revenues, maintenance tax revenues, developer advances, operating costs and general expenditures.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 191
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

FUND FINANCIAL STATEMENTS (Continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, liabilities exceeded assets by \$1,500,802 as of September 30, 2022. This is the District's first audit. In future years a comparative analysis of government-wide changes in net position will be presented. The following table provides a summary of the Statement of Net Position for the year ended September 30, 2022:

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 191
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of the Statement of Net Position
	2022
Current and Other Assets	\$ 127,126
Capital Assets (Net of Accumulated Depreciation)	8,334,476
Total Assets	\$ 8,461,602
Due to Developer	\$ 9,850,645
Other Liabilities	111,759
Total Liabilities	\$ 9,962,404
Net Position:	
Net Investment in Capital Assets	\$ (1,183,877)
Unrestricted	(316,925)
Total Net Position	\$ (1,500,802)

The following table provides a summary of the District's operations for the year ended September 30, 2022, which is the initial audit period for the District.

	Summary of the Statement of Activities
	2022
Total Revenues	\$ 1,402,458
Expenses for Services	2,773,533
Change in Net Position	\$ (1,371,075)
Net Position, Beginning	(129,727)
Net Position, Ending	\$ (1,500,802)

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 191
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUND

The District's General Fund fund balance as of September 30, 2022, was \$15,367, an increase of \$56,802 from the prior year. This increase was primarily due to customer service revenues, maintenance tax revenues and developer advances exceeding current year operating costs and capital outlay.

CAPITAL ASSETS

Capital assets as of September 30, 2022 total \$8,334,476 (net of accumulated depreciation) and include water, wastewater and drainage facilities which the District will be responsible for maintaining. Additional information on the District's capital assets can be found in Note 6 of this report.

Capital Assets At Year-End, Net of Accumulated Depreciation	
	2022
Capital Assets, Net of Accumulated	
Depreciation:	
Water System	\$ 1,802,597
Wastewater System	2,347,273
Drainage Facilities	3,585,665
Capacity in Master District Facilities	598,941
Total Net Capital Assets	\$ 8,334,476

LONG-TERM DEBT

As of September 30, 2022, the District recorded an amount due to Developer of \$9,850,645 which consists of payments for operating advances made by the Developer as well as expenditures made on behalf of the District for water, wastewater and drainage facilities for which the District has not sold bonds.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors adopted an unappropriated budget for the current year. The budget was amended during the current fiscal year to decrease anticipated developer advances, increase service revenues and increase projected tap and inspection costs. Actual revenues were \$779,990 more than budgeted revenues, actual expenditures were \$1,416,876 more than budgeted expenditures and actual advances and contribution by other governmental units were \$693,688 more than budgeted. This resulted in a positive variance of \$56,802. See the budget to actual comparison for more information.

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Montgomery County Municipal Utility District No. 191, c/o The Muller Law Group, 202 Century Square Boulevard, Sugar Land, Texas 77478.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 191
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUND BALANCE SHEET
SEPTEMBER 30, 2022

	General Fund	Adjustments	Statement of Net Position
ASSETS			
Cash	\$ 127,126	\$	\$ 127,126
Capital Assets (Net of Accumulated Depreciation)		8,334,476	8,334,476
TOTAL ASSETS	\$ 127,126	\$ 8,334,476	\$ 8,461,602
LIABILITIES			
Accounts Payable	\$ 93,659	\$	\$ 93,659
Due to Developers		9,850,645	9,850,645
Security Deposits	18,100		18,100
TOTAL LIABILITIES	\$ 111,759	\$ 9,850,645	\$ 9,962,404
FUND BALANCE			
Unassigned	\$ 15,367	\$ (15,367)	\$ - 0 -
TOTAL LIABILITIES AND FUND BALANCE	\$ 127,126		
NET POSITION			
Net Investment in Capital Assets		\$ (1,183,877)	\$ (1,183,877)
Unrestricted		(316,925)	(316,925)
TOTAL NET POSITION		\$ (1,500,802)	\$ (1,500,802)

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

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 191
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2022**

Total Fund Balance - Governmental Fund	\$	15,367
--	----	--------

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		8,334,476
--	--	-----------

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

Due to Developers		<u>(9,850,645)</u>
Total Net Position - Governmental Activities	\$	<u>(1,500,802)</u>

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

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 191
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	General Fund	Adjustments	Statement of Activities
REVENUES			
Property Taxes	\$ 21,954	\$	\$ 21,954
Water Service	6,737		6,737
Wastewater Service	2,558		2,558
Sale of Capacity	600,000		600,000
Penalty and Interest	358		358
Investment Revenues	145		145
Tap Connection and Inspection Fees	229,316		229,316
Miscellaneous Revenues	7,932	533,458	541,390
TOTAL REVENUES	\$ 869,000	\$ 533,458	\$ 1,402,458
EXPENDITURES/EXPENSES			
Service Operations:			
Professional Fees	\$ 84,192	\$	\$ 84,192
Contracted Services	22,600		22,600
Purchased Water Service	19,655		19,655
Purchased Wastewater Service	825		825
Repairs and Maintenance	17,678		17,678
Depreciation		42,528	42,528
Other	120,596		120,596
Capital Outlay	1,324,110	(1,324,110)	
Conveyed to POA		1,312,213	1,312,213
Conveyed to County		1,153,246	1,153,246
TOTAL EXPENDITURES/EXPENSES	\$ 1,589,656	\$ 1,183,877	\$ 2,773,533
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (720,656)	\$ (650,419)	\$ (1,371,075)
OTHER FINANCING SOURCES (USES)			
Contributed by Other Governmental Unit	\$ 533,458	\$ (533,458)	\$
Developer Advances	244,000	(244,000)	
TOTAL OTHER FINANCING SOURCES (USES)	\$ 777,458	\$ (777,458)	\$ -0-
NET CHANGE IN FUND BALANCE	\$ 56,802	\$ (56,802)	\$
CHANGE IN NET POSITION		(1,371,075)	(1,371,075)
FUND BALANCE (DEFICIT)/NET POSITION - OCTOBER 1, 2021	(41,435)	(88,292)	(129,727)
FUND BALANCE/NET POSITION - SEPTEMBER 30, 2022	\$ 15,367	\$ (1,516,169)	\$ (1,500,802)

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

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 191
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

Net Change in Fund Balance - Governmental Fund	\$	56,802
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds do not account for depreciation and amortization. However, in the Statement of Net Position, capital and intangible assets are depreciated and amortized, and the depreciation and amortization expense is recorded in the Statement of Activities.		(42,528)
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Governmental funds report capital expenditures as expenditures in the year purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected. In addition, amount related to projects advanced by the developer for facilities conveyed to others for operations and maintenace is recorded as an expense in the Statement of Activities.		(1,141,349)
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Governmental funds report developer advances as other financing sources. However, in the Statement of Net Position, developer advances, net any amount paid to the developer, are recorded as a liability.		<u>(244,000)</u>
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Change in Net Position - Governmental Activities	\$	<u>(1,371,075)</u>
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The accompanying notes to the financial statements are an integral part of this report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 191
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 1. CREATION OF DISTRICT

The District was created by the Corrected Order Dividing District into Three Districts adopted by Montgomery County Municipal Utility District No. 163 on February 10, 2021, as authorized by Chapter 8091, Special District Local Laws Code. The District is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water, wastewater service, storm sewer drainage, irrigation, to construct roads, and to construct parks and recreational facilities for the residents of the District. The Board of Directors held its first meeting on February 11, 2021.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

Financial Statement Presentation

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

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

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

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 191
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

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

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

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

Governmental Fund

The District has one governmental fund and considers it to be a major fund.

General Fund - To account for customer service revenues, maintenance tax revenues, developer advances, operating costs and general expenditures.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 191
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

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

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

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis.

Capital Assets

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

Assets are capitalized, including infrastructure assets, if they have an original cost greater than \$5,000 and a useful life of two years or more. Depreciation is calculated on each class of depreciable property using no salvage value and the straight-line method of depreciation.

Estimated useful lives are as follows:

	Years
Water System	10-45
Wastewater System	10-45
Drainage System	10-45

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 191
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgeting

An annual unappropriated budget is adopted for the General Fund by the District's Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. The original General Fund budget for the current year was amended. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund presents the original and revised budget amounts compared to the actual amounts of revenues and expenditures for the current year.

Pensions

A pension plan has not been established. The District does not have employees, except that the Internal Revenue Service has determined that directors are considered “employees” for federal payroll tax purposes only.

Measurement Focus

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

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

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 191
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

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

Restricted: amounts that can be spent only for specific purposes because of constitutional provisions, or enabling legislation, or because of constraints that are imposed externally. The District does not have any restricted fund balances.

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

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

Unassigned: all other spendable amounts in the General Fund.

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

Accounting Estimates

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

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 191
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 3. DEPOSITS AND INVESTMENTS

Deposits

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

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District's deposits was \$127,126 and the bank balance was \$202,554. The District was not exposed to custodial credit risk.

Investments

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

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

As of September 30, 2022, the District did not have any investments.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 191
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 4. MAINTENANCE TAX

On May 1, 2021, the voters of the District approved the levy and collection of a maintenance tax not to exceed \$1.50 per \$100 of assessed valuation of taxable property within the District. The maintenance tax is to be used by the General Fund to pay expenditures of operating the District's waterworks and wastewater system. During the year ended September 30, 2022, the District levied an ad valorem maintenance tax at the rate of \$1.35 per \$100 of assessed valuation, which resulted in a tax levy of \$21,954 on the adjusted taxable valuation of \$1,626,220 for the 2021 tax year. This maintenance tax is to be used by the General Fund to pay expenditures of operating the District's waterworks and sanitary sewer system.

On May 1, 2021, the voters of the District approved the levy and collection of a road maintenance tax not to exceed \$0.25 per \$100 of assessed valuation of taxable property within the District. The maintenance tax is to be used by the General Fund to pay expenditures of operating the District's roads. No such road maintenance tax has been levied.

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

NOTE 5. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage since inception.

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2022 is as follows:

	October 1, 2021	Increases	Decreases	September 30, 2022
Capital Assets Subject to Depreciation				
Water System	\$	\$ 1,813,950	\$	\$ 1,813,950
Wastewater System		2,359,579		2,359,579
Drainage Facilities		3,603,475		3,603,475
Capacity in Master District Facilities		600,000		600,000
Total Capital Assets Subject to Depreciation	\$ - 0 -	\$ 8,377,004	\$ - 0 -	\$ 8,377,004
Accumulated Depreciation				
Water System	\$	\$ 11,353	\$	\$ 11,353
Wastewater System		12,306		12,306
Drainage Facilities		17,810		17,810
Capacity in Master District Facilities		1,059		1,059
Total Accumulated Depreciation	\$ - 0 -	\$ 42,528	\$ - 0 -	\$ 42,528
Total Depreciable Capital Assets, Net of Accumulated Depreciation	\$ - 0 -	\$ 8,334,476	\$ - 0 -	\$ 8,334,476

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 191
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 7. REGIONAL FACILITIES

The District is part of a regional system (the “Master District System”) in which Montgomery County Municipal Utility District No. 163 (the “Master District” or “MUD 163”) provides, finances, constructs, owns, operates, and/or maintains certain public water, sewer, drainage, road and park facilities (“Master District Facilities”) to serve other municipal utility districts (each a “Participant”) that i) are located within the Master District’s service area consisting of approximately 1,825 acres in the vicinity of FM1314 and SH242 (“Service Area”) and, ii) have entered into the Contract for Construction, Financing, Operation, and Maintenance of Regional Facilities, as supplemented or amended (the “Master District Contract”) with MUD 163. Use of this Master District System encourages regionalization and helps avoid duplication of facilities. Each Participant will finance, construct, own, operate and maintain its own internal water, sewer, drainage, road and park facilities.

There are currently three additional municipal districts other than the Master District and the District within the Service Area. These are Montgomery County Municipal Utility District Nos. 162, 192 and 194; however, Montgomery County Municipal Utility District Nos. 192 (“MUD 192”) and 194 (“MUD 194”) are not actively developing, have not entered into the Master District Contract, and, therefore, are not considered Participants at this time. Montgomery County Municipal Utility District No. 162 (“MUD 162”) has entered into the Master District Contract and is a Participant.

The Master District’s Service Area is divided between two Sub-Service Areas, the “East Service Area” and the “West Service Area.” The East Service Area generally corresponds with that portion of the Service Area east of FM1314, and the West Service Area generally corresponds with that portion of the Service Area west of FM1314. Currently, Master District Facilities provided by MUD 163 in the East Service Area serve MUD 191 (and may serve MUD 192 if and when such district begins developing and approves the Master District Contract), and Master District Facilities provided by MUD 163 in the West Service Area serve MUD 162 (and may serve MUD 194 if and when such district begins developing and approves the Master District Contract).

Among other things, the Master District Contract provides that the Master District will issue bonds from time to time to finance Master District Facilities that serve the Participants (“Master District Bonds”). Such bonds will be issued as contract revenue bonds payable solely from the contract revenues collected by the Master District from the Participants for such purpose. The Participants are required to levy and collect a contract tax, without legal limit as to rate or amount, on all taxable property within their respective boundaries sufficient to pay their respective pro rata shares of the debt service payments on the Master District Bonds, including, if applicable, any charges and expenses of paying agents, registrars and trustees utilized in connection with the Master District Bonds, the principal, interest and redemption requirements of

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 191
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 7. REGIONAL FACILITIES (Continued)

the Master District Bonds and all amounts required to establish and maintain funds established under the Master District Bond documents entered into by the Master District. Each Participant's contract payments will be calculated annually by the Master District; however, the levy of a contract tax or the provisions of other lawfully available funds to make its contract payments is the sole responsibility of each Participant.

A Participant's pro rata share of the debt service payments on Master District Bonds is calculated as the total assessed value of taxable property located in such district divided by the total assessed value of taxable property located within the boundaries of all Participants, either within the Service Area or Sub-Service Area, as applicable. At this time, as the only Participant in the East Service Area, the District's share of debt service payments on any Master District Bonds issued to finance only Master District Facilities serving the East Service Area would be 100%. There is no limit in the Master District Contract on the total principal amount of Master District Bonds that may be issued by the Master District.

The Master District Contract further requires that each Participant fund its pro-rata share of the Master District's operational expenses. General operating expenses of the Master District are split 50/50 between the East Service Area and West Service Area, with each Participants' share being calculated based upon its pro-rata share of the total number of water connections located within the boundaries of all Participants in the respective Sub-Service Area. Operations and maintenance charges for the regional drainage channel that serves both the East and West Service Areas are allocated as follows: 100% of operation and maintenance costs attributable to that portion of the drainage channel east of FM1314 are paid by Participant(s) in the East Service Area, and costs attributable to that portion of the channel west of FM1314 are split 55% East Service Area and 45% West Service Area. The costs of other services provided by the Master District to its Participants that are specific to one sub-service area are paid 100% by the Participant(s) in such sub-service area based on a district's pro-rata share of connections in the sub-service area.

Each Participant is obligated to establish and maintain rates, fees, and charges for its services which, together with tax revenues and funds received from any other lawful sources, are sufficient at all times to pay the operation and maintenance expenses of the Master District. If any Participant fails to pay its share of these costs in a timely manner, the Master District Contract provides that the Master District shall be entitled to cancel, in whole or in part, any reservation or allocation of capacity in the Master District Facilities by such Participant in addition to the Master District's other remedies pursuant to the Master District Contract. As a practical matter, the Participants have no alternative provider of the regional services rendered by the Master District under the Master District Contract. Currently, as the only Participant in the East Service Area, the District is responsible for paying all of the administrative expenses of the Master District attributable to such service area, which it pays in the form of "Monthly Charges" invoiced monthly by the Master District.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 191
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 7. REGIONAL FACILITIES (Continued)

Water Facilities: Pulte Homes of Texas, L.P. entered into a Wholesale Agreement for Water and Wastewater Service with Quadvest, L.P., dated January 21, 2021 (the “Wholesale Agreement”) for the purpose of providing for potable water supply services to serve MUD 191. The Wholesale Agreement was subsequently amended and assigned to the District on July 14, 2021. Quadvest, L.P. subsequently assigned the agreement to Quadvest Wholesale, LLC, (“Quadvest”). Pursuant to the Wholesale Agreement, including amendments, Quadvest agreed to provide sufficient water supply capacity to serve up to 3,230 equivalent single-family connections (“ESFC”). Initially, Quadvest will provide water from its existing water system that currently serves the Summerset subdivision. Quadvest will ensure that a second source of water will be available at the point in time there are 250 ESFC within the District. Quadvest is obligated to construct the water plant facilities as necessary and within the timeframe required to meet the needs of continued development within the District. At this time, the Master District is not providing the District or East Service Area with water supply services.

Wastewater Facilities: Pulte Homes of Texas, L.P. entered into a Wholesale Agreement for Water and Wastewater Service with Quadvest, L.P., dated January 21, 2021 (the “Wholesale Agreement”) for the purpose of providing sanitary sewer treatment services to the District. The Wholesale Agreement was subsequently amended and assigned to the District on July 14, 2021. Quadvest, L.P. subsequently assigned the agreement to Quadvest Wholesale, LLC, (“Quadvest”). Pursuant to the Wholesale Agreement, including amendments, Quadvest agreed to provide sufficient wastewater treatment capacity to serve up to 3,230 equivalent single-family connections (“ESFC”). Initially, Quadvest will provide wastewater service from its existing wastewater system that currently serves the Summerset and Lone Star Ranch subdivisions and the Lone Star Ranch wastewater treatment plant. Quadvest is obligated to construct the wastewater facilities as necessary and within the timeframe required to meet the needs of continued development within the District. At this time, the Master District is not providing the District or East Service Area with sanitary sewer treatment services.

Wholesale Agreement: Pursuant to the Wholesale Agreement, the District is obligated to pay Quadvest connection charges for capacity in the Quadvest water and wastewater facilities (“Quadvest System”). The connection charges are to paid as follows: a \$100,000 initial payment (the “Initial Payment”) and \$550 per platted ESFC for water and sewer services (i.e., \$1,100 per platted connection for both water and sewer combined), with such payments being due on the earlier of 1) receipt by the District of bond proceeds issued for the purpose of purchasing capacity in the Quadvest System, or 2) 36 months following the date of the recording of the respective final plat. The Initial Payment shall be credited against the final \$100,000 worth of connection charges due under the Wholesale Agreement. In addition to the connection charges, the Wholesale Agreement provides that the District shall pay monthly usage charges to Quadvest as follows: a volumetric rate of \$3.70 per 1,000 gallons of actual metered water usage and a flat fee for sanitary sewer services in the amount of \$55.00 per ESFC actually connected to the Quadvest System.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 191
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 7. REGIONAL FACILITIES (Continued)

Regional Water Distribution and Wastewater Collection: Regional water distribution facilities consist of waterlines ranging from 6 inches to 16 inches. These potable water distribution facilities supply water received from the Quadvest System to the internal water distribution facilities constructed by the District. The regional wastewater collection facilities include sanitary sewer lines ranging in size from 6 inches to 16 inches. These collection lines collect waste from the internal facilities constructed by or on behalf of the District, and transport it to the Quadvest System.

Master Drainage: The Master District also provides the Service Area with regional drainage facilities, which include drainage channel facilities, detention pond facilities, and conveyance storm sewer lines (“Storm-Water Drainage Facilities”). The Master District is responsible for operation and maintenance of the Storm-Water Drainage Facilities.

Internal Water Distribution, Wastewater Collection, and Storm Drainage Facilities: Internal water distribution, wastewater collection and storm drainage facilities have been constructed, are being constructed, or will be constructed by the Participants, including the District.

NOTE 8. UNREIMBURSED COSTS

The District has entered into certain financing and reimbursement agreements with a Developer within the District which provides for the Developer to make payments on behalf of the District for various projects and operating advances. The District has an obligation to reimburse the Developer for these costs from future bond issues to the extent approved by the Commission.

The District has recorded a liability to the Developer of \$9,850,645 for operating advances and completed projects as of September 30, 2022. The actual amounts owed, including developer interest, will be calculated at the time debt is issued to reimburse the Developer. The following table summarizes the current fiscal year activity related to unreimbursed Developer costs for operating advances and completed projects:

Due to Developers, beginning of year	\$ 88,292
Current year additions	9,762,353
Due to Developers, end of year	\$ 9,850,645

NOTE 9. BOND AUTHORIZATION

At elections held May 1, 2021 and May 7, 2022, the voters of the District authorized the issuance of bonds up to \$237,250,000 for the purposes of acquiring or construction of water, sewer and drainage facilities, \$99,750,000 for road facilities, \$27,225,000 for park and recreational purposes, \$23,725,000 for the purpose of refunding water, sewer and drainage facilities bonds, \$9,975,000 for the purpose of refunding road bonds and \$2,722,500 for the purpose of refunding park and recreational bonds of which all remain authorized but unissued.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 191
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 10. CONTRIBUTIONS

Effective September 7, 2021, the District executed a Cost Sharing Agreement with Montgomery County Municipal Utility District No. 193 (“MUD 193”). Pursuant to the agreement, the District shares the costs of water and wastewater trunk lines and related improvements to serve both Districts. MUD 193 is responsible for a prorata share of the costs estimated at \$533,458. This was received in the current year and was recorded as contributed by other governmental unit. The project was complete as of September 30, 2022 and has been recorded as an asset of the District. The corresponding liability, less the amount received from MUD 193 has been recorded as a due to developer.

During the current year, the District’s developer completed construction of certain landscaping and play structure improvements which are to be maintained by the Property Owner’s Association (POA). The costs are included as due to developer and recorded as contribution to the POA.

NOTE 11. STRATEGIC PARTNERSHIP AGREEMENT

The District has entered into a Strategic Partnership Agreement (“SPA”) with the City of Conroe, Texas (the “City”), effective August 4, 2022, whereby the City may impose its sales and use tax within the District upon its limited purpose annexation of the District. To date, the City has not exercised its right to annex the District for limited purposes, but it may exercise this right at any time. After the date of the limited purpose annexation, the City shall pay to the District an amount equal to 50% of the sales and use tax revenues that are reported on the monthly sales tax report provided by the Comptroller and received by the City from the Comptroller.

The City may, but is not required to, annex the District for full purposes upon the earlier of the following: 1. The date, not earlier than December 31, 2045, or 2. The time the District has achieved 95% Build Out, whichever occurs first. Upon the full purpose annexation conversion date, the land included within the boundaries of the District shall be deemed to be within the full purpose boundary limits of the City without the need for any further action. Upon such date, all taxable property within the territory of the District shall become subject to ad valorem taxation by the City.

If the debt of the District remains outstanding on the full purpose annexation conversion date, the City may require the District to continue to exist as a limited district for so long as necessary for the limited district to fully discharge all outstanding debt of the limited district.

At any time on or after the time after development in the District reaches 95% build out or December 31, 2045, the City may, in its sole discretion, annex all of the land within the District for full purposes, dissolve the District and assume the debt of the District as provided in Texas Local Government Code, Section 43.075.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 191
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 12. ECONOMIC DEPENDENCY

The District's Developer owns a substantial portion of the taxable property within the District. The Developer's ability to make full and timely payments of taxes and provide operating advances could directly affect the District's ability to meet its financial obligations.

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MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 191

REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2022

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 191
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Original Budget	Final Amended Budget	Actual	Variance Positive (Negative)
REVENUES				
Property Taxes	\$	\$	\$ 21,954	\$ 21,954
Water Service		3,000	6,737	3,737
Wastewater Service		3,000	2,558	(442)
Sale of Capacity			600,000	600,000
Penalty and Interest			358	358
Investment Revenues	10	10	145	135
Tap Connection and Inspection Fees		83,000	229,316	146,316
Miscellaneous Revenues			7,932	7,932
TOTAL REVENUES	<u>\$ 10</u>	<u>\$ 89,010</u>	<u>\$ 869,000</u>	<u>\$ 779,990</u>
EXPENDITURES				
Service Operations:				
Professional Fees	\$ 103,100	\$ 108,100	\$ 84,192	\$ 23,908
Contracted Services	4,700	4,700	22,600	(17,900)
Purchased Water Service			19,655	(19,655)
Purchased Wastewater Service			825	(825)
Repairs and Maintenance			17,678	(17,678)
Other	18,000	59,980	120,596	(60,616)
Capital Outlay			1,324,110	(1,324,110)
TOTAL EXPENDITURES	<u>\$ 125,800</u>	<u>\$ 172,780</u>	<u>\$ 1,589,656</u>	<u>\$ (1,416,876)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (125,790)</u>	<u>\$ (83,770)</u>	<u>\$ (720,656)</u>	<u>\$ (636,886)</u>
OTHER FINANCING SOURCES(USES)				
Contributed by Other Governmental Unit	\$	\$	\$ 533,458	\$ 533,458
Developer Advances	125,790	83,770	244,000	160,230
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ 125,790</u>	<u>\$ 83,770</u>	<u>\$ 777,458</u>	<u>\$ 693,688</u>
NET CHANGE IN FUND BALANCE	\$ -0-	\$ -0-	\$ 56,802	\$ 56,802
FUND BALANCE (DEFICIT) - OCTOBER 1, 2021	<u>(41,435)</u>	<u>(41,435)</u>	<u>(41,435)</u>	
FUND BALANCE (DEFICIT) - SEPTEMBER 30, 2022	<u>\$ (41,435)</u>	<u>\$ (41,435)</u>	<u>\$ 15,367</u>	<u>\$ 56,802</u>

See accompanying independent auditor's report.

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MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 191

**SUPPLEMENTARY INFORMATION – REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE**

SEPTEMBER 30, 2022

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 191
SERVICES AND RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

SERVICES PROVIDED BY THE DISTRICT DURING THE FISCAL YEAR:

<u> X </u>	Retail Water	_____	Wholesale Water	<u> X </u>	Drainage
<u> X </u>	Retail Wastewater	_____	Wholesale Wastewater	_____	Irrigation
_____	Parks/Recreation	_____	Fire Protection	_____	Security
<u> X </u>	Solid Waste/Garbage	_____	Flood Control	_____	Roads
_____	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):

Based on the rate order effective June 10, 2022.

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons over Minimum Use</u>	<u>Usage Levels</u>
WATER:	\$ 20.00	10,000	N	\$ 1.50 \$ 1.75 \$ 2.00 \$ 2.50 \$ 3.50	10,001 to 15,000 15,001 to 20,000 20,001 to 25,000 25,001 to 30,000 30,001 and up
WASTEWATER:	\$ 47.50		Y		Includes trash collection
SURCHARGE:					

District employs winter averaging for wastewater usage? _____ X
Yes No

Total monthly charges per 10,000 gallons usage: Water: 20.00 Wastewater: \$47.50 Total: \$67.50

See accompanying independent auditor's report.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 191
SERVICES AND RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered			x 1.0	
≤ ³ / ₄ "	<u>53</u>	<u>53</u>	x 1.0	<u>53</u>
1"			x 2.5	
1½"	<u>1</u>	<u>1</u>	x 5.0	<u>5</u>
2"	<u>3</u>	<u>3</u>	x 8.0	<u>24</u>
3"			x 15.0	
4"			x 25.0	
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water Connections	<u><u>57</u></u>	<u><u>57</u></u>		<u><u>92</u></u>
Total Wastewater Connections	<u><u>46</u></u>	<u><u>46</u></u>	x 1.0	<u><u>46</u></u>

3. TOTAL WATER CONSUMPTION DURING THE FISCAL YEAR ROUNDED TO THE NEAREST THOUSAND: (Unaudited)

Gallons pumped into system:	N/A	Water Accountability Ratio: 6.58 % (Gallons billed and sold/Gallons pumped and purchased)
Gallons billed to customers:	9,030,000	
Gallons purchased	137,200,000	From: Quadvest Wholesale

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 191
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED SEPTEMBER 30, 2022

PROFESSIONAL FEES:	
Engineering	\$ 19,969
Legal	<u>64,223</u>
TOTAL PROFESSIONAL FEES	<u>\$ 84,192</u>
PURCHASED SERVICES FOR RESALE:	
Purchased Water Service	\$ 19,655
Purchased Wastewater Service	<u>825</u>
TOTAL PURCHASED SERVICES FOR RESALE	<u>\$ 20,480</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 11,860
Operations and Billing	4,061
Tax Collector	<u>6,679</u>
TOTAL CONTRACTED SERVICES	<u>\$ 22,600</u>
REPAIRS AND MAINTENANCE	<u>\$ 17,678</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees, Including Payroll Taxes	\$ 6,943
Election Costs	12,708
Insurance	3,019
Office Supplies and Postage	401
Travel and Meetings	584
Other	<u>11,613</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 35,268</u>
CAPITAL OUTLAY	<u>\$ 1,324,110</u>
TAP CONNECTIONS	<u>\$ 74,860</u>
OTHER EXPENDITURES:	
Reconnection Fees	\$ 2,729
Inspection Fees	<u>7,739</u>
TOTAL OTHER EXPENDITURES	<u>\$ 10,468</u>
TOTAL EXPENDITURES	<u>\$ 1,589,656</u>

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 191
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Maintenance Taxes	
TAXES RECEIVABLE -		
OCTOBER 1, 2021	\$	
Adjustments to Beginning		
Balance	_____	\$ -0-
Original 2021 Tax Levy	\$ 22,781	
Adjustment to 2021 Tax Levy	_____ (827)	_____ 21,954
TOTAL TO BE		
ACCOUNTED FOR		\$ 21,954
 TAX COLLECTIONS:		
Prior Years	\$	
Current Year	_____ 21,954	_____ 21,954
 TAXES RECEIVABLE -		
SEPTEMBER 30, 2022		\$ -0-

See accompanying independent auditor's report.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 191
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

	2021
PROPERTY VALUATIONS:	
Land	\$ 1,626,220
Improvements	
Personal Property	
Exemptions	
TOTAL PROPERTY	
VALUATIONS	<u>\$ 1,626,220</u>
TAX RATES PER \$100	
VALUATION:	
Debt Service	\$ 0.00
Maintenance	<u>1.35</u>
TOTAL TAX RATES PER	
\$100 VALUATION	<u>\$ 1.35</u>
ADJUSTED TAX LEVY*	<u>\$ 21,954</u>
PERCENTAGE OF TAXES	
COLLECTED TO TAXES	
LEVIED	<u>100.00 %</u>

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

Maintenance Tax – Maximum tax rate of \$1.50 per \$100 of assessed valuation approved by voters on May 1, 2021.

See accompanying independent auditor’s report.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 191
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2022**

District Mailing Address - Montgomery County Municipal Utility District No. 191
c/o MLG
202 Century Square Boulevard
Sugar Land, Texas 77478

District Telephone Number - (281) 500-6050

Board Members	<u>Term of Office (Elected or Appointed)</u>	<u>Fees of Office for the year ended September 30, 2022</u>	<u>Expense Reimbursements for the year ended September 30, 2022</u>	<u>Title</u>
David Chambers	05/2021 - 05/2024 (Elected)	\$ 1,650	\$ 141	President
Shaun Smith	05/2022 - 05/2026 (Elected)	\$ 1,350	\$ 93	Vice President
Phillip Smith, Jr.	05/2022 - 05/2026 (Elected)	\$ 1,500	\$ 200	Secretary
Greg McGrath	05/2021 - 05/2024 (Elected)	\$ 1,350	\$ 40	Assistant Vice President
Jessie Kathleen Moses	05/2021 - 05/2024 (Elected)	\$ 600	\$ -0-	Assistant Secretary

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

Submission date of most recent District Registration Form: June 8, 2022

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200 as set by Board Resolution on February 11, 2021. Fees of Office are the amounts actually paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.

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**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 191
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2022**

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended September 30, 2022</u>	<u>Title</u>
The Muller Law Group	02/11/21	\$ 76,071	General Counsel
McCall Gibson Swedlund Barfoot PLLC	06/10/22	\$ -0-	Auditor
Municipal Accounts & Consulting, L.P.	02/11/21	\$ 12,674	Bookkeeper
Predue, Brandon, Fielder, Collins & Mott, L.L.P.	07/14/21	\$ -0-	Delinquent Tax Attorney
Robert W. Baird & Co. Incorporated	02/11/21	\$ -0-	Financial Advisor
Elevation Land Solutions	02/11/21	\$ 19,969	Engineer
Environmental Development Partners	07/14/21	\$ 108,795	Operator
Utility Tax Service, LLC	02/11/21	\$ 6,679	Tax Assessor/ Collector

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 163
MONTGOMERY COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
SEPTEMBER 30, 2022

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 163

MONTGOMERY COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2022

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McCALL GIBSON SWEDLUND BARFOOT PLLC

Certified Public Accountants

13100 Wortham Center Drive
Suite 235
Houston, Texas 77065-5610
(713) 462-0341
Fax (713) 462-2708

PO Box 29584
Austin, Texas 78755-5126
(512) 610-2209
E-Mail: mgsb@mgsbpllc.com
www.mgsbpllc.com

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Montgomery County Municipal Utility District No. 163
Montgomery County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and major fund of Montgomery County Municipal Utility District No. 163 (the "District") as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the District as of September 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Board of Directors
Montgomery County Municipal Utility District No. 163

Supplementary Information

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

McCall Gibson Swedlund Barfoot PLLC

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

February 2, 2023

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 163
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

Management’s discussion and analysis of Montgomery County Municipal Utility District No. 163’s (the “District”) financial performance provides an overview of the District’s financial activities for the year ended September 30, 2022. Please read it in conjunction with the District’s financial statements.

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

FUND FINANCIAL STATEMENTS

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has one governmental fund type. The General Fund accounts for developer advances, operating costs and general expenditures.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 163
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

FUND FINANCIAL STATEMENTS (Continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, liabilities exceeded assets by \$2,590,538 as of September 30, 2022. This is the District's first audit. In future years a comparative analysis of government-wide changes in net position will be presented. The following table provides a summary of the Statement of Net Position for the year ended September 30, 2022:

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 163
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of the Statement of Net Position 2022
Current and Other Assets	\$ 82,632
Capital Assets (Net of Accumulated Depreciation)	10,425,264
Total Assets	\$ 10,507,896
Due to Developer	\$ 13,080,025
Other Liabilities	18,409
Total Liabilities	\$ 13,098,434
Net Position:	
Net Investment in Capital Assets	\$ (2,654,761)
Unrestricted	64,223
Total Net Position	\$ (2,590,538)

The following table provides a summary of the District's operations for the year ended September 30, 2022, which is the initial audit period for the District.

	Summary of the Statement of Activities 2022
Total Revenues	\$ 600,007
Expenses for Services	3,033,888
Change in Net Position	\$ (2,433,881)
Net Position, Beginning	(156,657)
Net Position, Ending	\$ (2,590,538)

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 163
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUND

The District's General Fund fund balance as of September 30, 2022, was \$64,223, an increase of \$78,010 from the prior year. The District used developer advances to pay for current year administrative costs and a contribution to TxDOT.

CAPITAL ASSETS

Capital assets as of September 30, 2022 total \$10,425,264 (net of accumulated depreciation) and include water, wastewater and detention facilities which the District will be responsible for maintaining. Additional information on the District's capital assets can be found in Note 6 of this report.

	2022
Capital Assets, Net of Accumulated	
Depreciation:	
Water System	\$ 476,325
Wastewater System	442,293
Detention Facilities	9,506,646
Total Net Capital Assets	\$ 10,425,264

The District also entered into a lease agreement for a wastewater treatment facility which is not yet operational. When it is operational, it will be recorded as a right-of-use asset in the government-wide financial statements. See Note 8 for further disclosure.

LONG-TERM DEBT

As of September 30, 2022, the District recorded an amount due to Developer of \$13,080,025 which consists of payments for operating and construction advances made by the Developer as well as expenditures made on behalf of the District for water, wastewater and drainage facilities for which the District has not sold bonds.

The District also entered into a lease agreement for a wastewater treatment facility which is not yet operational. When it is operational, it will be recorded as a lease liability in the government-wide financial statements. See Note 8 for further disclosure.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors adopted an unappropriated budget for the current year. Actual revenues were \$7 more than budgeted revenues, actual expenditures were \$1,281,448 more than budgeted expenditures and actual advances were \$1,359,451 more than budgeted. This resulted in a positive variance of \$78,010. See the budget to actual comparison for more information.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 163
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Montgomery County Municipal Utility District No. 163, c/o The Muller Law Group, 202 Century Square Boulevard, Sugar Land, Texas 77478.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 163
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUND BALANCE SHEET
SEPTEMBER 30, 2022

	General Fund	Adjustments	Statement of Net Position
ASSETS			
Cash	\$ 14,962	\$ -0-	\$ 14,962
Prepaid Costs	67,670		67,670
Capital Assets (Net of Accumulated Depreciation)	_____	10,425,264	10,425,264
TOTAL ASSETS	\$ 82,632	\$ 10,425,264	\$ 10,507,896
 LIABILITIES			
Accounts Payable	\$ 18,409	\$	\$ 18,409
Due to Developers	_____	13,080,025	13,080,025
TOTAL LIABILITIES	\$ 18,409	\$ 13,080,025	\$ 13,098,434
 FUND BALANCE			
Nonspendable:			
Prepaid Costs	\$ 67,670	\$ (67,670)	\$
Unassigned	(3,447)	3,447	_____
TOTAL FUND BALANCE	\$ 64,223	\$ (64,223)	\$ -0-
 TOTAL LIABILITIES AND FUND BALANCE	\$ 82,632		
 NET POSITION			
Net Investment in Capital Assets		\$ (2,654,761)	\$ (2,654,761)
Unrestricted		64,223	64,223
TOTAL NET POSITION		\$ (2,590,538)	\$ (2,590,538)

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

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 163
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2022**

Total Fund Balance - Governmental Fund	\$	64,223
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		10,425,264
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Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year-end consist of:

Due to Developer	<u>\$ (13,080,025)</u>	<u>(13,080,025)</u>
Total Net Position - Governmental Activities		<u>\$ (2,590,538)</u>

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

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 163
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	General Fund	Adjustments	Statement of Activities
REVENUES			
Contribution from Other Governmental Unit	\$	\$ 600,000	\$ 600,000
Investment and Miscellaneous Revenues	<u>7</u>	<u> </u>	<u>7</u>
TOTAL REVENUES	<u>\$ 7</u>	<u>\$ 600,000</u>	<u>\$ 600,007</u>
 EXPENDITURES/EXPENSES			
Service Operations:			
Professional Fees	\$ 118,575	\$	\$ 118,575
Contracted Services	21,168		21,168
Repairs and Maintenance	13,456		13,456
Depreciation		124,571	124,571
Other	20,468		20,468
Contribution to TXDOT	1,263,911		1,263,911
Conveyed to the County	<u> </u>	<u>1,471,739</u>	<u>1,471,739</u>
TOTAL EXPENDITURES/EXPENSES	<u>\$ 1,437,578</u>	<u>\$ 1,596,310</u>	<u>\$ 3,033,888</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (1,437,571)</u>	<u>\$ (996,310)</u>	<u>\$ (2,433,881)</u>
OTHER FINANCING SOURCES (USES)			
Developer Advances	<u>\$ 1,515,581</u>	<u>\$ (1,515,581)</u>	<u>\$ -0-</u>
NET CHANGE IN FUND BALANCE	\$ 78,010	\$ (78,010)	\$
CHANGE IN NET POSITION		(2,433,881)	(2,433,881)
FUND BALANCE (DEFICIT)/NET POSITION - OCTOBER 1, 2021	<u>(13,787)</u>	<u>(142,870)</u>	<u>(156,657)</u>
FUND BALANCE/NET POSITION - SEPTEMBER 30, 2022	<u>\$ 64,223</u>	<u>\$ (2,654,761)</u>	<u>\$ (2,590,538)</u>

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

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 163
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

Net Change in Fund Balance - Governmental Fund	\$	78,010
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Amounts reported for governmental activities in the Statement of Activities are different because:

Capital assets owned by the District that have been funded by a contribution from another governmental unit is recorded as revenue in the Statement of Activities.		600,000
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Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated, and the depreciation expense is recorded in the Statement of Activities.		(124,571)
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Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets completed in the current year and conveyed to other entities are recorded as expenses.		(1,471,739)
--	--	-------------

Governmental funds report developer advances as other financing sources. However, in the Statement of Net Position, developer advances, net any amount paid to the developer, are recorded as a liability.		<u>(1,515,581)</u>
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Change in Net Position - Governmental Activities	\$	<u>(2,433,881)</u>
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The accompanying notes to the financial statements are an integral part of this report.

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MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 163
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 1. CREATION OF DISTRICT

The District was legislatively created, effective June 10, 2019, in accordance with the Texas Water Code, Chapters 49 and 54. The District is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water, wastewater service, storm sewer drainage, irrigation, to construct roads, and to construct parks and recreational facilities for the residents of and customers within the District's service area. The Board of Directors held its first meeting on February 10, 2021.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

Financial Statement Presentation

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

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

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

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 163
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

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

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

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

Governmental Fund

The District has one governmental fund and considers it to be a major fund.

General Fund - To account for developer advances, operating costs and general expenditures.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 163
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

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

Budgeting

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

Pensions

A pension plan has not been established. The District does not have employees, except that the Internal Revenue Service has determined that directors are considered “employees” for federal payroll tax purposes only.

Measurement Focus

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

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 163
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

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

Nonspendable: amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted: amounts that can be spent only for specific purposes because of constitutional provisions, or enabling legislation, or because of constraints that are imposed externally. The District does not have any restricted fund balances.

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

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

Unassigned: all other spendable amounts in the General Fund.

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

Accounting Estimates

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

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 163
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 3. DEPOSITS AND INVESTMENTS

Deposits

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

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District's deposits was \$14,962 and the bank balance was \$14,962. The District was not exposed to custodial credit risk at year-end.

Investments

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

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

As of September 30, 2022, the District did not have any investments.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 163
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 4. MAINTENANCE TAX

On May 1, 2021, the voters of the District approved the levy and collection of a maintenance tax not to exceed \$1.50 per \$100 of assessed valuation of taxable property within the District.

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

NOTE 5. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage since inception.

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2022 is as follows:

	October 1, 2021	Increases	Decreases	September 30, 2022
Capital Assets Subject to Depreciation				
Water System	\$	\$ 478,100	\$	\$ 478,100
Wastewater System		443,942		443,942
Detention Facilities		9,627,793		9,627,793
Total Capital Assets Subject to Depreciation	\$ - 0 -	\$ 10,549,835	\$ - 0 -	\$ 10,549,835
Accumulated Depreciation				
Water System	\$	\$ 1,775	\$	\$ 1,775
Wastewater System		1,649		1,649
Detention Facilities		121,147		121,147
Total Accumulated Depreciation	\$ - 0 -	\$ 124,571	\$ - 0 -	\$ 124,571
Total Depreciable Capital Assets, Net of Accumulated Depreciation	\$ - 0 -	\$ 10,425,264	\$ - 0 -	\$ 10,425,264
Total Capital Assets, Net of Accumulated Depreciation	\$ - 0 -	\$ 10,425,264	\$ - 0 -	\$ 10,425,264

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 163
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 7. REGIONAL FACILITIES

The District serves as the Master District (the “Master District”) of a regional system (the “Master District System”) in which the Master District provides, finances, constructs, owns, operates, and/or maintains certain public water, sewer, drainage, road and park facilities (“Master District Facilities”) to serve other municipal utility districts (each a “Participant”) that i) are located within the Master District’s service area consisting of approximately 1,825 acres in the vicinity of FM1314 and SH242 (covering master planned communities known as Maveria and Evergreen) (the “Service Area”) and, ii) have entered into the Contract for Construction, Financing, Operation, and Maintenance of Regional Facilities (the “Master District Contract”) with the Master District. Use of this Master District System encourages regionalization and helps avoid duplication of facilities. Each Participant will finance, construct, own, operate and maintain its own internal water, sewer, drainage, road and park facilities.

There are currently four additional municipal districts other than the Master District within the Service Area. These are Montgomery County Municipal Utility District Nos. 191, 162, 192 and 194; however, Montgomery County Municipal Utility District Nos. 192 (“MUD 192”) and 194 (“MUD 194”) are not actively developing, have not entered into the Master District Contract, and, therefore, are not considered Participants at this time. Montgomery County Municipal Utility District Nos. 191 (“MUD 191”) and 162 (“MUD 162”) has entered into the Master District Contract and are Participants.

The Master District’s Service Area is divided between two Sub-Service Areas, the “East Service Area” and the “West Service Area.” The East Service Area generally corresponds with that portion of the Service Area east of FM1314, and the West Service Area generally corresponds with that portion of the Service Area west of FM1314. Currently, Master District Facilities provided by the Master District in the East Service Area serve MUD 191 (and may serve MUD 192 if and when such district begins developing and approves the Master District Contract), and Master District Facilities provided by the Master District in the West Service Area serve MUD 162 (and may serve MUD 194 if and when such district begins developing and approves the Master District Contract).

Among other things, the Master District Contract provides that the Master District will issue bonds from time to time to finance Master District Facilities that serve the Participants (“Master District Bonds”). Such bonds will be issued as contract revenue bonds payable solely from the contract revenues collected by the Master District from the Participants for such purpose. The Participants are required to levy and collect a contract tax, without legal limit as to rate or amount, on all taxable property within their respective boundaries sufficient to pay their respective pro rata shares of the debt service payments on the Master District Bonds, including,

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 163
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 7. REGIONAL FACILITIES (Continued)

if applicable, any charges and expenses of paying agents, registrars and trustees utilized in connection with the Master District Bonds, the principal, interest and redemption requirements of the Master District Bonds and all amounts required to establish and maintain funds established under the Master District Bond documents entered into by the Master District. Each Participant's contract payments will be calculated annually by the Master District; however, the levy of a contract tax or the provisions of other lawfully available funds to make its contract payments is the sole responsibility of each Participant.

A Participant's pro rata share of the debt service payments on Master District Bonds is calculated as the total assessed value of taxable property located in such district divided by the total assessed value of taxable property located within the boundaries of all Participants, either within the Service Area or Sub-Service Area, as applicable. There is no limit in the Master District Contract on the total principal amount of Master District Bonds that may be issued by the Master District.

The Master District Contract further requires that each Participant fund its pro-rata share of the Master District's operational expenses. General operating expenses of the Master District are split 50/50 between the East Service Area and West Service Area, with each Participants' share being calculated based upon its pro-rata share of the total number of water connections located within the boundaries of all Participants in the respective Sub-Service Area. Operations and maintenance charges for the regional drainage channel that serves both the East and West Service Areas are allocated as follows: 100% of operation and maintenance costs attributable to that portion of the drainage channel east of FM1314 are paid by Participant(s) in the East Service Area, and costs attributable to that portion of the channel west of FM1314 are split 55% East Service Area and 45% West Service Area. The costs of other services provided by the Master District to its Participants that are specific to one sub-service area are paid 100% by the Participant(s) in such sub-service area based on a district's pro-rata share of connections in the sub-service area.

Each Participant is obligated to establish and maintain rates, fees, and charges for its services which, together with tax revenues and funds received from any other lawful sources, are sufficient at all times to pay the operation and maintenance expenses of the Master District. If any Participant fails to pay its share of these costs in a timely manner, the Master District Contract provides that the Master District shall be entitled to cancel, in whole or in part, any reservation or allocation of capacity in the Master District Facilities by such Participant in addition to the Master District's other remedies pursuant to the Master District Contract. As a practical matter, the Participants have no alternative provider of the regional services rendered by the Master District under the Master District Contract. Participants pay their pro-rata shares of the Master District's operation and maintenance costs through "Monthly Charges" invoiced monthly by the Master District.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 163
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 7. REGIONAL FACILITIES (Continued)

Water Facilities: Pursuant to the Master District Contract, the District is responsible for planning and providing regional water facilities to the Participants within its Service Area. In order to provide water supply services within the West Service Area, the Master District is constructing its initial phase of its water plant, which such initial phase capable of serving 750 ESFC (“Water Plant”).

The above-described Water Plant serves the West Service Area. Currently, the Master District is not providing water supply services to the East Service Area. Such services are being provided in the East Service Area pursuant to a Wholesale Agreement for Water and Wastewater Service between MUD 191 and Quadvest Wholesale, LLC (“Quadvest”), dated January 21, 2021, as amended (the “Wholesale Agreement”). Pursuant to the Wholesale Agreement, including amendments, Quadvest agreed to provide MUD 191 sufficient water supply capacity to serve up to 3,230 equivalent single-family connections (“ESFC”).

Wastewater Facilities: Pursuant to the Master District Contract, the District is responsible for planning and providing regional wastewater facilities to the Participants within its Service Area. In order to provide wastewater treatment services within the West Service Area, the Master District entered into an Equipment Lease Agreement with AUC Group, LLC (“AUC”) dated August 4, 2022 (“Lease”), whereby AUC will construct a wastewater treatment plant with a capacity of 200,000 gallons per day average daily flow (“Wastewater Treatment Plant”). The initial term of the Lease is 10 years and may be extended until such time as the Master District exercises its Purchase Option (as defined in the Lease). Upon substantial completion of installation of the Wastewater Treatment Plant, the Master District shall be responsible for the operation and maintenance of the plant, and shall also be responsible for commencing monthly lease payments to AUC. Lease payments are as follows: \$31,060 per month for months 1-24, \$36,610 per month for months 25-120, and \$29,900 per month for any months beyond the initial term of the Lease. The Master District may exercise its Purchase Option beginning in month 72 of the Lease by paying the amount shown in Exhibit C-1 to the Lease, which amount decreases each month the option is not exercised, provided that the minimum purchase option shall be \$723,557.

The above-described Lease serves the West Service Area. Currently, the Master District is not supplying wastewater treatment services to the East Service Area. Such services are being provided in the East Service Area pursuant to a Wholesale Agreement for Water and Wastewater Service between MUD 191 and Quadvest Wholesale, LLC (“Quadvest”), dated January 21, 2021, as amended (the “Wholesale Agreement”). Pursuant to the Wholesale Agreement, including amendments, Quadvest agreed to provide MUD 191 sufficient wastewater treatment capacity to serve up to 3,230 equivalent single-family connections (“ESFC”).

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 163
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 7. REGIONAL FACILITIES (Continued)

Master Drainage: The Master District also provides the Service Area with drainage facilities, which include drainage channel facilities, detention pond facilities, and conveyance storm sewer lines (“Storm-Water Drainage Facilities”). The Master District is responsible for operation and maintenance of the Storm-Water Drainage Facilities.

Internal Water Distribution, Wastewater Collection, and Storm Drainage Facilities: Internal water distribution, wastewater collection and storm drainage facilities have been constructed, are being constructed, or will be constructed by the Participants. The Participant’s systems tie into the Master District’s Systems.

NOTE 8. WASTEWATER TREATMENT PLANT LEASE

On August 4, 2022, the District executed an equipment lease agreement with AUC Group, Inc. for the lease of the 200,000 gallon per day Phase 1 Wastewater Treatment Plant. The 120-month lease accrues interest at 8% annually with monthly payments of \$31,060 for the first 24 months and \$36,610 thereafter. Upon execution of the agreement, the District made the first and last month lease payments which totaled \$67,670. This amount has been recorded as a prepaid as of September 30, 2022. The plant is expected to become operational around June 1, 2023.

NOTE 9. UNREIMBURSED COSTS

The District has entered into certain financing and reimbursement agreements with a Developer within the District which provides for the Developer to make payments on behalf of the District for various projects and operating advances. The District has an obligation to reimburse the Developer for these costs from future bond issues to the extent approved by the Commission.

The District has recorded a liability to the Developer of \$13,080,025 for operating and construction advances and completed projects as of September 30, 2022. The actual amounts owed, including developer interest, will be calculated at the time debt is issued to reimburse the Developer. During the current fiscal year, the District has recorded a \$600,000 contribution from another governmental unit that was used to fund a portion of a project owned and operated by the District. This amount has been applied to the amount recorded as a due to the developer for this project. The following table summarizes the current fiscal year activity related to unreimbursed Developer costs for operating advances and completed projects:

Due to Developers, beginning of year	\$	142,870
Current year additions		13,537,155
Current year reductions		600,000
Due to Developers, end of year	\$	13,080,025

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 163
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 10. ECONOMIC DEPENDENCY

The District's Developer owns a substantial portion of the taxable property within the District. The Developer's ability to provide operating advances could directly affect the District's ability to meet its financial obligations.

NOTE 11. TXDOT ADVANCE FUNDING AGREEMENT

On October 15, 2021, the District executed an Advance Funding Agreement with the Texas Department of Transportation (TXDOT). Pursuant to the agreement, the District contributed \$1,263,911 toward TXDOT's construction of west-bound right turn land and east-bound left turn lane on SH 242 and the construction of a box culvert under FM 1314 as part of the TXDOT construction of a bridge on SH 242 at FM 1314. Once the project is completed, TXDOT will either invoice the District for cost overruns or remit a check to the District for overpayment.

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MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 163

REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2022

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 163
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Investment and Miscellaneous Revenues	\$ <u> </u>	\$ <u> 7</u>	\$ <u> 7</u>
EXPENDITURES			
Service Operations:			
Professional Fees	\$ 125,900	\$ 118,575	\$ 7,325
Contracted Services	8,000	21,168	(13,168)
Repairs and Maintenance/Capital Outlay		13,456	(13,456)
Other	22,230	20,468	1,762
Contribution to TXDOT	<u> </u>	<u>1,263,911</u>	<u>(1,263,911)</u>
TOTAL EXPENDITURES	<u>\$ 156,130</u>	<u>\$ 1,437,578</u>	<u>\$ (1,281,448)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (156,130)</u>	<u>\$ (1,437,571)</u>	<u>\$ (1,281,441)</u>
OTHER FINANCING SOURCES(USES)			
Developer Advances	<u>\$ 156,130</u>	<u>\$ 1,515,581</u>	<u>\$ 1,359,451</u>
NET CHANGE IN FUND BALANCE	\$ -0-	\$ 78,010	\$ 78,010
FUND BALANCE(DEFICIT) - OCTOBER 1, 2021	<u>(13,787)</u>	<u>(13,787)</u>	<u> </u>
FUND BALANCE(DEFICIT) - SEPTEMBER 30, 2022	<u>\$ (13,787)</u>	<u>\$ 64,223</u>	<u>\$ 78,010</u>

See accompanying independent auditor's report.

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MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 163

**SUPPLEMENTARY INFORMATION – REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE**

SEPTEMBER 30, 2022

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 163
SERVICES AND RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes X No

County in which District is located:

Montgomery County, Texas

Is the District located within a city?

Entirely X Partly Not at all

City of Cities in which District is located:

Conroe, Texas.

Are Board Members appointed by an office outside the District?

Yes No X

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 163
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED SEPTEMBER 30, 2022

PROFESSIONAL FEES:	
Engineering	\$ 23,867
Legal	94,708
	118,575
TOTAL PROFESSIONAL FEES	\$ 118,575
CONTRACTED SERVICES:	
Bookkeeping	\$ 21,168
REPAIRS AND MAINTENANCE	\$ 13,456
ADMINISTRATIVE EXPENDITURES:	
Director Fees, Including Payroll Taxes	\$ 9,043
Insurance	3,151
Office Supplies and Postage	411
Travel and Meetings	159
Other	7,704
	20,468
TOTAL ADMINISTRATIVE EXPENDITURES	\$ 20,468
CAPITAL OUTLAY	
Capitalized Assets	\$
Expenditures Not Capitalized-Contribution to TXDOT	1,263,911
	1,263,911
TOTAL CAPITAL OUTLAY	\$ 1,263,911
TOTAL EXPENDITURES	\$ 1,437,578

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 163
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2022

District Mailing Address - Montgomery County Municipal Utility District No. 163
c/o The Muller Law Group
202 Century Square Blvd.
Sugar Land, Texas 77478

District Telephone Number - (281) 500-6050

Board Members	Term of Office (Elected or Appointed)	Fees of Office for the year ended September 30, 2022	Expense Reimbursements for the year ended September 30, 2022	Title
Richard Derr	05/2021 - 05/2024 (Elected)	\$ 1,950	\$ -0-	President
George Randall “Randy” Davis	05/2022 - 05/2026 (Elected)	\$ 1,650	\$ -0-	Vice President
Robert “Bob” Hibbetts	05/2021 - 05/2024 (Elected)	\$ 1,500	\$ -0-	Secretary
Kim Hess	05/2022 - 05/2026 (Elected)	\$ 1,800	\$ -0-	Assistant Vice President/ Assistant Secretary
Lisa Nickel	05/2021 - 05/2024 (Elected)	\$ 1,500	\$ -0-	Assistant Secretary

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

Submission date of most recent District Registration Form: February 10, 2021

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200 as set by Board Resolution on February 10, 2021. Fees of Office are the amounts actually paid to a Director during the District’s current fiscal year.

See accompanying independent auditor’s report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 163
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2022

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended September 30, 2022</u>	<u>Title</u>
The Muller Law Group	02/10/21	\$ 94,708	General Counsel
McCall Gibson Swedlund Barfoot PLLC	07/07/22	\$ -0-	Auditor
Municipal Accounts & Consulting, L.P.	02/10/21	\$ 21,942	Bookkeeper
Robert W. Baird & Co. Incorporated	02/10/21	\$ -0-	Financial Advisor
Elevation Land Solutions	02/10/21	\$ 23,867	Engineer
Utility Tax Service, LLC	02/10/21	\$ -0-	Tax Assessor/ Collector
Municipal District Services	09/02/21	\$ -0-	Operator – West Service Area

See accompanying independent auditor's report.

APPENDIX C
SPECIMEN MUNICIPAL BOND INSURANCE POLICY



BAM

**MUNICIPAL BOND
INSURANCE POLICY**

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

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

Effective Date: _____

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

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

SPECIAL MEMBER

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

1 World Financial Center, 27th floor

200 Liberty Street

New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN